

with necessary equipment and facilities, including dry kilns and planing mill, and either own or have under contract logging facilities adequate to stock said mill with logs for its full capacity operation;

(c) within twelve months from the signing of this Lease own said mill, equipment and facilities free of all liens;

(d) thereafter keep said mill, equipment and facilities free of all liens and unincumbered during the term of this Lease; and

(e) use said mill, facilities and equipment exclusively for the manufacture of timber removed from the leased lands.

VI.

Lessee covenants that he will: plan and conduct all logging operations upon the leased lands in an efficient and workmanlike manner and in orderly course and sequence; remove all of the timber held by the Lessor on the lands described in the second part of the Schedule before the expiration of the time indicated therein for the expiration of the right of removal; fell all trees on each of the various parcels of land as described in both parts of the Schedule, measuring 10" and more in diameter at a point 13 feet above the ground, and produce therefrom and remove all sound logs down to small end diameters of ten inches before operations in that parcel cease and before logging facilities are removed therefrom; exercise due diligence to protect trees not felled, to avoid forest fires and to extinguish those which occur, and remove all fire-damaged timber promptly and before deterioration occurs. Lessee may remove unsound logs, wormy chestnut and timber of small diameters at its option but such thereof as is removed is to be paid for.

VII

Lessee covenants to provide Lessor with funds to pay before delinquent all real estate taxes which become due and payable after January 1, 1939, on that portion of the leased lands which are described in the first part of the Schedule captioned: "FEE LANDS" and that portion of such taxes on the timber (and the land on which it stands) described in the second part of the attached schedule captioned, "TIMBER RIGHTS" as the Lessor is required to pay; such provision of funds and payment of taxes to be accomplished in the following manner, i. e.: Lessor will from year to year prepare and file the necessary or required tax returns with the proper authorities for taxation purposes on the property covered hereby and notify Lessee of the amount of taxes Lessee is required to pay hereunder and the date or dates such taxes are due; and Lessee covenants to pay to Lessor at its office in Chicago (or at such other place as the Lessor may direct in writing) the amount or amounts so indicated at least three days prior to such due date or dates. However, the Lessee may relieve himself from the future payment of taxes on any one or more of the several parcels described in the Schedule from which all timber has been cut by notifying the Lessor in writing that he relinquishes his right to operate further thereon; such relief to become effective after the close of the calendar year in which Lessee so notifies Lessor; but such relinquishment shall not affect the Lessee's right to continue use of the rights-of-way necessary or convenient to the operation of the timber on other of the leased lands. However, this relief from payment of taxes upon any parcel shall be subject to the Lessor's being satisfied that all timber has been properly removed therefrom.

VIII

Lessee covenants to deliver all logs removed from the leased lands to the mill site provided for in paragraph V hereof and to scale the same as they are so delivered according to the Scribner Log Rule; to manufacture all of said logs at said mill site without intermingling them with logs taken from other sources and to ship not less than ninety per cent (90%) of all lumber manufactured from said logs by way of the Greenville & Northern Railroad. Lessee further covenants to make and preserve for Lessor's inspection a tally of the logs as they are placed upon the saw mill log deck.

IX

For all logs cut from the leased premises and delivered to the mill site during the calendar year 1939, the Lessee covenants to pay five dollars (\$5.00) 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 months' period after December 31, 1939 Lessee covenants to pay: (1) five dollars (\$5.00) per thousand feet log scale according to the Scribner Log Rule (similarly based), plus (2) twenty-five per cent of the amount per thousand feet by which the selling price of lumber shipped from Lessee's mill during the twelve months next before the first day of each six months' period (beginning with the period January 1st to June 30, 1940) exceeds thirty dollars (\$30.00) per thousand feet, e.g., if the average selling price of lumber shipped during 1939 is thirty-six dollars (\$36.00) per thousand feet, Lessor is to receive one dollar fifty cents (\$1.50) per thousand feet, over and above the five dollars (\$5.00) per thousand feet from logs delivered at the mill site in the six months ending June 30, 1940.