



Ann Ruobuldt

CUTTING CONTRACT

CUTTING CONTRACT, dated as of August 19, 1981 (herein called the "Cutting Contract"), by and between LEWIS COUNTY TIMBER COMPANY, a Washington limited partnership having an address c/o ITT Rayonier Incorporated, 18000 Pacific Highway South, Seattle, Washington 98188 (herein called the "Licensor"), and ITT RAYONIER INCORPORATED, a Delaware corporation having an address at 1177 Summer Street, Stamford, Connecticut 06904 (herein called the "Licensee");

W I T N E S S E T H:

WHEREAS, the Licensor desires to have Merchantable Timber (as hereinafter defined) cut and sold and the Licensee desires to cut and purchase Merchantable Timber from the Licensor, on the terms and conditions hereinafter provided;

NOW, THEREFORE, IT IS AGREED:

Section 1. License. In consideration of the obligation of the Licensee to pay the amounts referred to in Sections 4 and 7 hereof and in consideration of the other terms, provisions and covenants hereof, the Licensor hereby grants unto the Licensee the exclusive right for the term provided in Section 3 hereof (herein called the "License") to cut, remove, and appropriate all of the Merchantable Timber standing, lying and being on lands (herein called the "Property") now or hereafter owned by the Licensor, including, without limitation, the lands described on Exhibit A annexed hereto and made a part hereof.

The License granted hereby shall also include a license to cut and remove timber which is not Merchantable Timber, but only to the extent necessary in connection with the Licensee's cutting and removal of Merchantable Timber hereunder.

The License granted hereby is subject to any and all encumbrances, rights of way and easements (and to the terms and conditions of the grants thereof) affecting the Property or the timber located thereon or any part of either thereof,

and to the limitations, restrictions and conditions specifically set forth herein.

THE LICENSOR SHALL NOT BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, AS TO THE TITLE, CONDITION, VALUE, MERCHANTABILITY OR FITNESS FOR USE OF ANY PORTION OF THE TIMBER, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESSED OR IMPLIED, WITH RESPECT TO THE TIMBER OR THE PROPERTY.

Section 2. Obligations Unaffected. The mutual obligations set forth in this Cutting Contract shall be unaffected and the License herein granted shall not be merged or extinguished by the fact that the Licensee is or has been the general partner of the Licensor.

Section 3. Timber Requirements. The Licensee shall, and it hereby covenants that, as hereinafter provided, it will, during the period extending from August 19, 1981 to and including the earliest of (a) June 30, 1996, (b) the dissolution or winding up of the Licensor (provided that a technical dissolution of the Licensor followed by the continuation of the Licensor on a substantially similar basis shall not be considered a dissolution of the Licensor for purposes of this Section 3) or (c) the date of the cancellation or termination of this Cutting Contract pursuant to Section 19 hereof (the earliest of such dates being herein called the "Termination Date"), cut, manufacture into logs, load onto trucks and remove, at least the following volumes of hardwood trees and conifer trees which meet the standards at the time prescribed for merchantable hardwood and conifer logs, as the case may be, by the Puget Sound, Grays Harbor or Columbia River Log Scaling and Grading Bureaus for such logs as may be delivered to each such market (herein called "Merchantable Timber"):

Merchantable Timber Cut Schedule (MCCF)

<u>12 Months Ending June 30</u>	<u>Hardwood</u>	<u>Conifer</u>	<u>Total</u>
1982	0.0	30.0	30.0
1983	4.4	39.6	44.0

<u>12 Months Ending June 30</u>	<u>Hardwood</u>	<u>Conifer</u>	<u>Total</u>
1984	7.9	61.7	69.6
1985	9.4	54.4	63.8
1986	21.9	38.1	60.0
1987	11.0	32.0	43.0
1988	13.6	30.4	44.0
1989	10.5	25.5	36.0
1990	26.3	19.9	46.2
1991	36.3	17.8	54.1
1992	32.0	4.6	36.6
1993	29.7	3.0	32.7
1994	28.0	3.8	31.8
1995	22.6	2.9	25.5
1996	18.9	12.3	31.2

The Licensor agrees that the Licensee may undercut or overcut up to 20% of the amount of Merchantable Timber to be cut during any 12 month period as specified above (with the exception of hardwood trees which may be cut in excess of 20% of any such amount), so long as any such undercut or overcut is done in accordance with the maintenance standards set forth in the Maintenance Agreement of even date herewith between the parties (herein called the "Maintenance Agreement") and is otherwise in conformance with accepted industry practice. The Licensor further agrees that any undercut or overcut occasioned by the occurrence of an event of force majeure (as described in Section 11) will be acceptable to the Licensor if done in order to maximize the economic value of the timber damaged as a result of such occurrence, provided that any such overcut must be accomplished within two years from the date of the occurrence of such event of force majeure.

It is further understood that the Licensor may enter into cutting contracts with contractors other than the Licensee, or sell or otherwise dispose of portions of the Property or the timber located thereon, it being understood that the Licensor's right to enter into any such cutting contract or any such sale or other disposition is subject to the Licensee's consent (which consent shall not be unreasonably withheld). Any Merchantable Timber which is the subject of a cutting contract with a contractor other than the Licensee shall, for the purposes of this Section 3, be credited against the amount to have been cut hereunder by the Licensee in the 12 month period specified in Section 3 hereof during which such Merchantable Timber is cut under such cutting contract. Any Merchantable Timber which is so sold or otherwise disposed of shall, for the purposes of this Section 3, be credited against the amount to have been cut hereunder by the Licensee in the 12 month period specified in Section 3 hereof during which such timber is paid for.

The Licensee shall submit to the Licensor not later than sixty (60) days prior to July 1 of each year during the term of this Cutting Contract its cutting plan complying with the foregoing provisions for the 12 month period beginning such July 1; provided, however, that the cutting plan for the first 12 month period of the term of this Cutting Contract shall be submitted by the Licensee to the Licensor not later than sixty days after the date hereof. Each such cutting plan shall identify by species and location the Merchantable Timber to be cut during the period covered thereby and shall be otherwise satisfactory in substance and form to the Licensor.

Section 4. Indemnification by the Licensee; Insurance. The Licensee will protect, indemnify and save harmless the Licensor and its assigns from and against all losses, liabilities, obligations, claims, damages, penalties, costs and expenses (including, without limitation, attorneys' fees and expenses) which may be asserted against or imposed on the Licensor or its assigns by reason of (i) any accident, injury or damage (including death) to any person or property occurring on or about the Property or any part thereof during or prior to the term of the License herein granted which has not been occasioned by the wilful misconduct or gross negligence of the Licensor or its assigns; or (ii) any

failure on the part of the Licensee to perform or comply with any of the provisions hereof. Amounts required to be paid under the provisions of this Section 4 shall be payable upon demand. The provisions of this Section 4 shall survive the termination of this Cutting Contract.

The Licensee shall maintain with responsible insurers and in conformance with standard forest industry practice appropriate liability insurance in connection with its indemnification obligations under clause (i) in the preceding paragraph.

Section 5. Scaling of Timber. All of the logs manufactured from Merchantable Timber shall be hauled to points satisfactory to the Licensor and scaled by the Puget Sound, Grays Harbor or Columbia River Log Scaling and Grading Bureaus, or such other scaler and in such manner as shall be satisfactory to both parties. Each such scaling bureau or other scaler shall promptly furnish to each of the parties certificates showing the correct scale and sort of all logs so scaled by it.

Section 6. Branding of Timber. All timber cut hereunder shall prior to removal be branded or marked by the Licensee in a manner satisfactory to the Licensor to identify it as timber cut from the Property.

Section 7. Payment for Timber Cut. (a) The Licensee shall pay unto the Licensor for Merchantable Timber cut upon the Property prices determined on the basis set forth in Schedule A hereto. The Licensee shall also pay unto the Licensor any amounts (after deduction of appropriate costs and expenses related thereto) received by the Licensee for non-Merchantable Timber cut in accordance with Section 1 hereof and sold by the Licensee. Payment for all Merchantable Timber cut, scaled and accounted for, as aforesaid, and for all non-Merchantable Timber referred to above, in each of the Licensee's fiscal quarters, commencing with the third fiscal quarter of 1981 shall be made (subject in the case of Merchantable Timber to adjustment as provided in Schedule A) not later than thirty days after the last day of each such quarter (herein called the "Payment Date").

(b) The Licensee shall also be required on any Payment Date to make advance payments to the Licensor for Merchantable Timber not yet cut (herein called "Advance Payments") under the following circumstances:

- (i) If, on any Payment Date with respect to the Licensee's second or fourth fiscal quarters in any calendar year, the amount which the Licensee is otherwise required to pay pursuant to this Section 7 will not generate cash for the Licensor which, when added to the Licensor's other available funds from all other sources on such Payment Date, equals the sum of (A) the next payment of interest or of principal and interest (including, without limitation, all such principal and interest which has accrued and remains unpaid on account of any suspension of the Licensee's obligation to make Advance Payments, as hereinafter provided) which it is required to make on any indebtedness (the principal amount of which shall not exceed at any time \$51,000,000) secured by a first or second mortgage lien on the Property plus (B) \$1,020,000, the Licensee shall make an Advance Payment equal to the amount of such cash deficiency.
- (ii) If the aggregate volume of either conifer or hardwood trees paid for by the Licensee on or before June 30, 1986 or June 30, 1991, as the case may be, is less than either the aggregate volume of conifer trees or the aggregate volume of hardwood trees which, except for the undercut provisions of Section 3 of this Cutting Contract, the Licensee is required to cut on or before such date to meet the cutting schedule requirements for conifer or hardwood trees, as the case may be, set forth in Section 3, the Licensee shall make an Advance Payment not later than thirty days after such date equal to the weighted average prices per cunit (determined in accordance with Schedule A or in such other manner as may be agreed to by the parties) of all sorts and species of

conifer or hardwood trees, as the case may be, during the Licensee's second fiscal quarter of 1986 or 1991, as the case may be, multiplied by the related volume shortfall. As used herein, a "cunit" means 100 cubic feet of sound wood.

(c) Except as otherwise expressly provided in this Section 7, the right of the Licensor to receive Advance Payments and the obligation of the Licensee to make Advance Payments are absolute and unconditional and shall not be affected by any circumstances, including, without limitation: (i) the occurrence of an event of force majeure (as specified in Section 11), (ii) any interference with the cutting of timber by any governmental agency or authority, (iii) any abatement, reduction, setoff, defense, counterclaim or recoupment whatsoever or any right to any thereof (including, without limitation, abatements, reductions, set-offs, defenses, counterclaims and recoupments for or on account of any past, present or future claims which the Licensee may have against the Licensor or any other person for any reason whatsoever), (iv) the failure by the Licensor to perform any of its obligations herein contemplated, (v) any lien with respect to all or part of the Property or the timber located thereon or the invalidity or unenforceability of any note or other document executed in connection with the indebtedness secured by any such lien, (vi) any other circumstance, happening or event whatsoever, whether or not similar or dissimilar to any of the foregoing, any present or future law to the contrary notwithstanding, it being the understanding of the parties hereto that the Advance Payments payable by the Licensee to the Licensor pursuant to this Section 7 shall be payable in all events in the manner and at the times herein provided; provided, however, that, the obligation of the Licensee to make Advanced Payments shall be suspended if (but only so long as) there is an event of default as defined in any first mortgage which is a lien on the Property (other than an event of default relating to a suspension of the obligation of the Licensee to make Advance Payments) and the Licensor does not own assets which have a fair market value as of the date of a proposed Advance Payment, after giving effect to the application of the proceeds of any such proposed Advance Payment, at least equal to the sum of (A) the proposed Advance Payment, (B) all those Advance Payments previously made by the Licensee hereunder which have not been credited as of the date of the proposed Advance Payment against timber cuttings as provided

in clause (d) of this Section 7 (together with all interest due and owing on such Advance Payments), (C) the aggregate principal amount of, and all accrued interest due on, any indebtedness secured by a first mortgage lien on the Property and (D) the principal amount of, and all accrued interest due on, the note secured by the Second Mortgage (as hereinafter defined); and provided further that the obligation of the Licensee to make Advance Payments shall be excused to the extent that the Licensor does not own Merchantable Timber which has a value as of the date of the proposed Advance Payment (computed on the basis of the average species price for Merchantable Timber then owned by the Licensor (calculated as provided in Schedule A) which prevailed during the quarter immediately preceding the date of such Advance Payment) at least equal to the sum of (x) the proposed Advance Payment, and (y) all those Advance Payments previously made by the Licensee hereunder which have not been credited as of the date of the proposed Advance Payment against timber cuttings as provided in clause (d) of this Section 7 (together with all interest due and owing on such Advance Payments). Except as otherwise provided in the preceding sentence, the Licensee hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which may at any time hereafter be conferred upon it, by statute or otherwise, to suspend, terminate, cancel, quit or surrender its obligations under this Section 7. The Licensee further agrees that if its obligation to make Advance Payments is suspended as aforesaid, such obligation shall automatically resume with respect to all suspended Advance Payments and all future Advance Payments at such time as either of the aforesaid conditions to such suspension no longer exists. Except as provided in Section 7(d) hereof, each Advance Payment made by the Licensee pursuant to this Section 7 shall be final and the Licensee will not seek to recover all or any part of any such payment for any reason whatsoever.

(d) Advance Payments under Section 7(b)(i) shall bear interest at the rate of 10% per annum and shall be applied to the earliest cuttings of Merchantable Timber in subsequent periods at the prices in effect when such timber is cut and the amounts payable in such subsequent periods (other than Advance Payments due in such subsequent periods) shall be credited by the amounts of such Advance Payments. If on the Termination Date any Advance Payments have not been credited against timber cuttings as provided in this clause (d), at the option of the Licensor (i) the Licensor shall pay to the Licensee in cash all such Advance Payments

(with interest accrued thereon through the Termination Date) or (ii) the Licenser shall grant to the Licensee an additional cutting license to cut an amount of Merchantable Timber following the Termination Date which shall discharge all such Advance Payments (and interest accrued thereon through the Termination Date); it being understood that Merchantable Timber cut pursuant to any such additional cutting license shall be credited against such Advance Payments at the prices provided for in Schedule A and shall be cut in accordance with the terms hereof. The Licenser shall elect one of the foregoing options within 20 days after the Termination Date.

Section 8. Interest on Overdue Payments. The Licensee will pay interest on all installments of money more than 10 days overdue hereunder at a rate equal to the prime interest rate as publicly announced by The Chase Manhattan Bank, N.A. from time to time.

Section 9. Completion of Cutting Operations. The Licensee shall complete the work of cutting, manufacturing into logs and removing of Merchantable Timber in accordance with the terms hereof on or before the Termination Date. Except as contemplated in Section 7(d) hereof, upon the completion of such cutting, manufacturing into logs and removing of Merchantable Timber, the Licensee shall promptly remove from the Property all machinery, equipment or other personal property belonging to it, its contractors or sub-contractors.

Section 10. Risk of Loss. All loss or damage to timber located on the Property caused by the occurrence of an event of force majeure (as specified in Section 11) shall be borne by the Licenser; provided, however, that the Licensee shall bear all such loss or damage to felled and bucked timber and any such loss or damage which is attributable to the negligence or misconduct of the Licensee.

Section 11. Force Majeure. Except as otherwise provided in Section 7(c) with respect to its obligation to make Advance Payments in all circumstances other than as expressly provided therein, the Licensee shall not be liable for any delay or default in performance hereunder due to any cause beyond its control, including, but not limited to, acts of God or the public enemy, acts of the federal or state government, or of any state or federal officer or agent purporting to act under duly constituted authority,

not occasioned by an act or omission of Licensee, its agents or subcontractors, riots, insects, disease, pestilence, floods, wars, fires, storms, strikes, lock outs, droughts, volcanic eruptions, interruptions of transportation, freight embargoes or failures, exhaustion or unavailability on the open market or unpredictable delays in delivery of material, equipment or service necessary to the performance of any provision hereof, whereby performance hereunder is delayed or prevented.

Section 12. Cutting Operations. The Licensee shall log the Property in accordance with the maintenance standards referred to in Section 1 of the Maintenance Agreement and in conformance with standard forest industry practice, giving due recognition to economic conditions affecting the industry. The Property logged shall be logged by an economic utilization of current industry practice as the logging operations progress. Smooth timber not showing swell butts shall be cut as close to the ground as practicable. All logs shall be bucked into standard log lengths in such manner as to produce the maximum economic value and all broken and shattered ends shall be removed in such manner as to cause the minimum sacrifice of economic value. All of the Licensee's logging operations hereunder shall be conducted so as to avoid unnecessary waste and in a skillful and workmanlike manner which complies with all applicable laws, rules and regulations.

The Licensor shall cooperate with the Licensee, at the expense of the Licensee, in connection with the procurement by the Licensee of any and all permits to log the Property, as required by all pertinent laws, rules and regulations, and the Licensee at its expense shall furnish any and all cash deposits or bonds required in order to operate under such permits, and shall observe and perform all of the terms and conditions thereof.

Section 13. Inspection by Licensor. The Licensor and its assigns, and their respective agents and representatives, shall have the right, at their own expense, to enter the Property and inspect the timber or any part thereof at all reasonable times. Neither the Licensor nor such assigns shall have any obligation to make any such inspection or incur any liability for failure to make any such inspection.

Section 14. Compliance With Legal Requirements, etc. The Licensee at its own expense will (i) promptly comply with all statutes, laws, ordinances, judgments, decrees,

injunctions, rules, regulations, orders, permits, licenses, authorizations and requirements of all applicable governments, courts, commissions, boards, authorities, agencies, officials and officers, foreseen and unforeseen, which now or at any time hereafter may be applicable to the Property or the timber located thereon or any part of either thereof, (ii) procure, maintain and comply with all permits, licenses and other authorizations required for any use then being made of the Property or the timber located thereon or any part of either thereof and (iii) comply with the provisions of any and all encumbrances, rights of way and easements (and to the terms and conditions of the grants thereof) affecting the Property or the timber located thereon or any part of either thereof.

Section 15. Discharge of Liens, etc. Except for such liens, encumbrances, security interests and other title exceptions as are permitted by the terms of any first mortgage which is a lien on the Property, the Licensee will not create or suffer to exist or permit to be created or to remain, and will discharge or cause to be discharged, any lien, encumbrance, security interest or charge (including any lien, encumbrance, security interest or charge in existence on the date of execution of this Cutting Contract) or any claim which might or could, if unpaid, become a lien, encumbrance, security interest or charge upon the Property or the timber located thereon or any part of either thereof.

Section 16. Termination. It is understood and agreed that on the Termination Date the Licensee shall leave intact all truck roadways and bridges constructed on the Property by it and shall relinquish any rights it may have to such roadways and bridges. All such roadways and bridges shall become the property of the Licensor simultaneously with the cancellation or early termination of this Cutting Contract.

Section 17. Covenant. The Licensee covenants and agrees that, as long as this Cutting Contract is in effect, it will deliver to the Licensor in duplicate:

- (a) as soon as practicable and in any event within 60 days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, a consolidated statement of income and a consolidated statement of changes in financial position of the Licensee and its Subsidiaries (as hereinafter defined)

for the period from the beginning of the current fiscal year to the end of such quarterly period, and a consolidated balance sheet of the Licensee and its Subsidiaries as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and certified by an authorized financial officer of the Licensee, subject to changes resulting from audit and year-end adjustments;

(b) as soon as practicable and in any event withing 120 days after the end of each fiscal year, a consolidated statement of income and a consolidated statement of changes in financial position of the Licensee and its Subsidiaries for such year, and a consolidated balance sheet of the Licensee and its Subsidiaries as at the end of such year, setting forth in each case in comparative form corresponding figures from the preceding annual audit, all in reasonable detail and satisfactory in scope to the Licensor and certified to the Licensee by independent public accountants of recognized national standing selected by the Licensee whose certificate shall be in scope satisfactory to the Licensor;

(c) promptly upon transmission thereof, copies of all such financial statements, proxy statements, notices and reports as the Licensee shall send to its stockholders and copies of all registration statements (without exhibits) and all reports which such Licensee files with the Securities and Exchange Commission (or any governmental body or agency succeeding to the functions of the Securities and Exchange Commission); and

(d) with reasonable promptness, such other financial data as the Licensor or its assigns may reasonably request.

Section 18. Representations and Warranties. The Licensee hereby represents and warrants with respect to itself as follows:

(a) Organization and Qualification. The Licensee is a corporation duly organized and existing in good standing under the law of the State of Delaware, has the corporate power to carry on its business as now being conducted (including the corporate power to execute and deliver, and to perform all of its obligations under, this Cutting Contract and the Maintenance Agreement) and is duly qualified to do business as a foreign corporation and in good standing in each jurisdiction in which the nature of the business conducted by it makes such qualification necessary.

(b) Financial Statements. The Licensee has furnished the Licensors with the following financial statements, identified by a principal financial officer of the Licensee: (i) consolidated balance sheets of the Licensee and its consolidated Subsidiaries as at December 31, 1980, inclusive, and consolidated profit and loss and surplus statements of the Licensee and its consolidated Subsidiaries for the years ended on such dates, respectively, certified by its independent public accountants; and (ii) a consolidated balance sheet of the Licensee and its consolidated Subsidiaries as at March 31, 1981, and consolidated profit and loss and surplus statements of the Licensee and its consolidated Subsidiaries for the three month period ended on such date, prepared by the Licensee. Such financial statements (including any related schedules and/or notes) are true and correct in all material respects (subject, as to interim statements, to changes resulting from audits and year-end adjustments), have been prepared in accordance with generally accepted accounting principles consistently followed throughout the periods involved and show all liabilities, direct and contingent, of the Licensee and its consolidated Subsidiaries required to be shown in accordance with such principles. The balance sheets fairly present the condition of the Licensee and its consolidated Subsidiaries as of the dates thereof, and the profit and loss and surplus statements fairly present the results of operations of the Licensee and its consolidated Subsidiaries for the periods indicated. There has been no material adverse change in the business, condition or operations (financial or otherwise) of the Licensee and its consolidated Subsidiaries taken as a whole since March 31, 1981.

(c) Actions Pending. There is no action, suit, investigation or proceeding pending or, to the knowledge of the Licensee, threatened against the Licensee or any of its subsidiaries, or any properties or rights of the Licensee or any of its subsidiaries, by or before any court, arbitrator

or administrative or governmental body which might have a material adverse effect on (i) the Licensee's ability to perform its obligations hereunder or under the Maintenance Agreement or (ii) the properties, business, prospects or financial condition of the Licensee.

(d) Conflicting Agreements and Other Matters. Neither the execution nor delivery of this Cutting Contract or the Maintenance Agreement, nor fulfillment of or compliance with the terms and provisions hereof or thereof, will conflict with, or result in the breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any lien upon any of the properties or assets of the Licensee pursuant to, the certificate of incorporation or by-laws of the Licensee, any award of any arbitrator or any agreement (including any agreement with stockholders), instrument, order, decree, judgment, statute, law, rule or regulation to which the Licensee is subject.

(e) Governmental Consent. No consent, approval or other action by or notice to or filing with any court or administrative or governmental body is required in connection with the execution and delivery of this Cutting Contract or the Maintenance Agreement, or fulfillment of or compliance with the terms and provisions hereof or thereof, by the Licensee.

(f) Valid Agreement. Each of this Cutting Contract and the Maintenance Agreement constitutes a legal, valid and binding obligation of the Licensee enforceable against the Licensee in accordance with its respective terms, except as the enforceability of either thereof may be limited by bankruptcy, insolvency, reorganization or other similar laws of general application.

(g) Disclosure. Neither this Cutting Contract, the Maintenance Agreement nor any written statement furnished by or on behalf of the Licensee to the Licensor taken as a whole contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein or therein not misleading. Taken as a whole, there is no fact known to the Licensee which the Licensee has not disclosed to the Licensor in writing in connection herewith or therewith which materially adversely affects or, in the future, so far as the Licensee can now reasonably foresee, may materially adversely affect

the properties, business, prospects, earnings or condition (financial or otherwise) of the Licensee or the ability of the Licensee to perform hereunder or thereunder or under any of the transactions contemplated hereby or thereby.

Section 19. Default; Cancellation. Each of the following shall constitute an event of default (herein called an "Event of Default"): (i) a default by the Licensee in making any payment hereunder for more than ten (10) days after the date such payment is due; or (ii) any representation or warranty made by the Licensee herein being false in any material respect on the date as of which made; or (iii) the entry of a decree or order for relief in respect of the Licensee in an involuntary case under any applicable federal or state bankruptcy or similar law whether now or hereafter in effect or the appointing of a receiver, liquidator, custodian or similar official of the Licensee or the commencement by the Licensee of a voluntary case under any such applicable law or consent by the Licensee to an order for relief in an involuntary case under such applicable law or consent by the Licensee to the appointment of or taking possession by a receiver, liquidator, custodian or similar official of the Licensee or of any substantial part of its assets, or the making by the Licensee of a general assignment for the benefit of creditors or its taking of any corporate action in furtherance of the foregoing; or (iv) a default by the Licensee in the performance or observance of any covenant, agreement or term contained herein which is not remedied within thirty (30) days after written notice thereof from the Licenser to Licensee (provided, however, that if a default described in this clause (iv) cannot be cured within such thirty (30) day period, it shall not be deemed to be an Event of Default if corrective action is instituted by the Licensee within such thirty (30) days period and diligently pursued by the Licensee until such default is remedied); or (v) for as long as any Affiliate (as hereinafter defined) or Subsidiary of the Licensee shall be a general partner of the Licenser, an event of default as defined in any first mortgage which is a lien on the Property or, if there is no mortgage which is a first lien on the Property other than the Second Mortgage, an event of default as defined in the Second Mortgage.

Notwithstanding the foregoing, an Event of Default shall not be deemed to have occurred with respect to any Event of Default (other than an Event of Default under Section 19(i) for failure to make an Advance Payment under

Section 7(b)(i) hereof, or an Event of Default under clause (v) of the preceding paragraph) if and so long as such Event of Default is the subject of arbitration under Section 20.

Upon the occurrence of an Event of Default, either the Licensor or its assigns, as the case may be, may (but need not) elect to cancel this Cutting Contract and end and terminate (except as contemplated in Section 7(d) hereof) all of the licences, grants, rights and privileges hereby granted to or conferred upon the Licensee. Such right of cancellation shall be exercised by written notice thereof from the Licensor or its assigns to the Licensee.

It is expressly understood and agreed that no partner, agent or employee of the Licensor has, or shall have, authority to forfeit or cancel this Cutting Contract except by written notice in the manner hereinbefore set forth.

Section 20. Arbitration. If at any time a dispute shall arise between the parties hereto over any question of fact in connection with, or affecting the observance or performance of any of the terms or provisions of, this Cutting Contract, either party may direct submission of the question in dispute to arbitration in accordance with the rules of the American Arbitration Association ("AAA"). The party demanding such arbitration shall give to the other party written notice of such direction, stating specifically the question or questions to be submitted for arbitration and naming a disinterested person familiar with the logging business to act as one arbitrator. The party receiving such notice shall, within ten days after its receipt thereof, name a second arbitrator of like qualifications and notify the party which directed the submission to arbitration of its choice of arbitrator, and shall at the same time specifically state any question or questions which it may desire to have submitted for arbitration, in default of which latter notice the party which directed the submission to arbitration may, upon the expiration of said ten day period select the second arbitrator and the arbitration shall be restricted to the original specific question or questions stated by such party. The first and second arbitrators shall select a third arbitrator, and if they are unable to agree on the third arbitrator within ten (10) days, then such third arbitrator may be appointed upon three days written notice on the motion of either party, by the Presiding Judge of the Superior Court of King County, State of Washington. When the three arbitrators have been selected,

they shall conduct an arbitration in accordance with the rules of the AAA. If either party shall refuse to comply fully with the terms of any decision of said arbitrators, the other party may, in addition to any other remedies provided by law, enforce said award by appropriate proceedings in any court of law or equity. All costs and expenses of any arbitration, including the fees of the arbitrators, shall be apportioned between and paid by the parties in such manner as the arbitrators shall prescribe.

Anything in the preceding paragraph to the contrary notwithstanding, it is agreed that an Event of Default under Section 19(i) for failure to make an Advance Payment under Section 7(b)(i), or an Event of Default under Section 19(v) hereof shall not be subject to arbitration.

Section 21. No Waiver, etc., by the Licensor. No failure by the Licensor to insist upon the strict performance of any term hereof, to exercise any right or power hereunder or to exercise any right, power or remedy consequent upon a breach of any term hereof and no acceptance of full or partial payments during the continuance of any such breach, shall constitute a waiver of any such term or breach. No waiver of any breach of any term hereof shall be deemed to waive any other then existing or subsequent breach of this Cutting Contract.

Section 22. Remedies, etc., Cumulative. Each right, power and remedy of the Licensor provided for in this Cutting Contract shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Cutting Contract or now or hereafter existing at law or in equity or by statute or otherwise and any delay or omission to exercise any such right, power or remedy shall not preclude the simultaneous or later exercise by the Licensor of any or all such other rights, powers or remedies.

Section 23. Merger and Sale of Assets. The Licensee will not merge or consolidate with any other corporation or sell, lease or transfer or otherwise dispose of all or a substantial part of its assets, except that the Licensee may merge or consolidate with, or sell or dispose of all or substantially all of its assets to any other corporation, provided that (i) the Licensee shall be the continuing or surviving corporation, or (ii) the successor or acquiring corporation shall be a solvent

corporation organized under the laws of a State of the United States of America and shall expressly assume in writing all of the obligations of the Licensee under this Cutting Contract including all covenants herein contained, and such successor or acquiring corporation shall succeed to and be substituted for the Licensee with the same effect as if it had been named herein as a party hereto, (provided, however, that no such sale shall release the Licensee from any of its obligations and liabilities under this Cutting Contract unless such sale is followed by the complete liquidation of the Licensee and substantially all the assets of the Licensee immediately following such sale are distributed in such liquidation), (iii) the Licensee as the continuing or surviving corporation or the successor or acquiring corporation, as the case may be, shall not, immediately after giving effect to such merger or consolidation, or such sale or other disposition, be in default under any of its obligations under this Cutting Contract and (iv) the Licensee as the continuing or surviving corporation or the successor or acquiring corporation, as the case may be, shall have a consolidated net worth as determined in accordance with generally accepted accounting principles of not less than the net worth of the Licensee immediately preceding such merger, consolidation or sale of assets, and, if any debt of the Licensee, if it is the surviving corporation, or of the successor or acquiring corporation is subject to a credit rating by Standard & Poor's Corporation or Moody's Investors Service, Inc., such credit rating, following the merger, consolidation or sale, is not lowered and, in the case of a successor or acquiring corporation, new instruments equivalent to similar securities issued by the Licensee are not given a lower credit rating than the credit rating of the Licensee's securities immediately prior to the merger, consolidation or sale.

Section 24. Amendments. This Cutting Contract embodies all of the terms and conditions of the agreement between the parties hereto with respect to the subject matter hereof, and no modifications or amendments to, or waivers of provisions of, this Cutting Contract may be made unless made in writing and duly signed by an officer of the Licensee and by a duly designated representative of the Licenser.

Section 25. Successors and Assigns. The grants, covenants and stipulations herein contained of either party hereto shall bind the successors and assigns of such party, and the benefits hereof inuring in favor of

either party shall inure in favor of the successors and assigns of such party; provided, however, that, except as contemplated by Section 23 hereof, the Licensee shall not assign this contract, or any interest herein, without the written consent of the Licensor or its assigns having been first had and obtained.

Section 26. Notice, Payments, Etc. All notices, demands, requests, consents, approvals and other communications under this Cutting Contract shall be in writing, and shall be either mailed, first-class postage prepaid, or sent by telecommunications equipment (including, without limitation, the use of telecopier or word processing equipment), as follows:

If to Licensor: c/o ITT Rayonier Incorporated
18000 Pacific Highway South
Seattle, Washington 98188
Attention: Vice President,
Northwest Regional Operations

If to Licensee: 1177 Summer Street
Stamford, Connecticut 06904
Attention: Treasurer

or such other address with respect to either party as such party shall notify the other in writing. Any notice, etc. given by mail shall be deemed received on the seventh day after mailing and any such notice, etc. transmitted by telecommunications equipment shall be deemed received on the date actually received.

Section 27. Governing Law. This Cutting Contract and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the law of the State of Washington.

Section 28. Definitions. For the purposes of this Agreement the following terms shall have the following meanings:

"Affiliate" of any person shall mean any other person directly or indirectly controlling, directly or indirectly controlled by or under direct or indirect common control with such person. For the purposes of this definition, the term "control" when used with respect to any specified person shall mean the power to direct the management and