

## CLASS III SALES

5045

(May 1988)

PRC §4650 stipulates that all sales of forest products from state forests in excess of \$10,000 or 100,000 board feet will be made by competitive bid and that the procedure for sale will be the same as that generally used in the sale of state property.

Class III sales may be made by (A) tree measurement estimate or by (B) log scale, as described below:

### A. Sale by Tree Measurement Estimate

By this method, the trees to be cut for the entire sale must be marked and numbered, and the dbh, species, number of logs, and cull percent must be recorded for each tree marked. Office computation is necessary. The forest manager ([see Section 5049](#)) will keep this information on file.

The amount of timber so estimated will be stated in the agreement but is not guaranteed. The purchaser, in signing the agreement, contracts to pay the total bid price, regardless of the exact amount of products marked and removed.

This method of sale requires much careful preliminary work prior to advertisement. It has the advantage, however, that the work can be done at a time chosen by the forest manager, and scaling at set times is not required. This method promotes good wood utilization and may be conveniently used in the smaller competitive sales. Adequate checks must be made to ensure the accuracy of the volume estimates.

### B. Sale by Log Scale

Sale by log scale is more accurate than sale by tree measurement estimate and generally will result in higher bids for timber, especially when the timber is highly defective.

In preparation of a sale by log scale, it is important that the estimates of volumes of species and products be reasonably close to the actual volume to be removed from the sale. To make the estimate of total volume realistic, timber cruises should be designed to have a sampling error of  $\pm 5$  percent or less, two out of three times.

A small sale by scale is expensive to administer if a scaler has to be tied down to scaling timber as it is logged or removed by trucks. Such arrangements are restricted to sales of sufficient logging production to justify the cost of a scaler. On small sales by scale, the purchaser should deck logs for periodic scaling or have timber felled sufficiently ahead of actual logging so that scaling can be done by calipers or scale stick at intervals. This latter method has the advantage of combining scaling with woods inspection for very little extra cost. See [Section 5049](#) for further information on sale measurement and record.

Sample scaling of large Class III sales should be considered as a method of handling large volumes of small logs efficiently. If the proposal uses sample scaling, include the method of maintaining log security, accuracy limits of the sample scale, method of establishing the sample, frequency of sample, and cost and staff savings that can be realized.

## **REQUEST FOR SALE**

**5045.1**

(May 1988)

A request for a Class III timber sale will be forwarded through channels to the Director at least 60 days before the desired bid opening date to allow adequate lead time for staff review and required legal advertising. A timber sale report and appraisal proposed draft of timber sale agreement, including maps should accompany the request for sale and exhibits, notice of sale, and bid form.

## **ENVIRONMENTAL IMPACT REPORT**

**5045.1.1**

(May 1988)

Effective August 1, 1983, state forest timber sales were exempted from California Environmental Quality Act (CEQA) requirements for preparing Environmental Impact Reports (EIRs), negative declarations, and initial studies (see PRC §21080.5 and CCR §15251a). All Forest Practice Act and Forest Practice rule requirements must be followed for the EIR exemption to be valid. State forest Timber Harvest Plans (THPs) will be filed, reviewed, and inspected in the same manner that private land THPs are handled.

References:

California Environmental Quality Act of 1970  
(PRC, Div. 13, §21000-21176)

State EIR Guidelines  
(14 CCR, Div. 6, Chap. 3, §15000-15387)

## **STUMPAGE APPRAISAL**

**5045.1.2**

(May 1988)

The primary objective of stumpage appraisal is to determine as accurately as possible the fair market value of standing timber to be converted into commercial products. This value is useful in establishing minimum bid prices for timber being offered for sale. ([See Outline for Timber Sale Appraisal](#)).

The modified overturn method using the conversion return (sale value minus production costs) and profit ratio will be employed in making stumpage appraisals of state forest timber. Profit ratio is defined as the margin for profit and risk divided by the total production cost, including stumpage. The profit-ratio concept is the basis for determining the buyer's share of the conversion return for profit and risk. It recognizes the costs of stumpage, as well as costs relating to production, as necessarily accruing to the buyer. The profit ratio also is a convenient device to make equitable comparisons between sales of other timber. Although selling prices and production costs may vary widely, the profit ratio under competitive bidding varies within fairly narrow limits and is rather consistent for generally comparable operations.

A mathematical discussion of the appraisal process follows:

V =	sale value per unit of product
C =	production costs per unit
S =	stumpage per unit
M =	margin for profit and risk
P =	profit ratio

By definition	$P = M / C + S$
By definition	$S = V - C - M$
Then	$S = V - C - P (C+S)$ $= V / (1 + P) - C$

<u>EXAMPLE</u>	
Sale Value (V) per MBF	= \$90.00
Production Costs (C) per MBF	= \$60.00
Conversion return (V - C) per MBF	= \$30.00
Profit ratio (P)	= \$00.12
Then:	
$S = V / (1 + P) - C = 90 / (1 + .12) - 60$	= \$20.36

In the above example, the conversion return of \$30.00 per MBF is divided then between stumpage of \$20.36 as calculated and the margin for profit and risk of \$9.64 (\$30.00 - \$20.36).

Further discussion of this method can be found in the Forestry Handbook (Society of American Foresters), Section 15, and in standard textbooks on forest management and valuation.

The profit ratio is a means of dividing the conversion return at approximately the same proportions as analysis of recent transactions indicates timber purchasers have divided similarly determined conversion returns between profit and risk to the buyer and stumpage payment to the seller. This profit ratio varies with the risks involved. Experience indicates that in average operations where competition for stumpage exists, buyers are generally satisfied with a profit ratio of 9 to 16 percent.

However, the profit ratio may be lower or higher depending upon the circumstances. Analysis of comparable recent sales often provides a clue in setting the profit ratio to use. Appraisers of state forest timber should use such information provided in analyses of the sales of national forest timber and from other sources in arriving at the profit ratio. Appraisers should also use bid prices to analyze the profit ratio of recent sales from other state forests or of other timber.

Conversion of timber into the highest value product for which it is suitable under local marketing conditions and in accordance with local industry practices is presumed in state forest stumpage appraisals. The product upon which selling prices should be based is dependent upon the local situation. The general rule is that the base should be the product sold by the stumpage buyers in the local market. However, where competition for state forest timber is assured, the end product selling value for the appraisal can be at an earlier stage of processing where a free market price of the product can be ascertained and where production costs can be segregated accordingly. This, a log market selling price, can be used as a basis for appraisal if it is in general use by the local industry and the price structure reflects timber quality.

Cost estimates should be made on the basis of manufacture or marketing at the most reasonably advantageous location. Other factors being equal, the most advantageous location is the one with the cheapest total log transportation costs. All cost and sale value data should be those applicable to an operation of average efficiency in the local area and the type of operation for which the sale offering is suitable.

The timber yield tax assessed by the State of California and payable by the purchaser of state forest timber should be included as a purchaser's operating costs in stumpage appraisals. The estimated tax will be calculated for each sale using the latest State Board of Equalization harvest value schedules and instructions.

## **CHECK STUMPAGE APPRAISAL BY COMPARISON** **5045.1.3** **(May 1988)**

Minimum stumpage rates recommended for state forest timber sales as determined by appraisal methods will be checked by comparison with rates established under competition for similar timber similarly situated. The timber sale report should list these comparative stumpage rates.

When the modified overturn appraisal method does not give a realistic stumpage value as indicated by comparable sales, alternate appraisal methods may be used with approval of the Director.

## **APPRAISAL BY COMPARISON**

**5045.1.4**

(May 1988)

In some cases, stumpage values may be determined by comparison with prices received under competition for similar sales.

## **TIMBER SALE AGREEMENT**

**5045.2**

(May 1988)

A proposed draft of an agreement with any additional clauses, interlineations, or substitutions that the particular sale may require must be prepared and submitted to the Director. Agreement drafts will conform as much as possible to the form and phraseology of the most recently approved timber sale agreement used on the forest. The amount of the bid deposit and the faithful performance bond will vary for each sale depending upon the total value of the timber risks involved and the manner of payment. The amount of the deposit and bond should be of sufficient size to give the state the protection needed and yet not restrict competitive bidding.

## **BID DEPOSIT**

**5045.2.1**

(May 1988)

The bid deposit gives protection to the state in the following manner:

- Provides incentive for the successful bidder to go ahead with the sale by signing the agreement and providing the required faithful performance bond.
- Protects the state against speculative bids and provides evidence of good faith.
- Serves as a guarantee during the sale that advance payments are made and for satisfactory performance under the sale agreement.
- Covers liquidated damages incurred during the course of the sale and also advance payment.
- Applies to final payment as called for by the forest manager.

The bid deposit should be low enough to encourage competitive bidding and high enough to protect the state's interests.

The following schedule lists the minimum bid deposit acceptable for different size sales based on the appraised value of the timber being offered for sale. The bid deposit should be higher than the minimum amount listed whenever conditions warrant a larger amount. In no case will the amount of the deposit be less than the minimum amount required by the schedule.

Total Appraised Timber Sale Value	Minimum Amount Bid Deposit
Under \$ 1,000	\$ 200
1,000 - 10,000	1,000
11,000 - 32,000	2,000
33,000 - 55,000	3,000
56,000 - 77,000	4,000
78,000 - 100,000	5,000
Over 100,000	5 % of Appraised Value

## **PERFORMANCE BOND**

**5045.2.2**

(May 1988)

The purpose of a performance bond is to guarantee performance on the part of the purchaser of all the terms and conditions set forth in the sale agreement. The amount of the faithful performance bond will be ten percent of the appraised value of the timber being offered for sale. The bond amount can be higher than indicated by this guide if special conditions exist which would require a larger amount to adequately protect the state.

## **NOTICE OF SALE**

**5045.3**

(May 1988)

A text of the advertisement to be published, name and address of the newspaper in which it should be published, and suggested time of publication must be submitted to the Director. The notice of sale should conform to the most recently approved form used in previous similar sales. Normally 30 days will be allowed between publication of notice of sale and the date for opening of the bids. This is to provide sufficient time for all potential bidders to study sale conditions and to examine the area before submitting a bid. The advertisement will be made, therefore, at the time of year and for a long enough period so that these conditions can be met.

A prospectus for a timber sale is an informal notice, which can be used to notify potential bidders of pending sales months before the sale area becomes inaccessible. When a prospectus of timber sale is used, it should contain general information about the sale area and volumes. However, the information in a prospectus will have to be compatible with the specific information contained in the notice of sale and the timber sale agreement, which will be prepared later. The Director prior to its use will approve approval of the use of a prospectus for timber sales.

## **CONTACTING PROSPECTIVE BIDDERS**

**5045.4**

(May 1988)

When necessary, the Director will obtain tentative approval of the sale from the Department of General Services. When the Director is ready to proceed with the sale, the region chief will be notified and the Director's office will make arrangements with the Department of General Services for publishing the notice of sale, generally only in one newspaper, to meet the minimum legal requirement. To disseminate information on the timber sale, the region chief will distribute copies of the approved announcement, together with bid forms, to all potential bidders in the area, rather than relying on the advertisement in the newspaper. A record will be kept of the persons to whom sale announcements are sent. This information will be provided to the Director's office in cases where only one or two bids are received. A copy of a suitable bid form for Class III state forest timber sales are shown in the [Bid for Advertised Timber](#).

Before copies of bid forms are furnished to potential bidders, the forest manager will enter the following information on the form: address, name of state forest, estimated quantities, unit of measure, species, product, amount of bond, and amount of deposit. The forest manager will make information on the general terms of the required agreement and assistance in examining the sale area available to prospective bidders on request.

A checklist covering items to be discussed with each prospective bidder is recommended for use locally to ensure that all potential bidders are equally informed of all conditions of the sale. This list may include information such as sale boundaries, cruise data, advance payments, scaling procedures and standards, road construction and maintenance logging provisions, damage to leave trees, slash and snag disposal, erosion control, stream clearance, rights-of-way, fire tools and equipment, and other pertinent points about the sale. Such a list will serve as a guide in discussing with interested parties the fine points of the sale conditions or contract provisions. Care must be taken that nothing is said to potential bidders that are in conflict with the sale agreement.

The sale boundaries and the timber will be marked before advertising so those prospective bidders may examine the sale conditions on the ground. The forest manager must keep a record of the timber cruise for the sale on file. The record will consist of a tally by species, dbh, number of logs, cull, log quality, etc.

Upon request, a forest officer will go over the sale area with prospective bidders to make certain that sale conditions are understood. A copy of the proposed timber sale agreement should be given to all interested potential bidders.

## **HANDLING BIDS**

**5045.5**

(May 1988)

The region chief, or delegated representative, will receive the bids as called for at the head table (see Section 5045.5.3) and accept the deposits required. No other person will receive or handle bids submitted in hand prior to the stated time. As set forth in the legal advertisement, a certified check, cashier's check, bank draft, or postal money order for the deposit, made payable to the California Department of Forestry and Fire Protection, must accompany each bid.

Because of the difficulty of estimating the actual damages which may arise through failure of a successful bidder to follow through with the obligations he/she assumes in submitting a bid, the deposit may be retained by the state as liquidating damages on the basis of the work and expense which may be lost in arranging the sale.

All bids received are to be safely and adequately cared for. When sealed bids are received at the place designated in the notice of sale, care must be taken that the sealed envelopes are not opened until the appointed time. Envelopes containing bids will be stamped or noted with the date and time of receipt and this envelope will be retained as a part of the record. No information will be given out as to whether any bids have been received until the opening of bids. Prior to bid opening, all bids will be kept under cover in a single large envelope so that it will not be obvious to those observers present how many bids are in hand or who submitted them.

## **WITHDRAWAL OF BIDS**

**5045.5.1**

(May 1988)

Any bid may be withdrawn prior to the time fixed in the public notice for the opening of bids only by filing a written request for the withdrawal of the bid with the region chief, or delegated representative, presiding over the bid opening. The bidder or his/her duly authorized representative must execute the request. The withdrawal of a bid does not prejudice the right of the bidder to file a new bid. Bids may not be withdrawn after the time fixed in the public notice for the opening of bids.

## **LATE BIDS**

**5045.5.2**

(May 1988)

Bids received after the precise time set for opening will be returned to the bidder unopened with a letter of explanation.

## **BID OPENING**

(May 1988)

**5045.5.3**

A suitable private room will be prepared to receive bidders and to conduct the bid opening in a formal and businesslike manner. The room should be equipped with chairs, a table or desk for the department's presiding officer and witnesses, and a clock showing the correct time. Department attendance at the opening will be strictly limited to those necessary.

It is absolutely essential to adhere to the advertised time of opening of bids. At the stated time for the bid opening, the region chief, or delegated representative, will announce formally that the time for submitting sealed bids has expired. Not until this announcement has been made will the sealed bids that have been previously received be produced, publicly opened, and read aloud in the presence of the bidders and others present. Any information desired by bidders will be furnished orally at the time of opening. Under no circumstances will persons present be permitted to handle the bids.

After opening, all bids will be recorded on a permanent record showing the names of bidders, the bid prices, and estimated total values. This record will be signed by the department's presiding officer and other witnesses and will be retained locally as a permanent file record.

No hard and fast rules can be adopted to govern all cases of incomplete bids. It may be advantageous at times to waive certain defects. In other cases it may be distinctly unfair to some of the bidders and disadvantageous to the state to do this. When irregularities occur, the matter will be referred to the Director to accept or reject the bid or bids involved.

After the opening of the bids, the region chief, or delegated representative, will determine the highest responsible bid by total value, announce this bidder by name, and inform those present that the sale will be awarded by mail within a few days. The deposit accompanying the highest bid will be handled in accordance with departmental procedures, and the deposits of the other bidders will be returned. The highest bidder will be furnished a receipt on form AO-176. The deposit will be applied toward the purchase price of the sale in accordance with the terms of the agreement.

Should there be any doubt or reason to question the responsibility of the highest bidder when the bids are opened or should any irregularities or protests occur that raise any questions as to whom the sale should be awarded, the region chief, or delegated representative, will inform the bidders that the bids will be analyzed further, the successful bidder will be notified, and the deposit of unsuccessful bidders will be returned in a few days.

The deposits of unsuccessful bidders normally should be returned with a letter of transmittal from the region chief, unless the bidder is present at the opening of the bids. In that case, the deposit can be returned in person and notation made of this on the bid form, which is then signed by the person to whom the deposit is returned. An [Unsuccessful Bid Notification](#) may serve as a guide for notifying unsuccessful bidders.

## **TIE BIDS**

(May 1988)

**5045.5.4**

In the event of high tie bids, and if all tied bids are equally acceptable, the sale award may be determined by public drawing by lot of the names of the tied bidders, if this is agreeable to all tied parties. Bidders or their representatives may witness this drawing. When requested by a bidder, a time for the drawing will be set by the region chief and due notice will be given to all interested parties. Under the State Purchasing Act, the sale could be awarded to any one of the tied parties. This will not be done, however, without approval of the Director.

## **REJECTION OF BIDS**

(May 1988)

**5045.5.5**

Each notice of sale reserves the right of the state to reject any or all bids. Any or all bids can be rejected only when approved by the Director. A [Timber Sale Bidder Responsibility Checklist](#) is to be completed by the forest manager on every bidder for a competitive bid sale, and forwarded to the Director's office for review. If there is any doubt about a bidder's ability to carry out the terms of the contract, the Director may hold a bidder-responsibility hearing to gather additional information on which to base his/her decision to accept or reject any bid.

## **SALE AWARD**

(May 1988)

**5045.5.6**

The notice of formal award entitled [Successful Bid Notification](#) will be issued to the successful bidder.

The region chief will require that the successful bidder, within 15 days after notification of acceptance of the bid and prior to commencement of any sale operations, enter into the proposed agreement with the state covering details of the transaction and submit a faithful performance bond as stipulated in the sale announcement and agreement.

Four copies of the timber sale agreement executed by the purchaser and dated at the time of first signature, the faithful performance bond, a summary of the sealed bids, the original bids and envelopes, and the purchaser's resale certificate (form AO-131) will be submitted by the region chief to the Director.

It is definitely advantageous not to accept checks of any kind or cash deposits in lieu of faithful performance bonds required for Class III sales. The acceptance of a check or cash deposit in lieu of a bond does not adequately provide the guarantee that is needed. Any departure from the practice of requiring a bond for Class III sales will have to be approved by the Director. In cases where a deposit is authorized in lieu of a bond, it must be in the form of a cashier's check, and the sale agreement will have to be amended accordingly.

[Sample Contract Bond](#) shows a faithful performance bond form acceptable to the state. Surety companies, however, normally provide their own standard form of faithful performance bond, and in practically all cases, it may be assumed that these will be acceptable to the Department of General Services.

In cases where a large construction project is to be done as part of a timber sale agreement, a labor and material bond may be required. If a labor and material bond is required, it must be on a form approved by the Attorney General. Standard form 807 ([Sample Payment Bond](#)) has been approved by the Attorney General and will be sent to the successful bidder at the same time the agreements are sent for signature. Labor and material bonds are not released when the work is completed, but if no claim is made against the contractor for four years, then the bond is automatically released.

## **NO BIDS RECEIVED**

**5045.5.7**

(May 1988)

If no bids are received, inquiries will be made locally to determine the reasons for this, and the region chief will notify the Director. When no bids are received, the sale normally can be awarded to an interested party at the appraised value. If more than one party is interested in the sale at the appraised value or the sale value is a substantial amount, the sale again must be advertised. In any case, the region chief will clear with the Director's office before awarding such a sale to be sure the proposed action has the approval of the Director and the Department of General Services.

## **SALE APPROVAL**

**5045.6**

(May 1988)

The Director will file the faithful performance bond and procure the required approval of the agreement. Three copies of the agreement will be returned: one for the region chief, one for the forest manager, and one signed copy for the purchaser. Operations on the sale will not commence until word is received from the Director's office that the agreement has been signed and approved and the purchaser has made the necessary advance payment.

Every effort will be made by the Director's office to expedite this approval and notify the region at once.

## **PAYMENTS**

**5045.7**

(May 1988)

The forest manager is responsible for the proper conduct of timber sales and the prompt collection of monies due according to the purchase agreement.

All payments in Class III sales will be in the form of certified checks, bank drafts, postal money orders, or personal checks from responsible purchasers made payable to the California Department of Forestry and Fire Protection. Cash is not acceptable. The purchaser will pay sales or use tax unless the purchaser has supplied a properly completed resale certificate (form AO-131).

The purchaser must make advance stumpage payment to the forest manager or region chief so that all timber cut is covered by advance payment. No cutting will proceed on any trees for which payments have not been received. Before operations begin, the forest manager should obtain from the purchaser a cutting schedule detailing the number of fallers that will be employed and the estimated rate of cutting. Using this information, the forest manager should advise the purchaser of the payment schedule that will be required.

Periodic payments will be in increments representing not less than the value of two weeks of cutting. The purchaser's advance payment balance, excluding the bid deposit, should not be allowed to fall below the value of one week of cutting

At any time during the sale when felling is in progress. The forest manager will close down operations when necessary to prevent cutting or removal of timber not covered by advance payment.

If it becomes necessary to close down a sale, the forest manager will present a written notice to the purchaser or his/her representative on the sale stating the reason and the effective time and date. Such notice may be handwritten in the field but should be followed promptly with a formal typed notice to the purchaser. The Director's office should be informed immediately of any sale closures. The bid deposit will be held intact as a guarantee under the terms of the agreement until the final transaction. At that time it can be applied to the final payment, provided all terms and conditions of the agreement have been performed satisfactorily. All payments received by the forest manager will be forwarded to the region chief. A timber sale card record (RM-20) will be prepared for each Class III sale and proper entries made at the state forest and region level. Timber sale payments received by the region chief will be handled in accordance with the latest instructions of the department.

## **REPORT OF TIMBER CUT**

**5045.7.1**

(May 1988)

The report of timber cut (form RM-22) serves as a notice of the amount and value of timber cut and of the condition of the sale, as well as a closing report at the completion of the sale. Form RM-22 will be prepared periodically (preferably monthly) on Class III sales--one copy each for the purchaser, state forest, region chief, Director, and departmental accounting office.

A special report of timber cut will be prepared for each Class III sale on June 30. This report is needed to notify the department accounting office of the amount of monies on advance deposit that may be cleared for the fiscal year ending June 30.

Similarly, in Class III sales that extend from one calendar year to another, a report of timber cut should be prepared for December 31 if timber has been removed since the previous cutting report. This report will assist local forest personnel in maintaining a record of the amount of timber removed from the sale during the calendar year. This is needed for the preparation of the annual report of timber cut (form RM-23) and for the state forest annual report ([see Section 5074.1](#)).

## **INSPECTION OF SALE**

**5045.8**

(May 1988)

Firm enforcement of the timber sale agreement is necessary from the start of operations on the sale. Prompt and positive action on each agreement violation will save trouble and expense for both the purchaser and the state. The forest manager will promptly notify the purchaser in writing of violations incurred and the corrective actions needed.

The forest manager will make at least one inspection per week, and the region chief or his/her duly authorized representative will make at least two inspections per season of Class III sales. During the latter inspections, check scaling or check tree measuring will be conducted ([see Section 5049.3](#)).

## **SALE COMPLETION**

**5045.9**

(May 1988)

Class III sales generally will be limited to one season, except on Jackson State Forest where two-year sales have been encouraged by legislative resolution. No sales will be made extending over a period longer than two years. A closing date of November 30th will allow time for the sale to be reported in an annual report due on January 15th ([see Section 5074](#)).

When the operations of the sale have been completed and all provisions of the agreement have been satisfied, notification will be sent to the Director through channels with a request that the faithful performance bond be released.

Upon receipt of a letter from the region chief that the timber designated for cutting in the sale has been cut and removed and all provisions of the timber sale agreement have been satisfactorily completed, accompanied by a properly completed final report of timber cut (form RM-22) with the reverse side filled in and containing the two statements required by [Section 5049.4](#), the Director's office will arrange for the closing of the sale, and the release of the performance bond and a refund of any overpayment to the purchaser. A Contractor Evaluation Sheet (STD 4) should be completed by the sale officer and included with the sale closing documents supplied to the Director's office.

The Director's office cannot arrange for the closing of a sale until all reports of collection involving sale payments have been received.

## **SALE EXTENSIONS**

**5045.9.1**

(May 1988)

The forest manager will notify a purchaser whenever the purchaser's logging production falls behind the schedule set forth in the timber sale agreement. This notification will be by letter reminding the operator of the requirement in the agreement and the necessity to increase production at once. Additional follow-up notices will be sent as needed.

An agreement may be extended for just causes or extenuating circumstances. However, department employees will not at any time give any assurance to a purchaser that an extension will be granted by the state. An agreement cannot be extended if the termination date has already passed.

To apply for a sale extension, the purchaser must make a written request to the region chief well in advance of the sale termination date, stating the need for the extension, the length of extension needed, and the reasons he/she is unable to complete the sale on time. Requests for sale extensions must be accompanied by written consent of the purchaser's bonding company specifically extending the performance bond coverage to the requested extension period. The region chief should transmit this request with his/her recommendations to the Director.

The Director will consider granting sale extensions if the purchaser has made a good faith effort to operate the sale and when one or more of the following conditions occur:

- Actual sale volume overruns the cruise estimate by 20 percent or more.
- Lumber selling price indexes decline 20 percent from index levels prevailing on the bid date.
- Unusual weather conditions shorten the normal operating season to less than five months per year.
- Organized labor problems cause production delays.
- Production delays are caused or ordered by the state and are not the fault of the purchaser.
- A significant loss occurs to the purchaser's logging or trucking equipment, or to the production facilities, due to fire, flood, or other natural catastrophe.

Timber sale operating time extensions will be made under terms specified in the timber sale agreement, which normally will require the purchaser to pay interest on the unpaid portion of the timber value of the contract.

The state cannot terminate a timber sale agreement that has not been fulfilled without recourse to recovering damages through retention of the deposit and the faithful performance bond in accordance with the agreement. It is in the purchaser's financial interest to make every effort to complete the sale on time. If the purchaser understands this from the start, and the state holds payments in advance of the cutting schedule, there should be enough incentive for the purchaser to find ways to get the job done.

**FORMS AND/OR FORMS SAMPLES: RETURN TO ISSUANCE HOME PAGE FOR FORMS/FORMS SAMPLES SITE LINK.**

[\(See next section\)](#)

[\(See Table of Contents\)](#)