

# Forestry Services Group Inc.

5475 Preserve Drive  
Greenwood Village, Colorado 80121

January 21, 2005

Alan Johnson  
Flying Horse Ranch  
P.O. Box 226  
Eagles Nest, New Mexico 87718

Re: Ladder fuel reduction project.

Dear Alan,

To follow up on our conversation, I hope that the following history of what we have done will be helpful to you. As we discussed we can provide you and the consortium with a number of services that could benefit your forests and the environment in your region. The type of forward looking vision that your group is committed to exactly what it will take to turn your holdings into the healthy and productive forests you foresee.

A number of years ago I experimented with small log harvesting and eventually developed an operation to mechanically harvest trees down to 2 inch DBH and turn them into commercially viable products. I sold the idea to the Washington State Department of Natural Resources and secured a number of contracts to prove the viability of pre commercially thinning. To maximize the profit potential of the resource, I designed and built a portable debarker with the capability to debark trees down to 2 inches. This allowed us to secure a clean chip for pulp contract with the Simpson Timber Company. We were now able to utilize what in the past had been a waste product. As a result we completed approximately 1200 acres of highly overstocked forests on the Olympic peninsula.

The success of that operation brought a great deal of interest from the industry and we were approached by IT Rayonier to develop a rehab operation to reclaim land that had grown back to unwanted species. As a result we put together a program to mechanically harvest the timber and then turn it into both dirty chips for the pulp industry and hog fuel for IT Rayonier's in house cogeneration plant. We also repeated a similar project for Murray Pacific but we concentrated on solving the slash problem for their high altitude clear cuts. We developed an economical method to turn their slash into usable biomass with the use of our debarker. Both of these operations produced many thousands of tons of wood products. In addition we completed a myriad of private contracts doing the same types of work. As a result of these projects we have developed a lot of experience dealing with forest management and how to deal with small wood utilization.

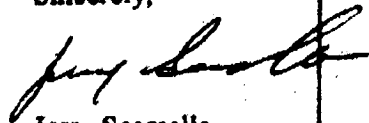
I took a break from forest operations for a few years to develop some of my other businesses and we have recently re entered the forest management arena with the implementation of the Healthy Forests Act. To pursue the mandate of that legislation we purchased the highly specialized KMC 2100H, a picture of which I have previously supplied. We just recently completed a proof of concept study for Oregon State University where we participated in viability study for overstocked ladder fuel reduction. As we discussed this would fit very well with your goals. We had also completed a remediation project for The Tech Cominco Mining Company in Canada when we approached by the US Government. Due to that unique characteristics of the KMC They wanted us to help them solve a problem they had. As a result, we are currently doing national security work for the US Government. I have just added a Timber Pro 620E and a Timber King 381 to our equipment list, pictures of which you already have. Both of these machines have feller buncher heads also. With the addition of these pieces, this will greatly expand the range of management services we can provide.

I look forward to meeting with you and your group to explore the possibilities of implementing some of the programs we have discussed. If there is anything else you need you may reach me at any of the numbers listed below. I will be out of town until the 15<sup>th</sup> of February but you may leave a voice mail or e-mail and I will get them.

Office 303 771-3126 Mobile 720 272-5627 Fax 720 200-4441

E-Mail [thirtyninenorth@comcast.net](mailto:thirtyninenorth@comcast.net)

Sincerely,



Jerry Scarsella  
President

# Forestry Services Group Inc.

5475 Preserve Drive  
Greenwood Village, Colorado 80121

December 22, 2004

Alan Johnson  
Flying Horse Ranch  
P.O. Box 226  
Eagles Nest, New Mexico 87718

*Are you insured  
if we do the kind  
of project.*

Re: Ladder fuel reduction.

Dear Alan,

I want to thank you for taking the time to speak with me regarding the ladder fuels and overstocked forests your consortium is experiencing. As we discussed I would like to introduce you to Forestry Services Group Inc. and what we have to offer in the way of services that may help your group achieve your goals. You indicated that protecting your forests from catastrophic loss due to fire is a primary concern to your land owners and I hope that the following information will be helpful to you.

FSG provides a number of services to both the public and private sectors. These services include land clearing, security boundary clearing, vegetation control on transmission lines and pipeline right of ways, sivicultural forest thinning, over stocked forest fuels reduction, urban interface mitigation, fire lines, forest rehab, fence line clearing and many others that deal with vegetation management.

In order to deal with the challenges of these services we employ some very specialized equipment. Enclosed you will find a few pictures of the machines we would use to begin the mitigation work we discussed. The KMC 2100H is a custom made machine and has very unique operating characteristics. It is very mobile and has a high flotation under carriage that allows us to get into areas that others can not do. The KMC will work on slopes up to 45% up and down. It is basically a one pass machine. This means as it passes over the trees and brush they are cut off at ground level and in most cases, mixes the debris back into the soil. The debris produced by this machine looks much like beauty bark. The Timber Pro allows us to traverse rougher terrain that requires extremely high flotation and the ability to reach over obstacles and into stands of trees to select problem trees or conduct pre commercial thinning with minimal damage to the residual stand. It will also work on steep terrain but a little less severe than the KMC. The Timber Pro can reach 25 ft to each side of the unit and swings 360 degrees. This enables us to cut a wide swath with minimal ground disturbance. This is useful on more sensitive soils and boggy terrain. In addition we will be deploying a TK-381 in March and this machine will be a

very mobile and efficient tool for vegetation management. We can also offer a topical herbicide machine that can help control the re growth. If that is of interest we can discuss it. I have enclosed a few pictures of our machines for your review. The TK-381 will be fitted with a Fecon 250 cutter head and the Timber Pro 620-E has the Denis head that is pictured on the yellow excavator.

The prevention of forest fires on your lands will insure the future of your resource. As we discussed there is a dramatic reduction fire loss on forests that have been properly treated with the ladder fuel removal program we advocate. This amounts to an insurance policy for the lands the consortium has a stake in. I would be glad to meet with you to explore the possibility of a pilot or proof of concept project that would demonstrate the viability of such a program.

FSG is based in Colorado but we work through out the United States and Canada. I would like to offer our services to The Flying Horse Ranch or any of your affiliates and look forward to talking with you. If you would like to pursue this possibility you may reach me at the address noted above or at any of the numbers listed below.

Office 303 771-3126 Mobile 720 272-5627 Fax 720 200-4441

E-Mail [thirtyninenorth@comcast.net](mailto:thirtyninenorth@comcast.net)

Sincerely,

Jerry Scarsella  
President