Memorandum of Understanding
Forest Service ID: 2008 MU11060200-001
Bureau of Land Management ID: MOU-BLM-OR010-0801

Lake County Resources Initiative, Lake County, Town of Lakeview, City of Paisley, Marubeni Sustainable Energy, Inc., The Collins Companies, Oregon Department of Forestry, U.S.D.A. Forest Service Fremont-Winema National Forests; Bureau of Land Management- Lakeview District

I. Authorities

A. This Memorandum of Understanding (MOU) is hereby made and entered into by and among the above listed parties under the authorities noted below.

B. The activities addressed herein may occur under the following principal authorities:

1. Forest Service. Multiple Use Sustained Yield Act of 1960, National Environmental Policy Act of 1969, and the National Forest Management Act of 1976.
2. Bureau of Land Management. Federal Land Policy and Management Act of 1976 and O&C Act of August, 1937. .
3. Oregon Department of Forestry. SB 1072 of 2005

C. The following additional authorities guide implementation of this MOU:

1. Memorandum of Agreement among Department of Energy, Department of Interior and Department of Agriculture of January 21, 2005
2. Lakeview Biomass Energy Facility Oregon Solutions Declaration of Cooperation of January 12, 2006
3. Healthy Forest Restoration Act of 2003
4. 16 U.S.C. 2104 Note (Revised February 28, 2003 to reflect Sec. 323 of H.J. Res. 2 as enrolled)
5. Energy Policy Act of 2005

II. Scope

The scope of this MOU is the lands of the Lakeview, Bly, Silver Lake and Paisley Ranger Districts of Fremont-Winema National Forests, and the Klamath and Lakeview Resource Areas of the Bureau of Land Management.

III. Purpose and Objectives

A. The purpose of this MOU is to provide a framework for planning and implementing forest and rangeland restoration and fuels reduction projects that address identified resource needs while being supportive of the Lakeview Biomass Project.

B. The parties to this MOU intend to work together to achieve the following objectives:

1. Improve and protect
    a. The vitality of forest and range ecosystems and the resiliency of such ecosystems to threats from fire, disease and invasive and noxious

species, including maintaining soil productivity and the use of prescribed fire or vegetation removal to promote healthy forests and rangelands;

b. Water resources including watershed health and productivity, water quantity and water quality;
c. Habitat for wildlife and fish;
d. Air quality, including minimizing air quality impacts by removing excess biomass before the introduction of fire; and
e. The commercial value of forest biomass for producing electric energy and other beneficial uses

2. Reduce
   a. Hazardous forest fuels on federal lands;
   b. Fire hazards to private lands, at-risk communities, and municipal water supplies; and
   c. Prevalence of noxious and exotic plants and promote reestablishment of native species.
3. Facilitate
   a. The re-introduction of fire in fire-dependant ecosystems by removing unnatural accumulations of fuel prior to re-introducing fire;
   b. A market-based solution for hazardous fuel reduction and biomass removal on federal, private and tribal lands;
   c. Generation of renewable and sustainable energy;
   d. Economic opportunities in an economically depressed area;
   e. The systematic gathering of information to improve forest and range management;
   f. The continued economic vitality of the existing forest products industry infrastructure, including emphasizing the best and highest markets for forest products;
   g. Implementation of sustainable forestry practices and restoration forestry principles on a landscape scale; and
   h. Explore options relative to the potential for stewardship contracting to generate revenue back to counties in lieu of timber receipts or in lieu of the Secure Rural Schools Act as it is phased out.

IV. Mutual Interests and Benefits

A. The federal agencies have identified many acres of forest land that have vegetative stocking in excess of sustainable levels, primarily as a result of successful fire exclusion over several decades and limited silvicultural intervention. Available Congressional appropriations have not been sufficient to rectify this situation. The creation and retention of viable and sustainable markets for this excess biomass would allow additional acres to be treated within anticipated levels of appropriations. Thus, it is to the advantage of the federal agencies to support a viable wood products industry, woody biomass energy generation and other projects that would provide these markets.

B. It is in the interest of the citizens of Lake County to support and foster a positive environment for the wood products industry to continue operation and to expand in Lake County, maintaining and increasing employment, and supporting local governments through taxes.

C. In January 2005, Oregon Governor Kulongoski designated the Lakeview Biomass Project an Oregon Solutions project to help insure its successful implementation. In January 2006, the Governor's project team agreed to a series of objectives in support of long-term economic viability for the biomass project. A key objective is to secure a predictable, economically and ecologically sustainable supply of biomass. Since the primary source of this biomass is federal land, it is to the advantage of the State of Oregon to support efforts of the federal agencies to achieve their goals of healthy forests by helping to create viable markets for the excess biomass on those lands.

V. Commitments

A. The U.S.D.A. Forest Service and the Bureau of Land Management shall:

1. Offer woody biomass for utilization as a component of all applicable contracts or agreements. Such contracts and agreements would contain an optional provision that would allow the contractor to remove woody biomass for utilization where ecologically appropriate. Removal may require payment of a minimum appraised value or payment for services if such removal is required by the government. This option would be contained in any type of contract or agreement the federal agencies utilize for vegetation management projects which are expected to generate woody biomass, unless such biomass was reserved for ecological reasons.
2. Utilize the full variety of contracting methods available under current statutes and authorities. These include competitive integrated resource stewardship contracts, traditional service and timber sale contracts, and agreements.
3. To the extent feasible, offer indefinite duration, indefinite quantity (IDIQ) clauses (for example, consider a 10-year IDIQ contract with annual minimum and maximums accomplished through task orders) in contracts with the expectation that retained receipts will assist in increasing acreage treated.
4. Present a plan showing the different authorities and mechanisms that will be utilized to meet acreage goals, 90 days following signing of this MOU.
5. Meet with parties to this MOU a minimum of once a year and report on progress towards implementing this MOU.
6. Share per-acre yield and utilization data and costs from on-going treatments that are generating sawlog and biomass material to update biomass projections for proposed forest and rangeland treatments.
7. Using the Southern Oregon/Northern California CROP model as background information, update vegetation management project information and scheduling to coordinate planning, implementation and monitoring of projects that generate both timber products and biomass.
8. Consider the purpose and objectives of this MOU during development of all projects that fall within its scope, using adaptive management principles.
9. Strive to assess the best scientific and other credible information available as relevant to the purpose and objectives of this MOU and other considerations used by the agencies in making their decisions on projects within the scope of this MOU.
10. Coordinate and communicate with stakeholders in a timely manner in order to coordinate management activities across political and social boundaries and focus management on proactive activities for ecosystem health.

B. The Fremont-Winema National Forests shall:

1. To the extent permitted by and consistent with all applicable laws and land use plans, offer a minimum of 3,000 treatment acres per year outside of the Lakeview Federal Stewardship Unit. Treatments on these acres will be designed to support the objectives presented above.
2. To the extent permitted by and consistent with all applicable laws and land use plans, offer a minimum of 3,000 treatment acres per year within the Lakeview Federal Stewardship Unit. Treatments on these acres take into consideration the goals and recommendations outlined in the Long-Range Strategy for the Lakeview Federal Stewardship Unit and are consistent with the Chief of the Forest Service's policy for the Unit.
3. Test ways of reducing the cost of business through utilization of designation by description, sale by weight and conducting environmental analyses on a landscape scale, including contracting out portions of NEPA work.

C. The Lakeview District of the BLM shall:

1. To the extent permitted by and consistent with funding, all applicable laws, and land use plans, offer a minimum of 2,000 treatment acres per year District-wide. Some of the District acres offered may not be economically feasible for the Lakeview biomass plant to acquire, thus the material utilized by the Lakeview plant may be less than that offered.
2. Design treatments on these acres which support the Bureau's land treatment objectives.
3. Offer contracts and/or agreements through a competitive process.
4. Continue to seek improvement in environmentally friendly juniper removal methods.

D. Lake County Resources Initiative (LCRI) shall:

1. Work with the Central Oregon Intergovernmental Council (COIC), Mater Engineering, the U.S.D.A. Forest Service, the Bureau of Land Management, and other partners to create a sustainable long-term supply system focused on the Lakeview community (CROP).
2. Provide local coordination between the Collins Companies, Jeld-Wen and Forest Service on the WESTCARB project with the goal of establishing a carbon credit system for reducing uncharacteristically large fire events to assist with paying for restoration activities.
3. Work with the Collins Companies and Forest Service to gather field data from the Bull Stewardship Contract to verify economic assumptions utilized in the pro forma for the Lakeview Biomass Project.
4. Work with the Lakeview Stewardship Group to assure that the long-term Strategy for the Lakeview Federal Stewardship Unit is considered when restoration activities are implemented.
5. Work with Marubeni Sustainable Energy in any appropriate manner necessary to construct an appropriately sized (estimated to be 10-15 megawatts) facility in Lake County.
6. Seek out fire plan, implementation grants, biomass and other funding that will assist in meeting the objectives of this MOU.
7. Help coordinate the pre- and post-treatment monitoring of forest and rangeland treatments.

8. Serve as primary coordinator for monitoring that will focus on (1) economic performance of the CROP initiative; and (2) environmental performance of the projects implemented.

E. Lake County shall:
   1. Use the County's Resource Advisory Committee review process to give priority ranking to Title II County projects that result in forest products utilization.
   2. Work with Lake County Resources Initiative to get the Long-term Strategy for the Lakeview Federal Stewardship Unit working to get supply to the sawmill and biomass plant.
   3. Support both the Fremont Sawmill and Lakeview Biomass Plant at the state and national level.
   4. Support the efforts of the Town of Lakeview, City of Paisley, LCRI and State and Federal Agencies to promote resource management that will result in restoration of healthy forest and rangeland ecosystems and stronger community economies.
   5. Use the Title II process of the Secure Rural Schools and Communities Act to promote projects that support improved forest and rangeland health while strengthening the economies of local communities
   6. Work with all parties to develop and implement a long-term strategy to secure a sustainable supply of forest products and biomass to support the local wood products industry.

F. The Town of Lakeview shall:
   1. Work with all parties to implement strategies which will result in stewardship contracting for the purpose of accomplishing the ecologic, biologic and economic restoration of the forest and rangelands and affected surrounding communities.
   2. Pursue all reasonable political avenues to accomplish the goals and objectives of this MOU.
   3. Work with private businesses to secure the necessary land use and air quality permits to locate facilities in Lakeview.
   4. Work with private businesses to access available state and federal funding sources
   5. Promote this project at all levels as a successful solution to the management needs of the federal agencies and the development needs of the local communities.

G. The City of Paisley shall:
   1. Work with LCRI to identify businesses that can utilize small diameter sawlogs to expand or locate in the Paisley area.
   2. Pursue all reasonable political avenues to accomplish the goals and objectives of this MOU.
   3. Pursue funding to utilize beetle-killed trees for higher market value than chips.

H. Oregon Department of Forestry shall:
   1. Utilize the authority of SB 1072 to help address the beetle outbreak occurring on the Fremont-Winema National Forests.

2. Utilize the authority of SB 1072 to facilitate 10-year stewardship contracts, and other similar contracts and agreements, resulting in a positive partnership with private enterprise and not direct competition.
3. Develop a cooperative state-wide MOU among state agencies and the Forest Service and Bureau of Land Management to combine elements of existing state programs under the following departments: Energy, Economic and Community Development, Fish and Wildlife, and Forestry, to support the work of federal agencies to develop stewardship contracts, and other similar contracts and agreements, to promote bio-energy at competitive prices with market rates for heat and energy.

I. Marubeni Sustainable Energy shall:

1. Execute detailed documents outlining the terms of provisions including Land Lease, Steam Purchase, Water Supply, Sawmill Waste, Chip Sale, and Log Purchase.
2. Arrange for the study of detailed biomass fuel supply, contracting with and providing the majority of funding for Mater Engineering to advance on matters critical to the development of a reliable fuel supply plan for the Lakeview Biomass project.
3. Work with other Oregon Solutions team members to maximize and secure Business Energy Tax Credits, Renewable Energy Credits, Carbon Mitigation Credits, and other applicable local and federal production or investment tax credits to facilitate the development and financing of the Lakeview Biomass project.
4. Lead the advancement of the planning, permitting, design, commercial contracting, financing, construction and long term operation of the Lakeview Biomass project, bringing the majority of the equity capital required to develop and construct the project.
5. Work cooperatively with The Collins Companies on developing supply mechanisms that get sawlogs to Fremont Sawmill and chips from the Lakeview Federal Stewardship Unit at the lowest price possible.
6. Investigate developing a supply merchandizing company that can obtain supply for Forest Service lands both in the Unit and out, as well as supply from BLM lands and private lands.

J. The Collins Companies shall:

1. Work with Marubeni Sustainable Energy on a land lease at their facility, Fremont Sawmill in Lakeview, OR.
2. Work with Marubeni Sustainable Energy on a steam purchase agreement, taking the boiler at the Fremont Sawmill off line.
3. Provide access to an existing well on Fremont Sawmill property for the biomass plant usage.
4. Negotiate the sale of hogfuel from the Fremont Sawmill to the Lakeview Biomass Plant.
5. The Collins Companies will develop a long-term contract to sell chips generated from normal logging operations at a negotiated price to the biomass plant.
6. Should the biomass developer or a subsidiary fuel supply company be developed and long-term contracts obtained by them from the Forest Service

and BLM, the Collins Companies will purchase suitable sawlogs from them at a fair market value.

7. Work cooperatively with Marubeni Sustainable Energy on developing supply mechanisms that get sawlogs and chips from the Lakeview Federal Stewardship Unit at the lowest price possible.
8. Investigate retooling the Fremont Sawmill to process small diameter logs.

VI. Mutual Agreements and Understandings

It is mutually agreed and understood by and among the parties that:

A. Any information furnished to the Forest Service or Bureau of Land Management under this instrument is subject to the Freedom of Information Act (5 U.S.C. 552).
B. Modifications within the scope of the instrument shall be made by mutual consent of the parties, by the issuance of a written modification, signed and dated by all parties, prior to any changes being performed.
C. This instrument in no way restricts the Forest Service, the Bureau of Land Management or the Cooperators from participating in similar activities with other public or private agencies, organizations, and individuals.

D. The principal contacts for this instrument are:

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E. This instrument is neither a fiscal nor a funds obligation document. Land treatment commitments may be dependent on annual appropriations. Any endeavor or transfer of anything of value involving reimbursement or contribution of funds between the parties to this instrument will be handled in accordance with applicable laws, regulations, and procedures including those for Government procurement and printing. Such endeavors will be outlined in separate agreements that shall be made in writing by representatives of the parties and shall be independently authorized by appropriate statutory authority. This instrument does not provide such authority. Specifically, this instrument does not establish authority for noncompetitive award to the cooperator of any contract or other agreement. Any contract or agreement for training or other services must fully comply with all applicable requirements for competition.

F. The commitments of the Fremont-Winema National Forests and the Lakeview District, Bureau of Land Management to offer a total annual minimum of 8,000 acres recognizes the intent of all parties to facilitate the purpose and objectives of this MOU to maximize the capability to address hazardous forest fuel treatment needs and forest/rangeland ecosystem, watershed, wildlife and fish restoration needs. Building and maintaining a healthy localized market for biomass material is one critical element to maximizing this capability. All parties further recognize that circumstances beyond the control of all participating groups in this MOU such as delays due to litigation, broad-reaching court decisions, competing markets and demand for biomass in the surrounding area, Congressional appropriations and funding, may impact the timing, scope, amount of acres and methods of implementing the MOU and may require flexible responses to achieve the intent of the MOU on an ongoing basis. All parties also recognize that there is already a demand for forest products, including sawlogs and biomass, from the existing forest products infrastructure presently in place in the western half of Klamath County and surrounding areas which could impact the total availability of forest products deliverable to the new biomass plant.

G. All parties to this MOU recognize that the purpose of the biomass utilization component of this MOU is to create a local and a financially viable use and market for woody biomass material. The parties recognize that, currently, the cost of biomass removal exceeds the market value, if any, for such material and

that the mutual success of developing an economically viable market for such material will depend on a long-term supply, reliable markets, and mutual financial feasibility for removing and utilizing the material. In building this market, the parties will use a fair and transparent process for assigning value to woody biomass material.

H. All parties to this MOU understand that the project development processes of the federal agencies are open to everyone and that the federal agencies have neither established nor do they manage or control the operations of any group that may participate in these processes. The ongoing collaboration efforts of the Lakeview Stewardship Group, Lake County Resources Initiative and Oregon Solutions Team will inform federal decision makers on any topic related to the scope of this MOU in any manner deemed appropriate by these organizations. Recommendations from these collaborative planning efforts shall not abrogate or limit the approval authority of USFS or BLM as relevant to their management responsibilities and requirements to comply with federal law including their respective Resource Management Plans or to the terms of this MOU.

I. The Parties expect that individuals and groups participating in project planning collaborative efforts will assist by providing recommendations regarding the development of phased implementation, project identification and development of project protocols. Participating stakeholders will define their own participation in such planning efforts, but it is expected that the Parties will desire and request consultation for the following:

    1. Development of MOU implementation phased plans and schedule;
    2. Development of project plans and protocols;
    3. Identification of project implementation agreements/contracts; and
    4. Development of annual reports related to MOU and project implementation.

J. The Parties expect that stakeholders participating in environmental monitoring collaborative planning will assist in the development of environmental monitoring protocols, implementation and reporting. Participating stakeholders will define their own participation in such planning efforts, but it is expected that the Parties will desire and request consultation for the following:

    1. Preparation of annual reports related to monitoring;
    2. Preparation of project-specific monitoring reports;
    3. Preparation of project-level monitoring plans and protocols; and
    4. Implementation of the monitoring plans.

K. The Parties expect that recommendations from collaborative planning efforts will be primarily based on solid scientific and credible information and post treatment monitoring results.

L. This MOU will be implemented through projects completed in phases in conjunction with federal and CROP resource planning efforts. Phased projects plans will be developed through a collaborative planning process described above. While individual projects including monitoring efforts may be identified and

entered into under this MOU, it is anticipated that individual projects and monitoring efforts will be planned and grouped in distinct phases to facilitate coordinated longer-term management. It is anticipated that a typical phased projects plan will cover multiple years, from 3 to 10 years. However phased projects plans may be longer or shorter as appropriate to planning objectives. While it is anticipated that phases will be consecutively implemented, phases may be planned for consecutive, overlapping or concurrent implementation.

M. Phased projects plans will be implemented through a variety of contracting and agreement vehicles, including but not limited to, the vehicles authorized under the Healthy Forests Restoration Act, Stewardship End-Result contracting authority, traditional service or timber sale contract authorities, and cooperative agreements. Phased projects plans will be awarded on an open-competitive basis, on a best-value (stewardship) basis, or on a sole-sourced basis to an appropriate entity, depending on the specific circumstances and authority used. Where STATE OF OREGON and/or a sole-source entity administers a phased projects plan, unless specifically provided otherwise, STATE OF OREGON and/or a sole-source entity may use a variety of tools for implementation, including subcontracts as consistent with federal law. It is recognized that most contract holders intend to merchandise and sell merchantable saw log volumes other than incidental volumes associated with forest fuels treatment and restoration to the highest and best markets as most appropriate for the circumstances of the project and in the best interests of the contract holder.

N. As noted above, project planning and monitoring efforts shall be conducted through a collaborative planning process, described above. This process will be primarily implemented and administered through the LAKEVIEW Stewardship Group process. Lake County Resources Initiative shall take the lead to ensure that collaborative efforts are initiated with interested stakeholders at desired consultation points.

O. All parties agreed to meet at least every five years and preferably every year to review this MOU and progress towards the purpose and goals of this MOU.

P. This instrument is executed as of the date of last signature and is effective for a twenty-year term through **November 1, 2027** at which time it will expire unless extended.

Q. Any of the parties may terminate, in writing, this instrument in whole, or in part, at any time before the date of expiration.

AUTHORIZED REPRESENTATIVES. By signature below, the cooperators certify that the individuals listed in this document as representatives of the cooperator are authorized to act in their respective areas for matters related to this agreement.
THE PARTIES HERETO have executed this instrument.

Karen Shimamoto
Forest Supervisor
Fremont-Winema National Forest

Shirley Gammon
District Manager
Lakeview District

Chuck Graham
Co-Chair
Lake County Resources Initiative

Brad Winters
County Commissioner
Lake County

Marvin Brown
State Forester
Oregon Department of Forestry

Rick Watson
Mayor
Town of Lakeview

Dale Roberts
Mayor
City of Paisley

Wade Mosby
Senior Vice President
The Collins Companies
Portland, OR

John Wood
Secretary
Marubeni Sustainable Energy

The authority and format of this instrument has been reviewed and approved for signature.

Midori C Raymore
FS Grants & Agreements Specialist

10/31/07
Date