SLIDES: The Downhill Lever of Current Forest Finance

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The Downhill Lever of Current Forest Finance

- Wilderness
  - 9% Capital Cost
  - 0% Return

- Cons. Mgt.
  - 9% Capital Costs
  - 4-6% Return

- Commercial Mgt.
  - 9% Capital Costs
  - 9% Return

- Conversion
  - 15% Capital Costs
  - 15% Return

Stocks and Taxable Bonds

US Forest Capital
Governance Options

- Who owns the forest
- Who controls decisions
- How is it financed
- Where are revenues distributed

Increasing public role
Examples of Financing Options

Goal – Opportunistically integrate options in a manner that raises purchase price & achieves community goals

• Private w/commercial return
• Client buy back
• Revolving Loan Funds
• Tax incentives
• Fee and/or Easement Buy Down
• Taxable or Tax Exempt Revenue Financing
• Bonds for Property
• Public (For leverage purposes)
Community Forestry Bonds

Extrapolate existing revenue bond financing to forests

Hospital Application → Forestry Application

Nonprofit Hospital → Nonprofit Forestry Co.

Patient Care → Resource Care

Patient Revenue → Timber Revenue

Taxable or Tax-exempt Bond Investors

($$ billions/year)
1 Example - What a Buyer Could Pay: Municipal Rates at Work

<table>
<thead>
<tr>
<th>Harvest Scenario</th>
<th>Municipal Rates @ 5.5% (PNV)</th>
<th>Commercial Rates @ 8.5% (PNV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light</td>
<td>$58 million</td>
<td>$46 million*</td>
</tr>
<tr>
<td>Medium</td>
<td>$69 million</td>
<td>$53 million*</td>
</tr>
<tr>
<td>Commercial</td>
<td>Not Applicable</td>
<td>$69 million*</td>
</tr>
</tbody>
</table>

* These valuations include $15 million in development value. For example, the commercial scenario had a PNV of $54 million from timber cashflow + $15 million from development value.

Source: Forest Analytics, White Salmon, Washington for: *Saving our Working Landscapes: Assessing a New Financing Tool for Farm and Forest Conservation*, Fox, Nancy and Eugene Duvernoy, King County Department of Natural Resources, Seattle, WA
Conservation Financing Seeks to Alter Lever

Wilderness
9% Capital Cost
0% Return

Cons. Mgt.
6% Capital Costs
6% Return

Commercial Mgt.
9% Capital Costs
9% Return

Conversion
15% Capital Costs
15% Forest

Stocks and Taxable Bonds

US Forest Capital