

terms hereof on the properties described, irrespective of the nature or character thereof. Such termination of this Lease either prior or subsequent to the term specified herein shall not terminate the rights of the Lessee to continue to use any roads, roadways, or tramroads over and upon the lands herein described in the continued operation of its mill and facilities, but such rights of way shall continue fully effective and binding for a period of five years or such shorter period during which Lessee shall continue to operate its mill upon the line of the Greenville and Northern Railway for manufacturing logs produced from other timber that it may procure in the vicinity; limited, however, as to lands described in the second part of the attached schedules to the expiration dates of Lessor's timber rights thereon, and subject as to all lands to the provisions of paragraph 3 above.

8. The Lessee covenants and agrees to deliver all logs removed from the leased lands to the mill site provided for in paragraph 5 hereof, and to scale the same on the trucks as they are so delivered according to the Scribner Log Rule; to manufacture all said logs at said mill site without intermingling them with logs taken from other sources, and to ship not less than 90% of all lumber manufactured from said logs by way of the Greenville and Northern Railway so long as its operation may be continued during the life hereof and such movements can be handled upon current published tariffs approved by the Interstate Commerce Commission.

9. For all logs cut from the leased premises and delivered to the mill site during the calendar year 1944, the Lessee covenants and agrees to pay to the Lessor \$8.50 per thousand feet log scale according to the Scribner Log Rule, based upon the average diameter at the small end of the log inside the bark. For all logs cut from the leased premises and delivered at the mill site during each six-month period after December 31, 1944, the Lessee covenants and agrees to pay \$5.00 per thousand feet log scale according to the Scribner Log Rule (similarly based), plus 25% of the net f. o. b. mill value realized from shipments of lumber from Lessee's mill during each six-month period (beginning with the period January 1 to June 30, 1945) in excess of \$40.00 per thousand feet; e. g.; if the net f. o. b. mill value realized from shipments of lumber during the first six-month period in 1945 is \$46.00 per thousand feet, Lessor is to receive \$1.50 per thousand feet over and above the \$5.00 per thousand feet for logs delivered at the mill site in the said six-month period ending June 30, 1945.

As to domestic sales of lumber, "net f. o. b. mill value realized" is to mean the Lessee's sales price less any amounts paid or allowed by it for transportation, costs of milling or treating in transit, and claims made by customers to adjust for variations from invoice in lumber received by them. No sales commissions nor cash discounts are to be deducted. As to export sales, Lessee may in addition deduct amounts paid or allowed by it for ocean freights and transportation, import and export duties, foreign commissions, port charges, marine insurance, and all other legitimate expenses in connection therewith, but the "net f. o. b. mill value realized" from such export shipments shall equal or exceed the amount realized on the domestic market for similar items.

10. On the 10th day of each calendar month beginning with the first month after the Lessee shall begin operations on the leased lands, the Lessee shall deliver to the Lessor a report substantially in accordance with the form attached hereto showing separately the quantity and species of logs delivered at the mill site during the preceding month, the amount of logs on hand at the mill site and unsawn at the beginning and at the end of said month, the amount of lumber manufactured during said month and the amount on hand at the beginning and end of said month; and the amount of lumber shipped during said month, with the realized value thereof. These reports shall be certified by the Lessee and shall be accompanied by scale sheets, copies of invoices and credit memoranda (from which Lessee may delete the customers' names) with respect to lumber sales, and such other data as the Lessor may reasonably require to check the accuracy of the reports. On the 30th days of July and January of each year beginning with July 30, 1945, Lessee shall deliver to the Lessor an additional report showing the amount of lumber manufactured during the six calendar months next preceding the month in which said report is made and the net f.o.b. mill value realized from shipments, together with such data as the Lessor may reasonably require to verify the report. The Lessor either in person or by agent shall have the right to participate in the log scaling and tallying herein provided for, and have access at all reasonable hours to all books and records kept by the Lessee relating to its operations hereunder.

11. With the delivery of the monthly reports provided for in the next preceding paragraph, Lessee shall pay to the Lessor in Chicago Exchange at its Chicago office or such other place as Lessor may direct in writing an amount equal to the number of thousand feet of logs delivered at the mill site during the preceding calendar month multiplied by \$8.50 as to each month up to and including December, 1944, and by \$5.00 as to January, 1945, and each month thereafter. At the delivery of the semiannual report above provided to be made on the 30th days of January and July of each year commencing with the semiannual report to be delivered on July 30, 1945, the Lessee will likewise pay to the Lessor in Chicago Exchange an amount per thousand feet of logs removed in the six-month period covered thereby equivalent to 25% of the net f. o. b. mill