

**BEFORE THE PERSONNEL BOARD OF THE STATE OF ALASKA**

**OFFICE OF THE INDEPENDENT COUNSEL**

**In re Ethics Complaint of April 27, 2009**

**FINDINGS OF INDEPENDENT COUNSEL, CONSENT DECREE AND  
SETTLEMENT AGREEMENT**

By agreement, the undersigned Independent Counsel, appointed to investigate whether probable cause exists to prosecute this matter, enters these findings of fact and conclusions of law with respect to the above described complaint (the "Complaint"). Additionally, based upon these findings, former Governor Sarah Palin ("Governor Palin") agrees to the settlement provisions set forth below and agrees to abide by the following remedy in lieu of formal proceedings pursuant to AS 39.52.350 and AS 39.52.360. This Consent Decree and Settlement Agreement is made pursuant to AS 39.53.330, and Governor Palin has expressly agreed that the Findings, Consent Decree and Settlement Agreement shall be publicly disclosed and available.

**FINDINGS OF FACT AND CONCLUSIONS OF LAW OF INDEPENDENT COUNSEL**

**A. Summary of Findings.** The Alaska Fund Trust (the "Trust") was created and administered as a result of the work and efforts of Governor Palin, her close advisors, and attorneys retained to draft the Trust and the related website that was the primary vehicle for soliciting donations. The Trust, as written, is designed to confer a private financial benefit, as that term is defined by the Alaska Executive Branch Ethics Act (the "Ethics Act"), on Governor Palin, the sole beneficiary under article 4 of the Trust, and on a class of "potential beneficiaries" which include her immediate family, and others, including some that are currently holding public office. To date no one other than the Governor has actually been designated as a beneficiary. However, the Trustee has broad power, under the Trust, to name these additional beneficiaries. The person selected to administer the Trust, Kristan Cole (the "Trustee"), was approved by Governor Palin. The Trustee is herself a public official who holds positions on important boards and commissions of the State of Alaska appointed by the Governor, and who serves at the pleasure of the Governor. The Trust's website was described as the "official website" of Governor Palin, who was, at the time the Trust was launched, the sitting Governor of the State of Alaska. The Trust, and its website soliciting donations, if the funds were to be accepted by Governor Palin, would violate the Ethics Act by using the Governor's official position for personal gain and because the Trustee, herself a public official, is providing a substantial private benefit to another public official through her role as Trustee of the Trust. See AS 39.52.120(a), AS 39.52.130(a), AS 39.52.960(3), (10).

The Trust was formed and administered following the specific advice of counsel solicited by Governor Palin and her aides. Because of the good faith reliance upon the advice of counsel who were specifically retained to insure compliance with the Ethics Act, the violations were not knowingly committed. Nevertheless, actions must be taken, if possible, to correct the deficiencies in the Trust pursuant to AS 39.52.330. Governor Palin has fully cooperated with the investigation, has refrained from receiving any benefit from the Trust pending the resolution of this Complaint and has agreed to assist in insuring that any warranted corrective action be taken. Therefore, this matter is properly resolved through settlement and corrective action. No further sanction, other than the settlement terms reached as set forth herein, appears necessary or appropriate under these circumstances.

**B. Background.** The instant Complaint was filed on April 27, 2009 alleging that the establishment of the then Governor Palin's Legal Defense Fund violated the Ethics Act's prohibition on use of official position for personal gain by solicitation of a private benefit, and because the Trust constituted an illegal gift under the

Ethics Act. Thereafter, Thomas Daniel, of the law firm of Perkins Coie, was appointed by the Alaska Personnel Board to serve as Independent Counsel to investigate this matter. Mr. Daniel issued a report to the Alaska Personnel Board on July 14, 2009 at a stage in the proceedings when the report was, by law, confidential. The report was nonetheless publicly released. Though the release of the report was in violation of the Ethics Act, there is no remedy unless such release can be shown to have been caused by a public employee. The Department of Law has determined there is no remedy under the Ethics Act for release of confidential information by a party not subject to the jurisdiction of the Act. There has been no evidence adduced that any state employee was responsible for the release. After the release of the report, Governor Palin, through her attorneys, challenged the participation of Perkins Coie due to an alleged conflict of interest held by the law firm. Without conceding that there was such a conflict, Perkins Coie elected to withdraw as Independent Counsel to avoid any controversy or appearance of partiality in connection with the determinations and future actions of Independent Counsel assigned to this matter. Thereafter, the Undersigned was appointed as Independent Counsel and asked to review, de novo, the Complaint and the underlying facts.

At the time of this Independent Counsel's appointment, no depositions or other formal statements had been taken, and the facts were thought by the previous Independent Counsel to not be in dispute. Attorneys for Governor Palin disagreed and stated that there were factual disputes and alleged the existence of additional facts that required review beyond those contained in the previously disclosed Report of Independent Counsel to the Personnel Board. Thereafter, this Independent Counsel issued subpoenas for documents relating to the formation and administration of the Trust and took the depositions of five witnesses, including Governor Palin. The Findings of Fact and Conclusions of Law contained herein are based on that investigation.

### **C. Findings of Fact and Conclusions of Law.**

1. Certain ethics complaints and legislative inquiries were conducted involving Governor Palin during the national presidential and vice presidential campaign when Governor Palin was a candidate for Vice President of the United States.

2. A contract for legal services was issued by the State of Alaska to the law firm of Clapp, Peterson, Van Flein, Tiemesson & Thorsness to represent Governor Palin, and others, in connection with these matters, for up to \$100,000 at public expense.

3. No invoices were submitted to the State by Mr. Van Flein's law firm, pursuant to this state contract, due to the decision by Governor Palin and her attorneys that it would be too difficult to separate the functions of representing Governor Palin in her official capacity in the pending state-related matters, and representing her in other related campaign or partisan matters beyond the scope of the state contract. Thus, to avoid an appearance of impropriety or any allegation that legal fees were being paid for legal services beyond the scope of the state contract, Van Flein's law firm and Governor Palin agreed that funding for these services would be sought from sources other than state funding.

4. Among the sources of funding discussed were the Republican National Committee and the McCain campaign. However, after the conclusion of the presidential campaign, it became apparent that funding from the McCain campaign would not be forthcoming. Governor Palin and her advisors discussed alternative sources of funding to defray the continuing costs of defending past and future Ethics Act complaints, as well as other claims that may be brought as a consequence of serving in the Governor's Office. Among the sources discussed were the Republican Governor's Association and the creation of a trust. The trust would solicit private funding to pay for the past and future defense costs of Governor Palin, and potentially her family, her aides in the Governor's Office, and potentially, future governors and state officials.

5. The person charged with responsibility for determining how to defray the legal defense obligations and to oversee the project was Meghan Stapleton. Ms. Stapleton was then serving as a independent consultant in a managerial capacity to SarahPAC, a political action committee funded by private sources. She also performed uncompensated work for the Palin family, including acting as the family's spokesperson.

6. A decision was made in February of 2009 to use a defense trust fund, funded by private donations, to pay existing and future legal bills. Three law firms were retained to draft the Trust or advise Governor Palin with respect to this Trust.<sup>1</sup> The day-to-day supervision and monitoring of the efforts to pursue a legal defense trust fund was conducted by Ms. Stapleton. Ms. Stapleton would brief Governor Palin on the progress of the project and obtain Governor Palin's authority to proceed when critical decisions had to be made.

7. Just prior to the launching of the Trust, the Governor's personal attorney, Mr. Van Flein, who had represented Governor Palin in past ethics-related matters, was also consulted. There was not always agreement among the three law firms ultimately involved in providing advice, as to how to proceed.

8. Eventually the Trust was drafted and approved for release by Governor Palin and Ms. Stapleton. Ms. Cole was selected as Trustee after several other potential trustees had been considered.

9. Prior to the selection of Ms. Cole as Trustee, the drafting of the trust document and the website language had been under way for some time and was close to being in final draft.

10. Governor Palin was not involved in the details of the drafting of the trust document or its supporting website, but she was given the opportunity to review drafts and to comment on them. She was also briefed by Ms. Stapleton on the substance of the legal advice being given by the various attorneys, and personally sat in on a few, but not the majority, of the conferences with attorneys and advisors who were working on the Trust and the website.

11. The trust document in its final form allows for reimbursement for Governor Palin for all defense costs and other expenses related to the defense of virtually any claims related to her, her family, or her aides, and defense of claims arising from her employment as governor. The claims are not limited to those under the Ethics Act. Expenses are not limited to attorneys' fees. In addition, the Trust contains a so-called "Crummey Provision" that permits a beneficiary under the Trust to demand withdrawals from the Trust for any reason whatsoever. This provision was inserted to prevent the donors from being required to file gift tax returns in connection with their donations. In order to obtain this result (exemption from the filing of gift tax returns by donors), the IRS requires that this provision must be enforceable and real. Though it was the expectation that no such withdrawals would actually be made and no such request for withdrawal actually occurred, such withdrawals are clearly authorized by the Trust language, and, therefore, for purposes of evaluating the Trust under the Ethics Act, the clear provisions of the trust document itself control. The Trust document also provides that if there is any income tax consequence to any beneficiaries for payments from the Trust, that tax liability was also an authorized payment that could be made to the beneficiaries of the Trust. The beneficiaries as described by the Trust, expressly include Governor Palin and describe the members of her immediate family as potential beneficiaries. Moreover, the Trustee is given the discretion to name additional beneficiaries, who by description could be sitting public officials. The Trust, by its terms, confers a personal financial benefit upon Governor Palin and is written to authorize a potential benefit to her immediate family as the term "personal benefit" is defined under the Ethics Act. The Trust also contemplates the payment of a personal financial benefit to other public officials in the discretion of the Trustee. In the absence of any request to have existing debts to lawyers and others defrayed by application of public funds to pay for such services and other expenses incurred (which have never been tendered), the payments authorized by the Trust may be payments to reduce private debts, payment of private income taxes and, theoretically at least, are subject to withdrawal demand for any purpose. Thus the Trust itself contemplates personal gain and financial benefit to executive

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<sup>1</sup> These law firms were McKenna Long & Aldridge, LLP, Baker and Hostetler, LLP, who drafted the Trust documents, and Clapp, Peterson, Van Flein, Tiemesson & Thorsness, LLC, who otherwise advised the Governor.

branch employees as these terms are defined by the Ethics Act. See AS 39.52.960(3), (9), (10) & (18); and 9 AAC 52.990(6). Whether or not a portion, but not all, of the expenses covered by the Trust could have been submitted for public reimbursement does not affect the conclusion that the Trust, as written, confers a private benefit as that term is defined under the Ethics Act.

12. In the accompanying website, which was designed to inform the public of the existence of the Trust and solicit donations to it, the Trust is several times referred to as the "official legal fund" created to defend Sarah Palin, and clearly states that the fund is to defray costs incurred by her due to her service as the Governor. The website continues to criticize past Ethics Act filings and points out the need to assist Governor Palin, referring to the fact that Governor Palin is halfway through her term and needs the help of donors to continue her work. This investigation revealed that the reason for the language "official legal fund" was purportedly to distinguish this Trust from others that may have been created and advertised that were of unknown legitimacy and legality or did not have the concurrence of Governor Palin to raise such funds. However, whatever the motivation, it is a violation of the Ethics Act to use one's public office to raise money for private purposes. The mention of the site as the "official website" of Governor Palin, taken together with the ensuing references to her work in office, violates the Ethics Act proscription of the use of one's official position to raise private funds. If there was a need to distinguish this Trust from other funds that were not authorized, there were many ways to do it other than naming this Trust the "official" fund of a sitting governor, or as the site states: "[t]he Alaska Fund Trust is the official legal fund created to defend the integrity of the Alaska Governor's Office from an onslaught of political attacks launched against current Governor Sarah Palin, the First Family and state-employed colleagues." For purposes of setting precedent and setting sound policy for any future attempts by public officials to solicit private donations for a private financial benefit, strict adherence to a proscription of the mention or inference or use of "official" connected to public office must be maintained. AS 39.52.120(a); 2003 Op. Att'y. Gen. No. 665-04-0038, 2003 WL 22701378 (Alaska A.G.). AS 39.52.010 provides that in interpreting close questions, the Ethic Act's purpose is to discourage public officers from acting upon personal or financial interests in the performance of public responsibilities, and any effort to benefit a personal or financial interest through official action or status is proscribed. AS 39.52.010(a)(2); AS 39.52.110(a); AS 39.52.940 (construction of the Ethics Act is to be interpreted consistent with promoting high standards of ethical conduct in state government). Therefore, there is probable cause to believe the Trust violates the Ethics Act, AS 39.52.120(a) by using public office to secure a private benefit. See also 2003 Op. Att'y Gen No. 665-04-0038, 2003 WL 22701378 (Alaska A.G.).

13. Ms. Cole serves as the Trustee of the Trust. She is responsible for administering the Trust and is the person who represents the fundraising effort on behalf of Governor Palin. She donated substantial time and effort to the project and is given considerable discretion in naming beneficiaries. She is the public face for soliciting funds and supervised the administration of the Trust. When Ms. Cole was selected to act as Trustee, she was serving on two state boards, and had served on one other board for a prior governor.. She was appointed by Governor Palin to the Board of Agriculture and Conservation, which Board appointed her to the Creamery Corporation (Matanuska Maid) Board where she oversaw its activities. The Creamery Corporation is a private corporation whose shareholder is the Board of Agriculture. Press reports at the time reflect that her responsibilities were the subject of public debate and important government-related policy decisions. Governor Palin also appointed Ms. Cole to serve on the Alaska Royalty Oil and Gas Development Advisory Board.

14. The function of Trustee of the Trust carries with it both substantial value and discretion in the administration of the Trust. AS 39.52.130 provides that gifts valued at \$150 or less do not require a specific report under the Ethics Act. Gifts below this threshold amount are essentially presumed not to be of sufficient value so as to be objectively susceptible of providing improper influence to a public official. Consequently, maximum acceptable donations for this Trust were carefully restricted so as not to exceed a set amount (\$150 or less per donor) in order to bring each donation to the Trust within the provisions of AS 39.52.130(b) (requiring no report). However the same statute provides that gifts in any amount from a lobbyist are effectively presumed

to be intended to improperly influence the public official and are banned. To comply with this provision, the Trust prohibited donations from registered lobbyists, in any amount.

15. However, the question arises as to whether a public official should be allowed, under the Ethics Act, to serve as a private trustee for a fund designed to solicit, collect and administer funds for a private benefit to another public official. In this instance, service as Trustee was certainly of a much higher value than \$150. The trustee also had discretion to name beneficiaries. It is important to note that the investigation did not uncover any hint that the Trustee was motivated by an actual attempt to influence Governor Palin or that any undue influence or advantage was actually ever obtained or sought as a result of the service of Ms. Cole as Trustee. Indeed, the donations were small in amount and most were from donors living outside the State of Alaska. The test, however, is not whether there was actual improper motivation, or whether any influence was actually sought or obtained, but whether, as a matter of policy and good government, public officials should serve in the capacity as a private trustee to solicit and administer private funds for the benefit of other public officials. The answer would appear to be no. In this case the ultimate beneficiary of the Trust is the State's highest executive officer. If the Ethics Act expressly prohibits a person from supplying any private benefit in any amount to a public official because of that person's status as a lobbyist, a person who seeks to influence government decisions, it seems entirely consistent with the stated purposes of the statute that a public official serving at the pleasure of the governor, with the power to make government policy, should also not do so. The issue is not whether any governmental decision was actually affected, or whether the motivation for serving was actually intended to influence the performance of official duties or action, but whether, under all of the circumstances, the relationship between the Trustee and the beneficiary is such, that an objective inference of improper intent arises. See AS 39.52.130. Actual motivation and actual influence under such circumstances would be exceedingly difficult to prove and is not required. The test is an objective one. The selection of a public official as Trustee for this Trust, which conferred a substantial benefit upon the then-Governor and authorizes other beneficiaries who are public officials and close family members, coupled with the power and discretion to administer funds and expand the list of beneficiaries, is an impermissible conferral of a private benefit under AS 39.52.130(a). The Trust was able, in a short period of time, to raise hundreds of thousands of dollars. Using a public official as Trustee of a private trust, to raise private money for a public official's private benefit, who is chosen by the public official beneficiary herself, when the beneficiary public official has ultimate supervisory authority over the official acts of the trustee, violates AS 39.52.130(a) – even in the absence of evidence of an actual improper motivation or evidence of undue influence, which concededly, there is none here. AS 39.52.130(a).

16. Though the Trust itself, as ultimately conceived, violates the Ethics Act, the inquiry does not end there. Further inquiry must be made into whether the violations of the Ethics Act were committed knowingly. Grounds for issuance of an accusation followed by a hearing exist whenever there is probable cause to believe that (a) the conduct by the public official constituted a knowing violation(s) of the Ethics Act; or (b) irrespective of whether the conduct was knowing conduct, the violation of the Ethics Act cannot be corrected. AS 39.52.350.

17. Governor Palin has fully cooperated with the investigation.

18. Governor Palin complied fully with AS 39.52.210(a) by declining to take any proceeds from the Trust once the Complaint was filed pending resolution of this matter.

19. Governor Palin asserted that her actions were taken entirely upon the advice of competent counsel and that she followed that advice in every particular so that any violation of the Ethics Act was not a knowing violation. Governor Palin waived the attorney-client privilege and authorized her attorneys to make full disclosure of their advice and the process by which the Trust was created. The principal attorneys involved in providing the advice, Governor Palin and Ms. Stapleton all appeared at deposition at the request of this Independent Counsel. No assertion of attorney client privilege was asserted as to the relevant subject matter.

20. It is not clear that advice of counsel is a defense to an Ethics Act violation in the State of Alaska. See Ostrosky v. State, 704 P.2d 786, 792 fn. 2 (Alaska 1985). Under federal law in this circuit, advice of counsel may be circumstance indicating good faith, in matters where specific intent is an element of an offense, that may be offered to rebut the existence of willful conduct. See, e.g., United States v. Ibarra-Alcarez, 830 F.2d 968, 972 (9th Cir. 1987); Bisno v. United States, 299 F.2d 711, 719 (9th Cir. 1961). In governmental ethics matters, other states differ on whether the defense is available. Compare In re Zisa, 896 A.2d 1111, 1116-17 (N.J. 2006) (recognizing the defense) with Executive Branch Ethics Comm'n v. Stephens, 92 S.W.3d 69, 74 (Ky. 2002) (rejecting the defense). Given the existence and importance of the scienter element to Ethics Act, it seems likely that Alaska courts would consider evidence of the existence of the advice of counsel on the element of whether there has been a knowing violation of the Ethics Act. Indeed in Wheeler v. State, 659 P.2d 1241, 1253-54 & n. 17 (Alaska Ct. App. 1983), the court approved an instruction to the jury as to the elements of the defense in a criminal securities registration case without deciding whether the defense was legally required. Like securities registration, governmental ethics statutes can be very complicated with sometimes technical and difficult compliance provisions. Moreover, in circumstances such as those presented here, where compliance with multiple, varied laws which address potentially conflicting concerns—such as tax and disclosure requirements—it seems likely and fair that the defense would be considered relevant by the Alaska courts when a public official wishes to establish that the conduct was not a knowing violation of the Ethics Act.

21. The defense of advice of counsel requires that the proponent of the defense establish that: (a) before taking action; (b) she in good faith sought the advice of an attorney whom she considered competent; (c) for the purpose of securing advice on the lawfulness of her possible future conduct; (d) made a full and accurate report to her attorney of all material facts which she knew or should have known about; and (e) acted strictly in accordance with the advice of the attorney who had been given a full report. See, e.g., Wheeler, 659 P.2d at 1253-54. All of the foregoing is relevant to whether the violations in question were knowing violations, which includes the standard legal definition of “knew or should have known.”

22. There is no question that the advice of counsel was sought and that no less than three law firms were consulted. The consultations began before either the Trust donor solicitations began and attorneys were consulted both to draft the trust document and the accompanying website which made representations about the Trust. The law firms consulted credibly represented that they were experienced and competent in the area. The first three elements of the defense are clearly met.

23. The idea for creating a defense fund trust came initially from Governor Palin’s advisors. Most to nearly all of the meetings with counsel were conducted by Ms. Stapleton on Governor Palin’s behalf and with Governor Palin’s authority. Governor Palin was not active in the discussions with the retained attorneys for the Trust as to the complex issues that had to be confronted to comply with the various laws that governed the Trust, including the Ethics Act. The Ethics Act provides that it is the individual responsibility of every public official or employee to comply with the Ethics Act and it is one of the most important functions of a public official. AS 39.52.010(a)(7). The Ethics Act provides that the public official may seek advance guidance for any endeavor that may implicate the Ethics Act and each public official is assigned an ethics officer to advise them. In the case of a governor, the person assigned under the Ethics Act is the Attorney General. AS 39.52.960(8)(c). While, the degree of delegation to Ms. Stapleton in this instance was troubling, the facts and circumstances surrounding the legal problem presented were fairly and competently presented by Ms. Stapleton on Governor Palin’s behalf, and the attorneys involved were fairly apprised of the facts supporting the legal problem they were to address. The advice and the result would not likely have been different had the Governor been more fully involved. The fourth element of the defense is established.

24. Several of the attorneys retained expressed great confidence to their client, Governor Palin, that the Trust, as written, complied with all relevant laws. At no time did the attorneys warn that the two grounds for violation described herein were a problem. There was disagreement amongst the attorneys as to one critical

point. One of the attorneys, Mr. Van Flein, strongly advised that the Trust be submitted to the Department of Law for pre-approval pursuant to AS 39.52.210, as had been done twice before by Governor Palin with respect to other ethics matters, resulting in her ultimate conduct being found to be lawful. Governor Palin chose not to accept the advice of Mr. Van Flein, and followed instead the advice of another attorney who recommended against seeking the advice of the Governor's ethics supervisor (the attorney general), who advised to simply contest the "inevitable" complaint when it came. In retrospect the advice to seek preapproval from the ethics officer provided to the Governor under the statute seems the better course, particularly when this was the first attempt at such a trust agreement in Alaska and ethics complaints were likely. Governor Palin was nevertheless following the express advice of one of her attorneys who told her the Trust complied with all laws and was indeed unassailable. The decision not to seek prior Department of Law approval, while contrary to Mr. Van Flein's advice, was approved by another attorney.

25. Though the two reasons why the Trust violates the Ethics Act are important, they are not so obvious as to impute knowledge to Governor Palin especially as her attorneys did not advise her of the ethics problems. Therefore, the evidence supports Governor Palin's contention that any violation of the Ethics Act was not a knowing violation.

26. However, the inquiry does not end there. The Trust still violates the Ethics Act, and though the Trust may have been launched without the specific knowledge that it violates the Ethics Act, an accusation can still be brought under the law to remedy the problem, for as AS 39.52.350 provides, a hearing must be held even if the violation was not a knowing violation if the violation cannot be corrected. Though at the time of the launch of the Trust, the grounds described herein may not have been known to Governor Palin, the issues have now come to light and the next step is to determine if the violation can be corrected. Moreover, the Ethics Act specifically provides that a contract (and the Trust is a contract) is voidable if determined to violate the Ethics Act. AS 39.52.430(a).

27. Governor Palin resigned from office effective July 26, 2009. The Trust began receiving donations several months before that and continued to receive donations after Governor Palin's resignation, which have been held pending resolution of this matter. Donations received by the Trust before the Governor's resignation totaled approximately \$386,856. Donations received after resignation totaled approximately \$33,546. As of March 22, 2010, the Trust had also incurred legal and other expenses of around \$87,680. The Department of Law, in considering a post-resignation Ethics Act complaint concerning this same Trust, concluded that as of the date of her resignation, Governor Palin's attempts to secure defense funds through the Trust did not require referral to an Independent Counsel. The rationale for such a conclusion appears sound when applied to the facts presented here. The two grounds for finding a violation of the Trust are: first, as presented to the public, it represents or infers that it is the official site of the sitting Governor, and second that the Trustee is herself a public official. These grounds cease to be a concern once the principal beneficiary of the Trust is not in office and cannot be influenced, except insofar as the Trust purports to be a funding source for any currently serving public official. It is not a violation of the Ethics Act for a former state official to refer to her prior office. There is a continuing problem with the Trust's choice of Trustee, however, to the extent that the Trust purports to potentially provide benefits to existing members of the Governor's office, which on its face, it does. Thus far, however, no action to name such a beneficiary by the Trustee has taken place since the Trust was essentially put "on hold" after the filing of the Complaint.

28. Therefore, the violation can be corrected, pursuant to AS 39.52.330 and AS 39.52.430 by the following actions:

A. Governor Palin must agree to continue to decline to accept funds donated prior to the date of her resignation from the Governor's Office.

B. All donations received prior to Governor Palin's resignation must be returned to the donors.

C. All expenses of the Fund previously incurred must be defrayed from donations received after the Governor's resignation or from some other source, and, if already paid, in such a manner as to permit full refund of pre-resignation donations.

D. Going forward, either a substitute Trustee must be appointed who does not hold public office, or the current Trustee must elect between maintaining her position as Trustee or resign from all state public offices, or the Trust must be amended and narrowed so that no sitting public official is described as a potential beneficiary.

E. All donors to the Trust, whether they donated before or after the resignation, as promised in the supporting website information, must be publicly disclosed.

F. All donations received not in compliance with the Trust's terms as to amount or source, should be returned irrespective of when received.

**D. Terms of Settlement and Consent Decree.** By signing below:

1. Governor Palin agrees to continue to decline to receive funds donated to the Trust during the time she served as Governor (prior to July 26, 2009).

2. All donations received by the Trust prior to that date, and any donations that do not comply with the Trust term limitations (as to amount of donation or source) shall be returned to the donor.

3. Expenses of the Trust must be defrayed from donations obtained after Governor Palin's resignation date, or from another legal source other than from the funds received by the Trust prior to the resignation date. If the Trust's expenses have already been paid in an amount that exceeds available funds, the matter must be managed in such a way so that there are adequate funds to fully reimburse donors who donated prior to the Governor's resignation.

4. The Trust shall either (a) be amended to exclude as beneficiaries currently serving state officials; or (b) the Trustee shall resign in favor of a Trustee that holds no public office; or (c) the

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Trustee shall relinquish all public offices. Governor Palin may also cause the Trust to be terminated in its entirety if the termination is consistent with the other terms of this Agreement.

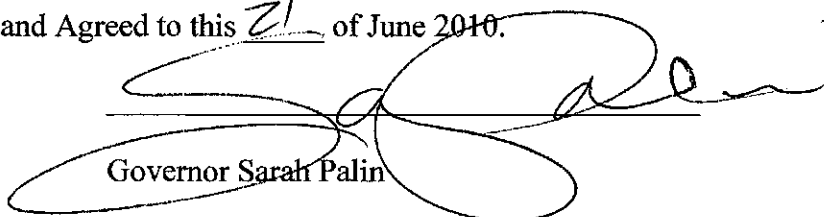
5. Governor Palin shall continue to support and assist in the corrective action, will secure the cooperation of the Trustee as to the foregoing, and shall not take any action that undercuts or undermines the corrective action agreed to herein. In the event that circumstances arise which Governor Palin cannot control in effectuating this corrective action, she will promptly report any difficulties to the ethics supervisor at the State of Alaska Department of Law appointed for this purpose.

6. This Consent Decree and Settlement Agreement shall be enforced, going forward, by the State of Alaska, Department of Law. Governor Palin shall take this corrective action within 90 days of the signing of this Agreement and report to the Department of Law, or its designee, that the Agreement has been complied with or state cause for any required extension of time.

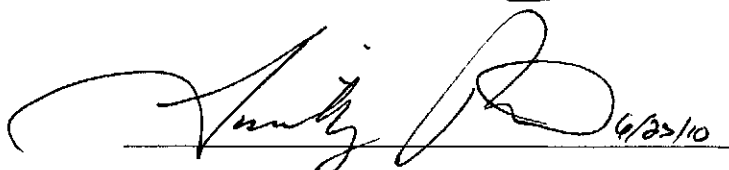
7. The underlying evidence adduced, pursuant to AS 39.52.340 and AS 39.52.335, shall remain confidential.

8. These Findings, Consent Decree and Settlement Agreement shall be publicly released upon execution of the agreement.

Dated and Agreed to this 21 of June 2010.



Governor Sarah Palin



6/23/10

Timothy Petumenos, Independent Counsel

Alaska Personnel Board