



File Code: 5430-2

Date: August 2, 2006

Mr. Tim Blixseth
Western Pacific Timberlands
US Bank Building, Suite 1601
Boise, ID 83702

Dear Mr. Blixseth:

Since our April 14 meeting, representatives from affected National Forests in the Intermountain (R4) and Northern (R1) Regions of the Forest Service have been reviewing and considering your proposal for a major exchange of lands between the Idaho Department of Lands (IDL), Western Pacific Timberlands (WPT), and the Forest Service.

Should this response find any resonance with you, we would first like to focus on general and organizational matters. This is a large exchange with the potential for both substantial public benefits and controversy. As the Forest Service is a diverse organization with authority distributed throughout its organizational levels, it will be important for us to have defined contacts within WPT who have clear authority to make public and organizational contacts, and decisions regarding the exchange. Although we may make the decision to pursue a possible exchange at the Regional level, the analysis and public involvement that will determine whether or not that proposal moves forward must be conducted by the National Forest (NF) units themselves. We will assign contacts to work with and represent the various National Forest units. For them to have direct contact with those who can speak for WPT and represent WPT to the public, other interested parties, and governmental entities is crucial and will better ensure the commitment (within ongoing Forest Service timelines/priorities) that a project of this stature demands.

Due to the potential size and significance of this proposal, substantial expenses are likely to be incurred. Little if any Forest Service funding is available for such work. You, as the non-Federal party, would be expected to pay all out-of-pocket expenses, with Forest Service participation being generally limited to specialist review of non-Federally financed reports and documents. We recognize that this is a substantial commitment and should not be made without a full understanding of what it will entail. Consequently, if it is mutually determined to proceed with a land exchange, an Agreement to Initiate would be developed that would outline the anticipated expenses, sharing of costs, and timeframes for completing the exchange, prior to initiating any work on the exchange.

We are pleased that you invited participation by the Rocky Mountain Elk Foundation (RMEF) in the initial meetings. They are an important partner in many of the Forest Service's conservation efforts and have the capability to play an important role in this type of project as well. Although we would not expect to see them directly involved in our administrative processing of the actual



exchange, their ability to build partnerships and explain the conservation benefits of projects, such as this one, would be invaluable. In particular, we appreciate their continued support of the Nez Perce Tribe in seeking a variety of funding sources and options for restoration and eventual acquisition of WPT's Lochsa properties. However, you may have a different idea in how best RMEF may assist in the development and processing of this project. With that said, it's important that we define RMEF's role with this project, which should be understood by all parties.

Following is our response to your offer.

WPT proposed to exchange lands in four major blocks within or contiguous to the Clearwater, Boise, and Payette National Forests:

- (1) Lochsa (Powell) "checkerboard" lands – Approximately 40,000 acres within the Clearwater and Lolo National Forests in Idaho and Montana.

The Forest Service would be interested in acquiring these lands, but approximately 5,000 acres of this block lie in the State of Montana. The Forest Service is not authorized to exchange lands across state lines and even if authorized, to do so would likely raise substantial concerns from state and local governmental entities regarding revenue loss issues. We propose to move forward with an exchange involving the Lochsa lands in Idaho and suggest that those lands in Montana be addressed separately, but in concert with what we would we do in Idaho.

The Clearwater NF has also identified major rehabilitation needs on the cutover lands in this block. Restoration work will be needed before the Forest would be interested in acquiring these lands. We propose that as prelude to the exchange, WPT should continue working with the Forest Service, RMEF, and the Nez Perce Tribe in the inventory, development, and initiation of a reclamation plan for the Lochsa private lands.

The Lochsa checkerboard lands in Idaho are totally within Idaho County. Based on recent discussions, the Idaho County Commission has indicated to us that they would only support a land exchange which would maintain or enhance the County's tax base and help promote economic development of Idaho County and surrounding local communities. We propose that WPT develop a working relationship with Idaho County Commission, the Nez Perce Tribe, other adjacent counties, and the congressional delegation in the development of land exchange options that will allay respective county commission concerns. The success of any land exchange proposal will depend on the above parties working together in the development and processing of the land exchange.

There are other alternatives that you may want to consider. One option would be to incorporate available Bureau of Land Management (BLM) jurisdictional land within Idaho County as part of the federal mix, which would meet Idaho County objectives in maintaining and enhancing the County's tax base and would help promote economic development. We have made some initial contacts with the local BLM office, and they have indicated a willingness to participate in the development of a land exchange. Another alternative that we

should consider is to develop a land exchange proposal to just consolidate WPT and Forest Service landownership in the Lochsa checkerboard.

- (2) Middle Fork Weiser River – Approximately 10,000 acres within the Payette National Forest, Idaho.

These lands are of low to moderate interest for acquisition by the Forest Service. After reviewing the block, our preference is to leave these lands in private ownership and reduce the size of the proposal rather than include the lands of this block. If portions of the block are needed for balancing the whole, selection priority should be on those parcels most remote from nearby development and developed road systems.

- (3) North Fork Payette River - Approximately 15,000 acres adjacent to the Boise National Forest, Idaho.

These lands lie outside the Forest Boundary so a boundary adjustment would be required before acquisition through exchange could be undertaken. The block is of low to moderate interest for acquisition by the Forest Service. Some portion of the block could be considered for balancing, but the Middle Fork Weiser River block is of higher priority for acquisition. This block should be dropped from consideration.

- (4) Idaho City - Approximately 29,000 acres within and adjacent to the Boise National Forest, Idaho.

These lands appear to have some potential for a direct exchange between WPT and IDL, but are of low interest for acquisition by the Forest Service. After reviewing the block, our preference is to leave these lands in private ownership and reduce the size of the proposal rather than include the lands of this block. This block should be dropped from further consideration for exchange with the Forest Service.

In return for the four blocks of land discussed above, WPT proposed to acquire lands in three general categories:

- (1) McCall-Brundage - Approximately 50,000 acres north and west of the city of McCall, Idaho within the Payette National Forest

The Payette NF has evaluated the lands in this block proposed for acquisition by WPT and they contain significant public recreation, watershed, and wildlife resources and are of great interest to the public. To exchange out of these lands would not be in the public interest. The Forest has identified approximately 2,600 acres in the southwestern quadrant of the original WPT proposal (see enclosed map) that they believe would be supportable in an exchange proposal.

- (2) No Business Mountain – Lands tied to WPT holdings south and west of the city of McCall, Idaho, within the Payette National Forest

The Payette NF evaluated the lands in this block proposed for acquisition by WPT and notes that they would potentially conflict with other exchange proposals presently under consideration. We propose to move forward with an exchange excluding the lands in this block. Should the other proposals be terminated or concluded, an exchange involving any remaining lands in this block could be considered at a later date. Other Locations – Lands surrounded by or tied to WPT holdings elsewhere.

- (3) The Payette NF has identified approximately 9,100 acres of land tied to WPT holdings in the vicinity of McCall and New Meadows that could be considered potentially suitable for exchange (see enclosed map). We would appreciate it if WPT would consider incorporating these adjustments into the proposal.

In addition, the Clearwater NF and Nez Perce NF have preliminarily identified about 12,500 acres (see enclosed maps) of national forest system (NFS) lands in Idaho County or in communities in adjacent counties with economic impact on Idaho County, which would generate tax revenues or create other benefits to Idaho County to partially offset tax revenues lost to the County as a result of Forest Service acquisition of the Lochsa block. These lands, although not tied to WPT holdings, tie into the holdings of other major timber companies in the area, or they could be developed independently so it is likely that WPT would not be left with properties that cannot be used or readily disposed. This is just a starting point. If we agree to proceed with the development of a land exchange, we would be willing to look at other NFS and BLM lands within Idaho County and other adjacent north Idaho counties.

We look forward to hearing your thoughts on our proposals. If you are in agreement with pursuing this case further, please contact Tom Ellison at (801) 625-5499 with information as to who will have the authority to represent WPT in this transaction and we will assign project leaders in each Region so that work can get underway.

Sincerely,

/s/ Jack G. Troyer
JACK G. TROYER
Regional Forester, Intermountain Region

/s/ Abigail R. Kimbell
ABIGAIL R. KIMBELL
Regional Forester, Northern Region

Enclosures

cc: Dick Smith
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