

In the event of fire loss of lumber inventories, the insurance collected by Lessee is to be considered the same as a sale of the lumber involved, for the purpose of computing the "selling price of timber shipped from Lessee's mill", as above provided in this paragraph.

In addition to the payments above provided and concurrently with the making of such payments, Lessee covenants to pay to Lessor one dollar (\$1.00) per thousand feet log scale on the first ten million feet of logs paid for hereunder; such payments as made to be added to the ten thousand dollars (\$10,000) provided for in Paragraph IV hereof and likewise applied; provided that the number of thousand feet as to which the additional one dollar (\$1.00) is to be paid may be reduced by the number of dollars not exceeding five thousand, paid by the Lessee for the mill site, if the same is purchased under the terms of paragraph V hereof.

## X

On the tenth day of each calendar month, beginning February 10, 1939, Lessee shall deliver to Lessor a report (substantially in the form attached hereto) showing separately the quantity and species of logs delivered at the mill site during the month; the amount of logs on hand at the mill site and unsawn at the beginning and at the end of the month; the amount of lumber manufactured during the month and the amount on hand at the beginning and end of the month; the amount of lumber shipped during the month with the selling price thereof; and the original tally of logs placed upon the saw mill log deck during the month. These reports shall be certified by the Lessee and shall be accompanied by scale sheets, carbon copies of invoices and credit memoranda with respect to lumber sales, and such other data as the Lessor may reasonably require to check the accuracy of the reports.

On the thirtieth day of July and January of each year, (beginning with July 30, 1940) Lessee shall deliver to the Lessor an additional report showing the amount of lumber sold during the six (6) calendar months next preceding the date of the report and the net selling price thereof, 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.

## XI

With the delivery of the monthly reports provided for in the next preceding paragraph, Lessee shall pay to 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 five dollars (\$5.00). At the delivery of the semiannual report above provided to be made on the thirtieth days of January and July of each year, the Lessee will likewise pay to the Lessor, in Chicago exchange, an amount per thousand feet of logs, removed in the six months' period covered thereby, equivalent to 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 said six months' period exceeds thirty dollars (\$30.00) per thousand feet. See illustration in paragraph IX above.

## XII

If in any calendar year (commencing with the year 1940) less than ten million feet of logs are delivered at the mill site, Lessee covenants that he will, not later than the thirtieth day of the next January, pay to the Lessor five dollars (\$5.00) per thousand feet on the deficiency. The amount of any deficit so paid may be applied as a credit, after the Lessee shall have otherwise paid the Lessor fifty thousand dollars (\$50,000) for stumpage on logs delivered at the mill in such year, on the stumpage payment due in the next year. Any part of the deficit not so applied is to apply as a credit on the last timber cut hereunder. To illustrate: If the delivery at the mill site in 1939 is nine million feet and in 1940 ten million eight hundred thousand feet, Lessee will pay five thousand dollars (\$5,000) on January 30, 1940, will use four thousand dollars (\$4,000) of this to pay for this last eight hundred thousand feet delivered in 1940 and the remaining one thousand dollars (\$1,000) will be used to pay for the last two hundred thousand feet delivered under this Lease.

However, as to any calendar year during which Lessee's operations are suspended by reason of fire, flood, strikes, acts of the Public Authorities or other contingencies beyond Lessee's control, the figure of fifty thousand dollars (\$50,000) as used in this paragraph shall be reduced in the proportion that the period of enforced suspension bears to such calendar year. As to any calendar year in which market conditions are so adverse that Lessee cannot sell 10,000,000 feet of sawn lumber and by reason thereof its inventory of lumber manufactured at the sawmill referred to in Paragraph V, shall rise to more than 6,000,000 feet, the operations of Lessee may be suspended until its said inventory is reduced to 4,500,000 feet, and the figure of fifty thousand dollars (\$50,000) as used in this paragraph shall be reduced in the proportion that the period of such suspension bears to such calendar year; but the Lessee shall make up such reduction in the subsequent year or years and pay the Lessor annual interest at six per cent (6%) on the amount thereof until it is so made up out of the excess over \$50,000 per annum in payments to Lessor in