

PAY AS CUT TIMBER SALE CONTRACT

Sale Name: Flat Patch East

Sale Number: 2007-3-1

This is a PAY AS CUT TIMBER SALE CONTRACT between Potlatch Forest Holdings, Inc., a Delaware corporation, P.O. Box 1388, Lewiston, Idaho 83501, (here called "Potlatch") and _____, a _____, (address) (here called "Purchaser").

1. Sale of Timber. Potlatch agrees to sell and Purchaser agrees to purchase the estimated volumes and species of timber at the following prices:

<u>Species</u>	<u>Price/Unit</u>	<u>Estimated Net Volume</u>	<u>Total Estimated Value</u>
Grand Fir	\$_____/mbf	_____ 3080 mbf	\$_____
Western Hemlock	\$_____ 235/mbf	_____ 0 mbf	\$_____
Douglas-Fir	\$_____/mbf	_____ 331 mbf	\$_____
Larch	\$_____/mbf	_____ 36 mbf	\$_____
Cedar	\$_____ 535/mbf	_____ 11 mbf	\$_____
Ponderosa Pine	\$_____ 200/mbf	_____ 0 mbf	\$_____
White Pine	\$_____ 325/mbf	_____ 57 mbf	\$_____
Lodgepole Pine	\$_____ 215/mbf	_____ 0 mbf	\$_____
Engelmann Spruce	\$_____ 215/mbf	_____ 0 mbf	\$_____
Subalpine Fir	\$_____ 215/mbf	_____ 0 mbf	\$_____
Total Net Saw		_____ 3515 mbf	\$_____
Cedar Products (opt.)	\$_____ 95/mbf	_____ 5 mbf	\$_____
Pulp (opt.)	\$_____ 10/ton	_____ 210 tons	\$_____
Tonwood (opt)	\$_____ 10/ton	_____ 756 tons	\$_____
Total Estimated Gross Sale Value			\$_____
Development Costs			\$_____ 0
Total Estimated Net Sale Value			\$_____

2. Timber Sale Area. The estimated volume of timber is located on the following

land:

<u>Subdivision</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>
<u>Parts of:</u>	<u>3/10</u>	<u>36 North</u>	<u>5 East</u>

A map representing the sale boundary and other sale information is attached as Exhibit A and incorporated by reference. The sale boundary lines, as set on the ground, control any conflicts with the legal description and map representation.

3. Term of Contract. The term of this Contract shall extend from the date it is signed until 3/31/2008 (“the expiration date”). Purchaser may harvest and remove the timber after written approval by Potlatch of Purchaser’s Logging Plan and Purchaser must remove the timber and perform all of the Purchaser’s obligations under this contract on or before the expiration date.

4. Cash Deposit. Upon the signing of this Contract, Purchaser shall pay to Potlatch the sum of _____ (\$ _____), (“the Cash Deposit”) an amount equal to Ten Percent (10%) of the Total Estimated Net Sale Value. Any bid deposit previously paid by Purchaser may be applied to the Cash Deposit. The Cash Deposit shall be held by Potlatch as a security deposit for Purchaser’s performance under this Contract and may be applied by Potlatch, at Potlatch’s option and in its sole discretion, to cure any failure by Purchaser to perform any obligation of Purchaser under this Contract. Potlatch is not obligated to keep the Cash Deposit in a separate account, and is not obligated to pay interest on the Cash Deposit to a Purchaser.

If Purchaser fails to perform any of its obligations under this Contract, Potlatch may apply the Cash Deposit to the extent necessary to cure Purchaser's failure to perform. If Potlatch applies all or any part of the Cash Deposit to cure any failure of Purchaser to perform its obligations under this Contract, Purchaser shall pay to Potlatch the amount necessary to restore the Cash Deposit to its initial amount within fifteen (15) days after notice from Potlatch that Potlatch has applied all or part of the Cash Deposit to cure the Purchaser's failure.

The Cash Deposit shall be applied to the final stumpage billing under this contract.

5. Performance Guaranty. Prior to start of timber sale operations, Purchaser shall provide a Performance Guaranty which assures Purchaser's performance of this Contract in accordance with its terms. The Performance Guaranty will be in an amount equal to fifteen (15%) of the Total Estimated Net Sale Value and may be in the form of a performance bond issued by an acceptable corporate surety, with a penal sum of not less than [REDACTED] (\$ [REDACTED]) or Evergreen (Irrevocable) Letter of Credit, cashier's check or certified check in an amount of not less than [REDACTED] dollars (\$ [REDACTED]) payable to Potlatch Forest Holdings, Inc.

6. Payment Guaranty. Prior to start of timber sale operations, Purchaser will either: (a) pay for the timber covered by the contract in advance of cutting or (b) in addition to the Performance Guaranty described in Section 5 above, post a Payment Bond, Evergreen (Irrevocable) letter of credit, cashiers check or certified check in an amount equal to fifteen (15%) of the Total Estimated Net Sale Value.

7. Logging Plan.

A. Not less than ten (10) days prior to the commencement of any logging or road construction activity, Purchaser shall provide Potlatch with a written Logging Plan of operations. The plan shall include, without limitation: Purchaser's estimate of the volume to be harvested and timing of delivery during the logging season; the size and type of the equipment Purchaser intends to use; Purchaser's road construction schedule (if applicable); and estimates of total volumes to be delivered to specific destinations. The plan shall include safety provisions and procedures specific to activities associated with completion of the timber sale.

B. Purchaser shall give Potlatch three (3) days prior written notice of initial hauling of forest products and any change in destination, volume or hauling schedule. Purchaser shall give Potlatch three (3) days prior verbal notice prior to start up of logging operations and any scheduled suspension of operations for more than three (3) days.

C. Purchaser shall not commence harvesting activities or road construction activities until after Potlatch has approved the logging plan in writing at a pre-work meeting with Purchaser.

D. The Logging Plan may not be modified without the written consent of Potlatch, which consent shall not be unreasonably withheld.

8. Parties' Representatives.

A. Potlatch shall designate in writing an individual who will be Potlatch's Representative with authority to represent Potlatch in all matters pertaining to this Contract.

B. Purchaser shall designate in writing an individual who will be Purchaser's Representative with authority to represent Purchaser in all matters pertaining to this Contract.

C. Either party may change its representative by giving written notice of the change to the other party.

9. The Pre-Work Meeting.

Not less than five business days before Purchaser commences operations under this Contract, Potlatch's Representative and Purchaser's Representative shall meet at a site designated by Potlatch's Representative and review Purchaser's Logging Plan, this Contract and Potlatch Site Activity Plan(s) ("SAP") attached as Exhibit B.

10. General Sale Administration

A. Potlatch has the right to inspect Purchaser's operations for the purpose of determining whether Purchaser's operations are being conducted in compliance with the terms and conditions of this Contract.

B. Potlatch's Representative shall provide written reports of inspections to Purchaser. Purchaser shall promptly take reasonable remedial action to correct any unsatisfactory performance reported by Potlatch's Representative.

C. An individual harvest unit will receive final clearance when contractual requirements have been satisfactorily met for that unit. Upon final clearance of the unit, Potlatch reserves the right to initiate management activities.

D. Final timber sale clearance will be granted in writing by Potlatch's Representative when all contractual requirements have been satisfactorily completed, including final stumpage payment, load ticket reconciliation and road maintenance obligations.

E. The location and construction of new temporary spurs, trails and the use of existing trails shall require approval by Potlatch's Representative prior to felling operations.

11. Utilization and Merchantability Standards.

Purchaser shall harvest and manufacture all forest products in compliance with the following standards:

A. Sawlogs

- (1) Net scaling log length of 10 feet or more plus trim.
- (2) Trim allowance of 6 inches per scaling segment.
- (3) Net scale of 33 1/3% sound sawlog material.
- (4) Minimum top diameter inside bark greater than 5.51 inches.

B. Ton Wood

- (1) Maximum log length of 20 feet.
- (2) Top diameter inside bark of less than 5.5 inches.

C. Cedar Products – (Material not meeting sawlog specifications.)

- (1) Minimum shell of 3 1/2 inches for 1/3 or more the continuous circumference of the cylinder.
- (2) Minimum log length of at least 8 feet.
- (3) Minimum diameter inside bark of 5.51 inches.

D. Pulp (Material not meeting sawlog or ton wood specifications.)

- (1) Contains at least 50% pulp wood scale.

(2) Minimum log length of at least 10 feet.

(3) Minimum top diameter inside bark greater than 5.51 inches.

E. No potentially merchantable sawlog or cedar product material will be wasted in the production of cedar poles.

F. Stump height shall not exceed 12 inches above ground line as measured from the uphill side of the stump.

G. Purchaser will pay double the stumpage charge, according to contract rates for all merchantable material meeting utilization specifications, which is not removed from the sale area. Purchaser will pay actual cost of scaling or measuring this material.

12. Scaling.

A. All forest products harvested under the terms of this contract shall be presented at such locations and scaled and/or weighed in such manner as mutually agreed to in writing before start of hauling operations.

B. All forest products sold by volume measurement (MBF) shall be scaled utilizing the Scribner Decimal C Rules, in accordance with Idaho State Board of Scaling practices. All scalers shall be licensed in the State of Idaho.

C. All forest products sold by weight (Tons) shall be measured on certified scales with current certifications from the State Division of Weights and Measures.

D. Purchaser shall pay all costs associated with required scaling, weighing and data transmission.

E. Potlatch reserves the right to check scale at its expense all logs delivered any time during normal working hours and may make an appropriate adjustment to scale with the corresponding correction to payment. Purchaser, at its own expense, may verify check scaling with an independent check-scaler.

F. Scalers shall not make any deduction for any defect caused by the negligence of Purchaser.

G. Purchaser shall provide weekly weight and/or scale tickets for each delivered load.

H. Scalers shall scale combination logs to maximize the volume of the highest valued product. Both products contained within the combination log will be recorded for payment.

13. Hauling - Load Tickets.

A. Potlatch will provide Purchaser preprinted three-part numbered load ticket books. All ticket books and unused tickets shall be returned to Potlatch upon the completion of the timber sale for audit purposes.

B. Purchaser shall insure that all load tickets are completed and contain all required information. The completed load tickets shall be distributed as follows:

(1) First copy is to remain in the book.

(2) The second and third ticket copies shall be securely attached to a log on the front driver's side of the load, to be removed only at final delivery point. Each ticket shall be safely protected as necessary to prevent loss or damage.

(3) Once at the final delivery point, the second copy is to be separated from the load and arranged to be returned to the purchaser.

(4) Once at the final delivery point, the third copy is to be separated from the load and arranged to be returned to Potlatch Corporation.

C. The following shall be painted on the back of every load: PFH initials (Potlatch Forest Holdings); Initials of the sale (for example: Upper Shattuck Ridge – USR); and the last 3 digits of the load ticket number.

D. Methods for ticketing and painting other than conventional log truck loads shall have prior approval by Potlatch.

E. Any lost or unaccounted for ticket and/or load will be charged a value equal to the highest value load removed from the sale to date.

F. For any load that fails to comply with ticketing and painting requirements, Purchaser shall pay 150% of the stumpage charge for that load.

14. Payment for Stumpage.

A. Potlatch will mail Purchaser an invoice twice monthly for forest products delivered during the prior one-half month pay period. The invoice will contain a summary of the volume delivered during the prior one-half month period, and will detail the price, volume, species and total amount due. Purchaser shall deliver payment so that it is received by Potlatch within ten days of the invoice date. Payment is to be remitted to:

Potlatch Forest Holdings, Inc.

P.O. BOX 1388

Lewiston ID, 83501

Attention: John Mink

B. For each delinquent payment, the Purchaser shall pay Potlatch a \$50.00 late charge plus interest at the rate of 6.00% per annum commencing from the end of the previous billing period.

15. Roads.

A. No Warranty or Representation. Potlatch makes no warranty or representation of the condition, suitability or safety of the logging site roads or the haul roads designated for use by Purchaser. Purchaser waives all claims that may arise out of the condition of any road.

B. Potlatch shall acquire and provide Purchaser the nonexclusive right to use the roads which are shown in Exhibit A. Purchaser shall, at Purchaser's sole expense, maintain all the roads shown in Exhibit A, in proportion to Purchaser's use, in the same condition the roads were in on the date on which Purchaser's use began. Purchaser shall use the roads designated on Exhibit A unless Potlatch consents, in writing, to the use of other roads.

C. Purchaser shall comply with all rules relating to traffic, safety, road protection, forest protection, environmental protection and fire protection that apply to the use of the logging site roads and the haul roads.

16. Fire Protection and Slash Disposal. Potlatch will pay the State of Idaho Forest Protection Charges and will be responsible for slash disposal hazard management activities not defined within this Stumpage Sale Contract. Potlatch will obtain the necessary State of Idaho Certificate of Compliance.

17. Fire. Purchaser shall take every reasonable precaution to prevent the starting of a forest fire and in the event of a fire on land owned by Potlatch, Purchaser shall make himself and all his employees at the site available to fight the fire and, if safe to do so, immediately proceed with the suppression of any fire that starts. If a fire was caused by Purchaser's negligence, Purchaser must suppress the fire at its expense, or reimburse the expenses incurred by anyone who suppresses the fire.

18. Hazardous Waste. Purchaser shall not store, treat, generate or spill any hazardous substance on Potlatch's land, except for those conditions specified in Exhibit C, Policy and Management Guidelines for Forest Operations.

19. Endangered Species. If an endangered or threatened species is found on the land by Purchaser or its contractors, during Purchaser's harvesting operations, Purchaser shall immediately notify Potlatch and cease logging activities in the area of the endangered or threatened species. If Purchaser's continued operations are found to violate any state or federal law, rule or regulation relating to endangered or threatened species, Purchaser shall permanently cease any operations that are in violation of law and Purchaser's sole remedy is to be relieved from its obligations to harvest timber which would be in violation of law.

20. Protection of Improvements, Survey Monuments and Reserve

Trees

A. Purchaser shall protect all power lines, fences, gates, culverts, cattle guards, roads, structures and other improvements from damage during its operations and Purchaser shall

make timely repairs, at its sole expense, to any power line, fence, road or structure damaged in the course of Purchaser's operations.

B. Purchaser shall protect all survey monuments, witness corners, reference monuments and bearing trees against injury or damage during its operations and Purchaser shall make timely repairs, at Purchaser's sole expense, to any survey monument, witness corner, reference monument or bearing tree damaged by Purchaser's operations.

C. Purchaser shall protect reserve trees not designated for harvest as described in the Site Activity Plan(s). If any reserve tree is unnecessarily harvested by Purchaser, or is unnecessarily damaged by Purchaser's operations to the extent that it should be harvested, the reserve tree shall be harvested by Buyer and paid for by Purchaser's at two (2) times the price provided in Paragraph 1 of this Contract.

21. Site Investigation. Purchaser represents that Purchaser has inspected the land, timber and roads and has independently satisfied itself with respect to the volume of timber and to all surface, subsurface other physical conditions, all general and local conditions and all other matters which might in any way affect Purchaser's performance. Potlatch makes no warranty or representation as to the value, suitability for any purpose, quality or quantity of the timber covered by this Contract or the logging conditions required to harvest the timber. Potlatch makes no representation or warranty as to the nature, existence or location of materials, obstacles or conditions that may be encountered by Purchaser. Purchaser accepts the conditions at the site as they may eventually be found to exist and Purchaser shall make no claim against Potlatch arising

out of any unforeseen or unusual condition or obstacle of any sort encountered, whether physical or otherwise.

22. Security Agreement. This Contract constitutes a security agreement under the Uniform Commercial Code. Purchaser grants to Potlatch a first lien purchase money security interest in all timber, standing or severed, and all of the products and proceeds of the timber on Potlatch's property to secure payment of all sums due from Purchaser to Potlatch under this Contract, plus interest, and to secure Purchaser's performance of Purchaser's obligations under this Contract. Purchaser agrees not to create, or permit to be created, any other lien or encumbrance against the timber. Purchaser agrees to execute additional documents for the purpose of perfecting Potlatch's first lien security interest, upon request by Potlatch. Potlatch may file all appropriate UCC Financing Statements. All timber, standing or severed, and all the products and proceeds of the timber located on Potlatch's property will be deemed to be in the possession of Potlatch as secured party.

23. Temporary Suspension of Operations. If Potlatch determines in good faith that there is an unreasonable risk that Purchaser's operations may cause excessive damage to timber, roads, soil or watershed, or that Purchaser's operations present an unreasonable risk of fire or injury to persons or property, Potlatch may temporarily suspend Purchaser's operations whether or not Purchaser is in breach of this Contract. If Potlatch suspends Purchaser's operations, Potlatch shall not be responsible for any expense, loss or damage that Purchaser may sustain. If Purchaser's operations are suspended for more than five (5) operating days, the term of

this Contract shall be extended for one (1) day for each day in excess of five (5) days lost due to the temporary suspension.

If Potlatch suspends Purchaser's operations, Potlatch shall give Purchaser's Representative prompt notice of the reason for the suspension and confirm that reason in writing within seventy-two (72) hours. Potlatch will lift the suspension promptly upon being satisfied that the risk or risks created by Purchaser's operations has or have been eliminated.

24. Force Majeure. Neither party shall be liable for any delay or default in performance due to acts of God, acts of the federal or state government, floods, wars, fire, fire conditions causing shut down of timber harvest, unusual and severe storms, or other causes beyond its control which delay or prevent performance. Upon the occurrence of a force majeure event, the party affected may immediately suspend operations, but must give written notice to the other party within five (5) days of the event. The party affected by a force majeure event will make all reasonable efforts to restart performance as soon as practical.

25. Title Passing and Risk of Loss. Title to the timber passes to the Purchaser upon felling. Potlatch shall bear the risk of loss or damage to the timber while standing unless the loss is caused by Purchaser's operations. Purchaser shall bear the risk of loss or damage to the timber upon felling.

26. Compliance with Potlatch Policies. Purchaser and its logging contractors agree to comply with the following Potlatch policies, procedures and programs:

A. All logging contractors and subcontractors, including those doing work related to tree felling, truck loading and skidding/yarding are required to be accredited under the Idaho Pro-Logger Program.

B. Purchaser shall submit to Potlatch for approval a list of all contractors and subcontractors who will be conducting logging operations related to the timber sale, prior to start of any operations. Contractors currently on Potlatch's "Approved Contractors List" will be automatically approved. All other contractors must be approved in writing by Potlatch prior to start of harvest operations.

C. Purchaser shall comply with the requirements of the Site Activity Plan(s) attached as Exhibit B.

D. Purchaser shall comply with the requirements set forth in Potlatch's Environmental Management System: **Policy and Management Guidelines for Forest Operations** attached as Exhibit C. Contractors that have not previously received training on these guidelines must complete a training session (approximately 2-4 hours in length) before being approved for timber sale operations.

E. The Purchaser and its logging contractors shall follow the Idaho Minimum Safety Standards and Practices for Logging, plus adhere to the OSHA Logging Safety Standards and provide a comprehensive safety program for their employees that includes necessary training and meetings. Contractors not previously approved by Potlatch will also receive information about Potlatch's OSHA Logging Partnership Agreement during the required training session.

27. Assignment/Subcontract. Purchaser may not assign or subcontract any of its performance under this Contract without the written consent of Potlatch, which consent shall not be unreasonably withheld. Purchaser will remain fully responsible for the performance of the Contract even if Purchaser assigns the Contract or subcontracts the work.

28. Location of Cutting Lines - Trespass. Purchaser shall locate and verify the cutting lines before starting any operations. Purchaser shall not harvest timber outside the cutting lines and shall not trespass on adjoining lands. Purchaser shall defend and hold Potlatch harmless from all claims arising out of any trespass by Purchaser. Potlatch shall defend and indemnify Purchaser from any liability resulting from Potlatch's mis-location of cutting lines.

29. Time is of the Essence. Time is of the essence with respect to all dates and time in this Contract.

30. Default and Remedies. If Purchaser fails to comply with any term of this Contract, Potlatch may immediately suspend Purchaser's operations. The suspension may continue until the breach is remedied or until this Contract is terminated.

In the event Purchaser fails to comply with any term of this Contract, Potlatch may give written notice to Purchaser of the breach. In the event Purchaser fails to cure the breach within ten (10) days from the date of the written notice, Potlatch may declare the Purchaser in default. Upon a declaration of a default, Potlatch will have the right, at its option, to exercise any or more of the following remedies:

1. To recover damages for Purchaser's breach of Contract;

2. To terminate this Contract and to declare a forfeiture of Purchaser's interest in this Contract; or
3. To exercise any and all other rights and remedies which may be provided by law or equity.

In addition to other remedies, Potlatch will be entitled to the appointment of a receiver and any receiver appointed may serve without bond. A person may not be disqualified from serving as a receiver because that person is an employee of Potlatch.

These remedies are cumulative and in addition to all other remedies to which Potlatch is entitled in the case of a breach or default of this Contract, whether provided in law or in equity.

In the event of a breach of this Contract by Potlatch, Purchaser's exclusive remedy is limited to the return of any payments which have not been applied to the price for timber removed and compensation for any unamortized improvements made by Purchaser which will remain on Potlatch's land after the expiration date. Potlatch will not be liable for any damages, whether direct or indirect, punitive, incidental, consequential or otherwise, either in contract or tort.

31. Indemnification.

A. To the fullest extent permitted by law, Purchaser shall defend, indemnify and hold Potlatch and its subsidiaries harmless against any and all claims, whether valid or invalid, damages, losses and expenses of every kind and nature, including without limitation litigation, environmental liabilities, attorneys fees, and court costs and expenses, arising out of or related to the operations of Purchaser, its agents, subcontractors, suppliers, anyone directly or indirectly

employed by any of them or anyone for whose acts any of them may be liable, or the presence on Potlatch's property of Purchaser or such agents, subcontractors, suppliers, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, , regardless whether caused in part by a party indemnified by this Contract. Purchaser's obligation shall not be construed to negate, abridge, or otherwise reduce any right or obligation of indemnity which would otherwise exist apart from this subparagraph.

B. The obligations under Subparagraph (a) shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for Purchaser or any of its subcontractors or suppliers under workers compensation acts, disability benefit acts or other employee benefit acts.

C. Purchaser's obligations under subparagraph (a) shall survive the termination of the Contract and the completion of the Contract.

D. Purchaser shall give prompt notice to Potlatch of all losses, damages or injuries to persons or property for which a claim might be made against Potlatch and shall promptly report to Potlatch all claims of which Purchaser has notice, whether relating to matters insured or uninsured. No settlement or payment of any claim for loss, injury or damage or other matter as to which Potlatch may be charged with the obligation to make payment or reimbursement shall be made by Purchaser without the written approval of Potlatch.

E. The obligations of subparagraph (a) shall not be limited in any way by the amount of insurance coverage carried by Purchaser.

32. Insurance. Purchaser shall carry, with insurers satisfactory to Potlatch, during the term hereof, Comprehensive Vehicle Liability Insurance, including owned, hired and non-owned vehicles, with limits of not less than \$1,000,000, combined single limit, for both bodily injury liability and property damage liability each occurrence; Comprehensive General Liability Insurance including all contractual liability hereunder, with limits of not less than \$1,000,000, combined single limit, for both bodily injury liability and property damage liability each occurrence; and Worker's Compensation Insurance and Employer's Liability Insurance fully covering all employees and supervisors participating in Purchaser's operations hereunder. The Comprehensive General Liability Insurance policy shall include Potlatch and its subsidiaries as an additional insured. Prior to commencing operations hereunder, a Certificate of Insurance evidencing such coverage, satisfactory to Potlatch, shall be furnished to Potlatch, which shall specifically state that such insurance shall provide for at least ten (10) days' prior notice to Potlatch in the event of cancellation or any material change in such insurance policies. The workers compensation certificate shall bear an endorsement clearly evidencing a waiver of the right of subrogation against Potlatch. Should Purchaser fail to furnish current evidence upon demand of any insurance required hereunder, or in the event of cancellation or adverse material change in any such insurance, Potlatch may, at its option, suspend this Agreement until insurance is obtained or terminate this Contract immediately without further action.

33. I.R.C. 631(b). It is the intention of Potlatch and Purchaser that the amounts payable for timber under this Contract qualify for capital gain and loss treatment under Section 631(b) of the Internal Revenue Code of 1986, as amended.

34. Entire Agreement. This Contract is the entire agreement between Potlatch and Purchaser and supersedes all prior negotiations, representations and agreements, written or oral. This Contract may be amended only by a written instrument signed by both Potlatch and Purchaser. No provision of this Contract may be waived by Potlatch except in a writing signed by an authorized representative of Potlatch.

35. Applicable Law. This Contract, and all questions and disputes arising out of or relating to it shall be governed by the law of the State of Idaho.

36. Paragraph Titles. The titles of the paragraphs in this Contract are inserted for convenience only. They are not part of the Contract and do not expand, limit or modify any of the terms or conditions of the Contract.


37. Compliance with Laws. Purchaser shall comply with all federal, state and local laws and all rules, orders and regulations of any governmental agency applicable to Purchaser's operations. Purchaser shall defend, indemnify and hold Potlatch and its subsidiaries harmless from any failure by Purchaser to comply with all laws, rules, orders and regulations.

38. Arbitration of Disputes. All disputes arising out of this Contract shall be submitted to binding arbitration before a single arbitrator appointed by the parties, if they agree, and if not, to be appointed by a judge of the District Court of the Second Judicial District of the State of Idaho, in and for the County of Nez Perce. The prevailing party shall be entitled to recover its costs, reasonable attorney's fees, its share of the arbitrator's fees and expenses and reasonable expert witness fees as determined by the arbitrator. Any arbitration hearing shall be held in Lewiston, Idaho. The proceedings shall be conducted in accordance with the Uniform

Arbitration Act as adopted by the State of Idaho. The arbitrator, in making the award, shall be limited to accepting the position of either Potlatch or the Purchaser and may not issue any award which is a compromise or settlement between the positions set forth by them. The decision of the arbitrator shall be binding, final and conclusive on the parties to this Contract. The award shall be in writing and shall be issued within thirty (30) days of the conclusion of the hearing. The arbitrator may award pre-award interest but may not award punitive, incidental or consequential damages.

39. Notice. Any notice to be given under this Contract shall be given by personal delivery or by United States Certified Mail, return receipt requested, postage prepaid, addressed to the following:

To: Potlatch:
Potlatch Forest Holdings, Inc.
Attn: Don Rayner
HC64 Box 1009
Headquarters, ID 83546

To: Purchaser:


40. Non-Waiver. No failure to require strict performance of any term or condition of this Contract shall constitute a waiver with respect to that term or condition, and no waiver shall be binding on either party unless it is in writing signed by the waiving party.

41. Attorney's Fees. In the event that any suit action or other proceeding is instituted by either of the parties hereto to enforce or interpret any of the terms or provisions of

this Contract, the prevailing party shall be entitled to reimbursement from the other party for its reasonable attorneys fees, court costs and litigation expense in the trial court as well as on appeal.

42. Binding Effect. This Contract shall bind and benefit the successors and assigns of Potlatch and Purchaser.

DATED this [redacted] day of [redacted], 200[redacted].

POTLATCH FOREST HOLDINGS, INC.

By: [redacted]

[redacted]

PURCHASER:

By: [redacted]

[redacted]

(ACKNOWLEDGMENTS)