

Cheoah River Resource Management and Enhancement Fund

Annual Report 2005

This annual report is submitted to satisfy the requirements of the Tapoco Project Relicensing Settlement Agreement (RSA) that requires an annual report be prepared and distributed to Board members and advisors and that Alcoa Power Generating Inc. (APGI) file the report with FERC by June 30 of the following year. The Cheoah River Resource Management and Enhancement Fund ("Fund") (listed in the RSA as the North Carolina Resource Management and Enhancement Fund) was established through the Tapoco Project RSA and is to be administered by the Fund Board composed of authorized representatives of the North Carolina Wildlife Resources Commission, North Carolina Department of Environment and Natural Resources, USDA Forest Service, United States Fish and Wildlife Service, and the Eastern Band of the Cherokee Indians. APGI is required to provide an initial deposit of \$100,000 then annual deposits of \$25,000 (both in inflation adjusted dollars) except for the final 3 years of the new 40-year license.

During 2005 the authorized representatives of the Fund Board and their attorneys developed numerous drafts of proposed charter or bylaws documents related to Board organization and Fund operations. Since the charter or bylaws were not finalized or approved in 2005 the Board was not constituted and Fund Board did not hold any meetings. The Fund Board did not request any of the required monies as listed above from APGI since the Board was still being organized and had not selected a fiduciary agent.

2006 Update. The Fund Board has finalized its organizational document, Operating Protocols for the Cheoah River Resource Management and Enhancement Fund. It has developed the Appointment of Fiduciary and Delegation of Authority document which appoints the North Carolina Department of Environment and Natural Resources as the fiduciary for the Board. Both of these documents have been approved and signed by all Board members (pending receipt of the signature from USFS). A brief organizational meeting of the Fund Board will be held in July 2006 and the fiduciary agent will have procedures in place to receive funds from APGI by August 31, 2006. The Board will hold its annual planning meeting during the fourth quarter of 2006.