

*W. M. Beaty and Associates Inc.*  
*Big Creek Lumber Company*  
*The Collins Companies*  
*Mendocino Redwood Company*  
*Soper-Wheeler Co.*  
*Sierra Pacific Industries*

John P. Donnelly  
Executive Director  
Wildlife Conservation Board  
1807 13th Street, Suite 103  
Sacramento, CA 95814

Re: Forestland conservation transactions

July 31, 2007

Dear John,

This letter is being sent concerning a series of publicly financed conservation deals that have been completed on the North Coast and elsewhere in the State. Each of the signatories to this letter has a long term vested interest in the successful stewardship of California forestlands as long term family owners and managers of approximately 2,500,000 acres of productive California forestlands.

As a group, we have questions about the frequency and long-term public benefits of conservation transactions that are occurring throughout the state and on the north coast in particular. There have been three significant conservation deals completed on the north coast in recent years (Garcia, Big River I, and Big River II/ Salmon Creek) involving significant amounts of general obligation bond and other public dollars. A fourth transaction, Usal, was recently announced and may seek state support as well. Each of these transactions targeted lands zoned for timber production (TPZ) that have a long history of continuous production of forest products, while containing little in the way of pristine forest attributes.

In addition, each of these conservation transactions

- have been established with honorable goals, but with uncertain organizational and funding capacity to implement long term planning,
- involve lands that would benefit substantially from direct investment in restoration of the lands, but do not have a proven self-generated source of funds by which to pursue such projects,
- have been completed at prices that were too high for private operators to compete, even as there are models of successful private stewardship in the same area, and
- establish land values for future transactions in the region that exceed what currently exist for timberlands.

We believe that the state should consider looking at the long-term policy implications of public financing in these types of transactions on the North Coast and elsewhere. A key issue to consider is how to best advance the enhancement of these public trust resources given a limited pool of public funds and many important but competing projects. We think the state should seek to be clearer on the needed criteria for such deals, the effects on private sales that can maintain and advance important public values on these lands, issues on valuation and future comparable values, and the long term economic impact of the transfer of these lands to non-profit organizations among other public policy considerations. The recently issued forest conservation report on the prospective use of Proposition 84 funds do not seem to adequately address some of these key public policy issues.

We would like to be part of a dialogue that includes reconsidering the benefits of acquiring fee interest and conservation easement interests in broad acreage relative to either i) the benefits of more modest investment in restoration efforts and ii) conservation of forests with unique public trust resources or pristine attributes such as unentered old growth. While some of California's private forestland is threatened by development, most of the redwood timberlands on the north coast are remote, without services, constitute steep terrain, and are under limited demand for development due to these factors. Development is further constrained by existing zoning, even if there were significant demand. At a minimum, the state criteria, standards and assumptions in appraising these lands need to be reviewed.

We all support efforts for California to have the healthiest forests possible. These recent transactions are interesting new developments in the use of public bond and other funds with significant long-term implications for the future of these resources. We believe that a broader look at the public policy issues involved and all the options for ensuring ecologically sustainable forests should be the focus of some significant attention and discussion before additional transactions reliant on public financing occur in the future. We would welcome the opportunity to be part of these discussions. Sandy Dean of the Mendocino Redwood Company can serve as the point of contact for us on follow up to this letter; he can be reached at: Mendocino Redwood Company, One Maritime Plaza, Suite 1400, San Francisco, CA 94111; 415-733-9705; Sandy@Sansome.com.

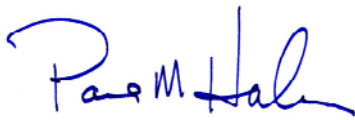
Sincerely,



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