

**PROPOSED FIRST AMENDMENT
IMPLEMENTATION AGREEMENT
GREEN DIAMOND RESOURCE COMPANY
NORTHERN SPOTTED OWL
HABITAT CONSERVATION PLAN
January 3, 2007**

**FIRST AMENDMENT TO
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NORTHERN SPOTTED OWL
HABITAT CONSERVATION PLAN**

THIS AGREEMENT by and between the United States Fish and Wildlife Service (Service) and Green Diamond Resource Company (Green Diamond) is the first amendment (First Amendment) to that certain agreement (the Agreement) made and entered into as of the 17th day of September, 1992, by and between the Service and Green Diamond's predecessors in interest, the Simpson Timber Company and its subsidiaries, Arcata Redwood Company and Simpson Redwood Company (collectively Simpson).

For and in consideration of the mutual covenants and conditions contained herein, the Parties hereto do hereby agree that the Agreement shall be amended as follows:

I. RIGHTS AND OBLIGATIONS OF GREEN DIAMOND

As successor in interest to Simpson, all rights and obligations of Simpson under the Agreement are rights and obligations of Green Diamond.

II. AMENDED RECITALS

Sections I.B. and I.C of the Agreement shall be amended to read as follows:

B. HABITAT CONSERVATION PLAN

Pursuant to the provisions of Section 10(a)(1)(B) of the ESA, Simpson prepared a Habitat Conservation Plan (HCP) and, on the 19th day of December, 1991, submitted it to the Service as part of an application for an Incidental Take Permit (Permit) to

allow Spotted Owls to be incidentally taken, as that term is defined in the ESA, within the Plan area, as that term is defined in the HCP. The HCP proposed a program of conservation for the Spotted Owl and its habitat within the Plan area. The HCP was the product of lengthy study and negotiations and represents coordination of private interests with those of conservation interests in cooperation with the Federal government.

On August 24, 2006, Simpson's successor in interest, Green Diamond, submitted to the Service an application for an amended Incidental Take Permit (Amended Permit) and proposed amendment to the HCP (together with the HCP, the "Amended HCP"). The proposed amendment was developed and reviewed in coordination with the Service.

C. INCORPORATION OF HCP.

The Amended HCP and each of its terms are intended to be, and by this reference are, incorporated herein. In the event of any direct contradiction between the terms of the Amended HCP and the Agreement or this First Amendment, the terms of the Agreement and this First Amendment shall control. In all other cases, the terms of the Agreement, this First Amendment, and the terms of the Amended HCP shall be interpreted to be supplementary to each other.

III. AMENDED OBLIGATIONS OF THE PARTIES

Section III of the Agreement shall be amended to revise subsections III.B.1.b and Exhibit B, and to add a new subsection III.I. as specifically provided below:

III. B. 1. b. Special Management Area

Green Diamond shall maintain a 20,310-acre "Special Management Area" in the Upper Mad River subarea including parts of the "Wiggins" ranch. Green Diamond shall not take Spotted Owls in the Special Management Area. Within those portions of

the Special Management Area which are not designated set-asides in the HCP, Green Diamond may carry on any activity which does not result in a take. Except as provided in III.B.1.a(1) of the Agreement, no timber harvesting shall be allowed in set-asides within the Special Management Area. Green Diamond shall maintain the Special Management Area through August 31, 2012. Legal descriptions for the Special Management Area are set forth in the Amended Exhibit B attached to this First Amendment.

- (1) Green Diamond shall monitor the Special Management Area to determine occupancy by Northern Spotted Owls, as follows:
 - (A) Each year during the period that the Special Management Area is maintained, Green Diamond shall conduct site visits during the March 1 to May 15 nesting season.
 - (B) Green Diamond shall spot call for Northern Spotted Owls at strategic locations to ensure complete coverage of the Special Management Area.
 - (C) If no responses are elicited during the initial site visit, Green Diamond shall revisit the area and repeat spot calling up to a maximum of three times or until a Spotted Owl responds, whichever occurs first.
 - (D) If a Spotted Owl responds to spot calling, a Green Diamond biologist shall attempt to determine if it is banded, paired or nesting.
 - (E) If a Spotted Owl identified in (D) above demonstrates nesting behavior, Green Diamond shall attempt to locate the nest.

- (F) Green Diamond shall revisit any site where nesting behavior has been identified pursuant to (E) above in an attempt to determine reproductive success.

III. I. TWENTY YEAR HCP REVIEW

In 2012, at the end of twenty (20) years from the effective date of the Permit, Green Diamond, in conjunction with the Service, shall conduct a comprehensive review of the HCP, including: (1) a comparison of actual and estimated levels of Spotted Owl displacement; (2) a comparison of actual and estimated distribution of Spotted Owl habitat; (3) a reevaluation of the biological basis for the conservation strategy based on the data collected through the research program and other sources; (4) a detailed analysis of the efficacy of and continued need for the set-asides and of the long-term viability of the Owl population on Green Diamond's property; (5) an estimate of annual Spotted Owl displacement for subsequent portions of the permit period; and (6) an analysis of the habitat overlap of and interactions between barred owls and spotted owls. The timing and need for future comprehensive reviews will be determined during this process. This review will serve to update the first comprehensive review of the efficacy of the HCP's conservation strategy, described in III.F. The twenty-year review will consider new information available subsequent to that first review, such as results of Green Diamond's analysis of spotted owl interactions with barred owls.

IV. AMENDED MISCELLANEOUS PROVISIONS

Section VI.D. of the Agreement shall be amended to read as follows:

D. NOTICE.

Any notice permitted or required by this Agreement shall be delivered personally to the persons set forth below or shall be deemed given five (5) days after deposit in the United States mail, certified and postage prepaid, return receipt

requested and addressed as follows or at such other address as either Party may from time to time specify to the other Party in writing:

Green Diamond Resource Company
P.O. Box 68
Korbel, California 95550

Green Diamond Resource Company
1201 Third Avenue, Suite 2700
Seattle, Washington 98101-2613

United States Fish and Wildlife Service
911 NE 11th Avenue
Portland, Oregon 97232-4181

United States Fish and Wildlife Service
2800 Cottage Way, Room 1803
Sacramento, California 95825

V. EFFECT OF AMENDMENTS

Except for the amendments set forth herein and expressly agreed to in this First Amendment, all other terms of the Agreement shall remain unchanged. THIS FIRST AMENDMENT SHALL TAKE EFFECT, FOLLOWING ITS EXECUTION BY EACH OF THE PARTIES, ON THE DATE THE AMENDED PERMIT IS ISSUED TO GREEN DIAMOND.

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|---------------------------------------------------------------------------|---------------------------------------------------------------------------|
| <p>GREEN DIAMOND RESOURCE COMPANY</p> <p>By: _____</p> <p>Date: _____</p> | <p>U.S. FISH AND WILDLIFE SERVICE</p> <p>By: _____</p> <p>Date: _____</p> |
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AMENDED EXHIBIT B
Special Management Area
LEGAL DESCRIPTIONS

The real property in the State of California, County of Humboldt, described as follows:

(IN THE FOLLOWING DESCRIPTION THE SECTIONS ARE GIVEN AFTER THE DESIGNATION OF THE TOWNSHIP AND RANGE IN WHICH THEY LIE AND THE PORTIONS OF EACH SECTION FOLLOW THE SECTION NUMBER.).

TOWNSHIP 3 NORTH RANGE 4 EAST,

HUMBOLDT BASE AND MERIDIAN SECTION 16:

The Southeast Quarter of the Northeast Quarter;
The East Half of the Southeast Quarter and
The Southwest Quarter of the Southeast Quarter.

EXCEPTING THEREFROM, one-sixteenth of all coal, oil, gas and other mineral deposits contained in said land, as provided by an Act of the Legislature, approved May 21, 1921 (Chapter 303, Statutes of California, 1921), being the same as Reserved in the Patent issued by The State of California to H. A. Baldwin, dated August 4, 1924, and recorded August 21, 1924, in Book 23 of Patents at page 409 under Recorder's File No. 3384, Humboldt County Records.

Wiggins Ranch

IN TOWNSHIP 3 NORTH, RANGE 3 EAST, HUMBOLDT MERIDIAN:

- Section 4: All that portion of Northwest Quarter, the Northeast Quarter of the Southwest Quarter, and the Northwest Quarter of the Southeast Quarter which lies East of the Mad River.
- Section 4: The North Half of the Northeast Quarter.

IN TOWNSHIP 4 NORTH, RANGE 3 EAST, HUMBOLDT MERIDIAN:

- Section 1: ALL
- Section 2: ALL
- Section 3: ALL
- Section 4: ALL
- Section 5: The East Half; and
the South Half of the Southwest Quarter.

EXCEPTING THEREFROM That portion thereof which lies West of Maple Creek Road.

- Section 7: The Southeast Quarter of the Southeast Quarter.
- Section 8: The East Half;
the Southeast Quarter of the Northwest Quarter;
the Northeast Quarter of the Southwest Quarter; and
the South Half of the Southwest Quarter.
- Section 9: The North Half; and the Southeast Quarter.
- Section 10: ALL
- Section 11: ALL
- Section 12: ALL
- Section 13: The North Half;
the North Half of the Southeast Quarter;
the Northeast Quarter of the Southwest Quarter; and
the Southwest Quarter of the Southwest Quarter.

- Section 14: The North Half;
the Southwest Quarter; and
the East Half of the Southeast Quarter.
- Section 15: ALL
- Section 16: ALL
- Section 17: The East Half; and
the North Half of the Northwest Quarter.
- Section 18: The Northeast Quarter of the Northeast Quarter.
- Section 20: The East Half; and
the Northeast Quarter of the Southwest Quarter.
- Section 21: ALL
- Section 22: ALL
- Section 23: The Northwest Quarter;
the South Half of the Northeast Quarter;
the Northeast Quarter of the Northeast Quarter; and
the South Half.
- Section 24: The Southwest Quarter of the Northeast Quarter;
the West Half of the Northwest Quarter;
the Southwest Quarter;
the West Half of the Southeast Quarter; and
the Northeast Quarter of the Southeast Quarter.
- Section 25: The West Half;
the Northwest Quarter of the Northeast Quarter; and
the West Half of the Southeast Quarter.
- Section 26: ALL
- Section 27: ALL
- Section 28: The Northwest Quarter;
the West Half of the Northeast Quarter;
the North Half of the Southwest Quarter;
the Southeast Quarter of the Southwest Quarter; and
the South Half of the Southeast Quarter.

Section 29: The East Half of the Northeast Quarter.

Section 33: The East Half of the West Half; and
the East Half.

Section 34: The North Half; and
the North Half of the South Half.

Section 35: The North Half;
the North Half of the Southwest Quarter; and
the Southeast Quarter.

Section 36: The West Half; and the Northeast Quarter.

IN TOWNSHIP 5 NORTH, RANGE 3 EAST, HUMBOLDT MERIDIAN:

Section 34: The East Half of the Northeast Quarter;
the Southwest Quarter of the Northeast Quarter;
the Southeast Quarter of the Northwest Quarter;
the West Half of the Northwest Quarter; and
the South Half.

EXCEPTING THEREFROM that portion thereof which lies in the Southeast
Quarter of the Southwest Quarter of the Southwest Quarter; and the Southwest
Quarter of the Southeast Quarter of the Southwest Quarter.

Section 35: The West Half;
the Southwest Quarter of the Northeast Quarter;
and the West Half of the Southeast Quarter.

IN TOWNSHIP 4 NORTH, RANGE 4 EAST, HUMBOLDT MERIDIAN:

Section 5: The Southwest Quarter of the Southwest Quarter.

Section 6: The Southwest Quarter; and
the South Half of the Southeast Quarter.

Section 7: The West Half;
the East Half of the Northeast Quarter; and
the Southwest Quarter of the Southeast Quarter.

Section 8: The West Half of the Northwest Quarter; and
the Southeast Quarter of the Northeast Quarter.

Section 17: The Northwest Quarter of the Southwest Quarter.

Section 18: The Northwest Quarter;
the West Half of the Northeast Quarter;
the Southeast Quarter of the Northeast Quarter;
the North Half of the South Half; and
the Southwest Quarter of the Southwest Quarter.

Section 19: The West Half of the West Half;
the Southeast Quarter of the Northwest Quarter; and
the Northeast Quarter of the Southwest Quarter.

EXCEPTING FROM the forgoing described real property located in Township 4 North, Range 4 East, Humboldt Meridian, the following:

Section 5: That portion which lies east of the divide between the Mad River and Redwood Creek drainages.

Section 6: That portion which lies east of the divide between the Mad River and Redwood Creek drainages.

Section 7: That portion which lies east of the divide between the Mad River and Redwood Creek drainages.

Section 8: That portion which lies east of the divide between the Mad River and Redwood Creek drainages.