BTI would first like to express appreciation to the IDL for being an integral part of our supply chain. We are also grateful for the opportunity to be at the table and have a voice in this process. We completely understand and respect the need to consider change in how you operate your timber sale program.

We have a 107 year history of producing WRC poles and still maintain a strong and viable position in this marketplace and plan to continue to service it for decades to come. We also plan to continue peeling WRC poles in ID for the long-term. Our ownership has lived and operated out of Minnesota headquarters since 1909 and we have been an important market for Idaho Timber for 4 generations.

It is our primary goal to have fair and sustainable access to IDL timber stumpage.

Our first position is surrounding the oral auction offering, which we fully understand is not a part of this rule change process. We bring it up however, because we believe the issue to be closely related to the issues currently being considered by the IDL. It is our opinion that over the long term oral auctions are a significant disadvantage to the stumpage holder especially in a consolidating marketplace as it works strongly in favor of those at the top of the consolidation. Having competition that is not over exposed to the agenda of extreme leverage of those at the top of the consolidation in the bidding process would allow for the fairest opportunity to run a small business. This is the most sustainable long-term approach to have diverse and viable markets for the IDL resources. Existing strategy from major players in the consolidation in the pole business has clearly involved focus on preventing competition from accessing state owned supply versus purchasing to what the markets will actually bear. The danger to the landowner is an overly consolidated timber market which could easily evolve to pushing stumpage values down to a level far below what the markets can actually afford if there was more competition. In fact, this end state is likely the specific business plan of many consolidation activities. Oral auctions have been netting the IDL stumpage values that are "barely better than second place" and in our opinion not a true representation of what the end markets could afford given a more effective competitive bidding process. There are many potential stumpage bidders that do not even show up at the auctions knowing they are being dominated by a larger player and therefore do not invest their resources into it. Sealed bids not only save everyone valuable time they level the field and set a situation whereas bidders are charged to put their best number on the table first. This guarantees that the endowment is always getting the most the markets can bear. We would ask the IDL to poll all of the same agencies that were contacted to inquire about the existence of pole programs and would venture to guess that not one of them offers timber stumpage under an oral auction sale process.

Our second position involves the type of stumpage offering strategy. Sort sales are very rare across North American timber stumpage sales and we believe there are logical and rational reasons for this. Our experience with sort sales has proven that they are difficult to bid due to lack of knowledge on the qualifications of the logging contractor which can inhibit output of a higher value product, lack of understanding on the actual harvesting window, and relatively high administrative costs to both the seller and the purchaser. Over the long term view from the public stumpage entity we would project far less revenue on average as the consumers will buffer bidding to account for the negative issues stated above. For the long term viability of Bell buying product that we seek from the state of Idaho stumpage

offerings, our preference would be for lump sum type timber sales. We see several benefits to the seller with lump sum stumpage offerings. Firstly, it places ownership of product output on the purchaser. Secondly, all liabilities and associated risk in the hiring and administration of logging contractors and truckers are also owned by the purchaser. If the state moved to lump sum sealed bidding, we would also like to see stands that contain WRC pole potential offered in such a fashion that they were not always combined with heavy mix of other species and/or in such a scale that we could not possibly have any opportunity at winning let alone even showing up at the "table."

Our third position is the offering of Small Business Set Aside sales. This is also a common stumpage offering type in many parts of North America. The federal government has made this offering all across the country and it allows small business to compete in a rapidly consolidating market. A structure similar to the federal rules that guarantees the majority of the sale is processed in facilities that qualify as small business enterprises would create competition for these types of sales because bidders would know they had a chance to win and therefore be comfortable in spending resources putting a strong bid together.

In reference to the rule as it is currently drafted we would like to see the following changes. An addition to the rules that states 10% of the annual cut should be allocated as High-Value Forest Product sales. This would guarantee maximum revenues to the state and motivate foresters to find High-Value Forest Product sales in their planning by having to reach a mandatory target. We would urge the wording in 024.01 to read "value" and not "volume". We also urge the wording in 024.03 to read "Purchaser may opt to remove cedar as poles, sawlogs and products or as sawlogs and products. Such choice shall be made at the beginning of the logging process." We, or any other sale purchaser, should not be forced to choose immediately after the auction given the new sale ideas.

In reference to the unit of measure for these sales we are comfortable with either MBF or CF as long as it is the same unit of measure used on sawlog sales. The concern is that if a standard unit of measure is not used for all sale types it will allow for one sector of the industry to possibly have an advantage.

We feel these suggestions are the best possible avenues for the endowment to capture the most value out of their timber resources with the lowest associated administrative costs. We also feel strongly that implementation of these ideas would create a more fair and sustainable landscape for the forest products industry in this region. Increased competition guarantees maximum revenue to the endowment and creates jobs. We wish to help in any way we can to maximize value from Idaho's resource and create a bright future for the citizens of Idaho.

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