

or any extension thereof.

During the term of this Lease annual rental of the Demised Premises shall be Five Hundred (\$500.00) Dollars per year, payable on the 1st day of the commencement of the term of this lease and on the 1st day of each succeeding September thereafter during said term, or any extension thereof.

In addition to the annual rental hereinabove specified, Lessee shall pay to the Lessors during the first three (3) years of the term of this Lease Agreement, or any extension thereof, a royalty of five cents per ton on all sand and gravel produced on and removed from the Demised Premises for sale or use by the Lessee; provided, further, the annual rental hereinabove specified shall be credited against royalties due hereunder, if any, during the ensuing year but not thereafter. Royalty payments earned in any calendar month shall be due and payable on the 15th day of the next succeeding month.

IT IS MUTUALLY UNDERSTOOD AND AGREED between the parties that there is no express or implied obligation or duty on the part of the Lessee to mine or otherwise operate on the Demised Premises during any term of this Lease, or extension thereof. Nor will Lessee's failure to mine the premises for all or any part of the term of this lease, or extension thereof, constitute a breach of any covenant, express or implied, of the Lease, operate as a breach of this Lease, or cause a forfeiture of the Lease.

The Lessee shall keep records accurately reflecting the sale or other disposition of all sand or gravel removed from the Demised Premises and these records shall be used as the basis for determining royalty payments due hereunder. The Lessors shall have the right to examine and audit all such records and to go upon the Demised Premises at reasonable times and places to determine that Lessee's operations upon

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