

TIMBER SALE CONTRACT
(Lump Sum)

This Timber Sale Contract (the "Agreement") is made by and between **Cahaba Forests, LLC** (hereinafter referred to as "Seller"), and **Lomax Pulpwood Company** (hereinafter referred to as "Buyer"), as of the 2nd day of August 2000.

WITNESSETH

For and in consideration of the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, it is agreed by and between the parties hereto as follows:

1. **Timber Sale:** Seller hereby sells to Buyer and Buyer hereby purchases from Seller, upon the terms and conditions set forth herein, Exhibit "A" (hereinafter referred to as the "Timber") which Timber is located on property owned or leased by Seller in Shelby County, Alabama and shown on Exhibit "A" attached hereto and hereby made a part hereof (the "Property").
2. **Purchase Price and Security:** The purchase price for the Timber shall be One Hundred Sixty Three Thousand Eight Hundred Dollars (\$163,800) paid in cash by Buyer contemporaneously with the execution of this Agreement.

Buyer shall pay to and deposit with Seller the sum of \$5,000 as security for Buyer's obligations under this Agreement ("Deposit"). If Buyer fails to observe or perform any of its obligations under this Agreement (including without limitation delivery of the Property in the condition required under Section 6 of this Agreement) on or before the Expiration Date (as defined in Section 3 below), Seller may perform, or cause to be performed, such obligations and may apply all or portions of the Deposit to the costs of such performance. If Buyer cuts or damages any trees not designated to be cut under this Agreement entitling Seller to payment under Section 8 of this Agreement, Seller may apply all or portions of the Deposit to amounts owed to Seller pursuant to Section 8 of this Agreement.

Seller's use or resort to the Deposit shall be in addition to, and not in limitation of, its other rights and remedies under this Agreement. Should the amount of the Deposit be insufficient to compensate Seller for amounts owed to it under this Agreement, Seller shall have all other remedies specified under this Agreement and under law to recover such amounts owed.

Seller shall hold the Deposit in an account insured by the Federal Deposit Insurance Corporation with no obligation to pay interest on such amount to Buyer. If Buyer performs its obligations and is not then in default under this Agreement, Seller shall return to Buyer the Deposit (or any remaining portion of the Deposit not applied in accordance with this Agreement) within thirty (30) days of the later of (a) written request from Buyer and (b) the Expiration Date.

3. **Term:** Buyer shall cut and remove the Timber on or before November 30, 2001 at which time this Agreement shall expire and Buyer shall have no further rights hereunder. Title to all Timber not harvested by Buyer on or before Expiration Date November 30, 2001 shall revert to Seller. Notwithstanding the foregoing, Buyer shall have the right to extend the term of this Agreement for one (1) year by paying to Seller on or before the Expiration Date November 30, 2001 an amount equal to eight percent (8%) of the purchase price set forth in paragraph 2 above. Upon proper extension of this Agreement, the Expiration Date shall be extended and the term Expiration Date shall be deemed to mean the extended expiration date. Time is of the essence of this Agreement.

4. **Cutting & Access Rights:** Seller hereby grants to Buyer the right to cut and remove the Timber and the rights of ingress and egress on the Property, but only to the extent necessary to conduct such timber cutting and removal. Buyer's use of Seller's roads shall be at Buyer's own risk. Seller shall not be liable for any latent or patent defect in any roadway nor shall Seller be liable for any damages or injuries sustained by the Buyer, Buyer's agents, employees, contractors, assigns or any other individual or entity acting by, for or on behalf of Buyer hereunder, arising out of or resulting from the use of said roads. Buyer agrees to repair any damage to Seller's roads which Buyer causes and to participate with Seller in the upkeep of said roads.

5. **Buyer's Inspection; Buyer's Risk:** Buyer has thoroughly inspected and reviewed the Property and all roads contained within or serving the Property and the condition, location, and quality of the Timber, and Buyer hereby approves and accepts same in all respects. Seller makes no warranties or representations herein or by any other means as to the condition of the Property, the suitability, quality or quantity of the Timber or the logging conditions required to harvest the Timber. All risk of loss or damage to the Timber shall fall on Buyer, and any such loss or damage from any cause whatsoever shall not in any manner affect, change or reduce the purchase price paid for the Timber.

6. **Buyer's Operations:** Buyer shall conduct its timber cutting and removal under this Agreement in a prudent and responsible manner, using generally accepted and sound silvicultural and harvesting procedures and practices in order to protect and preserve in all respects the land upon which said timber is located and any adjoining timber and lands of Seller. Buyer shall repair all fences or structures damaged by its operations and shall maintain and leave all roads used by it in the same condition as they were prior to this Agreement. Buyer shall leave all fire breaks, property lines, running streams and drainage ditches clear of logs, timber, limbs and debris. All oil drums, cans, bottles, cartons, limbing bars, abandoned equipment and other debris shall be removed from the Property upon completion of Buyer's harvesting operations at Buyer's expense. If repairs are not made or if the debris is not removed and cleared promptly after notice from Seller, Seller may undertake such repair or removal, and Buyer shall be liable to Seller for any expenses incurred in repairing or removing same. Buyer shall not, under any circumstances, bury any material underground.

Buyer acknowledges that a higher degree of care is required when the Property is abnormally wet and that such condition may require Buyer to stop or interrupt its operations hereunder. Seller reserves the right to suspend Buyer's harvesting operations when Seller deems significant site damage will result from continued operations; provided, however, that in the event of such suspension, Buyer shall be entitled to an extension of the time allotted for its harvesting activities equal to the number of days that the suspension continues.

All timber harvesting operations shall be conducted in compliance with the Best Management Practices (BMP) guidelines of the state in which the timber harvest is to occur, and in compliance with any additional guidelines which have been established by Seller and of which Seller has notified Buyer.

7. **Seller's Inspection:** Seller shall have the right, at any time, to inspect the Property upon which the Timber is located for the purpose of ascertaining whether the requirements of this Agreement are being met. In the event any violations are discovered or ascertained by Seller, then Seller shall have the right to remedy the same, and Buyer shall reimburse the Seller for the cost thereof.

8. **Payment for Unauthorized Cutting:** The cutting or materially damaging of any trees not designated to be cut hereunder shall be paid for by the Buyer at the following rate per tree:

Inst # 2000-25950

Stump Diameter
(where cut or damaged)

Per Tree

08/02/2000-25950
12:39 PM CERTIFIED

-1-

SHELBY COUNTY JUDGE OF PROBATE
005 CJ1 22.50

Stump Diameter (where cut or damaged)	Per Tree
6"	\$ 1.92
8"	3.99
10"	17.13
12"	36.93
14"	60.00
16"	97.50
18"	127.50
20"	165.00
22"	225.00
24" & Larger	270.00

9. **Indemnification & Hold Harmless:** Seller shall in no way be liable or responsible for any personal injuries (including death), whether the same be injuries to its employees, agents, contractors or assigns or other persons, or damage to any type of property, caused by, resulting from or attributable to the operations on Seller's Property of Buyer, its employees, agents, contractors or assigns under this Agreement, and Buyer does hereby agree to indemnify and hold harmless Seller in connection with and from any and all causes of action, liabilities, losses, damages, injuries, claims, costs (including attorney fees) or litigation, arising out of, attributable to, resulting from or incurred due to Buyer's activities and operations on the Property or on any roads contained within or serving the Property.

10. **Insurance:** Buyer shall obtain and maintain the following types of insurance, in addition to any other insurance required by law: (a) **Worker's Compensation** meeting at least statutory requirements and **Employer's Liability** Insurance in the amount of \$500,000 fully covering Buyer's operations hereunder and require any contractors to provide similar insurance covering their operations hereunder; (b) **Comprehensive Vehicle Liability** Insurance, including owned, hired and nonowned vehicles, with limits of not less than \$500,000 for bodily injury to any one person, and \$1,000,000 aggregate limit for bodily injury liability to all persons injured in any one accident, and \$250,000 property damage in one accident; and (c) **Comprehensive General Liability** Insurance written on a broad form basis and on an "occurrence" made form, including all contractual liability hereunder, with limits of not less than \$500,000 per single occurrence and \$1,000,000 aggregate limit for bodily injury liability. Buyer shall also ensure that any and all contractors retained by Buyer shall have **Worker's Compensation** meeting at least statutory requirements and **Employer's Liability** Insurance fully covering said contractor's operations hereunder.

Prior to beginning operations hereunder, evidence of all such Buyer's insurance shall be furnished to Seller and such insurance shall provide for at least ten (10) days notice to Seller of cancellation or of any material change in such insurance policies. All such insurance policies shall name Seller, Hancock Natural Resource Group, Inc., and Cahaba Forest Management, Inc. as an additional insured. In the event of failure by Buyer to furnish such evidence, Seller may immediately terminate this Agreement without further action.

11. **Fire Protection:** Buyer shall use all reasonable and customary precautions and procedures to prevent fires on the Property or any adjacent lands of Seller. In the event of any such fire of which Buyer is aware, Buyer shall immediately notify Seller.

12. **Relationship of the Parties:** Buyer is an independent contractor. No relationship of employer-employee, master-servant, principal-agent, partnership or joint venture, or any similar relationship, is intended by this Agreement nor shall it be construed to exist. Buyer shall select and pay its own servants, agents, employees, and/or suppliers, and neither Buyer nor his servants, agents, employees or suppliers shall be subject to the supervision or control of Seller.

13. **Compliance with Laws, Etc.:** Buyer shall comply with all federal, state and local laws, rules, and regulations applicable to the operations contemplated by this Agreement, including, without limitation, environmental protection/pollution laws and regulations, workmen's compensation laws and regulations, and the securing by Buyer of all necessary licenses and permits incidental to said operations. Buyer further covenants and agrees that it will not conduct its operations in a manner which could cause Seller to be in violation of any federal, state or local law, rule or regulation. Buyer covenants and agrees to hold Seller harmless from and/or reimburse Seller for any costs including fees imposed by any federal, state or local agency and attorney fees which may result from Buyer's failure to fully comply with such laws, rules and regulations or for any cost which may result from Buyer's conduct which exposes Seller to a violation of such laws, rules and regulations.

14. **Severance and Other Taxes:** Buyer shall pay such severance tax and all assessments as may now or hereafter be required to be paid by the laws of the state in which the Timber is located in connection with Buyer's cutting operation, unless specifically prohibited from so doing by law. Seller shall be responsible for paying all ad valorem taxes due in connection with the Property.

15. **Default:** Either party may exercise any rights or remedies available to it in any court of law or equity; provided, however, that the parties hereto may mutually agree upon binding arbitration, in which event each party may select an arbitrator and the two arbitrators shall then mutually select a third arbitrator. Said arbitrators shall be licensed foresters with at least five (5) years experience and shall be independent and disinterested in the subject of any such arbitration, and shall not be related, affiliated or associated in any way with either party to this Agreement. The decision in such arbitration shall be binding on the parties hereto.

In addition to all other remedies, Seller, in the event of Buyer's default in any provision of this Agreement, shall have the right to order that Buyer immediately stop its harvesting operations whereupon Buyer will cease its operations until the default is corrected. If the default is not corrected within thirty (30) days, at Seller's option this Agreement may be terminated. No extension of the cutting period will be granted in the event of such default and suspension of operations.

Seller's right to terminate as set forth in this Paragraph 15 shall be a right in addition to collection of any actual or consequential damages, including costs of repair, sustained by Seller which arise out of or result from Buyer's breach of the provisions contained in this Agreement. The remedies provided for in this paragraph are in addition to any other remedies permitted in this Agreement or allowed by law.

16. **Notice:** Buyer shall notify Seller at the address listed in Paragraph 20(f) below, with regard to cutting activity as follows:

- (a) At the beginning of the cutting of the Timber.
- (b) Of any event of discontinued cutting for a period of more than two weeks.
- (c) At the beginning of resumed cutting activity.
- (d) Upon completion of the cutting operation.

17. Assignment: This Agreement shall not be assigned by Buyer, in whole or in part, without the prior written consent of Seller. In the event of any such assignment, Buyer shall in no way be released from the performance of any of its obligations hereunder.

18. Seller's Retained Rights; Warranty: Title to the Property on which the Timber is located shall remain vested in Seller. This Agreement is made subject to any rights outstanding under any existing oil, gas or any other mineral leases or contracts covering all or any part of the Property, whether the same be recorded or otherwise, and to any rights outstanding under any other contracts, leases, easements, rights-of-way or roads as may be evidenced by possession, use, survey or which are of record. Seller does hereby specially warrant the title to the Timber and will defend the same against the lawful claims of all persons claiming by, through or under it, but not otherwise. Seller's liability under this warranty shall be limited to the return of the purchase price, or the proportionate part thereof in case of partial failure of title, without interest or penalty.

19. Endangered Species: Except to the extent that Buyer has been notified to the contrary by Seller, to Seller's knowledge there are no threatened or endangered species located on the Property the presence of which would materially interfere with Buyer's ability to harvest the Timber located on the Property in accordance with this Agreement. In the event any threatened or endangered species is discovered on the Property by Buyer during the course of its operations, or in the event Buyer learns that its activities hereunder might otherwise constitute a violation of the Federal Endangered Species Act or similar state laws (hereinafter, the "Endangered Species Act"), Buyer shall immediately notify Seller and cease operations hereunder. In the case of any such discovery of any threatened or endangered species, Seller shall refund to Buyer an amount equal to the value of the Timber remaining on the Property for which Buyer has paid but which should not be cut because of the potential for violation of the Endangered Species Act. Notwithstanding anything in this Agreement to the contrary, Buyer agrees that Seller shall have no other liability to Buyer in the event a threatened or endangered species is discovered on the Property. For purposes of this paragraph, a "threatened" or "endangered" species shall be a species which is entitled to protection under the Endangered Species Act.

20. Miscellaneous:

(a) This Agreement contains the entire agreement of the parties hereto, and both parties acknowledge that neither party has made any promise or representations or offered any inducement, except as herein set forth with regard to the subject matter of this Agreement. There shall be no alteration or modification of this Agreement, other than by an appropriate written instrument executed by the parties hereto or their respective successors in interest.

(b) The paragraph titles herein are for purposes of convenience only and shall in no way be held to explain, modify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

(c) The terms Buyer and Seller shall and do include and extend to the representatives, successors, heirs and assigns of the parties hereto.

(d) Any delay or failure by Seller in the strict enforcement of the provisions of this Agreement with respect to any default by Buyer hereunder shall not constitute a waiver of Seller's rights respecting such default or any other default hereunder. All indemnities, rights and remedies provided for herein shall survive the expiration or earlier termination of this Agreement.

(e) This Agreement shall be construed under the laws of the state in which the Property is located. If any provision of this Agreement or the application thereof to any person or circumstance should be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to any other person or circumstance shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

(f) Any notices contemplated under this Agreement shall be deemed sufficient if mailed to the Seller at:

Hancock Timber Resource Group
15720 John J. Delaney Drive, Suite 203
Charlotte, NC 28277

and

Cahaba Forest Management, Inc.
3891 Klein Road
Harpersville, AL 35078

and to the Buyer at:

Lomax Pulpwood Company
4030 7th Street North
Clanton, AL 35045
Ty Sockwell
(205) 755-1075

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be duly executed by authorized representatives as of the 2nd day of August, 2000.

SELLER:
Cahaba Forests, LLC

By: **Cahaba Forest Management, Inc.**
its Forest Management Representative

By: 
Al Lyons

BUYER:
Lomax Pulpwood Company

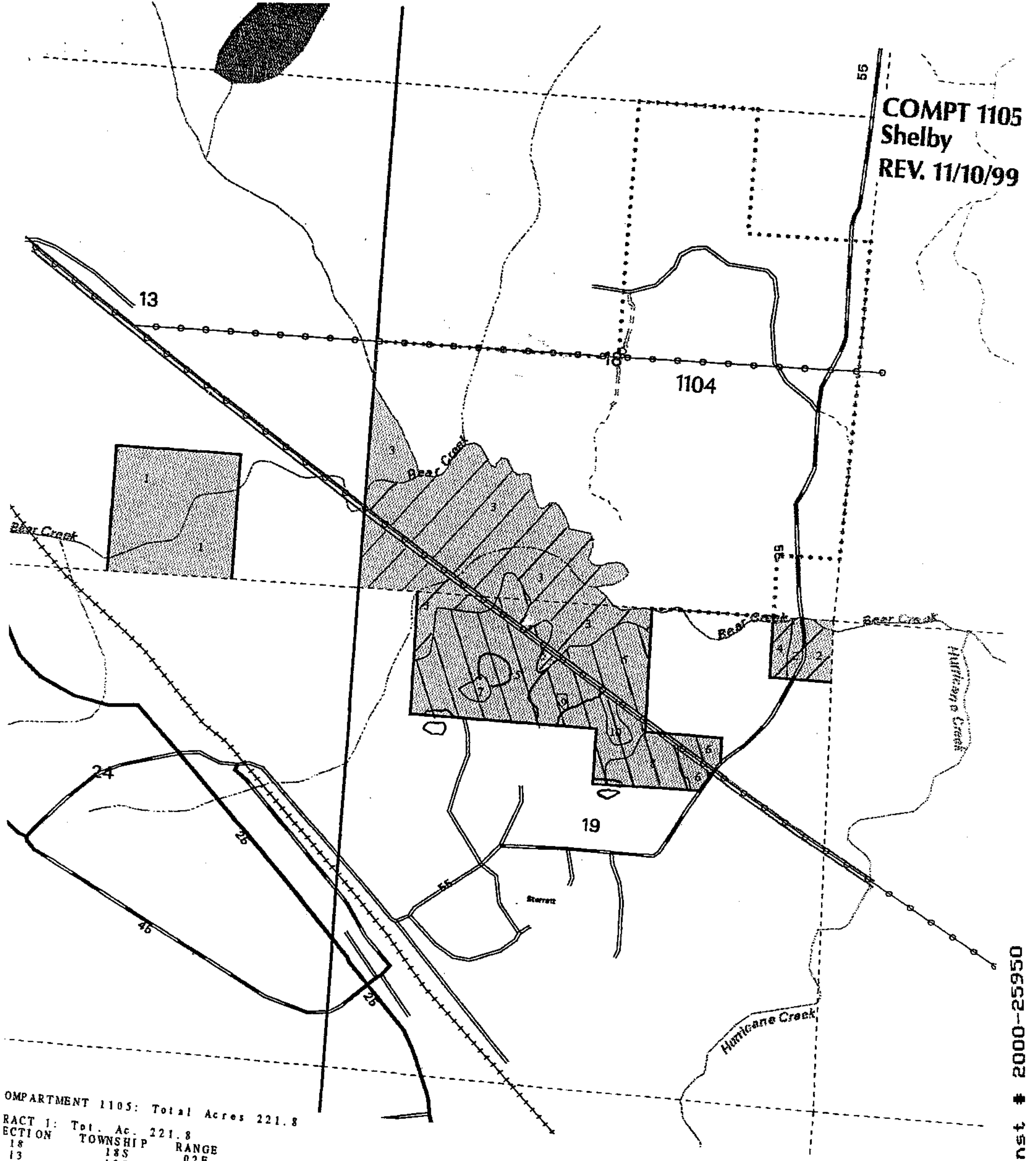
By: 
Ty Sockwell

EXHIBIT A
Lum Sum TIMBER SALE MAP
Cahaba Forests, LLC
CB1105 -- Approx. 152 Acres

Shelby County, Alabama
August, 2000

Selectively marked trees (Blue Paint) in Stands 2,3 and 4 of Compartment CB1105 in Section 18 and 19, Township 18 South, Range 2 East South of the North Fork of Bear Creek. Stands 5-10 of Compartment CB1105 in Section 19, Township 18 South and Range 2 East within the sale boundary marked in pink flagging.

COMPT 1105
Shelby
REV. 11/10/99



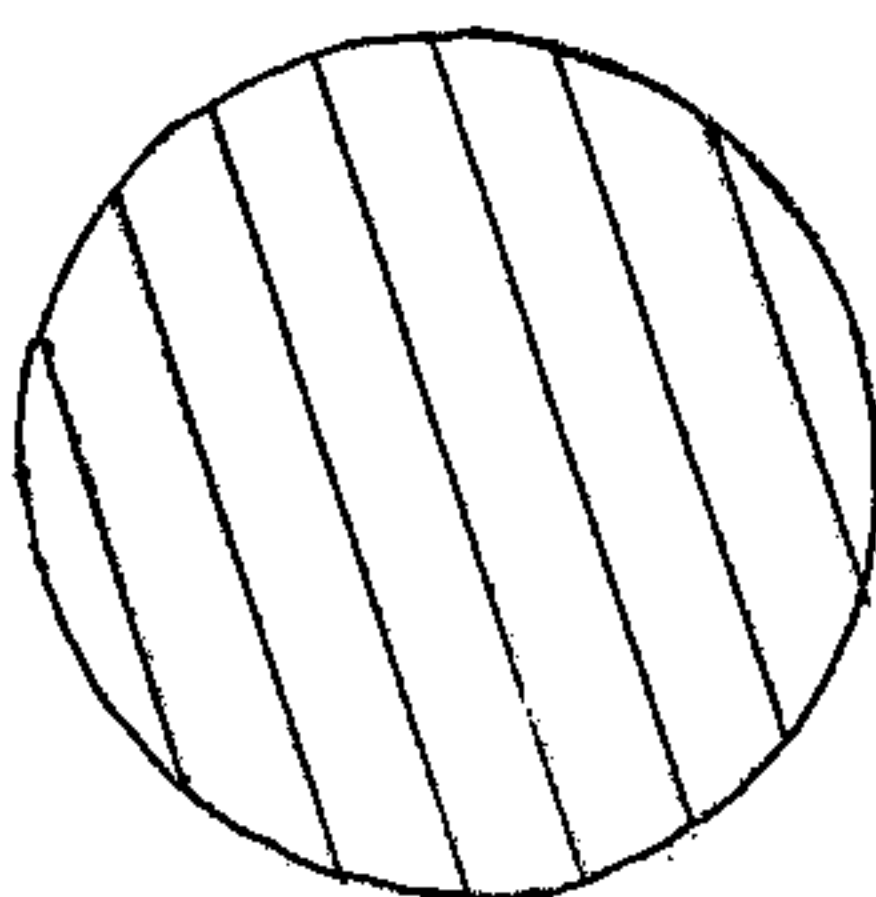
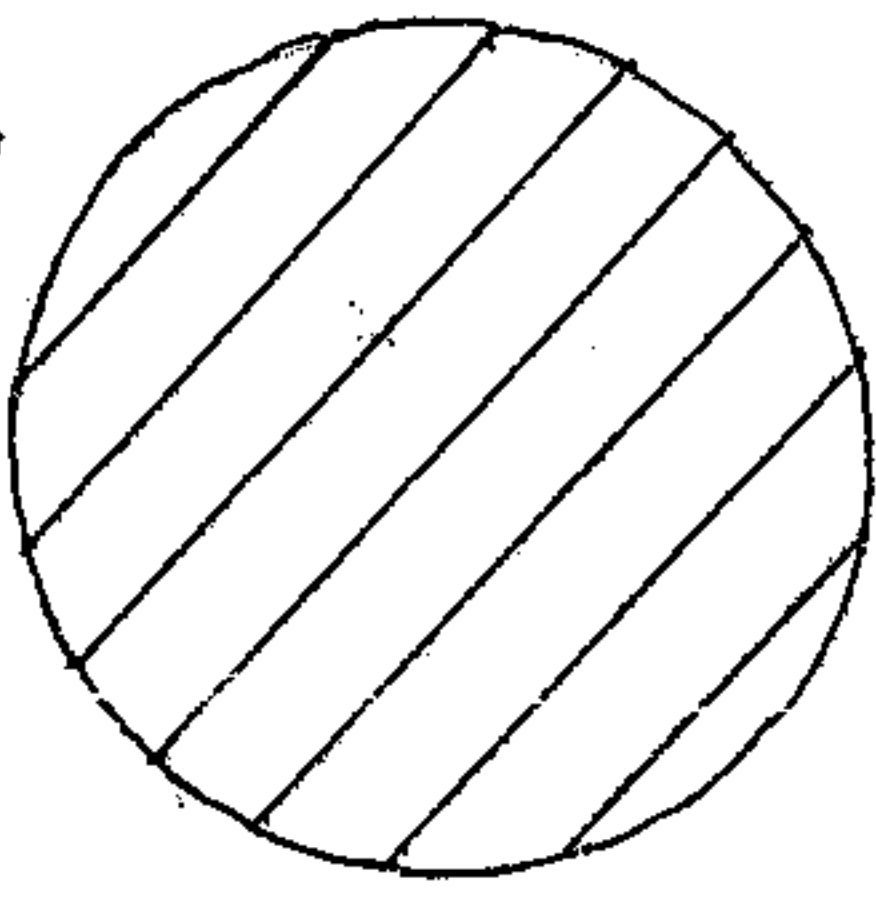
Inst # 2000-25950

COMPARTMENT 1105: Total Acres 221.8

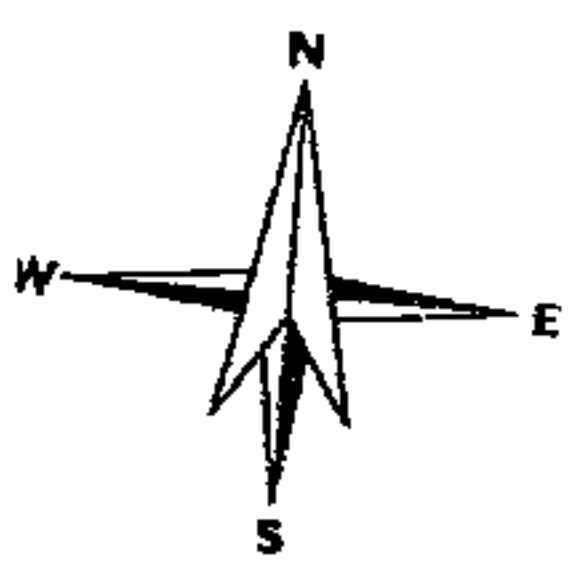
TRACT 1: Tot. Ac. 221.8
SECTION TOWNSHIP RANGE
18 18S 02E
13 18S 01E
19 18S 02E

Latitude = -86.476943969719997
Longitude = 33.458209991449998

TAND NO	TYPE	YR	FOR ACRES	N-FOR ACRES
01	DH	0	39.8	0.0
02	P	69	5.4	1.2
03	DH	0	87.2	5.1
04	DH	0	2.7	0.0
05	P	69	57.4	5.2
06	P	69	3.3	1.8
07	NS	0	1.4	0.0
08	NS	0	8.1	0.4
09	NS	0	0.4	0.0
10	NS	0	1.9	0.3
=====			207.7	14.1



AREA SELECTIVELY MARKED
(BLUE PAINT)



REFORESTATION CUT (REMOVE
ALL MERCHANTABLE TIMBER)

08/02/2000-25950
12:39 PM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE.
005 C31 22.50

