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October 21, 1974

MEMORANDUM FOR GERARD C. SMITH

SUBJECT: Marianas

1. Attached are five copies of a revised version of the memorandum concerning military retention land.

2. In preparing the final version, we have left out the references to the views of the parties concerning the total amount of money involved. For your information, the course of the negotiations has been as follows. (All figures are based on the U.S. obtaining title; adjustments would be made if the U.S. agrees to a long term lease.) The United States initially offered \$11.6 million for the land. This was said to be an offer intended to bring the negotiations to a prompt conclusion; it did not purport to be based on the fair market value of the land. The Commission's land appraisal expert presented his view that the fair market value of the land is \$34 million. The United States then responded that, on a fair market value basis, the land is worth approximately \$10.5 million; but if a fair market value approach is taken the United States must insist that its permanent use rights with respect to military retention land be taken into account - which would substantially reduce the \$10.5 million figure. It was in this context that the United States representative made the statement, cited in the memorandum, that the Trust Territory Government's reversionary interest in the land is worth approximately two percent of the fair market value of the land.

3. On the basis of chance contact over the weekend, we have reason to believe that the Office of Micronesian Status Negotiations, which provides staff support to Ambassador Williams, already knows that you will be meeting with officials of the Departments of State and Defense.

4. I am, of course, available to assist you in any way that I can with respect to this matter.

Michael S. Helfer

cc: Howard P. Willens ✓