

WATERSHED COOPERATION AGREEMENT

THIS AGREEMENT is made on the 15 day of July 1943 between the City of Aberdeen (the "City"), a municipal corporation of the State of Washington, and the Simpson Timber Company ("Owner").

RECITALS:

A. Owner is the owner in fee simple of that certain real estate located in Grays Harbor County, Washington, legally described as set forth in Exhibit "A" attached hereto and incorporation herein by this reference (the "Property").

B. The Property lies within the Wishkah River Watershed (the "Watershed"), which is used by the City as a drinking water supply source.

C. The City has the authority under Chapter 10.10, Chapter 35.88 RCW, and Grays Harbor County Ordinance 50 (1971), to prohibit any access to or activity within the City's watershed which might in any way pollute or be harmful to the water derived therefrom.

D. Owner has the right to enter the watershed for management purposes including, but not limited to, the harvesting of forest products.

E. City and Owner recognize it is in the best interest of both parties to establish clear procedures and policies governing the City's exercise of its authority while recognizing Owner's rights in order to avoid future disputes and to protect the drinking water supply of the citizens of Aberdeen.

F. The City's permission to use its roads without customary haul fee, and land to provide the Owner with access to the Owner's property across City owned property within the watershed is recognized by the parties as additional consideration for Owner's acceptance of the restrictions and regulations imposed by this agreement.

NOW, THEREFORE, IT IS AGREED:

1. Term. The term of this Agreement shall be twenty-five (25) years (the "initial Term"), commencing on execution of this Agreement and expiring twenty-five years therefrom, unless earlier terminated as provided herein. The Agreement shall automatically renew for successive one (1) year periods unless notice of either party's intent not to renew is delivered no less than sixty (60) days prior to the expiration of the Initial Term of each succeeding renewal term. Notwithstanding the foregoing, either party may

terminate this Agreement, with or without cause, upon delivery of sixty (60) days prior written notice to the other party.

2. Owner's Right to Use Land. Subject to the conditions specified in this Agreement, the Owner shall have the right to enter upon, and utilize the Property for the purposes of forest management and harvest, including, without limitation, growing, protecting, cultivating and producing timber, trees and forest growth thereon, reforestation, logging, harvesting and removing timber, trees, forest growth and forest crops therefrom, and constructing, maintaining, and using such roads, trails, and other improvements as may be necessary or incidental to such operations. The Owner shall not engage in any other activities or permit any other activities on the Property without the prior written consent of the City. In any case where such consent is requested, the City may deny such request if the City, in its sole discretion, judges such use materially inconsistent with the City's use on sanitary practices satisfactory to the City and the State Department of Health.

3. Conditions. The Owner's right to use the Property is subject to the following conditions which Owner agrees to satisfy and adhere:

3.1 The Owner shall not engage in any activity that could reasonably be considered to be harmful to the domestic water supply of the City, and agrees to shut down any operation that will not come into compliance with the terms of this Agreement. Any disagreement between the City and the Owner shall be resolved by judgment of the Washington State Department of Health regional engineer.

3.2 The Owner will abide by and conduct all activities in accordance with all applicable federal, state and local laws and regulations and conditions contained in the forest practices application issued by the Department of Natural Resources, copies of which will be delivered to the Owner by the City upon execution of this Agreement.

3.3 The Owner will provide and require use of chemical toilets by all persons it hires engaged in logging or removing timber, or any other activity on the Property.

3.4 The Owner will take appropriate preventative measures to ensure that any spill of oil or oil products caused by the Owner or its contractor does not enter any stream or other waters, and will be solely responsible for the cost of cleaning up any such spill. The Owner will provide and use oil absorbing mats under all

stationary landing equipment and equipment being serviced to prevent leakage or accidental spillage of petroleum base products and other chemicals from contaminating the soil and water resource. The Owner will provide containers equal in capacity to the volume of petroleum base products within the largest piece of equipment. If the total oil or oil products storage exceeds 1,320 gallons or if single container exceeds a capacity of 660 gallons, the Owner shall prepare a spill prevention control and countermeasures plan satisfactory to the City. Such plan shall meet or exceed applicable EPA requirements, including, without limitation, certification by a registered professional engineer.

3.5 The Owner shall not apply or permit the use of any agricultural chemicals or treatments on any portion of the Property or vegetation on the Property without the prior written approval of the City. For purposes hereof, agricultural chemical or treatments shall include, without limitation, fertilizers, pesticides and herbicides.

3.6 Prior to any road construction, the Owner shall submit to the City a logging and road plan. Any changes in these plans, including, without limitation, a change in the location or design of any road or spur, must be reviewed in advance by the City before the change can be constructed.

3.7 The Owner shall provide access to logging sites on the Property by the City employees at any reasonable time for the purpose of determining the Owner's compliance with provisions of this Agreement. Access shall include providing keys to any gates to the logging sites and maintaining access roads in passable condition.

3.8 The Owner shall report at least annually on forest activities to the City Director of Public Works or his designee.

3.9 The Owner will not permit its employees, agents or contractors to carry any firearms, fishing poles, or any other device used to hunt or fish on the Property at any time.

3.10 The Owner will use reasonable efforts to keep trespassers from entering upon the Property and to permit entry on the Property only by the Owner and the City and their respective officers, employees, contractors, authorized agents, and permittees.

3.11 The Owner will use best efforts to protect against fire or spreading of any fire, and to immediately extinguish any fire originating on the Property.

3.12 Upon prior written notice from the City, the Owner will follow any reasonable rules adopted from time to time by the City to further protect the Watershed from any unhealthful activities on the Property. Notwithstanding the above, the Owner shall have the right to review and comment on such rules prior to adoption.

4. City's Right of Entry. At all reasonable times during the term of this Agreement, the City shall have the right to enter upon the Property for the purposes described in this Agreement and to protect the quality of its water supply, with full right and authority to exclude from the Property, and prevent entry to the Property, of all persons other than officers, employees, contractors, authorized agents of permittees of the Owner.

5. Benefit and Binding Effect. This Agreement shall benefit and be binding on the parties hereto and their respective successors, heirs, and permitted assigns. This Agreement may not be assigned in whole or in part without the prior written consent of the non-assigning party. Any such assignment without the consent of the non-assigning party shall be deemed null and void and of no effect.

6. Indemnification. Each party shall indemnify, defend and hold harmless the other party from and against any damages, costs, or liability for personal injury or death, property damage or environmental claims, suit, fines, penalties or assessments, which it may sustain or in any manner incur by reason of or resulting from the negligent acts or omission, or wilful misconduct of either the Owner or the City, or failure of the Owner or the City to satisfy any condition or keep or perform any term or covenant of this Agreement.


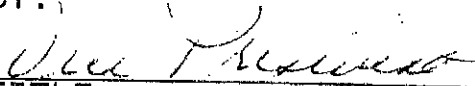
7. Attorney Fees. If any party to this Agreement commences litigation to enforce or construe any provision of this Agreement, the prevailing party shall be entitled to recover its reasonable attorney fees and costs in such litigation and any appeal therefrom.

8. Notices, Approvals and Contracts. For all purposes in connection with this Agreement, the contract at the City and the party responsible for all City approvals and consents shall be the Director of Public Works or his designee. All notices to be given under the terms of this Agreement must be in writing and may be delivered personally or by certified mail, postage prepaid and addressed to the party's address set forth below, or to such other address as a party may request by notice as aforesaid:

The City: City of Aberdeen
Public Works Director
200 East Market Street
Aberdeen, Washington 98520

The Owner Simpson Timber Co.
Timberlands Area Engineer
P.O. Box 460
Shelton, Washington 98584

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

OWNER

BY:

TITLE:
7/23/93
DATE:

STATE OF WASHINGTON

County of MASON) ss.
~~Grays Harbor~~)

On this day personally appeared before me JESS DRAKE, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged to me that ~~they~~^{HE} signed the same as ~~their~~^{his} free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 23rd day of July, 1993.

JUDITH L. TAYLOR
Judith L. Taylor
NOTARY PUBLIC in and for the
State of Washington, residing at
Shelton, WA 98534
My commission expires: April 16, 1994

CITY OF ABERDEEN

Chuck Gurrad
MAYOR:

July 15, 1993
DATE:

STATE OF WASHINGTON)
County of Grays Harbor) ss.

On this day personally appeared before me Chuck Gurrad, to be known to be the Mayor of the City of Aberdeen, who executed the within and foregoing instrument, and acknowledged to me that he is authorized to sign the same on behalf of the City of Aberdeen, and that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

BERNADINE V. GRAHAM
NOTARY PUBLIC
STATE OF WASHINGTON
My Commission Expires Dec. 16, 1995

Bernadine V. Graham
NOTARY PUBLIC in and for the
State of Washington, residing at
Cosmopolis
My commission expires: 12/16/95