

The Alaska Mental Health Trust Authority
Trust Land Office
FINAL BEST INTEREST DECISION
Competitive Timber Sale - Hollis, Alaska

MHT: 9101091
MH Parcel: CRM-7061

- I. Executive Summary.** The Trust Land Office (TLO) intends to dispose of the economic timber, an estimated 20 million board feet, through a competitive sale. The TLO issued a preliminary decision for this use on June 11, 2026, and provided public notice of that decision from June 11, 2026, through July 13, 2026. The TLO received public comments on the proposed competitive timber sale during that public notice period. The Executive Director reviewed and considered the comments received and determined that no changes to the proposed competitive timber sale or preliminary decision are necessary. The TLO's Executive Director issues this final decision approving the proposed competitive timber sale.
- II. Applicant/File #.** MHT 9101091
- III. Proposed Use of Trust Land.** Disposal of the economic timber, an estimated 20 million board feet (20 MMBF), through a competitive sale. These lands were acquired from the United States Forest Service (USFS) as authorized by the Alaska Mental Health Trust Land Exchange Act of 2017 for the purpose of timber harvest, development, and maximization of revenue.
- IV. Subject Property.**
- A. Legal Description.** Copper River Meridian, Township 73 S, Range 84 E, Sec. 14, lots 1 to 5 inclusive; Sec. 15 lot 1; Sec. 22, lot 1; Sec. 23, lots 1 and 2; Sec. 24, lot 1; Sec. 25, lot, 2; Sec. 26 lot 2; Containing 1,438 acres. Patent # 50-2021-0081. See Exhibit 1 – Map.
 - B. Settlement Parcel Number.** CRM-7061
 - C. Site Characteristics/Primary Resource Values.** The parcel is north of the community of Hollis and occupies land on a hillside from sea-level, the western shores of Twelve-mile Arm, to 1,500 feet in elevation. The parcel has approximately one and a half (1.5) miles of saltwater frontage along Twelve-Mile Arm. The western boundary of the parcel skirts sparsely vegetated alpine terrain with the northern portion of the parcel encompassing Wolf Lake (about 100 acres in size). Wolf Creek meanders through the parcel from Wolf Lake in a SE direction for about one and one-half miles to the saltwater. Wolf Creek Boatworks is located at the confluence of Wolf Creek and the saltwater and is the only developed area of the parcel. The Wolf Creek Boatworks is about three and a half acres in size and is partially situated on State tidelands. Overall, the parcel is generally an old growth forested hillside composed of Western Hemlock, Red and Yellow Cedar, and Sitka Spruce. Twenty-nine acres was previously harvested by "A Frame" logging approximately 65 – 70 years ago. The parcel lies between two existing harvest

units - Sealaska Corporation to the northeast (harvested in 1990's) and State of Alaska to the south (harvested in 2017). There have been selective harvests conducted along the beaches, as well as other selective harvest areas. An appraisal was conducted for the Alaska Mental Health Trust (Trust) Land Exchange which found the highest and best use of this parcel as timberlands.

- D. Historical and Existing Uses of the Property.** These lands were in federal ownership until the Trust acquired the property on August 30, 2021. The Hollis area was the first remote logging camp operated by Ketchikan Pulp Company in the 1950's. This region has had timber harvests conducted for over 100 years. In 1996, Alaska Power and Telephone (AP&T) filed for a FERC license for Wolf Lake Hydroelectric Project (11508-000-AK). AP&T also filed for a USACE permit for a transmission line and access road corridor to support the proposed Wolf Creek Hydroelectric Project. Presently, this project is in a suspended status. A portion of Wolf Creek Boatworks' improvements are located on this parcel as well as the state's adjacent tidelands. The Boatworks' improvements were constructed in the 1930's under a USFS special use permit. In 2015, USFS issued its final permit authorizing the federal lands to continue to be used for the Boatworks. Since 2015, there has been no land use authorization – issued by USFS or the Trust – allowing the Boatworks improvements to remain on these lands. The Boatworks use of State tidelands has never been authorized by DNR. The TLO understands that as of April 2025 the Organized Village of Kasaan holds an interest in the Boatworks improvements. In the past, the TLO has offered the Boatworks a land use authorization for up to 5 acres of land (mirroring the last federal land use permit they held and that expired in December 2015) with the intent that Boatworks could purchase those lands in the future. To date, the parties have not reached an agreement. Lastly, in 2025, approximately five acres of trust uplands that contain the Boatworks improvements were recognized to constitute a Historic District and were included in the National Historic Register.
- E. Adjacent Land Use Trends.** The area around the parcel is primarily undeveloped. Sealaska Corporation timberlands are northeast of the parcel and were harvested in the 1990's; to the south is State of Alaska lands harvested in 2017. There are State of Alaska subdivisions along the coast of Twelve-Mile Arm, these lots abut the previously harvested State lands. Many of these lots are in private ownership. Lands to the north and west are in USFS ownership. The USFS land to the northeast includes the Karta River Wilderness.
- F. Previous State Plans/Classifications.** On August 30, 2021, the land in question was conveyed by USFS to the Alaska Mental Health Trust. The 2008 Prince of Wales Island Area Plan addresses the State Lands adjacent to this land. Available at: <https://dnr.alaska.gov/mlw/planning/areaplans/wales/> (accessed on May 20, 2026).
- G. Existing Plans Affecting the Subject Parcel.** None.
- H. Apparent Highest and Best Use.** The current apparent highest and best use of this parcel is for timber development.

V. **Proposal Background.** The TLO has engaged in the sale of timber as a major contributor to its revenue portfolio. The proposed timber sale will dispose of commercially viable timber on lands acquired by the aforementioned land exchange with the USFS near Hollis. The proposed timber sale is the result of both State of Alaska (SB 88) and Federal (S.131) legislation passed in 2017 approving the exchange. The land exchange was supported by the City of Craig, State Legislators, the Alaska Congressional Delegation, Tongass Futures Roundtable, and a number of other organizations. In early 2022, the TLO – consistent with AS 37.14.009(a)(2)(C) consulted with the Trust board on this timber sale as a negotiated sale for a fixed stumpage amount with an anticipated return of up to \$2.7 million; the anticipated return was based on an appraisal completed during the USFS-AMHTA land exchange. In 2022, the TLO issued a best interest decision consistent with that consultation. For the following reasons, this proposed timber sale is being adjusted to better serve the Trust beneficiaries: market increases (especially for Western Red Cedar); competitive interest in the sale; and the TLO’s increased knowledge and expertise with various species sale prices. There are approximately 800 acres of old growth timber deemed economic in the timber cruise and approximately 29 acres of 65–70-year-old second growth timber which is of harvestable size. Additional logging units may be added within this area if field work determines that additional areas are able to be economically harvested.

VI. **Authorities.** The following authorities guide the Executive Director’s final decision:

A. **Applicable Authority.** AS 37.14.009(a), AS 38.05.801, and 11 AAC 99 (key statutes and regulations applicable to Trust land management and disposal). In accordance with AS 38.05.801 et seq. and the implementing regulations governing Alaska Mental Health Trust (“Trust”) land management (11 AAC 99), Trust land shall be managed consistently with the responsibilities accepted by the State under the Alaska Mental Health Enabling Act (P.L. 84-830, 70 Stat. 709 (1956)). This means that management shall be conducted solely in the best interest of the Trust and its beneficiaries. In determining the best interest of the Trust and its beneficiaries, and in determining consistency between state law and the Alaska Mental Health Enabling Act, the Executive Director of the Alaska Mental Health Trust Land Office (“TLO”) shall, at a minimum, consider the following interactive Trust management principles in accordance with 11 AAC 99.020:

- Maximization of long-term revenue from Trust land;
- Protection of the corpus;
- Protection and enhancement of the long-term productivity of Trust land;
- Encouragement of a diversity of revenue-producing uses of Trust land; and
- Management of Trust land prudently, efficiently, and with accountability to the Trust and its beneficiaries.

B. **Inconsistency Determination.** As the proposed Trust timber disposal is specifically authorized under 11 AAC 99, any relevant provision of law applicable to other state lands is inapplicable to this action if it is inconsistent with Trust responsibilities accepted by the State under the Alaska Mental Health Enabling Act (P.L. 84-830, 70 Stat. 709 (1956)) as clarified by AS 38.05.801 and Alaska Mental Health Trust land regulations (11 AAC 99). 11 AAC 99 provides that certain State statutes applicable to other State land do not apply to Trust land unless determined

by the Executive Director, on a case-by-case basis, to be consistent with 11 AAC 99.020 and the Enabling Act.

VII. Terms, Conditions, and Stipulations. Trust timber disposal and the accompanying road construction will be conducted under conditions that reflect the fair market value. The resulting sale contract will be substantially the same as those used by the TLO for other large timber harvest operations, with revisions recommended, as necessary, by the TLO contract administrator and the Department of Law. The sale will now be a competitive sale, based on scaled volumes with payments structured around the amount of harvest of specific species and a price/MBF. This adjustment is expected to exceed the initial 2022 appraised value of \$2.7 million and provide a more transparent profit share agreement.

VIII. Timber Sale Process.

Below is an outline of the competitive timber sale process after this final best interest decision is issued:

A. Invitation for Proposals for Timber Sale

- i. The TLO will issue an invitation for proposals for a timber sale inviting interested contractors to propose terms for the sale.
- ii. After the invitation period has ended, the TLO will select a proposal, and a harvest market agreement timber sale contract (see exhibit 2 for sample contract) will be issued to the winning proposal and deliverables such as insurance and bonding will be collected.

B. Timber Sale Layout and Harvest

- i. Timber sale layout will be conducted by the Trust Land Office professional Forester in consultation and conjunction with other professional foresters, ADF&G habitat biologist and employing other professional disciplines where needed.
 - A thorough layout procedure will be conducted on the ground identifying what and where all resource and cultural items requiring protection, forest engineering topic are located and mitigated with the timber harvest layout to the extent required and practical. This could include eliminating from timber harvest unit, buffering, changing boundary or road location, etc.
 - Once this is completed it will be mapped and then submitted to the State of Alaska for the Forest Practices DPO review process where agencies will address any concerns and issues with BMPs and state laws.
- ii. The TLO Forester will then make any changes and/or corrections in the timber sale layout before a final harvest plan is created for timber harvest.

IX. Resource Management Considerations. The proposal is consistent with the TLO's adopted Resource Management Strategy (RMS) (adopted October 2021), which emphasizes disposal of Trust assets at the high end of their market values; in a manner that

maximizes revenues to the Trust at prudent levels of risk. Although the timber market has fluctuated, the duration of this sale is expected to span the time to capture higher market values and the sale terms designed to benefit the Trust in improved markets. Consistent with regulation, 85% of Trust timber receipts are placed into the principal account (corpus) of the Trust, while 15% is classified as income. Given the likelihood of diminishing values for Trust timber over time, near term sales will result in higher annual interest distribution from the Trust's investment of principal than would be the case if timber sales occurred over a longer time frame. Timber, as a renewable resource, is expected to regenerate after harvest for potential future timber harvests. Appropriate management of these lands combined with other lands acquired through the land exchange can lead to sustained yield of timber in the future. Commercial harvest of the timber will, in some cases, facilitate other commercial opportunities on the lands post-harvest, such as subdivision development.

X. Risk Management Considerations.

- A. Performance Risks.** Performance risks will be minimized through professional sale designs. The timber sale process will minimize the risk of having the timber being purchased at below market values or by a person or entity that does not have the demonstrated ability to perform under the contract, and by strict enforcement of the timber sale contract.
- B. Environmental Risks.** The proposed timber sales will not result in significant environmental risks to the Trust. Timber sale operations are governed by State and Federal regulations, as well as contract provisions requiring strict compliance with the Alaska Forest Resources and Practices Act (FRPA) – AS 41.17.010 - .955 – to minimize the risk of environmental impacts to air, fish, and wildlife. Regular inspections are completed by the State of Alaska Division of Forestry. Detailed Plans of Operations for harvest units are reviewed by the State of Alaska Division of Forestry, Department of Environmental Conservation, and Department of Fish & Game. The contract will be strictly enforced.
- C. Public Concerns.** Comments were received in opposition and support during the public notice. (See Section XIII. Public Comments and Responses)

XI. Due Diligence.

- A. Site Inspection.** TLO Staff have inspected the parcels in the past and are generally familiar with the Trust parcels affected by this decision. TLO Staff would inspect the activity periodically throughout the life of this authorization.
- B. Valuation.** Valuation will be estimated based on present market values/conditions from current TLO timber sales; comparisons to past sales conducted by the TLO, Alaska Division of Forestry, University, and USFS; and appraisal data from the USFS land exchange. This collective data will be used to determine fair market value and minimum stumpage pricing in the invitation for proposals. This method has been used to determine the minimum sale price on numerous past sales.
- C. Terms and Conditions Review.** Timber purchase and sale agreements will be similar to those used by the TLO for other large timber harvest operations, with revisions recommended, as necessary, by the TLO and the Department of Law.

XII. Trust Authority Consultation. Consistent with 11 AAC 99.030(d), on May 11, 2026, the Executive Director consulted with the Alaska Mental Health Trust Resource Management Committee. The Committee recommended that the proposed transaction be forwarded to the Alaska Mental Health Trust board of trustees. On May 20, 2026, the board of trustees concurred with the timber sale passing the following motion:

“The Alaska Mental Health Trust Authority board of trustees concur with the decision to dispose of the economic timber on Trust parcel CRM-7061 through a competitive sale.”

XIII. Public Notice. The TLO satisfied 11 AAC 99.050 and the Alaska Constitution’s notice requirements by providing public notice as follows:

1. in “a newspaper or other publication of general circulation” when it published notice of this decision in the Ketchikan Daily News on June 11, 2026.
2. to the “appropriate municipality” and to “the appropriate Alaska Native regional nonprofit corporation;” on June 11, 2026, via email; and
3. posted on the Alaska Online Public Notice website from June 11, 2026, through July 13, 2026.

11 AAC 99.050 provides a process to provide the public with adequate notice so they can engage in this process and comment on the proposed timber sale. The TLO satisfied 11 AAC 99.050 and there was public engagement in this matter.

The comments received during the public notice period are addressed in the following section.

Public Comments and Responses. A total of 106 comments were received during the notice period that began on June 11, 2026. Ninety-one of those comments were relatively similar and had the same subject line “I am writing to you today to comment on the Wolf Creek Boatworks Timber Sale.” These 91 comments were submitted by people ranging from Ketchikan, Alaska to San Diego, California to Pittsburgh, Pennsylvania to Delaware, Ohio. Of the remaining fifteen comments, the longest comments were submitted by Central Council of the Tlingit and Haida Indian Tribes of Alaska, Southeast Alaska Conservation Council, and Organized Village of Kasaan. The TLO received four comments supporting the proposed timber sale.

The comments have been organized by topic and are summarized and addressed below.

Comment Topic 1: Historic Preservation

The Wolf Creek Boatworks Historic District is central to public concern. Commenters emphasized that this nationally recognized site, listed on the National Register of Historic Places, derives its significance not only from its structures but from the intact forested watershed, hydrology, trails, and cultural landscape that surround it. Many stressed that the historic district’s “feeling, setting, and association” — key National Register criteria — would be irreversibly weakened

by clear-cutting adjacent slopes. Tribal governments, preservation organizations, and residents noted that adjacency impacts constitute an adverse effect on the historic site regardless of whether cutting occurs outside formal boundaries. Commenters referenced past Section 106 findings that had recommended protecting the site's forested environment, asserting that the current BID does not sufficiently incorporate these historic preservation obligations. Overall, commenters argue that industrial harvest in the immediate watershed is incompatible with preservation goals and threatens long-standing community investments in safeguarding the Boatworks.

Response Topic 1:

The Trust recognizes the Wolf Creek Boatworks' historic significance (NRHP listing on June 3, 2025), the importance of its historic setting, and did not oppose the listing on the National Register. However, the Wolf Creek Boatworks improvements are not authorized, despite years of negotiations and multiple offers by the Trust to the Wolf Creek Boatworks owners since August of 2021. Timber activities are planned to avoid adverse effects to the Historic District, including no harvest within district boundaries and any individual site-specific buffers. The draft timber sale contract attached confirms that approach and includes stipulations to protect those resources.¹ The USFS completed Historical inventories of the land exchange parcels, including the Hollis parcel, prior to completing the exchange. Known historical sites on the parcel will be managed consistent with the Alaska Historic Preservation Act (AHPA) and the recommendations made in the USFS Management Plan for Cultural Resources.²

Under 11 AAC 99.020, the Trust's decision framework requires actions solely in the best interest of the Trust and its beneficiaries which requires balancing long-term revenue and protection of the corpus with prudent management to maximize revenues to improve the lives and circumstances for beneficiaries. A timber sale within these parameters is consistent with Trust mandates. The 2017 Alaska Mental Health Trust Land Exchange Act explicitly sought to create jobs, provide economic opportunities for resource use in remote areas while protecting high-value lands, and facilitate the goals and objectives of the Trust; the Hollis parcels were part of the exchange's purpose and their identification for inclusion was a collaborative effort between the Southeast Alaska communities, environmental groups, industry, and State, Federal, and local agencies. Lands identified as suitable and supported by the parties to become Trust ownership had to be adjacent to State lands, adjacent to development, and not encroaching on old growth reserves or managed for other purposes. In 2012, during an 8-month long parcel identification process undertaken by the Tongass Futures Roundtable, the Hollis parcel was determined to be suitable to meet the purposes of the land exchange, and was supported by all parties, to be acquired by the Trust, to meet the

¹ Eg. p. 3, subsection 2 (“... other buffer or withdrawal the TLO Forester requires for any ... cultural and aesthetics reasons.”);

² See Draft Timber Sale Contract, pg. 14, subsection Q (attached).

Trust's mission. The TLO's proposed timber sale on this parcel is consistent with Congressional and State intent that guided the land exchange.

Several commenters stated that Section 106 of the National Historic Preservation Act (Section 106) should apply to this timber sale. The TLO disagrees. Section 106 applies to federal land managers and federal undertakings.³ Section 106 does not apply because the Trust is proposing to sell timber on land it owns and manages. The TLO and the Trust are not federal agencies, and the proposed timber sale does not constitute a federal action that triggers Section 106 process and review.⁴

Related to these Section 106 arguments, a few commentators asserted that the 2022 land exchange between the Trust and USFS was invalid due to alleged Section 106 violations. The Trust holds title to these lands and that title has not been challenged.

On cultural resources, the TLO acknowledges the Alaska Historic Preservation Act (AHPA) applies to Trust lands. The successful timber contractor will be required to comply with the AHPA and the requests made by the Office of History and Archeology prior to a timber harvest.⁵

Comment Topic 2. Indigenous & Cultural Resources

Commenters described Prince of Wales Island as an ancestral homeland for Haida and Tlingit peoples, emphasizing that its forests, streams, culturally modified trees (CMTs), archaeological sites, and sacred places are deeply interconnected with cultural identity, subsistence traditions, and community wellness. Tribal entities — including the Organized Village of Kasaan, the Ketchikan Indian Community, and the Central Council of the Tlingit & Haida — expressed concerns that the BID was issued without government-to-government consultation, despite the Tribe's co-ownership of the Wolf Creek Boatworks property and its knowledge of culturally significant sites in the vicinity. A specific sacred waterfall within the proposed sale area was cited repeatedly as an irreplaceable cultural feature at risk. Commenters stressed that the broader Indigenous cultural landscape cannot be evaluated through parcel-focused analysis alone. They urged the Trust to recognize Tribal stewardship responsibilities, undertake full cultural resource inventories, and meaningfully consult affected Tribes before advancing any timber sale.

Response Topic 2:

The Trust acknowledges the cultural landscape values identified by local tribes. The USFS completed cultural inventories of the land exchange parcels, including the Hollis parcel, prior to completing the exchange. Known archaeological sites, or

³ 54 USC § 306108; 54 USC § 300320; 36 CFR § 800.1(a) ("Section 106 . . . requires Federal agencies to take into account the effects of their undertakings on historic properties and afford the Council a reasonable opportunity to comment on such undertakings."); and *Preservation Coalition of Erie County v. Federal Transit Admin.*, 356 F.3d 444, 455 (2nd Cir. 2004) (holding that only a federal agency can "violate the NHPA.").

⁴ *Id.*

⁵ See Draft Timber Sale Contract, pg. 14, subsection Q (attached).

other indigenous cultural resources, on the parcel will be managed under AHPA and the recommendations from the USFS Management Plan for Cultural Resources.⁶

The Trust has not been notified of any known sites on the parcel beyond those identified during the USFS land exchange and will be actively looking for evidence of any cultural resources during the timber sale layout portion of the sale. No other entity has brought forward any claim of known cultural sites on the parcel. The Trust's competitive sale can proceed with buffering culturally sensitive areas, pre-harvest surveys, and operational changes if field verification identifies culturally modified trees or archaeology.

Further, the Alaska Historic Preservation Act (AHPA) applies to the parcel, and the successful timber contractor will be required to comply with the AHPA.⁷ This will include compliance with the requests made by the Office of History and Archeology prior to the construction of roads or prior to timber harvest.

The timber sale design and layout phase has not been completed, but that layout will be completed with the understanding of the cultural inventories and resources and consistent with the above.

Through its large-scale timber sales and contractors, the Trust has been the primary supplier of totem logs and cultural trees in Southeast for the past several years, providing high-quality timber for carvers and other cultural uses. The TLO has already been approached by Tribal organizations and individuals interested in the high-quality Western Red Cedar on the Hollis parcel for use by local carvers. Trees valuable for traditional and cultural uses are available for purchase. The future operator may be contacted with any inquiries about purchasing cultural trees.

Trust decisions must be in the best interest of the Trust and its beneficiaries (11 AAC 99). That includes protecting the corpus and long-term productivity while generating revenue to fund beneficiary programs. The Land Exchange Act (2017) envisaged economic opportunities in remote areas with federal protection for community-adjacent lands; our timber implementation is consistent with that act of congress and the Trust's mission to improve the lives of beneficiaries through the development of its land and resources.

Comment Topic 3. Fish & Aquatic Habitat

Commenters identified salmon and aquatic habitat as vital ecological and subsistence resources at risk. Wolf Creek and adjacent streams were described as productive anadromous waters supporting pink salmon and other species integral to Tribal, commercial, and subsistence harvesting. Many residents argued that logging — particularly on steep slopes — increases erosion, sedimentation,

⁶ See Draft Timber Sale Contract, page 14, subsection Q.

⁷ *Id.*

turbidity, stream temperature, and hydrologic instability, degrading spawning gravels and reducing natural recruitment of large woody debris. Commenters referenced research from Prince of Wales Island demonstrating that minimum riparian buffers under FRPA do not fully protect fish habitat in steep, high-rainfall coastal environments. They emphasized cumulative impacts from decades of logging and requested watershed-scale analysis that accounts for erosion risks, mass wasting potential, and downstream habitat degradation. Commenters asserted that the BID did not adequately analyze aquatic impacts or reflect the importance of salmon to community livelihoods and cultural continuity.

Response Topic 3:

The main supply of water for Wolf Creek is Wolf Lake which is located at timberline on top of the ridge on the north side of the property. The entirety of this timber sale is located below the lake. There can be little if any impact on the function or hydrology of Wolf Creek. There will be, at a minimum, a slope break buffer on Wolf Creek. The Trust may add an additional buffer to Wolf Creek during the timber sale layout and design phase of the project. Wolf Creek is not an anadromous fish stream as the immediate grade of the stream from salt water up the slope is not conducive to fish passage.

All timber harvests will comply with the Alaska Forest Resources and Practices Act (FRPA, AS 41.17) and its riparian standards tailored to Region I (Southeast) to protect fish habitat and water quality, including no-harvest buffers adjacent to anadromous waters and agency-approved operations between buffer limits and the outer management zone.⁸

The Trust will incorporate ADF&G technical input with due deference on habitat issues. Active timber harvest operations have site visits by Division of Forestry personnel, are reviewed by ADF&G Habitat Division, and the Alaska Department of Environmental Conservation (DEC). The Board of Forestry (BOF) affirms that the Alaska Forest Resources and Practices Act continues to be an effective means of protecting fish habitat and water quality in a practical manner. The TLO requires all contractors to follow all state and federal laws.⁹

Comment Topic 4. Old-Growth Forest & Biodiversity

A large portion of commenters expressed concerns about the loss of approximately 800 acres of old-growth forest, which they regard as ecologically irreplaceable. They emphasized old growth's importance for wildlife habitat, biodiversity, climate resilience, and cultural values. Several cited regional research documenting substantial historic loss of large-tree old growth, karst forest, and contiguous canopy types across Prince of Wales Island. Deer overwintering habitat, northern goshawk nesting conditions, and cedar-dependent ecosystems were referenced frequently. Commenters highlighted old growth's role as a long-term, stable carbon

⁸ See Draft Timber Sale Contract, p. 10 -11; and p. 14, subsection P.

⁹ Draft Timber Sale Contract, p. 7, subsection 8 ("Compliance with laws and other requirements").

reservoir and as foundational to place-based cultural identity. They argued that harvesting old growth prioritizes short-term revenue over long-term ecological stability and fails to safeguard habitat for species already under pressure from cumulative landscape changes. Overall, commenters urged shifting away from old-growth removal toward second-growth management and alternative revenue strategies.

Response Topic 4:

The Trust has a long history of successful regeneration of forests on every single timber sale it has completed.¹⁰ The Trust is managing the timber stands for vibrant healthy forests sequestering significant volumes of carbon in the forest. The Trust has operated the timber sales with the guidelines of the Alaska Forest Practices Act and Regulations and believe that timber harvest can be accomplished protecting the resource with new healthy growth of timber for future generations. The Trust must diversify revenue and protect long-term productivity, and a competitive sale can be engineered to prioritize stands that meet operational safety and market feasibility; retain buffers and strictly comply with FRPA.

The Trust has initiated a Carbon Offset Program, though at this time carbon registry methodology requirements make timber harvest more profitable, demonstrating we are evaluating non-timber harvest revenue tools where appropriate; that portfolio approach helps protect productivity while meeting beneficiary funding needs.

Comment Topic 5. Geotechnical / Slope Stability

Concerns about slope stability were raised by many commenters familiar with local topography and hydrology. The project area encompasses steep, saturated coastal hillsides characteristic of Prince of Wales Island, where past studies have documented that clear-cutting significantly increases mass wasting risk. Commenters cited scientific findings showing that the removal of trees reduces soil shear strength due to root decay and increases groundwater pressure, creating a long vulnerability window before regenerating vegetation stabilizes slopes. They noted that landslides have historically impacted both communities and nearshore salmon habitat in this region. Commenters argued that the BID does not incorporate essential geotechnical evaluation, nor does it assess downstream risks to the Wolf Creek Boatworks Historic District located at the base of the watershed. The absence of slope stability analysis was characterized repeatedly as a major deficiency that may result in human safety risks, ecological damage, and long-term cultural loss.

Response Topic 5:

Landslides are a natural geographic reality of southeast Alaska as documented with multiple large storms over the last 50 years with as many slides in areas of no development and no timber harvest as areas of no development or where no timber

¹⁰ See Draft Timber Sale Contract, p. 11 subsection E (“Reforestation”).

has been harvested. Still, the Trust does not want landslides on the parcel and will take active steps to avoid slides.

The Trust will incorporate geotechnical best management practices and slope stability screening in layout and operations, including avoiding unstable landforms, end-haul/full-bench construction where needed, drainage design, seasonal timing, and post-harvest stabilization.¹¹ These measures align with FRPA's standards to prevent erosion and protect waterbodies. The Trust has already considered the road location in respect to landslides and staying off the steep slopes and will continue to thoughtfully design the timber layout with all of the entire harvest design.¹²

Comment Topic 6. Visual / Setting Impacts

Visual and scenic impacts emerged as a consistent theme. Commenters described the Wolf Creek watershed as a prominent visual landscape experienced by residents traveling via ferry between Hollis and Ketchikan. Several noted that recent clear-cuts are already visible from the water and expressed concern that additional harvest would create stark, highly visible scars that diminish the natural and cultural aesthetic of the area. The Boatworks District depends on the intact forest setting for both its historic integrity and interpretive value. Many argued that logging the steep slopes behind the historic district would severely impact the sense of place, remove the scenic forested backdrop, and undermine tourism, educational activities, and historic preservation goals. These concerns were expressed by residents, Tribal governments, and environmental organizations alike.

Response Topic 6:

The general geographic area around the Hollis Parcel has been extensively harvested by Sealaska, State of Alaska, USFS, Kasilco Inc. and others. The Trust is proposing a timber harvest – with road construction and clearcut harvesting – which mirrors those prior historic harvests. The reality is that laws and regulations guiding timber harvests have not significantly changed over the last 50 years.

The Trust recognizes there will be some visual and setting impacts, which is expected with any timber harvest. However, there is a short window where stumps will be visible, before the clearcut greens up and is covered with new trees and forest growing. Within five to ten years after harvest, trees are growing above stumps/slash, and it has arrived at full green up and is visually appealing. There is a wide range of timber stand ages throughout the area that are vibrant green growing timber stands that most of the visitors to the Island have no idea were previously harvested.

Comment Topic 7. Process & Governance

Numerous commenters raised issues regarding governance, transparency, and procedural fairness. Many expressed the view that the BID appeared predetermined

¹¹ See Draft Timber Sale Contract, Exhibit F.

¹² *Id.*

and did not adequately weigh ecological, cultural, and public-interest factors. Tribal governments emphasized the lack of government-to-government consultation. Others stated that constitutional obligations to manage lands for the “maximum benefit of the people” (Alaska Constitution Article VIII) were not fulfilled because revenue maximization was placed above ecological and cultural values. Some commenters pointed to analytical gaps — such as limited alternatives evaluation, insufficient cultural resource assessment, lack of geotechnical review, or incomplete aquatic analysis — as evidence that the BID lacked balanced consideration. There were also questions about the adequacy of assessments prepared during the 2017 USFS–AMHTA land exchange, with commenters arguing that these deficiencies carried forward into the current proposal.

Response Topic 7:

Many of these comments appear to confuse DNR’s management of general state land under AS 38.04 and AS 38.05 with the TLO’s management of Trust land. They are not the same under the law.

Broadly speaking, DNR manages state land in the best interests of the state. In contrast, the TLO has been legislatively directed to manage Trust land in the best interest of trust beneficiaries; in turn TLO revenues help fund the State of Alaska’s mental health and beneficiary-supporting programs.

Under AS 38.05.801, the Trust Land Office must manage Trust lands consistent with the 1956 Alaska Mental Health Enabling Act; a federal act of congress that set aside lands to be managed for mental health programs in, at the time, the territory of Alaska. Because of AS 38.05.801 and the 1956 Enabling Act, the Trust Land Office’s management decisions are guided by private trust principles – as explained by the Alaska Supreme Court in *State v. Weiss*, 706 P.2d 681, fn. 3 (Alaska 1985) – and thus all decisions are made in the best interest of the trust beneficiaries for mental health programs. This means that Trust lands are not managed by the TLO under the public trust doctrine but to maximize a return for the AMHTA in order to fund the State of Alaska’s mental health and beneficiary-supporting programs.

Regulation 11 AAC 99.020(b) reiterates the holding in *Weiss*, noting that AMHTA lands must be managed by TLO “solely in the best interest of the Alaska Mental Health Trust and its beneficiaries.” Due to the 1956 Enabling Act and the Legislature’s mandate in 1994, the TLO has a fiduciary responsibility to maximize revenue generation from AMHTA land assets and does so by selling and developing its land and resources. Again, this means that AMHTA lands are not managed by the Trust Land Office under the public trust doctrine or as state public domain land. Proceeds from the TLO’s management are directed to AMHTA to improve the lives and circumstances of beneficiaries. The AMHTA is entirely self-funded and receives no general funds. In fact, the AMHTA awards State agencies and the University of Alaska around \$10MM+ / year in grant funding to support

beneficiary programming. AMHTA grantmaking is supported through revenues generated from the AMHTA owned lands.

Failure to manage the Trust lands as proposed in this decision will directly affect the funding of the state's mental health trust programs.

Lastly, the TLO received several comments requesting "meaningful consultation and engagement with affected Tribal governments." The TLO understands that Alaska tribes would like state agencies to engage with Alaska tribes in the same way that federal agencies are legally required to engage with Alaska tribes when they are reviewing a federal undertaking. Current Alaska law does not require such specific and direct engagement by state agencies with Alaska tribes. To conclude, the TLO complied with 11 AAC 99.050 and provided public notice consistent with the law.

Comment Topic 8. Community Well-Being & Mental Health

Many commenters linked environmental and cultural landscape degradation directly to community well-being and mental health. Commenters explained that forests, salmon streams, cultural places, and heritage landscapes are central components of community identity, emotional wellness, and resilience — especially for Indigenous communities. Logging in or near these cultural landscapes was described as contributing to community trauma and undermining the Mental Health Trust's mission to strengthen well-being. Some commenters noted that communities have already endured decades of destructive logging and that ongoing activities feel like an attack on their mental health, cultural continuity, and sense of safety. The theme was particularly emphasized by residents of Kasaan and families living near the proposed harvest area.

Response Topic 8:

The TLO is legislatively directed to manage trust land to generate revenue to improve the lives of Trust beneficiaries. The Trust uses its resources to ensure that Alaska has a comprehensive integrated mental health program. The Trust grants around \$25 million a year to organizations across Alaska that serve beneficiaries and acts as a leader in planning and advocacy efforts around issues pertinent to beneficiary populations.

The Trust, through its grant program, supports programs on Prince of Wales and in Ketchikan which serve regional area Trust beneficiaries and their families. Among others, the Trust has supported Community Connections programs in Craig and Ketchikan and is currently partnering with the organization on the design and planning for improvements to their facility in Naukati. The Trust has also helped fund the Hydaburg Cooperative Association's Naa Iwaans (Big Cedar House) Project, and behavioral health space at the Coffman Cove Clinic on Prince of Wales Island. In Ketchikan, the Trust supports many partners and initiatives, including Residential Youth Care and the Southeast Alaska Independent Living

Council (SAIL). Financial returns from the Hollis parcel will help fund programs and resources that improve the lives of Trust beneficiaries for years to come. The Trust's mission is to improve the lives of beneficiaries statewide by generating steady, diversified revenue to fund programs.

All of the programs discussed above are funded by the TLO's land management decisions like the decision it proposes here: a responsible timber sale on Trust lands. Proceeding with the proposed timber sale supports both community health (jobs, local economic stability) and the Trust's funding for mental health services.

Comment Topic 9. Climate & Long-Term Ecological Impacts

Several commenters raised concerns about climate change and long-term carbon outcomes. They noted that old-growth forests serve as significant carbon storage reservoirs and climate stabilizers. Commenters argued that removing large swaths of old growth reduces the region's natural climate resilience and contributes to global warming. Some advocated for carbon offset programs or conservation-based land management as ways for the Trust to generate sustainable revenue while supporting long-term climate goals. A few commenters compared conditions on Prince of Wales Island to other regions experiencing climate-driven forest declines, arguing that proactive conservation is essential.

Response Topic 9:

The Trust acknowledges climate concerns and has been actively engaged in developing carbon strategies on Trust lands. At this time, conservation easements, carbon credits, or ventures have not proven to provide the same or an increased return as timber harvest. The TLO is legally obligated to maximize financial returns for the Trust and its beneficiaries. A balanced portfolio—timber where feasible, offsets where suitable—best meets beneficiary funding needs and conservation objectives over time.

Comment Topic 10. Alternatives to Timber Harvest

Many commenters presented a wide range of alternatives to old-growth harvest. Suggestions included:

- Land swaps that protect cultural and historic landscapes;
- Carbon offset and carbon credit programs as revenue sources;
- Selective second-growth harvesting instead of old-growth removal;
- Heritage tourism and interpretation of Tribal and maritime history;
- Conservation easements, lease arrangements, or mitigation banking;
- Long-term collaborative land management with Tribes;
- Protecting the forest to support subsistence species, cultural uses, wellness, and education.

A common request was that the Trust conduct a thorough alternatives analysis, quantifying financial returns from non-timber strategies and comparing them against timber revenue. Many expressed confidence that alternative uses would

better meet the Trust's long-term obligation to its beneficiaries while minimizing conflict with Tribal governments and local communities.

Response Topic 10:

We assess alternatives case-by-case. In this sale area, a competitive timber sale remains a practical, near-term revenue action consistent with the 2017 Land Exchange's economic purpose and the Trust's mission to maximize revenue from its resources to improve beneficiary lives. At the same time, we are continuing to monitor opportunities for carbon offset projects on Trust land where they would be economic and maximize revenue—demonstrating that alternatives are being pursued where feasible. However, with new improved forest management protocols in place, it seems unlikely that it is a feasible alternative to convert forested Trust lands into revenue generating carbon offset projects.

- XIV. Best Interest Decision - Conclusion.** After consideration of the applicable statutory and regulatory requirements, the information contained in the Best Interest Decision, and all timely public comments received, the Executive Director finds that issuance of the proposed competitive timber sale is in the best interest of the Trust and its beneficiaries.

The comments received primarily addressed historic preservation, indigenous and cultural resources, fish and aquatic habitat, old-growth forest and biodiversity, geotechnical/slope stability, visual impacts, process and governance, community well-being and mental health, climate impacts, and alternatives to timber harvest. The Executive Director has considered each of these comments and concludes that none identify information requiring modification of the proposed disposal or alter the determination that the competitive timber sale is consistent with the Trust's fiduciary obligations under AS 38.05.801 and the Trust management principles contained in 11 AAC 99.020. The competitive timber sale provides the maximum financial return to the Trust.

Accordingly, the Executive Director determines that issuance of the proposed competitive timber sale serves the long-term interests of the Trust, protects and enhances the value of the Trust corpus, and is consistent with the Executive Director's fiduciary duty to actively manage Trust land for the benefit of Trust beneficiaries. Therefore, the proposed disposal is approved.

- XV. Available Documents.** Background documents and information cited herein are on file and available for review at the TLO, located at 2600 Cordova Street, Suite 201, Anchorage, AK 99503.

The disposal action proposed by this decision will occur no less than 20 days after the first publication date of this decision, and after the conclusion of the TLO administrative process. For specific dates or further information about the disposal, interested parties should contact the TLO at the above address, or visit the website at: <https://alaskamentalhealthtrust.org/trust-land-office/>.

XVI. Reconsideration or Appeal. This Decision constitutes the final agency action pursuant to 11 AAC 99.060. To be eligible to file for reconsideration of this Decision, or to file a subsequent appeal to the Superior Court, a person must have submitted written comments during the public notice period. Persons who submitted timely written comments will be provided with a copy of this final written decision and will be eligible to request reconsideration within 20 calendar days after publication of the notice or receipt of the decision, whichever is earlier under 11 AAC 99.060(b). A request for reconsideration must be accompanied by the fee established by the Executive Director under 11 AAC 99.130 (set at \$500) to be eligible for reconsideration. The Executive Director shall order or deny reconsideration within 20 calendar days after receiving the request for reconsideration. If the Executive Director takes no action during the 20-day period following the request for reconsideration, the request is considered denied. Denial of a request for reconsideration is the final administrative decision for purposes of appeal to the superior court under AS 44.62.560.

For the reasons provided above, the decision to dispose of these Trust resources by issuing a competitive timber sale is in the best interest of the trust and its beneficiaries and thus is APPROVED:

Signed by:
Jusdi Warner
0BDEF9CEC86A485...

Jusdi Warner
Executive Director
Alaska Mental Health Trust Land Office

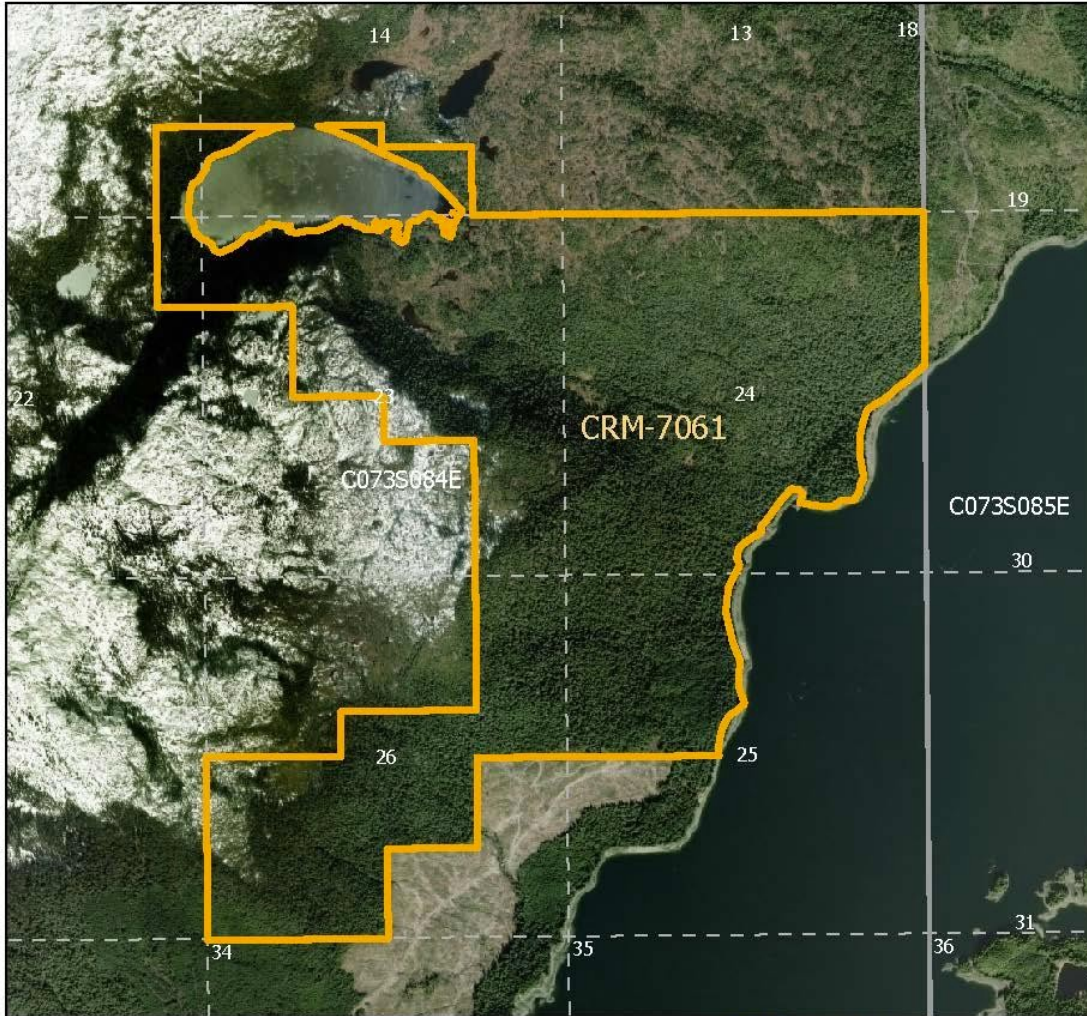
10/28/2026

Date

Exhibits:

- Exhibit 1 – Map
- Exhibit 2 – Sample Harvest Market Agreement Contract

Exhibit 1 – Map



MHT 9101091

The entirety of parcel CRM-7061

- Mental Health Parcel CRM-7061
- PLSS Township
- PLSS Section



Exhibit 2 – Sample Harvest Market Agreement Contract

MENTAL HEALTH TRUST LAND OFFICE

TIMBER SALE CONTRACT

**HOLLIS TIMBER SALE
MHT 9101091**

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
MENTAL HEALTH TRUST LAND OFFICE

2600 Cordova Street, Suite 201
Anchorage, Alaska 99503

TIMBER SALE CONTRACT

Hollis Timber Sale

MHT 9101091

THIS TIMBER SALE CONTRACT (“Contract”) is made by and between the State of Alaska, Department of Natural Resources (“DNR”), Mental Health Trust Land Office (“TLO”) as agent for and on behalf of the Alaska Mental Health Trust Authority (“Trust Authority”) and XXXXXXXX, (“PURCHASER”). This Contract is effective as of the date signing by the TLO Executive Director. The timber harvest component is executed according to the Alaska Mental Health Land Exchange Act of 2017.

In consideration of the mutual covenants, terms and conditions herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, TLO and PURCHASER hereby agree as follows:

1. **DEFINITIONS**

A. “Construction Materials” includes rock, sand, gravel, and other construction materials naturally occurring and located in the Timber Sale Area.

B. “Environmental Contamination” means pollution resulting from the “release” [as that term is defined in AS 46.03.826(9)] of a “Hazardous Material.”

C. “Hazardous Material” means hazardous substances or materials as defined in Alaska Statutes 46.03.826 and 46.08.900, 42 U.S.C. § 9601-9657 (CERCLA), 42 U.S.C. § 9601 (RCRA) and 40 C.F.R. U.S.C. § 302, as such statutes and regulations may be amended from time to time, and any hazardous and toxic substance, material or waste which is or becomes regulated by any governmental authority. Without limiting the foregoing, “Hazardous Material” includes all hydrocarbon products and fuels such as diesel oil and gasoline, and lubricating oil.

D. “Laws” means all federal, state or local statutes, regulations, rules, ordinances or permits, orders, directives, and amendments thereto, in effect during the Term of this Contract and as they legally change over time.

E. “MBF” means one thousand board feet, Scribner Decimal C Long Log Scale Rule.

F. “Merchantable Sawlog,” means a No. 3 or better sawlog and purchaser has deemed "marketable". The minimum will be at least 25 feet long plus trim, at least 8 inches in diameter inside the bark at the small end according to the Official Rules of the Log Scaling & Grading Bureaus developed and authored by The Northwest Log Rules Advisory Group.

G. “Merchantable Timber” means all timber, harvested or unharvested, which contains at least one Merchantable Sawlog harvested or unharvested, located within the Timber Sale Area depicted on Exhibit A, to be harvested in accordance with the approved Operating Plan: excluding timber for which a permit cannot be obtained from the Division of Forestry or other agency, and other areas as mutually agreed upon by the TLO and PURCHASER.

H. “Operating Plans” means the Overall and Annual operating plans to be prepared by PURCHASER and approved by TLO as required by Paragraph 10 (Timber Operations) herein.

I. “PURCHASER” means the purchaser of the Timber and Purchaser’s agent, employees, representatives, contractors, subcontractors or other individuals or entities operating on behalf of PURCHASER.

J. “Road Standards” means road and bridge construction, maintenance, and closeout standards required by this Contract and applicable Law.

K. “Roads and Related Transportation Facilities” means all roads, bridges, landings, culverts, and any other transportation facilities PURCHASER is authorized to use or to construct pursuant to this Contract.

L. “Slash” means all woody debris resulting from PURCHASER’s Timber Operations or from construction of Roads and Related Transportation Facilities or other improvements.

M. “Stumpage” 1. refers to the price a *timber* buyer pays the landowner for their trees standing “on the stump.” 2. The value of standing timber.

N. “Timber” means all trees, living or dead, standing or down, located within the Timber Sale Area.

O. “Timber Harvest Units” means the units of Merchantable Timber located within the MHT 9101091

Timber Sale Area, as designated by PURCHASER in the approved Operating Plans (Exhibit C).

P. "Timber Operations" means all activities necessary to cut, remove, process, scale, and transport Merchantable Timber from the Timber Sale Area.

Q. "Timber Sale Area" means the real property, which is reasonably necessary for PURCHASER to conduct Timber Operations under this Contract as depicted on Exhibit A.

R. "Trust Land" means land, and interests and resources in the land, including improvements to the land, referred to in sec. 40(a)(1) and (2), ch. 5, FSSLA 1994, as amended by sec. 4, ch. 1, SSSLA 1994; the term also includes land, and interests and resources in land, including improvements to the land, acquired by or on behalf of the Alaska Mental Health Trust Authority by any other means after June 24, 1994.

S. "Pulp Logs" means logs not meeting specifications for an export sawlog and that do not meet the minimum requirements of No. 3 or better sawlogs but are suitable for the production of firm useable pulp chips to an amount of not less than fifty percent (50%) of the gross scale with a minimum gross diameter of 6 inches on the small end, minimum gross length of 12 feet, plus trim.

T. "Young Growth" means logs derived from stands of timber harvested after 1960.

2. SALE OF MERCHANTABLE TIMBER

TLO shall sell to PURCHASER, and PURCHASER shall purchase from TLO, all of the Merchantable Timber, whether standing or down, within the Timber Sale Area as depicted and described in Exhibit A within harvest units laid out and approved of by TLO in the Alaska Forest Resources and Protection Regulations - Detail Plan of Operations, at the price and upon the terms set forth herein subject to the provisions of Paragraph 11.C. (Risk of Loss). Exceptions to the Timber Sale Area include the land within the Wolf Creek Boatworks (CRG-346) National Historic District Boundary area (approximately 8.33 acres) depicted in Exhibit H, the 28 acres of non-merchantable young growth and the 66ft buffer along Wolf Creek, and other buffer or withdrawal the TLO Forester requires for any high risk slide prone areas, environmental, cultural and aesthetics reasons, The Purchaser shall survey the historic district boundary with a Registered Alaska Land Surveyor and the boundaries shall be clearly marked.

3. RESERVATIONS

TLO reserves to itself, and to others ("Authorized Users") through written authorization, the right to use, explore and develop the Timber Sale Area. For this agreement Timber Sale

Area includes other Trust lands in the area, provided such use will not materially interfere with the Timber Operations of PURCHASER. Except for valid existing rights, TLO shall obtain PURCHASER's consent for significant concurrent uses. PURCHASER shall not unreasonably withhold its consent to such other uses or insist on unreasonable terms for concurrent use. TLO shall dictate the final terms for concurrent use if PURCHASER and a concurrent user cannot agree upon terms for significant concurrent use. Non-significant concurrent uses shall be subject to reasonable notice to PURCHASER and the Authorized User's written contract to use the Timber Sale Area at such user's own risk. PURCHASER shall refer all public use requests, including those relating to hunting and fishing, to TLO. Unauthorized use of Trust land within the Timber Sale Area, including the roads, shall be considered trespass. If PURCHASER becomes aware of such unauthorized use, PURCHASER shall report it to TLO in a timely manner.

4. RIGHTS OF ENTRY AND USE

During the Term of this Contract and to the extent it is legally authorized to do so, TLO hereby grants to PURCHASER the non-exclusive right to enter upon and use the Timber Sale Area and associated access routes across Trust Land solely in accordance with the terms of the approved Operating Plans and other applicable provisions of this Contract.

The granted rights include the right to construct Roads and Related Transportation Facilities to and within the Timber Sale Area as provided or required herein, and to use Construction Materials within the Timber Sale Area for purposes of such construction only. Said rights shall be exercised as reasonably necessary and at PURCHASER's sole cost in strict accordance with the approved Overall and Annual Operating Plans, applicable provisions of Law, and this Contract. PURCHASER shall compensate the Trust Authority for the value of all Construction Materials used by PURCHASER for roads or other activities not directly associated with this contract.

PURCHASER shall fell, yard, remove, scale, and pay the applicable Harvest Fee Payment for all Merchantable Timber harvested in association with the rights of entry and use granted herein; provided, however, that removal of Pulp Logs shall be optional.

5. TERM OF CONTRACT

The Term of this Contract ("Term") shall commence upon the Effective Date and terminate on the earlier of: (i) XXXXXXXXXXXX, (ii) the date that all obligations under this

Contract have been completed, or (iii) XXXXXXXXXXXX, in the event that an extension/s are requested by Purchaser and granted by TLO, as provided herein.

If PURCHASER shall be prevented or delayed from performing any of its obligations under this Contract by reason of fire, strikes, riots and civil commotions, war and acts of public enemies, storms, floods, and other unusual climatic conditions, including droughts, and acts of God, or any other such cause which is similar in nature to the foregoing and which is beyond the reasonable control of PURCHASER (“Force Majeure”), the Term shall be extended for the period that such Force Majeure continues in effect plus an additional reasonable period thereafter, to be mutually agreed upon in writing by TLO and PURCHASER, to allow for harvest and removal of the Merchantable Timber within the Timber Sale Area; provided, the TLO agrees to the implementation of Force Majeure. For the purpose of this agreement the implementation of tariffs or other government actions that directly and significantly effect free trade of forest products and that affect market price of contract timber may be considered Force Majeure. All other terms and conditions of this Contract shall remain in effect during periods of Force Majeure. At a minimum, lack of funds on the part of PURCHASER, adverse market conditions, legal proceedings, and/or TLO approval or assistance delays shall not constitute Force Majeure.

In the event that PURCHASER desires to extend the Term beyond XXXXXXXXXXXX, for reasons other than Force Majeure, such extension may be granted by the TLO upon the PURCHASER’S written request. Any request for an extension must be made no later than XXXXXXXXXXXX.

6. PAYMENTS

- A. A. Harvest Fees. PURCHASER shall pay fees to LANDOWNER at the rates set forth below and explained in Exhibit B, Harvest Market Agreement, or other applicable exhibits of this contract.
- B. B. Harvest Fee Payment Payments.
 - (1) Advance Harvest Fee Payments. PURCHASER shall make the advance harvest fee payment (“Advance harvest fee”) of \$250,000.00. This payment shall be held by the Department of Natural Resources, Trust Land Office, until the contract is completed to the satisfaction of the Trust Land Office.
 - (2) Monthly Harvest Fee Report. The purchaser will prepare and submit to the LANDOWNER by the 10th day of each month, a report which provides volume produced in the previous month, from log scale, by species (weekly scale certificates), grade and sort. Report will show volumes produced by species. A

report showing all sales and current inventory status of the PURCHASER will also be prepared monthly. The report will also show total of payments and total to date of volumes. The percentage of (50%) of sale price due to the Trust under the harvest market agreement will be paid within 60 days of each sale. The LANDOWNER will also be furnished with an accounting of full sale price with allowable deductions as outlined in Exhibit B. For purposes of this section, "current inventory" includes timber in the sort yard as well as timber felled and bucked in the units, and decked volume in the unit. "Full sale price" as used in this section is defined the same as it is in Exhibit B of this contract.

- (3) Delivery of Harvest Fee Payments. All payments shall be delivered to LANDOWNER at the address set forth in Paragraph 16 (Notices and Parties' Representatives). PURCHASER shall not be entitled to any abatements of deductions from or offsets against any amount due to LANDOWNER. All past due amounts owed to LANDOWNER shall accrue interest at the rate of 10.5% (percent) a year or as outlined in AS 45.45.010 from the date of delinquency until full payment is received by LANDOWNER.

7. PASSAGE OF TITLE

Subject to Paragraph 11 herein, title to the Merchantable Timber within the Timber Sale Area shall pass from the Trust Authority to PURCHASER upon scaling and payment for logs as documented on Certified Scaling Certificates produced by the Scaling Bureau approved by TLO. The risk of loss or damage to the Merchantable Timber shall be allocated as provided in Paragraph 11 (Risk Management) herein.

8. COMPLIANCE WITH LAWS AND OTHER REQUIREMENTS

A. Compliance with Laws. PURCHASER shall carry out all Timber Operations in compliance with all applicable Laws. Responsibility for operating in compliance with applicable Laws and rectifying any instances of non-compliance rests solely with PURCHASER. Where approval of both (i) governmental agencies and (ii) TLO are required under this Contract, PURCHASER shall not proceed until approval from both has been obtained.

B. Responsibility for Acquisition of Permits, Authorizations and Approvals. PURCHASER is responsible for the acquisition of all necessary permits, licenses, and other regulatory approvals at its sole cost.

C. Notification of Violations. Within twenty-four (24) hours of PURCHASER's knowledge, PURCHASER shall notify TLO and applicable regulatory agencies of any regulatory or permit violations that have occurred as a result of actions by PURCHASER

9. SCALING AND LOG ACCOUNTABILITY

A. Scaling.

(1) Scaling Point. All logs produced from the Timber Sale Area shall, unless otherwise agreed in writing, be scaled at a site designated in the approved Operating Plans. PURCHASER shall make its best efforts to ensure that logs are scaled within thirty (30) days of harvest. If deductions are made for rot, check, or other defects resulting from PURCHASER delays in scaling exceeding ninety (90) days, Harvest Fee Payments shall be paid to TLO as if the rot, check or other defect was not present.

(2) Scaling Rules. Scaling will be performed: (i) using the Scribner Decimal C Long Log Rule; or another method accepted by PURCHASER and TLO in writing before scaling; ii) in accordance with the “Official Log Scaling and Grading Rules” of the Log Scaling and Grading Bureaus as developed and authored by the Northwest Log Rules Advisory Group; (iii) or by a recognized third party scaling and grading bureau, or other methodology agreed to by the PURCHASER and TLO in writing before scaling. PURCHASER shall contract for and provide TLO with written evidence of such scaling arrangements before any Merchantable Timber is felled within the Timber Sale Area and a copy of the scaling contract shall be provided to TLO prior to commencement of Timber Operations.

(3) Cost of Scaling and Delivery of Scale Documents. PURCHASER shall pay the cost of scaling and instruct the third-party scaler to provide copies of the daily scale tickets that identify individual loads of logs and weekly scale summary sheets to TLO and PURCHASER within one (1) week after scaling.

B. Check Scale. Upon the request of TLO or PURCHASER, a check scale may be made to determine the accuracy of the original scale and will be performed by a certified check cruiser with experience scaling old growth logs in Alaska. PURCHASER agrees to make logs available for check scaling at reasonable locations designated by TLO. If the difference in scale is less than five percent (5%), then the cost of rescale shall be paid by the TLO. If the check scale exceeds the original scale by five percent (5%), the original scaled volume shall be adjusted

by the difference between the check scale and original scale, and the cost of the check scale shall be paid by PURCHASER.

C. Branding and Painting Logs. Before being removed from the Timber Sale Area, all logs shall be hammer branded on one end with a log brand registered with the State of Alaska Department of Natural Resources, Division of Forestry and approved by TLO. PURCHASER is responsible for registering such brands with the Division of Forestry. PURCHASER shall also paint one end of each log with a color designated by TLO, if there are logs being scaled at the same location from property not owned by the Trust. Any change in branding and painting must be approved of in writing prior to.

10. TIMBER OPERATIONS

A. Operating Plan Requirements. Unless otherwise provided for, Purchaser shall be responsible for performing timber sale layout work in conjunction with the TLO Forester, including road location and design work and shall do so in strict compliance with applicable Laws and the approved Timber Sale Operating Plans and the Alaska Forest Practices Detail Plan of Operation process. The purchaser will work with and get approval from the TLO Forester on road location to facilitate access to the sale that optimizes the Trust Property for future use and development. Timber Operations shall not commence until: (i) the Operating Plan has been completed by Purchaser and approved in writing by TLO; and (ii) Purchaser has obtained all necessary permits and approvals and provided copies to TLO. Division of Forestry Detail Plan of Operations submittal will be sought after TLO has approved the Operating Plans. The Operating Plans shall address operating considerations including but not limited to those contained in Exhibit D (Operating Plan Requirements). Reasonable delays in obtaining TLO approval of the Operating Plans shall not constitute a Force Majeure under this Contract.

(1) Submission of the Operating Plan. PURCHASER shall submit the Operating Plan at least thirty (30) days prior to the time PURCHASER plans to commence Timber Operations and annually thereafter. The “detailed operating plan” submitted with Purchaser’s bid for this timber sale as required in the timber sale IFP may at Purchaser’s request and with TLO approval be substituted for the Operating Plan as required herein. PURCHASER may utilize the Detailed Plan

of Operations (DPO) once approved by the Alaska Division of Forestry (DOF) as an operating plan.

(2) Fish and Wildlife Considerations. PURCHASER's Operating Plans shall include measures to minimize fish and wildlife impacts within the Timber Sale Area as required by Law, and, where reasonable and practical, shall include additional measures recommended by the Alaska Department of Fish and Game and TLO with the understanding that said recommendations will not result in an overall economic loss to PURCHASER.

B. Timber Utilization Standards. Unless otherwise mutually agreed by TLO and PURCHASER, PURCHASER shall conduct its Timber Operations in accordance with the following utilization standards:

(1) PURCHASER shall harvest Timber in such a manner as will ensure that all the Merchantable Timber in the Timber Sale area is utilized. Purchaser shall fell, buck, merchandise, and utilize timber in a manner that shall maximize Market Return. Purchaser shall provide fallers and/or bucking crews with Purchaser's tree selection criteria, bucking instructions, and preferred log lengths, in writing. If mutually agreed to by the Parties during the parties' annual meeting as provided in Section 13 of Exhibit B, defer harvest in certain harvest units. Purchaser shall avoid wastage due to negligent breakage, excessive stump height, improper practices or careless handling or transportation.

(2) PURCHASER shall be obligated to pay the Harvest Fee Payments set forth in this contract for damage to Merchantable Timber left standing resulting from PURCHASER's Timber operations.

(3) PURCHASER shall ensure that stumps left after logging are cut as low to the ground as practicable (in order to minimize waste), and in any event are not higher than eighteen (18) inches above the ground on the side of the stump where the elevation of the ground is the highest;

(4) PURCHASER shall vary log lengths to provide for as complete a utilization of all the Merchantable Timber in the Timber Sale Area as is practicable; and meets the specifications of markets logs are to be sold in and

(5) TLO shall have the right to require PURCHASER to remove Merchantable Timber from the Timber Sale Area that has been otherwise left unyarded on the ground.

(6) Purchaser will yard utility wood, cull logs and all logs that are not Merchantable to road, unless approved otherwise by the TLO field representative, which will be decked and left for the public to utilize as firewood through the

TLO's General Permit for Personal Firewood Harvest. Firewood cutting by the public will not be allowed on active sale areas.

C. Use of Logs for Other Purposes. Logs used by PURCHASER for operational purposes, including and limited to culverts, bridge stringers, and bridge abutments during the course of Timber Operations shall be provided free of charge, if such use is approved in advance by TLO. In the event that logs are used for purposes other than Timber Operations or the use of such logs will provide benefits to parties other than PURCHASER, TLO shall be compensated in accordance with a joint use contract between PURCHASER and the other party, with applicable provisions of said contract being provided to and approved by TLO. Logs used for other purposes subject to TLO-approved joint use contracts shall be taken from the sort yard after scaling and PURCHASER shall pay TLO the applicable Harvest Fee Payment, minus the proportionate amount, if any, that is attributable to the Timber Operations hereunder. If logs used for bridges are subsequently pulled such logs shall be scaled and paid for as provided herein.

D. Slash Disposal. PURCHASER shall comply with all applicable Laws relating to the disposal or accumulation of Slash.

E. Reforestation. It is anticipated that applicable reforestation obligations will be met through natural regeneration. Except as provided below, TLO shall be responsible for all reforestation obligations required under applicable Laws. PURCHASER shall take reasonable actions to facilitate natural regeneration, as described in the approved Operating Plans. Notwithstanding any of the above, PURCHASER shall be responsible for reforestation of areas where PURCHASER's Timber Operations have materially damaged or impeded the area's ability to naturally regenerate.

F. Roads. Purchaser shall, at its cost, construct approximately 5.1 miles of new road, reconstruct, and improve roads accessing the timber sale in accordance with applicable Laws, the approved Operating Plans and the Road Construction and Maintenance requirements in Exhibit E. It is the responsibility of the Purchaser to enter into contracts with adjoining landowners as to any shared use or maintenance requirements on roads owned or maintained by other entities, including, but not limited to private, federal, state and local landowners or administrators. TLO reserves the right to approve all such contracts which approval shall not be unreasonably withheld. These roads will be constructed to the Permanent Road Standards under the Alaska Forest Practices Regulations and shall be left open and not be closed out upon completion of the timber sale contract, in full compliance and good working order.

(a) TRUST LAND OFFICE grants to Purchaser the right to use rock owned by TRUST LAND OFFICE as necessary for the construction and maintenance of roads on Trust lands.

(b) Purchaser agrees to keep all roads, ditches, streams, bridges and culverts (which it uses as part of this agreement) free and clear of slides, slash and other debris, and to perform all maintenance work on said roads and improvements so as to keep them in good and serviceable condition at all times. Such roads shall be closed or water barred according to TLO instructions in a manner that will prevent soil movement and washouts upon completion of logging or during periods of non-use.

(c) Purchaser shall put to bed all roads which it has used as part of this Agreement and which are no longer needed for harvesting the Timber using such measures as water bars, pulling of ditches and final blading, unless requested otherwise by TRUST LAND OFFICE.

PURCHASER shall, at its cost, construct, reconstruct, and improve roads in accordance with applicable Laws and the approved Operating Plans. It is the responsibility of the PURCHASER to enter into contracts with adjoining landowners as to any shared use or maintenance requirements on roads owned or maintained by other entities, including, but not limited to private, federal, state and local landowners or administrators.

G. Maintenance. During the Term of this Contract, PURCHASER, at its cost, shall maintain the Timber Sale Area, Roads and Related Transportation Facilities, and all other improvements used by PURCHASER in connection with this Contract, in a clean, sanitary and safe condition and in accordance with applicable Laws, The Alaska Forest Practices Regulations, the approved Operating Plans, and other provisions of this Contract. PURCHASER may share maintenance obligations with other Authorized Users of the Timber Sale Area, subject to the terms and conditions of joint use contracts that are approved in writing by the TLO. Cleanup measures and other maintenance shall be kept reasonably current with timber harvest operations.

H. Removal of Refuse. PURCHASER shall at its expense dispose of all refuse resulting from its use of the Timber Sale Area, including garbage, wood waste, Hazardous Materials and debris of any kind, in a manner consistent with applicable Laws. No landfills or solid waste disposal sites shall be allowed to exist within the Timber Sale Area without the express written permission of the TLO.

I. Fire Control

(1) Prevention and Suppression. During the Term of this Contract, PURCHASER shall make every effort to prevent and suppress fires within the Timber Sale Area. Unless otherwise required herein, or prevented by circumstances over which PURCHASER has no control, PURCHASER shall place its equipment, employees, contractors, and employees of contractors at the disposal of any authorized government employee for the purpose of fighting forest fires within or near the Timber Sale Area.

(2) Presence of Fire Equipment. PURCHASER shall ensure that both the road building crews and logging crews have adequate firefighting equipment and training for use on site when operating in the Timber Sale Area, pursuant to the approved Operating Plans. In the event of “extreme fire danger,” a fire watch shall remain in all active Timber Operations areas for a minimum of one hour after work has stopped for the day or, at its election, TLO may suspend Timber Operations until the fire danger is reduced. PURCHASER shall report all fires to the Alaska Division of Forestry in Ketchikan at (907) 225-3070, and to the TLO Contract Administrator at (907) -225-6618 immediately after becoming aware of a fire or imminent threat of fire.

J. Notification to TLO. In addition to notifying TLO of its intentions to commence or complete seasonal Timber Operations, PURCHASER shall notify TLO of PURCHASER’s intention to begin Timber Operations in each new Timber Harvest Unit at least fourteen (14) days in advance of commencing work in the new Timber Harvest Unit. TLO shall then have fourteen (14) days from receipt of said notice to inspect the current Timber Operations and advise PURCHASER of any obligations that PURCHASER has failed to perform. If after fourteen (14) days of receipt of notice TLO has not informed PURCHASER of any obligations that it has failed to perform, PURCHASER may commence Timber Operations in the new Timber Harvest Unit. Failure of TLO to inform PURCHASER of any obligations that it has failed to perform shall not be construed to be a waiver of or affect the right of TLO to thereafter strictly enforce PURCHASER’s performance obligations.

K. Timber Trespass. Unless otherwise agreed, PURCHASER shall not fell or damage any tree not within the boundary of the Timber Sale Area. PURCHASER shall be liable for all trespass damages and is responsible for properly locating itself in the Timber Sale Area. In the event of trespass damage to timber outside of the Timber Sale Area but owned by the Trust Authority, TLO will appraise the damage and assess PURCHASER the cost of such

appraisal plus treble damages (triple stumpage), at the sole discretion of TLO. PURCHASER shall be responsible for the location or re-survey of exterior property lines where the timber sale abuts other ownership.

L. TLO Inspections. TLO and its Representatives, shall at all times have access to observe and inspect the Timber Operations of PURCHASER and shall be furnished such information, documentation and assistance by PURCHASER as may be reasonably requested by TLO for the purpose of ensuring compliance with this Contract and applicable Laws. PURCHASER shall complete additional work as requested by TLO, consistent with the approved Operating Plans and requirements of this Contract.

M. Emergency Repairs by TLO. In the event PURCHASER refuses to make a repair, of an emergency nature to improvements or structures in the Timber Sale Area, after being requested to do so by TLO or a regulatory agency, then except for situations where the necessity for these emergency repairs results from the sole gross negligence or willful misconduct of TLO, TLO shall be entitled to make such repairs and PURCHASER shall be responsible for reimbursing TLO for the actual cost of such repairs.

N. Facilities Construction. Nothing herein shall be construed to grant PURCHASER or PURCHASER's contractors or subcontractors the right to construct any facilities such as barge ramps, camps, buildings, sawmills, shake mills, fuel storage facilities, or to locate trailers on the Timber Sale Area or other Trust Land unless such facilities have been included as part of an approved Operating Plan.

O. Use of Timber Sale Area. PURCHASER may only use the Timber Sale Area for actions related to the harvest of Merchantable Timber from Trust lands. The Timber Sale Area and related facilities may not be used by PURCHASER for any other purpose, including hunting and other recreational activity, unless authorized by the TLO as a concurrent use.

P. Compliance with Alaska Historic Preservation Act. If, during the course of operations, any physical remains of historic, archaeological, or paleontological nature are discovered, work in that immediate vicinity must cease and the State must be notified. The Alaskan Historic Preservation Act prohibits the appropriation, excavation, removal, injury, or destruction of any historic, prehistoric or archaeological resources of the State.

Q. Sortyard and Log Transfer Facility. PURCHASER must provide facilities for Scaling and processing logs after they have been hauled from the Timber Sale Area.

R. Protection of Water Quality and Adjacent Property. Purchaser shall apply and comply with all provisions of Exhibit E in all road construction and timber harvest activities.

S. Silvicultural Activities. The TLO may request the PURCHASER to perform silvicultural activities such as tree planting and precommercial thinning. Upon mutual agreement the PURCHASER or its contractor will perform the requested actions to TLO specifications. Cost for silvicultural expenses will be reimbursed as direct expenses to PURCHASER by the Trust Land Office. Copies of invoices for supplies and labor will be submitted to the TLO Project Manager for reimbursement and will not include a mark-up percentage. Labor costs will be paid on a per project basis. Following TLO acceptance of the requested silvicultural work and completion of accepted work to the satisfaction of the TLO Project Manager, the PURCHASER will be reimbursed by the TLO for the work performed. The TLO will only reimburse those activities that have been agreed to in writing, and for which copies of paid invoices have been submitted to the TLO for reimbursement. Upon mutual agreement, silvicultural activities may be incorporated within the timber sale contract. PURCHASER timber operations shall be in accordance with generally accepted timber harvest and clean-up practices in Southeast Alaska and shall comply with all federal, state and local laws and regulations, including the Alaska Forest Practices Act and the Best Management Practices as published by the State of Alaska Department of Natural Resources.

11. RISK MANAGEMENT

A. Indemnification. PURCHASER, its officers, agents, contractors, and employees shall perform all of their obligations and carry on all of their operations and activities entirely at their own risk and responsibility. PURCHASER shall indemnify, defend and hold TLO and the Trust Authority, their officers, agents and employees harmless from and against any and all loss, damage (including property and personal injury), claim, demand, action or proceeding of any kind, judgment, settlement, fee, charge, lien, liability, or expense (including attorneys' fees, costs of litigation, and costs of appeal) and costs of investigation and remediation (if required by any federal, state or local government agency or political subdivision) which they shall suffer or incur, including, but not limited to, those arising out of or in any way connected with the presence, disposal, release, spill or discharge of any Hazardous Material on the Timber Sale Area, whether arising on account of damage to or loss of property, or personal injury, emotional distress or death or for any other cause, arising in any manner directly or indirectly in connection with the performance, activities or operations of PURCHASER, its officers, agents, employees, invitees, contractors, subcontractors or anyone directly or indirectly employed by them under this Contract whether the same arises before or after completion of PURCHASER's activities or

expiration of the Term of this Contract. Nothing herein shall relieve TLO, or the Trust Authority and their officers, agents, employees, permittees, invitees, and Authorized Users, from liability as a result of their sole gross negligence or willful misconduct. Liabilities associated with significant concurrent uses will be addressed as provided for in TLO-approved joint use contracts between PURCHASER and other Authorized Users of the Timber Sale Area or associated facilities.

B. Insurance Requirements. PURCHASER, its contractors and subcontractors shall purchase, at their own expense, and maintain in force at all times during the Term of this Contract the policies of insurance specified in Exhibit G from an insurer qualified to do business in the state of Alaska. The policies shall name TLO and the Trust Authority as additional insureds on all policies. TLO shall be provided with certificates of insurance and copies of all insurance policies, a minimum of fifteen (15) days prior to commencing Timber Operations. The policies shall provide that coverage shall not be canceled, limited, or allowed to expire until after thirty (30) days written notice has been given to TLO. TLO shall have the right, at its option, to pay any delinquent premium on any of the policies if necessary to prevent cancellation, non-renewal or material alteration thereof, and PURCHASER shall within five (5) business days, reimburse TLO. In the event that any insurance policy is canceled or the policy is materially changed, PURCHASER shall immediately notify TLO and cease Timber Operations until new certificates of insurance and copies of new insurance policies are delivered to and approved in writing by TLO. TLO reserves the right to reasonably increase the required insurance coverage limits to be in accordance with the current industry standards.

C. Risk of Loss. Except for loss caused by PURCHASER's acts or omissions, including, but not limited to, unreasonable delays in removing logs from the Timber Sale Area, the risk of loss by fire, windstorm, or other cause of any standing Merchantable Timber and windfalls which have not been bucked shall be borne by the parties as follows: in the event such Merchantable Timber or windfalls are damaged or destroyed by fire, windstorm, or other cause, so as not to be merchantable, TLO shall be under no obligation to PURCHASER to replace such Merchantable Timber or reimburse for costs related to such Merchantable Timber by reason of the fact that it has been lost to PURCHASER.

D. Performance Bond. At the time this Contract is signed by TLO, PURCHASER shall deposit with TLO Five Hundred Thousand Dollars (\$500,000.00) ("Performance Bond") in the form of cash, certified check, cashier's check, money order or a time certificate of deposit made payable to TLO. If the Performance Bond is in the form of cash, certified check, cashier's

check or money order, TLO shall place the Performance Bond in a separate state account and all interest on the Performance Deposit shall accrue to the benefit of TLO. If the Performance Deposit is in the form of a time certificate of deposit, TLO shall place the Performance Deposit in the state safe and all interest on the Performance Deposit shall accrue to the benefit of PURCHASER. If PURCHASER is in default under this Contract and has received notice of such default from TLO, but has failed to cure such default, TLO may apply said Performance Bond to pay for the performance of the default obligation and to any of TLO's expenses or damages incurred as a result of PURCHASER's default. PURCHASER shall remain liable for any deficiency which remains after application of the Performance Deposit to any amount owed. Any deficiency owed after application of any bond amount shall be due 10 days after application. Within ten (10) days of TLO's application of any bond amount, PURCHASER shall deposit that sum of money necessary to maintain a Performance Deposit of Five Hundred Thousand Dollars (\$500,000.00).

12. ENVIRONMENTAL COMPLIANCE, PROTECTION AND SAFETY

A. No Hazardous Materials. PURCHASER shall not cause or permit to be brought upon, stored or used in or about the Timber Sale Area, or the Roads and Related Transportation Facilities by PURCHASER, its agents, employees, contractors, or invitees, any Hazardous Materials without the prior written consent of TLO, which will not be unreasonably withheld by TLO so long as PURCHASER demonstrates to TLO's satisfaction that such Hazardous Materials are reasonably necessary to PURCHASER's Timber Operations and will be used, kept, stored and disposed of in a manner that complies with all applicable Laws regulating any such Hazardous Materials.

B. Fuel Storage, Fueling, Maintenance and Spill Prevention. TLO hereby consents that PURCHASER may bring upon, and use necessary fuel, lubricating oil, hydraulic fluids, explosives and anti-freeze substances in the Timber Sale Area, during the Term of this Contract only to the extent such items are transported, used, and disposed of in a manner that complies with all applicable Laws and the terms of this Contract. PURCHASER shall maintain and use centralized fuel storage, refueling and maintenance facilities (including facilities for the collection of waste oil) and shall do so in accordance with all applicable Laws. PURCHASER shall have adequate absorbent materials on site and in all vehicles and machinery used in the Timber Sale Area.

C. Immediate Cleanup of Environmental Contamination. In the event PURCHASER becomes aware of any Environmental Contamination within the Timber Sale Area, PURCHASER shall immediately notify TLO and the Alaska Department of Environmental Conservation of any such Environmental Contamination and (unless provided for otherwise in a TLO-approved joint use contract between PURCHASER and other Authorized Users of the Timber Sale Area) shall immediately take all actions at its sole expense as are necessary to contain and cleanup Environmental Contamination in a manner consistent with the requirements of applicable Laws. Without limiting PURCHASER's containment and cleanup obligations herein, to the extent that it is economically reasonable (as determined by the TLO) to do so, PURCHASER shall return the affected area to the condition existing prior to the introduction of any such Hazardous Materials.

13. DEFAULT BY PURCHASER

A. Events of Default by PURCHASER. Any of the following shall be deemed an event of default by PURCHASER ("Event of Default"):

- (1) If any representation or warranty made by PURCHASER proves to be false in any material respect;
- (2) If PURCHASER fails or refuses to perform, fulfill, or observe any provision in this Contract, or breaches any covenant in this Contract; or
- (3) If PURCHASER has a receiver appointed for all or any significant part of its assets, becomes insolvent, files a petition-in-bankruptcy or for reorganization, liquidation, or relief under any bankruptcy, insolvency, or debtor laws, or makes an assignment for the benefit of creditors, or if a petition is filed against it in bankruptcy or under insolvency or debtor laws.
- (4) The inability to perform this Contract due to loss of financing, key management, contractor, subcontractor, or similar, and failure, within 30 days of written notice from TLO of such inability, to provide reasonable written assurances of Purchaser's ability to perform this Contract.

B. Notice of Default/Cure/Termination. In the event of default under paragraph 13.A. (Events of Default by PURCHASER) above, TLO will serve written notice on PURCHASER that shall state the ground or grounds upon which default is alleged and demand a cure. In the event of a default by PURCHASER for failure to make payments of Harvest Fee Payments, or the Performance Deposit, or for failure to obtain or maintain insurance as required

herein, Timber Operations shall cease immediately upon PURCHASER's knowledge of the default or upon notice from TLO, whichever is earlier. If the default is not cured within ten (10) business days of written notice to PURCHASER, TLO may suspend or terminate this Contract by serving written notice on the PURCHASER that states that this Contract is suspended or terminated. If an Event of Default is of any nature other than the defaults identified in the previous sentence and if (i) the default is not cured, or (ii) reasonable steps are not taken to diligently execute a cure within thirty (30) business days of notice, or within 48 hours in the case of obligations which TLO or an authorized regulatory agency has declared to be of an emergency nature, TLO may suspend or terminate this Contract by serving written notice on PURCHASER that states this Contract is suspended or terminated. Failure of TLO to strictly enforce at any time any of the provisions of this Contract shall not be construed to be a waiver or affect the right of TLO to thereafter strictly enforce such provision.

C. Remedies. In addition to the above, if an Event of Default by PURCHASER occurs under this Contract, TLO, at its election, shall be entitled, after written notice to PURCHASER and the cure periods set forth above have expired: (i) to suspend the operations under this Contract until the breach is cured; (ii) to terminate this Contract and recover any and all damages including incidental and consequential damages; (iii) to terminate this Contract and retain the Bid Deposit, any Stumpage Payments, the Performance Deposit and all other fees and deposits paid by PURCHASER, plus all interest accrued thereon, as liquidated damages and not as a penalty; (iv) to seek specific performance of this Contract; and (v) to pursue any and all remedies in addition to or by way of alternatives to the foregoing available at law or in equity.

14. FINAL ACCOUNTINGS

Upon the expiration of the Term of this Contract including any extensions thereof, or within thirty (30) business days of the completion of all remaining obligations of PURCHASER, whichever is earlier, there shall be a final accounting between the parties. The following amounts shall be computed: (i) any unpaid completion costs; (ii) amounts due to TLO under Paragraph 10L (Emergency Repairs) of this Contract; and (iii) any other amount due to TLO or PURCHASER pursuant to this Contract. Within thirty (30) days after all calculations have been made and approved by both parties, and final inspections have been completed by TLO and applicable regulatory agencies, the party indebted to the other shall pay the outstanding balance owed to the other party, at which time the Performance Deposit or remaining portion thereof shall be released or refunded.

15. RIGHTS AND OBLIGATIONS UPON EXPIRATION OR TERMINATION OF CONTRACT

A. Rights in Timber Sale Area. Upon the termination or expiration of this Contract, any claim or right PURCHASER may have in and to the Timber Sale Area, to any Merchantable Timber or logs remaining in the Timber Sale Area, or to the Roads constructed under this contract shall terminate.

B. Obligation to Remove. Within thirty (30) days of completion of PURCHASER's Timber Operations or termination of this Contract, whichever is earlier, PURCHASER shall remove from the Timber Sale Area and the Roads, all equipment, materials, chemicals, goods, supplies, machinery, cable, wastes, buildings, structures, and any other items or improvements placed thereon by PURCHASER. The Timber Sale Area and the Roads shall be left free of all litter, debris, and all foreign materials generated by PURCHASER's Timber Operations. PURCHASER's removal thereof shall be made in a manner that does not leave the Timber Sale Area in dangerous or unsafe condition and allows for reasonable concurrent uses during the removal period. If the above items are not so removed, they shall either be removed from the Timber Sale Area at PURCHASER's expense or shall become property of the Trust Authority if TLO so elects.

16. NOTICES AND PARTIES' REPRESENTATIVES

All notices, requests, elections, consents or other communications that may be or are required to be given pursuant to this Contract to either of the Parties shall be effective only if given in writing and sent by certified mail, return receipt requested, or by confirmed facsimile copy, and shall be deemed received on the earlier of actual receipt or five (5) days after being deposited in the mail, postage prepaid, addressed to TLO or PURCHASER at the following addresses:

To TLO:

Mental Health Trust Land Office
2600 Cordova St. Suite 201
Anchorage, Alaska 99503
Phone No.: (907) 269-8658
Fax No.: (907) 269-8905
Attention: Executive Director

To TLO's Field Representative:

Trust Land Office
1900 First Ave. Suite 313
Ketchikan, AK 99901
Phone No.: 907-225-6618
Fax No.:
Attention: Jeff Hermanns

To PURCHASER:

XXXXXXX

Phone No.:

Fax No.:

Attention:

To PURCHASER's Field Rep.:

Name:

Address:

City, State, Zip

Phone No.:

Fax No.:

Attention:

Either party may change its representative or its field representative and its address for the purposes of this Paragraph 16 (Notices and Parties' Representatives) by giving notice of such change to the other party in the manner provided in this Paragraph 16.

17. ASSIGNMENT OF CONTRACT

PURCHASER may not assign this Contract, or any part hereof, or otherwise convey or dispose of this Contract, or of its right, title, or interest herein, or its power to execute this Contract, to any other person, firm, or corporation without the prior written consent of TLO, which may be withheld for any reason. Furthermore, PURCHASER's interests and rights in and to this Contract shall not be transferred by operation of law through any execution or judicial sale or insolvency or bankruptcy proceeding. Any assignment or transfer without TLO's approval shall be void and not merely voidable. Assignment for purposes of this Paragraph 17 (Assignment of Contract) shall include, but not be limited to, any change in the structure of or the ownership of shares or stock or other interests in PURCHASER such that control of the affairs of PURCHASER is transferred to persons other than those exercising such control or management on the date of execution of this Contract or on the date of TLO's approval of the immediately prior assignment (but shall not include a change in the directors or officers of PURCHASER or changes in ownership directly resulting from the death of a shareholder or owner of other interests, where the shares or interest are transferred pursuant to a Will or the Laws of Intestacy, and where TLO determines in its sole discretion that said transferee or manager is capable of assuming all obligations under this Contract). TLO may, at its discretion, and without PURCHASER's consent, assign its rights hereunder.

18. LIENS

PURCHASER shall pay or cause to be paid promptly when due any claim, debt or charge against PURCHASER, which might become a lien against any of the Trust Authority's assets associated with this Contract. PURCHASER shall not suffer or permit any such lien or

encumbrance of any kind to be filed against or upon any equipment, improvements, logs, the Timber or the property from which the same are cut, or from the proceeds thereof, regardless of whether the basis of such lien is a claim against PURCHASER or against an employee, agent, supplier, contractor or subcontractor of PURCHASER. PURCHASER shall keep the Timber Sale Area and Timber free and clear of any and all mechanics, loggers, labor or material liens arising from the performance of labor upon or the furnishing of materials to the Timber Sale Area. PURCHASER may contest the validity of any such lien that may be filed by providing reasonable security to TLO. PURCHASER shall post notices of TLO's non-responsibility pursuant to AS 34.35.065 and AS 34.35.150.

19. REPRESENTATIONS AND WARRANTIES

A. TLO. As additional consideration for this sale, TLO hereby represents and warrants that it is duly authorized to enter into this Contract as agent of the Trust Authority;

B. PURCHASER. As additional consideration for this purchase, PURCHASER hereby represents and warrants as follows:

- (1) It has read this Contract with care and in its entirety and understands it completely;
- (2) It has had an unrestricted opportunity to review documents received from the TLO related to this timber sale which are not subject to the attorney-client privilege and has carefully inspected the Timber Sale Area and all Timber on the Timber Sale Area, and is purchasing the Merchantable Timber and accepting the Timber Sale Area "AS IS;"
- (3) It has independently considered and made its own determination concerning the physical, legal and economic facts related to the access to and operations within the Timber Sale Area, barging and towing, log transport, log storage and transfer, raft delivery conditions, fuel transport and storage, availability of camps and sort yards, matters of title, present and future government regulations, the construction of the required Roads and Related Transportation Facilities, the harvest of the Merchantable Timber (and the ease or difficulty in harvesting it), the value, volume, grade, species distribution, type, quality and merchantability of the Timber and the economic feasibility and operability of the Timber and PURCHASER's ability to harvest the Timber, and all other matters related to the harvest and sale of the Timber. PURCHASER

assumes each, every and all risks related to Timber Operations, the Merchantable Timber and the Timber Sale Area;

(4) It further assumes all risks related to the quantity or quality of rock, sand, gravel, stone or other Construction Materials in the Timber Sale Area;

(5) It is duly incorporated in accordance with the laws of the State of Alaska and in good standing in accordance with the Laws of the State of Alaska and is fully qualified to do business in the State of Alaska;

(6) It has the ability in terms of experience, expertise and financial capability to perform this Contract in a timely manner and further agrees to provide to TLO such financial information as may reasonably be requested from time to time by TLO to confirm PURCHASER'S continuing ability to perform this Contract; provided that TLO agrees (1) to keep confidential such financial information submitted to it by PURCHASER, (2) that said financial information will be used only for purposes directly related to this Contract, and will not be disclosed to any person other than authorized representatives of TLO; the Alaska Mental Health Trust Authority; and any professional persons engaged by TLO relative to PURCHASER'S performance of this Contract, except information that is in the public domain or that lawfully enters the public domain through no violation of this Contract, provided that any such professional person agrees, beforehand, in writing, to abide by the terms of this confidentiality contract, (3) to provide to PURCHASER in writing the identity of the professional parties to whom the additional financial information is disclosed and the purpose of such disclosure, within ten (10) days of making said disclosure, (4) that if at some point a dispute arises and TLO concludes that it needs to submit to a court or other similar tribunal any document covered by this confidentiality contract or the contents of any such document, then such submission will be made under seal; and (5) upon PURCHASER'S completion of its performance of this Contract, TLO shall return to Purchaser all such financial documents or place them in storage under proper security, at the TLO's option. PURCHASER acknowledges that, pursuant to 11 AAC 99.120, all financial information submitted to the TLO is required to be available to the Alaska Mental Health Trust Authority upon request, subject to the requirement that the material will remain confidential after receipt.

(7) It is duly authorized to enter into this Contract and all contracts and

documents contemplated hereby, and to make the representations and warranties set forth herein; that when executed and delivered by PURCHASER, this Contract shall constitute a legal, valid and binding obligation of PURCHASER; that the person executing this Contract for and on behalf of PURCHASER is duly authorized to do so; and, that neither the execution of this Contract nor its performance by PURCHASER will conflict with or result in the breach of any other instrument, covenant or undertaking of PURCHASER;

(8) All submissions to TLO made in relation to this Contract are true and correct;

(9) It is entering into this Contract based upon its own knowledge and information of the Timber, of the Timber Sale Area and of the timber business, and not because of any inducement or representation of TLO, the Trust Authority, or any representative of TLO or the Trust Authority;

(10) It is experienced in the logging industry, has independently reviewed all applicable Laws and has a sufficient working familiarity with such Laws to enable it to obtain necessary permits and comply with same;

(11) It has had the opportunity to consult with an attorney of PURCHASER's own choosing concerning the contents of this Contract; and

(12) PURCHASER acknowledges and agrees that:

- (a) TLO has made no representations or warranties, express or implied, as to the access, availability, operability, value, total volume that may be cut in the Timber Sale Area, type, species distribution, grade, quantity, quality, merchantability or fitness for a particular use concerning the Timber and the Timber Sale Area;
- (b) TLO's approval of the Operating Plans shall not be a warranty that the Operating Plans are economic, safe, or meet the requirements of applicable Law;
- (c) TLO does not warrant the fitness or suitability of the Roads and Related Transportation Facilities (or lack thereof) and the Timber Sale Area and makes no representations concerning them;
- (d) TLO does not warrant the accuracy of any title, appraisals, timber cruises, investigations or other presale documents or evaluation TLO has prepared;

- (e) TLO does not warrant the Timber Sale Area to be free of risks associated with previous activity in the area; and
- (f) TLO does not warrant any other item that extends beyond the express written contents of this Contract.

20. TAXES, FEES AND ASSESSMENTS

PURCHASER shall file timely reports and make timely payment of any and all taxes, including deposits for withholding taxes, and fees and assessments due the United States, the State of Alaska, and any local governing body, and any and all payments for unemployment compensation and Workers Compensation Insurance, and other taxes and contributions required by Law, which become due and payable on account of PURCHASER's operations carried out under this Contract. Should PURCHASER fail to make any such payments, TLO shall have the right, at its option, to make such payment for PURCHASER's account, and PURCHASER agrees that it will, within five (5) days, reimburse TLO therefore.

21. VALID EXISTING RIGHTS

The rights granted to PURCHASER under this Contract are subject to all valid existing rights in existence on the Effective Date whether or not made of record, including without limitation, easements, rights-of-way, reservations or other interests in land.

22. OFFER FOR IN-STATE USE

When reasonable to do so, PURCHASER, at no cost to TLO or the Trust Authority, is encouraged to consider the sale of the Merchantable Timber to in-state manufacturers.

23. GENERAL PROVISIONS

A. Remedies. Except as otherwise expressly provided in this Contract, the parties shall be entitled to any and all remedies provided by Law and all such remedies shall be cumulative.

B. Counterparts. This Contract may be executed in any number of counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute a single contract. This Contract shall not become binding upon any party unless and until both parties have executed at least one counterpart of this Contract.

C. Further Actions. The parties hereby agree to take any and all actions and execute,

acknowledge and deliver any and all documents reasonably necessary to affect the purposes of this Contract.

D. Modification of Contract. Only an instrument in writing duly executed by and delivered to all of the parties hereto may modify this Contract.

E. Entire Contract. This Contract, the Exhibits attached hereto including the Operating Plans, and all other documents necessary to effect the purposes of this Agreement embody the entire Contract and understanding between the parties and supersede all prior contracts and understandings, whether written or oral, relating to the subject matter hereof. In case of a conflict between this Contract and any other document necessary to affect the purposes of this Contract, the terms of this Contract shall control.

F. Interpretation. This Contract shall be governed and construed in accordance with the Laws of the State of Alaska. This Contract shall be interpreted so as to carry forward the intent of the Alaska Mental Health Enabling Act of 1956, (P.L. 84-830, 70 Stat. 709) and AS 38.05.801 et seq. and regulations promulgated thereunder with maximum force and effectiveness. All words and phrases used in this Contract are to be interpreted in conformance with AS 01.10.040. The descriptive paragraph headings throughout this Agreement are for convenience and reference only, and the words contained therein shall not be held to expand, modify, amplify or aid in the interpretation or construction of this Agreement.

G. Venue. Venue for any legal action shall be in the Alaska Superior Court at Anchorage, Alaska.

H. Dispute Resolution. The parties agree to use their best efforts to resolve any disputes under this Agreement fairly, efficiently, and promptly. Potential methods for achieving such dispute resolution may include (but shall not require) mediation, arbitration, and other approaches that may be appropriate under the circumstances.

I. Severability. If any provision of this Agreement or any application thereof shall be invalid or unenforceable, the remainder of this Agreement and any other application of such provision shall remain valid and enforceable so long as the provision determined to be invalid or unenforceable is not material to the rights of either party hereto.

J. Binding Effect. The rights, obligations, and liabilities set forth in or arising under this Agreement shall extend to, be binding upon, and inure to the benefit of the parties and their respective successors and permitted assigns.

K. TLO as Agent for the Trust Authority. The Mental Health Trust Land Office, is executing this Agreement as agent for the Trust Authority, a public corporation within the

Alaska Department of Revenue under AS 47.30.011 et seq., in order to implement the State's obligation as trustee of the Trust established by the Alaska Mental Health Enabling Act of 1956 (P.L. 84-830, 70 Stat. 709), in accordance with State v. Weiss, 706 P.2d 681 (Alaska 1985).

L. Relationship of the Parties. Nothing in this Agreement shall be construed to make the TLO an agent, a partner, or a joint venture with PURCHASER.

M. Exhibits. All Exhibits to this Contract are adopted by reference and incorporated herein as if fully set forth in this Contract.

N. Contractors. All Contractors and subcontractors engaged by PURCHASER to perform Timber Operations relating to this Contract, shall be approved in advance by TLO; however, TLO shall not unreasonably withhold its approval. All such contractors and subcontractors shall be required by contract to abide by the terms and conditions of this Contract, and PURCHASER shall provide them with relevant provisions of this Contract.

O. Covenant to Act in Good Faith. In order to permit this Contract, throughout its Term, to be fully effective in accordance with the original intent of the parties, each party agrees that it shall at all times act in good faith in performing its obligations and in exercising its rights under this Contract.

[SIGNATURE PAGE TO FOLLOW]

ALASKA MENTAL HEALTH
TRUST LAND OFFICE
Department of Natural Resources
2600 Cordova Street, Suite 201
Anchorage, AK 99503

PURCHASER:
XXXXXXX

By: _____
Executive Director
Mental Health Trust Land Office

By: _____
President

STATE OF ALASKA

)

) ss.

THIRD JUDICIAL DISTRICT

)

The Foregoing Instrument was acknowledged before me by _____, Executive
Director of and on behalf of the State of Alaska, Department of Natural Resources Mental Health Trust
Land Office as agent for the Alaska Mental Health Trust Authority on this ____ day of _____,
20____.

Notary Public for the State of Alaska

My Commission expires: _____

STATE OF _____

)

) ss.

)

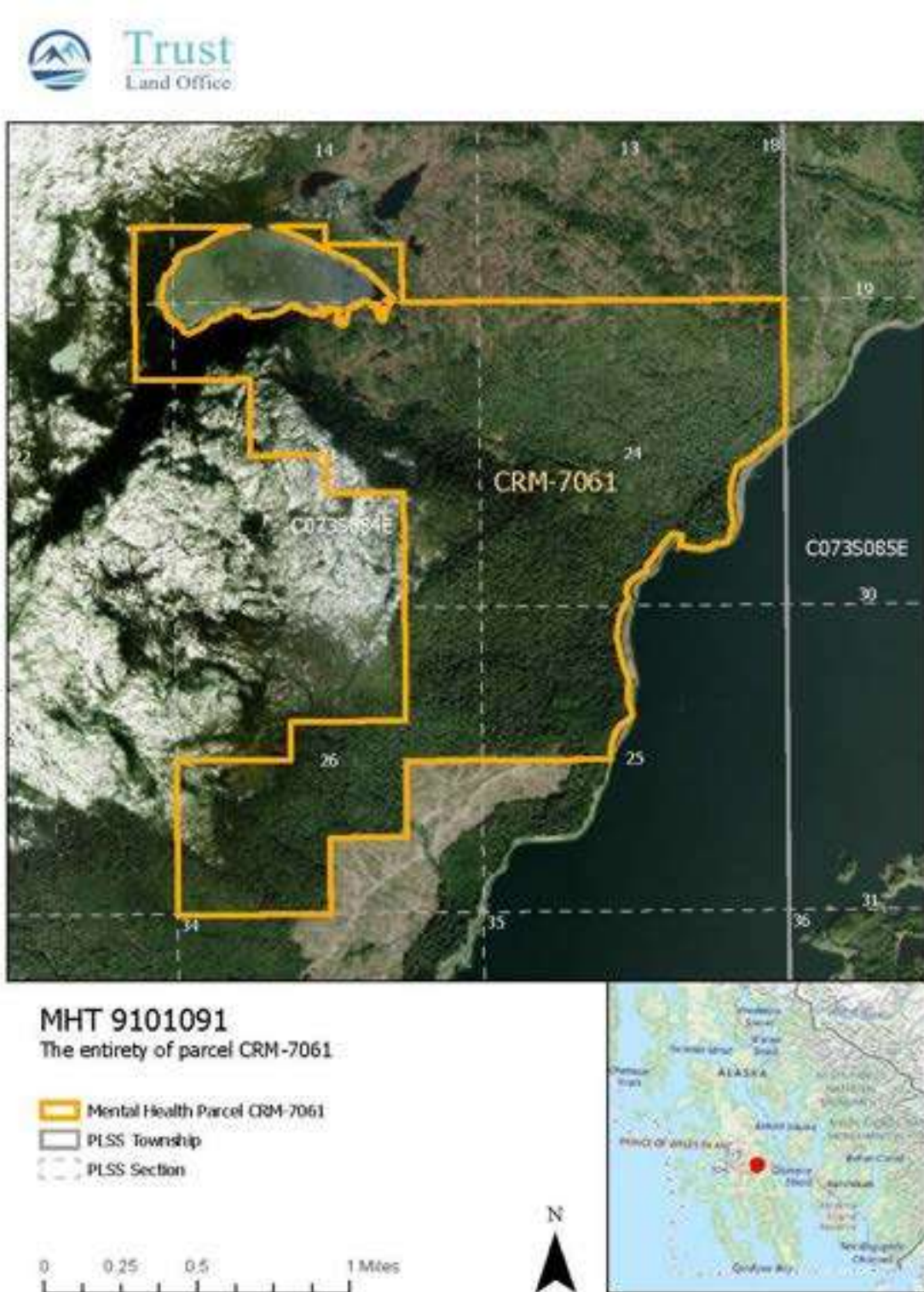
The Foregoing Instrument was acknowledged before me by _____ the
_____ of _____ on behalf of the corporation on
this ____ day of _____, 20____.

Notary Public for the State of _____

My Commission expires: _____

EXHIBIT A
TIMBER SALE AREA MAP and LEGAL DESCRIPTION

Hollis Timber Sale



Property Description/Acreage/MH Parcel(s): The property is 1 mile north of Hollis on Prince of Wales Island and includes parcel CRM-7061: Copper River Meridian: Township 73S, Range 84E, Sec. 14, lots 1 to 5 inclusive: Sec. 15 lot 1; Sec. 22, lot 1; Sec. 23, lots 1 and 2; Sec. 24, lot 1; Sec. 25, lot, 2; Sec. 26 lot 2;

Containing 1,438 acres. Patent # 50-2021-0081

DRAFT

EXHIBIT B

Hollis Timber Sale

Harvest Market Contract

TIMBER HARVEST AND MARKETING AGREEMENT

THIS AGREEMENT is made and entered into as part of the Hollis Timber Sale, MHT 9101091, by and between Purchaser and the State of Alaska Trust Land Office and is executed as to terms of said contract.

RECITALS

- A. Landowner owns timber located near Hollis. The description of which is provided in Exhibit A attached hereto and by this reference incorporated herein ("Timber");
- B. Purchaser is ready, willing, and able to harvest merchantable timber and market quality merchantable timber to Purchaser's established customer base domestically, in Far East and elsewhere; and
- C. The parties hereto desire to have Purchaser harvest and market the merchantable timber on the terms and conditions provided herein.

AGREEMENT

In consideration of the mutual agreements contained herein and the mutual benefits to be derived here from, the parties hereto agree as follows:

1. **Definitions.** In this Agreement the following words have the following meanings:

(a) **"Direct Costs"** means actual costs of harvesting and marketing the Logs properly harvested under this Agreement including (but not limited to) the cost of road construction and maintenance; rock royalties; bridge construction; felling, bucking, yarding, loading, hauling, sorting, scaling, processing, booming logs, including the cost of boomsticks; crane maintenance; engineering; permitting; camp operation if required; quality control; towing and ship tending; normal and reasonable inventory loss; interest on working capital; Purchaser's costs for contract supervision attributable to Logs sold under this Agreement plus an allocation for accounting, marketing and administration of as per marketing return table below..

Purchaser's costs included in accounting, marketing, and administration are shown below. In the event that Purchaser sells Logs on terms other than F.A.S. ship (i.e., F.O.B. ship, C&F, C.I.F., etc.) then the actual costs incurred beyond those costs necessary to deliver the Logs F.A.S. ship

will also be included in Direct Costs. Direct Costs are estimated as shown below on the basis of net Scribner scale volume plus Pulp scale for pulp logs. Direct Costs determined on the basis of estimates or accruals will be subsequently confirmed by invoice. Any adjustments for actual costs incurred based on such confirmation shall be included in the calculation of Direct Costs for the next vessel or in final reconciliation.

<u>MARKETING RETURN</u>	
	<u>PER MBF</u>
SALE Price \$/MBF	\$ ____ .00
DIRECT COSTS \$/MBF	
Actual LOGGING COST	\$ ____ .00
Amortized costs including ROAD COST	\$ ____ .00
SCALING/SUPPLIES agreed annual my management committee	\$ ____ .00
COST TO FAS and freight if applicable	\$ ____ .00
Accounting, Marketing, Admin, Engineering agreed annual my management committee	\$ ____ .00
TOTAL COST \$/MBF	\$ ____ .00
TOTAL RETURN \$/MBF market return	\$ ____ .00
RETURN TO TLO <u>50</u> %-\$/MBF	\$ ____ /MBF

- (a) "Advance" means an advance payment made pursuant to Paragraph 7.
- (b) "C.N.F." means the timber is shipped from the harvest units to a port of sale and thus the point of sale is at the port where the timber is delivered.
- (c) "Contract" means the Timber Sale Contract, MHT No. 9101091 that this Exhibit B is attached to.
- (d) "Direct Costs" means the costs of harvesting and marketing the merchantable timber properly harvested under the Contract and Harvest Market Agreement and which cannot be greater than \$ ____ .00 per Mbf.
- (e) "F.A.S." means the timber being brought directly from the water to a ship, and where the point of sale and costs of that are sale are from the water to the ship, for purposes of the LANDOWNER in this agreement F.A.S. is the point of sale;
- (f) "F.O.B." means timber is loaded aboard a ship and the point of sale is when the timber is loaded on the ship;
- (g) "Gross Sales" means, for any period, the aggregate of all proceeds from sales of merchantable timber by Purchaser during such period.
- (h) "Minimum Return" means the parties agreement to a minimum return per thousand board feet (Mbf) averaged between all species (hemlock, spruce, red cedar, and yellow cedar) of \$100 per Mbf.
- (i) "Point of sale" means when the timber is sold;

(j) "Purchaser's fee" means the allocation of Marketing Return to the Purchaser as provide in subparagraph 6(b).

(k) "Purchaser's records" means the business records maintained by the Purchaser pursuant to its sales of timber under Timber Sale Contract, MHT No. 9101091 and includes business tax returns.

(l) "Sale price" means F.A.S.

(m) "Term" means the term of the Contract as provided in Section 5 of the Contract.

(n) "Full sale price" means F.A.S and C.N.F.

2. **Volume.** The volume of Logs harvested during the Term of this Agreement shall be up to 20 million board feet (20 mmbf) net Scribner scale plus net Pulp.

3. **Harvesting and Marketing Services.** Purchaser shall provide the following harvest and marketing services to TRUST LAND OFFICE for the Timber:

- (a) Harvest planning and scheduling.
- (b) Engineering and road layout.
- (c) Administration of contracts for road building, timber harvesting, hauling, sort yard operation and ship loading.
- (d) Quality control for cutting, utilization and sorting logs harvested.
- (e) Negotiation of sales agreements with customers, including setting prices and determining volume and quality of logs sold. Purchaser shall make commercially reasonable efforts to obtain the highest return on all sales. Purchaser shall not sell Logs to any entity owned or controlled by Proposer without the prior written consent (including consent to price and terms of sale) of TRUST LAND OFFICE.
- (f) Invoicing, accounts receivable collection and letters of credit.
- (g) Inventory and log accountability.
- (h) Ship scheduling and, where necessary, ship chartering.
- (i) Accounting and cost control.
- (j) Financing of working capital.

4. **Marketing Return and Direct Cost.**

(a) Notwithstanding subsection (b), the Purchaser's Direct Costs include accounting, marketing, and administration, scaling, supplies, amortized costs, and logging costs. Direct Costs may be adjusted by the parties at the annual meeting as outlined in Subsection 13(b) of this Agreement.

(b) The parties cannot negotiate Direct Costs greater than \$000.00 per Mbf and Purchaser under the Contract cannot assert Direct Costs greater than \$000.00 per Mbf.

(c) Marketing Return is the Gross Sales minus the Direct Costs attributable to the merchantable timber sold and all amounts paid in settlement of customer claims during that quarter. For purposes of the LANDOWNER'S 50 percent of the Marketing Return, Purchaser shall impose an F.A.S. cost only in calculating its Direct Costs, even if the Purchaser may be incurring an F.O.B. or C.N.F. cost to sell the timber. Pursuant to Section 10 of the Agreement, Purchaser shall maintain records and calculations showing how it derived its Direct Costs, including how the F.A.S. costs as described herein were calculated if the Purchaser incurred F.O.B. or C.N.F. costs to sell the timber.

(d) LANDOWNER is not liable for Purchaser's decision to sell timber via F.O.B. or C.N.F.

5. **Allocation of Marketing Return.** The Marketing Return shall be distributed as follows:

(a) Purchaser shall pay to TRUST LAND OFFICE, fifty percent (50%) of the Marketing Return as TRUST LAND OFFICE's Profit

(b) Purchaser shall retain fifty percent (50%) of the Marketing Return as Purchaser's Proposer's Fee.

(c) Purchaser shall provide a calculation of Marketing Return for each sale within 30 days of the sale in the format shown in Exhibit "B".

6. **Advance.** Within ten (10) days of the beginning of timber operations Purchaser shall pay to TRUST LAND OFFICE the sum of \$ 250,000 as an Advance against TRUST LAND OFFICE's Profit. In the event Purchaser is unable to harvest sufficient timber to recover the advance, TRUST LAND OFFICE shall remain liable for repayment of any outstanding Advance in full.

7. **Minimum Return.** In the event that the average LANDOWNER's Profit for all merchantable timber harvested and sold during the term of this Agreement is less than the Minimum Return, Purchaser agrees to recalculate the Marketing Return for the entire volume of merchantable timber so that the average Market Return for all merchantable timber (excepting Pulp) harvested and sold equals the Minimum Return and to make any additional payments to the Landowner within twenty (20) days of the end of the Term.

8. **Audit - Inspection of Purchaser's Records and Books.** Purchaser shall maintain its records for this Agreement for each component of Gross Sales, each component of

Direct Costs, amounts paid in settlement of customer claims, and other items addressed under this Agreement. The parties agree as follows:

(a) An annual audit of the Purchaser's records maintained pursuant to this Agreement. The parties will split the cost equally of that annual audit. The annual audit will be completed by a mutually agreeable CPA firm with timber experience and outside of Ketchikan to inspect Purchaser's books, contracts and records which are relevant to Purchaser's payments under this Agreement. The annual audit will commence in January of each year and must be completed within ninety days.

(b) In addition to the audit discussed in Section 10(a), the Landowner shall have the right, at its expense, to have a CPA firm – of its choosing – inspect Purchaser's books, contracts and records which are relevant to Purchaser's payments under this Agreement. The Landowner will provide the Purchaser 60 days notice of its intent to have an audit completed.

(c) Purchaser shall fund all Direct Costs. Purchaser shall pay the Landowner its portion of the Marketing Return within 60 days of sale. Ten and a half percent (10.5%) interest per annum will be paid to the Landowner on Marketing Return payments not made within 60 days of sale. The allocation of Marketing Return shall be reconciled on an annual basis at the end of each calendar year. Overpayments to the Landowner shall be credited against future payments due. If there is insufficient Marketing Return to the Landowner due to such overpayment, Landowner shall repay such overpayment to Purchaser within twenty (20) days of the end of the Term or determination of the overpayment, whichever comes first. Underpayments to the Landowner shall be paid within twenty (20) days of the end of the Term or of determination of payment due, whichever comes first. A copy of the shipping invoice and bill of lading will be mailed or faxed by Purchaser to the Landowner as soon as it is available to the Purchaser.

9. Payments.

Harvest Fee Payments are due without regard to whether the harvesting and marketing of sawlogs and Pulp Logs is profitable for the PURCHASER on timber harvested.

(a) Purchaser shall fund all Direct Costs. Proposer shall pay TRUST LAND OFFICE its portion of the Marketing Return within 30 Eight percent (8%) interest per annum will be paid to TRUST LAND OFFICE on Marketing Return payments not made within 30 days of sale. The allocation of Marketing Return provided in Paragraph 6 above shall be reconciled on an annual basis as of the end of each calendar year. Overpayments to TRUST LAND

OFFICE shall be credited against future payments due. If there is insufficient Marketing Return due to TRUST LAND OFFICE to such overpayment, TRUST LAND OFFICE shall repay such overpayment to Purchaser within twenty (20) days of the end of the Term or determination of the overpayment, whichever comes first. Underpayments to TRUST LAND OFFICE shall be paid within twenty (20) days of the end of the Term or of determination of payment due, whichever comes first. A copy of the shipping invoice will be mailed or faxed by Proposer to TRUST LAND OFFICE as soon as it is available to Proposer.

(b) At the close of the Term of this Agreement, the parties shall meet, if necessary, to reconcile differences in determining Direct Costs, Marketing Return, and other matters.

10. **Harvest Plan (Plan of Operations)**. Prior to commencing operations, Purchaser will provide TRUST LAND OFFICE with a timber harvest plan (plan of operations) and marketing plan. Proposer shall harvest and market timber to achieve the maximum Marketing Return consistent with environmental considerations and responsible forest management. The harvest plan shall be approved by the management committee (as described in item 14) if in accordance with all applicable federal, state and local laws, and shall be updated annually prior to commencement of each harvest season. Purchaser shall provide the management committee with yearly updates to the Harvest and Marketing Plan as well as a yearly forecast of volume and returns.

11. **Management Committee**. The parties shall form a management committee composed of two (2) members; one (1) appointed by Purchaser and one (1) appointed by TRUST LAND OFFICE. The representatives appointed by each party shall have full authority to represent that party at meetings of the management committee.

- (a) **Responsibilities**. The management committee shall:
- (i) review and approve the annual harvest plan;
 - (ii) review the form of Purchaser's logging contract;
 - (iii) provide direction on TRUST LAND OFFICE policy issues;
 - (iv) endeavor to resolve disputes between the parties concerning the discharge of their respective obligations under this Agreement;
 - (v) approve annual road ammonization rate

- (vi) perform any other duty delegated to it by the parties pursuant to this Agreement.

(b) **Meetings.** The management committee shall meet annually in January of each year. Non-annual meetings may be requested by either party, and the meeting shall take place upon reasonable notice. Meetings may be telephonic. The parties will address the following at their annual meeting:

- (i) Calculating and adjusting direct costs, recognizing direct costs cannot be negotiated for more than \$_____per Mbf;
- (ii) Scaling and supplies costs;
- (iii) Accounting, marketing, administration, engineering costs;
- (iv) Ship loading and shipping costs;
- (v) Deferral of any timber harvests; and
- (vi) All other issues deemed necessary and agreeable by the parties pursuant to the Timber Sale Contract;

(c) **Decisions.** All decisions of the management committee must be unanimous.

12. **Grant of Rights.** Except as provided in Paragraph 12(a), TRUST LAND OFFICE hereby grants to Purchaser the exclusive right to provide harvesting and marketing services to TRUST LAND OFFICE with respect to the Timber for the Term of this Agreement on the terms and conditions set forth in this Agreement.

EXHIBIT C

APPROVED OPERATING PLAN

Hollis Timber Sale

To be submitted by PURCHASER, approved by TLO and attached hereto.

DRAFT

EXHIBIT D

OPERATING PLAN REQUIREMENTS

The Annual Operating Plan shall comply with the requirements of the Alaska Forest Resources and Practices Act (FR&PA) under AS 41.17 and 11 AAC 95.220. The Overall Operating Plan shall provide TLO with sufficient information to allow TLO to understand the Timber Operations planned for the entire area, as they will occur in the field. The Overall Operating Plan shall include identification of any areas of concern that PURCHASER may have relating to any potential problems, including any potential conflicts with AS 41.17. The Annual Operating Plan is to be submitted to the TLO on the state Division of Forestry “Detailed Plan of Operations” form to comply with the FR&PA. In addition to the information required in the “Detailed Plan of Operations” under 11 AAC 95.220, PURCHASER shall provide TLO with the following information, attached to the state form:

A. Description of Overall Operating Plan.

- (1) Timber Harvest schedules, to include specific scheduling for the operation of Timber Harvest Units within the Timber Sale Area and associated access development by year;
- (2) Description of silvicultural prescription for each harvest unit, including a seed dispersal evaluation showing that natural reseedling meets the intent of the Alaska Forest Resources and Practices Act;
- (3) Description of actions that will be taken to minimize seasonal and long-term impacts to fish and wildlife populations within the Timber Sale Area.
- (4) Fire prevention and suppression planning, including an area wide action plan and list of adequate equipment maintained in the Timber Sale Area to suppress fires;
- (5) Hazardous Substance, an area wide control plan;
- (6) Natural Disasters, an area wide plan for response to natural disasters such as earthquakes and related tidal waves.

B. Details of Annual Operating Plan.

- (1) Method and schedule of timber harvest by unit within the Timber Sale Area, for the plan year, including a complete timber harvest unit layout for that portion of the Timber Sale Area to be logged for the year, tentative layout plans for the following year, and the estimated volume by month to be harvested during the plan year;

(2) Details of road construction and layout, to include a summary for areas of concern due to slope or other considerations.

(3) Details of the portions of the timber harvest unit layout designed to minimize damage to other resources, including fish and wildlife habitat, soils in areas of steep slope and water quality on each of the units planned for harvest;

(4) Details of seasonal closeout plans, including Roads and Related Transportation Facilities and other pertinent information. Purchaser should plan on operating only two Timber Harvest Units at a time, and plan for orderly close-out of each Timber Harvest Unit as it is completed. The annual plan for the last year of this Contract shall provide for closeout activities, including putting roads to bed and full clean-up;

(5) Location of log scaling area, log transfer facilities, camp facilities or local operations office; and

(6) Names, addresses and contact persons for all contractors.

C. **Training.** PURCHASER shall include in any Operating Plans a training program for all personnel, including contractors and subcontractors, involved in the Timber Operations. The program shall be designed to inform each person working in the Timber Sale Area of environmental concerns associated with Timber Operations in the Timber Sale Area. The program shall specifically address the following Timber Operation elements: (i) safety, (ii) prevention of hazardous material contamination, (iii) prevention of fire, (iv) compliance with fish and wildlife protection Laws, (v) other fish and wildlife protection measures addressed in the Operating Plan, (vi) contract compliance, (vii) water quality laws and (viii) prevention of unauthorized uses of the Timber Sale Area.

EXHIBIT E

ROAD CONSTRUCTION AND MAINTENANCE REQUIREMENTS

1. **Road and Landing Construction.** The PURCHASER shall take all measures and best management practices outlined in the Alaska Forest Resources and Practices Act to protect stream banks and stream courses during road and landing construction and to prevent erosion of exposed soil and fill material including but not limited to the following:

- A. **Road Specifications.** All roads and road segments must be built to the specifications described below and to Permanent Road Standards as set forth in the Alaska Forest Practices Regulations, and in the location marked on the ground with orange centerline ribbon (also shown on timber sale layout map).
- B. **Ballast.** Ballast shall be obtained from an approved borrow pit. The above roads shall be rocked and shaped according to the specifications as shown below.
- D. **Road Fill.** Unless otherwise approved in writing and staked on the ground by TLO, road fill placed by the PURCHASER shall not cover, encroach on, or alter permanent or intermittent water channels.
- E. **Culverts.** Culverts will be as needed or as prescribed by the State of Alaska Forest Practices Act and Regulations. PURCHASER should be prepared to:
 - (1) Increase structure size as required if conditions warrant, i.e. debris problems or drainage modification due to logging or road construction and
 - (2) Install relief culverts every 200 feet, or less to relieve ditch-line catchment.

2. **Road Maintenance.**

- A. **On-going Maintenance.** Once initial operations involving road use under this contract commence by the PURCHASER, maintenance shall be an on-going function throughout the duration of the contract. The PURCHASER may cease maintenance operations during prolonged shut-down periods providing all roads are stabilized according to the standards specified in (E) below with prior written approval by TLO.
- B. **Existing Road Cross Sections.** PURCHASER shall maintain existing road cross sections by blading and shaping the surface and shoulders or replacing surfacing as required by TLO.

C. Avoid Fouling Surface. While performing ordinary road maintenance work PURCHASER shall avoid permanently fouling gravel or rock surfaces through covering them with earth or debris from side ditches, slides or other sources. PURCHASER shall avoid blading surface material off the road surface.

D. Minimize Damage. PURCHASER shall minimize damage to ditches, drainage structures, slopes and road surfaces. Where damage does occur, PURCHASER shall restore the road and structures to their prior condition within a two-week period, unless TLO requires a shorter or longer period of time under the circumstances.

E. Preventative Maintenance. PURCHASER shall perform preventative maintenance at the end of each operating season to minimize weather damage during the non-hauling period. This may include cross-ditching, post-haul blading to remove berms, ruts or other surface irregularities that would interfere with normal runoff of water and cleaning ditches and culverts.

F. Seasonal Work. PURCHASER shall perform all seasonal weather clean-up, removal of bank slough, minor slides and fallen timber, brush road, replace material eroded from slopes, and clean out drainage ditches and culverts at the beginning of each operating season. In removing material from slides or other sources, PURCHASER shall deposit the material in a location where it will not erode into streams, lakes or reservoirs. Cut slopes, slumps, or other areas of exposed soil that are at risk for producing sedimentation of surface waters will be grass seeded or otherwise stabilized to reduce sediment transport.

G. Work Upon Termination. Upon termination of use, all roads shall be either put to bed, in compliance with the Alaska Forest Practices Act and Regulations or at the option of TLO, they may be maintained as specified in above sections (E) and (F).

5. **Road Maintenance Contracts.** If PURCHASER jointly uses the Roads and Related Transportation Facilities with other authorized parties under this, or a subsequent contract, each party shall be required to enter into a joint use road maintenance contract prior to hauling logs on the jointly used roads, see Contract Paragraph 10.

6. **Road Standards.**

A. General Conditions.

1. Road Width. Roads shall be 20 feet, including ditch (see typical roadbed section) and 35 feet where designated turnouts are built.

2. Surfacing Width. 14-16 feet.
3. Surfacing. The minimum necessary to allow log trucking without surface deformation.
4. Turnouts. Will be inter-visible, with a surfaced length of 50 feet at full width.
5. Grade. The maximum grade on the “mainline” segments listed in (A) above, is 12%. The maximum grade on all spurs is 16% unless otherwise approved in writing by TLO representative.
6. Degree of Curvature. The absolute maximum permitted is 100 degrees. The ordinary designed maximum shall be 90 degrees.

B. Road Signage.

1. Signs. A “stop sign” and “trucks entering roadway” signs will be erected at any intersection of logging roads and a publicly traveled road.
2. Milepost signs will be maintained along the mainline road for communication of location between vehicles traveling in opposite directions.

C. Clearing and Grubbing

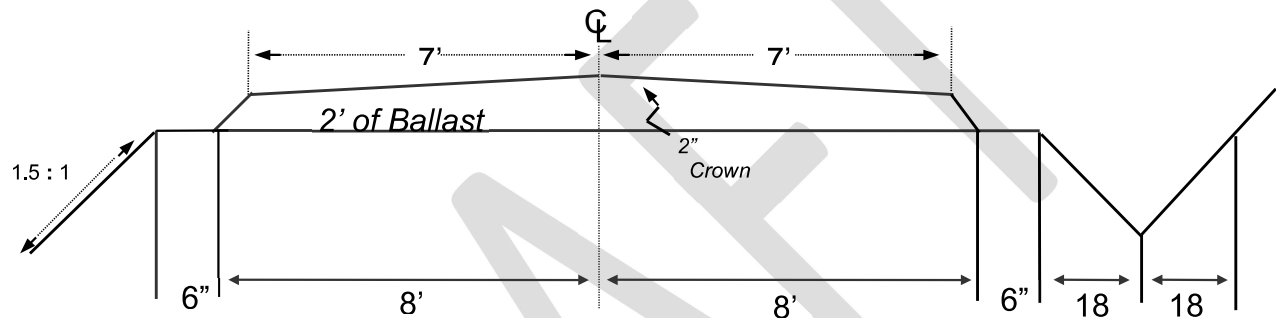
1. The clearing boundary limits outside of the sale area will be 75’ on either side of the centerline. Within the sale area, PURCHASER may determine the clearing limits.
2. Snags and trees leaning heavily over the roadway that are outside the clearing limits shall be felled. Snags will be felled in conjunction with cutting the regular right-of-way.
3. All stumps, any portions of which fall within the cut slopes, shall be removed.
4. Debris will not be piled or pushed against existing trees.

D. Grading.

1. All fills 6 feet deep and over shall be widened 2 feet for each 6 feet of centerline depth to a maximum width of 36 feet. Embankment slopes shall not be steeper than 1 1/4:1 for common and 1:1 for rock. Fills shall be compacted in 2-foot layers.
2. Cut slopes will generally be 3/4:1 below 70%, 1/2:1 above 70%, and vertical in rock.

9. **Typical Roadbed Section, Single Lane - With Turnouts.**

<u>Cut Slopes</u>	<u>Extra Widening</u>	<u>Inside of Curves</u>
1:1 common	Fills under 6' add 1'	10' – 1 foot
1/2:1 soft rock	Filles over 6' add 2'	30' – 2 feet
1/4:1 solid rock		50' – 3 feet
1 1/2:1 fill slopes		60' – 4 feet



The grade and alignment can be changed only with permission of TLO representative when conditions encountered during construction make this advisable.

EXHIBIT F

SLOPE STABILITY AND WATER QUALITY PROTECTION MEASURES

1. **Slope stability and water quality.** The PURCHASER shall take all reasonable and prudent measures, including but not limited to those prescribed in the Alaska Forest Resources & Practices Regulations and the additional measures listed below, to minimize the potential for mass soil movement and property damage or the impairment of the water quality in streams used for domestic water sources on property adjacent to the timber sale area.

Mass Soil Movements In order to better protect against mass soil movements, additional measures to minimize the potential for mass soil movement will be followed. These include:

- a. Where possible, unstable soil conditions will be avoided with road construction or soil disturbing harvest activity.
- b. During periods of extreme wet weather and saturated soil conditions, road construction will be limited to areas with side slopes less than 40%, and blasting will be suspended.
- c. On slopes over 67%, end hauling will be utilized to minimize sidecasting of material.
- d. Downhill cable yarding will not occur during extremely wet weather or saturated soil conditions. Measures will be taken to insure that as much deflection as is available is used during downhill yarding.
- e. Landings will be full benched and constructed to not overweight steep slopes with sidecast material or a logging slash accumulation.
- f. Road ditches and culverts will be patrolled and kept free of debris, to promote the flow of water into natural channels rather than down the road or onto unstable slopes. Surface water will be diverted away from un-consolidated fill or sidecast material.
- g. Timber along watercourses will be felled and yarded away from the stream. Yarding will utilize suspension adequate to prevent the disturbance of soil on slopes adjacent to watercourses. Where possible, undamaged, wind firm non-merchantable trees will be left standing.
- h. Particular attention will be made to avoiding disturbance of slopes in excess of 72%. Appropriate precautions include: (1) avoid undercutting the toe of these slopes, (2) surface water will be diverted away from these slopes, (3) side cast material, slash accumulations, and overburden will not be deposited on these areas, (4) road construction will occur above or below slope pitches of 72% or greater, not across the middle, (5) yarding across these areas will achieve full suspension.

EXHIBIT G

INSURANCE POLICIES

All of the insurance policies required by this Contract shall be endorsed to provide that such insurance shall apply as primary insurance and that any insurance or self-insurance carried by TLO or permitting agencies will be excess only and will not contribute to the insurance required by this Contract; shall be endorsed to name TLO and the Trust Authority as additional insureds; and shall provide for a waiver of subrogation in favor of TLO and the Trust Authority. All endorsements shall refer to this Contract. Insurance coverage amounts will be reviewed every 5 years and may be adjusted by the TLO. All insurance shall be on an occurrence and not a “claims made” basis. At a minimum PURCHASER shall provide and maintain the following:

A. Workers’ compensation, industrial accident and/or USL&H insurance for all its employees engaged in work under this Contract, including subcontractors Workers' Compensation Insurance, Industrial Accident and/or USL&H, including Employer's Liability Insurance in accordance with the Laws of the State of Alaska. If there is exposure to injury under the U.S. Longshoremen’s and Harbor Workers’ Compensation Act, the Jones Act, or under Laws applicable to maritime employees, or any other federal act, coverage shall be included for such injuries or claims. Such policies shall be endorsed with a waiver of subrogation in favor of TLO and the Trust Authority.

B. Commercial general liability insurance, including contractual coverage with coverage limits not less than Two Million Dollars (\$2,000,000) combined single limit per occurrence and annual aggregate coverage of Two Million Dollars (\$2,000,000) including premises-operations, independent contractors, product/completed operations, broad form property damage, blanket contractual, and personal injury endorsements.

C. Comprehensive automobile and aircraft liability insurance, covering all owned, hired, and non-owned vehicles and aircraft with coverage limits not less than Two Million Dollars (\$2,000,000) combined single limit per occurrence bodily injury and property damage.

D. Logger’s property damage liability, broad form with a limit per occurrence of at least One Million Dollars (\$1,000,000).

E. Pollution liability coverage with coverage limits not less than One Million Dollars (\$1,000,000.00) per occurrence combined single limit for bodily injury, property damage and cleanup expense.

EXHIBIT H
Wolf Creek Boatworks District Boundary

