

Without Executive Session

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STATE LAND BOARD MEETING

Tuesday, January 28, 1992

State Lands Building

775 Summer Street NE, Salem, Oregon

10:00 a.m.  
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1           GOVERNOR BARBARA ROBERTS:    Let me call the Land  
2 Board to order here.    We're going to change the agenda  
3 slightly just in terms of format, and I would like to  
4 suggest that we take the Consent Agenda first so that we  
5 have that behind us before we move to the Tongue Point  
6 issue.    So the Consent Agenda shown as items 3. a., b.,  
7 c., and d., is before us unless someone has a need to  
8 pull any of those individual items off the Consent Agenda,  
9 I would accept a motion.

10           STATE TREASURER TONY MEEKER:    I would move that  
11 we adopt the Consent Agenda as listed on 3.

12           SECRETARY OF STATE PHIL KIESLING:    I second the  
13 motion.

14           GOVERNOR BARBARA ROBERTS:    It's been moved and  
15 seconded to accept the Consent Agenda items 3. a. through  
16 d.    All those in favor will signify by saying aye.  
17 Motion pass.

18           Okay.    What I would like to do now, and for  
19 those of you who have an agenda from earlier, are the past  
20 item on the administrative rule that was listed originally  
21 as item 2. has been taken off the agenda, so we have  
22 remaining the major item of dealing with South Tongue  
23 Point.    I would like to announce in advance just for  
24 clarification that we will be handling four of these items  
25 originally in public session and two of the items in

1 executive session, so Janet is going to begin with the  
2 explanation of those items that will be done in public  
3 session, items 1. 4., 5., and 6., I think. And why don't  
4 you begin, Janet, and we'll work through this issue?

5           JANET NEUMAN:       Great.       Thank you, Governor,  
6 members of the Board.

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1 AGENDA ITEM NO. 1

2 JANET NEUMAN: We have six issues before the  
3 Board today. Those are listed on the last two pages of  
4 your written agenda item number one. Basically in the  
5 order that I'm going to explain them, the first four are  
6 those that will be covered in the open public session, and  
7 the last two will be held to an executive session. We  
8 will ask the Board for approval in concept of the South  
9 Tongue Point Development Plan, number one. Number two, we  
10 will ask for authorization to proceed to solicit tenants  
11 and consistent with that development plan. Three, we're  
12 asking for authorization to accept \$850,000 in federal  
13 funds, and go to the E Board later this week to receive  
14 that expenditure limitation. Those funds will be used to  
15 help finish the environmental planning and the final  
16 engineering for the Navy facility. And last, in public  
17 session we'll be asking for authority to apply for \$700,000  
18 in immediate opportunity grant funds from the Oregon  
19 Department of Transportation for eventual assistance in  
20 constructing the road improvements to the project if it is  
21 built. The last two items, then, that will be discussed  
22 in executive session with some follow-up in public session  
23 will be discussion of the financing plan and proposals to  
24 actually go forward with this project, in particular, their  
25 relationship to lease negotiations with the United States

1 Navy. And back in open session we can discuss the  
2 authority to proceed with negotiations with the Navy on the  
3 basis of those financial discussions.

4 You have each had extensive individual briefings  
5 from us about the progress of this project, so I will very  
6 briefly review the material today just to get it on the  
7 record and for the benefit of those who are here from the  
8 public to hear the discussion basically telling you how we  
9 got to where we are today, and we have lots of people  
10 here that can help answer specific questions in individual  
11 areas if necessary. We have some people signed up who are  
12 here on this item. I think all of them, except two,  
13 indicate they do not need to testify. There are two who  
14 are willing to testify if you'd like them to do so, so  
15 we can do that after the brief overview.

16 And in particular, I'd like to welcome Steve  
17 Peterson, Director of the Economic Development Department  
18 who's here with us today. His staff has been just  
19 incredible in helping us get through this project, and so  
20 we're happy to have him here and as we get into the  
21 specific discussion, both in public session and executive  
22 session, he may want to address you or you may have  
23 questions for him specifically.

24 Okay. Let's talk about the master planning  
25 process very briefly. Appendix A in your written agenda

1 materials is a smaller version of the master plan map that  
2 we have over here on the side, and I'm going to try again  
3 a little bit of experimentation with our sound system  
4 today. We hope it works. Testing. Okay. We're on.

5 For a little more than a year and a half, we  
6 have been working very closely with the Economic Development  
7 Department and private consultants to develop a master plan  
8 for the Tongue Point site.

9 GOVERNOR BARBARA ROBERTS: Janet, can you turn  
10 that just a little? We've got the advantage of having  
11 another map so that we can see some of it, but that those  
12 in the audience can also see a portion of it? I think  
13 that would be useful.

14 JANET NEUMAN: Visible? Now, I've got to decide  
15 where I'm going to stand. The Tongue Point site is right  
16 next to the North Tongue Point site on the lower Columbia  
17 River near Astoria. The master plan concept that we have  
18 developed envisions leaving the natural wetland areas  
19 essentially undisturbed and there are extensive tidelands  
20 and wetlands around this little peninsula. What we  
21 envision is developing the upland buildable acreage on site  
22 with a home port for the U.S. Navy and two mine sweepers.  
23 That would involve construction of upland support facilities  
24 and buildings and a pier out to sufficient draft in the  
25 channel. Adjacent to that parcel, that's approximately

1 seven acres of upland development and in total 17 acres,  
2 including the submerged and submersible land. The site  
3 already contains an Army Corps of Engineers field station  
4 with an existing pier structure. They would retain about  
5 6.2 acres and retain their pier, and continue their  
6 activities on site. The remainder of the site is proposed  
7 to be developed in a combination of marine industrial  
8 facilities. We're conceptualizing a barge repairing  
9 construction facility in approximately this location. Other  
10 marine industrial facilities that would include such things  
11 as fiber optic repair ships that would go out and repair  
12 the fiber optic cables in the ocean, oil spill response  
13 teams, and these concepts are all based on expressions of  
14 interests that we have had from the industry.

15 And at this end of the site, this is a very  
16 sensitive environmental area both in terms of wetlands and  
17 in terms of use by eagles in the area for foraging and  
18 fishing and flying. We are talking with Clatsop County  
19 Community College about a facility there, a satellite campus  
20 that would involve use of this site for environmental  
21 education and also in cooperation with the users on site  
22 for vocational training, welding training, and Coast Guard  
23 certification and education using the launching facilities.  
24 Back here without access to the water would be general  
25 development. This concept plan has been worked out over,

1 as I said, about a year and a half through discussion with  
2 all of the appropriate federal resource agencies and with  
3 state and local planning bodies and reflects the best  
4 thinking of all the approving agencies as to what is an  
5 optimum development scenario for the site, so we're going  
6 into the environmental review process with essentially a  
7 consensus plan.

8 Part of what has gone into the master planning  
9 process, which is laid out for you in the written  
10 materials includes the delineation of the wetlands and  
11 examination of hazardous wastes on site and a cleanup plan  
12 worked out with the Corps of Engineers to take care of  
13 some materials that were located. Two technical surveys,  
14 land appraisals, extensive engineering work to help us then  
15 estimate buildable building costs and construction costs,  
16 and what we show on the master plan is a proposed mix of  
17 about 61 million dollars' worth of improvements, and we'll  
18 talk a little bit later in the meeting about what that  
19 could mean to the local and regional economy.

20 As to the engineering work that has been done as  
21 a part of this feasibility phase, we've developed about 35  
22 percent completion in engineering for the Navy facility and  
23 for these - the total site infrastructure, including roads  
24 and utilities. Those are the only aspects of the  
25 improvements to the site that we are proposing that the

1 State get involved in providing. The remainder of the  
2 site would then be semi-improved and available for  
3 individual tenants to do their own site specific  
4 improvements. And as I said, we have the engineering  
5 necessary to estimate the costs of building both the Navy  
6 facility and the site infrastructure with a fairly high  
7 degree of certainty.

8 I'll briefly mention that the bonding concept and  
9 the financing concept that we're talking about, the details  
10 of that need to be covered in executive session because of  
11 their relevance to lease transactions. We are discussing  
12 generally the concept of a bonding package to minimize  
13 direct Common School Fund investment up front and to  
14 maximize the use of debt financing to enable cash flow to  
15 come back from the lease rentals to reimburse the Common  
16 School Fund and to feed the local economy.

17 Two portions of the financing package which are  
18 critical to today's meeting are the \$850,000 which we have  
19 seen appropriated by Congress to help with the final  
20 planning of this facility, and the \$700,000 which we  
21 propose to apply for from ODOT to complete the road  
22 construction.

23 Let me turn over briefly to Rob Simms from  
24 Hamilton, Rabinovitz, and Alshuler, hereafter known as HRA,  
25 because I can only get that out once, the materials that

1 he has prepared are shown in Appendix F in your written  
2 agenda item, and he can briefly tell you what this  
3 facility in this proposed development scenario would mean  
4 to the local economy. His boards are right behind that  
5 set.

6           **ROB SIMMS:** As Janet explained a moment ago,  
7 basically what I've done is estimated the - thank you -  
8 the impacts of this project under sort of two basic  
9 scenarios: one, while it's being built; and two, after  
10 it's been occupied by the tenants, and basically I assume  
11 the tenant mix identical to the one Janet described.

12           And basically this chart here shows the employment  
13 over the 20-year project period, and the way it was  
14 estimated was using an input/output model, and so  
15 consequently what you can do is describing the  
16 characteristics of the various tenants and the cost of  
17 construction model, the consequences of that economic  
18 activity. And so basically you can see over the period  
19 it ranges in terms of construction employment, which is  
20 this crosshatched area here from around 300 employees at  
21 the initial start-up following off to around a little less  
22 than that towards the end. And then over time, the tenant  
23 employment builds up from, say, about 100 employees  
24 initially and then levelling off at around 600 employees  
25 once the project is fully leased up. In total, there's

1 about 300 of what economists call direct employment, that  
2 is, the jobs associated immediately with the projects, and  
3 then another 200 or so that are associated with what are  
4 called indirect and induced impacts, and those are basically  
5 the secondary impacts spun off as a result of expenditures  
6 to suppliers and households residing in the area.

7           The estimates were made for what I call the  
8 larger or greater Portland area because of the nature of  
9 the Clatsop County economy it's likely some of these jobs  
10 would end up being located elsewhere besides Clatsop County,  
11 so consequently you see there's about 600 jobs total.  
12 Secondly, we estimated the income tax revenues associated  
13 with the employment. The input/output model gives us an  
14 estimate of the income associated with these jobs and  
15 consequently you can see that over the 20-year period the  
16 actual income ranges from approximately six million  
17 initially and then stabilizes out at about 10 million  
18 dollars annually. And using the effective average income  
19 tax rate for individuals in Clatsop County would yield  
20 approximately \$900 - excuse me - \$400,000 a year annually  
21 in income taxes. I did not make an estimate of corporate  
22 income taxes given the difficulty of assessing the brackets  
23 and the nature of the firms that would be involved, but  
24 there be approximately four million dollars in gross  
25 business income as well and certainly some of that would

1 be yielded to the State as a corporate income tax.

2           Finally, I made an estimate of the property tax  
3 revenues that would be associated with the project at lease  
4 out. Essentially, I assumed that the Measure 5 cap would  
5 be in effect of \$15 per thousand and estimated it using  
6 the approximate 61 million dollar construction costs, plus  
7 a value of \$30,000 per acre for the land. And basically,  
8 then, allocated the revenues derived to the various  
9 jurisdictions including the City of Astoria, Clatsop County,  
10 the school districts and other jurisdictions, including the  
11 Port of Astoria. Aggregating all this revenue up to the  
12 total yields about a \$900,000 property tax increase, which  
13 is about 14 percent increase over what is currently  
14 received. Thank you.

15           **JANET NEUMAN:** Thank you, Rob. Before we go to  
16 actually asking for action on the four items in public  
17 session, I know that the Governor has before her letters  
18 that just came in this morning in support of this project  
19 that people wanted to get into the record, although they  
20 couldn't be here personally, and I guess this is an  
21 appropriate time for public testimony, if there is any, and  
22 then we can return to the actual action items needed.

23           **GOVERNOR BARBARA ROBERTS:** I won't read these  
24 letters to you, but I will indicate that I have before me  
25 three letters that we will place in the record; one from

1 the City of Astoria in strong support of the project; one  
2 from the Port of Astoria strongly supporting the project  
3 in its full concept, and the other one - oh, here. I'm  
4 sorry. I got lost. The Naval Task Force, Lower Columbia  
5 Naval Task Force, which is also indicating strong support,  
6 and we will be certain that those three letters are in the  
7 record.

8 I have a number of people who signed up with  
9 interest in the Tongue Point item. Most of them have  
10 indicated that they do not wish to testify. Two of them,  
11 Terry Edwards and Cindy Brown, I have a question mark, so  
12 I'm not sure if they wish to testify, so if there's anyone  
13 who wishes to testify before we begin taking action on the  
14 public items, this is the opportunity to do that. Okay.  
15 Thank you. I don't see anyone wishing to testify.

16 Janet, we are ready, as far as I am aware, for  
17 the four public items here that we could take really I  
18 think one at a time to be certain that we have done them  
19 correctly. I think that might be the better way. So  
20 first we have before us item one, which is the approval  
21 of the concept of the development plan that you saw before  
22 you.

23 STATE TREASURER TONY MEEKER: Governor, I have a  
24 question about it or do you want a motion?

25 GOVERNOR BARBARA ROBERTS: No, no. Well, if

1 you've got a question, let's do the question.

2 STATE TREASURER TONY MEEKER: Yeah. One of the  
3 items, I think it's the second, my question relates to the  
4 marketing of the other industrial property. You know,  
5 there's really two elements. There's the negotiation with  
6 the Navy, and then there's the marketing of the other  
7 industrial property. And it's my assumption - and if it  
8 isn't correct, I think it ought to be a part of the  
9 motion - that that begin aggressively, that we --

10 GOVERNOR BARBARA ROBERTS: That's correct.

11 STATE TREASURER TONY MEEKER: Launch into that  
12 immediately.

13 JANET NEUMAN: Yes, and that itself has two  
14 parts. We have been discussing quite aggressively but  
15 informally and individually with a number of potential  
16 tenants, and that's how we came up with the proposed  
17 development mix. There are some very strong expressions  
18 of interest. What we are able to do now given the  
19 information we've developed through this planning process is  
20 to meet more aggressively with those individuals who have  
21 expressed interest and start talking about very specific  
22 kinds of lease terms and dollar amounts and so forth to  
23 see if we do have some possibilities and we intend to do  
24 that very aggressively.

25 The second part that we think is very important,

1 both to protect the State's interests in developing the  
2 site ultimately and also to protect the process of how we  
3 do this, is to open it up now very publicly and do a  
4 request for proposals of some sort to make sure that  
5 people we haven't come upon in our own efforts have an  
6 opportunity to come before the Board or to come to the  
7 Division and make proposals and get involved in potential  
8 negotiations, and we also intend to do that immediately  
9 and aggressively so that the next time we come back to the  
10 Board, and this will become more clear after the executive  
11 session discussion, but the next time we come back, we  
12 should have some much more known factors as to potential  
13 tenants other than the Navy, and that will start to  
14 clarify the financing package and the eventual discussions  
15 as well. And I should say one word of caution there,  
16 because I want the record to correctly reflect that all of  
17 this is contingent upon completion of the environmental  
18 impact statement on this proposed master plan. We're not  
19 trying to get ahead of that. We're trying to work  
20 simultaneously with it, and because we're comfortable that  
21 we've identified an environmental appropriate development  
22 concept, we think we can do some of these things at the  
23 same time, but that is an absolute contingency that has to  
24 be completed before any development takes place.

25 STATE TREASURER TONY MEEKER: Governor, I have

1 another question.

2 GOVERNOR BARBARA ROBERTS: Mr. Treasurer.

3 STATE TREASURER TONY MEEKER: I think that for  
4 the purposes of the record, it's clear that you're going  
5 to market aggressively. I don't think we need to write  
6 that down. I just wanted to make sure that we're moving  
7 forward.

8 GOVERNOR BARBARA ROBERTS: Well, whoever makes a  
9 motion can obviously if they choose to do that make that  
10 part of the motion.

11 STATE TREASURER TONY MEEKER: I like the  
12 aggressive nature of the response.

13 JANET NEUMAN: It's supposed to be assertive,  
14 not--

15 GOVERNOR BARBARA ROBERTS: Janet, don't be afraid  
16 of power. It's okay.

17 STATE TREASURER TONY MEEKER: Part of the '90s.  
18 It truly is okay to be aggressive. The other question,  
19 Governor, relates - and I'd like to have Janet comment if  
20 she wouldn't mind - to North Tongue Point. The property  
21 right next door is ours as well and we have an investment  
22 in it. If my memory is correct, the termination date on  
23 the contract is this year.

24 JANET NEUMAN: January of 1993. That's correct.  
25 Or December 31, 1992.

1 STATE TREASURER TONY MEEKER: A year from now?

2 JANET NEUMAN: Yes.

3 STATE TREASURER TONY MEEKER: Yeah, so it's really  
4 less than a year. It's about 11 months.

5 JANET NEUMAN: That's correct.

6 STATE TREASURER TONY MEEKER: Do you have some  
7 sort of a contingency plan that you're developing in case  
8 the other thing falls apart?

9 JANET NEUMAN: Yes, we do and we'll probably be  
10 coming back on a similar time table as the next time that  
11 we report on South Tongue Point we will be coming back to  
12 talk to you about North Tongue Point, but we're talking  
13 with the current lessee, the Port of Astoria and others  
14 about what we need to do to be prepared for the  
15 eventuality that we don't shift into phase two of that  
16 lease, and we've made it very clear to the current lessee  
17 that we don't necessarily want to see them off, but we'd  
18 have to make that a public review and a public process as  
19 well, and they're very willing to work with us on that,  
20 and we've just begun discussions on that within the last  
21 30 days. We thought we would take this whole calendar  
22 year. I mean, not the whole calendar year, but that by  
23 the end of the calendar year we want to know clearly where  
24 we're going with that parcel as well.

25 STATE TREASURER TONY MEEKER: The reason I make

1 that point, Governor, is there is a relationship between  
2 the two, and if we have some idea that the other program  
3 is not going to work, then the marketing concepts, the  
4 marketing approach can literally work in conjunction with  
5 each other.

6 JANET NEUMAN: That's correct.

7 GOVERNOR BARBARA ROBERTS: There's clearly an  
8 interrelationship between the properties, particularly as  
9 this one begins to develop. I think it will have an  
10 impact on the north parcel and so I think as we watch  
11 this move forward and should everything fall into place as  
12 we expect it to, I think that clearly then our look at  
13 North Tongue Point is evaluated partly on the concept of  
14 what South Tongue Point does to the general region. I  
15 think that's clear.

16 JANET NEUMAN: Yes.

17 STATE TREASURER TONY MEEKER: I would move, then,  
18 that we approve item one.

19 SECRETARY OF STATE PHIL KIESLING: Second.

20 GOVERNOR BARBARA ROBERTS: It's been moved and  
21 seconded that we approve item number one, which is the  
22 concept of the development plan that you saw displayed  
23 today. Is there further discussion on that item? If not,  
24 those in favor will signify by saying aye. It is  
25 unanimous and item one has been approved.

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AGENDA ITEM NO. 4

SECRETARY OF STATE PHIL KIESLING: Madam Chair?

GOVERNOR BARBARA ROBERTS: Yes.

SECRETARY OF STATE PHIL KIESLING: I would like to move approval of item number four, that was the appropriate--

GOVERNOR BARBARA ROBERTS: Mr. Treasurer?

SECRETARY OF STATE PHIL KIESLING: With the understanding of assertiveness and aggressiveness that's listed in the previous--

GOVERNOR BARBARA ROBERTS: This is the authorization to solicit tenants--

SECRETARY OF STATE PHIL KIESLING: The authorization to solicit tenants.

GOVERNOR BARBARA ROBERTS: Is there a second?

STATE TREASURER TONY MEEKER: I will second.

GOVERNOR BARBARA ROBERTS: It has been seconded. We have before us a motion to approve item number four, which is the authorization to solicit tenants for the development. Is there further discussion? Hearing none, those in favor will signify by saying aye; those opposed, nay. The motion is passed unanimously.

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1 well understand how this piece fits in with the rest of  
2 the project.

3 GOVERNOR BARBARA ROBERTS: The difficulty sometimes  
4 with the Emergency Board is having to submit those items  
5 so far ahead and sometimes the cart tends to get before  
6 the horse, but in this case we've corrected the cart-and-  
7 horse problem, I think, so let us move to item number six  
8 now.

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Executive Session, Pages 23-59

9                   GOVERNOR BARBARA ROBERTS:   Okay.   Okay.   I would  
10 just like a minute to say that we have, as you heard  
11 before going into executive session, that we had discussions  
12 about the potential lease with the Navy as well as some  
13 alternative financing options that were discussed in detail  
14 with the Board.   I think it would be appropriate at this  
15 time to move in public session to two motions that I think  
16 will be necessary for the staff to move forward, so if  
17 someone has those motions?

18                   SECRETARY OF STATE PHIL KIESLING:   I'll start with  
19 the first one to direct staff to begin lease negotiations  
20 with the Navy contingent, of course, on completion of the  
21 EIS and conveyance of the property.

22                   STATE TREASURER TONY MEEKER:   Second.

23                   GOVERNOR BARBARA ROBERTS:   It's been moved and  
24 seconded that we direct the staff to begin negotiations  
25 with the Navy with regard to this project, obviously

1           GOVERNOR BARBARA ROBERTS:       I think we will.  
2   Yeah, the Navy one is one motion and the other piece which  
3   have a couple or three components in it is really the  
4   second motion.     And I want to wait until - there are  
5   people coming back in.   There are some.   Let's wait just  
6   a minute.   Are there other people outside?

7           JANET NEUMAN:       I told them we were back in  
8   session.

9           GOVERNOR BARBARA ROBERTS:   Okay.   Okay.   I would  
10   just like a minute to say that we have, as you heard  
11   before going into executive session, that we had discussions  
12   about the potential lease with the Navy as well as some  
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24   seconded that we direct the staff to begin negotiations  
25   with the Navy with regard to this project, obviously

1 contingent upon completion of the EIS as the final  
2 component in that negotiation. Is there discussion on this  
3 issue? Hearing none, those will signify by saying aye;  
4 those opposed, nay. The motion carries.

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1 move that we adjourn.

2 STATE TREASURER TONY MEEKER: Second.

3 GOVERNOR BARBARA ROBERTS: It's been moved and  
4 seconded. If those in favor will signify by saying aye;  
5 we are adjourned.

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CERTIFICATE

I, RUTHEY HAGER, hereby certify that I am a transcribing machine operator for Business Support Services of Salem, Inc., that as such transcribing machine operator I prepared from a mechanical recording the foregoing typewritten transcript of the testimony and proceedings had upon the hearing of the above-entitled matter at the time and place set forth in the caption hereof; and that the foregoing pages, which are numbered 1 to 62, both inclusive, contain a full, true and correct record of all the testimony adduced in behalf of the respective parties, and all other oral proceedings had upon the said hearing, except where specifically directed by the Referee to be off the record.

WITNESS my hand as transcribing machine operator this 31st day of January 1992.

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Transcribing Machine Operator

Proofreader/Editor: JR/RH/CJC