

**April 23, 2010**

**MFRC hosted Roundtable discussion**

**Participants:** Mike Halligan – *Washington Corps*, Jim Lewis – *Montana Rail Link*, Matt Arno – *Woodland Restoration*, Jason Todhunter – *Montana Logging Assoc*, Todd Morgan – *U of M BBER*, Lauren Caldwell – *Senator Max Baucus*, Gordy Sanders – *Pyramid Mountain Lumber*, Ellen Simpson – *Montana Wood Products Association*, Chuck Roady – *Stoltze Land and Lumber*, Larry Anderson – *Congressman Denny Rehberg*, Julie Kies – *MT DNRC – Forestry Division – Biomass Program*, Bruce Fox – *US Forest Service*, Al Christophersen – *Rocky Mountain Elk Foundation*, Julia Altemus – *MT DNRC – Forestry Division* (work plan task updates provided electronically from Matt Jones/John Guthmiller – *USDA Rural Development*, Brian Kahn – *Artemis Common Ground*)

**Guests:** Dick King – *MAEDC*, Craig Thomas, Bill Grasser

**Facilitator:** Marcia Hogan – *Hogan Facilitation Services*

**Notes:** Julia Altemus/Julie Kies – *MT DNRC – Forestry Division*

**Session Objectives:**

1. Continue addressing the impacts of Smurfit-Stone Container Corporation's closure and economy on the forest products industry and the restoration of Montana's forests.
2. Continue working on short-term action items.
3. Identify timelines for action items and the most critical items to address in the next month.

**Introductions:**

- Marcia reviewed the MFRC objectives in convening the Roundtable group to brain storm ideas to retain Montana forest products community post Smurfit-Stone Container closure. She recapped the Roundtable breaking into three groups last month to develop short-term action items and gave the directive that the group should work to bring forth 2-3 top priorities during the meeting of actions that can be taken in the next 30 days that will have a positive impact.
  - What's new that impacts Roundtable objectives?
1. Julie Kies relayed the status of the U of M's bioenergy project. They have Requests for Information out. U of M anticipates using 26K tons/year, 2-3 truck loads a day. Invitation for interviews for a performance contractor has also gone out. Projected a \$5-10M project. Dnrc volunteered to provide a regional fuel supply assessment. Looking at harvest volumes planned on state and federal projects in next 5 years, and historic removal amounts on private lands within a short to mid radius. Sort yard important. Fuel quality is important.
  2. Bruce relayed that within the last month the R1 take a different approach to the bark beetle problem recognizing that past efforts are too slow to respond and continually looking for funds outside of appropriated budget isn't adequate to respond to the problem. Looking at an incident management approach with broader and expedited health and safety, i.e. campgrounds, ski areas, emergency WUI treatments around communities, power lines. Working on a national bark beetle strategy. Maybe a funding opportunity and may impact Jumpstart. Should have decision within a week or two.

- Dick King – MAEDC update on post SSCC closure activities. MAEDC is a SSCC creditor in the bankruptcy since they paid for \$532k of the accounts receivable owing forest products entities. They have since hired an attorney and a financial advisor to help them negotiate the bankruptcy proceedings. Even though there have been several inquiries regarding the SSCC site, to date, no one has stepped forward as a buyer. SSCC will emerge from Bankruptcy on May 10, 2010. There has been a lot discussion among the industry, but to replace the economic activity at the SSCC will be very capital intensive. In addition to potential paper production, renewable energy interests have made inquiries as well. U of M BBER provided essential economic information for the bankruptcy judge on behalf of the state, which helped open up information. Dick suggested if anyone has legitimate reason for this information, to contact him. So far there have been 8-9 requests from energy to large corporations to small corporations. They are still getting inquiries and the financial and operating statements will be available next week. The judge has agreed to hold monthly progress meetings. Last week there were 2 conference calls including SSCC principles. SSCC may be interested in a joint venture in possibly biofuels or bio-refinery. The bankruptcy judge has agreed to allow MAEDC to work with the court after the bankruptcy has been discharged if the need arises. SSCC owns 3200 acres where the settling ponds were that are identified as wetlands. Conservation groups like the Clark Fork Coalition would like to purchase 800 acres through a Capital Campaign. A question was raised if the judge approves a re-organization plan, will the judge still have influence? Yes because the judge attached a contingency. Another question was asked if the joint venture had to be mentioned in the re-organization plan? No. **Dick will provide documents to Julia to forward to the Roundtable group.** Will an accounts receivable go back into the revolving loan fund? Yes. A question was asked about ability of potential proposals being in a positive cash flow? The answer is complicated depending upon the use. SSCC shows the site worth \$160Million. Depending upon the use, there may be a request for property tax relief, employee retraining, etc. A question was raised about water rights, as Mountain Water is concerned about future supply for the valley. It was suggested that MW has been represented at meetings and they should contact the DNRC water right bureau. It was suggested that a joint venture may be advantageous since there will probably be site clean-up attributed to any future sale. **It was decided that letters from the congressional delegation and the Governor to the bankruptcy court should be a priority of the Roundtable.** Dick will check with the attorney, but at this juncture didn't think they would hurt. **He will notify Julia and she will draft the letter.**
- Julia Altemus – Jumpstart ARRA program power point – The state was able to treat 4, 049 acres under Jumpstart 1 for \$1,909,296 (\$471.52 per acre) and 10,866 acres under Jumpstart 2 for \$5,265,105 (\$485.53 per acre). Jumpstart 1 was funded through an emergency supplemental hazardous fuel reduction grant. The state was notified in November of 2008 we were to receive \$2 million in order to treat 2700 acres. Jumpstart 2 program funds came from the American Recovery and Reinvestment Act. Jumpstart 1 required a grant match, Jumpstart 2 did not. JS 2 was to target specific economically depressed counties that had seen a significant drop in employment; therefore the counties were designated by the federal government. Jumpstart 1 & 2 retained 200 jobs. There are 36 projects that remain unfunded. \$10 million is needed to totally fund remaining projects that will treat an additional 14,748 acres (\$566.00/acre due to SSCC closure). **Action plan to find \$10Million a priority, need a list of available funds nationally, Bruce will talk to Peg P. Bruce, Lauren, Tracy, Larry, Julia on sub-group. Ellen will find out the status of the state's special fire revenue fund.**
- Bruce Fox – US Forest Service ARRA contracts update. FS has 85% obligated moving quickly to 100% by June 1, 2010. They are on the hunt from other dollars as well. What percentage of the 85% has been awarded to the contractors? The work should be happening this season. Gordy

said road contractors are just waiting and have nothing. Same thing from equipment folks. How much in MT? Bruce didn't have the break-down by state. **Bruce will get by state and a project list for MT.** How much of the total dollars went to work on the ground and how much went to contract administration. Bruce wasn't sure of the exact amount, but it was small, since the authority to spend sunsets at the end of the FY year the question remains how they will pay contract administration costs beyond the end of the fiscal year. **Bruce will talk to Peg and Leslie about potential additional funds. Same group for JJ will work on this work item as well.**

#### **Committee Reports:**

- Private sector opportunities: Wood broker and sort yards. Mark was to get info to Matt and John. **Julia will remind Mark. Julie relayed there is interest in the Anaconda area and will get more information and pass along to Rail Link.** Jim Lewis said that MT is right on the fringe of making with work. MRL is also working with some private individuals. Larry contacted Roger Ziesak and passed out information provided by Roger. Should USDA and MT Rail work together? MT Rail is looking at not chipping in MT but moving material whole log to a central location and then chipping closer to the mills. Jim said logs shipped by rail for the first time this week since SSCC closed. Gordy reminded that USDA offered to pursue the financial gridlock. **Julia will check with Matt and John G and also find out if USDA rural has someone specifically working on wood products issues.**
- Legislative actions and funding and grant opportunities – HIRE Act, **Julie and Julia will look at the renewable energy section and provide an analysis and get it out to the group prior to the next meeting.** Lauren said that a Senator Baucus staffer, Pat Bouslin will be out and would like to meet with the group. **Tracy and Matt need to provide the directory.** Al, provided the Wyoming act and will come up and talk to the group as to how to set up in MT. It might be worth a small group taking a look at it first. **Julia will send out electronically to Ellen, Mike, Jason and work with Al.** Jason said some of MLA members were working with counties on the business equipment tax exemption, but then they went back to work. Matt said the county has an extended period of time to work on his request. Matt is working with his state legislator. Jason is hoping that state legislators and counties will work together. **Ellen, long-term fix to look at some adjustments to the bill to make it more workable. Maybe another source the county is made whole, or?? Jason, also time constraints.** Administrative/Government

#### **Committee break-outs:**

Do to time constraints and other commitments, the roundtable group decided not to break-out but just go through the red highlighted action items from last month's meeting.

#### **Next Steps:**

- Committees shared thoughts on what work is most critical: **1. Letter to bankruptcy court, 3 different letters not one. List economics and impacts Julia will draft a letter and get out to a reviewing committee of Mike, Gordy, and Ellen by May 3<sup>rd</sup>. 2. Jumpstart and FS ARRA contract opportunities sub-group will meet by May 7<sup>th</sup> to arrange conference call with Jim Hubbard, etc.**
- Next meeting - May 27<sup>th</sup> 1 - 3