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STATEMENT OF INTENT
between the
EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
and
EYAK CORPORATION
and **SHERSTONE, INC.**

**EXXON VALDEZ OIL SPILL
TRUSTEE COUNCIL
ADMINISTRATIVE RECORD**

The Trustee Council, the Eyak Corporation, and Sherstone, Inc. have worked cooperatively to identify means by which the restoration purposes of the Trustee Council can be furthered through the acquisition of properties, or interests in properties, owned by Eyak and Sherstone, Inc. while also recognizing the intent of Eyak and Sherstone, Inc. to pursue resource development on certain portions of the Orca Revised lands.

In order to protect habitat values important to restoration, while recognizing Eyak's and Sherstone's right and intent to harvest timber, the Trustee Council, Eyak Corporation and Sherstone, Inc. jointly recognize the following:

1. **Redirection of Timber Harvest to Reduce Impacts to Orca Narrows/Nelson Bay.** Sherstone proposes to redirect timber harvest plans, scheduled to start March 2, 1995, from highly visible areas along Orca Narrows/Nelson Bay to areas within the vicinity of Simpson Bay in consideration of the actions of the Trustee Council and the United States Forest Service (USFS) contemplated by this Statement of Intent.
2. **Timber Rights Exchange and/or Land Conveyances.** In order to avoid timber harvest in the highly visible areas along Orca Narrows/Nelson Bay:
 - The Trustee Council will support efforts by the USFS to immediately determine the value of timbered lands on the south side of Simpson Bay, within the Orca Sub-parcel, for the purpose of making an equal value (timber-rights for timber-rights) exchange with Eyak and Sherstone, for timber rights in the highly visible areas along Orca Narrows/Nelson Bay that would otherwise be harvested.
 - Eyak, with the active support of the Trustee Council, will seek expedited conveyance of lands within the Simpson Bay drainage,

Sections 15-16 of T14S, R3W, in order to supplement the volume of timber available for harvest in the Simpson Bay area.

- Concurrent with efforts to expedite conveyances, the USFS will explore opportunities to exchange timber rights from Sections 15-16 of T14S, R3W with Eyak and Sherstone for timber rights along Orca Narrows/Nelson Bay. The Trustee Council, Eyak Corporation, and Sherstone, Inc. all regard this approach as the preferred way to supplement timber volume for Sherstone's harvest from Sections 15-16 (T14S, R3W) in the Simpson Bay area.

Timber rights that may be acquired from Eyak and Sherstone through such an exchange will be applied to those highly visible lands along Orca Narrows/Nelson Bay, starting at the eastern edge of the Orca Sub-parcel and then progressively further to the northeast toward the Rude River drainage. It is recognized that as a result of timber rights exchanges contemplated by this agreement and a redirection of timber harvest activities, Sherstone would experience an increase in road costs across those lands along Orca Narrows/Nelson Bay being protected that it would otherwise harvest. It is intended that these incremental costs be mutually identified, agreed upon and compensated.

For the purposes of the timber exchanges contemplated by this Statement of Intent, the valuation shall be completed on a basis that establishes a value as if the timber had been cut by Sherstone using existing and applicable log prices and expenses.

3. **Limited Conservation Easement for Orca Revised Parcel.** The Trustee Council will authorize funds for the USFS to acquire a limited conservation easement on the Orca Revised lands along Orca Narrows/Nelson Bay for \$200,000 consisting of commercial timber harvest rights for a period of time from March 1, 1995 through and including May 15, 1995. If the timber exchange for the Orca Sub-parcel is completed on or before May 15, 1995, the term of the limited conservation easement shall be extended through July 15, 1995. The US Forest Service will work with Sherstone, Inc. to complete a purchase agreement by March 10, 1995.

The sum of \$200,000 shall be paid to Sherstone for the limited conservation easement. If: 1) by May 15, 1995, the timber rights on the northwest side of the Orca Sub-parcel have been exchanged with Eyak and Sherstone; and 2) by July 15, 1995, the timber rights for Sections 15-16 have been exchanged with Eyak and Sherstone, or Sections 15-16 have otherwise been conveyed to Eyak, then Sherstone will allow \$200,000 to be offset against any amounts due Sherstone as a result of increased costs described in 2 above or as a credit against the acquisition of other timber

rights. Permits are a key component and could encumber Sherstone's ability to operate if there are delays that could affect Sherstone's operations.

4. **Access for Logging in Simpson Bay.** The Trustee Council recognizes that in order to access planned cutting units in the vicinity of Simpson Bay, road access from the log transfer facility in Orca Narrows/Nelson Bay across a portion of the Orca Sub-parcel will be needed and was provided for in the purchase agreement for the Orca Sub-parcel.
5. **Road Access Along Orca Narrows/Nelson Bay to the Rude River Drainage.** The Trustee Council recognizes that Sherstone's timber harvest plans include the harvest of lands in the Rude River drainage and that this will require road access along Orca Narrows/Nelson Bay. Sherstone recognizes the need to develop such a road in a manner that reduces or minimizes negative impacts to restoration values, to the extent practicable.
6. **Downed Timber on the Orca Sub-parcel.** The Trustee Council and Sherstone recognize that, if they can reach a mutually agreed upon value for the presently downed timber on the Orca Sub-parcel (approximately 10 acres), the net value of that timber will be applied to offset any payment or other value due Sherstone as a result of implementation of the provisions described in this Statement of Intent.
7. **Further Negotiation Schedule.** The Trustee Council, Eyak and Sherstone agree to develop a schedule by April 1 for further negotiations which are intended to address habitat protection on Eyak's and Sherstone's interests in the Other Lands (west of Shepard Point), including Sheep Bay, Port Gravina, and Windy Bay and other areas that have high restoration values of particular interest to the Trustee Council. This will include authorization by Eyak and Sherstone for the Trustee Council (through the USFS) to complete the appraisal of the Other Lands.

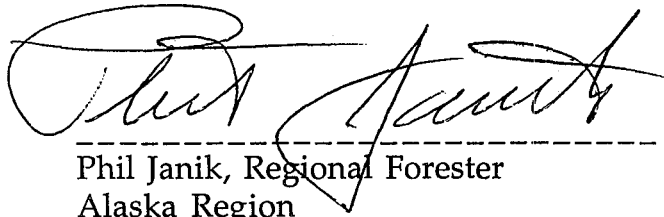
It is also intended that the Trustee Council, Eyak, and Sherstone will work to identify those remaining highly visible lands along Orca Narrows/Nelson Bay to the mouth of the Rude River that would not be protected from timber harvest as a result of the timber exchanges contemplated by this Statement of Intent and to negotiate cooperatively to reach an agreement for their protection. Additionally, it is intended that negotiations will proceed on acquisition of the Core Lands. Timber cruise and other similar factual data will be shared with Sherstone and Eyak.

8. **Use of Mediation As Appropriate.** The Trustee Council, Eyak and Sherstone agree that they will work cooperatively as described above and

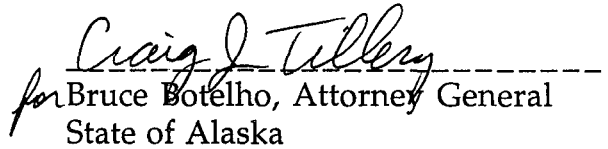
will use mediation, to the extent deemed appropriate by both parties, as a means of furthering these negotiations.

No contractual obligation enforceable against any party is created by this Statement of Intent.

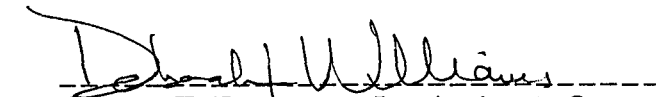
On behalf of the *Exxon Valdez* Oil Spill Trustee Council, the Eyak Corporation, and Sherstone, Inc. this Statement of Intent is recognized and accepted this 1st day of March 1995,



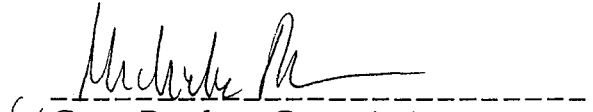
Phil Janik, Regional Forester
Alaska Region
USDA - Forest Service



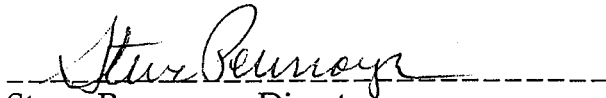
for Bruce Botelho, Attorney General
State of Alaska



for George T. Frampton, Jr., Assistant Secretary
for Fish and Wildlife and Parks
U.S. Department of the Interior



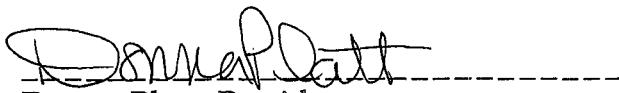
for Gene Burden, Commissioner
Alaska Department of
Environmental Conservation



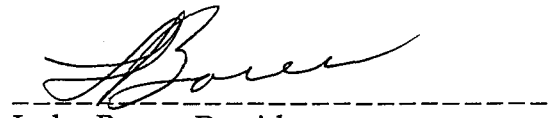
Steve Pennoyer, Director
Alaska Region
National Marine Fisheries Service



Frank Rue, Commissioner
Alaska Department of Fish & Game



Donna Platt, President
Eyak Corporation



Luke Borer, President
Sherstone, Inc.