

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

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BUREAU OF LAND MANAGEMENT

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MANUAL TRANSMITTAL SHEET

Subject

H-5480-1 - CONTRACT VIOLATIONS-SUSPENSION-CANCELLATION;
SETTLEMENT OF UNCOMPLETED CONTRACT

1. Explanation of Material Transmitted: This Release transmits BLM Manual H-5480-1 - Contract Violation-Suspension-Cancellation; Settlement of Uncompleted Contract, a new handbook which sets forth basic procedural guidelines for timber sale contract violations, suspensions, cancellations, and settlement of uncompleted contracts.
2. Reports Required: None.
3. Material Superseded: None.
4. Filing Instructions: File as directed below, immediately after the Manual Section.

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None

H-5480-1

(Total: 47 Sheets)

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- I. Contract Violation. the Government and the Purchaser are entitled to specific rights or benefits as provided under the terms of a sale contract and contract supervision must be governed accordingly. If the Purchaser fails to comply with the conditions, duties, or obligations as provided in the contract, a violation or breach of contract occurs. When such a failure occurs, the Contracting Offer or his designated representative, must initiate immediate corrective action. An even-handed, professional approach must be used to resolve such conflicts. If the Purchaser's failure to perform is a result of confusion, conflict, or ambiguous wording in the contract documents that cannot be resolved to the satisfaction of both parties, the Contracting Office should consult with the State Director prior to proceeding with formal enforcement actions.
- A. Processing Contract Violations. Obviously some contract violations are more sensitive or critical than others; thus, good judgment should be exercised in the timeliness of enforcement actions predicated upon such sensitivity. Many such violations may simply be corrected with good verbal communications between the BLM and Purchaser representatives. Other violations require more forceful action and complete documentation of such actions. When a demand for payment is made for a breach of contract and the damages are disputed under Section 37 of the contract, a demand should not be made on the Purchaser's surety until after the Contracting Officer's decision has been issued which upholds the claim and the Purchaser fails to pay within 30 days of the decision. The Purchaser would be responsible for interest which accrues as a result of the amount due from the time of the initial billing for damages. General procedures for handling various types of contract violations are set forth below:
1. Delinquent Payments. Timely payment of contract installments or billed amounts under the payment bond procedure is required under the terms of BLM contracts. Failure to make timely payment is a payment violation of the contract. (See Handbook 5460-1, Sale Administration, Section II.D.)
 - a. Cash Installment Systems.
 - (1) Overcutting and/or Over-Yarding. If the Purchaser cuts or yards more forest product than the total amount of credits paid in or bonded on a contract, payment violation has occurred. Additional installments are due and payable immediately. The Purchaser should be advised by telephone to have the necessary payment to the contracting office within one working day. Another option available to the Purchaser in this situation is to submit an increase to the bond (Increase or Decrease Rider, Form 5460-3) in an amount acceptable to the Contracting Officer and with an effective date that is prior to the overcutting. If the Purchaser fails to respond with appropriate payment or with an increase in the bond, the operations shall be suspended. (See Chapter II.)
 - (2) Poor Payment Record. The Purchaser must not be permitted to play games with Bureau personnel with respect to timely installment payments, nor should it be expected that BLM manage a Purchaser's financial affairs. If the Purchaser develops a history of delinquent payments, written warning should be given that timely payments are a contractual responsibility that must be complied with. Furthermore, the Purchaser should be advised that if corrective actions are not taken, contract operations will be suspended without further notice for subsequent payment violations. (See Illustration 1.)

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b. Payment Bond Systems.

- (1) Overcutting. If the Purchaser overcuts the aggregate of total credits paid and bond coverage on a contract, or contracts, a payment violation has occurred and the provisions of Paragraph I.A1a(1) above are applicable.
- (2) Failure to Pay Billed Amounts. If the Purchaser fails to make a billed payment within the 15-day payment period stipulated in the contract, a payment violation has occurred. The Purchaser should be advised immediately by telephone, or personal contact, to submit the delinquent payment to the contracting office within one working day or it will be necessary to suspend the operation. Furthermore, the Purchaser should be advised that if it is necessary to suspend the operation, an action must be taken against the payment bond for the deficit payment. If the Purchaser fails to respond with payment, the Contracting Officer shall suspend further operations and simultaneously take action against the payment bond. If the bond is a corporate surety payment bond, make demand upon the surety. (If surety fails to pay within 60 days, notify State Director, 931.1). If the bond is of negotiable securities of the United States, or an irrevocable letter of credit, proceed as described in II.B1a(2)(a) or (b) below.

2. Damage to Reserve Forest Product. The unauthorized cutting, injury, or removal of Government forest product other than that which has been sold under the terms of a contract is a contract violation as well as a trespass. The purchaser is liable for damage to reserved materials arising from such violation. Trespass damages should be assessed in accordance with 43 CFR 9239.1-3.

- a. Unauthorized Cutting or Removal. The Contracting Officer must promptly investigate all acts involving the cutting or removal of reserved materials. A complete investigation must be conducted pursuant to Manual Section 9230 and 9231, respectively, prior to service of demand. Market value of trespass materials should be determined pursuant to BLM Manual Section 9351.5.
 - (1) Cooperation of Purchaser. Sec. 10(e) of Contract Forms 5450-3 and 5450-4, Contract for the Sale of Timber, requires the Purchaser to cooperate fully in the investigation of trespass. If the Purchaser fails to do so, the contracting Officer may suspend that portion of the Purchaser's operation necessary to preserve evidence pending investigation or to permit safe investigation of the trespass. If the Purchaser is uncooperative and the trespass is one of a continuing nature, the entire operation should be suspended immediately pending resolution of the trespass.
 - (2) Criminal Trespass. (See Manual Section 9231.) If preliminary contracting Officer's investigation reveals criminal intent to steal Government materials under the cover of a sale contract, the case should be referred immediately to a BLM Criminal Investigator. The Purchaser's operations should be suspended pending investigation and settlement of the case.
 - (a) The State Director must be advised promptly of the referral action.

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- (b) If investigation leads to the arrest, indictment and conviction of the Purchaser, the Contracting Officer must consult with the State Director relative to possible collection of civil damages and for the processing of a default or cancellation of the contract.
- (3) Civil Trespass. (See Manual Section 9231) The majority of contract violations involving the unauthorized cutting or removal of reserved materials will normally fall within this category; i.e., all cases other than criminal theft discussed in Paragraph I.A2a(2). To utilize the terms and conditions provided in the contract (e.g., Section 10, 12, and 13 of Contract Forms 5450-3 and 5450-4, Contract for the Sale of Timber), the Notice of Trespass (see Manual Sections 9230 and 9231) and Demand for Damages (see Manual Sections 9230 and 9231) should include references to such provisions of the contract together with the applicable statutory and regulatory references.
- (a) Normally, no more than 10 days should be allowed the Purchaser from his receipt of the demand letter to make an offer of settlement. If the Purchaser fails to respond within the stipulated time, operations under the contract should be suspended.
 - (b) Copies of the Notice of Trespass, Demand for Damages, and Suspension Notice (if applicable) must also be sent to the surety.
- (4) Settlement. when payment for damages is received, the District/Resource Area Office deposits payment pursuant to Manual Section 1372; provided however, if a restrictive endorsement is indicated on a check for a compromise offer, the check should not be deposited but held in safekeeping pending the State Director's instruction on disposition of the offer.
- (a) Full Settlement. If full payment is received for the total amount of damages, District/Resource Area Manager sends an acceptance letter to the Purchaser with a copy to the surety. See Illustration 2.) After payment is accepted, any trespass materials remaining on the contract area belong to the Purchaser. The acceptance the contract. (See Illustration 3.)
 - i. If the Purchaser's contract time for the cutting and removal of material sold has expired, the removal of residual trespass material may still be authorized under the terms of an unterminated contract as the damage occurred during the life of the contract. The acceptance letter takes the form of a modified contract extension and stipulates the time frame permitted for removal of such material. (See Illustration 4.)
 - (b) Compromise Settlement. If a compromise offer of settlement is received, the District Manager forwards the trespass case file to the State Director for review and processing of the offer. (See Manual Section 9230.61.) Contracting Officer sends an acknowledgment letter to the Purchaser. (See Illustration 5.)

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- i. State Director will subsequently advise the District Manager of the acceptance or rejection of the offer.
 - ii. Unless the terms of the compromise settlement dictate otherwise, BLM will retain title to any residual trespass materials on the contract area. (See Illustration 6.)
- b. Logging Damage. Careless or negligent logging or removal of forest products often results in injury or destruction of reserved materials that defeats or hampers BLM management objectives. The most common types of damage related to forest product harvest activities are attachment of cables or rigging to trees, improper yarding or felling practices, burial of woody debris in road fills, and burial or debarking of trees from road construction activities. This kind of damage must be controlled, and any such damage outside the scope of normalcy (e.g., trees needed for the normal course of logging that should be processed per instruction in Handbook 5470-1, Contract Modification-Extension-Assignment, Chapter II) should be treated as a trespass. Trespass of this nature is to be processed in accordance with Paragraph I.A2a above.
 - (1) The Contracting Officer's Designated Representative should meet with the Purchaser prior to operations under the contract and discuss the provisions of the contract in detail. At this time, the Purchaser should be informed that the Bureau does not want reserved materials damaged by improper logging or removal techniques, and that such damage will be processed as contract violations. Furthermore, the Purchaser should be advised that if reserved materials are need for the normal course of logging, such material will be designated for cutting and sold in advance of cutting; thus, harvest operations must be planned accordingly.
 - (a) If, after such discussions, the Purchaser is found to be damaging reserved material, a courtesy letter should be sent see illustration 7) advising that:
 - i. Such actions are in violation of the sale contract;
 - ii. The violation must be corrected within a specified period of time;
 - iii. Recurrences of the same violation will result in a suspension of operations without further notice; and
 - iv. Purchaser will be liable for damages caused by the violation.
 - (b) If the Purchaser fails to respond to the courtesy notice, or repeats the violation, the operation should be suspended.

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- (2) Evaluation of Logging Damage. A realistic interpretation should be taken of the term “injuries” under the appropriate provision of the sale contract. Any tree damaged to the extent that it will likely die, or be lost, before planned probable harvest, constitutes an element of damage, and the full market value will be used in the determination of trespass damages.
3. Violations Associated with Fire Laws and Fire Provisions in Forest Product Sale Contracts. Violations of this type can be extremely serious and may lead to disastrous situations. If, during an official state-declared closed fire season, a Purchaser is found to be in violation of a State statutory fire prevention protection, or control duty, or a fire provision in the sale contract, the Purchaser should be advised to correct the deficiency immediately or cease operating until the situation is corrected. If the Purchaser fails to respond to this instruction immediately, the operation should be suspended.
- a. Fire Damage. Damage by fire caused by a Purchaser to Government resources other than that sold under the terms of the contract is, under certain conditions, considered to be a fire trespass. Upon discovery of fire damage, the Contracting Officer shall immediately investigate to determine the facts of the case. The investigation must be documented and should include all available information such as fire history, interviews and statements of witnesses, formal fire reports, etc., that would have a bearing on determining liability of the Purchaser.
- (1) Determination of Liability. Determination of the Purchaser’s liability, or the extent of liability, shall be made by the State Director in consultation with the Regional Solicitor. The investigative report discussed in Paragraph I.A3a above). The District/Resource Area Manager shall withhold action pending advice from the State Director on disposition of the case.
- (2) Fire Damage Appraisal. Fire damage is to be appraised pursuant to Manual Section 9354. The Purchaser is liable for the difference between the “before” and “after” market values of reserved materials damaged or destroyed, as well as the cost of rehabilitating the burned area (if significant). For forest product damage cases, the normal elements that should be appraised are the volume loss of measurable forest product; value loss (grade reduction) of measurable forest product; value loss of non-measurable immature forest product; cost of planting, erosion control, snag felling, stream clearance, etc.; and site reduction through soil damage (if significant).
- (a) Damaged Material With Residual Value. Fire damage material may have residual value that is practical and economical to recover without further destruction of resources. In such cases, an “after fire value” credit is to be deducted from the total “before fire value” in determining the amount of damage. The “after fire value” credit is to be determined by a market appraisal.
- (b) Damaged Material Without Residual Value. In cases where the fire damaged material has no tangible residual value, or the residual value cannot logically be recovered, the Purchaser is liable for the total “before fire value.”

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- (3) Demand for Damages. Fire trespass cases are processed in the same manner as cases of unauthorized cutting or removal of reserved materials discussed in Paragraph I.A2 above. Cases of arson are treated as criminal trespass; all other fire cases are treated as treated as civil trespass.
- (a) The cost of rehabilitating a burned area, discussed in Paragraph I.A3a(2) above, may or may not be subject to multiple damage assessment depending upon the provisions of applicable State law. The State Director will provide appropriate guidance to the District Office on this matter upon request.
 - (b) Demand shall be made upon the Purchaser for the total amount of actual damage (difference between the before and after values plus the cost of rehabilitation and site loss value (if applicable)) computed in accordance with appropriate liability. (See Illustration 8.) If, however, the damaged material has residual value, the Contracting Officer may extend an option to the Purchaser of paying the total amount of damage computed plus the residual value and permit him to cut and remove the damaged material. (See Illustration 9.)
 - (c) Normally the Contracting Officer must address one or two situation if the Purchaser fails to respond to the demand for damages:
 - i. If the fire occurs during an active operation (I.e., purchaser has remaining forest product to cut and/or remove), proceed with suspension procedure discussed in Paragraph II.A2a(3).
 - ii. If the fire occurs after the Purchaser is through with his cutting and removal of forest product (such as a trespass associated with a slash fire), refer the case to the Sate Director for collection action. (See Chapter II.)
- (4) Settlement. See Paragraph I.A2a(4), for deposit of payments received for trespass damages.
- (a) If the payment received represents a full settlement that includes the residual value together with the total amount of damages computed, the Contracting Officer shall permit the Purchaser to cut and remove the residual material under the terms of the contract.
 - (b) If the payment received represents a compromise offer or does not include payment for the residual value, BLM will normally retain title to the residual material. See Paragraph I.A2a(4) (b) for procedures on compromise settlements.

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4. Violations Associated with the Sale of Additional Forest Product to Timber Sale Contract. Sec. 8 of Forms 5450-3 and 5450-4, Contract for the Sale of Timber, provides for adding additional forest product on the contract area to the volume and value previously sold if such disposal is in the interest of the Government and consistent with regulatory authority. Direction for preparing a written modification for the sale of additional forest product is found at Handbook 5480-1, Chapter II.
 - a. Premature Cutting of Additional Forest Product.
Generally, BLM employees may not authorize the cutting of reserved forest product prior to completion of the necessary appraisal and transmittal of written permission to cut and remove such forest product. The only exceptions to this standard procedure exists in event of an urgent and unavoidable need to cut danger trees or a limited number of trees are needed to continue operations (guyline anchors) and when it is physically impossible for the Contracting Officer or the designated representative to visit the sale area in a timely manner. However, failure by the purchaser to obtain at least oral authorization from the Contracting Officer or the designated representative to cut such trees constitutes a forest product trespass contract violation to be processed pursuant to paragraph I.A2a. After receiving oral authorization, felled trees and resulting logs must be decked and appropriately marked as United States property and steps taken for their subsequent sale. Cutting or removal of trees designated to be added to a forest product sale before a modification has been approved constitutes a violation of the contract under Sec. 8 rather than a trespass under Sec. 13. See Illustration 10 for an example of a letter to a purchaser who has cut trees before a modification has been approved and who disagrees with the volume and/or value of trees to be added to the contract.
 - (1) Purchaser Failure to Timely Complete Contract Modification. A few situations may occur wherein premature cutting of additional forest product may be construed to be a contract payment violation rather than a forest product trespass. One example would be if the Purchaser signs and returns the modification but fails to make the necessary payment and subsequently cuts the trees. Another situation may be that all essential elements of a modification had been agreed to, but a break down in processing occurred; for example, the Purchaser requests the additional sale—the modification is sent to him—he signs the modification, but cuts the forest product prior to the return of BLM's copy of the approved modification. Such situations are considered payment violations to be processed pursuant to Paragraph I.A1., above.
 - (a) In any case where premature cutting of additional forest product occurs and there is doubt that the action constitutes a forest product trespass violation, the District Manager should forward the case file to the State Director for review. The State Director will make appropriate determination and advise the District Manager relative to disposition of the case.
5. Violations Associated with Damage to Property, Improvements; Environmental Degradation. If, in planning for a sale, damage to property, improvements, or environment may be a predicted possibility, then appropriate contract terms that provide for protection of such resources must be used. (See Handbook 5420-1 Preparation for Sale, Chapter V.)

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- a. Damage to Utilities and Improvements. The Purchaser is responsible under the terms of the contract for the protection of utilities and improvements, whether public or privately-owned, on the contract area, and for facilities used (such as roads) off the contract area where such use is authorized under the contract. Damage to such facilities constitutes a contract violation.
 - (1) Remedy. The contracting Officer shall instruct the Purchaser to repair such damage immediately or to make restitution to the property owner if the damage, by necessity, is repaired by the owner. Normally, it is advisable to stipulate in writing a period of time in which the Purchaser must repair or pay for such damage. If the Purchaser fails to do so, the operations should be suspended.

- b. Environmental Degradation. From a prevention viewpoint, appropriate monitoring of a Purchaser's operation is critical inasmuch as determination of damages and correction or repair of environmental damage is somewhat difficult to assess and/or achieve. Correction actions often result in a condition less than an equivalent pre-existing condition. In other words, it is often not possible to completely restore the damage to a satisfactory condition. Contract Forms 5450-3 and 5450-4, are very specific relating to protection of water quality, erosion control, soil damage, refuse control, disposition of waste materials, and storage and handling of hazardous materials. Additionally, special provisions may also be included in a contract for the specific care and protection of other resource values, e.g., requiring directional felling, full long suspension, and hauling road waste material, etc., to protect streamside buffers and/or fishery values. A Purchaser's failure to comply with such contract requirements is treated as a contract violation.
 - (1) Remedy. Upon discovery of such a violation, the Contracting Officer or the Contracting Officer's Designated Representative shall initiate immediate corrective action.
 - (a) For critical situations, such as a violation causing siltation of a municipal water supply, the Purchaser's entire operation shall be suspended immediately. Corrective actions are discussed with the Purchaser and must be taken as a condition of terminating the suspension .
 - (b) For less critical situations, the Contracting Officer's designated representative advises the Purchaser to cease that portion of the operation in violation of the contract and to initiate corrective action. Verbal discussions shall be reinforced with appropriate written notification. (see Illustration 11.) If the Purchaser fails to respond to instructions or to correct the damage done within the timeframe granted for restoration work, the operation should then be suspended.

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6. Other Nonperformance; Inadequate Performance. This subsection deals with all Purchaser performance requirements under a sale contract not discussed in Paragraph I.A1 through Paragraph I.A5. Contracts often include performance standards and specifications covering such items as construction of roads, bridges, fire trails, fences, fire reservoirs; felling of forest product; yarding or removal of forest product; stream clearance; slash reduction, manipulation, or disposal; payment of road use and maintenance fees to third parties; etc. At any time a Purchaser fails to comply or meet the performances standards and specifications stipulated in the contract for specific work or obligations the Purchaser is in violation of the contract.
- a. When Removal or Material Sold not Complete. If a contract violation is discovered before the removal of material sold is completed, (such as a failure to build road to specifications), the suspension procedure, if necessary, will normally be applicable.
- (1) Remedy. Upon discovery of a violation, the Purchaser must be informed immediately and instructed to correct the violation. Verbal instructions should confirmed in writing. (See Illustration 12.)
- (a) If the violation caused significant damage to resource values, the Purchaser should be advised of liability for the payment or restoration of such damage.
- (b) If the Purchaser fails to correct the violation, and/or perform restoration work required within the time allowed (if applicable, Suspend the operations under the contract.
- b. When Removal of Material Sold Completed. If a contract violation occurs after removal of all material sold is completed (such as failure to perform slash reduction measures in accordance with the terms of the contract), suspension of the contract will normally be ineffective and, thus not appropriate.
- (1) Remedy. Upon the occurrence of such a violation, the Contracting Officer must serve written notice to the Purchaser that his failure to perform is a violation of the contract. If in the interest of the Government, the Contracting Officer may grant in the notice an additional period of time in which the Purchaser must perform the work or duty required. If the purchaser fails to complete the work or duty within the additional time granted, District Manager then refers the matter to the State Director for further action.
- B. Purchaser with Historic Record of Contract Violations. A District/Resource Area Manager may be subjected to a purchaser, a purchaser's representative, or a contract logger, with a history of contract violations and a record of failure to cooperate. Such a situation creates adverse communication problems normally leading to multiple contract violations generating less than satisfactory results. When such a situation occurs, the Contracting Officer should send the Purchaser a warning letter documenting past performance and requesting a more cooperative attitude in future operations; and that failure to do so, will result in steps being taken to disqualify the Purchaser from the purchase of BLM forest products in the future. (See Illustration 13.)

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II. Suspension of Contract

- A. Processing Contract Suspensions. Contract suspension is a formal interim controlling measure used to encourage Purchaser correction of a contract violation prior to the implementation of breach of contract or cancellation procedures. Application of the suspension procedure is a serious step that may cause financial loss to the Purchaser. If such notices are issued without good cause, or in error, the Government may be held liable for damages. Except as noted hereafter, the suspension procedure is utilized only after verbal and/or written communication with the Purchaser fails to achieve the desired results. Suspension normally requires full consideration by the contracting Officer before the action is taken.
1. Suspension Notice Issued On-Site. The Contracting Officer, or the Contracting Officer's Designated Representative, may immediately suspend a Purchaser's operation without warning upon discovery of a critical contract violation of an emergency nature, where a grace period cannot be granted for correction of the violation. If the suspension is issued by the Contracting Officer's Designated Representative, the Designated Representative shall advise the Contracting Officer of the action taken as soon as possible. Examples of such emergency situations may be:
 - a. A disregard of contract fire stipulations, or State fire laws, during the closed fire season or periods of fire danger;
 - b. Contamination of a municipal water supply resulting from improper logging practices;
 - c. Negligent or wanton destruction of Government resources or environmental degradation; and
 - d. Endangerment of life.
- B. Contract Suspension Procedure. A contract is suspended when it becomes clearly evident that such action is necessary to stop or correct a contract violation. The background actions leading to the necessity for suspension shall be documented in the contract file. Except as provided in Paragraph III.B.1.a.(2)(b) and Paragraph III.B.3.b., the Purchaser has 30 days to correct the violation, or the damage done resulting from the violation, under the terms of the suspension.
1. Preparation of Suspension Notice. The Contracting Officer prepares and issues Form 5480-2, Suspension Notice. In the space provided on this form, the reason for the suspension as well as the appropriate reference to the section(s) of the contract the Purchaser has violated must be shown.
 - a. Payment Violations.
 - (1) Cash Installment Systems (Includes Overcut of Bond Credit). If the Purchaser fails to make delinquent installment payment(s) within the timeframe provided by the courtesy contact, an appropriate suspension notice shall be issued. (See Illustration 14.)

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- (2) Payment Bond Systems. Violations associated with overcutting of payment bond credits are processed pursuant to Paragraph I.A1b. If the Purchaser fails to make a delinquent billed payment within the time frame provided by the courtesy contact, an appropriate suspension notice shall be issued. (See Illustration 15.)
- (a) Payment Bond - Negotiable Securities. Together with the suspension notice, the Purchaser must be advised of the action that will be taken against the bond if the deficit payment, including any accrued interest, is not paid within the 30-day suspension grace period. (See Illustration 16.)
- (b) Cash Payment Bond - Irrevocable Letter of Credit (ILC). Together with the suspension notice, the Purchaser must be advised of the action that will be taken against the irrevocable letter of credit if the deficit payment, including any accrued interest, is not paid within the 30-day suspension grace period. (see Illustration 17.)
- (c) Payment Bond - Corporate Surety. The 30-day grace period provided in the suspension notice for the Purchaser to correct a violation before the Government takes additional action is not applicable to operation under a corporate surety payment bond. The duties of the Purchaser and surety are separate contractual arrangements. The surety agrees to make a delinquent payment within 60 days after a demand for payment by Government; thus, to activate the surety duty under the payment bond and to provide surety the opportunity escape or reduce the interest penalty, demand must be made upon surety for the delinquent payment simultaneously with the issuance of the suspension notice to the Purchaser. (See Illustration 18, and Paragraph II.C3 and II.D3.) If the delinquent payment is received from the Purchaser before surety makes payment, District/Resource Area Manager should advise surety by sending surety a copy of the written notice terminating the suspension. (See Section II.D.)
- b. Other Violations. Other than payment violation suspensions discussed in Paragraph II.B1a, all other suspensions resulting from contract violations are generally prepared in the same manner.
- (1) On-site Suspension. (See Paragraph II.A1.) A suspension notice issued in the field should be prepared in “ink” with careful attention given to referencing the section(s) of the contract which the Purchaser has violated thus generating the need for immediate suspension. The Purchaser, the Purchaser’s Representative, or Contractor must be made fully aware of the reason for such a suspension. (See Illustration 19.)
- (2) Normal Suspension. The normal suspension process occurs after verbal and/or written communication with the Purchaser fails to achieve results within the time frame permitted for correction of the violation. In addition to the appropriate contract references, the suspension notice should make reference to the verbal and/or written instructions given the Purchaser for correction of the violation of damage caused by the violation. (See Illustration 20.)

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

2. Delivery of Suspension Notice. Form 5480-2, Suspension Notice, is published in a form set of 5 copies with specific copies identified for Purchaser, Contract File, Surety, State Office, and Tickler File. Unless hand delivered, the Purchaser's copy is sent Certified Mail – Return Receipt Requested.
 - a. On-Site Delivery. If the suspension notice is hand delivered on-site, the date, time of delivery, and the person to whom the notice is delivered should be noted on the suspension notice. It may be advisable to subsequently mail or hand delivery a copy of the notice to the Purchaser's place of business as soon as possible. The tickler file copy may be used for this purpose and a machine copy then made for use in the tickler file or field file.
 - b. Notification to Surety. The surety copy of the suspension notice is normally sent regular mail to the performance bond surety; however, when demand is made under the terms of a blanket payment bond for a delinquent payment (see Paragraph II.B1a(2)(b)), the surety copy of the suspension notice and demand letter should be sent Certified Mail – Return Receipt Requested to the payment bond surety; subsequently, a machine copy of the notice is sent regular mail to the performance bond surety.
3. Permissible Operations. all operations under a sale contract are suspended under the terms of a contract suspension except such operations that are necessary to remedy the violation or the damage caused by the violation. The Purchaser may not cut and remove forest products sold while under suspension. Any such cutting or removal is treated as willful trespass.
 - a. On-site Suspension. If the Purchaser is subjected to an “on the spot” field suspension, the Authorized Officer must subsequently contact the Purchaser and arrange a meeting to discuss the actions that need to be taken to correct the violation or the damage caused by the violation. Verbal instructions given Purchaser shall be confirmed in writing.
 - b. Repair of Damage by Government. In critical situations, such as a violation resulting in environmental degradation, the 30-day grace period provided in the suspension notice for the Purchaser to correct damage may be inappropriate for achieving timely corrective action. If the Purchaser lacks the capability to act quickly, or fails to recognize the urgency of the situation, the Contracting Officer may serve written notice to Purchaser that Government will repair or restore the damage. The Purchaser must then pay the Government for the actual cost of repair or restoration work as a condition of terminating the suspension
 - c. Purchaser Failure to Respond to Suspension Notice.
 1. Payment Bond - Negotiable Securities. If the Purchaser fails to make a delinquent billed payment within the 30-day suspension grace period, the Contracting Officer initiates appropriation of the negotiable securities under the terms of the bond.
 - a. Appropriation of Securities. The Contracting Officer prepares a notice of appropriation and sends to Purchaser by Certified Mail - Return Receipt Requested. (See Illustration 21.)

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

- (1) Liquidation Process. District/Resource Area Manager sends a copy of the notice of appropriation and a request for liquidation of the negotiable securities to the Branch of Financial Management, Service Center. The value of the securities to be appropriated is the total value obligated against the bond on date appropriation occurs plus the accrued interest on the delinquent payment.
 - (a) If the cash value of the securities exceeds the total amount due the Government, the Contracting Officer refunds the balance to the Purchaser.
 - (b) If the cash value of the securities is less than the total amount due the Government, the Contracting Officer must make demand upon the Purchaser for the deficit amount as a condition of terminating the suspension.

2. Cash Payment Bond - Irrevocable Letter of Credit. If the Purchaser fails to make a delinquent billed payment within the 30-day suspension grace period, the Contracting Officer shall prepare and deliver a sight draft (see Illustration 22) to the banking institution issuing the ILC. The sight draft shall be for the amount of the delinquent payment plus accrued interest. A signed statement shall also be prepared and delivered to the banking institution certifying that the Purchaser has failed to meet the contractual obligations with regard to payments.

3. Payment Bond - Corporate Surety. If the Purchaser fails to make the delinquent payment plus accrued interest, surety is obligated to pay an amount up to the penal amount of the payment bond. If surety fails to pay within the 60 day period stipulated in the bond, District Manager forwards the file to the State Director for appropriate action. If the penal amount of bond is paid by surety and the penal amount is less than the total amount of delinquent payment, the Contracting Officer must make demand on the Purchaser for the balance of payment as a condition of terminating the suspension. (See Illustration 23.)

4. Warning Letter on Cancellation of Contract. Normally, if the Purchaser fails to remedy the contract violation within the timeframe specified in the suspension notice, or subsequent demand, the Contracting Officer sends the Purchaser a formal written warning of cancellation of the contract; however, a warning letter may not be necessary if the nature, or progress, of violation actions are such that this step is redundant. a warning letter should stipulate an additional period of time, not to exceed 30 days, in which the Purchase must correct the violation or the damage caused by the violation.
 - a. Preparation and Delivery of Warning Letter. The warning letter should include references to the nature of the violation, the suspension notice, subsequent demand and/or correspondence with the Purchaser, and the appropriate provisions of the contract concerning cancellation. (see Illustration 24.) The letter is to be sent Certified Mail - Return Receipt Requested.
 - b. Purchaser's Request for Additional Time to Correct Violation. A Purchaser's request for additional time to remedy the contract violation may be granted by the Contracting Officer if the request is reasonable and in the interest of the Government. (See Illustration 25.)

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

- c. Purchaser's Failure to Respond to Warning Letter. If the Purchaser fails to respond to the warning letter, the Contracting Officer proceeds with cancellation of the contract pursuant to Chapter III below.
- D. Resumption of Operations. Upon Purchaser correction of the contract violation, including any restoration or payment of damages which resulted in the suspension of operations, the Contracting Officer advises the Purchaser in writing that operations may be resumed. (See Illustration 26.)
1. Payment Bond - Negotiable Securities. If it is necessary for the Contracting Officer to appropriate the negotiable securities to cover the total amount obligated against the bond, the suspension notice must remain in effect until the securities are liquidated and the account settled. The appropriation action voids the bond; thus, when the suspension notice is rescinded, the Purchaser must then submit installment payments in advance of cutting in accordance with the terms of the contract unless another payment bond is filed by the Purchaser and accepted by the Contracting Officer.
 2. Cash Payment bond - Irrevocable Letter of Credit (ILC). If it is necessary for the Contracting Officer to make demand for payment against an ILC, the suspension notice must remain in effect until payment has been made and the account settled. If the amount of the demand exhausts the penal sum of the ILC, the Purchaser must then submit installment payments in accordance with the terms of the contract or make other payment bonding arrangements satisfactory to the Contracting Officer in order to resume operations.
 3. Blanket Payment Bond - Corporate Surety. If payment by surety covers the total amount of the delinquent payment, the suspension notice may be rescinded; however, the payment bond provides that upon demand by Government to surety for a delinquent payment, surety may cancel the payment bond 10 days after the Government's receipt of written notice of cancellation from surety. If surety cancels, the Contracting Officer must, within the 10-day period, evaluate all contracts covered by the bond to determine the extent of liability obligated against the bond. The Contracting Officer must then advise the Purchaser that before the effective date of cancellation sufficient funds must have been paid in on each contract to cover the amount obligated against the bond, or a new blanket payment bond must be filed to cover such contracts. If the Purchaser fails to make the necessary payments, or to file a new bond, suspension notices must be issued on all contracts covered by the bond and demand made upon payment bond surety for payment for all forest product yarded to loading points or removed from the contract areas, but not paid for, through the effective date of bond cancellation.

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

III. Cancellation of Contract.

- A. Criteria for Processing Contract Cancellation. Cancellation of a contract and recovery of damages by the Government is a highly specialized legal matter which requires legal counsel. Steps to be observed by the Contracting Officer in this matter are as follows:
1. Notification of State Director. When the time allowed the Purchaser to correct a contract violation has expired and the Purchaser has given clear evidence that such violation will not be corrected, the Contracting Officer shall forward the contract file to the State Director together with a report documenting a complete history of the contract violation, the steps taken to resolve the violation and the actions, if any, taken by the Purchaser. (See Illustration 27.) The contents of the report to the State Director shall contain the following:
 - a. All of the facts upon which the Contracting Officer's recommendation to cancel the contract is based.
 - b. The Contracting Officer's recommendation as to the various damages for which the Purchaser may be liable due to breach of contract and the approximate monetary amount of such damage if it can be estimated at this time.
 2. Concurrence by State Director. If the contracting Officer recommends cancellation of the contract and the State Director concurs in this action, the State Director shall prepare, with the assistance of the Regional Solicitor, a cancellation notice to the purchaser for signature by the Contracting Officer.

NOTE: Cancellation notices are prepared only in those cases where the cutting and removal rights under the contract have not expired and forest product remains to be cut. In cases where all the forest product has been cut and removed, no real purpose is served by the cancellation notice.
 3. Determination of Damages. The Government is entitled to the benefits provided by the contract including payment for the forest product and satisfactory completion of all contractual requirements. Failure to complete any or all such contract requirements results in damages to the Government. On the other hand, the Purchaser is entitled to a credit against any amount which is due and owing the government for forest product remaining on the contract area. The determination of damages shall consider these entitlements.

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- a. Determination of General Damages. The formula for computation of general damages is as follows:

$$D = T - (P+V) + (A+U)$$

Where:

D = General damages due the Government

T = Total purchase price of contract

P = Total amount paid by Purchaser

V = Value of remaining forest product

A = Administrative costs of resale

U = Uncompleted contract requirements, i.e., roads, slash disposal, etc.

- b. Valuation of Remaining Forest Product. If forest product remains on the contract area and there is a balance due on the purchase price, such forest product shall be reappraised and offered for competitive sale. The appraisal of such forest product should reflect the cost of completing all remaining contractual items left undone by the defaulting Purchaser. The forest product shall be offered for sale under the identical terms and conditions of the original sale insofar as possible. The latest contract form for the sale of forest product should be used for the resold forest product. If the remaining forest product is not sold, the reappraised price from a fair market value appraisal shall then be used as a measure of value of the remaining forest product. However, the amount of credit to be allowed the purchaser for the value of the remaining forest product as determined by resale or reappraisal may not exceed the total value of the remaining forest product based on the contract unit prices for the forest product set forth in the contract. Illustration 28 displays several examples of credit computations.

4. Demand for Damages. a demand for damages must be made upon the Purchaser as soon as general damages have been determined. As a rule, the demand will be prepared by the State Director with the assistance of the Regional Solicitor for signature by the Contracting Officer. If the Purchaser fails to pay the full amount of the damages within 30 days of receipt of the demand letter, demand for damages is then made on Purchaser's surety. If the Purchaser disputes the damages under Section 37 of the contract, a demand should not be made on the Purchaser's surety until after the Contracting Officer's decision has been issued which upholds the claim and the Purchaser fails to pay within 30 days of the decision. In either case, the Purchaser would be responsible for interest which accrues as a result of the amount due from the time of the initial billing for damages.
5. Final Actions. The following actions will be taken depending upon the circumstances of the case.

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

- a. Payment In Full. When the total amount of damages is paid upon demand by either the Purchaser or surety, or both, a receipt is issued in the normal manner and the Purchaser is released from further liability. Illustration 29 is an example of a sample letter to use in such instances.
- b. Payment of Penal Sum by Surety. When the surety pays the penal sum of the bond, but the damages to the Government exceed this amount, a receipt is issued to the surety for the sum received. The surety is advised that their obligation under the bond has been fulfilled and that they are released from further liability. (See Illustration 30.) The canceled bond is retained by the Bureau. It is also necessary under such circumstances to notify the Purchaser by letter that the obligation has been reduced by the amount paid by surety and to renew demands for the balance. Illustration 31 is an example of a sample letter to use in such instances.
- c. Failure to Pay. When the Purchaser or surety; or both, fail to respond to demand for payment of damages, the matter becomes a delinquent account and should be handled in accordance with Manual Section 1375.

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

IV. Settlement of Uncompleted Contract.

A. Procedures for Settlement of Uncompleted Contract. An uncompleted contract is a contract where cutting and removal rights under the contract have expired and payment and/or contractual requirements have not been completed, or the Purchaser or trustee in bankruptcy has rejected the contract. Like cancellation of a contract, settling uncompleted contracts and recovery of damages by the Government is a highly specialized legal matter that requires legal counsel. Steps to be observed by the Contracting Officer in this matter are as follows:

1. Notification of Purchaser and Surety. The Purchaser and surety are notified that the time for cutting and removal as set forth in the contract has expired. If contractual requirements remain to be completed, including payment of the total purchase price, the notice should remind the Purchaser of such remaining requirements. The Purchaser should be allowed a maximum of 30 days to comply:

NOTE: Under standard operating procedures as set forth in Handbook 5460-1, Chapter III, a Purchaser would have been given both a 90-day courtesy notice of expiration of cutting and removal rights and a more forceful 30-day notice reminding the Purchaser of remaining contractual obligations.)

2. Notification of State Director. When the time allowed the Purchaser to complete contract requirements has expired and the Purchaser has given clear evidence that the contract requirements will not be completed, the Contracting Officer shall forward the contract file to the State Director together with a report documenting a complete history of the contract, the steps taken to resolve the situation, and the actions, if any, taken by the Purchaser. The contents of the report to the State Director shall contain the following:
 - (1) All the facts with regard to the situation.
 - (2) The Contracting Officer's recommendation as to the various damages for which the Purchaser is liable due to failure to complete the contract and the approximate monetary amount of damages if such damages can be estimated at the time.
3. Advice to Contracting Officer. The State Director, upon review of the facts of the case and in consultation with the Regional/Field Solicitor, will provide the Contracting Officer with instructions and actions to take. Generally, this will involve the computation of general damages to which the Government is entitled because of failure on the part of the Purchaser to perform.

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

4. Determination of Damages. The Government is entitled to the benefits provided by the contract including payment for the forest product and satisfactory completion of all contractual requirements. Failure to complete any or all such contract requirements results in damage to the Government. On the other hand, the Purchaser is entitled to a credit against any amount which is due and owing the government for forest product consider these entitlements. The formula to use in the computation of general damages is set forth in Paragraph III.A3a. If the forest product remains on the contract area, be guided by Paragraph III.A3b in the valuation of such remaining forest product.
5. Demand for Damages. A demand for damages must be made upon the Purchaser as soon as general damages have been determined. As a rule, the demand will be prepared by the State Director with the assistance of the Regional/Field Solicitor for signature by the Contracting Officer. If the Purchaser fails to pay the full amount of the damages within 30 days of receipt of the demand letter, demand for damages is then made on Purchaser's surety. If the Purchaser disputed the damages under Section 37 of the contract, a demand should not be made on the Purchaser's surety until after the Contracting Officer's decision has been issued which upholds the claim and the Purchaser fails to pay within 30 days of the decision. In either case, the Purchaser would be responsible for interest which accrues as a result of the amount due from the time of the initial billing for damages.
 - a. Situations Involving Bankruptcy. If the Purchaser has filed for bankruptcy, do not send a demand for damages. The contract file together with a summary of contract status shall be sent immediately to the State Director with a request for legal advice on how to proceed. Further action is dependent upon advice of the State Director. Generally bankruptcy situations are handled directly by the Regional/Field Solicitor.
 - b. Payment of Penal Sum by Surety. when the surety pays the penal sum of the bond, but the damages to the Government exceed this amount, a receipt is issued to the surety for the sum received. The surety is advised that their obligation under the bond has been fulfilled and that they are released from further liability. The canceled bond is retained by the Bureau. (See Illustration 30.) It is also necessary under such circumstances to notify the purchaser by letter that the obligation has been reduced by the amount paid by surety and to renew demands for the balance. Illustration 31 is an example of a sample letter to use in such instances.
 - c. Failure to Pay. when the purchaser or surety, or both fail to respond to demand for payment of damages, the matter becomes a delinquent account and should be handled in accordance with Manual Section 1375.

Glossary of Terms

-A-

Additional sale: a sale of additional forest product to an existing contract for any variety of reasons. An “additional sale” is a form of “other than advertised sale.”

Authorized officer: an employee of the Bureau of Land Management, to whom has been delegated the authority to take action.

-C-

Contract cancellation: the action taken by the Authorized Officer to rescind the Purchaser’s contract rights for 1) failure to correct a contract violation, or 2) when determined by the Authorized Officer that continued operation of the contract would be adverse to the public interest.

Contract modification: a contract modification is a change in the terms of an approved forest product sale contract.

Contracting officer: the Bureau of Land Management official who would have authority to execute a timber sale contract and delegate authority to take action in connection with such contract.

Contract suspension : a formal notification to a purchaser which suspends all contract operations except those necessary to correct the contract violations.

Contract violation: a purchaser’s failure to perform or abide by any of the contract terms.

-D-

Designated representative: any employee of the Bureau of Land Management who has been duly authorized to exercise certain rights and duties of the Authorized Officer.

-P-

Purchaser’s representative: any employee of the Purchaser who has been duly authorized by the purchaser to receive notices or instructions from the Authorized Officer.

-S-

settlement of uncompleted contract: the action taken by the Authorized Officer to recover damages from the Purchaser in situations where cutting and removal rights have not been satisfactorily completed.

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO

(District Address)

October 3, 1983

John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

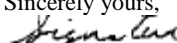
We are writing relative to the over-cutting problem associated with operations under your Timber Sale Contract No. OR080-TS3-000.

The record shows that for the two-month period extending from August 1, 1983 through October 1, 1983, it was necessary for this office to contact you 12 times concerning over-cutting and submission of delinquent installment payment. Simply stated, the problem is that you are cutting at a much greater rate than submission of payments to maintain payment credits in advance of cutting. You have been advised a number of times to increase the level of your installment payment submissions; however, your payments continue to be submitted at inadequate levels.

Submitting timely payments is your responsibility. Sec. 3 of the contract provides: "...each subsequent installment shall become due and payable without notice whenever the value of timber cut or removed equals the sum of the second and subsequent installments paid by purchaser. No timber may be cut or removed until such payment has been made,..." Your failure to comply with this payment requirement is a violation of your timber sale contract.

Please be advised that any further over-cutting of this contract will result in a suspension of your operations without further warning. Sec. 10.(c) of the contract provides: "If Purchaser's operations are suspended because of Purchaser's failure to make an installment payment when due, the Authorized Officer may require Purchaser to pay the entire remaining balance of the purchase price as a condition of terminating the suspension."

To avoid this situation, we recommend that you take immediate steps to correct your installment payment submission problem.

Sincerely yours,

District Manager

cc:
Surety

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO:

(District Address)

October 7, 1983

John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

Your payment of \$23,596.00 for the unauthorized cutting and removal of timber reserved under Timber Sale Contract No. 0R080-TS3-000 (Trespass File No. OK-80-000) is acknowledged and accepted as Payment in full for the timber damages and road maintenance fees.

The case is hereby closed.

Sincerely yours,

A handwritten signature in cursive script.

District Manager

cc:
Surety

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO:

(District Address)

October 7, 1983

John Doe Lumber company
P.O. Box 000
City, State Zip Code

Gentlemen:

Your payment of \$71,010.00 for the unauthorized cutting of timber reserved under Timber Sale Contract No. OR080-TS3-000 (trespass File No. OR-08-0000) is acknowledged and accepted as full payment for the timber damages.

The stumps of the trespass trees have been marked with blue paint. There remains on the contract area the estimated 153 M bd. ft. cut in trespass. You may remove this timber under the terms and conditions of your timber sale contract subject to the following:

1. the timber shall be high-lead yarded to the landing area in clear cut Unit #1 shown on Exhibit A.
2. The fire trail to be constructed around Unit 1 must be extended to Include the two acres of trespass area.
3. Road maintenance fees of #229.50 must be paid to BLM for this timber. The total maintenance fees required to be paid under Section 41.h. of the contract is now \$8,729.50.
4. Road use fees of \$153.00 must be paid to ABC Lumber Co. for this timber. The total road use fees required to be paid under Sec. 41. m of the contract is now \$4,250.00.

If you are in agreement with the above, please have an officer of your company who is authorized to sign Bureau of Land Manager timber sale contracts execute all copies of this letter and return them to this office together with your check in t he amount of \$229.50 to cover road maintenance fees.

When this letter has been approved by the Authorized Officer for the Bureau, your Approved copy will be returned to you with your authority to remove the residual Trespass volume under the terms of your contract as stipulated herein.

Sincerely yours,

(Signature)
District Manager

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT
Example of Acceptance Letter for Trespass with Residual
Material; Contract Cutting and Removal Time Expired



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO:

(District Address)

July 12, 1984

John Doe Lumber Company
P.O. Box 000
City, Cstate Zip Code

Gentlemen:

We have received your payment at \$11,000.00 which represents full payment for timber damages resulting from the unauthorized cutting of reserved timber under Timber Sale Contract No. OR080-TS-000 (Trespass File No. OR-0-0000).

There remains on the partial cut area of the contract approximately 25 MBF cut in trespass. The stumps of all the trespass trees have been marked with red paint. The area has been examined with your sales representative who is aware of the location of the residual material.

We will authorize you to remove this residual material under the terms of your Sale contract subject to the following:

1. The time for cutting and removal of timber sold under the contract expired July 11, 1984; therefore, we will provide you an additional month to remove the residual material. Any residual trespass material remaining on the contract area after August 11, 1984, will become property of the Government.
2. Logging of the residual material must conform to the logging plan developed for the partial cut area.
3. Pursuant to Section 12 and Sec. 41.0, of the contract, a road maintenance fee of \$125.00 must be paid to the Government for the total trespass volume.

If you are in agreement with the above, please have an officer of your company who is authorized to sign Bureau of Manager timber sale contracts execute all copies of this letter and return them to this office together with your check in the amount of \$125.50 to cover road maintenance fees.

When this letter has been approved by the Authorized officer of your company approved copy will be returned to you with your authority to remove the residual trespass volume under the terms of your contract as stipulated herein.

Sincerely yours,

(Signature)

District Manager

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Acknowledgement Letter; Compromise Offer on
Material Trespass Contract Violation



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO:

(District Address)

October 3, 1983

John Doe Lumber Company
P.O. Box 000
City, State Zip

Gentlemen:

This is to acknowledge receipt of your offer of settlement and check in the amount of \$5,000.00 for the inadvertent, but unauthorized cutting of 25 M bd. ft. of reserved timber under Timber Sale Contract No. ORO8-TS3-000 (Trespass File No. OR-08-0000).

As the offer submitted is less than the double damage amount billed, it is considered a compromise offer that must be reviewed by our State Director for a determination of acceptability. we will advise you as soon as that office has reached a decision.

There remains a portion of the trespass timber on the contract area (10 M bd. ft.). This residual material has been marked with red paint. You cannot remove this material at this time. Any such removal will be treated as a willful trespass.

Please advise if you should have questions in this matter.

Sincerely,

(Signature)

District Manager

cc: Surety

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Acceptance Letters; Compromise Offer on
Material Trespass Contract Violation



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO:

(District Address)

October 12, 1984

John Doe Lumber Company
P. O. Box 000
City, State Zip Code

Gentlemen:

Please refer to our letter dated October 3, 1984, concerning your compromise offer settlement for Timber Trespass No. OR-08-0000 associated with operations under Timber Sale Contract No. OR08-TS-000.

This office has been advised by the State Director that your compromise offer is accepted and the case is closed. Title to the residual trespass material located on the contract area remains with the Government and you may not remove that material.

Sincerely,

District Manager

cc: Surety

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Courtesy Notice; Warning of Suspension
for Logging Damage



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO:

(District Address)

October 8, 1984

CERTIFIED MAIL
RETURNED RECEIPT REQUESTED

John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

On October 7, 1984, a review of your operations under Timber Sale Contract OR)80-TS3-000 by Mr. Smith of this office, revealed that your logger, Mr. Roe, has continued to yard in the thinning area in a careless manner causing significant debarking of reserved timber. This is in violation of the logging plan developed for this sale and Sec. 13 of the contract.

Mr. Smith has repeatedly cautioned your sale representative, _____, and your logger to exercise greater care in yarding the thinning area. These discussions occurred on September 21, 25, 27 and 30 of this year.

This letter is to serve notice that you are being held liable for trespass damages for the reserved trees seriously damaged. These trees have been marked with paint. A trespass billing will be sent to you as soon as the market appraisal is completed. You may not cut these marked trees.

Furthermore, please be advised that the careless yarding techniques must be corrected immediately, and you must comply with the conditions of the logging plan. If, upon our next inspection, the situation is not corrected, or there is a recurrence of the same problem on this contract, your operations will be suspended pursuant to Sec. 10 of your contract without further warning.

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO:

(District Manager)

December 28, 1983

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

On December 3, 1983, fires started by you or persons for whose actions you were Responsible, while burning slash on Timber Sale Contract No. OR080-TS2-000, Located in (legal description) were allowed to escape and burn adjacent timber Reserved under the terms of the timber sale contract.

Investigation of this escaped slash fire has revealed that you failed to follow the provisions of the slash disposal plan issued on September 9, 1983 in accordance with Sec. 15 of the contract. You did not follow four provisions of the slash proposal plan: 1) you failed to secure permission or arrange for appropriate supervision from the Bureau of Land Management prior to burning 2) you failed to have required fire suppression equipment at the site of the slash burning Operation; 3) you failed to have six men at the site of the slash burning operation; and 4) you failed to burn out the upper and outer edges of the clear cut unit prior to lighting fires at the bottom edge. The weather conditions prior to and on December 3, 1983, were such that your failure to comply with the above-mentioned provisions of the slash disposal plan constitute gross negligence.

The following timber was destroyed by fire:

Species	Volume (MBF)	Unit Price	Market Value
Douglas-fir	35.0	\$175.00	46,125.00
Western hemlock	3.5	100.00	350.00
Pacific Silver fir	7.5	80.00	560.00
Noble fir	3.5	90.00	315.00
Total	49.5		\$7,350.00

Because of the adverse location of the burned area and the small diameter of the diameter of the trees burned, it is not economically feasible to recover any of the burned timber; therefore, it is our determination that the timber destroyed does not have tangible creditable residual value.

With respect to rehabilitation of the 8 acres burned: 1) the dead trees will be left standing for whatever wildlife value they may have; and 2) the estimated cost of grass seeding for erosion control and tree planting is \$689.00.

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT
Example of Demand for Fire Damages
Material Without Residual Value

2

The total amount of fire damage computed: the value of the timber destroyed (\$2,350.00) plus the cost rehabilitation (\$680.00) is \$8,000.00.

From the facts now available to us, your liability is governed by ORIS 477.040. Demand is hereby made on you for \$16,060, which is double the total amount of Damages. Please submit your payment to this office within 30 days from receipt Of this demand

Sincerely yours,

(Signature)

District Manager

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Demand for Fire Damages; Material With Residual Value



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO:

(District Address)

August 22, 1984

CERTIFIED MAIL
RETURNED RECEIPT REQUESTED
John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

On July 25, 1984, while building road under the terms of Timber Sale Contract No. ORO80-TS3-000, located in (legal description), a fire started by you or persons for whose action you were responsible, escaped off the right-of-way area and damaged adjacent timber reserved under the terms of the timber sale contract.

Investigation of this fire has revealed that you were utilizing fuses and blasting caps which caused the fire. The use of this blasting technique is prohibited during a state declared closed fire season. The State Forester has cited you for violation of ORS 477.510. Your failure to abide by State law is a violation of Sec. 15 of your contract, and you are liable for damages caused by the fire.

The trees killed or seriously damaged by the fire have been marked with blue paint. These trees are jointly examined by Mr. Smith of this office and Mr. Rose, your sales representative.

Our appraisal estimates of the volume and value of this timber are as follows:

A. Volume and value before fire:

<u>Species</u>	<u>Volume M. bd. ft</u>	<u>Unit Price</u>	<u>Market Value</u>
Douglas-fir	50	\$240.00	\$12,000.00
Western red cedar	10	195.00	<u>1,950.00</u>
Total	60		\$13,950.00

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Demand for Fire Damages; Material With Residual Value

2

B. Volume and value after fire:

<u>Species</u>	<u>Volume</u> M. bd. ft	<u>Unit Price</u>	<u>Market Value</u>
Douglas-fir	48	\$144.00	\$ 6,480.00
Western red cedar	8	117.00	<u>934.00</u>
Total	60		\$13,950.00

The value loss suffered by the Government is the value before fire minus value after fire: \$13,950.00 minus the \$7,426.00 equals \$4,534.00. The area burned over is so small that it will not require specific rehabilitation measures; thus, rehabilitation is not considered an element of damage for this case.

From the facts now available to us, your ability is governed by ORS 477,090, which Provides for double the amount of damages; therefore your damage liability is \$6,534.00 x 2 = \$13,068.00.

Now then, we may extend two alternative to you in settlement of this case:

Alternative I

You may elect to gain title to the damaged timber under the terms and conditions of the original contract by submitting the sum of \$20,484.00 representing full payment for the value of the timber before the fire plus the value loss due to the fire.

Alternative II

You may elect to pay only the amount of computed damages, \$31,068.00 and under This circumstances BLM will retain title to the damaged timber.

Within 10 days from your receipt of this letter, please elect either Alternative I or II, and submit payment to this office of \$20,484.00 for Alternative I or \$13,068.00 for alternative II. If you elect Alternative I, subsequent authorization and instructions will be issued by this office relative to the cutting and removal of this timber.

Your failure to respond to this demand may result in suspension of operations on Your timber sale contract.

Sincerely yours,
(Signature)
District Manager

cc:
Surety

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Letter to Purchaser When Trees Are Cut before
Approval of a Written Modification



United States Department of the Interior

BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO:

(District Address)

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

(Purchaser's Name)
(Business Address)

(Salutation)

This is in reference to your refusal to execute a modification for trees cut on your Timber Sale Contract : OR080-TS8-000, Fly Speck.

On May 10, 1988, Contract Modification No. 1 was prepared in order to memorialize the agreement which had been reached for the cutting of two (2) guyline trees. Verbal permission was previously granted to your company representative, (Name), and your logger, (Name), by our contract administrator, (Name), for you to cut these trees as a convenience to you by not disrupting your logging operations. The additional trees were marked and cruised and the modification prepared which was to be signed by your designated representative. because you failed to sign the modification, your operations were suspended on May 15, 1988.

On May 16, 1988, (Name), your company representative indicated they would not sign the modification because the value of \$230 per MBF for the Douglas-fir was too high and they would not buy the trees. This modification is in accordance with Section 8, Sales of Additional Timber, as the value was determined by following Bureau of Land Management prescribed procedures. We have re-evaluated the value appraisal of this additional timber and find the values are reasonable. The cutting of the trees indicated (Purchaser's Name) intent and concurrence to purchase the additional volume according to Section 8 of your Timber Sale Contract.

Section 8 of your Timber Sale Contract reads as follows:

Section 8. Sales of Additional Timber - If the Authorized Officer and Purchaser agree that additional timber should be removed and the Authorized Officer determines that the sale will not be detrimental to the interests of Government and is within the provisions of 43 CFR 5402.0-6, the, the Authorized Officer shall grant written permission to Purchaser to cut and remove such timber. If permission is granted, Purchaser shall pay for such timber at a price determined by the Authorized

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Letter to Purchaser When Trees Are Cut Before
Approval of a Written Modification

2

Officer in accordance with the Bureau of Land Management prescribed procedures. The value of such timber shall be added to total purchase price in Sec. 2. Payment for such timber contract payments required by Sec. 3(b) or 3(d) have been made, payment for such timber shall be made in advance as a condition of granting such permission.

The additional timber cut by you to facilitate your logging operations on modification No. 1 is shown below:

<u>No. of Trees</u>	<u>Species</u>	<u>Estimated Volume M. bd. ft.</u>	<u>Price Per Unit</u>	<u>Amount of Estimated Volume % Unit Price</u>
2	Douglas-fir	7	\$230.00	\$1,610.00

The fact that your company has failed to respond by not signing Contract Modification No. 1 makes it necessary for the Government to exercise its right under Section 8 of the contract by adding the above value and volume to Exhibit B of our contract for the purposes stated in Section 3(e). In addition, the total purchase price of your contract shown in Section 2 is increased by \$1,610.00 to a total of \$251,300.00. If you disagree with this determination, you may submit a claim to the Contracting Officer in accordance with Section 37 of your contract.

Accordingly, the suspension notice issued on May 15, 1988, is hereby terminated and you may now resume all contract activities.

Sincerely,



Area Manager

cc:
Surety

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Notice to Correct Damage Associated
Environmental Degradation

	<p>United States Department of the Interior BUREAU OF LAND MANAGEMENT WASHINGTON, D.C. 20240</p>	
<p>(District Address)</p>		<p>IN REPLY REFER TO</p>
<p>July 29, 1984</p>		
<p>John Doe Lumber Company P. O. Box 000 City, State Zip Code</p>		
<p>Gentlemen:</p>		
<p>A recent inspection of your Timber Sale Contract OR080-TS3-000 revealed that your road builder had side cast a considerable quantity of dirt and rock into Fall Creek. This side casting is in violation of Section 25(a) and (b) of the contract.</p>		
<p>We consider this a serious violation in view of the water quality and fisheries values associated with Fall Creek. To remedy the damage resulting from this violation we will require that the items of work listed below be done as soon as possible, but in no case later than the dates set forth by listed items. Failure to complete work by these dates may result in action to suspend your operations pursuant to Sec. 10(s) of the contraction.</p>		
<ol style="list-style-type: none">1. Completed road reconstruction listed under Item 46 of Exhibit c by August 15, 1984.2. Immediately after road construction is completed remove rocks and large debris from Fall Creek. Large rocks suitable for rip rap will be used to contract a rock blanket at the toe of the denuded slopes in a location selected by the BLM. Work to be completed by September 15, 1984.3. Seed the slopes denuded by side casting with a seed mixture Satisfactory to BLM. Mulch seeded areas with straw and tie mulch Down with nesting. Other mulches and anchoring procedures may be Used with the prior approval of the BLM. Work to be completed by September 15, 1984.		
<p>All of these items were discussed in considerable detail at an on-site meeting On July 26, 1984 attended by representatives of the Oregon Department of Fish and Wildlife, Oregon State Department of Forestry, BLM and your company.</p>		
<p>If you have any questions about what should be done, please contact this office for clarification.</p>		
		<p>Sincerely yours, (Signature) District Manager</p>
<p>c: Surety</p>		

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT
Example of Confirmation of Verbal Instruction
to Correct Violation



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO:

(District Address)

October 4, 1984

John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

On October 3, 1984, Mr. Smith of this office jointly reviewed the operations under your Timber Sale Contract No. OR080-TS3-100 with Mr. Roe, your designated representative.

This examination revealed that road construction was not progressing pursuant to the plans and specifications stipulated in "Exhibit C" of the contract. Your road contractor is not building the road according to the road design (plan and profile), which, of course, is in violation of the road construction requirements of the contract.

Mr. Smith instructed Mr. Roe to have your contractor immediately start over, beginning at Station 0+00, building the road to its designed specifications. This letter is confirmation of that instruction.

Sincerely yours,

(Signature)

District Manager

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Disqualification Warning Letter; Purchaser
With History of Contract Violations



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO:

(District Address)

September 30, 1984

John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

This letter is to express concern relative to the frequency of your timber sale contract violations associated with operations under BLM sale contracts. A brief Recent history is as follows:

Fiscal Year 1984 to date:

1. Contract OR08-TS3-000. Trespass violation involving the girdling of Reserved timber; four violations with road construction and yarding.
2. contract OR08-TS2-000. Trespass violation involving the cutting of reserved timber in the thinning area.
3. Contract OR080-TS1-000. Violation of State Law operating power driven equipment during fire danger close-down period. Contract suspension for a payment violation.

Fiscal Year 1983:

1. Contract OR080-TS3-000. Trespass violation involving the removal of a log deck reserved under the contract and sold to another party.
2. Contract ORO80-TS2-000. Trespass violation involving the cutting of reserved timber behind a clearly marked posted and painted cutting boundary.
3. Contract ORO80-TS1-000. Two contracts suspension; one for a failure to build road to specifications and the other for a payment violation.
4. Contract ORO80-TS4-000. Trespass violation involving the damaging of reserved timber in the thinning area.
5. Contract ORO80-TS3-000. Trespass violation involving the cutting of reserved reserved timber in the partial cut area.

The records show that our designated representative discussed the special and standard provisions for each contract in detail with your company representative and contact loggers in the field prior to the start-up of operations. Our representative was also readily available to provide for any additional timber needed for the normal conduct of logging. Additionally, he has repeatedly warned your people not to cut or damage reserved timber. The records also reveal that many contacts were made to you concerning over-cut situations, delinquent payments, and other types of contract violations. We have had a number of

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION

SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Disqualification Warning Letter; Purchaser
With History of Contract Violations

2

discussions with your responsible officials concerning this matter resulting in little noted improvement.

Your performance history leads us to believe your company is demonstrating laxity and negligence in communicating with your contract loggers relative to the need to comply with the terms and conditions of BLM contracts, as well as providing appropriate monitoring or contract supervision. We suggest that you study your organizational effectiveness and correct the problem area.

Monitoring your sale operations by BLM is requiring inordinate time and energy; thus, please be advised that if the contract violation problem continues at the present level, it will be necessary for this office to recommend that you be disqualified from the purchase of the BLM timber as a non-responsible operator.

Sincerely yours,

District Manager

cc:
Surety

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Suspension Notice - Delinquent Payment,
Payment Bond System

Form 5480-2 (April 1975)	UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT	Contract Number OR080-TS3-000
	SUSPENSION NOTICE	Date October 19, 1989
	John Doe Lumber Company P. O. Box 000 City, State, Zip Code	INSTRUCTIONS District office prepares one (1) set. Original must be signed by Authorized Officer.
		CERTIFIED MAIL RETURN RECEIPT REQUESTED

Gentlemen:

A recent inspection of your operation under the above timber sale contract located in (legal description)

Reveals the following contract violation(s): Failure to make timely payment of \$125,000.00 that was billed to you on October 1, 1989, pursuant to Sec. 3(e) of the contract, for timber removed from the contract area.

Section 10(a) of the timber sale contract provides that:

“If Purchaser violates any provision of this contract, the Authorized Officer may, by written notice, suspend any further operations of Purchaser under this contract, except such operations as may be necessary to remedy the violation. If Purchaser fails to remedy the violation within thirty (30) days after receipt of a suspension notice, the Authorized Officer may, by written notice, cancel the rights of the Purchaser under this contract and take appropriate action to recover all damages suffered by Government by reason of such violation, including application toward payment of such damages of any advance payments and any performance bonds, or, where applicable, any payment bonds; Provided, however, that if the violation involves nonpayment of amounts due for timber cut and/or removed under a payment bond of a corporate surety, the Authorized officer must, in addition to the above requirements, allow sixty (60) days after making demand upon surety for any payment due before cancelling the rights of Purchaser.

Notice is hereby given that all further operations under this contract are hereby suspended except such operations as may be necessary to remedy the above-described violation(s). If you should cut or remove any timber sold under this contract during the period of suspension, such cutting or removal shall be considered a willful trespass and render you liable for damages under applicable law.

Upon correction of the above-described violation(s), please notify the district office for further inspection. Yu may not proceed with your cutting or logging operations until you receive written authorization from the Authorized Officer.

Sincerely yours

cc: Payment Bond Surety
Performance Bond Surety

District Manager

PURCHASER

CONTRACT FILE
SURETY
STATE OFFICE
TICKLER FILE (30 DAYS)

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Letter to Purchaser Concerning Forfeiture of
Negotiable Security Payment Fond for Delinquent Payment



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO

(District Address)

October 17, 1984

John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

Your cutting and removal of timber, associated with Timber Sale Contract No. OR080-TS3-000 is covered under a Negotiable Security Payment Bond in the amount of \$300,000.00. the billing date agreed to four this contract is the first day of each month.

On October 1, 1984, you were billed for the amount of \$125,000.00 for timber removal from the contract area. Consistent with Sec. 3(e) of the contract, the billing notice stipulated that the payment be submitted to this office no later than October 16, 1984. In our telephone conversation with you on October 16, 1984, we advised you to have this payment into this office on or before October 17, 1984, or it would be necessary to suspend your operations. This payment was not received; therefore, your entire operation is suspended pursuant to the enclosed notice.

In accordance with Sec. 3(q) of your contract, interest on the unpaid amount will accrue at the rate of 6 percent per annum (\$20.55/day) beginning on October 31, 1984.

If the subject payment together with any accrued interest is not paid within the 30-day period provided in the suspension notice, it will be necessary to appropriate your securities under the terms of the payment bond. The amount to be appropriate will be the total value obligated against the bond at the time of appropriation. An appropriation action will void the payment bond and you will no longer be able to operate under the bond. It will then be necessary for you to continue operations under a cash installment basis unless other payment bond arrangements are made prior to termination of suspension.

Please advise if you have questions in this matter.

Sincerely yours,

(Signature)
District Manager

Attachment: Suspension Notice
cc: Surety

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Letter to Purchaser Concerning Action Against
Irrevocable Letter of Credit



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



(District Address)

October 17, 1984

John Doe Lumber Company
P. O. Box 000
City, State Zip Code

Gentlemen:

Your cutting and removal of timber, associated with Timber Sale Contract No. OR080-TS3-000 is covered under a Cash Payment Bond in the amount of \$100,000.00. The billing date agreed to for this contract is the first day of each month.

On October 1, 1984, you were billed for the amount of \$55,000.00 for timber removal from the contract area. Consistent with Sec. 3(e) of the contract, the billing notice stipulated that the payment be submitted to this office no later than October 16, 1984. In our telephone conversation with you on October 16, 1984, we advised you to have this payment into our office on or before October 17, 1984, or it would be necessary to suspend your operations. This payment was not received; therefore, your entire operation is suspended pursuant to the enclosed notice.

In accordance with Sec. 3(g) of your contract, interest on the unpaid amount will accrue at the rate of 6 percent per annum (\$20.55/day) beginning on October 31, 1984.

If the subject payment together with any accrued interest is not paid within the 30-day period provided in the suspension notice, it will be necessary to present a sight draft to ABC National Bank under the terms of Irrevocable Letter of Credit No. 000. The amount of the sight draft will be the amount of the delinquent payment plus accrued interest.

Please advise if you should have questions in this matter.

Sincerely yours,

(Signature)

District Manager

Attachment: Suspension Notice
cc: ABC National Bank

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Demand Upon corporate Blanket Payment
Bond Surety for Delinquent Payment



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



(District Address)

October 17, 1984

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

ABC Surety Company
P.O. Box 000
City, State Zip Code

Gentlemen:

Enclosed is a copy of a suspension notice sent to John Doe Lumber Company in connection with operations under Timber Sale Contract No. OR080-TS3-000. Cutting and removal of the timber sold under this contract is covered by a Blanket Payment Bond No. BND 00-000-0, dated May 20, 1982, with your company.

On October 1, 1984, John Doe Lumber Company was billed in the amount of \$225,225.00 for timber cut and removed from the contract area. In accordance with the terms of the contract, this payment was to be made to this office no later than October 16, 1984. Interest on this unpaid amount will accrue at the rate of 6 percent per annum (\$37.02/day) beginning on October 31, 1984.

On October 16, 1984, we contacted Joe Doe Lumber Company advising them: 1) to have the delinquent payment into this office on or before October 17, 1984, and 2) if payment was not received by such date, their operation would be suspended and demand made upon surety for the deficit payment.

The company failed to respond to the payment requirement; therefore, pursuant to the terms of the blanket payment bond and the timber sale contract, demand is hereby made upon you, as payment bond surety, for the delinquent payment in the amount of \$225,225.00 together with any amounts that may become due as accrued interest.

If you require further information in this matter, please contact this office.

Sincerely yours,

(Signature)

District Manager

Attachment – Copy Suspension Notice

cc: Performance Bond Surety

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of On-Site Suspension Notice; Violations
Other than Payment

Contract Number	OR 080-753-000
Date	Oct 26, 1989
INSTRUCTIONS	
District office prepares one (1) set. Original must be signed by Authorized Officer.	
CERTIFIED MAIL RETURN RECEIPT REQUESTED	

Form 5480-2
(April 1975)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUSPENSION NOTICE

John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

A recent inspection of your operations under the above time sale contract located in
(legal description)

reveals the following contract violation(s): Tractor yarding in the required high lead yarding area in Unit #1 causing serious siltation of South Fork Clackmas River (municipal water supply) in violation of Section 25 of the contract. this suspension was discussed on the contract area with Mr. Jack Wilson, your site representative and Mr. Melvin Jones, your contract logger.

Section 10 a of the timber sale contract provides that:

“If Purchaser violates any provision of this contract, the Authorized Officer may, by written notice, suspend any further operations of Purchaser under this contract, except such operations as may be necessary to remedy the violation. If Purchaser fails to remedy the violation within thirty (30) days after receipt of a suspension notice, the Authorized Officer may, by written notice, cancel the rights of the Purchaser under this contract and take appropriate action to recover all damages suffered by Government by reason of such violation, including application toward payment of such damages of any advance payments and any performance bonds or, where applicable, any payment bonds; Provided, however, that if the violation involves nonpayment of amounts due for timber cut and/or removed under a payment bond of a corporate surety, the Authorized Officer must, in addition to the above requirements, allow sixty (60) days after making demand upon surety for any payment due before cancelling the rights of Purchaser.”

Notice is hereby given that all further operations under this contract are hereby suspended except such operations as may be necessary to remedy the above-described violation(s). If you should cut or remove any timber sold under this contract during the period of suspension, such cutting or removal shall be considered a willful trespass and render you liable for damages under applicable law.

Upon correction of the correction of the above-described violation(s), please notify the district office for further inspection. You may not proceed with your cutting or logging operations until you receive written authorization from the Authorized Officer.

Sincerely yours,
(Signature)
District Manager

cc: Surety

**PURCHASER
CONTRACT FILE
SURETY
STATE OFFICE
(TICKLER FILE (30 DAYS))**

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of On-Site Suspension Notices; Violation
Other than Payment

Form 5480-2 (April 1975)	UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT	Contract Number OR080-TS3-000
	SUSPENSION NOTICE	Date August 19, 1989
	John Doe Lumber Company P. O. Box 000 City, State, Zip Code	INSTRUCTIONS District office prepares one (1) set. Original must be signed by Authorized Officer.
		CERTIFIED MAIL RETURN RECEIPT REQUESTED

A recent inspection of your operations under the above timber sale contract located in (legal description) reveals the following contract violation(s): Violation of road specifications and stream care standards by failure to comply with: 1) Sec. 25, parts (a) & (b); 2) Exhibit C, Part I, Sheet 15 of 25, item 1009; 3) Item 46 on Exhibit C, Road Plan Map, of the contract. Failure to comply with our letter of July 29, 1989 establishing deadline dates for correcting these violations.

Section 10 (a) of the timber sale contract provides that:

“If Purchaser violates any provision of this contract, the Authorized Officer may, by written notice, suspend any further operations of Purchaser under this contract, except such operations as may be necessary to remedy the violation. If Purchaser fails to remedy the violation within thirty (30) days after receipt of a suspension notice, the Authorized Officer may, by written notice, cancel the rights of the Purchaser under this contract and take appropriate action to recover all damages suffered by Government by reason of such violation, including application toward payment of such damages of any advance payments and any performance bonds or, where applicable, any payment bonds; Provided, however, that if the violation involves nonpayment of amounts due for timber cut and/or removed under a payment bond of a corporate surety, the Authorized Officer must, in addition to the above requirements, allow sixty (60) days after making demand upon surety for any payment due before cancelling the rights of Purchaser.”

Notice is hereby given that all further operations under this contract are hereby suspended except such operations as may be necessary to remedy the above-described violation(s). If you should cut or remove any timber sold under this contract during the period of suspension, such cutting or removal shall be considered a willful trespass and render you liable for damages under applicable law.

Upon correction of the above-described violation(s), please notify the district office for further inspection. You may not proceed with your cutting or logging operations until you receive written authorization from the Authorized Officer.

Sincerely yours

(Signature)
District Manager

cc: Surety

**PURCHASER
CONTRACT FILE
SURETY
STATE OFFICE
(TICKLER FILE (30 DAYS))**

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Notice of Appropriation of Negotiable
Securities Under Payment Bond



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



(District Address)

November 21, 1983

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

On October 19, 1983, your operations under Timber Sale Contract No. OR080-TS3-000 were suspended for failure to submit payment of \$125,000.00 for timber removed from the contract area billed to you on October 1, 1983. The suspension notice was delivered to you on October 20, 1983.

In our letter to you on October 19, 1983, we advised that if the delinquent payment was not submitted within 30 days as stipulated in the suspension notice, an action would be taken against your payment bond to recover the total amount owing the Government.

You have failed to make the necessary payment; therefore, under the terms of your payment bond dated May 20, 1983, your negotiable securities are hereby appropriated. The total value of the timber you have cut obligated against the bond as of the date is \$250,000.00. Interest on the \$125,000.00 delinquent payment from October 31, 1993 through November 21, 1983 amounts to \$452.10 (22 days at \$20.55/day); thus, the total amount due and owing the Government is \$250,452.10.

The value of your securities at the time the bond was filed was approximately \$300,000.00. Upon the sale these securities on the security market, the amount received in excess of \$250,452.10 will be refunded to you.

The suspension of operations shall remain in effect until we receive notice that the security transaction is completed and the account settled. We will advise you at that time; however, unless another payment bond is filed, payments on this contract must be paid in advance of cutting pursuant to Sec. 3.(b) of your contract when you are authorized to resume operations.

Sincerely yours,

(Signature)

District Manager

cc: Branch of Financial Management (DSC)
Surety

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Model of Sight Draft

UNITED STATES DEPARTMENT OF THE INTERIOR
Bureau of Land Management

SIGHT DRAFT

AMOUNT: _____ DATE: _____

AT SIGHT UPON PRESENTATION, PAY TO THE ORDER OF THE UNITED STATES
DEPARTMENT OF THE INTERIOR, BUREAU OF LAND MANAGEMENT THE
SUM OF _____ (\$ _____) UNDER
IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER _____
OF THE _____ OF _____
(ADDRESS)

UNITED STATES DEPARTMENT OF THE
INTERIOR, BUREAU OF LAND MANAGEMENT

BY: _____
SIGNATURE

TITLE

DRAFT NO. _____ SALE NO. _____

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Demand on Purchaser for Balance of
Payment; Blanket Payment Bond, Corporation Surety



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO:

(District Address)

September 16, 1984

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

We again have reference to your payment default on Timber Sale Contract No. ORO80-ts3-000. On September 9, 1984, we received payment of \$400,200.00 from your payment bond surety, ABC Surety Company. This payment represents the penal amount of the blanket payment bond.

Remaining to be paid on your original deficit is the amount of \$2,408.25 representing the total due (\$402,608.25) less payment from the bonding company (\$400,200.00) plus interest. Interest of \$4,301.70 has accrued on the \$402,608.25 delinquent payment through September 9, 1984. Interest on the remaining \$2,408.25 will accrue at the rate of \$0.40 per day beginning with September 10, 1984.

The suspension notice dated July 2, 1984, remains in effect and cannot be rescinded until the delinquent account is satisfied.

Please submit the amount of \$6,709.95 (remaining payment deficit of \$2,408.25 plus interest of \$4,301.70 together with the accumulated interest on the amount of \$2,408.25 from September 10, 1984,) to this office to cover this deficit within 30 days from receipt of this letter. If not paid within this stipulated time, it will be necessary to proceed with cancellation of Purchaser rights pursuant to Sec. 10 of the contract. You and your performance bond surety, ABC Surety Company, will be liable for all damages due to the Government resulting from your breach of contract.



If you have questions in this matter, please contact this office.

Sincerely yours,
(Signature)
District Manager

cc: Surety

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Warning Letter on Cancellation of Contract

	<p>United States Department of the Interior BUREAU OF LAND MANAGEMENT</p>	 <small>IN REPLY REFER TO:</small>
<p>(District Address)</p>		
<p>October 15, 1984</p>		
<p><u>CERTIFIED MAIL</u> <u>RETURN RECEIPT REQUESTED</u></p>		
<p>John Doe Lumber Company P.O. Box 000 City, State Zip Code</p>		
<p>Gentlemen:</p>		
<p>On September 1, 1984, demand was made upon you for the payment of timber trespass damages in the amount of \$32,000.00 resulting from your unauthorized cutting and removal of reserved timber associated with operations under your Timber Sale Contract No. OR080-TS3-000. You failed to respond to this demand; subsequently your timber sale operations were suspended by notice dated September 12, 1984. Our record shows you received this notice on September 14, 1984.</p>		
<p>The suspension notice provided you with an additional 30 days in which to submit the necessary payment to remedy the contract violation. Mr. Smith of the Office contacted you on October 12, 1984 and advised you that the payment for damage must be submitted to this office no later than close of business on October 14, 1984 or it would be necessary to proceed with cancellation of the contract.</p>		
<p>To date there has been no response from your company concerning this matter. Your continued Refusal to pay the amount of damages leaves us no recourse but to cancel your contract. Sec. 10(a) Of your contract provides that:</p>		
<p style="padding-left: 40px;">If Purchaser violates any provision of this contract, the Authorized Office may, by written notice, suspend any further operations of Purchaser under this contract, except such operations may be necessary to remedy the violation. If Purchaser fails to remedy the violation within thirty (30) days after receipt of a suspension notice, the Authorized Officer may, by written notice, cancel the rights of the Purchaser under this contract and take appropriate action to recover all damages suffered by Government by reason of such violation, including application toward payment of such damages of any advance payments and any performance bonds or, where applicable, any payment bonds; provided, however, that if the violation involves nonpayment of amounts due for timber cut and/or removed under a payment bond of a corporate surety, the Authorized Officer must, in addition to the above requirements, allow sixty (60) days after making demand upon surety for any payment due before canceling the rights of Purchaser."</p>		

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

2

Notice is hereby given that if you fail to pay, within 30 days from your receipt of this letter, the amount of damages specified above, your contract will be canceled. You and your surety, ABC Surety Company, will be liable for all damages due the Government resulting from your breach of contract.

If you have any questions on this matter, please contact this office.

Sincerely yours,

District Manager

cc: Surety

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Letter Allowing Additional Time to Correct
Violation Prior to Cancellation of Contract



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



IN REPLY REFER TO

(District Address)

November 4, 1983

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

By letter dated October 15, 1983, we gave you 30 days to remedy your contract violation associated with operations under your Timber Sale Contract No. OR080-TS2-000 or face cancellation of your contract. To remedy this violation requires the payment of \$32,000.00 in trespass damages for the unauthorized cutting and removal of reserved timber. You received this notice on October 17, 1983, which then required settlement on or before the close of business on November 16, 1983.

We have received your letter dated November 1, 1983, in which you request an extension of time of 30 days to effect settlement citing acute financial hardship due to the recent loss of a portion of your plant from fire, and the inability to transport significant amounts of finished lumber to markets due to the current transportation strikes. You stated that you wish to complete the contract, and that payment for the violation will be made in full if the extension is granted. In view of your favorable record on past timber sale contract transactions with the Bureau, your request for additional time is granted.

Notice is hereby given that the period of time in which to remedy the contract violation specified in our 30-day cancellation notice dated October 15, 1983, is extended an additional 30 days. Your failure to make the necessary payment to effect settlement of the trespass on or before the close of business on December 16, 1983, will result in cancellation of your contract. You and your surety will be liable for all damages due the Government resulting from your breach of contract.

Sincerely yours,

(Signature)

District Manager

cc: Surety
BLM MANUAL

Rel. 5-157
8/28/92

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Letter Terminating Contact Suspension and
Authorizing Resumption of Operations



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



(District Address)

September 28, 1983

John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

On September 25, 1983, we inspected the area of your Time Sale Contract No. OR080-TS2-000.

This inspection revealed that the timber sale contract violations documented in our suspension notice dated August 19, 1983 have been corrected to our satisfaction.

The suspension notice is hereby terminated and you may now resume all contract activities.

Sincerely yours,

(Sincerely)

District Manager

cc: Surety

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Report to State Director Recommending
Contract Cancellation



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



(District Address)

November 10, 1984

Memorandum

To: State Director
From: District Manager
Subject: Breach of Contract, timber Sale Contract, Timber Sale Contract
OR080-TS3-000, John Doe Lumber Company

John Doe Lumber Company entered into the subject timber sale contract on April 1, 1983, for the purchase of 2,708 M bd. ft. at a bid price of \$682,902.50. The contract was approved April 12, 1983; the expiration of time for cutting and removal is April 12, 1985. In addition to the contract volume, the purchaser executed two modifications for this contract. Modification No. 1, located in the partial cut added 35 M. bd. ft. to the contract at a market value of \$3,565.00. Modification No. 2, adjacent to clear cut are #1 added 21.5 M bd. ft. to the contract at a market value of \$2,451.00. Thus, the total volume and value sold is 2,764.5 M bd. ft. and \$688,918.50, respectively.

The purchaser began operations in May 1983, and ending the 1983 logging season with the contract in reasonably good standing. However, the 1984 season was another matter. Operating under the payment bond procedure, the purchaser moved back into the sale area in May 1984, and within a month removed all remaining clear cut volume, including the volume from Modification No. 2. The purchaser did not operate in the partial cut area. The following briefly lists the actions taken:

1. June 21, 1984 – Payment of \$402,608.25 was overdue for timber cut and removed from the contract area (15-day billing period had lapsed).
2. June 24, 1984 – A check for \$204,608.25 was received at this office. When John Doe Lumber Company was informed of the error, they requested that the check be returned and indicated they would submit a check for the correct amount. They were reminded that they were in violation of their contract.
3. June 25, 1984 – Check for \$204, 608.25 was sent back to the company.
4. June 27, 1984 – Company's bookkeeper was informed that a check for the correct amount had not yet been received. Bookkeeper indicated that a check would be sent out that day.
5. July 2, 1984 – After failure to receive the amount due, Suspension Notice was sent to the Company.
6. July 3, 1984 – A routine demand letter was sent to ABC Surety Company giving them 60 days to effect settlement of the penal amount of the payment bond, \$400,200.00.

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Report to State Director Recommending
Contract Cancellation

2

7. July 24, 1984 – Letter was sent to John Doe Lumber Company informing them that their check for
8. September 9, 1984 – Payment was made by ABC Surety Company in the amount of \$404,501.70. This represented the penal amount of the payment bond (\$400,200.00) plus interest on the total amount owed of \$66.18 per day for 65 days (\$4,301.70).
9. September 15, 1984 – A demand letter was sent to John Doe Lumber Company giving them 30 days to pay the balance of \$2,408.25 (\$402,608.25) less the payment of \$400,200.00 plus interest at the rate of \$0.40 per day beginning with September 10, 1984.
10. October 21, 1984 Payment of \$2,408.25 plus interest was past due and had not been received. Several inquiries (copies of interview sheets in file) were made by telephone on October 21 and 22 as to whether the company intended to effect settlement, but no firm answers were obtained.
11. October 23, 1984 – Company representative informed the Area Manager that, due to financial difficulties, the company could not make the payment at that time.

Relative to the payment of the total purchase price the status of the contract is as follows:

1. Total volume sold – 2,754.5 M bd. ft.
2. Total value sold - \$688,918.50.
3. Payments received from purchaser - \$271,803.00
4. Payment received from payment bond surety – penal amount of bond \$400,200.00 plus interest of \$4,301.70.
5. Total payment received on timber - \$672,008.00.
6. Total volume removed - \$2,634.5 M bd. ft.
7. Total value removed - \$674,416..25.
8. Payment deficit - \$2,408.25 plus interest.
9. Volume remaining (partial cut area) - 130 M bd. ft.
10. Volume remaining (partial cut area) - \$14,502.25
11. Balance due on contract - \$16,910.50 plus interest on \$2,408.25 from September 10, 1984.

Now then, of the remaining volume, the trees are predominantly salvage (windthrown) – 110 M bd. ft. of the 130 M bd. ft. is in western hemlock and noble fir, species subject to rapid deterioration. Most of this salvage has been down 2-3 years; very likely with substantial sap loss if measured at the present time. In addition, there now exists fresh windthrown in the partial cut area. This makes an advertised reoffering somewhat questionable. We recommend that credit for the remaining timber be based upon a market evaluation rather than a resale. If the first snows melt soon, we propose to recruise and appraise this timber.

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACTExample of Report to State Director Recommending
Contract Cancellation

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In addition to the payment problem, several contractual obligations have not been met (see inspection report dated 11/4/84):

1. A plugged culvert that will require backhoe and hand work.
2. The main stream in Area #1 requires hand clearance of debris
3. Area #1 also requires some slash disposal and road clean-up.
4. Slash disposal work was allowed for and planned in the partial cut area.

As this sale is located in the Oregon City watershed, tributary to the critical South Fork Clackamas River drainage, completion of items 1 and 2 above is very important at this time although of minor cost. Repeated attempts during this past summer to have the purchaser to do this work was unsuccessful (see interview sheets in file). We plan to have FHWA maintenance forces open the culvert (item #1). We will keep a record of cost on this. We have not yet decided how best to approach items 2 and 3. Presently, there is some snow in the area, and deep snows are imminent which will last through the winter. Because of the normal heavy snow cover, the expiration date of 4/12/85 is rather formidable at this point in time.

It is obvious from the purchaser's response to our actions that they have no intention of completing this contract; therefore, we recommend cancellation of the purchaser's rights under this contract with a corresponding demand for damages to the purchaser and performance bond surety.

Attached is the subject contract file. May we have your review and recommendations, together with the necessary procedural guidance?

District Manager

Attachment
File 36080-TS3-000

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Illustration 28
(III.A3b)

Example of Credit Computations

VALUE FACTORS	EXAMPLE CASES, DOLLAR VALUES					
	1	2	3	4	5	6
Total Purchase price	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Sale Deposit	5,000	5,000	5,000	5,000	5,000	5,000
Total Payments	5,000	5,000	55,000	55,000	95,000	95,000
Contract value of timber removed	0	0	50,000	50,000	90,000	90,000
Contract Value of Remaining Timber	100,000	100,000	50,000	50,000	10,000	10,000
Total Market Value of Remaining Timber	65,000	100,000	40,000	50,000	5,000	12,000
Credit Value of Remaining timber	65,000	100,000	40,000	50,000	5,000	10,000
Cost of Resale	1,000	1,000	1,000	1,000	1,000	1,000
Net Credit Value of Remaining Timber	64,000	99,000	39,000	49,000	4,000	9,000
Net credit Value Plus Payments	69,000	104,000	94,000	104,000	99,000	104,000
Purchaser Owes	31,000	---	6,000	---	1,000	---
Refund	---	4,000	---	4,000	---	4,000

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Letter Releasing Purchaser (Surety) of Liability



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



(District Address)

August 20, 1984

John Doe Lumber Company
P.O. Box 000
City, State Zip Code

Gentlemen:

We have reference to your Timber Sale Contract No. OR010-TS3-000 which was canceled on July 6, 1984, for breach of contract. As a result of this breach of contract, you were liable to the United States in the sum of \$1,830.00.

This sum has now been paid in full and you are hereby released from any further obligation thereunder.

(If a surety is involved and the surety has not previously been released from liability, add the following paragraph.)

Liability under the bond, wherein the ABC Bonding Company appears as surety, is terminated as of this date. The canceled bond is being retained by the Bureau of Land Management.

Sincerely yours,

(Sincerely)

District Manager

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Letter Releasing Surety From Liability



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



(District Manager)

August 20, 1984

ABC Bonding Company
P.O. Box 000
City, State Zip Code

Gentlemen:

We have reference to your letter dated July 26, 1984, transmitting the sum of \$5,000.00, which was the amount of damages billed you in connection with branch of Timber Sale Contract OR01-TS3-000, John Doe Lumber Company.

Your liability under the performance bond, wherein your company appears as surety, is terminated as of this date. The cancelled bond is being retained by the Bureau of Land Management.

Sincerely yours

(Signature)

District Manager

H-5480-1 - CONTRACT VIOLATION-SUSPENSION-CANCELLATION
SETTLEMENT OF UNCOMPLETED CONTRACT

Example of Letter Renewing Demand on Purchaser



United States Department of the Interior
BUREAU OF LAND MANAGEMENT



(District Manager)

August 20, 1984

CERTIFIED MAIL
RETURNED RECEIPT REQUESTED

John Doe Lumber
P.O. Box 000
City State Zip Code

Gentlemen:

We have reference to your demand letter dated July 6, 1984, for damages resulting from your breach of Timber Sale Contract OR080-TS4-000, located in Section 25, T. 40 S., R. 6 W., W.M., for failure to complete the mainline road to the required standards.

As a result of this breach you were liable to the United States for the sum of \$54,000 in general damages. On August 1, 1984, we collected \$34,000.00 from the ABC Surety Company whose bond was held as your surety.

You are, therefore, still liable to the United States for the sum of \$20,000 which is the amount of damages that is the excess of your bond. Unless payment is received by September 20, 1984, civil action will be initiated against you for collection of the monies remaining due.

Sincerely yours,

(Signature)

District Manger