

THIS LEASE, made as of the 20th day of December, 1938, by and between the Saluda Land & Lumber Company, a Delaware corporation, Lessor, and William Rogers and Lawrence J. Pace of Asheville, North Carolina, on behalf of themselves and as agents for their associates, hereinafter collectively called Lessee, WITNESSETH, That the Lessor and Lessee agree as follows:

I

Lessor, in consideration of all and singular the Lessee's covenants and agreements herein contained, in reliance thereon and upon the express condition that said covenants shall at all times be punctually observed and performed, gives and grants to the Lessee the right, for ten (10) years beginning January 1, 1939 and ending December 31, 1948, to enter upon the lands and timber owned by the Lessor in Greenville and Pickens Counties, South Carolina, which are shown on a plat prepared by Howard Wiswall, C. E., Survey 1918-1921 and indicated by references to said plat in the schedule hereto attached (which schedule, to be hereinafter referred to as "Schedule", is in two parts -- the first describing "Fee Lands" and the second describing "Timber Rights" -- and made part hereof and identified by the corporate seal of the Lessor and the signature of the Lessee); to cut and remove the timber therefrom; to construct and maintain upon, over and across the lands described in both parts of the schedule (hereinafter sometimes referred to as "leased lands") any logging railroad or other roads and any facilities necessary or convenient to the cutting and removal of the timber; to occupy such portion of the lands as may be convenient for mill and camp sites; to use in connection with the logging, free of charge, such tree tops, light wood, or other timber not merchantable for camp fire wood, fuel for loaders, skidders, wood-burning locomotives, ties for Lessee's logging railroad, if any, and poles for causeways and skids. However, Lessee acquires no interest in any of the leased lands except such of the aforementioned easements and privileges as are necessary or convenient to the cutting and removal of the timber therefrom.

II

If at the expiration of this Lease, Lessee has fully performed his covenants hereunder and any timber described in the Schedule has not been removed, Lessor will, at Lessee's request, extend the term of this Lease for a time sufficient to allow for removal of such timber, at the rate herein prescribed.

III

Lessor has not made, and does not make, any representations regarding the quantity, quality or value of the timber covered hereby, nor regarding the logging conditions in connection therewith; nor does it make any representations relative to the title of the leased lands or of the acreage thereof, nor of the time within which timber must be removed from the tracts described in the second part of the attached schedule captioned "TIMBER RIGHTS"; nor does it make any other representations or covenants whatsoever except those specifically set forth in this Lease. It is agreed, however, that in the event Lessee is sued on account of its entry upon or logging any portion of the leased lands by any person or persons claiming to have a better title, the Lessor, upon being notified of the bringing of such suit or suits will defend the same at its own cost and expense and save the Lessee harmless on account of any recovery made in such suit or suits. However, in the event of suits begun or threatened, Lessee will, at Lessor's request, postpone or abandon any operations begun on the land involved pending the outcome of the litigation, actual or threatened. The Lessee agrees that it shall neither have nor assert any claim or demand whatever against the Lessor for loss of profits or otherwise on account of such postponement or abandonment of operations or on account of the failure of title or the successful assertion of lien against any of such lands.

IV

Lessee has represented to the Lessor that it has made an arrangement with the Bank of Black Mountain, Black Mountain, North Carolina, to honor a draft of the Lessor for \$10,000 on or before January 20, 1939. This Lease is to become effective only in the event that such draft is paid on or before said January 20, 1939, and is to be executed in triplicate and remain in the possession of the Lessor until such draft is drawn when two of the executed triplicate originals are to be attached to the draft, sent to said Bank and upon payment of the draft, delivered by said Bank, one copy to William R. Rogers and one copy to Lawrence J. Pace. Said ten thousand dollars (\$10,000) is to be applied to paying for the timber last cut hereunder and in the meantime is to serve as security for the performance by the Lessee of its covenants hereunder.

V

(Lessee covenants that it will:

(a) within two months from the signing of this Lease acquire free of lien a site located on the line of the Greenville & Northern Railway for a band sawmill which it next herein covenants to install, or obtain a lease-hold on such site for a term of not less than fifteen years;

(b) within six months from the signing of this Lease install on said site, own and have in operation a complete band sawmill adequate to economically produce at least ten million feet of sawn lumber a year