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**EXHIBIT C**

**NATURAL RESOURCE DAMAGES SETTLEMENT**

**A. PURPOSE**

In addition to implementing the final cleanup remedy for the Former Scott Paper Mill Site (Site), work completed under the Consent Decree includes actions to settle the potentially liable parties' (PLPs) liability for any natural resources damages (NRD) at the Site. The State of Washington considers the settlement described herein as a comprehensive NRD settlement, sufficient to compensate fully for all injuries to NRD at the Site. This Exhibit, which is an integral and enforceable part of the Consent Decree, describes the actions to be taken to restore and compensate fully for the NRD injuries at the Site. The PLPs agree to undertake the actions set forth below without admitting fault for any injuries to natural resources.

**B. ACTIONS TO RESTORE AND COMPENSATE FULLY FOR ANY NATURAL RESOURCE INJURIES AT THE SITE**

**1. Restoration of Eel Grass**

While productive eelgrass meadows exist in nearby parts of Fidalgo Bay, a 4-acre shallow subtidal area offshore of the Site currently supports little to no eelgrass. Though sediments in this area do not exceed Sediment Management Standards cleanup standards, low densities of wood debris in this area nevertheless currently limit eelgrass growth. Concurrent with sediment cleanup and habitat mitigation actions, a minimum of 1 foot of clean fine sediment will be placed in this 4-acre area (*see* Figure 1), and a minimum of 10,000 eelgrass turions planted shortly after construction to restore productive eelgrass habitat functions to this area. Eelgrass monitoring will be performed in this area to verify that habitat restoration objectives are met. The details of implementing this project are described in more detail in Exhibit D.

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**2. Restoration of Beach Habitat**

A 2-acre intertidal transitional beach area along the shoreline of the Site is currently comprised of inert brick, concrete, metal, and other debris that provides few habitat functions (*see* Figure 1). Concurrent with sediment cleanup actions to be performed in this general area, this degraded habitat will be replaced with a minimum thickness of 2 feet of clean sand, gravel, and cobble beaches to restore productive nearshore habitat to this area, particularly for forage fish. Sediment and habitat recovery monitoring will be performed in this beach area to verify that substrate suitability and habitat restoration objectives are met. The details of implementing this project are described in more detail in Exhibit D.

**3. Funding Community Organizations to Carry Out Educational and Monitoring Projects**

**a. Funding for Local K-12 and Higher Education Science and Monitoring Projects**

The PLPs will provide funding for public K-12 education, university research, and public outreach programs collaboratively developed by the Anacortes School District and Western Washington University (WWU).

The funds allocated to the Anacortes School District will improve K-12 math, science, and engineering programs. Improved programs will emphasize the integration of general science, marine science, ecology, and math as they relate to the understanding and management of marine and near shore ecosystems. Funding will provide support for staff and curriculum development; purchases of laboratory equipment and materials; and program implementation.

Settlement funds allocated to WWU will provide support for scientific research, K-12 education, and public outreach. A portion of the funds will be used to support scientific research related to post-restoration monitoring. This will be undertaken in collaboration with the PLPs. Funds will also support the collaboration of the Anacortes School District and Shannon Point Marine Center and Huxley College of the Environment, WWU, to strengthen K-12 math and science education related to marine and environmental science. Additionally, a portion of the funds will be used for public outreach intended to increase citizen knowledge of the local marine

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and near shore environment and to increase citizen understanding of best practices for marine and near shore stewardship. Public outreach efforts will also help to highlight the local environmental and economic improvements associated with the cleanup remedy for the Site.

To further these schools' science and monitoring projects, Kimberly-Clark (K-C) and the Port of Anacortes (Port) will collectively fund these schools' programs in the amount of \$200,000 as described below. Local K-12 programs shall receive a total of \$100,000 and the higher education programs shall receive \$100,000. K-C will pay \$100,000 towards the programs and the Port will pay \$100,000 towards the programs. The funding will occur according to the following schedule:

By December 1, 2009, the Port of Anacortes will contribute \$50,000 directly to the Anacortes School District and \$50,000 directly to WWU.

By December 1, 2010, K-C will contribute \$25,000 directly to WWU.

By December 1, 2011, K-C will contribute \$25,000 directly to the Anacortes School District and \$25,000 directly to WWU.

By December 1, 2012, K-C will contribute \$25,000 directly to the Anacortes School District.

The funds paid to WWU will be sent to:

Western Washington University Foundation  
516 High Street | Mail Stop 9034  
Bellingham, WA 98225  
Attn: Manca Valum

The above payments will be deposited into the WWU Foundation holding account for equal distribution to Shannon Point Marine Center and Huxley College of the Environment according to a distribution schedule that will be outlined in the memorandum of agreement.

The funds paid to the Anacortes School District will be sent to:

Bank of America  
Mount Vernon Branch  
For the account of Skagit County Treasurer  
ABA 026009593 Acct 35310200

Within 90 days of the effective date of this Decree, Anacortes School District and WWU (Shannon Point Marine Center and Huxley College of the Environment) will sign a

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memorandum of agreement outlining a scope of work for the public education and research award. Copies of this memorandum will be provided to the Department of Ecology, the Port, and K-C within fourteen days of signature.

**b. Funding to Northwest Straits Foundation**

The Northwest Straits Marine Conservation Foundation (Foundation) is a 501c(3) non-profit organization devoted to protecting and preserving the marine resources of the Northwest Straits region of Puget Sound. The Foundation is part of the Northwest Straits Marine Conservation Initiative. The Initiative includes the Foundation, the Northwest Straits Commission, and seven county-based marine resources committees from Clallam, Jefferson, Whatcom, Skagit, San Juan, Island, and Snohomish counties. The Foundation relies on these citizen-based marine resources committees to set priorities and design and undertake actions to achieve marine conservation objectives. The Foundation is governed by a board of directors that includes one representative from each marine resources committee, five gubernatorial appointees, and one tribal representative appointed by the U.S. Department of the Interior.

Five hundred thousand dollars will be paid to the Foundation by K-C to be used exclusively for projects that restore and protect the shoreline, nearshore, and marine resources of Fidalgo Bay and Padilla Bay in Skagit County. Payment will be made in four equal installments of \$125,000 to the Foundation by April 1 each year beginning April 1, 2010. Subsequent payments will be made by April 1, 2011, April 1, 2012, and April 1, 2013.

An annual workplan outlining the use of these payments will be developed by the board of directors of the Foundation in consultation with the Skagit Marine Resources Committee and the Technical Committee of the Northwest Straits Initiative. Projects proposed for Padilla Bay will be developed and implemented in consultation with the Padilla Bay Reserve. This workplan shall include a description of each proposed project including budget, schedule, and how the project will be implemented. The workplan will be submitted to the Department of Ecology and K-C by January 31 of each year preceding payment of funds. The first workplan will be submitted by January 31, 2010. K-C will notify Ecology of any concerns with the workplan

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within 14 working days. Ecology and K-C will work together to attempt to resolve K-C's concerns. Based on input and participation by K-C, Ecology will provide the Foundation with changes to or concurrence with the workplan by February 28 of each year. After the first year of funding, the Foundation will also provide, along with its workplan, a summary of how the previous year's funding was spent, including completed tasks and restoration benefits.

Payments to the Foundation will be made by electronic transfer into the account of the Northwest Straits Marine Conservation Foundation at the following location:

Skagit State Bank  
Burlington, WA  
ABA Routing Number: 125105631  
Name on Account: Northwest Straits Marine Conservation Foundation  
Account Number: 3117036223  
Tax I.D. Number: 91-2147136