

October 29, 2009

Anna Nelson via e-mail
Kittitas County Planning Department
Ellensburg, WA

RE: Teanaway sub-area planning process, Q&A document
<http://www.co.kittitas.wa.us/cds/teanaway/20091021/20091021-faq-handout.pdf>

Anna,

Thank you for your continued diligence in running an orderly meeting last night! As I mentioned, there are some inaccuracies or at least misleading information that AFLC submitted to you and is now written in the counties Q&A handout that is being distributed.

My request is that you retract the document and make known to all that the information provided by AFLC does not in fact represent all of the pertinent details in their responses.

I have no idea as to whether the information was provided in the manner it was to mislead the public or whether it was just a serious oversight on their part because the transaction details are complicated. What I do know and everyone else should know is that any information that AFLC provides in the future should be scoured for accuracy and proper representation. It's unfortunate that AFLC alone has demonstrated this need for public skepticism by not being clear in their statements and actions.

On page 2 of the Q&A, AFLC details their version of the property transaction history. A quick search of SEC and other public documents confirms the following:

- The land was purchased in 1999 from Boise Cascade. 49% was at that time purchased by U.S. Timberlands, an Oregon based publicly traded entity that Mr. Rudey had significant interest in and 51% by Mr. Rudey's privately held U.S. Timberlands Yakima LLC.
- Omitted in the Q&A is that Mr. Rudey's secured ownership of the remaining 49% of the Teanaway land via a transaction that took U.S. Timberlands private in 2003. A huge investment was made and millions of dollars were invested. To me, that's a significant transaction, not just a name change to differentiate the businesses.
- This 2003 investment date is at odds to what AFLC says about their transaction dates and when they knew the Spruce budworm was a problem. (As a side comment, I think that it makes sense to ask both the DNR and Forest Service when they recognized that the spruce budworm was a serious issue and publish this separately as their lands are adjoining and in some cases interspersed with AFLC owned land.)

On a related note, there seems to be a lot of confusion surrounding whether the Teanaway land was purchased with the intent to remain in the timber industry or with the intention for residential development or maybe a combination of the two. Part of the process to take U.S. Timberlands private was to complete an appraisal of the Teanaway lands. The top line findings from this appraisal are part of documents submitted to the SEC and U.S. Timberlands investors. It explicitly states that the contribution value of certain portions of the property (as) having near-term and longer-term potential for rural residential subdivision and development. Was this the reason that Mr. Rudey bought the remaining 49% of the company in 2003 and that we subsequently saw their first attempts at development in 2006? I can only speculate at this point, but I see this as an easy fall back position to the deteriorating timber industry and a potentially rewarding one as the document states...

Does any of these minutias over intent, when transactions took place, who knew what and when really make any difference? Probably not in any legal proceedings but I suspect that it will influence the counties residents opinion and the input that they give their elected officials when this moves from a planning exercise to actual applications and decision making time. They deserve to have this knowledge and understanding, not a watered down and filtered answer for convenience sake.

As previously noted, I really want to see the Teanaway area remain as a vital contributor to the forest products industry and for the county and its residents to reap the associated benefits. As the Mason-Lippke report stated, it's going to take a lot of creativity for this to happen. Unfortunately last night, Wayne indicated AFLC's skepticism that they could possibly be successful as a forest products company. If this is really the company's stance, then I can't imagine any serious efforts on their part will be put forth to remain in the forest products business. Their time and monetary resources will likely be expended on development and fighting those opposing their development efforts rather than getting creative and using the land for what most of it is zoned – commercial forests of long term significance.

If AFLC doesn't want to be a successful forest products company, they should not be allowed to exchange any commercial forest lands for forest & range 20 designated lands. That will only hinder a potential successor who does in fact want to succeed in the forest products industry as part of an overall Teanaway conservation effort.

Please post this letter on the county web site alongside my previous submission.

Respectfully,

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Cc: teanawaysubarea@co.kittitas.wa.us; Anna Nelson; Commissioner Jewel; Commissioner Crankovich; Commissioner McClain; Kirk Holmes