

ATTACHMENT C

**WASHINGTON STATE DEPARTMENT OF NATURAL RESOURCES
PACIFIC YEW HARVEST CONTRACT**

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
JENNIFER M. BELCHER, Commissioner of Public Lands
Olympia, Washington 98504

Lease No. 35-069419

By this Lease, the STATE OF WASHINGTON, Department of Natural Resources, hereinafter called the "State," leases to HAUSER NORTHWEST, INC., hereinafter called the "Lessee," the premises in Jefferson County, Washington, the legal description, and reservations, if any, of which are set forth in Exhibit 1A, upon the terms and conditions and for the consideration enumerated herein. All exhibits to this lease are attached and incorporated herein.

The State recognizes that the lease area as presently identified on Exhibit 1A is subject to change due to new information or restrictions on harvest. Therefore, adjustments to lease area may be set forth in revised Exhibit 1A, during the term of this lease.

SECTION 1 OCCUPANCY

1.01 Lease Term. This lease shall commence on June 28, 1993 or date of signature by the "State," whichever is later, and expire on October 1, 1994, or upon the completion of Lessee's operations, whichever date occurs first, provided however, that the state may terminate this lease at any time, in the event of Lessee's breach of any of the terms or conditions hereof, or when the State is suffering or there is reasonable expectation that the State will suffer damage if the lease is allowed to continue.

Upon verbal or written notice of any violation of the terms and conditions of this lease, the Lessee, including but not limited to, agents, employees, licensees or permittees, shall suspend operations pending correction of the violation or cancellation of the lease.

SECTION 2 USE OF PREMISES

2.01 Permitted Use. The leased area, hereinafter called the "premises," are to be used for the harvesting of Pacific Yew (*Taxus brevifolia*) bark and for no other purposes whatsoever. Harvesting, within the meaning of this lease, shall be described as cutting Yew trees and removing the bark subject to sub-section 7.04.

SECTION 3 PAYMENT

3.01 Payment. The lessee shall pay to the State, at: DNR Olympic Region, Route 1 Box 1375, Forks, Washington 98331, a rate of \$0.30 per pound of wet weight of Pacific Yew bark removed from leased premises. Lessee shall submit these payments on a weekly basis.

Lessee shall submit copies of trip tickets and a stumpage report on a weekly basis to: DNR Olympic Region, Route 1 Box 1375, Forks, Washington 98331. Lessee will comply with the load accountability system specified in subsection 7.02.

3.02 Surety. As a guarantee of the full and faithful performance of the provisions of this lease and payment of all sums due the State herein, including payment for all damages suffered by the State by reasons of the operations under this lease, the Lessee will deliver before commencing operations under authority hereof, a cash deposit, a Surety Bond, or a Savings Account Assignment in a form acceptable to the State in the sum of \$2,000.00

3.03 Adjustment to payment. The payment specified in subsection 3.01 is subject to reappraisal by the State on January 1, 1994.

SECTION 4 RESERVATIONS

4.01 Compliance. The State shall have access to the premises at all reasonable times for any management purposes.

4.02 Public Hunting. All State lands leased for grazing, agricultural purposes or minor forest products shall be open and available to the public for purposes of hunting and fishing unless closed to public entry because of:

- (1) Fire hazard;
- (2) It being necessary to close the area to avoid undue interference with the carrying forward of a departmental or agency program;
- (3) The Lessee having been given specific written approval by the Department of Natural Resources to lawfully post the area to prohibit hunting and fishing thereon in order to protect: (a) crops, (b) other land cover, (c) improvements on the land, (d) livestock, (e) the Lessee, (f) the general public.

4.03 Management. The State reserves the right to enter upon the leased premises to manage and sell the forest or mineral resources.

4.04 State Does Not Warrant. The State does not warrant any of the following:

- a. The condition of the forest products. The forest products are conveyed "as is."
- b. The volume, quality, or grade of the forest products. The description of the forest products conveyed in this lease are estimates only, made for the sole purpose of identification.
- c. Items which extend beyond the description of the face of this contract.
- d. The presence or absence of any threatened or endangered species listed by the US Fish and Wildlife Service that may affect the operability of this lease.

The State disclaims any responsibility for, or liability relating to, regulatory actions by any government agency, including actions pursuant to the Forest Practices Act, Ch. 76.09 RCW, that may affect the operability of this lease.

4.05 Restrictions on Use. In connection with use of the premises the Lessee shall:

- (1) Conform to applicable laws and regulations of any public authority affecting the premises and the use thereof and correct at the Lessee's own expense any failure of compliance created through the Lessee's fault or by reason of the Lessee's use;
- (2) Remove no valuable material, except those identified in Sub-section 2.01, without prior written consent of the State;
- (3) The Lessee agrees to provide sufficient personnel and equipment at its expense to satisfy the requirements as provided by law that may be imposed upon the State and/or the Lessee. Lessee further agrees to make available all of the personnel and equipment used on the operating area for direct hire to the State at established fire fighting rates of the State for suppression of any fires occurring within the general vicinity. An operating area shall be defined as any area within the described premises on which any cutting or other harvesting activity has taken place under this lease.

(4) All operations on the premises shall cease during logging shutdowns in the local area. Shutdowns of all or a portion of the area near or surrounding the premises for any reason beyond the control of the State or shutdowns by the State or other agencies of the State of Washington because of fire danger shall not be a basis of claim against the State.

(5) Not allow debris or refuse to accumulate on the leased premises, caused either by Lessee, or any person authorized on the premises by the Lessee. Failure to comply with this provision may permit the State to remove the debris and refuse and collect the cost of such removal from the Lessee and/or cancel this lease;

(6) Notify the State and local authorities immediately if refuse or debris accumulates on the leased premises as the result of actions of trespassers or persons permitted on the premises by the provision of Sub-section 4.02. Failure to comply with this Sub-section shall cause the debris accumulation to be the responsibility of the Lessee as set forth in Paragraph (5).

4.06 Higher and Better Use. This lease is subject to cancellation upon sixty days' written notice in the event the area covered thereby is included in a plan of development to higher and better use. (Provided, however, the Lessee will be allowed to use the premises for the current harvest season.)

4.07 Lease Recording. The State reserves the right to have this lease recorded with the County Auditor.

SECTION 5 REQUIREMENTS

5.01 Assignment and Sublease. Any rights created by this lease may not be assigned, sublet or transferred without written permission from the State. Permission to assign, sublet or transfer rights under this lease may be conditioned by charging additional rent based upon the present market value of such rights. The State may condition or deny the granting of a request for an assignment based upon its opinion of the financial reliability and capability of the proposed assignee or transferee. Further, if the Lessee shall be a corporation or partnership and if at any time during the term of this lease any part or all of the corporate shares or partnership interests of the Lessee shall be transferred by sale, assignment, bequest, inheritance, operation of law, or other disposition so as to result in a change in the present control of the lease by the person or persons now owning a majority of the corporate shares or change in the holding of the partnership interests, the transfer shall be deemed as requiring an assignment.

5.02 Duty. The Lessee, at its sole cost and expense, shall at all times keep or cause all improvements (regardless of ownership) to be kept in as good condition and repair as originally constructed or as hereafter put, except for reasonable current wear and tear. In all cases, the premises and improvements shall be maintained at a standard acceptable to the industry. The State may require the Lessee to carry insurance of types and in amounts sufficient to protect improvements on the leased premises. Any such requirement imposed will be given to the Lessee in writing.

5.03 Condition of Premises. The premises have been inspected by the Lessee and are accepted in their present condition. Further the Lessee will be responsible for the payment of any fines or penalties charged against the premises as a result of its action in not complying with laws or regulations affecting the premises.

5.04 Insolvency of Lessee. If the Lessee becomes insolvent, bankrupt, receiver appointed, or their interest is transferred by operation of law, the State may cancel this lease at its option. Insolvency as used herein will mean the inability of the Lessee to meet obligations as they come due.

5.05 Insurance. The Lessee shall at Lessee's expense procure and maintain insurance during the term of the lease. Upon request, an insurance certificate shall be sent to the State. If the Lessee fails to procure and maintain said insurance the State may procure said insurance and be reimbursed for such costs by the Lessee. Such policies must require a minimum of thirty (30) days written notice to the State prior to any change in the amount of coverage, expiration, or cancellation of said policies. The amount of insurance required may hereafter be increased or decreased, at the option of the State and at the time that rental adjustments are made after reappraisal pursuant to subsections 3.04.

Liability Insurance. The Lessee shall obtain liability insurance for bodily injury and property damage insurance, sufficient to insure State and Lessee against any liability arising out of the ownership, use, occupancy, or maintenance of the property and all areas appurtenant thereto. The limits of the required insurance shall not limit potential liability of the Lessee pursuant to the terms of this lease.

5.06 Road Easement and Road Use Permit Requirements. Purchaser agrees to comply with the attached terms and conditions of the easement entered into between the State and Rayonier Incorporated, dated June 15, 1964; and Dixmont Land Company, R.D. Merrill Company, Ring Company, and Rayonier Incorporated, dated September 2, 1964. (Exhibit 1.C)

SECTION 6 MISCELLANEOUS

6.01 No Partnership. The State is not a partner nor a joint venturer with the Lessee in connection with the business carried on under this lease and shall have no obligation with respect to the Lessee's debts or other liabilities.

6.02 Non-Waiver. Waiver by either party of strict performance or any provisions of this lease shall not be a waiver of nor prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

6.03 Attorney Fees. Each party shall be responsible for their own attorney fees in the event of a dispute arising out of this agreement except as set forth in Sub-section 3.02 and 6.06. Venue for resolving such disputes shall be in Thurston County Superior Court.

6.04 Succession. Subject to the limitations as stated in Sub-section 5.01 on transfer of the Lessee's interest, this lease shall be binding upon and inure to the benefit of the parties, their respective successors and assigns.

6.05 Notices.

(1) Any notice required or permitted under this lease shall be given when actually delivered or when deposited in the United States mail addressed as follows:

To the State: Department of Natural Resources
Olympic Region Office
Route 1, Box 1375
Forks, WA 98331.

To the Lessee: Hauger Northwest, Inc.
78120 Highway 99 South
Cottage Grove, Or 97424

6.06 Liens. In the event liens or other charges are placed on the leasehold premises, including land or improvements, arising out of the Lessee's actions directly or indirectly, the Lessee shall immediately cause such liens or charges to be discharged. The State may forthwith cancel this lease if Lessee fails to discharge such liens or charges after ten (10) days' notice to do so by the State. The Lessee shall pay and indemnify the State for all costs, damages or charges of whatsoever nature, including attorneys' fees, necessary to discharge such liens or charges, whether such costs, damages or charges are incurred prior or subsequent to any cancellation of this lease. However, any cancellation of the lease would be delayed in case a legally valid dispute was commenced within ten (10) days of the filing of the lien.

6.07 Default. If the Lessee shall violate or default any of the covenants and agreements contained herein, including the obligation to pay; then the State may cancel this lease provided that the Lessee has been notified of the violation or default fifteen (15) days prior to such cancellation and such violation or default has not been corrected with such time.

6.08 State's Right to Cure Defaults.

(1) If the Lessee fails to perform any requirement or obligations under this lease, the State shall have the option to correct the obligation of the lease after fifteen (15) days' written notice to the Lessee. All of the State's expenditures to correct the default shall be reimbursed by the Lessee on demand with interest at the rate of 1 percent per month accrued from the date of expenditure by the State.

(2) In the event any violation or breach of the provisions of this lease is causing damage to the leasehold premises or the Lessee is utilizing the leasehold premises in a manner not permitted by the provisions of this lease, or in any case damages are occurring to the leasehold premises, the State may immediately enter upon the leasehold premises and take such action as necessary to cease such damages or use. In the event the damage or use is occurring by reason of a violation or breach of the provisions of this lease, the Lessee shall be liable for all costs incurred by the State by reason of such violations. The State, at its option, may send notice to the Lessee of such violations and the Lessee shall immediately cease such use or violation and correct and remedy such violations, or in the event violations continue, the State reserves the right to cancel this lease.

SECTION 7 OPERATING REQUIREMENTS

7.01 Pre-Work Conference. Lessee will designate one primary field representative who will be the sole contact for field activities. Lessee shall arrange with the Olympic Region office to review this lease and leased premises prior to any field activity on this lease.

7.02 Load Accountability System. Lessee will have a load accountability system which at least has:

1. Bag tags with consecutive numbers and certified bag weights.
2. Trip tickets which detail:
 - a) Area peeled.
 - b) Date peeled.
 - c) Peeler name.
 - d) Bag numbers in load

Lessee will submit, on a weekly basis to region office, a complete accounting of all bag tags, trip tickets, and pounds of yew bark removed.

7.03 Trip Tickets. Lessee shall complete and use trip tickets as directed by the State and, if required, use other identification as directed by the State to ensure accounting of forest products removed from the lease area. A trip ticket must be fixed, as designated by the State, to each truck or trailer load prior to leaving the area.

Lessee shall account for all trip tickets issued. The State may treat trip tickets not accounted for as lost forest products. All costs associated with computing the billings for lost loads shall be borne by the Lessee.

Lessee agrees to pay the State, as liquidated damages, a sum of \$250.00 each time a load of yew bark does not have the required ticket attached as required by this lease.

7.04 Operation. The following harvest guidelines must be strictly adhered to:

1. Yew will be cut leaving at least a 12-inch stump with the bark intact. All suckers below the cut will be left to ensure the stump's chances of survival.
2. Yew < 3 inches dbh or > 16 inches dbh will not be harvested.
3. Yew will not be harvested within 75 feet of perennial streams.
4. Yew bark will be peeled (by hand) at the site. All bark will be packed out to the nearest road; no mechanical means will be used to haul the bark back to the road.
5. Peel all limbs to 1 inch plus in diameter; peel to at least a 1 inch top.
6. Debarked yew (logs) will be left on the forest floor at the cutting site.
7. Yew will not be harvested within 0.25 miles of any forest stand known to be occupied by marbled murrelets between April 1 and September 25.
8. No Yew harvest will be allowed within 0.7 miles of any known spotted owl site center.
9. Yew will not be harvested in areas where the density of yew > 3 inches dbh and < 16 inches dbh is less than 5 trees/acre.

10. At least 50% of the yew in each size class present (3-9 inches dbh, 10-16 inches dbh) or at least 5 yew/acre > 3 inches dbh and < 16 inches dbh will be left, whichever is greater. The "leave" trees will be distributed throughout the stand to reflect the natural distribution in each of the 2 size classes.

11. At least 80% of all trees of any species in each size class (3-9 inches dbh, 10-16 inches dbh) will be left. In other words, yew harvest will not remove more than 20% of the trees in each mid-story size class.

12. Lessee shall submit, to the appropriate region office, an ortho photograph indicating potential harvest areas. These areas will be checked, by region staff, to verify harvest availability.

These operating requirements are subject to change, pending compliance with any regulatory action by any government agency.

SECTION 8 OPERATION OF PREMISES

8.01 Management. This land shall be managed in a husbandly manner according to standards acceptable to the industry.

8.02 Title. Title to crops authorized in Sub-section 2.01 on the premises shall vest with the Lessee at the time of severance.

8.03 Road Authorization. Unless otherwise provided herein the Lessee is authorized, subject to previous rights conveyed by the State, to use all existing roads on State land needed for operations under this lease, and to construct and maintain roads on the lease premises needed for operations under this lease with written approval by the State.

8.04 Road Easements. Lessee shall provide valid easements to the State of Washington for roads required for access to State land to a county or state road. State shall allow to the Lessee right of way access in approved locations across State land subject to payment of damages.

8.05 Road Maintenance. At all times during the term of this contract, Lessee shall keep all roads used for operations under this lease open and in such state of repair as to permit normal operation of a motor vehicle.

8.06 Road Reservations. The State shall have the right to use, without charge, all existing roads and/or any road constructed or reconstructed on State lands by the Lessee under this lease for any and all purposes deemed necessary or desirable in connection with the control, management, harvest and administration of State-owned land or the resources thereof and further, the State may extend such rights and privileges to others;

PROVIDED, That use by others shall be controlled by the State so it will not, in the opinion of the Department, interfere unduly with the use of the road by the Lessee;

PROVIDED, However, contractors using these roads for the removal of timber or other resources must, as the State directs, pay their proportionate share of maintenance of these roads based on their use of them. This required payment shall not relieve any contractor or Lessee from liability for repair of damage to said roads, including bridges and culverts, due to overloading trucks, carelessness or negligence on the part of the contractor or Lessee, its employees, subcontractors and their employees.

8.07 Fire Hazardous Conditions. Lessee agrees to conduct operations including maintenance and operation of equipment in a manner to minimize the risk of fire.

8.08 Fire Control Equipment. The Lessee shall have in its possession at the location of its vehicle, when working on the lease area between April 15 and October 15 of each year, the following fire protection equipment:

- 1 Axe weighing at least 3 lbs. with handle at least 32" long
- 1 shovel - LHRP or SHRP
- 1 Adze eye hoe
- (A pulaski tool may be substituted for the adze eye hoe and axe)

8.09 Closure. All operations on the premises shall cease during logging shutdowns in the local area. Shutdowns of all or a portion of the area near or surrounding the premises for any reason beyond the control of the State or shutdowns by the State or other agencies of the State of Washington because of fire danger shall not be a basis of claim against the State.

8.10 Open Fires. Lessee shall not set or allow to be set by Lessee's employees or subcontractors any open fire at any time of the year without first obtaining permission in writing from the State.

8.11 Fire Suppression. Upon discovery of any fire on or in the vicinity of the Premises the Lessee shall immediately notify owner and the nearest State Fire Warden and shall use all its equipment and employees to suppress any such fire, regardless of the cause or origin of the fire.

SECTION 9 IMPROVEMENTS

9.01 Unauthorized Improvements. All improvements made on or to the premises without the written consent of the State shall either be removed immediately by the Lessee, removed by the State at the cost of the Lessee, or become the property of the State, at the State's option.

9.02 Existing Improvements. As of the effective date of this lease, all improvements on the premises belong to the State.

9.03 Disposition of Improvements. At the expiration or termination of this lease, except as provided in Sub-section 6.07, all improvements shall belong to the State except those authorized improvements, as defined by RCW 79.01.036, consisting of the following: None

The value of such authorized improvement, if any, at expiration or earlier termination of lease term will be calculated in accordance with the provisions of RCW 79.01.092 and RCW 79.01.136.

In the event the Lessee owns authorized improvements and the Lessee is not issued a new lease at expiration, the State may, at its option, purchase such improvements as provided by RCW 79.01.136. If the State does not exercise its option to purchase the improvements within sixty (60) days after lease expiration, it shall offer the premises for lease at public auction, with improvements, within one (1) year of lease expiration. The value of such improvements shall be collected at the time of public auction and the money so collected shall be remitted to the Lessee less any damages due the State.

In the event the proposed lease with improvements is not leased at public auction, a committee comprised of three (3) individuals will be formed. These individuals must have expertise in the fields of land management, agriculture, Christmas tree production and/or as noted in the permitted use to serve on this committee. Said committee shall be made up of one member appointed by the State, whose expenses shall be borne by the State, one member appointed by the Lessee, whose expenses shall be borne by the Lessee, and one member to be appointed by the two aforementioned members, whose expenses shall be shared equally by the Lessee and the State.

The committee shall confirm the values of the improvements and establish minimum rents to be used for re-offering the lease at public auction. Such offering shall be within three (3) months after the committee has presented its findings to the State.

If the proposed lease prepared as a result of the committee's findings is not leased at public auction, then all of the improvements of the Lessee shall belong to the State.

9.04 Removal of Improvements. During the term of this lease or on expiration, authorized improvements which will be owned by the Lessee at the expiration or termination of this lease as described in Sub-section 9.03 may be removed by the Lessee, but not during a harvest season without the permission of the State. The Lessee will be liable for any and all damage to the premises or the improvements belonging to the State resulting from such removal.

9.05 Improvements. The State (in agreement with the Lessee) may, but is not obligated to, make improvements of any kind on or to the premises, except as noted under Sub-section 6.08.

SECTION 10 GENERAL PROVISIONS

10.01 Indemnity. From and after the lease commencement date, the Lessee shall indemnify and save harmless the State, its employees, officers, and agents from any and all liability, damage, expense, cause of action, suit, claim, or judgment, by any reason whatsoever caused, arising out of the use, occupation, or control of the premises by Lessee, Lessee's sublessees, invitees, agents, employees, licensees, or permittees excepting only that which is due to the willful or negligent act of the State or the State's employees, officers, or agents.

10.02 Lessee's Authority. Persons executing this lease on behalf of Lessee represent that they are authorized to do so and represent and warrant that this lease is a legal, valid, and binding obligation on behalf of Lessee, and is enforceable in accordance with its terms.

10.03 State's Authority. This lease is entered into by the State pursuant to the authority granted by statute and the Constitution of the State of Washington. The terms and conditions hereof are subject to such statutory and constitutional provisions as may be now in effect and such provisions which do not impair the contractual rights of Lessee under this lease which may lawfully be enacted subsequent to the date of this lease.

10.04 Preservation of Markers. Any legal land subdivision survey corners, reference points or monuments are to be preserved. If such are destroyed or disturbed, the Lessee shall re-establish them by a licensed land surveyor in accordance with U.S. General Land Office standards at Lessee's expense. Corners and/or reference points or monuments that must necessarily be disturbed or destroyed in the process of carrying out the operations allowed by this lease must be adequately referenced and/or replaced in accordance with Chapter 58.09 RCW. Such references and replacements must be approved by the State prior to removal of said corners, reference points or monuments.

10.05 Condemnation. If all of the premises are taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this lease, this lease terminates as of the date the condemner takes possession. If part of the premises is taken by any lawful authority under the power of eminent domain for a period which will end on or extend beyond the expiration of the term of this lease, the State or Lessee may choose to terminate this lease as of the date the condemner takes possession.

If temporary use of all or part of the site is taken by any lawful authority under the power of eminent domain for a period ending before the expiration of the term, this Lease will continue in full force and Lessee will be entitled to receive any award from the condemner for the use of all or part of the premises.

The State and Lessee will give to the other immediate written notice of any proceedings with respect to a condemnation and of any intentions of any authority to exercise the power of eminent domain.

10.06 Interpretation and Numbering. This lease has been submitted to the scrutiny of all parties hereto and their counsel if desired, and shall be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight given to it being drafted by any party hereto or their counsel. Section numbers, headings, or titles are for convenience only and are not to be construed to limit or to extend the meaning of any part of this Lease.

10.07 Time of Essence. Time is expressly declared to be of the essence of this lease and each and every covenant of Lessee hereunder.

10.08 Entire Agreement. This written lease or its successor or replacement contains the entire agreement of the parties hereto with respect to the matters covered hereby, and no other agreement, statement or promise made by any party hereto, or to any employee, officer or agent of any party hereto, which is not contained herein, shall be binding or valid.

10.09 Invalidity. If any term or provision of this Lease or the application thereof to any person or circumstance shall to any extent prove to be invalid, unenforceable, void, or illegal, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall be not

affected thereby, and each term and provision of this Lease shall be valid and be enforced as written to the fullest extent permitted by law:

10.01 Discrimination. Lessee shall not conduct or suffer any business upon the Premises which unlawfully discriminated against any person on the basis of race, color, creed, religion, sex, age, or physical or mental handicap.

10.11 Exhibits. All conditions appurtenant to this lease and said premises are contained within said exhibits as follows:

Exhibits: 1A, 1B, 1C, 1D.

The Lessee expressly agrees to all covenants herein and binds himself for the payment of the rental hereinbefore specified.

Executed this 8th day of JULY, 1993.

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

John M. Calhoun
John M. Calhoun
Olympic Region Manager

Signed this 8th day of July, 1993

HAUSER NORTHWEST, INC.

By Rodney L. Erickson
Truck Mgr. Title

78120 Highway 99 South
Cottage Grove, Oregon 97424
(503) 942-9655
(503) 748-9769

App. No. 35-069419

STATE OF WASHINGTON)
COUNTY OF Clallam) ss

On this 8th day of July, 1993, personally appeared
before me Clarence Lee Anderson

to me known to be the manager
of the corporation that executed the within and foregoing instrument, and acknowledged
said instrument to be the free and voluntary act and deed of said corporation, for the uses
and purposes therein mentioned, and on oath stated that (he/she was) (they were)
authorized to execute said instrument and that the seal affixed is the corporate seal of said
corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal
the day and year first above written.

Kathy Kwanis
Notary Public in and for the State of
Washington residing at Clallam Co.
Comm. Exp. 3-10-94

STATE OF WASHINGTON)
County of Clallam) ss

On this 8th day of July, 1993, personally appeared before me
John Calhoun, to me known to be the Olympic Region Manager of the Department of
Natural Resources, State of Washington, who executed the within and foregoing instrument
on behalf of the State of Washington, and acknowledged said instrument to be the free and
voluntary act and deed of the State of Washington for the uses and purposes therein
mentioned, and on oath stated that he was authorized to execute said instrument and that
the seal affixed is the official seal of the Commissioner of Public Lands for the State of
Washington.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day
and year first above written.

Kathy Kwanis
Notary Public in and for the State of
Washington, residing at Clallam
My appointment expires 3-10-94

TERMS AND CONDITIONS

Terms and conditions of the easement with: Oixmont Land Company, R.D. Merrill Company, Ring Company and Rayonier Incorporated dated September 2, 1964 and with Rayonier Incorporated dated June 15, 1964:

1.) The Purchaser shall not unreasonably interfere with the use of said right of way and road by Rayonier and Merrill & Ring, their contractors and purchasers.

2.) The Purchaser shall indemnify and hold harmless Rayonier and Merrill & Ring from all loss, cost, liability, damage or expense of any kind for injury to or death of person or damage to or loss of property, arising out of or connected with the use or occupancy of the above described right of way by said Purchaser and his agents, employees and contractors.

3.) The Purchaser shall obtain and maintain in force during the entire term of the contract a policy of liability insurance, insuring Purchaser, his agents, employees and contractors, against liability arising out of their operations, including use of vehicles. The minimum amounts of insurance shall be \$100,000 for injury to any one person and \$300,000 for any one occurrence as respects bodily injury and \$100,000 for any one occurrence (using the logger's property damage coverage identified in Exhibit A attached hereto and by this reference made a part hereof, or its equivalent) as respects property damage; provided, however, that the parties may, by mutual agreement, establish such other limits as they deem necessary. Rayonier, Merrill & Ring and the State shall not be named as an insured under any said policy. All insurance policies shall be obtained from insurance companies that are duly authorized to do business in the State of Washington, and are registered pursuant to Washington statutes. Further, purchaser shall deliver to Rayonier, Merrill & Ring and the State, a certificate from the insurer, stating that coverage in the named amount is in force, and that, in the event of cancellation or modification of said coverage, the insurer will give Rayonier, Merrill & Ring, and the State ten days' notice of any cancellation or modification.

EXHIBIT 1D

LEASE # 35-069419

E-51