

**LUMP SUM TIMBER SALE AGREEMENT
(WITH TIMBER DEED)**

**U.S. TIMBERLANDS KLAMATH FALLS, L.L.C.
Timber Sale Agreement for Cherry Glades Timber Sale**

DATE: December 30, 1998

SELLER: U.S. TIMBERLANDS KLAMATH FALLS, L.L.C.
a Delaware Limited Liability Company
6400 Highway 66,
P.O. Box 10
Klamath Falls, Oregon 97601

BUYER: Timber Products Company
P.O. Box 766
Yreka, CA 96097 *B.T.*

Definitions. For the purpose of this document and Exhibits:

"Buyer" shall include all Buyer's agents, servants, employees, contractors, subcontractors, successors and assigns.

"Seller" shall include U.S. Timberlands Klamath Falls, L.L.C. as landowner and U.S. Timberlands Services Company, L.L.C. as the service agent for the landowner.

"Contract Area" is the areas marked and prescribed for cutting, which contain the Covered Products sold to Buyer herein.

"Harvest Prescription" means Seller's designation of Minimum Merchantable Standard for trees within a Unit which must be harvested, and by exclusion defines trees, species or areas which must not be harvested.

"Minimum Merchantable Standard" is defined by Harvest Plan and Harvest Prescription (**Exhibit "B"**) for each Unit, by DBH; and if not otherwise defined means all trees capable of producing a log 16" to a 6" top.

"W.H.A." means Wildlife Habitat Areas in which no cutting is prescribed, as specified in Exhibit B hereto.

The parties do hereby covenant and agree as follows:

1. **TIMBER TO BE CUT AND REMOVED**

1.1 U.S. Timberlands Klamath Falls, L.L.C., hereinafter U.S. Timberlands, does hereby agree to sell unto Buyer subject to the terms, covenants and conditions hereof, and the Buyer does hereby agree to purchase and pay at the rates and upon the terms and conditions herein contained, all "Covered Products" (defined in Section 1.3 below) which are located upon the Contract Area described at **Exhibit "A"** and depicted on **Exhibit "B"**, attached hereto.

1.2 The boundaries of the Contract Area units have been marked by U.S. Timberlands with the following identifiers:

Yellow Ribbon:	Clear Cut area
Pink Ribbon:	Harvest Boundary
Blue Ribbon:	No Cut

The Contract Area is approximately 577 acres in Klamath County, Township 38 & 39 South, Range 5 East, Sections 32, and 5,6,9,10,14 & 15, approximately 5 miles north of MP 32 on Highway 66, shown on the maps marked **Exhibit "B"** attached hereto and by this reference incorporated herein.

1.3 Covered Products shall consist of: Douglas Fir, Ponderosa Pine, White Fir Sugar Pine and Incense Cedar, Minimum Merchantable Standard, as defined, and as limited by Harvest Plan and Harvest Prescription at **Exhibit "B"** and in Section 1.3.1 below. Scaling and grading shall be performed by an independent third party scaling and grading bureau approved by Seller in writing, using "Current Official Bureau Rules" of The Log Scaling and Grading Bureaus for eastside scaling ("the Official Rules"). Non-merchantable material (i.e. pulp logs and wood chips) is not included in Covered Products, and shall be left in the woods by Buyer. Non-merchantable material may be separately sold, if at all, at prices to be negotiated and mutually agreed upon at the time of sale to Buyer.

1.3.1 Harvest Prescriptions by Species and Size

Plan 70701

Unit A

105 Acres

- Harvest all 12"+ DBH trees

Unit B 112 Acres

- Harvest all trees capable of producing a log 16' in length to a 6" top.

Remove all logs containing a 16' log to a 6" top or capable of producing 20 BF Net Scribner East side scale. All Net Scribner removed will be paid for at the agreed to rates in **Exhibit "E"**.

Plan 71703

Unit A 144 Acres

- Harvest all trees marked with 2 blue slashes.

Unit B 73 Acres

Unit C 113 Acres

- Harvest all trees capable of producing a log 16' in length to a 6" top.

Unit D 30 Acres

- Harvest all trees 15"+ DBH.

Remove all logs containing a 16' to a 6" top or capable of producing 20 BF Net Scribner East side Scale. All Net Scribner volume removed will be paid for at the agreed to rates in **Exhibit "E"**.

1.4 Buyer acknowledges it has completely inspected the Contract Area and Harvest Prescriptions and is satisfied as to boundaries, and has made its own determination of volume, species mix, grade and quality of the Covered Products located thereon.

1.5 Buyer's purchase of the Covered Products shall be, "AS IS" WITHOUT REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, INCLUDING WITHOUT ANY WARRANTY OF MERCHANTABILITY OR WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE. Buyer is not relying upon any statement or representation, express or implied, of Seller or Seller's agents concerning included timber or any other matter.

1.6 Buyer shall have until the termination date set forth in Section 7 in which to complete removal of Covered Products from the Contract Area during the General Operating Seasons. The General Operating Season is specified to be May 1 to February 15 of the following year. Notwithstanding the foregoing, in the event Buyer's harvest and removal of timber from Contract Area is delayed or prevented due to fire, weather conditions, or other causes beyond Buyer's reasonable control (excepting market conditions), the period during which Buyer may

harvest timber from Contract area shall be extended by the amount of time Buyer could not conduct operations during the General Operating Season.

2. PAYMENT, RATES, BOND AND TIMBER DEED

2.1 Subject to adjustment pursuant to Section 2.3, Buyer agrees to pay U.S. Timberlands the sum of Five Hundred Twenty Seven Thousand, Four Hundred Eighty Nine Dollars (\$527,489) (hereinafter called "Purchase Price") in the following manner:

Initial Payment due at the time Buyer executes and delivers this contract to Timberlands.

\$131,872.25
(25% of Purchase Price)

25% payment by November 15, 1999

or when 25% of the Estimated Volume has been removed, whichever occurs first

\$131,872.25
(25% of Purchase Price)

25% payment by October 20, 2000 or when 50% of the Estimated Volume has been removed, whichever occurs first

\$131,872.25
(25% of Purchase Price)

25% payment by December 15, 2000 or when 75% of the Estimated Volume has been removed, whichever occurs first

\$131,872.25
(25% of Purchase Price)

All payments set forth above shall be applied to Covered Products to be severed by Buyer. All estimated volumes utilized herein are set forth in Exhibit E hereto.

2.1.1 Seller will supply load receipt ticket books to the Buyer. All load receipt books (used and unused) will be returned to U.S. Timberlands' timber sale administrator. Issuance of additional load receipt ticket books will be based on the payment schedule indicated in Section 2.1 and on a "prepaid" basis, using U.S. Timberlands' updated volume estimates in the event that the timber sale reasonably appears to over-run the original estimated sale volume.

2.1.2 As provided in Section 2.2 below, Buyer will be required to provide a performance bond in the amount of \$52,749.00 prior to submitting the pre-work plan as required under section 4.3.

2.2 Upon completion: (i) if Buyer has removed more volume of Covered Products than that set forth in Exhibit E hereto, the purchase price shall be adjusted upward based upon the

actual volume of Covered Products removed by Buyer by species and the rates bid by Buyer as set forth in Exhibit E; and (ii) any additional amount owed to U. S. Timberlands shall be calculated by U.S. Timberlands and paid by Buyer within 30 days after receipt of last scale ticket, using the bid rate per thousand per species as set forth in Exhibit E.

2.2.1 If the actual volume of Covered Products removed underruns the volumes set forth in Exhibit E hereto, the shortfall will be made up by U.S. Timberlands providing Buyer with timber of reasonably comparable volume, species and quality, which Buyer agrees to harvest and remove under the terms and conditions hereof. If reasonably necessary for Buyer's timber removal, upon addition of volume one operating season shall be added to this Agreement.

2.3 At the time of the execution of this Agreement, Buyer will deliver to U.S. Timberlands an acceptable Performance and Payment Bond ("Bond") in the amount of ten percent (10%) of the Purchase Price and a Cash Deposit in the sum of \$ -0- U.S. Timberlands shall have the right to approve, in its discretion, the issuer and form of the Bond. The Bond shall provide that the issuer shall separately resolve and make payment upon payment and performance claims by U.S. Timberlands. Buyer may post a letter of credit in lieu of the Bond provided the form and issuing bank are approved by U.S. Timberlands, in its discretion.

2.3.1 If Buyer defaults in performance of any obligation or covenant contained herein, including without limitation payment under Section 2.1 above, U.S. Timberlands may apply the Bond and/or Cash Deposit, or any portion thereof, to the extent necessary to fully reimburse U.S. Timberlands for any loss or deficiency. The Buyer shall be and remains liable for any deficiency hereunder and for all amounts that may be due U.S. Timberlands by reason of the terms and provisions of this Agreement or any default thereof by Buyer.

2.3.2 After Buyer has fully performed all terms and provisions of this Agreement, U.S. Timberlands shall exonerate the Bond and return any unapplied Cash Deposit

2.3.3 Within 15 days after U.S. Timberlands applies the Bond and or Cash Deposit under Section 2.3.1 above, Buyer shall restore the applied security to its initial amount.

2.4 Upon Buyer's delivery to U.S. Timberlands of the Initial Payment (under Section 2.1) and the Bond and Cash Deposit (under Section 2.3), U.S. Timberlands shall deliver to Buyer an executed Warranty Timber Deed in the form of Exhibit 2.4 herein.

2.4.1 Upon the termination of this Agreement or earlier completion of Buyer's operations hereunder, Buyer shall execute and deliver at no cost to Buyer such documents as U.S. Timberlands shall request for removing Buyer's interest in the Contract Area of record.

3. LOG ACCOUNTABILITY

In addition to Scaling and Log Load Receipts requirements of Section 9 herein, Buyer shall report the total gross and net volume by species recovered from the Contract Area to U.S. Timberlands within 15 days of the completion of removal operations.

4. LOGGING METHOD

4.1 Buyer agrees to conduct its cutting, logging and construction operations in a diligent and workmanlike manner in accordance with the highest standards and practices recognized in the industry and the Oregon Forest Practices Act. Buyer shall achieve the recovery of the greatest utilization of merchantable log grades reasonably possible under the Official Rules. Buyer agrees to promptly report in writing to U.S. Timberlands all violations of laws, regulations or permits of which Buyer has knowledge. A copy of all citations or other written documents received from any agency shall accompany the notice of violation.

4.2 If a contractor is employed, Buyer shall remain fully responsible to U.S. Timberlands for all logging obligations set forth in this Agreement. U.S. Timberlands representatives shall at all times be allowed access to the operations of Buyer, and shall be furnished such information as may be required for a complete and detailed inspection.

4.3 In conducting its operations hereunder, Buyer or its contractor shall:

4.3.1 Submit in writing a Logging Plan acceptable to U.S. Timberlands, in its discretion, which shall provide, among other things, the following: (a) Road development and landing locations; (b) Method of yarding; (c) Names and addresses of any sub-contractors, including timber cutting contractors; (d) Directional falling plan where necessary to protect residual trees in partial cut areas; (e) Estimated date cutting will commence; (f) Estimated date logging operation will commence; (g) Procedures for prescription cut areas; (h) Require stumps to be cut to lowest feasible height; (i) Establish compliance with U.S. Timberlands fire prevention and suppression plan; and (j) logging sequence.

4.3.2 Attend a prework conference with U.S. Timberlands' authorized representative. (No cutting of Covered Products will occur prior to U.S. Timberlands' approval of the Logging Plan, provided U.S. Timberlands is presumed to have approved the Logging Plan if U.S. Timberlands fails to respond within 15 days subsequent to its receipt of the Logging Plan.)

4.3.3 Notify U.S. Timberlands of date U.S. Timberlands should obtain Notification of Operation and Permit to operate power driven machinery from the Oregon Department of Forestry, as required by the Oregon Forest Practices Act. Upon notification, U.S. Timberlands shall use its best efforts to obtain it by such date.

4.3.4 Legibly brand all logs with an Oregon registered branding hammer, which will be supplied by U.S. Timberlands, before removal of Covered Products from Contract Area.

4.3.5 Pile slash and logging debris on landings in a relatively dirt-free accumulation as instructed by U.S. Timberlands' representative to assist in accomplishing debris disposal.

4.3.6 Upon completion of the requirements of this Agreement, promptly remove from the Contract Area and other property owned or controlled by U.S. Timberlands, all equipment, materials and other property that is not to become the property of U.S. Timberlands. It is further agreed that any such equipment, materials and other property that is not removed within 90 days after the date this Agreement terminates shall, at the election of U.S. Timberlands, be removed from the Contract Area at Buyer's expense or become the property of U.S. Timberlands and may be used or disposed of by U.S. Timberlands without obligation to Buyer or to any party to whom Buyer may transfer title. Nothing in this Section shall be construed as relieving Buyer from any obligation to clean-up, burn, remove, or dispose of debris in accordance with other provisions of this Agreement or applicable law.

4.3.7 Use every reasonable effort in felling and bucking to avoid breakage and damage to Covered Products, and merchantable timber and reproduction on or adjacent to the Contract Area not designated for cutting hereunder. U.S. Timberlands shall have the right to suspend felling of timber if it is found by U.S. Timberlands to be causing undue

damage or breakage, considering the conditions, and may immediately notify Buyer and require correction of defective felling procedures.

4.4 Buyer shall take all practicable precautions to prevent damage arising from Buyer's activities on the Contract Area to the soil, stream banks, and any stream course, lake or reservoir (collectively "waterbodies") on or near the Contract Area and to that end shall:

4.4.1 Avoid servicing and repair of equipment or storage of fuel and oil near waterbodies, prevent waste oil or other contaminants from entering waterbodies, clean up landings and areas where equipment has been serviced or repaired, and remove from U.S. Timberlands' property all litter, trash, oil cans, fuel containers, waste oil, and other refuse resulting from operations on the Contract Area.

4.4.2 Provide and maintain a drainage system for each landing, skid road, fire trail, tractor trail, and secondary road by use of cross-drainage ditches, water bars or other means, in order to control dispersal of surface water to minimize muddy water from entering waterbodies. Such work shall be done in accordance with instructions from U.S. Timberlands prior to the heavy runoff season during the year and upon completion of use by Buyer.

4.4.3 Discontinue specified operations under this Agreement upon notice from U.S. Timberlands that due to weather conditions such operations may cause excessive damage to the roads, soil or watershed, or due to violations of prescriptions, logging plans, or Oregon Forest Practices Act.

4.5 Buyer further agrees to require that its contractors, agents, employees, and customers become familiar with all of Buyer's duties and undertakings hereunder and that they shall have contractually agreed with Buyer to abide by said duties and undertakings prior to their entry upon the Contract Area. No such agreement with such contractors, agents, employees, and customers shall relieve Buyer of its duties and undertakings hereunder.

4.6 Notify U.S. Timberlands if any threatened, endangered or sensitive species are identified by Buyer on or near the Contract Area.

5. TAXES

It is agreed that the Buyer shall be responsible for reporting and paying when due all taxes, harvest, privilege and severance, arising out of the severance of the Covered Products. Buyer

shall provide U.S. Timberlands with copies of tax report filings and payments when made. Buyer shall defend, indemnify and hold harmless U.S. Timberlands from and against said taxes.

6. REFORESTATION

U.S. Timberlands will reforest the Contract Area in accordance with Oregon law.

7. DURATION OF CONTRACT

Buyer shall have until December 31, 2000 ("the Termination Date") to enter upon the Contract Area for cutting and removing Covered Products. In the event the Buyer does not remove all Covered Products from the Contract Area for any reason prior to the Termination Date, the interest of Buyer in the remaining Covered Products shall revert to, revest in and thereafter be the absolute property of U.S. Timberlands without compensation to the Buyer, and the Buyer shall have no further right, title or interest therein. U.S. Timberlands may treat such non-performance as a breach of contract.

8. TITLE PASSAGE, SECURITY INTEREST AND RISK OF LOSS

8.1 Title to Covered Products shall pass to Buyer when the events described in Section 2.4 above have occurred.

8.2 This Agreement shall constitute a security agreement under the Oregon Uniform Commercial Code. To secure sums payable from Buyer to U.S. Timberlands hereunder, plus interest thereon, and the performance of Buyer's other obligations hereunder, Buyer hereby grants U.S. Timberlands a security interest (and purchase money security interest) in the standing timber and Covered Products which are the subject of this Agreement and their products and proceeds. If U.S. Timberlands requests, Buyer agrees to execute financing statements, "effective financing statements," and other documents (including without limitation a Deed of Trust) which U.S. Timberlands may request for the purpose of perfecting a first security interest in the standing timber and Covered Products. U.S. Timberlands shall have the right to file a photocopy of this Agreement as a financing statement in central filing and county records. Nothing contained in this Agreement shall be construed as a waiver of any lien to secure payment due hereunder, now or hereafter provided by law. All proceeds from the collateral shall be held in trust by Buyer, for the benefit of U.S. Timberlands, until paid to U.S. Timberlands. All Covered

Products which are located on the Contract Area shall be deemed in the possession of U.S. Timberlands, as secured party.

8.3 Commencing upon the execution hereof, Buyer shall bear the entire Risk of Loss or Damage to the standing timber and logs arising therefrom. Risk of Loss or Damage shall be given the broadest possible interpretation and shall include, without limitation, the effects of forest fire, pestilence and acts of God.

9. SCALE INFORMATION

Within ten (10) days after their receipt by Buyer, U.S. Timberlands shall be furnished a copy of all scale summary sheets or bureau certificates on a semi-monthly basis. Buyer shall arrange for the bureau to timely provide U.S. Timberlands scale data via electronic transfer. The volumes so removed shall be used to determine payment due dates and related timber volumes under Section 2.1 above.

10. ROAD FEES AND ACCESS

10.1 Buyer shall be entitled to the non-exclusive use of access roads over which U.S. Timberlands has control or an agreement permitting use to transport Covered Products from the Contract Area to public roads. These roads are specified on **Exhibit "C"** hereto. In addition to payments for Covered Products provided herein, Buyer shall pay required road use and maintenance fees to U.S. Timberlands for Covered Products removed over these roads as follows:

10.1.1 Road Use and Maintenance Fee: \$ -0- /MBF, ____ scale all volume.

10.1.2 Buyer will be required to maintain the haul route in good and passable condition at all times, as determined in U.S. Timberlands' discretion.

10.2 Buyer may use all existing roads on the Contract Area. It is anticipated no new roads will be necessary, but Buyer may construct and use additional roads ONLY WITH EXPRESS WRITTEN CONSENT OF U.S. TIMBERLANDS and then only to the extent reasonably necessary for removal of Covered Products at locations and to specifications approved in writing by U.S. Timberlands' representative prior to construction.

10.3 U.S. Timberlands reserves the right for itself and others claiming under U.S. Timberlands to use any roads on the Contract Area at any time for any purpose so long as such

crossing and use does not unreasonably interfere with Buyer's logging operations. Buyer must maintain these roads free of obstructions and in a passable condition at all times. Provided, however that Buyer's equipment will be allowed to block roads when necessary to perform logging operations, but traffic will not be held up for periods longer than 5 minutes. The Buyer, in using, improving or constructing such roads, shall at no time have or acquire an interest in the land other than the right of access.

11. ROAD CONSTRUCTION AND MAINTENANCE

11.1 In construction, maintenance, and use of truck roads and tractor trails, and in all other phases of the logging operation, all practicable precautions shall be taken by Buyer to minimize damage to the soil and to prevent the creation of conditions conducive to soil erosion. Construction and maintenance activities shall not interfere with the natural flow of streams.

11.2 Measures shall be taken to prevent the gulling of roads and to repair such damage if it occurs. At the conclusion of use of any part of any road, ditches shall be graded and shaped at Buyer's expense to a condition that allows proper drainage and any damage caused to bridges shall be repaired by Buyer at Buyer's expense.

11.3 All roads used by the Buyer on lands owned by U.S. Timberlands, whether pre-existing or constructed by Buyer, shall be maintained by Buyer in a condition that provides for proper drainage and vehicle passage.

11.4 Buyer will be responsible for road maintenance, on a pro-rata share based on respective use, on roads used by Buyer which are specified by U.S. Timberlands. U.S. Timberlands reserves the right to determine whether the maintenance of such roads shall be performed by Buyer or by a third party or parties. If performed by a third party or parties, Buyer shall pay its pro-rata share promptly upon being notified thereof by U.S. Timberlands. Such pro-rata share shall be determined by the proportionate volume of forest products hauled over the road and the miles of road used by the respective users. Maintenance will include, without limitation, removal of bank slides and debris, grading the road surface with a motor patrol grader, cleaning and pulling the ditches and the clean-out of culverts and catch basins. Dirt/cinder roads

will require dust abatement by watering the road surface during periods of dry weather, as directed by U.S. Timberlands.

12. FIRE PREVENTION AND SUPPRESSION AND SLASH DISPOSAL

12.1 It is recognized that the activities of Buyer under this Agreement may cause fire risk on the Contract Area; therefore, Buyer agrees to use the highest degree of care to prevent forest fires from starting on or spreading to or from the Contract Area or other lands.

12.2 U.S. Timberlands may, at any time during this Agreement, require Buyer to conform to U.S. Timberlands' Fire Plan (**Exhibit "D"**) for the Contract Area. The Plan shall set forth the measures to be taken by Buyer and its contractors, for the prevention and suppression of fire on the Contract Area. The Plan may be revised from time to time as U.S. Timberlands may reasonably determine and at the time of a revision U.S. Timberlands shall provide Buyer notice of the revision, which shall become the new Fire Plan.

12.3 Should a fire occur on or spread to any part of the Contract Area, Buyer shall immediately use all reasonable and practical means to suppress and extinguish the fire, and protect all standing and down timber on the Contract Area and adjacent lands. Buyer shall require the employees and contractors of Buyer to do likewise. In no event shall the requirements of this section be construed as relieving Buyer of the duty and responsibility under Oregon law to fight, control and suppress fire on forest land; it is understood that the provisions of this section are in addition to any duty and responsibility required by law. Responsibility of Buyer to prevent and suppress fires on the Contract Area shall exist regardless of the responsibility of any political body, fire protection organization or agency or any fire fighting effort which they may be expended.

12.4 U.S. Timberlands may require Buyer to furnish fire tools and a fire truck on the Contract Area during the periods before and after the State Fire Season is in effect if in U.S. Timberlands' judgment weather conditions warrant such.

12.5 Buyer shall strictly conform to all Federal, State and local laws and regulations relating to the prevention and suppression of fire.

12.6 In the event of fire on any part of the Contract Area, Buyer agrees to salvage the merchantable Covered Products remaining, whether or not such timber shall have been damaged by fire.

12.7 Buyer agrees promptly to report by telephone, radio or other expeditious means to fire control agencies and U.S. Timberlands' representative, all fires known by Buyer occurring on or threatening to spread onto the Contract Area.

12.8 Buyer further covenants and agrees during State fire season, and any hazardous fire weather at other times, to furnish and maintain on each contract site the equipment and watchman personnel required by U.S. Timberlands as set forth in U.S. Timberlands' Fire Plan.

12.9 Notwithstanding the expiration or earlier termination of this Agreement, this Agreement shall survive and continue to govern all costs, expenses, liability or claim of liability arising out of or on account of any fire or the protection against fire originating on or spreading to or from any part of the Contract Area, provided that the fire started during the general time period Buyer was conducting operations under this Agreement.

13. ENVIRONMENTAL LAWS

13.1 Definitions. The following words and phrases shall have the meanings set forth below:

13.1.1 "Environmental Claim" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations or proceedings arising under any Environmental Law or arising under any permit issued under any Environmental Law, including without limitation (i) any and all claims made by governmental authorities for enforcement, cleanup, attorneys' fees, response costs, removal, remedial or corrective actions, damages, fines or penalties pursuant to any applicable Environmental Law, including claims resulting in any judicial or administrative order, consent decree or judgment; and (ii) any and all claims by any Third Party seeking damages, attorneys' fees, contribution, indemnification, cost recovery, compensation or injunctive relief

under any Environmental Law or for any alleged injury or threat of injury to the Environment, safety or health.

13.1.2 "Environmental Law" means any applicable statute, law, rule, regulation, ordinance or code relating to the protection of the environment, sensitive, threatened and endangered species, public safety or health, forest practices or the regulation of hazardous materials. Such term shall also include any new Environmental Laws or amendments to pre-existing Environmental Laws, becoming effective after the commencement of this Agreement.

13.1.3 "Environment" means the surface water (including stream courses, lakes and reservoirs), ground water, drinking water supply, land surface (including stream banks) or subsurface strata and air.

13.2 Buyer's Notice of Environmental Claims. If any Environmental Claims arise against Buyer, U.S. Timberlands or any real property (the "Premises") which is the subject of or effected by this Agreement as a result of Buyer's violation of any Environmental Law relating to Buyer's activities or Buyer's contamination of the Premises by a hazardous substance or material then Buyer shall notify U.S. Timberlands by telephone within 24 hours and in writing within two (2) days after Buyer first receives notice of such Environmental Claims and shall provide U.S. Timberlands with a copy of each document reflecting such event.

13.3 Buyer's Agreement to Comply with Environmental Laws. Buyer agrees that, during the term of this Agreement and any extensions thereof, it will take all steps necessary to comply with all applicable Environmental Laws. When permits, licenses or generator or transporter identification numbers are required by an Environmental Law, Buyer shall provide U.S. Timberlands a copy of such permit, license, or generator or transporter identification number within seven (7) days of receipt by Buyer.

13.4 Storage, Use, Handling and Disposal of Hazardous Wastes.

13.4.1 Buyer agrees that at all times it shall store, release and use hazardous or toxic substances on the Contract Area only in accordance with the Environmental Laws.

13.4.2 In the event Buyer has occasion or need to dispose of hazardous or toxic substances or wastes, and unless otherwise agreed in writing, Buyer shall retain an independent hazardous waste disposal firm to dispose of any and all such substances at an off-site facility which has been properly approved, licensed and authorized to accept such substances. Buyer shall ensure that the disposal firm is properly licensed and in good standing with the applicable regulatory authorities for such work, and that it has all required transporter identification numbers.

13.5 Spill or Release of Hazardous Materials.

13.5.1 In the event of a spill or release of oil or hazardous materials on the Contract Area, the Buyer shall promptly comply with all federal, state and local spill notification and response requirements, including, but not limited to, all federal and state health and safety requirements. The Buyer shall at a minimum: (1) prevent further spilling or release; (2) take appropriate corrective actions to mitigate the spill; and (3) notify U.S. Timberlands.

13.5.2 When notification of spills or releases into the Environment are required by the applicable Environmental Laws, Buyer shall notify U.S. Timberlands within twenty-four (24) hours of the time required for notification in the applicable Environmental Law and shall provide U.S. Timberlands with copies of all correspondence and documents related to such spills or releases within two (2) days after receipt or creation, as the case may be.

13.6 Copies of Environmental Correspondence. Buyer agrees to provide U.S. Timberlands with copies of all correspondence to or from any government agency which may have contact with Buyer regarding Environmental Law concerns pertaining to the Buyer's operations hereunder.

14. NO REPRESENTATIONS BY U.S. TIMBERLANDS

Buyer assumes all risk of personal injury and property damage to itself, its employees, agents, and contractors in connection with operations under this Agreement. U.S. Timberlands has made no representations or warranties as to the present or future condition of the land or timber upon which this Agreement will be performed, the volume or quality of timber to be logged, the

condition of the access roads, soils or rock, or the costs involved in harvesting and removing the Covered Products. At the time of execution of this Agreement, U.S. Timberlands is unaware of any sensitive, threatened or endangered species of plants, fish or wildlife on the Contract Area or affecting the Contract Area. Provided, however, that U.S. Timberlands has not made an exhaustive survey for such species and does not warrant their presence or absence.

15. INSURANCE

Before commencing any activities under this Agreement, Buyers shall, at its own cost and expense, secure a policy or policies of insurance, and, during the term of this Agreement, maintain such insurance, in a form, and with companies acceptable to U.S. Timberlands, insuring against liability growing out of the Buyer's operations, or the operations of its employees, agents, contractors, or other persons acting for or on behalf of the Buyer, including the following:

15.1 Comprehensive general liability insurance (with no exclusions unless consented to by U.S. Timberlands in writing) with a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate for bodily injury and property damage, including coverage for: operations and completed operations; independent contractors; blanket contractual liability (including liability assumed under the indemnification paragraph of this Agreement); explosion; collapse; and underground damage if blasting or excavation is to be done; and automobile liability insurance covering owned, hired and non-owned vehicles (including the "pollution from autos endorsement"). Property damage coverage shall include the Logger's Broad Form B Property Damage Endorsement insuring Buyer's legal liability. The policies shall by endorsement name U.S. Timberlands as an additional insured with respect to the performance of this Agreement. The Aggregate limit shall be specific to this Agreement. The coverages shall be primary, exclusive of any coverage carried by U.S. Timberlands, and shall be exhausted first notwithstanding that U.S. Timberlands may have other valid and collectible insurance covering the same risk. Nothing herein contained shall limit the Buyer's liability to U.S. Timberlands to the scope or the amount of the insurance coverage.

15.2 State or private industrial accident insurance covering Buyer and all its employees which shall fully comply with State and Federal Employment and Workers' Compensation laws

15.3 Employer's liability insurance covering Buyer and all of its employees having limits of One Million Dollars (\$1,000,000).

Prior to commencing performance of this Agreement, the Buyer shall deliver to U.S. Timberlands certificates from Buyer's insurance carrier evidencing the coverages described herein, and shall provide such further evidence to U.S. Timberlands which shall establish that the industrial insurance required herein has been secured. All certificates of insurance shall provide on their face that the policies represented thereby will not be terminated, reduced or changed without providing thirty (30) days prior written notice to U.S. Timberlands. Buyer shall also require all owners of vehicles and other equipment used in connection with the performance of this Agreement to have in force and effect insurance policies satisfying the above provisions.

16. LIENS

Buyer shall not create, suffer nor permit to be filed or enforced against the Covered Products or the Contract Area, or any part thereof, any lien or encumbrance, including without limitation, any statutory or common law lien, and any lien arising from the harvesting of any timber. Buyer agrees to defend, indemnify and to hold U.S. Timberlands, the Covered Products, and the Contract Area harmless from all liability for any and all such liens and any related claims and costs, together with reasonable attorneys' fees and all costs and expenses paid or incurred by U.S. Timberlands in connection therewith.

17. TRESPASS

Special care shall be taken by Buyer to protect and avoid felling or damaging any tree, other than any tree reasonably deemed hazardous to Buyer, not designated for cutting or any tree outside Contract Area boundaries unless specific written approval of U.S. Timberlands has first been obtained. In addition to other remedies which U.S. Timberlands may have under Oregon law, Buyer shall indemnify and hold U.S. Timberlands harmless if Buyer, its contractors, or employees, cut, injure or remove any tree which is not to be harvested under this Agreement.

18. INDEMNITY

Buyer shall defend, indemnify and hold U.S. Timberlands and its affiliated companies and their officers, insurers, agents and employees harmless from all expenses, fines, liens, claims, demands, penalties, natural resource damage assessments, damages, and liabilities (including without limitation attorneys' fees at trial, and on appeal or review and reasonable consultant's fee) which arise in connection with the performance of this Agreement, except to the extent caused by the sole negligence of U.S. Timberlands. Buyer's obligations under this Section include, without limitation, claims of all employees, licensees, invitees, agents, and contractors; claims for injuries to persons or property, including property of the public (such as air, water, fish and wildlife), and including land and timber, and other property, owned by U.S. Timberlands; claims for trespass, nuisance, all federal, state and local taxes, workers' compensation insurance; claims based upon or resulting from the occurrence of fire on or spreading of fire to or from any part of the Contract Area, including the costs of suppressing the same; and claims based upon or resulting from an Environmental Claim arising out of Buyer's activities hereunder. Buyer shall indemnify and hold harmless U.S. Timberlands from the consequences of all activities of its agents, contractors and assigns. Buyer shall, at Buyer's own cost and expense, defend any and all actions, suits or other legal proceedings that may be brought or instituted against U.S. Timberlands on any such claims, and shall pay or satisfy any judgment, decree or settlement arising therefrom.

19. LAWS, REGULATIONS AND ORDERS

Buyer agrees to comply with all laws, rules and regulations of the United States, the State of Oregon, and all other governmental bodies and agencies which pertain to Buyer's operations hereunder, and to labor, wages, hours, and working conditions.

20. REPRESENTATIVE OF BUYER

At all times when logging operations are in progress, Buyer shall have a representative who is authorized to receive notices or instructions given by U.S. Timberlands concerning performance of the terms and conditions of this Agreement. This Representative is:

Representative: Bill Turner
Phone No.: (530) 842-2310

21. NOTICE

Any notices required by this Agreement shall be in writing and shall be effective upon the earlier of: (i) when actually delivered by any generally accepted means of business communications (including FAX and telex) to the addresses set forth below, or (ii) three (3) days after being deposited in the mail, postage prepaid, certified, return receipt requested, addressed to such address.

Buyer: Timber Products Company
P. O. Box 766
Yreka, CA 96097

Seller: U.S. Timberlands Services Company, L.L.C.
Agent for U.S. Timberlands Klamath Falls, L.L.C.
6400 Highway 66,
P.O. Box 10
Klamath Falls, Oregon 97601
Fax No. (541) 880-5472

22. CHOICE OF LAW and AUTHORITY TO BIND ENTITY

This Agreement shall be governed by the laws of the State of Oregon. Buyer and Seller represent that they are legally organized entities authorized to enter into this Agreement and that their representative executing this agreement is duly authorized to bind the entity to the terms of this Agreement without further approvals.

23. WAIVER

Time is of the essence in the performance of this Agreement. Failure by U.S. Timberlands at any time to require strict performance by Buyer of any provision hereof shall in no way affect U.S. Timberlands' rights hereunder to enforce such provision nor shall any waiver by U.S. Timberlands of any breach of any provision hereof be held to be a waiver of any succeeding breach of any such provision or as a waiver of the provision itself.

24. VENUE, EXPERT AND ATTORNEY FEES

24.1 In the event any arbitration, action, suit or legal proceeding is instituted by either party to this Agreement, venue shall be set in Klamath County, Oregon or such other county as may be selected by U.S. Timberlands; the prevailing party shall be entitled to recover from the losing party both reasonable attorney fees and reasonable expert witness fees as determined by the court or arbitration panel, both at trial and on appeal or review and in bankruptcy, whether or not the matter in dispute involves an issue peculiar to federal bankruptcy law. Attorney fees and expert witness fees shall be in addition to other costs and disbursements allowed by law.

"Prevailing party" shall be determined by the arbitrator, or any court, as the true prevailing party (not statutorily prevailing party) after taking into consideration any settlement offers made by the parties and the number and importance of issues to be determined.

24.2 If U.S. Timberlands becomes involved in litigation (as a plaintiff, defendant, or cross-claimant or cross-defendant) by reason of any debt incurred by Buyer, any alleged personal or bodily injury or property damage related to the Contract Area or Buyer's conduct related to this Agreement, and/or any matter for which Buyer has an indemnity obligation hereunder, then Buyer agrees to fully defend U.S. Timberlands, using lawyers of U.S. Timberlands' choice, upon U.S. Timberlands' tendering of its legal defense to Buyer. Should Buyer refuse the tender of defense, then Buyer shall be liable to U.S. Timberlands for all its costs and fees incurred in connection with such litigation.

25. NUMBER AND GENDER; PARTIES

As used herein, the singular shall include the plural and the plural the singular. The masculine and the neuter shall each include the masculine, feminine and the neuter as the context requires. The covenants, conditions and terms of this Agreement shall extend to, be binding upon and inure to the benefit of the heirs, administrators, executors, successors and assigns of the parties hereto; provided, however, that nothing contained in this paragraph shall alter the restrictions herein contained relating to assignment.

26. DEFAULT AND REMEDIES

Time is of the essence of payment and performance under this Agreement.

26.1 U.S. Timberlands may suspend Buyer's logging and removal of Covered Products from the Contract Area immediately upon notice to Buyer for any material breach under the terms of this Agreement. Such suspension shall continue until the material breach is remedied or until this Agreement is terminated.

26.2 In the event the Buyer shall fail to make any payment as herein provided, or shall violate any of the other terms, covenants or conditions of this Agreement, U.S. Timberlands shall give written notice to Buyer of such default and in the event Buyer shall continue to be in default for a period of ten (10) days from the date of mailing written notice, U.S. Timberlands shall have the right, at its option, to exercise any one or more of the following remedies:

26.2.1 To recover damages for Buyer's material breach of contract;

26.2.2 To terminate this Agreement, and to declare a forfeiture of Buyer's interest herein under ORS 93.505 et seq., if applicable to the interest acquired by Buyer hereunder.

26.2.3 To foreclose this Agreement by suit in equity;

26.2.4 To exercise any and all the rights and remedies now provided or which may hereafter be provided by law, including without limitation those provided in Oregon's Uniform Commercial Code.

26.2.5 In addition to other remedies, U.S. Timberlands shall be entitled to the appointment of a receiver, whether or not the apparent value of the remaining Covered Products exceeds the amount of the balance due hereunder, and any receiver appointed may serve without bond. Employment by U.S. Timberlands shall not disqualify a person from serving as a receiver.

26.2.6 The remedies provided herein are cumulative and in addition to any other remedies to which U.S. Timberlands is entitled in the case of a material breach or threatened material breach of this Agreement, whether provided in law or in equity.

26.3 In the event of a breach of this Agreement by U.S. Timberlands, the Buyer's exclusive remedy is limited to the return of any payments which have not been applied to timber

removed and compensation for any unamortized improvements made by Buyer. U.S. Timberlands shall not be liable for any damages, whether direct or indirect, punitive, incidental, consequential, or otherwise, whether in contract or tort.

27. DISPUTE RESOLUTION

The parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this Agreement promptly by negotiations between senior executives of the parties who have authority to settle the controversy (and who do not have direct responsibility for administration of this Agreement). The disputing party shall give the other party written notice of the dispute. Within 20 days after receipt of said notice, the receiving party shall submit to the other a written response. The notice and response shall include (a) a statement of each party's position and a summary of the evidence and arguments supporting its position and (b) the name and title of the executive who will represent the party. The executives shall meet at a mutually acceptable time and place within 30 days of the date of the disputing party's notice and thereafter, as often as they reasonably deem necessary to exchange relevant information and to attempt to resolve the dispute.

If the matter has not been resolved within 60 days of the disputing party's notice or if the party receiving said notice will not meet within the 30 days, the parties agree to submit the dispute to private and confidential non-binding mediation under such procedures as the parties shall mutually agree upon; provided that if the parties cannot so agree within 25 days, then the parties shall submit to non-binding mediation administered by the American Arbitration Association under its then current Commercial Mediation Rules. Either party may initiate the mediation by filing a request for mediation with the Association. The compensation and expenses of the association and the mediator shall be shared equally by the parties. [No legal action may be commenced in court by either party relating to the dispute until 45 calendar days after the filing with the Association of the request for nonbinding mediation. The running of any applicable statute of limitations is not affected by this section.

28. FINAL AGREEMENT

This document is the entire and complete agreement of the parties. There are no oral agreements between the parties hereto affecting this Agreement, and this Agreement supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by either party to the other with respect to the subject matter thereof, including without limitation the Timber Sale Prospectus and Invitation to Bid, and none thereof shall be used to interpret or construe this Agreement. Any amendments or modifications to this Agreement must be in writing and executed by both U.S. Timberlands and Buyer in order to be effective and binding.

29. SURVIVAL

The covenants, terms and conditions of this Agreement, specifically including, but not limited to, the covenants regarding indemnification and attorney fees shall survive the termination hereof.

30. COUNTERPARTS

This Agreement may be executed in as many counterparts as may be deemed necessary or convenient, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument. This Agreement may be executed by copy delivered by facsimile; provided that an original "hard copy" shall be delivered to the other party within five (5) days after the date hereof.

31. WITHHOLDING AND ASSESSMENTS

Buyer agrees to timely pay any and all Workers' Compensation, Unemployment Compensation, Social Security, and employee contributions to be withheld, and other taxes and contributions imposed by law (now in force or which may hereafter be enacted) which come due and payable on account of the operations carried on by the Buyer or permitted contractors under this Agreement. The Buyer agrees to promptly prepare and file all necessary reports pertaining to any of said obligations. Should Buyer fail to make any such payments, U.S. Timberlands shall have the right at its option, to make such payment and to charge the same to Buyer's account, and Buyer agrees that it will promptly reimburse U.S. Timberlands for any such payment upon

demand. Buyer agrees to provide U.S. Timberlands with proof of payment of all obligations hereunder. Failure to provide such proof may, at U.S. Timberlands' option, result in immediate termination of this Agreement by U.S. Timberlands due to Buyer's material breach hereof. Buyer further agrees to indemnify and hold U.S. Timberlands harmless from any wage or hour dispute that might be brought about by reason of any state or federal laws or regulations.

32. EQUAL OPPORTUNITY IN EMPLOYMENT

Buyer hereby warrants that with respect to terms and conditions of employment, including but not limited to hiring, promotions, wages, hours, and fringe benefits, Buyer will not discriminate against any person on the basis of race, physical or mental handicap, creed, religion, sex, or national origin.

33. INDEPENDENT CONTRACTOR

U.S. Timberlands shall exercise no control or supervision over the performance of the Buyer hereunder except U.S. Timberlands shall have the right to require that the work shall be completed in accordance with the provisions of this Agreement. It is understood and agreed that in the performance of this Agreement, Buyer is an independent contractor and no relation of employer and employee, joint venturer or partner, is or shall be deemed to exist either between U.S. Timberlands and Buyer or between U.S. Timberlands and any person or persons performing labor or services on behalf of Buyer. Buyer shall furnish and be responsible for its own employees, agents, and equipment and shall not subcontract work to other persons or entities without the prior written permission of U.S. Timberlands, which can be withheld in U.S. Timberlands' sole discretion.

34. ASSIGNMENT OF CONTRACT

This Contract is personal to Buyer. It shall be an event of default hereunder for Buyer, without the prior written consent of U.S. Timberlands, to sell, convey, assign, lease, subcontract, mortgage, assign for security purposes, or otherwise transfer or encumber, voluntarily or involuntarily, all or any portion of the Covered Products (except for Covered Products already severed under the terms of this contract) or any rights arising out of or related to this Agreement.

without the prior written consent of U.S. Timberlands (a sale of controlling interest in the entity comprising Buyer shall be deemed a sale requiring the prior written consent of U.S. Timberlands). U.S. Timberlands' consent may be withheld or conditioned in U.S. Timberlands' sole discretion. If U.S. Timberlands consents to assignment or subletting of any of Buyer's duties hereunder, Buyer shall remain liable for performance by assignees or contractors in compliance with this Agreement. If a sale of an interest (complete or partial) in U.S. Timberlands or the Contract Area shall occur, this Agreement shall remain in full force and effect.

35. SAFETY

Buyer, and its employees and contractors, shall use commonly accepted and acknowledged industry safety practices in the performance of this Agreement.

36. CONSTRUCTION OF AGREEMENT

Section headings in this Agreement are for convenience only, and shall not be considered a part of this Agreement or used in its interpretation. If one or more provisions hereof are ruled invalid, it shall not impair the enforceability of the remainder of this Agreement.

13928

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by its duly authorized representatives the day and year first above written.

Buyer:

Timber Products Company

By: Bill Turner
Title: TIMBER PROCUREMENT MGR

Date: 3-19-99

Seller:

U.S. TIMBERLANDS KLAMATH FALLS,
L.L.C.

By: Martin Lugas
Title: General Manager

Date: 4/16/99

Attachments: Exhibit "A", Contract Area Descriptions
Exhibit "B", Harvest Prescriptions
Exhibit "2.4", Warranty Timber Deed
Exhibit "C", Road Access
Exhibit "D", Fire Plan
Exhibit "E", Bid Rates

TABLE OF CONTENTS

	Page
1. TIMBER TO BE CUT AND REMOVED.....	2
2. PAYMENT, RATES, BOND AND TIMBER DEED.....	4
3. LOG ACCOUNTABILITY.....	6
4. LOGGING METHOD.....	6
5. TAXES.....	9
6. REFORESTATION.....	9
7. DURATION OF CONTRACT.....	9
8. TITLE PASSAGE, SECURITY INTEREST AND RISK OF LOSS.....	9
9. SCALE INFORMATION.....	10
10. ROAD FEES AND ACCESS.....	10
11. ROAD CONSTRUCTION AND MAINTENANCE.....	11
12. FIRE PREVENTION AND SUPPRESSION AND SLASH DISPOSAL.....	12
13. ENVIRONMENTAL LAWS.....	13
14. NO REPRESENTATIONS BY U.S. TIMBERLANDS.....	16
15. INSURANCE.....	16
16. LIENS.....	17
17. TRESPASS.....	18
18. INDEMNITY.....	18
19. LAWS, REGULATIONS AND ORDERS.....	19
20. REPRESENTATIVE OF BUYER.....	19
21. NOTICE.....	19
22. CHOICE OF LAW and AUTHORITY TO BIND ENTITY.....	19
23. WAIVER.....	20
24. VENUE, EXPERT AND ATTORNEY FEES.....	20
25. NUMBER AND GENDER; PARTIES.....	21
26. DEFAULT AND REMEDIES.....	21
27. DISPUTE RESOLUTION.....	22
28. FINAL AGREEMENT.....	23
29. SURVIVAL.....	23
30. COUNTERPARTS.....	23
31. WITHHOLDING AND ASSESSMENTS.....	23
32. EQUAL OPPORTUNITY IN EMPLOYMENT.....	24
33. INDEPENDENT CONTRACTOR.....	24
34. ASSIGNMENT OF CONTRACT.....	25
35. SAFETY.....	25
36. CONSTRUCTION OF AGREEMENT.....	25

EXHIBIT "A"

Legal Description

Unit 70701 Portions of: NE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 32, T38S, R5E
 NW $\frac{1}{4}$ SW $\frac{1}{4}$ " "
 SW $\frac{1}{4}$ SW $\frac{1}{4}$ " "
 SE $\frac{1}{4}$ SW $\frac{1}{4}$ " "

NE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 5, T39S, R5E
 NW $\frac{1}{4}$ NW $\frac{1}{4}$ " "
 SW $\frac{1}{4}$ NW $\frac{1}{4}$ " "
 SE $\frac{1}{4}$ NW $\frac{1}{4}$ " "
 NE $\frac{1}{4}$ SW $\frac{1}{4}$ " "
 NW $\frac{1}{4}$ SW $\frac{1}{4}$ " "

NE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 6, T39S, R5E
 SE $\frac{1}{4}$ NE $\frac{1}{4}$ " "

Unit 71703 Portions of: NE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 9, T39S, R5E

NE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 10, T39S, R5E
 NW $\frac{1}{4}$ NE $\frac{1}{4}$ " "
 SW $\frac{1}{4}$ NE $\frac{1}{4}$ " "
 SE $\frac{1}{4}$ NE $\frac{1}{4}$ " "
 NE $\frac{1}{4}$ NW $\frac{1}{4}$ " "
 NW $\frac{1}{4}$ NW $\frac{1}{4}$ " "
 SW $\frac{1}{4}$ NW $\frac{1}{4}$ " "
 SE $\frac{1}{4}$ NW $\frac{1}{4}$ " "
 NE $\frac{1}{4}$ SE $\frac{1}{4}$ " "
 NW $\frac{1}{4}$ SE $\frac{1}{4}$ " "
 SW $\frac{1}{4}$ SE $\frac{1}{4}$ " "
 SE $\frac{1}{4}$ SE $\frac{1}{4}$ " "

NW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 14, T39S, R5E

NE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 15, T39S, R5E
 NW $\frac{1}{4}$ NE $\frac{1}{4}$ " "

ACTUAL

HARVEST MAP

13931

615 + 383 + 5E
395

Harvest Plan # 70701

Setting No.(s):

District WEST

Operator

Start Date

Completion Date

MAP DATE: 2-5-97 REVISED 7-4-97



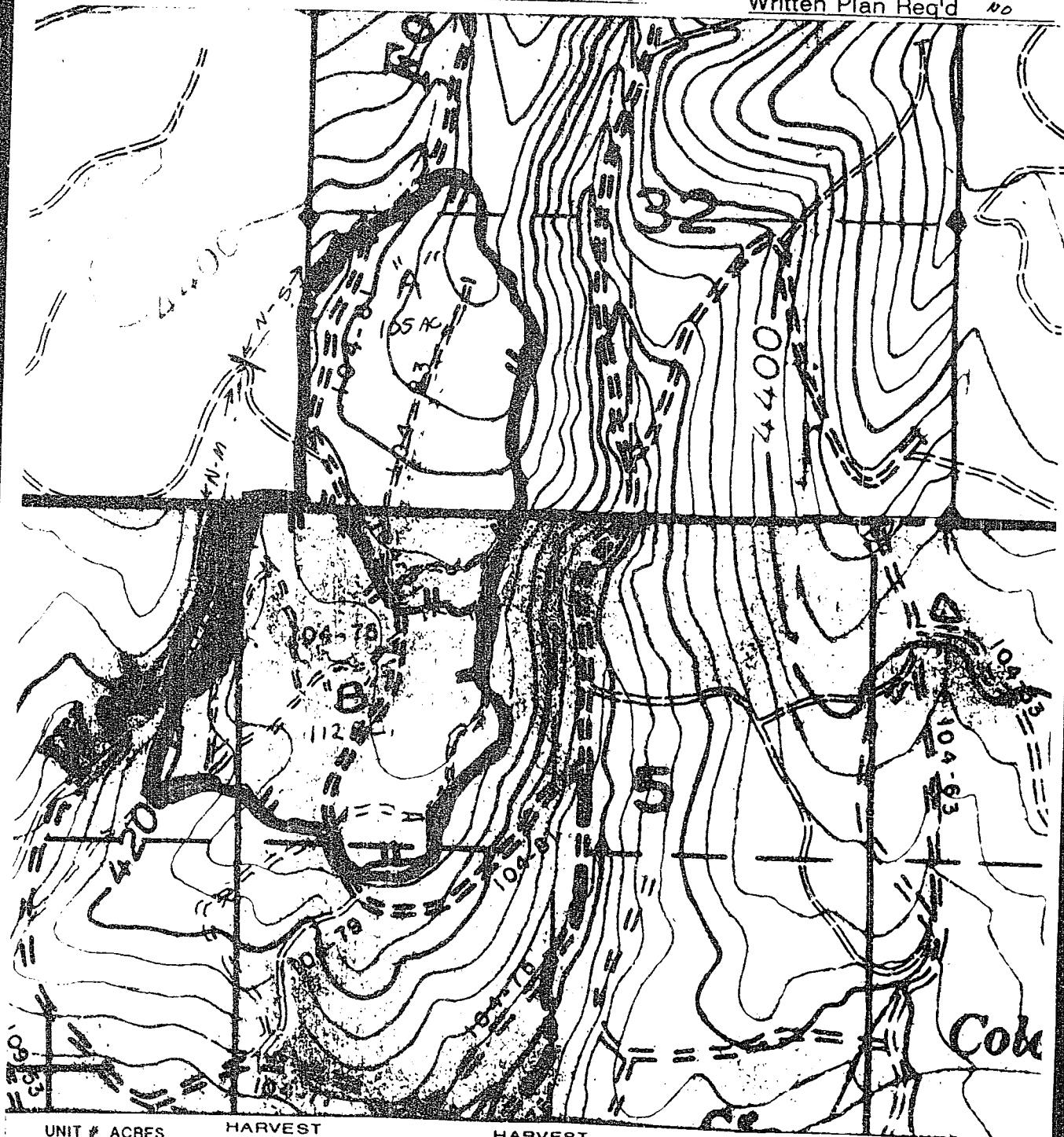
Sec.(s) Twp.(s) Rge.(s)

State Notification #

Scale: 1" = 1000'

Total Acres: 217

Written Plan Req'd NO



UNIT # ACRES

HARVEST PRESCRIPTION

HARVEST TYPE

A	105	12' + DRW ALL SPECIES	P. CUT
B	112	CUT ALL SPECIES TO TWO FEET	C. CUT
F.P.A. REQUIREMENTS			
TWO UP		IN WHA	
TWO DOWN		2 DEP ARD DEFINITION IN "R"	

Setting Boundary

Reserve Area

Significant Wetland

Stream Class

Stream Size

Resource Site

No Harvest Area

Clearcut



S.W.

F N D

L M S



N.H.

C.C.

COMMENTS

ACTUAL

HARVEST MAP

Harvest Plan # 71703

Setting No.(s):

District

Operator

Start Date

Completion Date

MAP DATE

7-15-98 JV

$$\begin{array}{r} + \\ 9.10 \\ \hline 15.14 \end{array}$$

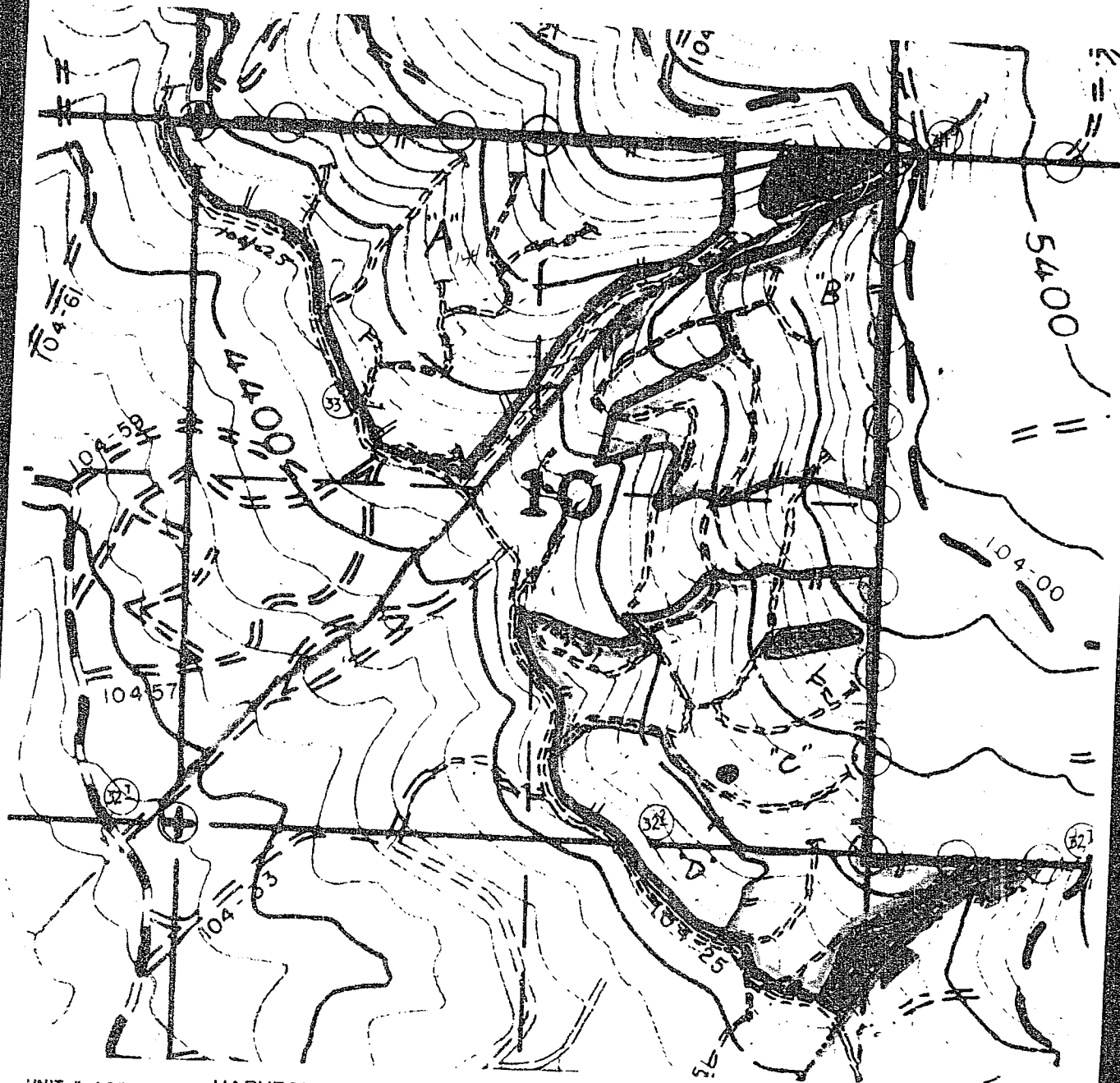
Sec.(s)	Twp.(s)	Rge.(s)
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State Notification #




Scale: 1" = 1000'

Total Acres: 360

Written Plan Req'd No



UNIT #	ACRES	HARVEST PRESCRIPTION	HARVEST TYPE
"A"	144	MARKED CUT - CUT ONLY TREES WITH 2 BLUE SLASHES	P.C.
"B"	73	CUT ALL SPECIES TO MIN. MERCH SPECIFICATIONS	C.C.
"C"	112	"SAME AS B"	C.C.
"D"	30	CUT 15" FDBH ALL SPECIES	P.C.
F.P.A. REQUIREMENTS	TWO UP WITHIN W.H.A.'S		

Setting Boundary	
Reserve Area	
Significant Wetland	S.W.
Stream Class	F (N) D
Stream Size	L (M) (S)
Resource Site	
No Harvest Area	N.H.
Clearcut	C.C.

COMMENTS

Cherry Glades Timber Sale**STATUTORY WARRANTY TIMBER DEED**

U.S. TIMBERLANDS KLAMATH FALLS, a Delaware limited liability company ("Grantor") conveys and warrants to Timber Products Company, ("Grantee"), all of the "Conveyed Timber" (as defined below) on those certain parcels of land situated in Klamath County, Oregon, described below, free of encumbrances except as set forth in Exhibit "B" attached hereto and incorporated herein:

SEE EXHIBIT "A" ATTACHED HERETO
AND INCORPORATED HEREIN (the "Land")

The true consideration for this conveyance is the sum of \$527,489.

As used herein, the term "Conveyed Timber" shall mean all timber now standing, growing, lying or being on the Land which, as of the date of this Deed, or through growth, during the term hereof, meets the specifications for "Covered Products" set forth in the Lump Sum Timber Sale Agreement ("Agreement"), which is defined below.

Grantee shall have until December 31, 2000 (the "Termination Date") to cut and remove the Conveyed Timber. Provided however, at the election of Grantee, the Termination Date shall be extended during General Operating Seasons for the period of any delay(s) in Grantee's harvest and removal of the Conveyed Timber upon the terms and conditions set forth in Section 1.6 of the Agreement. If any such extension shall apply, Grantee shall use its best efforts to complete its full performance hereunder as soon as possible thereafter.

On the Termination Date, all right, title and interest in and to any remaining Conveyed Timber shall revert automatically to the Grantor herein, its successors and assigns, without the requirement of any action by any party hereto.

This Timber Deed has been executed and delivered, and accepted, subject to the terms and provisions of the Agreement, dated December 30, 1998 between Grantor and Grantee, the terms and conditions of which are incorporated herein.

EXECUTED as of the 16 day of March, 1999.

GRANTOR:

U.S. TIMBERLANDS KLAMATH FALLS, a an
_____ limited liability company

By: Martin L. Lusk

Name: Martin L. Lusk

Its: General Manager

13934

STATE OF OREGON)
) ss.
County of Klamath)

This instrument was acknowledged before me on March 16, 1999, by
Martin Lopez General Manager of U.S. Timberlands Klamath Falls, a/an Delaware
limited liability company.



Catherine Gray
NOTARY PUBLIC FOR OREGON
My Commission Expires: May 6, 2000

Upon recording return to:

Timber Products
P.O. Box 766
Yreka, CA 96097

EXHIBIT "A"

Legal Description

<u>Unit 70701</u>	Portions of:	NE $\frac{1}{4}$ SW $\frac{1}{4}$	Section 32, T38S, R5E		
		NW $\frac{1}{4}$ SW $\frac{1}{4}$	" "		
		SW $\frac{1}{4}$ SW $\frac{1}{4}$	" "		
		SE $\frac{1}{4}$ SW $\frac{1}{4}$	" "		
			NE $\frac{1}{4}$ NW $\frac{1}{4}$	Section 5, T39S, R5E	
			NW $\frac{1}{4}$ NW $\frac{1}{4}$	" "	
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			NW $\frac{1}{4}$ SW $\frac{1}{4}$	" "	
			NE $\frac{1}{4}$ NE $\frac{1}{4}$	Section 6, T39S, R5E	
			SE $\frac{1}{4}$ NE $\frac{1}{4}$	" "	
	<u>Unit 71703</u>	Portions of:	NE $\frac{1}{4}$ NE $\frac{1}{4}$	Section 9, T39S, R5E	
NE $\frac{1}{4}$ NE $\frac{1}{4}$			Section 10, T39S, R5E		
NW $\frac{1}{4}$ NE $\frac{1}{4}$			" "		
SW $\frac{1}{4}$ NE $\frac{1}{4}$			" "		
SE $\frac{1}{4}$ NE $\frac{1}{4}$			" "		
NE $\frac{1}{4}$ NW $\frac{1}{4}$			" "		
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SW $\frac{1}{4}$ NW $\frac{1}{4}$			" "		
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NE $\frac{1}{4}$ SE $\frac{1}{4}$			" "		
NW $\frac{1}{4}$ SE $\frac{1}{4}$			" "		
SW $\frac{1}{4}$ SE $\frac{1}{4}$			" "		
SE $\frac{1}{4}$ SE $\frac{1}{4}$			" "		
				NW $\frac{1}{4}$ NW $\frac{1}{4}$	Section 14, T39S, R5E
				NE $\frac{1}{4}$ NE $\frac{1}{4}$	Section 15, T39S, R5E
				NW $\frac{1}{4}$ NE $\frac{1}{4}$	" "

13936

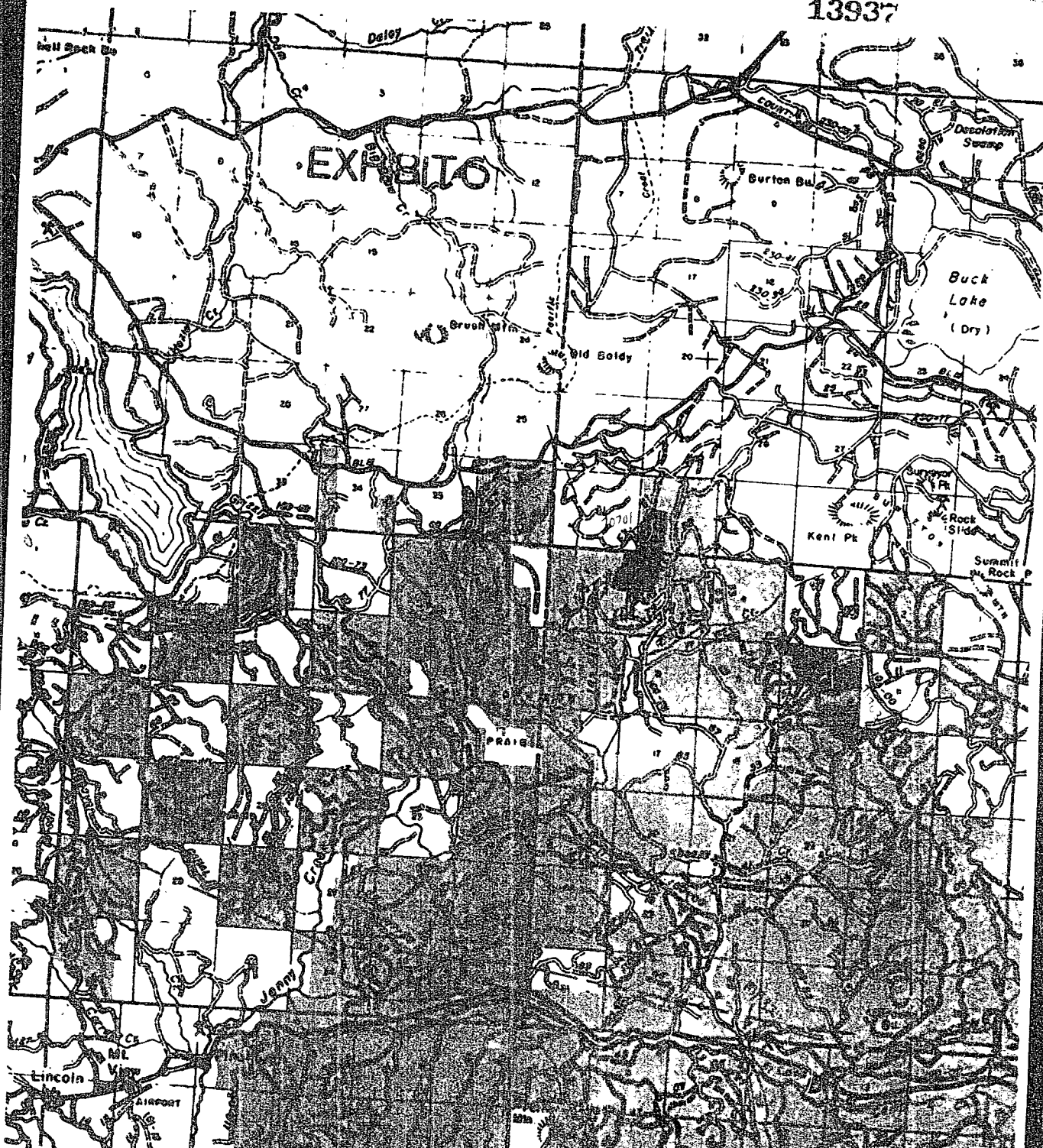
EXHIBIT B
TO
STATUTORY WARRANTY TIMBER DEED

Exceptions to Title

None

13937

EXHIBIT





13938

EXHIBIT D - EASTERN OREGON REGION FIRE PROTECTION REQUIREMENTS

- I. All rolling stock — shovels, trucks, pickups, etc. — must have one shovel, one axe, and one fully-charged and usable fire extinguisher. All crawler tractors and rubber-tired skidders capable of digging fire line must have one shovel and one fully-charged and usable extinguisher.
- II. **SMOKING:**
 - A. Smoking will not be permitted while working or traveling on OWNER'S land or sales areas except inside vehicle while traveling main surfaced roads or on State or county roads.
- III. **FIRES:**
 - A. During fire season declared by OWNER or the State Board of Forestry, NO OPEN FIRES will be permitted on OWNER'S land.
 - B. Warming fires must be built in a clear place, cleared to mineral soil and must be completely extinguished before leaving each day.
 - C. NO brush piles may be set on fire during fire season without a permit from the State Board of Forestry; also, said burning must have approval by OWNER.
- IV. Welding will not be permitted until the ground has been cleared to mineral soil and a standby water truck or water trailer is at hand and watch person is present.
- V. **POWER SAWS**
 - A. Power saws must be equipped with a spark arrester approved by the State Board of Forestry.
 - B. Power saw operators must carry a fully charged fire extinguisher of at least eight ounce minimum capacity as approved by the State Board of Forestry.
 - C. Power saw operators must have one size 0 or larger shovel for each saw immediately available for the prevention and suppression of fire.
- VI. **FIRE TOOL BOX** - A red tool box, with the words "FOR FIRE ONLY" in white letters must be centrally located within the working area and:
 - A. The tool box must contain enough tools to equip crew on a fire 100%.
 - B. The hinges on the tool box must be attached so they cannot be removed from outside the box.
 - C. The front side of the tool box must have a hasp or similar hook so the box can be sealed. Seals permissible are State Board of Forestry, U.S. Forest Service, or Box Car Seals.
 - D. The fire tool box may be part of the standby water truck or water trailer.
- VII. **WATER SUPPLY AND EQUIPMENT** - A water truck or water trailer must be centrally located within the working area and must meet the following requirements:
 - A. **Capacity and Specifications:**
 1. The capacity of the water tank must be at least 300 gallons if self-propelled and not less than 500 gallons if stationary or not self-propelled.
 2. The water tank must be equipped with a power water pump of sufficient size and capacity to provide a minimum pressure of 100 pounds per square inch and a discharge of not less than twenty (20) gallons per minute when pumping through fifty (50) feet of hose equipped with a nozzle one-quarter inch inside diameter at pump level.
 3. The water truck or water trailer must be equipped with not less than 500 feet of serviceable hose of not less than three-quarter inch inside diameter, and a nozzle with an inside diameter of not less than one-quarter inch. At least 250 feet of hose and the nozzle must be on a "live reel".

EXHIBIT D - EASTERN OREGON REGION FIRE PROTECTION REQUIREMENTS

B. Operational Readiness:

1. The water tank must be full of water.
2. All equipment must be in good condition and ready for use.
3. The unit will be operational and able to reach all parts of the contract area within five minutes after the start of any fire.
4. Water supply, pumps, and not less than 250 feet of the hose, and the nozzle shall be maintained as a connected, operating unit ready for immediate use at any time.

C. Personnel trained in the use of the unit shall be present during daily operations.

VIII. WATCH PERSON SERVICE

A. The watch person service shall consist of not less than one competent person who is physically capable and trained to operate the firefighting equipment required above.

B. The watchman shall:

1. Be constantly on duty for the following specified time after the power-driven equipment used by the CONTRACTOR has been shut down for the day.
 - a. Three hours; or
 - b. That period of time designated in writing by the State Board of Forestry.
2. Visually observe all conditions of the operating area on which contract activity has been in progress.
3. Have adequate facilities for transportation and communications in order to be able to summon assistance, if needed.
 - a. Transportation is adequate if the entire operating area can be visually observed in twenty (20) minutes lapsed time.
 - b. Communication is adequate if CONTRACTOR is able to notify OWNER and/or the State Board of Forestry within fifteen (15) minutes after a fire is discovered.

C. After a measurable amount of rain on the operating area, the State Board of Forestry may suspend the requirement for watch person service until such time as conditions warrant reinstatement.

IX. OWNER has the right to inspect CONTRACTOR'S equipment and require operational test by CONTRACTOR at any time.

X. CONTRACTOR shall devote every reasonable effort and all facilities and employees to the prevention and suppression of any fire on or near the Contract Area, regardless of its cause, place or origin.

XI. Non-compliance with any item required for fire protection may cause suspension of all operations until deficiencies are corrected.



U.S. TIMBERLANDS
KLAMATH FALLS, L.L.C.

13940

CHERRY GLADES TIMBER SALE

DECEMBER 9, 1998

I submit for consideration the following bid by species :

GUARANTEED TIMBER SALE:

Minimum DBH and tree size as identified on harvest plats
Minimum LOG SIZES 16' length 6" top or 20 BF
Estimated VOLUME 1,994 mbf

SPECIES	EST VOL (MBF NET)	\$ BID/MBF(NET)	TOTALS
PP/SP	± 138	\$ 161. ⁰⁰	\$ 22,218. ⁰⁰
DF	± 839	\$ 306. ⁰⁰	\$ 256,734. ⁰⁰
WHITE FIR	± 931	\$ 241. ⁰⁰	\$ 224,371. ⁰⁰
INC CEDAR	± 86	\$ 281. ⁰⁰	\$ 24,166. ⁰⁰
TOTAL	1,994		\$ 527,489.⁰⁰

TOTAL DOLLARS

\$ 527,489.⁰⁰

All volume information is based on UST estimates. It is recommended that purchaser makes their own estimate of volume and grade. I understand this offer is irrevocable for 15 days.

Signed: _____

Representing: _____

Date: _____

Timber Products Co.

12/9/98

UST RESERVES THE RIGHT TO REJECT ANY OR ALL BIDS.

P.O. Box 10 • 6400 Highway 66 • Klamath Falls, OR 97601 • (541) 884-2240 • Fax (541) 882-8872
STATE OF OREGON, COUNTY OF KLAMATH ss.

Filed for record at request of _____ US Timberlands _____ the _____ 15th _____ day
of April _____ A.D. 1999 at 4:00 o'clock P.M. and duly recorded in Vol _____ M99 _____
of _____ Deeds _____ on Page 13903

FEE \$195.00

Linda Smith, County Clerk

by _____