

value realized from shipments during the said six-month period in excess of \$40.00 per thousand feet. (See illustration in paragraph 9 above).

12. The Lessee covenants and agrees to use its best efforts to begin logging operations on the leased lands and the manufacture of lumber therefrom at the mill to be operated by it as aforesaid on or before April 1, 1944. If such operations be delayed by the unavailability of labor or for other reasons beyond Lessee's control and are not begun by September 30, 1944, Lessee shall on October 1, 1944, pay to the Lessor the sum of \$15,000.00. If the beginning of operations be delayed beyond September 30, 1945, Lessee shall pay to Lessor on October 1, 1945, an additional sum of \$15,000.00, and if the beginning of operations be delayed beyond March 31, 1946, Lessee shall pay to Lessor on April 1, 1946, an additional \$15,000.00, but no further amounts shall be required of the Lessee until such amount shall be due under the provisions for cutting and manufacture as herein set forth. Any and all amounts so paid by the Lessee to the Lessor shall be considered as prepayments as against timber to be cut and manufactured under the terms hereof and applied upon the first payments that may thereafter be due by the Lessee to the Lessor under the provisions hereof.

It is contemplated that during each calendar year of operations, the Lessee will cut and manufacture not less than six million feet of logs, and in the event of its failure to deliver six million feet of logs at the mill site within any calendar year, it will not later than the 30th day of January next succeeding such calendar year pay to the Lessor \$5.00 per thousand feet on the deficiency, with such payment to likewise constitute a prepayment by Lessee to the Lessor on amounts subsequently becoming due under the terms hereof and to be applied to the next indebtedness arising under the terms hereof.

If in any calendar year more than six million feet of logs shall be delivered at the mill site, the footage amount of the excess of logs so delivered may be used by the Lessee to relieve itself to that extent from any deficiency in logs so delivered in any subsequent year or years.

In the event during any calendar year Lessee's operations are suspended by reason of fire, flood, strikes, act of public authorities or other contingencies beyond lessee's control, the requirements herein imposed as to the minimum quantity of logs to be delivered at the mill site and as to the payment of \$30,000.00 therefor shall be reduced in the proportion that the period of enforced suspension bears to such calendar year, and such suspension of operations shall not constitute any default on the part of the Lessee.

If during any calendar year marking conditions are so adverse that Lessee cannot sell six million feet of sawn lumber, and by reason thereof its inventory of lumber manufactured at the sawmill operated by it as provided herein shall rise to more than five million feet, the Lessee may suspend its operations until its inventory through sales has been reduced to three and one-half million feet, in the same manner as is above provided for suspension by reason of fire, flood, strikes, acts of public authorities or other contingencies beyond Lessee's control. During such period of suspension by reason of inability to sell manufactured lumber, however, the Lessee shall pay to the Lessor interest at the rate of six per cent per annum on any deficiency under \$30,000.00 which may exist in payments made by the Lessee to the Lessor during such calendar year, and with such interest to be continued on deficiencies until further operations shall have eliminated said deficiencies.

13. The Lessee covenants that it will keep its mill plant and the logs and lumber at the mill site insured in responsible insurance companies for the sound value thereof, and will keep the mill site and environs in such condition as to reduce fire risk to a minimum. The Lessor retains title to all logs until the same are delivered at the mill site, but, nevertheless, the Lessee agrees to pay at the rate of \$5.00 per thousand feet for any logs damaged or destroyed before such delivery by fire, flood, insects, worms, and other destructive agencies. The Lessee further covenants that it will pay at the rate of \$5.00 per thousand feet for any and all trees and logs which under the terms hereof it has covenanted to cut and deliver to the mill site and does not so deliver, but it shall have no liability for the payment of any timber destroyed by forest fire or other cause beyond its control, except to exercise reasonable diligence to salvage such of said timber as may be salvaged from such fire without economic loss in operations.

14. The Lessee agrees to use every reasonable effort to obtain the best prices for lumber manufactured from the timber herein described, and that it will not sell otherwise than at the prevailing marked price to any corporation or organization owned or controlled indirectly or directly by the Lessee or by its stockholders, nor contract to sell an unreasonable percentage of said lumber to any such corporation or organization without prior written consent of the Lessor. The Lessee is hereby accorded the right for the purpose of segregating the operations conducted under the terms hereof to transfer this Lease and all the rights, privileges, and property herein contained to a subsidiary or common controlled corporation to be organized by it