Transaction-Specific Protocol to Identify Potential Comprehensive Ownership Transferees For the Elliott Property

1. Summary of Transaction

This Protocol is part of conducting due diligence by the Department of State Lands (the "Department") for the State Land Board (the "Board") in connection with a potential offer of direct sale of the Common School lands within the Elliott State Forest (the "Elliott Property"). In this unique situation, due diligence includes identification of potential comprehensive ownership transferees through their competitive submissions of proposed acquisition plans. This Protocol has at its foundation five key, structural requirements that a responsive acquisition plan must adhere to and include, which are:

A. The plan must be for the purchase of the Elliott Property at fair market value (the sales price determined by the Department's appraisal process) in an all-cash closing, with the proceeds going to the corpus of the Common School Fund;

B. The plan must be for the acquisition of the entire Elliott Property;

C. The plan must be made by a lead person or entity with authority to accept an offer of direct sale (the entity may be a consortium, joint venture or partnership, but in such a case there must be a lead person with authority to act for the consortium, joint venture or partnership) – the Elliott Property will not be offered for sale in separate transactions;

D. The plan must include commitments with enforceable mechanisms to protect enhanced public benefits above and beyond those which are already provided for under applicable federal, state, and local law, specifically (and at a minimum) including:

   i. Conserving public recreational access on at least 50% of the acreage;

   ii. Conserving the economic benefits from the Elliott Property by ensuring for a period totaling 10 years that at least 40 direct and indirect full-time jobs (or their equivalent) are generated annually from activities including timber harvest, hauling, reforestation, support of recreation activities, infrastructure maintenance, and habitat restoration;

   iii. Conserving older forest stands by protecting from harvest at least 25% of the acreage; and

   iv. Conserving high quality watersheds by providing riparian management areas of 120 feet or more on both sides of all stream segments containing salmon, steelhead

or bull trout and their transitional upstream reaches (to the next confluence, if the presence of these species does not end at a confluence); and

E. The plan must be without any contingencies for the benefit of the transferee.

These minimum levels of enhanced public benefits, intended to protect and conserve natural resources of the Elliott Property above and beyond that which is already provided for under applicable federal, state, and local law, are required in any responsive acquisition plan. A responsive acquisition plan offering higher, balanced levels of such benefits may be selected, at Board discretion, over plans offering minimum levels. These commitments must be memorialized through appropriate enforceable mechanisms recorded at closing. The enforceable mechanisms must not involve the Common School Fund or the Department. A responsive acquisition plan will need to identify other entities or agencies willing and able to enforce the commitments. There will be no discounting of the sales price for these commitments.

Further as to the financial terms, any purchase and sale agreement negotiated with a lead participant through this Protocol must be on the terms set forth in the responsive acquisition plan and must provide earnest money in an amount no less than 1% of the purchase price, paid directly to the corpus of the Common School Fund. Such earnest money is to be non-refundable (unless the deal includes a financing element predicated on state or federal appropriation, in which case the earnest money would become non-refundable on August 1, 2017). Closing would occur on or before December 29, 2017 (unless extended to December 31, 2018 by the timely payment to the corpus of the Common School Fund of an additional 1% of the purchase price as non-refundable earnest money).

In addition, any such comprehensive ownership transfer would be offered on an AS-IS basis, without representations or warranties by the State, and (as noted above) without contingencies for the benefit of the transferee. There is sufficient time between now and the negotiation of a purchase and sale agreement for any due diligence by participants.

If only a single potential comprehensive ownership transferee is identified through this Protocol (in other words, if only one responsive acquisition plan is timely received), the Department will make an offer of direct sale of the Elliott Property at the fair market value (as determined by the Department's appraisal process), such sale price being the Department estimate of value. If two or more potential comprehensive ownership transferees are identified through this Protocol (in other words, if multiple responsive acquisition plans are timely received), the Department will return to the Board for its selection, in its discretion, of the one to which the Department shall make an offer of direct sale of the Elliott Property at the fair market value (as determined by the Department's appraisal process), such price being the Department estimate of value, and its ranking of the others in order of desirability, in case the initial sale is not consummated (either through an inability to reach a purchase and sale agreement or a failure to close under a purchase and sale agreement). If no potential comprehensive ownership transferees are identified through this Protocol (in other words, if no responsive acquisition plans are timely received), then the Department will return to the Board for further instructions regarding ownership transfer, including as to whether to proceed with an ownership transfer that does not protect public benefits beyond the protections provided under applicable federal, state, and local law.

If an offer of direct sale contemplated above is not consummated (either through an inability to reach a purchase and sale agreement or a failure to close under a purchase and sale agreement), then the Department will proceed through the options described in detail in Section 6 below.

2. Expressions of Interest

By mid-September 2015, the Department will announce the Elliott Property Comprehensive Ownership Transfer Opportunity (the "Elliott Opportunity" or "Opportunity") and Protocol by various available means including publication, posting on its website (and creating a separate Elliott Opportunity webpage), email to all known parties interested in the Elliott Property, notice to state legislators, a press release, and a kickoff meeting (non-mandatory) on September 17, 2015, in Salem and by telephone, at which the Department will distribute the Protocol packet (which will also be available online). Available background information about the Elliott Property will be posted on the Elliott Opportunity webpage. The kickoff meeting will be recorded and the audio file posted on the Elliott Opportunity webpage. Given the likely collaborative nature of this Opportunity, the Department recommends attendance at all meetings to receive information and promote conversation. Failure to attend any mandatory meeting, however, disqualifies a person or entity from being a lead participant (i.e., the one person or entity to whom an offer of sale would be made on behalf of itself or a consortium, joint venture or partnership).

The first required step for persons or entities interested in participating in this Opportunity will be to submit an expression of interest – a letter describing (a) who they are; (b) the nature of their interest; (c) their level of experience with activities relevant to the Opportunity; (d) particular interests they may have in the Elliott Property; and (e) attributes that may make them a good partner for inclusion in a consortium, joint venture or partnership submitting a proposed acquisition plan. All expressions of interest must be received by the Department by 5:00 pm Pacific Time on December 15, 2015. All expressions of interest will be posted on the Elliott Opportunity webpage. Only persons or entities who have timely submitted an expression of interest will be deemed participants in the Protocol going forward, and eligible to submit a proposed acquisition plan. In addition to the kickoff meeting in September, there will be a Question and Answer meeting on October 20, 2015 and a period for persons or entities to request clarification regarding the Opportunity and Protocol.[1] Questions and answers will be posted on the Elliott Opportunity webpage.

The goal of this Protocol is to identify a transferee to whom an offer of direct sale of the entire Elliott Property may be made. The Department recognizes, however, that a transaction of this size and complexity may best be accomplished through transfer to a consortium, joint venture or partnership of parties each with an interest in different areas of the Elliott Property or different aspects of ownership or control, or a joint venture or partnership formed by such parties. This Protocol hopes to provide the opportunity for generating such consortia, joint ventures or partnerships through sharing the expressions of interest and staging of participant meetings. Only the lead participant, however, will submit the proposed acquisition plan. Any resulting

[1] For each question and answer period throughout this protocol, questions will be due to the Department single point of contact via email exactly one calendar week following the meeting and will be answered within one calendar week of the due date through posting on the Elliott Opportunity website.

purchase and sale agreement would be with the lead participant. The Department understands that this shifts some of the potential organizational work to the participants; this is intentional.

3. Participation in Opportunity

All participants will be invited to attend four meetings, two mandatory and two non-mandatory. These meetings are: (a) a mandatory first meeting on January 28, 2016 to review the Opportunity and Protocol[2]; (b) a non-mandatory second meeting on April 5, 2016 to review the timber inventory and preliminary title report; (c) a non-mandatory Elliott Property tour on May 10-12, 2016 to visit the property; and (d) a mandatory meeting for announcement of the fair market value determination on July 27, 2016. Following each meeting, there will be a question and answer period for participants to request further clarification regarding those aspects of the Opportunity and Protocol. Questions and answers will be posted on the Elliott Opportunity webpage together with audio recordings of the first, second, and fourth meetings (not the tour).

One of the reasons for the meetings is to help participants meet each other and identify potential ways they might work together on a proposed acquisition plan. Given the tight timeframes, it is also recommended that participants move forward with any strategies, negotiations and planning as much as possible prior to the announcement of the fair market value.[3]

4. Fair Market Value Determination

The Department will obtain an independent appraisal of the Elliott Property, assuming a private-to-private transaction without restrictions other than legal requirements on a private buyer (e.g., Oregon Forest Practices Act, federal Endangered Species Act), and with no mineral rights transferred except for surface soil, sand, stone, and gravel available for use on the Elliott Property for building and maintaining roads and landings. An appraisal consultant has been retained by the Department to assist in the process and to review the appraisal. The appraisal methodology has been designed in conjunction with the consultant. First, a comprehensive timber inventory will be conducted.[4] Then, two or three independent timberland appraisers will develop their individual determinations of value to Uniform Standards of Professional Appraisal Practice (USPAP) and Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA *aka* Yellow Book) specifications based on identical appraisal instructions and property data and including stand-level modeling. Finally, the consultant will conduct a Yellow Book compliant appraisal review to ensure USPAP and UASFLA compliance for the appraisals, and provide the Department with reconciliation to a single determination of fair market value, as necessary.

On or before July 27, 2016, the Department will announce the determination of fair market value of the Elliott Property. This critical piece of information will then allow participants to move forward with their strategies, negotiations and planning to create proposed acquisition plans for timely submission. This fair market value will be the Department's estimate of value at which

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[2] Additional details not known in September 2015 may be available at this meeting.

[3] While not in any way indicating what the actual fair market value may be determined to be, a recent net present value analysis of various long-term management scenarios for the Elliott Property is posted on the Department's Elliott State Forest Alternatives Project website (Evergreen Economics / LandVest Report - 12/1/2014).

[4] The timber inventory data would be made available to participants on or before April 5, 2016.

the Elliott Property will be offered for direct sale, if a responsive comprehensive ownership transferee is identified and selected.

5. Proposed Acquisition Plans

Parties interested in submitting proposed acquisition plans will need to identify a lead participant with authority to accept an offer and act on behalf of itself or any consortium, joint venture or partnership, including by forming a new entity for such purpose. The lead participant will submit the proposed acquisition plan. It will be acceptable for parties to participate in multiple proposed acquisition plans. Plans may include non-participants for roles other than lead participant. Proposed acquisition plans must be received by the Department by 5:00 PM Pacific Time on November 15, 2016.[5]

To be considered responsive, an acquisition plan must include, among other things described elsewhere herein, (a) a detailed description of the participant (or participants and new non-participants, if a consortium, joint venture or partnership), (b) a detailed explanation of how the payment of fair market value at closing will be financed, and (c) a detailed explanation of the extent of commitments and the specifics of the enforceable mechanisms to be recorded at closing, regarding the enhanced public benefits element of the comprehensive ownership transfer. In addition, for an acquisition plan to be deemed responsive, it must be accompanied by a deposit of $100,000 in cash (to be applied towards the payment of fair market value or refunded).[6]

6. Next Steps after Plans Submitted to Department

If any proposed acquisition plans are submitted through this Protocol, the Department will review them and make the determination of whether or not they are responsive, under the criteria set forth in this Protocol. All responsive acquisition plans will be presented to the Board at its December 13, 2016 meeting.

If only a single potential comprehensive ownership transferee is identified through this Protocol (in other words, if only one responsive acquisition plan is timely received), the Department will make an offer of direct sale of the Elliott Property at the fair market value (as determined by the Department's appraisal process), such price being the Department estimate of value. If this sale is not consummated (either through an inability to reach a purchase and sale agreement or a failure to close under a purchase and sale agreement), then the Department will return to the Board for further instructions regarding ownership transfer, including as to whether to proceed with an ownership transfer that does not protect public benefits beyond the protections provided under applicable federal, state, and local law.

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[5] Acquisition plans must be submitted in a sealed envelope to the Department single point of contact. There will be no public opening of plans, but all plans will be available for inspection following Department deliberation. However, the Department will record and make available the identity of all lead participants after opening. Acquisition plans received after closing will be considered late and will be found non-responsive.

[6] Lead participants whose acquisition plan is not selected will be informed of this fact and their deposit will be returned.

If two or more potential comprehensive ownership transferees are identified through this Protocol (in other words, if multiple responsive acquisition plans are timely received), the Department will return to the Board for its selection, in its discretion, of the one to which the Department is instructed to make an offer of direct sale of the Elliott Property at the fair market value (as determined by the Department's appraisal process), such price being the Department estimate of value. In addition, in this selection scenario, the Board will rank all of the responsive acquisition plans. If the initially selected sale opportunity is not consummated (either through an inability to reach a purchase and sale agreement or a failure to close under a purchase and sale agreement), then the Department will make an offer of direct sale of the Elliott Property at the fair market value (as determined by the Department's appraisal process), such price being the Department estimate of value, to the next ranked option, and so on and so forth until, if none of the options are consummated, then the Department will return to the Board for further instructions regarding ownership transfer, including as to whether to proceed with an ownership transfer that does not protect public benefits beyond the protections provided under applicable federal, state, and local law.

If no potential comprehensive ownership transferees are identified through this Protocol (in other words, if no responsive acquisition plans are timely received), then the Department will return to the Board for further instructions regarding ownership transfer, including as to whether to proceed with an ownership transfer that does not protect public benefits beyond the protections provided under applicable federal, state, and local law.

7. General Terms and Conditions of this Protocol

If any situation or circumstance arises that has not been expressly or adequately addressed in this Protocol, the Director shall determine the appropriate action or response in her reasonable discretion and proceed with this Protocol as so modified. The Department may not have anticipated every possible scenario that may arise, and specifically desires that the Director be able to continue to move forward on the stated timeframes to the extent possible, acting in her reasonable discretion as so authorized by the Board.

All expressions of interest and proposed acquisition plans submitted through this Protocol are public record and are subject to public inspection following Department deliberation. Participants are and will be advised to consult with their own legal counsel regarding disclosure issues related to the Oregon Public Records Law (ORS 192.410 through 192.505). All expressions of interest and proposed plans submitted in response to this Protocol become the property of the Department.

This Protocol is governed by the laws of the State of Oregon. Venue for any administrative or judicial action relating to this Protocol is the Circuit Court of Marion County for the State of Oregon; provided, however, if a proceeding must be brought in a federal forum, then it must be brought and conducted solely and exclusively within the United States District Court for the District of Oregon.

Under this Protocol, the Department may reject any or all proposed acquisition plans in-whole or in-part, or may cancel this Protocol at any time when the rejection or cancellation is in the best interest of the State or Department, as determined by the Department. Neither the State nor

Department is liable to any participant for any loss or expense caused by or resulting from the delay, suspension, or cancellation of this Protocol, acceptance, or rejection of any proposed plan. Participants shall pay all of the costs in submitting expressions of interest and proposed acquisition plans.

The Department will designate an individual as a single point of contact for all matters related to this Protocol. Participants shall direct all communications related to any provision of this Protocol only to the single point of contact.

8. Schedule

The following table represents a tentative schedule of events per the Protocol above. All times are listed in Pacific Time. All dates listed are subject to change.

Event	Date	Time
Kickoff meeting (non-mandatory)	Thursday, September 17, 2015	10:00 AM
Question and answer meeting (non-mandatory)	Tuesday, October 20, 2015	10:00 AM
Questions due on the Opportunity and Protocol	Tuesday, October 27, 2015	10:00 AM
Expressions of interest are due	Tuesday, December 15, 2015	5:00 PM
First participants meeting (mandatory)	Thursday, January 28, 2016	10:00 AM
Questions due on the Opportunity and Protocol	Thursday, February 4, 2016	10:00 AM
Second participants meeting (non-mandatory)	Tuesday, April 5, 2016	10:00 AM
Questions due on inventory and preliminary title	Tuesday, April 12, 2016	10:00 AM
Elliott Property tour (non-mandatory)	Tuesday, May 10, 2016 – Thursday, May 12, 2016	
Questions due on Elliott Property tour	Thursday, May 19, 2016	10:00 AM
Fair market value announcement meeting (mandatory)	Wednesday, July 27, 2016	10:00 AM
Questions due on fair market value	Thursday, August 4, 2016	10:00 AM
Proposed acquisition plans are due	Tuesday, November 15, 2016	5:00 PM
State Land Board meeting (if necessary)	Tuesday, December 13, 2016	10:00 AM
Offer made, if any (approx.)	Week of December 19, 2016	
Execution of purchase and sale agreement (approx.)	Week of February 27, 2017	
Closing (on or before)	Friday, December 29, 2017	5:00 PM
Optional Extension Closing (on or before)	Monday, December 31, 2018	5:00 PM