

**TIMBER PRODUCTS INSPECTION, INC.
-CONFORMANCE AUDIT AGREEMENT-
FOR
HEAT TREATED AND/OR KILN DRIED/HEAT TREATED
NON-MANUFACTURED WOOD PACKING**

This Agreement is for:

- A. Primary lumber manufacturer producing Heat Treated (HT) and/or Kiln Dried/Heat Treated (KD/HT) product that may or may not be used in the construction of non-manufactured wood packing (NMWP).

or

- B. Secondary component manufacturer producing HT and/or KD/HT components by remanufacturing HT and/or KD/HT materials received from an ALSC Qualified Primary Lumber Manufacturer.

or

- C. Non-manufactured Wood Packing Manufacturer producing HT and/or HT/KD product by constructing non-manufactured wood packing (NMWP) from HT and/or KD/HT lumber or components produced by an ALSC qualified primary lumber manufacturer, secondary component manufacturer or HT or KD/HT material produced by its own facility.

From here out the above will be referred to as the Licensee.

This Agreement is effective _____, 20__, by and between Timber Products Inspection, Inc., a Georgia corporation with its principal place of business at 1641 Sigman Road, Conyers, Georgia 30012 (hereinafter referenced as "TP"), and the following company, which is referred to herein as the "Licensee":

_____ (Company Name)
_____ (Physical Address)
_____ (Physical City, State & Zip)
_____ (Phone # & Fax #)
_____ (E-mail)
_____ (Billing Address)
_____ (Billing City, State & Zip)
_____ (Accounts Payable Contact Name & Direct Phone #)
_____ (Accounts Payable Fax # & E-mail)

In consideration of the premises and mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

SCOPE:

This Agreement shall govern the independent contractor relationship between TP and the Licensee with respect to the auditing of material used for the production of non-manufactured wood packing (NMWP) in accordance with the ALSC NMWP Policy and the ALSC NMWP Enforcement Regulations. This program shall establish a common basis for uniform, industry-wide inspection and kiln dried heat treated (KD/HT) lumber to be used as non-manufactured wood packing, the heat treating or kiln drying/heat treating of used, previously assembled or repaired non-manufactured wood packing and the production of new non-manufactured wood packing material products by manufacturing facilities in compliance with the requirements of the International Plant Protection Convention (IPPC) *Guidelines for Regulation Non-Manufactured Wood Packing In Use For Transport of Commodities*.

Periodic auditing of the HT and KD/HT facility and the NMWP manufacturing facility shall be carried out by Timber Products Inspection, Inc. (TP) which is accredited by the Board of Review of the American Lumber Standard Committee (ALSC). Board of Review activities involve verification of TP's abilities and monitoring of TP performance. Accreditation of TP's auditing HT and KD/HT facilities and TP's auditing of those facilities shall be pursuant to the American Lumber Standard Committee, Incorporated Board of Review Enforcement Regulations for untreated lumber.

A. TP's Roles, Responsibilities and Specific Understandings:

TP Shall:

1. Verify that the primary manufacturer's artificial heat source is capable of producing HT and/or KD/HT NMWP in accordance to the requirement as defined by the International Plant Protection Convention (IPPC) Guidelines for Regulating Non-Manufactured Wood Packing In Use For Transport of Commodities.
2. Verify that the Licensee stores and/or separates HT and/or KD/HT products from other products, material or components not intended for NMWP.
3. Verify that incoming product, material and/or components used in the process of producing HT and/or KD/HT components or NMWP material is grademarked HT by an agency that is accredited by the ALSC's Board of Review to produce the HT and/or KD/HT products.
4. Verify that materials, components and products in the TP HT and/or KD/HT NMWP program are properly and legibly identified and marked.
5. Review incoming and outgoing volumes of HT and/or KD/HT product of licensee to verify the total production used in HT and/or KD/HT process. These volumes must be reported as "Board Feet".
6. Verify that the applicable HT and/or KD/HT marking contains the necessary information.

7. Recover all TP HT and/or KD/HT marking material within a reasonable time of notice of change in status, once the Licensee enters an inactive or suspended status or if the Licensee's contract with TP is terminated.
8. Report audit summaries and all such data to Board of Review of the ALSC upon request.
9. Audit each authorized HT and/or KD/HT Licensee a minimum of 12 times a year (generally once per month).
10. Remove or cause to be removed any HT and/or KD/HT marks place on each piece that are determined no to conform to the HT and/or KD/HT specifications noted in Sub-Sections 1-6 of Section A.
11. Address and circumstances or conditions that result in a non-conforming HT or KD/HT product in a reasonable period of time.
12. All information obtained or created during the performance of inspection activities shall be treated confidentially by TP. TP shall inform the client, in advance, of any information it intends to place in the public domain unless the client makes publicly available, or unless agreed between TP and the subscriber (e.g. for the purpose of responding to complaints), all other information is considered proprietary information and shall be regarded as confidential. In the event TP is required by law or authorized by contractual commitments to release confidential information, the subscriber concerned shall, unless prohibited by law, be notified of the information provided. Information about the subscriber obtained from sources other than the subscriber (e.g. complainant, regulators) shall be treated as confidential.

B. *Licensee's Roles, Responsibilities and Specific Understandings:*

The Licensee Shall:

1. Restrict stamps to the confines of the physical address listed on this contract.
2. Meet the requirements of the ALSC NMWP Enforcement Regulations, the ALSC NMWP Policy and the TP Quality Auditing Program as to produce material that conforms to the International Plant Protection Convention Guidelines for NMWP.
3. Make available shipment records for TP review, indicating the volumes of HT and/or KD/HT material shipped per month. Volumes must be reported as board feet.
4. Upon request, allow TP to review receiving records at Licensee which indicate volume of HT and/or KD/HT material shipped. (This requirement is not applicable to primary manufacturers).
5. Allow TP to review HT and/or KD/HT materials to verify legibility and conformance for HT and/or KD/HT marking. The various Licensees shall:
 - a. Primary manufacturer: Mark each piece.
 - b. Secondary manufacturer: Mark each piece.
 - c. NMWP manufacturer: Mark, stencil, or brand each manufactured product.
6. Include the following information on HT and/or KD/HT products.
 - a. The term "Heat Treated" abbreviated "HT" and if applicable, the moisture content designated "Kiln Dried" abbreviated "KD" as provided for in Board of Review Certified Grading Rules.

- b. The internationally accepted symbol for HT materials and country of origin abbreviations proceeding manufacturing identification number. (This is only applicable for NMWP manufacturers).
 - c. The unique number assigned to the manufacturer Licensee that produces the HT and/or KD/HT material.
 - d. The identifying symbol, logo or name of the accredited agency.
7. Allow TP access to Licensee's records and facilities a minimum of once per month during regular business hours.
 8. Allow TP to obliterate any TP HT and/or KD/HT marks placed on the product that is determined not to conform to the HT and/or KD/HT specifications suggested in Subsection 1-6 of Section A.
 9. Allow TP to recover all such HT and/or KD/HT trademarked or trademarking material within a reasonable time of notice of the change of status once the Licensee enters an inactive or suspended status or if the Licensees contract with TP is terminated.
 10. Give the Board of Review the continuing right to have a representative examine any accredited agency gradestamped or quality marked wood or non-manufactured packing at the point where the Agency official quality mark is being used.
 11. Give the Board of Review the right to spot check at destination points any products bearing its quality mark, and shall incorporate a similar provision in its contract with the non-manufactured wood packing facility giving the Board of Review representatives the right to make such examinations wherever such products are encountered.

[Licensee will] Indemnify and hold TP and TP's affiliates, shareholders, directors, managers, officers, employees, agents and representatives (collectively, the "Indemnitees") harmless from any claims, damages, charges, liabilities, demands, expenses, lawsuits or other obligations of any nature (including, but not limited to, attorneys' fees and costs), that are threatened, asserted or secured against, or are incurred, sustained or suffered by, an Indemnitee in connection with, resulting from, arising out of, or incident to Licensee's acts or omissions. Licensee's indemnification obligations pursuant to this Agreement shall survive cancellation or termination of this Agreement, regardless of the reason for such cancellation or termination

12. Maintain in full force and effect a policy of general liability insurance with coverage of at least \$500,000 per occurrence and with TP named as an additional insured on the certificate of insurance for such policy. Licensee shall deliver a copy of such certificate of insurance to TP upon TP's request and shall give TP prior notice of any material changes with respect to such insurance.

C. Fees and Payments:

The Licensee agrees to pay TP:

1. Primary manufacturer: For routine quality services, the sum of **\$320.00 (US) per month or .36/thousand board feet per plant**, whichever is greater. (Lumber accounts presently in TP's ALSC grademarking program are exempt.)
2. Secondary manufacturers: For routine services, the sum of **\$320.00 (US) per month or .36/thousand board feet per plant**, whichever is greater for HT and/or KD/HT material shipped.

3. Non-manufactured wood packing manufacturer: For routine services, the sum of **\$320.00 (US) per month or .36/thousand board feet per plant**, whichever is greater for HT and/or KD/HT material shipped.
4. Payment terms for this agreement are Net 30 days after date of invoice (ADI).
5. For HT and/or KD/HT producers in Alaska, Hawaii or areas outside routine travel areas, fee structures will be developed on a case-by-case basis.
6. For **qualification, re-qualification, follow-up and reinspection** services the sum **\$85.00 (US) per hour**, plus reasonable related expenses for Licensees located in the United States.
7. For **relocation** services, the sum of **\$250**.

D. *Contract Term and Termination:*

This term of this Agreement shall begin on the date set forth on the first page of this Agreement and shall continue in effect until terminated in accordance with this Section D.

1. The Licensee agrees and acknowledges that TP shall have the right to suspend or revoke this license if the Licensee fails to maintain the aforementioned standards, or the Licensee should be found to have mislabeled any of its products, or if the Licensee should be found to have used the HT and/or KD/HT in an unauthorized manner.
2. Failure on the part of the Licensee to fulfill any of the agreements contained herein, or any reasonable rules and regulations in relation to official industry standards, shall be grounds for immediate termination of this Agreement on notice to the Licensee.
3. Either party may terminate this Agreement upon thirty (30) days' written notice to the other party.
4. If said Licensee goes in an inactive, terminate or suspended status before six months of service has been rendered by TP, the Licensee agrees to pay TP an early termination fee of \$350.

E. *Limitation of Liability:*

[Licensee will] Indemnify and hold TP and TP's affiliates, shareholders, directors, managers, officers, employees, agents and representatives (collectively, the "Indemnitees") harmless from any claims, damages, charges, liabilities, demands, expenses, lawsuits or other obligations of any nature (including, but not limited to, attorneys' fees and costs), that are threatened, asserted or secured against, or are incurred, sustained or suffered by, an Indemnitee in connection with, resulting from, arising out of, or incident to Licensee's acts or omissions. Licensee's indemnification obligations pursuant to this Agreement shall survive cancellation or termination of this Agreement, regardless of the reason for such cancellation or termination.

F. *Additional Terms:*

1. This Agreement, including any exhibits that may be attached to it, contains all the terms and conditions of the understandings of the parties relating to the subject matter of this Agreement and supersedes any and all prior and contemporaneous agreements, whether oral or written, with respect to the subject matter hereof.

2. If either party waives any breach by the other, it shall not be construed as a waiver of any subsequent breach, and any failure to exercise any rights hereunder shall not be construed as a waiver of any breach unless specifically waived by the party in writing.
3. This Agreement may not be amended or modified except in a writing signed by both parties.
4. The provisions of this Agreement are severable. If any provision is determined to be invalid, illegal, or unenforceable, in whole or in part, the remaining provisions and any partially enforceable provisions shall remain in full force and effect.
5. This Agreement shall be governed by the laws of the State of Georgia. If Georgia's conflict of law rules would apply another state's laws, the parties agree that Georgia law shall still govern.
6. Any controversy or claim arising out of or relating to this Agreement or its breach shall be brought in a state or federal court of competent jurisdiction in the State of Georgia. Licensee consents to the personal jurisdiction of the state and/or federal courts located in the State of Georgia. Licensee waives (i) any objection to jurisdiction or venue, and (ii) any defense claiming lack of jurisdiction or improper venue, in any action brought in such courts.
7. This Agreement shall not constitute or otherwise imply a joint venture, pooling arrangement, partnership, or formal business organization of any kind. The rights and obligations of the parties shall be limited to those expressly set forth herein.
8. If there is a dispute regarding the language of this Agreement, the fact that one party drafted this Agreement shall not be used in its interpretation.
9. Any notice required or permitted to be given with regard to this Agreement shall be in writing and shall be deemed given upon personal delivery, or five (5) days after deposit in the United States mail, postage prepaid, registered or certified, return receipt requested, or three (3) days after delivery to an express delivery service, charges prepaid, addressed to the parties at the addresses set forth on the first page hereof.
10. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement.

AGREED AND ACCEPTED

FOR THE LICENSEE

DATE

SIGNATURE

NAME

TITLE

FOR TIMBER PRODUCTS INSPECTION, INC.

DATE

SIGNATURE

Matthew D. McGowan

NAME

Wood Packaging Material Program Manager

TITLE