

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

STATE LAND BOARD MEETING

February 9, 2010

State Lands Building

775 Summer Street NE, Salem, Oregon

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

TABLE OF CONTENTS

<u>AGENDA ITEM NO.</u>	<u>PAGE</u>
Consent Agenda	1
(Adopted, Page 2)	
Action Item No. 1	2
(Adopted, Page 7)	
Action Item No. 2	8
(Adopted, Page 15)	
Informational Items	16

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

TRANSCRIPT OF PROCEEDINGS

GOVERNOR KULONGOSKI: This is the Land Board meeting set for February 9, 2010.

DIRECTOR SOLLIDAY: Governor, before I start the agenda this morning -- hello.

GOVERNOR KULONGOSKI: Well, Louise, that just shows we're not going to listen anyway.

DIRECTOR SOLLIDAY: Before I start the agenda today I want to welcome members of the Board of Forestry who have joined us today, who are interested both in the decision for the future of the Elliott, also interested in (unintelligible) the United States.

GOVERNOR KULONGOSKI: Thank you. And Treasurer Westlund is with us by phone today. And so go right ahead.

DIRECTOR SOLLIDAY: Thank you. The first item is the Consent Agenda. There are three items on the Consent Agenda today. The first is a request for approval of the minutes of the December 8, 2009, State Land Board meeting. Second is a request for approval to initiate a review and determination of the sale of 40 acres of land in Klamath County.

We received an application for the purchase of this parcel based on the rangeland parcel. Sale of this parcel is consistent with the Land Board's Asset Management Plan, to dispose of scattered isolated parcels that we also manage. And we are recommending that we sell the parcel through

1 (unintelligible) disposal of parcels. And the third item on
2 the agenda -- the Consent Agenda today is the request for
3 approval to pre-session file for legislative concepts. We have
4 two proposals.

5 One is to deal with the issue that arose last year,
6 result of an Administrative Law Judge decision in Deschutes
7 County. And it protects Bureau of Land Management parcels that
8 the Department had received (unintelligible). And the ALJ's
9 decision indicates that the parcels that have been split off
10 from larger BLM parcels and are granted either to the State or
11 to counties for local uses are not legal lots of record.

12 And so we are working with Deschutes County and other
13 counties to develop a legislative resolution plan. And then
14 the second legislative concept is one that we also started
15 through the process in 2009; that's a proposal to move the
16 Natural Heritage program to Parks Department, in 2009 did not
17 make it through the (unintelligible) budget process and as the
18 budget issues of the Parks Department. But we would like to
19 attempt to move the program again in the 2011 session.

20 **SECRETARY OF STATE BROWN:** Governor, I would move
21 approval of the Consent Agenda.

22 **GOVERNOR KULONGOSKI:** Ben?

23 **STATE TREASURER WESTLUND:** And I would second the
24 approval of the Consent Agenda.

25 **GOVERNOR KULONGOSKI:** Thank you very much. Is there

1 any further discussion? Hearing none, it's adopted.

2 **DIRECTOR SOLLIDAY:** Great. The first Action Item is
3 a briefing on or request for endorsement of the Mid-Columbia
4 Steelhead Conservation and Recovery Plan Action for the
5 Department of State Lands. And I might mention that at your
6 place there's a series of maps, the lowest handouts on your
7 desk as you walked in. They're associated with this plan and
8 our mineral rights (unintelligible) resource caucus on the
9 table to (unintelligible) this particular Action Item.

10 I also want to recognize our staff person who's been
11 working on all of the (unintelligible). So Joy is doing all
12 the work on these plans and participating on behalf of the
13 Department of State Lands and putting actions on the table that
14 will help (unintelligible) factors, which are listed under the
15 (unintelligible) priority area (unintelligible).

16 **SUE KNAPP:** Good morning, Governor, Secretary,
17 Treasurer Westlund. I'm looking forward to giving you this
18 short presentation about the Mid-Columbia Steelhead
19 Conservation and Recovery Plan. Fish were listed in 1999 and
20 (unintelligible) in 2000. The recovery plan was developed for
21 this (unintelligible) initiated in 2004 and completed in 2009.
22 As you can see, still had abundance as (unintelligible) 1999.
23 With that listing (unintelligible) 2004. (Unintelligible) plan
24 together. We have a plan team of agencies (unintelligible).

25 This plan was developed by Oregon Department of Fish

1 and Wildlife, the State of Oregon has their own fishery.
2 You'll see that delisting bar there, which is abundance bar.
3 But delisting is not (unintelligible). Above this delisting
4 bar (unintelligible) and this is Oregon's largest land use
5 portion (unintelligible).

6 There are three major population groups; East Cascade
7 Slope, which contains (unintelligible). John Day River
8 (unintelligible) areas of the John Day Basin three tributaries
9 (unintelligible) John Day. Finally, the Umatilla/Walla Walla
10 (unintelligible). We also have population (unintelligible).
11 John Day Basin is the best population of all populations
12 (unintelligible) John Day population is the only viable
13 population (unintelligible).

14 Implementation of the recovery plans require a
15 population structure. (unintelligible) structure here that
16 depends on the groups that (unintelligible). Ad hoc technical
17 team, scientists (unintelligible). There are a lot of actions
18 that are already taking place or are to take place the next 25,
19 50 years. What we're hoping is that these implementers
20 (unintelligible). The recovery teams (unintelligible) this is
21 a foundation of the action that will be implemented for the
22 recovery plan, voluntary actions are a key and critical to
23 addressing many of the issues.

24 Key of those issues is habitat degradation so
25 (unintelligible). Also have the agency programs; DSL recovery

1 is one of them that is (unintelligible) programs for that
2 habitat (unintelligible). There are a number of teams involved
3 in the Oregon campus on our watersheds, these teams are still
4 functioning and will be an integrated (unintelligible). This
5 is a five-stage recovery plan (unintelligible) the State of
6 Washington, State of Oregon (unintelligible).

7 And then last but not least within the Columbia River
8 there are regional forums that are (unintelligible). So that's
9 the implementation and limitation structure (unintelligible).
10 The other issue was (unintelligible) management. That will
11 (unintelligible) management practices (unintelligible).
12 Limitation of this plan is going to take a long time
13 (unintelligible).

14 **GOVERNOR KULONGOSKI:** Sue, help me on the North Fork
15 of the John Day, the Mercher (Phonetic) Ranch that the Parks
16 just purchased. How much of it was actually the river mileage
17 that they have?

18 **SUE KNAPP:** The river ranch is in the lower basin and
19 actually (unintelligible) 16 miles of riverfront property on
20 the river ranch.

21 **GOVERNOR KULONGOSKI:** Questions.

22 **SECRETARY OF STATE BROWN:** Could you talk to me a
23 little bit about accountability measures? And I appreciate
24 that it may take us 100 years to get there but how can we look
25 at this along the way and feel comfortable that we are

1 investing taxpayer dollars in appropriate ways?

2 **SUE KNAPP:** Good question. One of the tax people
3 (unintelligible) various entities and (unintelligible) are
4 three-year plans. So the accountability comes in -- especially
5 (unintelligible). There will also be a five-year
6 (unintelligible) using the information obtained from
7 (unintelligible) information. That is a trend, effectiveness
8 of action in the research.

9 So evaluation of that information (unintelligible)
10 State of Oregon is moving forward in its plan as to commit
11 ourselves. And I might add (unintelligible) conservation plan
12 in the State of Oregon (unintelligible).

13 **SECRETARY OF STATE BROWN:** Governor, another
14 question.

15 **GOVERNOR KULONGOSKI:** Please.

16 **SECRETARY OF STATE BROWN:** So on Appendix C, I just
17 was looking through this and in terms of particular programs
18 that are on the table and the reason for the programs and the
19 modification needed then; it's clear that a number of these
20 programs have funding constraints. And that was concerning to
21 me on a couple of levels; one, Measure 66; and number two, how
22 are we going to reach our goals in 100 years if we're not
23 adequately funding now. So could you address those, please?

24 **SUE KNAPP:** That is a major concern. There is a
25 realization at the federal level (unintelligible). There are a

1 number of different sources. They're not all just State
2 dollars (unintelligible).

3 **SECRETARY OF STATE BROWN:** Thank you.

4 **GOVERNOR KULONGOSKI:** Ben, do you have anything, any
5 questions?

6 **STATE TREASURER WESTLUND:** I'm good.

7 **GOVERNOR KULONGOSKI:** Thank you very, very much.

8 **SECRETARY OF STATE BROWN:** Thank you.

9 **DIRECTOR SOLLIDAY:** So the staff recommendation is
10 that the Board endorse the agency measures that are outlined in
11 the recovery plan be applied as items that are in the recovery
12 plan (unintelligible) fill law and the wetlands conservation
13 program by working (unintelligible) area to avoid
14 (unintelligible).

15 Secondly, to continue to streamline our removal/fill
16 application process (unintelligible). Third, where we've
17 identified restoration projects (unintelligible) will
18 facilitate (unintelligible). Fourth, to continue to provide
19 education and an outreach (unintelligible). And finally where
20 the priority are areas (unintelligible).

21 **SECRETARY OF STATE BROWN:** Governor, I would move
22 that we approve the staff recommendation, which is endorsement
23 of DSL's measures contained in the Mid-Columbia Steelhead
24 Conservation Recovery Plan.

25 **GOVERNOR KULONGOSKI:** Secretary Brown?

1 **STATE TREASURER WESTLUND:** I would second the motion
2 by Secretary of State of the issues contained within the
3 briefings in our notebooks.

4 **GOVERNOR KULONGOSKI:** Thank you. We've heard the
5 motion from Secretary Brown to adopt the recommendations of the
6 staff, and the second by Treasurer Brown. Is there any further
7 discussion?

8 **SECRETARY OF STATE BROWN:** Treasurer Westlund.

9 **GOVERNOR KULONGOSKI:** Westlund, Treasurer Westlund.
10 Any further discussion? Hearing none, it's adopted.

11 **DIRECTOR SOLLIDAY:** The next Action Item is the
12 discussion and possible action (unintelligible) Elliott State
13 Forest. State Forester Marvin Brown is here today to present
14 that item.

15 **SECRETARY OF STATE BROWN:** Governor, now you can use
16 the Brown name again.

17 **GOVERNOR KULONGOSKI:** Hi, Marvin. How are you today?

18 **MARVIN BROWN:** Good.

19 **SECRETARY OF STATE BROWN:** Forester Brown, yes.

20 **MARVIN BROWN:** Governor, Secretary Brown, Treasurer
21 Westlund, my name's Marvin Brown with the Department of
22 Forestry. If you recall at the last meeting (unintelligible).
23 Aquatic species (unintelligible). In lieu of that we've come
24 to you with a recommendation (unintelligible). The first would
25 be (unintelligible). I think this should get done by September

1 2010 and put that on schedule with (unintelligible). At the
2 same time we would recommend of course a potential deadline
3 (unintelligible). So we spent a lot of time talking through
4 the alternatives (unintelligible).

5 **DIRECTOR SOLLIDAY:** So I just might add we've added
6 another piece of this recommendation on your desk
7 (unintelligible) computer generated. I mention that about 100
8 of those computer-generated letters from different individuals
9 (unintelligible) across the state urging the Board to consider
10 carbon as a revenue source (unintelligible) action to this, and
11 that we would in fact investigate (unintelligible) in that
12 conversation by (unintelligible).

13 **GOVERNOR KULONGOSKI:** Louise, I've read the letters
14 and I think the other members have read them. Are they adopted
15 as part of the record?

16 **DIRECTOR SOLLIDAY:** Governor, they will be, yes.

17 **GOVERNOR KULONGOSKI:** Yeah, that's what I want to
18 make sure. Marvin, I have just before -- just three questions.
19 And not in the order that you gave them. First of all, are the
20 federal authorities, Fish and Wildlife and NMFS, still
21 maintaining their previous position that to have the federal
22 government sign off on the HCP, that I must have an agreement
23 both with Fish and Wildlife and NMFS?

24 **MARVIN BROWN:** Governor, I haven't heard anything.

25 **GOVERNOR KULONGOSKI:** The second issue. I want to

1 make sure I understand what you're proposing for December 31,
2 2011, deadline. We're operating under the 1995 HCP right now.
3 And you've been working on the revised HCP for nine years. And
4 if in fact we do not get agreement with both federal agencies
5 to get signoff we then terminate the current HCP. And then
6 what are we going to do with the revised HCP that we've been
7 working on? Are we going to continue working with that or --
8 go ahead, please.

9 **MARVIN BROWN:** Governor, what we would do for the
10 next two years, we would be working up a new (unintelligible)
11 revised plan (unintelligible). It would be, I guess, a revised
12 plan where we could contain some of the habitat
13 (unintelligible). There's going to be some risks because
14 (unintelligible). We're probably going to have
15 (unintelligible).

16 **GOVERNOR KULONGOSKI:** Marvin, so I make sure I
17 understand it; on January 1, 2012, if there's not an agreement
18 with the feds I understand that you will undertake a management
19 plan for risk avoidance strategy and that the revised HCP that
20 you've been working on will morph in some form into that
21 management plan. Okay. I've got it.

22 And let me just ask you; you deal with the federal
23 government on this and the whole issue with the take avoidance.
24 What is the federal government's view of that? Do you know if
25 that's the position they want the State to be in is operating

1 over there under a management plan with take avoidance?

2 **MARVIN BROWN:** Governor, I haven't posed that
3 question (unintelligible) mitigate some of the financial risk.
4 Looking more closely (unintelligible).

5 **GOVERNOR KULONGOSKI:** And that's the issue that I --
6 as the last hearing I couldn't understand because I do not
7 believe that it serves the State's interest, the public's
8 interest, the federal government's interest to get the State
9 into a position of having a management claim based upon -- it
10 just don't make any sense to me.

11 And I just wonder, maybe this is unfortunate to say
12 but maybe that's this position we're going to have to get to
13 amend before we're going to get a resolution to this, though.
14 The last piece that I'm interested in is the aquatic study.
15 And I've been through so many of these, and I just want to know
16 what are the details that you're looking at that actually will
17 get us a decision in six months or seven months? And who's on
18 it and who's going to set it up, then?

19 **MARVIN BROWN:** Governor, at this point we haven't had
20 any discussions (unintelligible). Right now we haven't had any
21 word back.

22 **GOVERNOR KULONGOSKI:** Go ahead, Louise.

23 **DIRECTOR SOLLIDAY:** Governor, we've had some
24 preliminary discussions with NMFS and if they're interested in
25 the independent (unintelligible) question is who does that

1 review (unintelligible). As I look at this (unintelligible).

2 **GOVERNOR KULONGOSKI:** Marvin, I want to go back to
3 our last hearing. And this is the last piece. Understanding,
4 because I don't think there's any code provision or rule
5 provision within the federal government that requires this
6 mutual agreement between Fish and Wildlife and NMFS before they
7 can actually sign off. This is a policy that they developed.

8 Let me just ask you and speculate with me for a
9 moment that December 2011 comes and we've gotten the agreement
10 as we have with Fish and Wildlife. But we don't have an
11 agreement with NMFS, even after we do your aquatic study. But
12 they decide that they're going to break the policy and we have
13 an agreement with Fish and Wildlife and we don't have an
14 agreement with NMFS, and we can go forward. I want you to
15 describe what going forward means for us if that's the case.

16 **MARVIN BROWN:** I believe we could move forward with
17 an HCP. We would still be responsible (unintelligible).

18 **GOVERNOR KULONGOSKI:** It would be the revised HCP, if
19 I understand what you're telling me. That would be implemented
20 as it relates to --

21 **MARVIN BROWN:** (unintelligible)

22 **GOVERNOR KULONGOSKI:** And then we would have a take-
23 avoidance strategy on the aquatic side.

24 **DIRECTOR SOLLIDAY:** Governor, I think there's a legal
25 question about whether we can do that in the policy guide

1 (unintelligible) regional offices of the Fish and Wildlife
2 Service. If there is one more (phonetic) habitat conservation
3 plan in place or (unintelligible) either agency
4 (unintelligible) another agency habitat conservation plan
5 (unintelligible).

6 So I think there is a question still on the table
7 (unintelligible) and maybe it doesn't always need to be
8 followed. But I think there is a question of whether in fact
9 an HCP (unintelligible).

10 **GOVERNOR KULONGOSKI:** Yeah, if both of the agencies
11 want to work the policy together, I agree with that. But if
12 one of them says no, we're going to go forward. That's what
13 I'm trying to figure out; all the options that we have out
14 there that I'm looking at on January 1, what is it, 2012.
15 Okay. Marvin, did you want to say anything?

16 **MARVIN BROWN:** No.

17 **GOVERNOR KULONGOSKI:** You were just going to say it's
18 a policy and they could make a different policy decision on it.

19 **MARVIN BROWN:** (unintelligible)

20 **GOVERNOR KULONGOSKI:** Yeah, it was. It was. That
21 was the question I asked.

22 **SECRETARY OF STATE BROWN:** Governor, just a quick
23 question. We've been doing this now for nine years, and the
24 next date timeframe would be December 31, 2011. Why that
25 particular date, can't we move it up a year? Why wait another

1 18 months or whatever we're at this point?

2 **MARVIN BROWN:** Well, Secretary Brown, if we're to
3 take avoidance we need this (unintelligible).

4 **SECRETARY OF STATE BROWN:** This is basically we have
5 all our options covered. Okay.

6 **GOVERNOR KULONGOSKI:** Ben, do you have any questions?

7 **STATE TREASURER WESTLUND:** No, sir.

8 **GOVERNOR KULONGOSKI:** That's it.

9 **DIRECTOR SOLLIDAY:** So Governor, just to remind you,
10 the staff recommendation (unintelligible) December 31, 2011, at
11 that time getting the HCP simultaneous to that we would be
12 working on an alternative strategy (unintelligible) would use
13 take-avoidance strategy, and finally that we would look at
14 (unintelligible).

15 **GOVERNOR KULONGOSKI:** Thank you. We're going to hear
16 now (unintelligible) on that fourth --

17 **MARVIN BROWN:** Take the action (phonetic) first.

18 **GOVERNOR KULONGOSKI:** You want me to do that first.

19 **DIRECTOR SOLLIDAY:** Well, we can --

20 **GOVERNOR KULONGOSKI:** Oh no, go right ahead.

21 **SECRETARY OF STATE BROWN:** Governor, I was going to
22 move the staff recommendation and I didn't know if I needed to
23 read through all the four strategies. Do I need to do that for
24 the record?

25 **GOVERNOR KULONGOSKI:** No.

1 **SECRETARY OF STATE BROWN:** Okay. Anyway, I move that
2 we approve the staff recommendation regarding the plan for the
3 Elliott.

4 **GOVERNOR KULONGOSKI:** Ben?

5 **STATE TREASURER WESTLUND:** Yes, sir.

6 **GOVERNOR KULONGOSKI:** Do you want to second it? It's
7 the adoption of the staff recommendations on the Elliott.

8 **STATE TREASURER WESTLUND:** Right, the four.

9 **GOVERNOR KULONGOSKI:** Yes.

10 **STATE TREASURER WESTLUND:** I so move it.

11 **GOVERNOR KULONGOSKI:** Secretary Brown has moved and
12 Treasurer Westlund has seconded the motion to adopt the staff
13 recommendations relating to the Elliott State Forest. Is there
14 any further discussion? Before we vote, I actually think this
15 is one of those partnerships with the federal government. If
16 we're ever going to move forward, they're going to have to
17 actually work with the State on this and try to see this
18 happen.

19 And I would not like to get into a position to have
20 to try to change the policy. I wish they would do that and
21 then try to find out a way that we can get this done. I do not
22 think the answer to this is to have a management plan based
23 upon take avoidance. I just don't think after all the time and
24 effort we put in, if this isn't what you want, Marvin, this
25 isn't what the Board wants, I don't think this is what the

1 public wants. But we've got to get the federal government to
2 be a better partner with us on this issue to get this resolved.
3 So with that, we'd call role.

4 **SECRETARY OF STATE BROWN:** Aye.

5 **DIRECTOR SOLLIDAY:** Treasurer Westlund?

6 **STATE TREASURER WESTLUND:** Aye.

7 **GOVERNOR KULONGOSKI:** Aye.

8 **DIRECTOR SOLLIDAY:** Aye.

9 **GOVERNOR KULONGOSKI:** It's adopted.

10 **DIRECTOR SOLLIDAY:** Now, we have two informational
11 agenda items from the State. The first is information
12 (unintelligible). We have invited five experts to provide you
13 with some information and answer your questions. The panel
14 includes Hal Salwasser, who is the dean of College of Forestry
15 at Oregon State University; Ben Vitale, who is president of the
16 Oregon Climate Trust; Evan Smith, who is the vice president of
17 the Forest Conservation Fund and under Forestland Acquisition
18 and Finance programs.

19 And then we have Wolfgang Ortloff, who is the
20 director of Environmental Asset Management, Equator, which is a
21 private equity investment fund. And then finally John Potter,
22 who is the deputy director of the Oregon Parks and Recreation
23 Department. And I might mention you have a stack of
24 presentations at the top of your desk or some presentations
25 that the panelists will be presenting. And as I did at the

1 last meeting I'm going to be the timekeeper so (unintelligible)
2 and give the speakers a three-minute warning (unintelligible).
3 Come up?

4 **GOVERNOR KULONGOSKI:** Dr. Salwasser, it's just
5 technology.

6 **HAL SALWASSER:** Thank you. For the record, I'm Hal
7 Salwasser, Oregon State University. Governor Kulongoski --

8 **GOVERNOR KULONGOSKI:** Hal, I don't know if your mike
9 is working.

10 **SECRETARY OF STATE BROWN:** Pretend it's an ice-cream
11 cone.

12 **GOVERNOR KULONGOSKI:** Yeah.

13 **HAL SALWASSER:** Okay. I'm going to start with a big
14 picture (unintelligible) of all the state forests today. I
15 want to try to identify how forests and climate intersect.
16 (unintelligible) panel on climate change. This comes from
17 (phonetic) a couple of Princeton scientists who proposed what
18 they call a leg (phonetic) strategy and we gained (phonetic) a
19 whole bunch of different sectors in dealing with climate change
20 through greenhouse gases (unintelligible).

21 Not only the forest land includes faulty
22 deforestation (unintelligible) or increase (unintelligible).
23 We use these in energy for global management. (unintelligible)
24 wood products, use those products instead of (unintelligible)
25 including sustainable incentives and that's where the carbon

1 markets would fit into this.

2 I and many others have some concerns about emerging
3 policies, especially those at the federal level, that they're
4 reflecting power politics and a lot of fear rather than
5 scientific realism and adaptive mentality. They also are
6 focused too much on greenhouse gases and not on some other
7 factors that are very important in climate change, such as the
8 reflectance of the surface of the earth and water balance.

9 There is a lot of uncertainty as to how baselines are
10 going to be set, how you measure what is additional carbon and
11 stored. Those will certainly be important issues in the carbon
12 markets in the state or the federal government. How you credit
13 the additional permanence and leakage, they're local to global
14 scale issues. For example, we might store more carbon locally.
15 But if people are still cutting the trees and using the wood
16 from somewhere else, you haven't really solved the global
17 problem.

18 They ignore forest products as storage, and questions
19 about where the incentives are going to come and change
20 behaviors. Finally, some social justice issues in whether any
21 solution provides some equity across social classes. If we
22 were to adopt a proactive forest strategy we would create some
23 markets that would create revenue streams that compensate
24 forest landowners for something other than the wood value
25 that's in their forest.

1 We would emphasize green product preferences, local
2 wood products and the sustainability -- sustainable forestry
3 that produces them. Market the competitive advantages of wood
4 products over other materials in green economies, and some of
5 that is going on as the wood-is-good idea. And improve
6 productivity of forests that are sustainably managed for wood
7 products so that we get more of our wood from the highest
8 productive acres and free up other forests to do something
9 else.

10 And that something else would be to manage either for
11 higher value wood or for non-wood uses and services such as
12 (unintelligible) water and carbon. The big strategy also needs
13 to encourage more forested area and urban areas, since that's
14 where most people live and most of the energy is consumed, and
15 develop some sustainable policies for federal forests.

16 And your federal forest line task force has taken a
17 very good first step in that regard. I want to wrap up with
18 identifying what I think could be a niche for Oregon based on
19 Oregon's unique capabilities. It starts with the fact that
20 we've got 30 million acres of forestland in Oregon. And it's
21 about 50 percent of the state's land area.

22 Those forests could be sequestering (phonetic) amount
23 of carbon annually. It's approximately equal to 50 percent of
24 the annual emissions from fossil fuels in the state. So they
25 are a significant player. And they have the potential to do

1 more. How much more; a big question. It depends on how we
2 deal with the forests.

3 Two major types of forests on the west side; we've
4 got wet forests that are extraordinarily productive. They
5 already store enormous amounts of carbon and can store more
6 under different management scenarios. In the dry part of the
7 state they're fire-prone forests. They store a lot of carbon
8 but some of the carbon they're storing is actually creating a
9 hazard and needs to be removed.

10 So the strategy would be to manage the wet forest to
11 store more carbon in them and in the products, generate
12 biodiversity co-benefits by doing that. And then use the mill
13 waste for heat and energy as it's beginning to explode, if you
14 will, in the state. The dry forest; we need to get some carbon
15 out of the forest. And we can use that carbon either for some
16 forest products or for energy and heat.

17 It's important to get some dollars for the free
18 public services that are currently provided by those forests.
19 And I've already mentioned those ecosystem benefits. With
20 regard to old forests, they're a sink. They're a big sink.
21 The very young forests, on the other hand, are a source of
22 carbon, as the dead wood decays.

23 It takes 20 to 30 years, depending on how the forest
24 is managed for them to once again become a sink. So you would
25 protect the federal old forest, which includes in the dry areas

1 thinning to reduce their vulnerability to fire; get trees
2 growing more rapidly on disturbed sites so they spend less time
3 as a source and become a sink earlier.

4 And in the process of doing that, don't do it to the
5 extreme that you ignore the diversity of habitats that are
6 important from some of the dead wood that's left on a site.
7 Keep the world-class forest operations, marketing and
8 manufacturing capacity that we have. If we don't have a
9 competitive, viable, well-distributed infrastructure to process
10 the material, none of the rest of it's going to work.

11 Keep our science-based forest practice act
12 protections for private lands, make sure that they're efficient
13 and effective. That means they're getting the outcomes we want
14 for the least cost that we have to impose. With regard to
15 Oregon's family forestlands; about 16 percent of the state; and
16 the state forests, about three percent of the state, they are
17 being managed in many cases for higher value, added wood
18 products and marketed as such.

19 And the state forest could certainly take advantage
20 of that because they're not being managed as industrial
21 forestlands. They are ripe for getting dollars for ecosystem
22 services to markets. And finally, a shameless pitch for
23 research and development; we have world class capacity in this
24 state. And not just at Oregon State University at the forest
25 research lab, but we now have the climate change research

1 institute.

2 We're partners with the US Forest Service, with the
3 USGS, with the EPA, all of whom are doing work on forests and
4 ecosystem services and climate. We also have proposals that
5 have come through Oregon, Inc. in the Oregon Best and the
6 Oregon Widow Innovation Center. And to the degree that we can
7 encourage and support those, they'll be an important
8 contribution to the overall strategy. And with that, I'm
9 finished.

10 **GOVERNOR KULONGOSKI:** Thank you, Hal. Okay.

11 **BEN VITALE:** Thanks, Hal. I appreciate that context.
12 Governor, Secretary and Treasurer and distinguished guests,
13 thank you for inviting me. I'm Ben Vitale. I'm the new
14 president of the Climate Trust, and just excited to be here in
15 Oregon for this time kind of during the climate change debate.
16 I am honored also to be here invited by the Board to talk about
17 how and under what conditions we can unlock carbon financing
18 for the benefit of schools as well as for other departments in
19 Oregon.

20 I think it's a great -- a great discussion. And
21 hopefully the panel here can provide under what conditions and
22 what risks for the Board to think about, particularly with
23 regard to Elliott as well. So I'd like to cover really three
24 things. So I'd like to go over the role of forests in the
25 current carbon markets, give you some feel of scope and scale.

1 Early experiences and lessons learned from climate
2 mitigation projects both here in the state and elsewhere, and
3 then opportunities for the State Land Board, other Oregon
4 departments and forestry and agriculture sectors, project types
5 here in Oregon to benefit. So looking at the carbon markets,
6 they're mainly established under the protocol that went into
7 effect a few years ago along with the EU emissions trading
8 scheme, and combine that effort along with some other smaller
9 efforts, created a market since 2005 that's about \$126 billion
10 a year in 2008.

11 So it's quite a large market for carbon. The
12 voluntary market is a subset of that for over-the-counter
13 transactions. And that roughly only accounts for about .3
14 percent of the overall carbon market, so it's very small. And
15 the forest carbon sector within that in 2008 was about three-
16 hundredths of a percent. So about three million tons per year,
17 so it's a tiny fraction of the overall carbon market.

18 And just kind of in kind of stark contrast, one of
19 the bills introduced last year in Congress, the Waxman/Markey
20 bill, included about a billion tons or a gigaton for domestic
21 offsets, and about another 800 million tons per year from
22 international sources, international offsets, much of which
23 would come -- was anticipated to come from the forestry sector
24 and land use sectors.

25 And so it may have been optimistic but it's multiple

1 orders of magnitude greater than what we see in the market
2 today. So there's clearly a key lesson learned here. We have a
3 large market. We have all industrialized countries except the
4 United States have a cap on greenhouse gas emissions. But the
5 rules need to be favorable for different project types; for
6 forestry, for agriculture. And it's apparent even in this --
7 and it's hard to see in the box.

8 But the regulated portion of the forestry component
9 is only one percent of the forestry component. So the regulated
10 portion is actually smaller than the voluntary market for
11 forestry by 100 times. So that's I think a key take-away. On
12 the second slide I wanted to, just if you'd permit me to review
13 some recent history to really unlock some lessons learned.

14 Here in Oregon in 1994 the Oregon State Board of
15 Forestry was very forward looking when they included carbon in
16 the Department's administrative rules. It was a long time ago.
17 And a lot of things have changed since 1999 when the Forest
18 Resources Trust received funds from Pacific Corp for planned
19 Trojan (Phonetic) facility.

20 And shortly after this time before my work at the
21 Climate Trust I was involved in some of the earliest forestry
22 projects under the clean development mechanism outside the
23 United States. And really the clean development mechanism
24 suffered from some of the kind of early learning-by-doing
25 costs. And it was very complex and the approval process was

1 very time consuming.

2 And unfortunately we still have a logjam both at the
3 climate policy at the federal level but also within the clean
4 development mechanism because the rules haven't really embodied
5 a way for projects to flourish and to multiply and to
6 accelerate, which we really need to avoid dangerous climate
7 change.

8 So at this time in parallel the Climate Trust was
9 formed in 1997 and it established a new mechanism to look at
10 different climate solutions including forestry for utilities in
11 the state to meet their compliance obligations. So since that
12 time Climate Trust has obligated over \$10 million in funds for
13 projects, three of which are forestry, including one of the
14 first in the state.

15 So the reason I kind of go through this history is
16 because this is what I would call kind of first generation
17 projects for forestry carbon projects. There were no methods
18 to measure the carbon. You know, Hal kind of, you know,
19 referred to some of that and verify the carbon. There weren't
20 any standards to insure that adverse -- to avoid adverse trade-
21 offs or to help guide projects to create stable development or
22 economic development benefits.

23 And so now what we're seeing is what I would call the
24 second generation projects. We accredit to being launched
25 (phonetic) with standards in place, best practices recognized

1 for reforestation, improved forest management and including
2 avoided a conversion. And one of those standards is the
3 Climate Action Reserve, which I think we'll get into a little
4 bit more how that's being implemented with the other panelists.

5 And it's one key source of standards that allow for
6 projects on State Lands, which is great, but not federal lands
7 for various reasons. So the Climate Trust owner leaders in this
8 space learned over the past few years also that there are a
9 number of smaller scale projects particularly in forestry and
10 land use with a matrix of land that's owned by different
11 parties and doing a project on any one small parcel may not be
12 economically efficient or viable.

13 And still, there are not effective bundling methods
14 in these standards and protocols to kind of bundle smaller
15 projects together. So that's one key issue that is really --
16 still plagues us. And in addition, something that's very
17 important I know to this Board is carbon price. And so only a
18 small part of projects rely on -- on -- a small part of the
19 financing relies on carbon financing. So there are other
20 financing vehicles; debt equity and others that are needed to
21 make these projects viable. So to my last -- my last slide and
22 to my last couple of points; I think that how does this all
23 kind of apply to Elliott and other -- other decisions in
24 Oregon? Well, the next year or so is really the window where
25 Oregon can continue kind of leadership on climate change and

1 develop successful models not only in forestry but in
2 agriculture.

3 I think if Oregon could develop the first forest
4 carbon project on State Lands under the CAR, and that would be
5 I think something for other states to follow. It's also kind
6 of noteworthy I think that away from kind of forestry's that
7 methane's a large emission source in the state. And there are
8 other product types like bio-digesters that could have
9 development benefits in rural areas as well.

10 And I think that there are a number of -- as was
11 mentioned by Hal, a number of Oregon institutions that can
12 really kind of push forward on accelerating some of these
13 solutions, and including the area of bundling small projects
14 and kind of blending this financing together requires tax
15 incentives as well as carbon financing to make these business
16 models work. So the Climate Trust would be pleased to help the
17 State flam border (phonetic) other agencies, departments, you
18 know, tap carbon financing so thank you very much.

19 **EVAN SMITH:** Good morning.

20 **SECRETARY OF STATE BROWN:** Good morning.

21 **GOVERNOR KULONGOSKI:** Good morning. Very good.

22 **EVAN SMITH:** Thank you for the opportunity to speak
23 with you all today. I'm Evan Smith, Vice President of
24 Forestland Acquisition and Finance with the Conservation Fund.
25 You are not alone in asking about the carbon market. Almost

1 every week I get a call from a landowner or a public agency
2 wondering if it would make sense for -- Conservation Fund has
3 the good fortune to be one of the largest sellers of verified
4 forest carbon offsets in the country, courtesy of our
5 timberland ownership and management in Mendocino County,
6 California.

7 Through the sale of offsets we've raised millions of
8 dollars to help conserve forestland and invest in
9 (unintelligible). So it's been working for us. But that
10 doesn't mean it makes sense (unintelligible). In evaluating
11 our carbon project experience, it's helpful to understand a
12 little more about who we are. Conservation Fund is a national
13 land and water conservation nonprofit, primarily oriented
14 around facilitating land acquisitions.

15 We have a dual-purpose charter that allows us to work
16 in both environmental protection and community development. We
17 pride ourselves in operating efficiently and effectively, and
18 are one of the top-ranked charities in the country. We take a
19 business-minded approach to land conservation, and over the
20 years have protected over six million acres.

21 Now, in my favorite state of Oregon we've been
22 fortunate to help protect some truly amazing resources. We
23 handle the land acquisitions on behalf of the National Park
24 Service. It's in Fort Clatsop, enabling the creation of a fort
25 to sea trail (phonetic) shown here on the left. This expansion

1 of facility, as it's been warmly received by Clatsop County as
2 well as all of the Lewis and Clark re-enactors.

3 We also manage the acquisition of marbled murrelet
4 habitat as mitigation for the New Carissa oil spill, utilizing
5 about \$14 million in federal trust funds. And we're honored to
6 have been asked by the Department Forestry to help with the
7 Gilchrist acquisition, shown here on the right, which is a
8 wonderful opportunity for Klamath County and all Oregonians.

9 One of the areas where we've been active is Mendocino
10 County, California; home of some of the most iconic forests in
11 the world, incredibly important for both environmental and
12 economic reasons. With grants and low-interest loans for the
13 State of California and private foundations, we've acquired
14 about 40,000 acres of valuable forestland, protecting it from
15 conversion to vineyards or other development and investing in
16 its restoration and investing in the forestries.

17 I'd like to juxtapose these two pictures because they
18 embody what we care about with this project. On the left is
19 the main stem of the Garcia River, one of the highest priority
20 watersheds in California for recovery of the Coho salmon. And
21 we now own about a third of that watershed. We care a lot
22 about this little river.

23 Every year we invest about \$1 million in fixing our
24 roads, improving stream habitat and monitoring water quality.
25 Picture on the right is the log deck at the nearby Redwood

1 Empire Sawmill in Cloverdale, one of our primary customers for
2 logs that we harvest from the Garcia River Forest. We care a
3 lot about the health of this mill and the condition of the
4 forest -- local forest products infrastructure, which is so
5 critical to maintaining the economic base of the county, and
6 without which we wouldn't have a financially viable project.

7 While others might think it would be mutually
8 exclusive, from our experience it is precisely because we care
9 about both the environment and the local community and
10 businesses that has allowed our projects to be so successful.
11 And I would imagine that the State Lands Board has also shared
12 these too (phonetic). Those trees you see behind the river are
13 part of one of the country's first and largest forests verified
14 under the Climate Action Reserve.

15 We began this process in 19 -- sorry, 2005 as a way
16 to get rewarded for growing bigger trees and to help pave the
17 way for other landowners that might be interested. We've
18 entered into over a dozen large contracts to sell our offsets,
19 including Pacific Gas and Electric, Disney Corporation, Morgan
20 Stanley and our friends at Equator represented today by
21 Wolfgang.

22 We see the emerging market for carbon offsets as an
23 important option for forest landowners to take on. So what
24 exactly is required by this process? Well, I just got back
25 last week from our third annual field verification audit of our

1 carbon projects. I processed one of our observers compared to
2 "paying the IRS to come audit your tax returns."

3 The independent auditors review your field inventory,
4 harvest volume removals, growth and yield models, carbon
5 calculations; all of your project eligibility details. The
6 steps for this are very well described in CAR's forest product
7 protocols. Ultimately we get approved for the number of tons
8 of carbon we are storing above what would be required under a
9 baseline or business-as-usual scenario.

10 We are issued credits annually for those tons of
11 additional carbon, and can transfer those credits, utilizing
12 climate action reserves. For 2009 we expect to be issued
13 credits for around 500,000 tons from our forest. It's a
14 completely transparent process but if you want to participate
15 you need to be comfortable taking on very long term and very
16 technical commitments.

17 One of the most onerous requirements is the project
18 implementation, which basically says you have to continue to
19 keep your project enrolled for 100 years and to make the
20 reserve whole if for some reason you have to back out. There
21 are many important things for you to consider as you begin this
22 process.

23 And frankly, there's a lot of bad information out
24 there about the market. Please take the time to research this
25 thoroughly. All of our project documents and audit reports are

1 publicly available and they make a great reference. I would
2 encourage you to focus first on understanding whether DLS is
3 suited for taking on these obligations. How does it align with
4 your long-term property objectives? Are you willing to invest
5 in a technical evaluation?

6 The second part of your consideration should be a
7 rough analysis of how much potential offsets you may be able to
8 generate. This is a complex calculation but an important place
9 to start, as it informs how much revenue is possible. Also,
10 please recognize that while the conservation fund happens to be
11 a national expert in this field, it's only because we were one
12 of the first to start.

13 The whole market has only existed for just a few
14 years. We now have a team of people dedicated solely to forest
15 carbon. But we don't know what the next couple of years will
16 look like. The field is constantly changing, let alone what
17 the next couple decades will do, which makes it hard to make
18 long-term plans. Participating in the carbon market has been a
19 very educational and rewarding process for us as timberland
20 owners. I would encourage you to explore it further, and we
21 are willing to assist (unintelligible).

22 **GOVERNOR KULONGOSKI:** And before you turn this over,
23 Marvin, you closed on the Gilchrest, didn't you?

24 **MARVIN BROWN:** I'm sorry?

25 **GOVERNOR KULONGOSKI:** You closed on the Gilchrest

1 property, did you?

2 **MARVIN BROWN:** Three weeks.

3 **GOVERNOR KULONGOSKI:** Thank you.

4 **EVAN SMITH:** Well, we haven't closed on it yet.

5 **GOVERNOR KULONGOSKI:** No, you're going to do it.

6 Working on this for a hard, long time. Go ahead.

7 **WOLFGANG ORTLOFF:** My name's Wolfgang Ortloff.

8 I'm -- I work for a company called Equator. It's actually a
9 New York-based asset management firm, which was founded by some
10 guys in the natural gas trading business. And when they sold
11 their gas a couple years ago those -- those management
12 companies started asking, if I burn the gas what is this cap
13 and trade thing? What is this merchant rules (phonetic) I
14 potentially have to comply with.

15 So they picked this up as a pattern. The energy
16 complex in this state is not scared yet but interested in
17 carbon business. So they -- they set up Equator with a focus on
18 land use, forestry, and other land use businesses. I'm a
19 forester myself. I'm not based in New York. I'm based in
20 (unintelligible). How do you change this slide?

21 There's two main activities. One is based in Brazil
22 currently, and potentially other Latin American countries. We
23 manage about \$500 million in plantation business.
24 (unintelligible) the relevant for this here is the -- one of
25 the markets business in the states. Way we manage -- co-manage

1 100 million private equity fund, we invest in ecosystem
2 services.

3 We just want to make -- it's a concept fund. We want
4 to show that these markets bring commercial returns. The
5 investors there are very long-term, patient capital (phonetic),
6 committed investors. But it's -- it's for commercial return.
7 It's not grants, money. It's not philanthropy. It's basically
8 we are out there to prove that these types of markets are
9 (unintelligible) return.

10 We do carbon mitigation banking, wetland mitigation
11 and all these things. So I'd like to point out I'm not asking
12 to -- for any funds to be approved. I actually bring money.
13 Basic structures usually is that there's so much uncertainty
14 out there, if you want to ride the carbon market yourself you
15 can do that, and sell for 20 cents one year, \$20, \$50 the other
16 year.

17 We usually -- knowing that and having their capital
18 based and support for those long-term decisions we guarantee
19 our flow price, something which you can bank on every year.
20 And if the market does go to \$50 a ton, pay you the \$40 or
21 whatever the majority of those returns. Next slide, please.
22 Just when you oversee these slides it's the major costs of
23 emissions worldwide. And it's called, you know, the 20, 25
24 percent is coming from deforestation.

25 I'd just like to stress here it passed multiple

1 reasons that -- that quota up there. But one of the main
2 reasons is that there is no forestry. Other land uses, cattle,
3 soy beans, (unintelligible) have higher economic value and
4 forestry (unintelligible). So just to reiterate, first it is
5 not the cost or for our commissions (phonetic) worldwide, which
6 actually leads to the next slide.

7 You probably saw these initially on the Kenzie curve,
8 very macro (phonetic) picture of as a society at large if you
9 go on the horizontal axis, which an increasing go to reduce
10 emissions. They're actually options which pay for themselves,
11 and this is where a lot of smart money is on the -- on the low
12 side on these negative bars, things which pay for themselves.

13 But you then you see forestry raise tax of (phonetic)
14 forest activities right there at the very low end on -- on the
15 cost base. So this is -- forestry is right down there. When
16 it -- you know, it's a competitive way to reduce emissions.
17 Next slide, please. Just to mention that the protocols and
18 standards are not there yet. To fully acknowledge all the
19 carbon benefits of working for us actually, you see the lower
20 like kind of screening graph (phonetic) there is working that
21 now for which is basically increasing carbon in the forests out
22 there.

23 CAR made the first big step to actually account for
24 and give credit for carbon being harvested wood products. And
25 what's still out there but there's a lot of thought around it.

1 Using wood versus other building materials, if you account for
2 that, the kind of benefit of that, forestry is just a great and
3 high-tech leading (phonetic) technology, competing against
4 other building materials and that.

5 Next slide, please. We try to -- with our
6 counterparts, different landowners we just try to make the
7 safest bets of which -- in terms of which protocols we choose.
8 And at the moment it just looks like that CAR is the safest
9 bet. So if you do a first project under CAR it is pretty likely
10 that you will have the safest, the biggest return and the
11 safest compliance bet for the activities we do.

12 And there is currently this window of opportunity
13 under CAR where you can actually list projects dating backwards
14 all the way to 2001, and create CRTs backwards. And that's
15 just really -- we look at it as -- as an opportunity to lock
16 in -- to lock in that optionality. You don't have to go with
17 CAR but if that window -- if that listing deadline is gone
18 that -- those backwards -- those carbon years are -- that
19 optionality will be gone.

20 And since the beneficiary of any potential projects
21 on the Elliott is the school funds, I couldn't resist to -- to
22 the next picture there. We do have all the elements in place.
23 We just have to put them in the right order. You have a
24 highly -- you have the highly productive resource there. In
25 terms of additionality there's always this big fundamental

1 question; additionality, can any sort of public land
2 participate in the carbon market because that's what you have
3 to do anyway, right?

4 I mean you have -- and I have to do more research on
5 that but in your forest plans in early 2000 stated that one of
6 the goals of those forest management plans is increased. So --
7 so you should be totally fine on additionality issues. I
8 mentioned already there's this window of opportunities --
9 opportunity to list that in the CAR. We and other commercial
10 entities out there offer low cost and low-risk ways to
11 participate in those markets.

12 And there is private capital available now but I
13 would back what Evan said; you have to be nimble. I mean you
14 have to be -- you know, it -- it's not just that you declare
15 doing a carbon project and then the checks, the money's coming
16 in. You have to be, you know, active on the ground and have
17 good entry data. And -- and taking on a CAR project is -- is
18 work. So you have to be nimble as an entity to participate in
19 the CAR project.

20 And that -- I -- I just saw a three-minute sign. I
21 can't believe I'm that early. I'm trading some free minutes
22 here. That's basically it. I have the final slide just to
23 contact each house (phonetic). But it's for my side. Thank
24 you.

25 **JOHN POTTER:** Governor, Secretary Brown, Treasurer

1 Westlund, I'm John Potter. I'm the assistant director
2 (unintelligible). I'm sort of -- Director Solliday called us
3 experts but I'm far from an expert on this carbon stuff. But
4 looking at this project that we've been working on at State
5 Parks I've had to try to understand it.

6 What I can offer you today is to kind of break that
7 down a little bit and give you some (unintelligible) active
8 project that's being negotiated right now between State Parks
9 and the Carbon Trust. And you need to approach this as a real
10 property transaction as opposed to a market-based carbon
11 project. So it's really something that we are looking at in
12 terms of leveraging the land acquisition (phonetic).

13 So the Parks Department is basically the key
14 performance measure to add acreage to the state park system.
15 But we have to find funding for acquisition. So our property
16 manager Cliff Houck and our natural resource manager Jim Morgan
17 have been looking for creative solutions to try to meet this
18 continuing need to increase the state park system. But they're
19 doing it with creative funding approaches.

20 So we had this acquisition target area, the
21 Beaver Creek Watershed south of Newport near Ohna Beach State
22 Park. They've been identified by the Parks Commission
23 (unintelligible). Our attention and our focus has been on 583
24 acre property in that watershed adjacent to other lands that we
25 own (unintelligible). And this -- this 583-acre parcel is

1 owned by Real Estate Investment Trust, which is currently
2 managing the property for timber. But -- but the property is
3 subject to (unintelligible).

4 We learned that the Climate Trust might be willing to
5 purchase (unintelligible) to help underwrite the park's
6 acquisition of property. So we've been talking with them over
7 the course of the past six months or three months or so. And
8 currently we have a letter of intent with the Climate Trust so
9 that both parties, the Parks Department and Climate Trust, feel
10 comfortable moving forward, spending money on -- on our
11 transaction.

12 Parks has contracted an independent third-party real
13 estate appraisal of this property and also timber crews.
14 These -- this information which we are now gathering will be
15 used as the basis for negotiating a sale of the land of the
16 Real Estate Investment Trust as well as the easement for the
17 Climate Trust. And the timber crews can serve as the baseline
18 inventory and basis for affirmations of (phonetic) value in
19 terms of carbon.

20 We hope to ask Parks Director Tim Wood to take this
21 project to the Parks Commission in May or July at the May or
22 July meeting. We're closing hopefully sometime in the summer.
23 So we're looking at the carbon market as an acquisition. The
24 second point I wanted to make was that this project only works
25 because of the consistency with our (unintelligible).

1 State Parks exists to protect the natural, cultural
2 and scenic heritage of the state while giving people great
3 experiences when they go visit this area. Looking at the
4 spruce and the hemlock on this particular property as an
5 investment beyond its potential value as wood products is an
6 easy (unintelligible) for the Parks Commission because their
7 responsibilities go beyond revenues which may be
8 (unintelligible).

9 Forest management policy of the Parks Department
10 focuses on managing for healthy, diverse and native forest
11 ecosystems. With development of older stage forest
12 (unintelligible). This approach is compatible with the climate
13 action preferred standards and protocols. We claim that these
14 guys keep (unintelligible). My understanding is it's -- it was
15 a program that was set up by a nonprofit organization in
16 California called the California Climate Action Registry, which
17 is a peer reviewed approach and it's publicly accessible and
18 it's useful allowing (unintelligible).

19 So we're finding, we're hoping that Parks can provide
20 benefits and further its mission by and through
21 (unintelligible) easement, locking up the carbon is compatible
22 with the purposes statewide. Finally, I want to just talk
23 about the fact that we're -- we're seeing the possibility that
24 multiple benefits accrue from this project and that the risk is
25 minimum.

1 That makes this particularly attractive to funders,
2 the decision-makers and the public. But primarily we're hoping
3 that involving carbon deal here will generate enough funding to
4 protect the lands. If not, if it weren't for this money coming
5 to this project, we wouldn't be able to do it. So that's the
6 primary benefit.

7 However, there are additional co-benefits that we see
8 for doing this such as watershed protection and enhancement in
9 the Beavercreek Watershed, protection to fish and wildlife
10 habitat, including the central habitat areas for Coho to this
11 area as well as development of sustaining (phonetic)
12 characteristics over time (unintelligible) species. There are
13 also social benefits to doing this project. Those include
14 landscape and protection as well as public access and
15 recreational use and interpretation.

16 So what we're trying to work out with the Climate
17 Trust is a way to have all of these things as well as being
18 able to (unintelligible). Further benefit I think is important
19 to -- to see is that this supplies locally generated mitigation
20 funding to an Oregon project in Oregon. The risk of non-
21 performance; there's really three risks that I just want to
22 quickly run down and (unintelligible).

23 One is the risk of non-performance. So what if the
24 carbon is not able to be sequestered over the period of the
25 easement. And that's really something that you believe can be

1 handled through negotiated arrangement where we would be able
2 to increase the easement area to cover any (unintelligible).
3 The other risk is monitoring costs. But we're trying to deal
4 with that right (unintelligible).

5 The final risk is the market risk; risk that the
6 price will be too low. But we're negotiating on a term and we
7 also know that we couldn't get the property otherwise. So
8 it's -- it seems like it's (unintelligible). So just to
9 summarize, we see carbon primarily here in this case as a land
10 acquisition tool. We couldn't own the property without this
11 easement, without this approach.

12 The tool works because it's consistent with the Parks
13 Department's mission. Finally, the benefits go way beyond the
14 cash sale and risk (unintelligible). So that's why
15 (unintelligible). Hopefully that gives you some insight.

16 **DIRECTOR SOLLIDAY:** Questions?

17 **GOVERNOR KULONGOSKI:** The issue I have and one of
18 the -- as I did an interview not long ago and said one of the
19 strengths and weaknesses of being Governor (unintelligible)
20 former supreme court justice is process means a great deal to
21 me. And I wish at times that it didn't, but it does to me. And
22 in listening to this, whether it's Evan or Ben, all of you; I'm
23 trying to get this into a structure.

24 I have 11 primary natural resource agencies. I can't
25 have everybody running out with their own plan and doing things

1 themselves without some structure and process. I'm interested
2 in other states and what they've done now. Evan, you actually
3 raised the issue of whether it -- and I don't know if it was
4 just a question, not a comment about whether the Division of
5 State Lands is the agency to do it.

6 But what are your ideas about how the State would
7 actually develop a process and structure to do this? I don't
8 know, one, that this takes legislation; whether I can do this
9 as the Governor, whether the agencies have the inherent
10 authority within themselves to do this, which then worries me
11 because I then have this multitude of different approaches to
12 it.

13 Just that issue about structure, process; how does
14 the State go about it? I'm willing to go forward with this
15 because I think that what Dr. Salwasser's comments and I'm on
16 the forest side of this. But I also see agriculture and how
17 they play into this, but just your thoughts about process and
18 structure.

19 **EVAN SMITH:** Thanks. It's a great question. I'll
20 confess, I'm not a process person.

21 **GOVERNOR KULONGOSKI:** I think you're lucky.

22 **EVAN SMITH:** Yeah, I am. Basically as I've
23 understood it, you know, you have multiple agencies. They all
24 have different objectives how they're (unintelligible). And
25 what might work for -- Parks might not work for one of the

1 other agencies. And so it needs to almost get with that on an
2 agency by agency (unintelligible). That said, there are plenty
3 of opportunities to share experience across agencies.

4 Department of Forestry (unintelligible) how people in
5 the country are modifying and (phonetic) inventorying forests.
6 So that would be a very helpful experience for Parks, for
7 example. But ultimately I think it -- first question needs to
8 come down to is where is the best fit. And to go forward on
9 the basis of trying it out and learning and then having
10 coordination of the other agencies.

11 I'd say that other states are struggling with the
12 same issue. I haven't seen a consistent approach by any
13 particular state. Those states that are participating in the
14 regional greenhouse gas initiative (unintelligible) are
15 probably a little bit more proactive in terms of
16 (unintelligible). Everybody is relatively new to this.

17 **GOVERNOR KULONGOSKI:** And what I'm trying, and
18 Wolfgang said this, I think that this is new market. And I
19 think that you have to be nimble. You have to be flexible in
20 what you do. And it's not the nature of government to do that.
21 I mean that's why administrative rules are created. They kind
22 of bind us together.

23 But I'm trying to figure out a process. And to be
24 very frank, I'm trying to -- after listening to this of whether
25 I want to go forward with an executive order to actually set up

1 a structure to start this, to actually have the discussion of
2 how we would do it with involving forestry and agriculture and
3 everybody so that we can get some sense of a common policy.

4 **BEN VITALE:** Yeah, thank you, Governor. I think that
5 would be a great approach. And it kind of depends on your
6 aspiration level. President Arias in Costa Rica might not be --
7 might question what the similarities are. But they have over
8 again, 50 percent of the country is forest. And he, you know,
9 aspires to be committed to being carbon neutral; the whole
10 country.

11 And so, you know, I think there's also some tips from
12 what the Obama Administration has done with the agencies by
13 requesting them to -- to develop five-year climate plans that
14 included both mitigation and -- and climate adaptation aspects.
15 So I think that some type of commission like you're proposing
16 would be really I think very positive and -- and I think a
17 model, especially if it's across different kinds of sectors
18 of -- of how the State can continue to even support more
19 climate mitigation actions than -- than you already have in the
20 past.

21 **GOVERNOR KULONGOSKI:** Wolfgang, you wanted to say.

22 **WOLFGANG ORTLOFF:** Yeah. Yeah, I'm not sure because
23 we always, you know, here is -- it's the level of some such --
24 such a unifying whatever commission about those departments; is
25 that another level of bureaucracy just laid for, you know, to

1 have it. And -- or is it maybe some kind of information
2 exchange, fine. But you (unintelligible) like you probably
3 deal with mineral rights or other sorts of (unintelligible),
4 you know, timber harvest.

5 So every State agency is already able to
6 commercialize certain aspects of the land holdings. And why
7 change that? I don't know if it needs some kind of over-
8 arching carbon department for the State of Oregon or just some
9 kind of lessons learned, you know, gatherings. But each
10 individual entity is still on its own within what they do
11 already.

12 **JOHN POTTER:** Governor, when Parks realized that
13 State Lands and Parks really were working on some of these
14 projects we -- we did start to set up a framework for this and
15 get our staffs together to talk about areas that we could share
16 information. So that is ongoing right now and hope to focus on
17 areas like legal sufficiency and some of the structures for
18 (unintelligible).

19 **GOVERNOR KULONGOSKI:** Salwasser.

20 **HAL SALWASSER:** I'd like to offer a prospective on
21 your question, Governor. And it is there's a spectrum from
22 trying a project as a pilot versus trying to figure out the
23 universal solution for everybody before you try something. And
24 given what State Forester Brown talked about for the Elliott,
25 if you were to assume, and this is an assumption because

1 there's no standard of policy, but if you were to assume that
2 the baseline for a state forest is as it would be managed as if
3 it was private forestland under the Forest Practice Act rules
4 and that you get to take credit for any -- any amount of carbon
5 stored beyond what that might create, that forest plan or HCP
6 already has a lot of additionality built into it.

7 It's what Wolfgang talked about is you've got an
8 early -- an early win here. And you've got some people with
9 expertise, experience that could work to -- to use the Elliott
10 as a pilot to learn what it might be like for a State Land to
11 participate in these markets.

12 **GOVERNOR KULONGOSKI:** Wolfgang said something. This
13 isn't creating another bureaucracy; it's actually trying to
14 establish a state policy as to what our objective is in doing
15 this. That's where I'm at, and Sal, I'm going to be very
16 candid with you. The reason I have a great interest in this
17 and I have had for a number of years, is this state has warred
18 (phonetic) with the forest products industry.

19 It has not come out, I think, to our benefit because
20 of the gridlock this created. I'm trying to find common ground
21 with all of those out there who may have a different viewpoint
22 than yours about the forest to working together to actually
23 seek. There's a win-win benefit for us in this whole thing.
24 And the way that we've related to each other in the past is
25 going to change because the forests are very, very important to

1 us both on the carbon issue, but economically to the state, and
2 particularly to these smaller rural communities in Oregon.

3 And that's the benefit of this. And I think that
4 what I'm talking about is not to prohibit Forestry from being
5 flexible and doing something. But I do think you need a
6 broader message out there as to a public policy of the State
7 that this is why we're doing this. It is just not about
8 dollars. It's the environmentalists have a great interest in
9 it. The rural communities do. There's just a lot out there
10 that can be done with this, so go ahead, Ben.

11 **BEN VITALE:** Yeah, thank you. Thank you, Governor.
12 And -- and I -- I think that it's -- I think it's important to
13 act in this time of -- of federal policy uncertainty. And I
14 think, you know, Oregon has a long history of acting out
15 (phonetic) climate change. And I think that this would be
16 another -- another way to move that forward, especially in the
17 face of this kind of, you know, delay in -- in clarity coming
18 out of -- out of Washington.

19 So I -- I think that if you -- I would encourage you
20 to think as broadly as possible about the different asset the
21 State has to bring to bare on -- on climate mitigation because
22 we have a short period of time to where dangerous (phonetic)
23 climate change. So I -- I would encourage you to think more
24 broadly not just in including forestry in that commission
25 (phonetic) but a broad fine litigation on all fronts because

1 even State -- the -- the State Land Board and -- and the
2 Department of State Lands has different kinds of -- of assets
3 that -- that you would like to monetize other than just forest
4 carbon. So we just -- if we'd register that -- that
5 consideration.

6 **GOVERNOR KULONGOSKI:** I need one thing from you. If
7 I am going to think of an executive order to do something just
8 as a policy, I need to have you help me; what would the charge
9 be? What is it that we're trying to accomplish of it and why?
10 All the wherefores and therefore and everything else; that's
11 the type of thing. This is not creating inhibitors to agencies
12 moving forward.

13 It is actually trying to engage the public in a
14 discussion about why this is important to us. That's what I'm
15 after, Sal. And the agriculture side of this is equally
16 important, which is most people forget until I talk to Tom
17 Vilsature (Phonetic) of the Forest Service all the time from
18 Iowa of how important agriculture is to this whole carbon base.

19 **WOLFGANG ORTLOFF:** I think the big picture was it's
20 really about just -- it's all about carrots and sticks, right?
21 I mean how do you do it? Do you punish people for doing
22 something wrong or reward people to go in the right direction
23 on -- and I've not lived here for the last 20 years. But I
24 kind of got the whole owl issue. And then obviously you -- you
25 know, you went the stick way.

1 Like if you would reward landowners to produce you a
2 pair of owls. If you had the money to pay for it, they would
3 produce it. (unintelligible) we can get you any
4 (unintelligible) and pay for. So anyway, so on that issue so
5 it's the -- the stick version. What about, you know, doing
6 the -- the current version just incentivizing?

7 That -- that's a big message incentivizing people to
8 do that and not threatening with something if you don't -- you
9 know, if you do something like putting in a positive
10 (unintelligible). And you know, that -- if I think of Oregon
11 I think of just do it. You know, that type of planting
12 opportunity for -- for you as a state.

13 **GOVERNOR KULONGOSKI:** I actually -- the carrot and
14 stick approach is an interesting -- and it's at the heart of
15 the debate about cap and trade in my opinion, cap and trade
16 carbon tax because I think the market is a tremendous -- that
17 brings about change more than anything. If you want to change
18 people's lifestyles or some -- tell them not to do this. The
19 market is the thing to do it with, I think.

20 And that's why I get into these debates with our
21 congressional delegation about the cap and trade versus the
22 carbon tax. But let me tell you about this carrot and stick
23 thing. I happen to agree with you. And I've actually for a
24 long time thought that the administrative law structure we have
25 is the stick approach. You know, we set up rules and if you

1 violate the rules we smack you with a fine or something.

2 And if in fact there were greater incentives for
3 landowners, who I still believe the vast majority are the
4 stewards of the land, that they tell me that they are. And I
5 believe that. And I think that if we would incentivize them at
6 the front end, and I'm going to give you a suggestion. I've
7 always tried to talk with the Legislature but no one else buys
8 into it, and that is if you want people to actually take care
9 of riparian areas and to actually do hillside restoration,
10 doing whatever you're doing, do you know what in the state
11 level what you would do?

12 If you tell them if you enter into this and do this
13 voluntarily, we're not out there to -- we'll monitor and work
14 with you, provide you with assets. But if you continue to do
15 what we would like you to do with your land in the sense of the
16 restore, I'm not telling you running it but in actually
17 riparian fish and wildlife, whatever it is, we'll allow you to
18 pass that property on to your heirs and avoid your state tax.

19 It's the biggest complaint I hear from landowners is
20 their ability to pass their property onto their family after
21 they've made all this investment. And I think that's a carrot
22 approach. And there would obviously be consequences if you
23 didn't do it. But I think we're going to have to move into
24 that type of a regulatory process eventually because I just
25 don't think you'd get the return long term from my perspective

1 by always the stick approach. I know there's disagreement on
2 that, but I do think you have to incentivize people to change
3 their conduct. Kate.

4 **SECRETARY OF STATE BROWN:** I just had a quickie
5 question for John, and that was I'm not sure I understood sort
6 of the legal circumstances. And was it the State would hold
7 title to the property and the Conservation Fund would have an
8 easement? Is that how it worked?

9 **JOHN POTTER:** Yeah, that's -- that's --

10 **SECRETARY OF STATE BROWN:** Okay. All right. And so
11 who would -- would the State --

12 **JOHN POTTER:** I'm sorry, is the Climate Trust.

13 **SECRETARY OF STATE BROWN:** Sorry, Climate Trust, I'm
14 sorry. Okay. I did get CT and CF in my notes backwards.
15 Okay. I'm sorry, guys. So the State controls access,
16 everything about the property? Okay.

17 **JOHN POTTER:** Yes.

18 **SECRETARY OF STATE BROWN:** That's all I had,
19 Governor.

20 **GOVERNOR KULONGOSKI:** Ben? Ben, do you want to say
21 anything?

22 **STATE TREASURER WESTLUND:** It's been a most
23 interesting discussion.

24 **GOVERNOR KULONGOSKI:** Thank you. Some members of the
25 State Board of Forestry are here too. Do you want to engage

1 them in this or not? Okay. Go ahead. You're on the Board?
2 Do you want to say anything?

3 **JOHN POTTER:** Governor, thanks for that opportunity.
4 We're examining this very closely at the Board right now.
5 (unintelligible) begin to have an understanding. And we can
6 see the differences (unintelligible) we're still a couple
7 months away from having a report and being (unintelligible).

8 **PETER HAYES:** Okay. I'm Peter Hayes.

9 **GOVERNOR KULONGOSKI:** Yeah, I know, Peter.

10 **PETER HAYES:** Two -- two quick observations. One is
11 I think we're talking about two things here. One is doing the
12 right thing in terms of forests and State Lands. Second topic
13 is getting paid for doing that. And my own citizen's point of
14 view is that in order to create markets that are going to last,
15 if we do the former and not -- do the latter and not the
16 former, we won't create something that our grandchildren would
17 thank us for.

18 So I hope we actually broke these into two different
19 conversations. One is what's the right thing? Could -- does
20 it make sense to become carbon neutral in the state? And then
21 the second one is what are the economics in the markets?

22 **SECRETARY OF STATE BROWN:** Governor, can I ask a
23 question?

24 **GOVERNOR KULONGOSKI:** Go ahead.

25 **SECRETARY OF STATE BROWN:** Are you familiar with

1 Senate Bill 513, the market systems, market services? Yes.

2 **PETER HAYES:** Yes.

3 **SECRETARY OF STATE BROWN:** And I'm just curious if
4 that approach does -- takes this two things into account
5 because my understanding is we're going to be pay -- you know,
6 we want to pay folks for doing the right thing. I want to make
7 sure that we are doing the right thing for it. But there needs
8 to be economic value in it. Is that your sense of where that's
9 going?

10 **PETER HAYES:** Yeah, and all the different pieces are
11 out there. It's earned my admiration because I think it's
12 looking at it in a whole systems way. It would stand the test
13 of time.

14 **SECRETARY OF STATE BROWN:** Okay. All right. Thank
15 you.

16 **UNIDENTIFIED MALE VOICE:** I'll pass, Governor.

17 **GOVERNOR KULONGOSKI:** Okay. Thank you. Thank you.

18 **UNIDENTIFIED FEMALE VOICE:** I appreciate being able
19 to hear them so I've just been very curious about how this all
20 works.

21 **GOVERNOR KULONGOSKI:** I appreciate it all. Thank you
22 very, very much. Okay.

23 **DIRECTOR SOLLIDAY:** Our next informational report is
24 the annual report on our estates program. And with me today is
25 Pamela Konstantopoulos, who is the (unintelligible).

1 **PAMELA KONSTANTOPOULOS:** Governor, members of the
2 Board, for the record I'm Pamela Konstantopoulos. For the
3 record I'm Pamela Konstantopoulos. I'm the fiscal manager and
4 the estate administrator. My time is somewhat limited today so
5 usually I start out with some fun stories about the recent
6 estates that we've managed. But I'm going to have to refrain
7 from that.

8 If I had to select a word to describe fiscal year
9 2009 I would say that that word is "sluggish." 2009 we saw a
10 slight decrease in the total number of estates that we managed.
11 We were still running around 2.5 estates a week. And a total
12 of 132 handled actively, new estates handled during the last
13 fiscal year. And of those estates we found heirs for about 38
14 of them.

15 As you know, the value of estates that we receive is
16 somewhat outside of our control. And 2009 again it was
17 sluggish as to the values. We saw a lower number of estates
18 with real property to liquidate, which made a big contribution
19 into the decrease of the total value of the estates that we
20 manage. Without the larger estate values the total value that
21 we manage was running around \$2.3 million in fiscal year 2009.

22 Now, that represents a slight decrease over 2008.
23 The average value of the estate that we handled was \$18,000.
24 That shows quite low. We did move about \$962,000 from the ten-
25 year hold period over and permanently estated it over into the

1 Common School Fund. The good news, I think, is that things
2 are -- appear to be looking up for 2010 fiscal year. Things
3 have somewhat rebounded.

4 We've seen that the real estate has made a fierce
5 comeback. We started off 2010 very slowly. But now it's --
6 it's just going in -- in fact more than we've ever seen, I
7 would say. So far we've completed the sale on three pieces of
8 real estate. And we have six more that we're ready -- getting
9 ready to liquidate. And this morning I just got two more.
10 So -- and the nice thing too is that we're seeing it from
11 across all regions of the state now.

12 As you know, one of the issues in the past has been
13 compliance statewide. And in the further regions there has not
14 been much compliance. If real estate is an indicator, we've
15 got properties in Florence, Veneta, Prineville, Hillsboro,
16 Salem, LaPine, Lebanon, Weston and Bend. So we're see --
17 starting to see more of a diversity of the estates that are
18 being reported.

19 At this point I would say that I would anticipate
20 that we're going to be back at the 2007/2008 estate levels for
21 the 2010 year. We do also have, if any of you are interested,
22 we have a personal property sale in West Salem on March 6th and
23 7th, which is going to be quite substantial. It has property,
24 personal property from numerous estates that we've combined
25 into one large sale.

1 I'm pleased to report, as I've said, what the real
2 estate that our outreach activities is really paying off.
3 We've seen much more response from the far eastern regions,
4 Nyssa, Ontario area. The coastal region is becoming very good
5 at reporting. Roseburg area is becoming very good at
6 reporting. So I would expect that this is going to continue to
7 increase as our outreach continues.

8 And we're still a long ways away from 100 percent
9 compliance, if that's possible. But we're -- we're definitely
10 making good strides. And I think 2009 was a landmark year in
11 getting that to happen. So this basically concludes my report
12 for 2009. And I'd be glad to answer any questions that you
13 might have.

14 **GOVERNOR KULONGOSKI:** I apologize to you because
15 after listening to all these experts on carbon, and we all get
16 excited that you come in with an issue about estates. And I'm
17 sitting here trying to make the adjustment back. And I realize
18 that what this is really about is that people don't have any
19 money and they don't buy the stuff that you have to sell.

20 And you think people are now more willing to come out
21 and whether it's personal or real property that they're more --
22 you see a change this coming year in the public's attitude
23 about willing to spend. I still think everybody's looking for
24 a bargain. That's why they're showing up. And so bargain
25 time.

1 **PAMELA KONSTANTOPOULOS:** Governor, we still get
2 people to come to our real estate sales expecting to pick it up
3 for \$1000. And we have to explain to them that that just
4 doesn't happen.

5 **GOVERNOR KULONGOSKI:** So you can't invite us because
6 we're not allowed to bid in on this stuff. Thank you.

7 **PAMELA KONSTANTOPOULOS:** Thank you.

8 **DIRECTOR SOLLIDAY:** Part of what I like about this
9 agency, Governor, we go from talking about forest to estates.

10 **GOVERNOR KULONGOSKI:** I know.

11 **DIRECTOR SOLLIDAY:** In five minutes' time. Just one
12 other thing I just want to do quickly. As you know, the
13 Legislature is in session this month.

14 **GOVERNOR KULONGOSKI:** No.

15 **DIRECTOR SOLLIDAY:** And yes, they are. Sometime last
16 week, if I recall.

17 **GOVERNOR KULONGOSKI:** I didn't call it.

18 **DIRECTOR SOLLIDAY:** But just I want to mention a
19 couple of things; we had a Ways and Means request related to a
20 need for funding for forensic scientists related to our lands
21 in Portland Harbor. The Ways and Means Committee approved that
22 request earlier this week; late last week actually. And so we
23 expect that that will become part of House Bill 5100, which
24 will be the session bill to deal with budget adjustments.

25 And then just a couple bills I might mention. The

1 House has passed a moratorium on gas exploration in the
2 territorial sea until 2020. The bill was originally proposed
3 to outright ban it permanently. But legislators are more
4 comfortable with just extending the moratorium for another ten
5 years. And that bill is on its way to the Senate, passed by
6 the House rule yesterday.

7 And then there is one bill related to cost recovery
8 by agencies for their permit application and authorization
9 processes for energy projects, which tend to be very large and
10 very complex. It had a hearing late last week and it's
11 scheduled for a work session tomorrow. It would allow our
12 department to recover our cost for both processing removal/fill
13 permits, doing wetland delineations in the removal/fill site,
14 and also the processing of proprietary authorizations on the
15 land management side, which would help reduce the amount of
16 money we take out of Common School Fund to cover the costs of
17 processing those particular project applications.

18 There are a couple other bills we are continuing to
19 monitor that are either sitting in Ways and Means or Revenue
20 that could have some impact on the Department. We don't think
21 that those bills are likely to move forward during the short
22 session. But you never know, so we are paying attention.

23 And then the one other bill I would mention is Senate
24 Bill 1060, which Secretary Brown has been working quite closely
25 with Senator Bates on. And that is the bill that would move

1 from common law into statute, the rights of the public to use
2 its waterways for recreational purposes. There has been one
3 hearing. There is a second hearing scheduled for tomorrow, and
4 a work session scheduled for Thursday.

5 I would say it's probably fair to characterize it as
6 we're not likely to get to a broad agreement on that bill this
7 session. But I think there is a desire to carry the
8 conversation into the interim to see if we can get agreement
9 before the 2011 session. And with that, I have nothing further
10 to come before the Board today.

11 **GOVERNOR KULONGOSKI:** Anything else?

12 **SECRETARY OF STATE BROWN:** Governor, I just want to
13 say thanks to Louise and Mark for just being available to me
14 and Senator Bates at a moment's notice on that very thorny
15 issue, shall we say. I'm hoping to have -- to avoid future
16 Land Board navigability determinations by coming up with a
17 consensus approach that folks can live with. We'll keep
18 working so --

19 **GOVERNOR KULONGOSKI:** Thank you. Treasurer Westlund,
20 anything you want to add?

21 **STATE TREASURER WESTLUND:** We're in good shape, sir,
22 thank you.

23 **GOVERNOR KULONGOSKI:** Thank you, Ben. We're
24 adjourned.

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE

I, Jayne Rosamond, hereby certify that I am an electronic transcriptionist for Business Support Services of Salem, Inc., that as such electronic transcriptionist I prepared from an electronic recording provided by Business Support Services, Inc., the foregoing typewritten transcript of the meeting had upon the matter at the time and place set forth in the caption hereof; and that the foregoing pages, which are numbered 1 through 60, both inclusive, are the true, accurate and complete transcript of the proceedings adduced had upon the said meeting.

WITNESS my hand as electronic transcriptionist this 16th day of February 2010.

Jayne Rosamond, Transcriptionist

1 jr/jr

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25