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31  
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[Execution Copy]

*See Partial Release Order. Bk. 49 pp. 443(4/4/83)*

This instrument is a Mortgage, Open End Mortgage, Deed of Trust, Trust Deed, Deed to Secure Debt, Assignment, Security Agreement and Financing Statement of both real and personal property, including fixtures. Notwithstanding anything to the contrary herein contained, (a) as to any property located in the States of California, Mississippi, Missouri, Nevada, Texas and Washington, this instrument is, among other things, a deed of trust; (b) as to any property located in the States of Alabama, Colorado, Florida, Idaho, Kansas, Maine, Massachusetts, Michigan, Minnesota, Montana, New Hampshire, New York, Rhode Island, Vermont, Wisconsin, and Wyoming, this instrument is, among other things, a mortgage; (c) as to any property located in the State of Illinois, this instrument is, among other things, a trust deed; and (d) as to any property located in the State of Georgia, this instrument is, among other things, a deed to secure debt. For purposes of Section 49-2(c) of the Connecticut General Statutes and Section 5301.232 of the Ohio Revised Code, this instrument is, among other things, an OPEN END MORTGAGE. For the purposes of Section 443.055 of the Revised Statutes of Missouri, this instrument secures future advances. The total outstanding principal amount of indebtedness secured by this instrument shall not exceed Five Hundred Twelve Million and 00/100 Dollars (\$512,000,000). This instrument contains after-acquired property provisions and secures obligations containing provisions for changes in interest rates, extensions of time for payment and other modifications in the terms of the obligations.

MORTGAGE, OPEN END MORTGAGE, DEED OF TRUST,  
TRUST DEED, DEED TO SECURE DEBT,  
ASSIGNMENT, SECURITY AGREEMENT AND  
FINANCING STATEMENT

Dated November 19, 1982

DIAMOND INTERNATIONAL CORPORATION  
(formerly known as The Diamond Match Company,  
Diamond Gardner Corporation and  
Diamond National Corporation and successor by  
merger to the corporations listed on  
Schedule I attached hereto),  
Grantor

TO

PIONEER NATIONAL TITLE INSURANCE COMPANY,  
Trustee

OR

MANUFACTURERS HANOVER TRUST COMPANY,  
and  
LESLIE HOWARD SAVRAN, as trustees,  
Mortgagees

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MORTGAGE, OPEN END MORTGAGE, DEED OF TRUST, TRUST DEED, DEED TO SECURE DEBT, ASSIGNMENT, SECURITY AGREEMENT AND FINANCING STATEMENT (this "Mortgage"), dated November 19, 1982 by DIAMOND INTERNATIONAL CORPORATION (formerly known as "The Diamond Match Company", "Diamond Gardner Corporation" and "Diamond National Corporation" and successor by merger to the corporations listed on Schedule I attached hereto), a Delaware corporation having an office at 733 Third Avenue, New York, New York 10017, the mortgagor and trustor hereunder ("Grantor"), to PIONEER NATIONAL TITLE INSURANCE COMPANY, a California corporation having an office at 120 Broadway, New York, New York 10271, the trustee hereunder to the extent that this Mortgage operates as a deed of trust or trust deed ("Trustee"); and to MANUFACTURERS HANOVER TRUST COMPANY, a New York corporation having an office at 40 Wall Street, New York, New York 10015, and LESLIE HOWARD SAVRAN, an individual having an address at 40 Wall Street, New York, New York 10015, the mortgagees hereunder to the extent that this Mortgage operates as a mortgage or an open end mortgage, the beneficiaries hereunder to the extent that this Mortgage operates as a deed of trust or trust deed and the grantees hereunder to the extent that this Mortgage operates as a deed to secure debt (collectively "Mortgagee"), in their capacity as trustees for the holders of the Obligations (as hereinafter defined) pursuant to that certain trust agreement, dated as of November 10, 1982, among Mortgagee, Grantor and Diamond (USA) Inc., a Delaware Corporation having an office at 161 West Putnam Avenue, Greenwich, Connecticut 06830 (the "Trust Agreement"), a conformed copy of which is attached hereto as Annex I.

W I T N E S S E T H :

WHEREAS, Diamond Acquisition Inc., a Delaware corporation ("DAI"), as borrower, has entered into a credit agreement, a conformed copy of which is attached hereto as Annex II (said credit agreement, as it may be amended, modified or supplemented from time to time, the "Credit Agreement") with Diamond (USA) Inc., as pledgor, and Citibank, N.A., as agent, and Citibank, N.A., Crocker National Bank, The First National Bank of Chicago, The Hongkong and Shanghai Banking Corporation (New York Branch), Marine Midland Bank, N.A., Wells Fargo Bank, N.A., North Carolina National Bank and Credit Lyonnais (New York Branch) (said banks and any banks that may hereafter become parties to the Credit Agreement, collectively the "Banks" and individually a "Bank");

WHEREAS, pursuant to the Credit Agreement and subject to the terms and conditions therein set forth, the Banks have agreed to make Advances (as defined in the Credit Agreement) from time to time, during the period from the First Closing Date (as defined in the Credit Agreement) through the date which is the earlier of (i) 53 months after the First Closing Date or (ii) the date of the termination in whole of the Commitments (as defined in the Credit Agreement) pursuant to the Credit Agreement, to DAI and, from and after the effectiveness of the merger of DAI into Grantor, to Grantor, in an aggregate amount not to exceed Four Hundred Fifty Five Million and 00/100 Dollars (\$455,000,000), bearing interest at a fluctuating rate equal to 1 1/2% per annum plus the higher of (a) the rate announced publicly by Citibank, N.A. in New York from time to time as its base rate and (b) 1/2 of 1 percent per annum above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly by Citibank, N.A. on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be terminated or suspended, on the basis of quotations for such rates received by Citibank, N.A. from three New York certificate of deposit dealers of recognized standing, in either case adjusted to the nearest 1/4 of one percent, or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent;

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WHEREAS, the indebtedness of DAI and Grantor resulting from said advances is evidenced by eight promissory notes of DAI, to the order of each of the Banks in the amount of its Commitment (collectively the "Notes"), and each issued pursuant to the Credit Agreement and maturing 54 months after the First Closing Date. To the extent the Premises are located in the State of Idaho, then, for the purposes of Idaho Code Section 55-817, the maturity date of the Notes shall be deemed to be June 2, 1987;

WHEREAS, the total indebtedness and liabilities to be secured by this Mortgage amount to the sum of the following:

- (i) the aggregate principal of all advances made and to be made by the Banks under the Credit Agreement, the outstanding amount of which shall not exceed Four Hundred Fifty Five Million and 00/100 Dollars (\$455,000,000) at any time; plus

(ii) interest on the principal amount of all advances made and to be made by the Banks under the Credit Agreement, as provided in the Credit Agreement; plus

(iii) all other amounts payable under the Credit Agreement, the Notes, this Mortgage (other than any amounts described in (iv) below) and any other document which relates to any of the Credit Agreement or the Notes or any of the security therefor, in each case as the same may be amended, modified or supplemented from time to time (including advances to protect security and costs of enforcement) or the maturities thereof may be extended or renewed (all such amounts described in (i) - (iii) or the instruments evidencing same, as applicable, being herein collectively called the "Bank Obligations"); plus

(iv) all amounts payable under (x) those certain Note Purchase Agreements, each dated November 14, 1978, among Grantor and the purchasers named therein, pursuant to which Grantor issued certain notes in an aggregate principal amount of Seven Million and 00/100 Dollars (\$7,000,000), bearing interest at a rate of 8-3/4% per annum and due and payable on December 15, 1992, (y) the Indenture, dated as of September 1, 1976, between Grantor and The Chase Manhattan Bank (National Association), as trustee, pursuant to which Grantor issued certain debentures in an aggregate principal amount of Thirty Million and 00/100 Dollars (\$30,000,000), bearing interest at a rate of 8.35% per annum and due and payable on September 1, 2006 and (z) those certain Note Purchase Agreements, each dated July 15, 1971, among Grantor and the purchasers named therein, pursuant to which Grantor issued certain notes in an aggregate principal amount of Twenty Million and 00/100 Dollars (\$20,000,000), bearing interest at a rate of 8% per annum and due and payable on July 15, 1996, and any other document which relates to any of the instruments described in (x) - (z) or any of the security therefor, in each case as the same may be amended, modified or supplemented from time to time in accordance with Section 5.01(g) of the Credit Agreement (all such amounts described in this (iv) or the instruments evidencing same, as applicable, being herein collectively called the "Existing Obligations");

(the Bank Obligations and the Existing Obligations being herein collectively called the "Obligations"); and

WHEREAS, the Banks have required Grantor to execute and deliver this Mortgage as a condition precedent to the initial Advance.

NOW, THEREFORE, for and in consideration of One Dollar and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Grantor, to ratably secure the punctual payment by Grantor when due, whether at stated maturity, by acceleration or otherwise, of the Obligations and the performance and observance of all other covenants, obligations and liabilities of DAI and Grantor under the Credit Agreement, this Mortgage or any other document which relates to the Obligations, including the Mortgages, the Security and Pledge Agreement, the DUSA Pledge Agreement and the Assumption Agreement (all as defined in the Credit Agreement) (such other documents being herein collectively called the "Mortgage Documents"), Grantor does hereby grant, bargain, sell, mortgage, warrant, convey, alien, remise, release, assign, transfer, grant a security interest in, set over, deliver and confirm unto Trustee in trust and to Mortgagee, as applicable, upon the terms and conditions of this Mortgage, with power of sale (to the extent permitted by applicable law), each and all of the real property, and further grants to Trustee and to Mortgagee, as applicable, a security interest in and to all other property, described in Granting Clauses One through Six below (all such real property and other property being herein collectively called the "Premises").

Notwithstanding anything to the contrary herein contained, in the following States, the principal amount of indebtedness secured by this Mortgage shall be limited to the amounts set forth opposite such State:

|           |                                        |                |
|-----------|----------------------------------------|----------------|
| Alabama   | One Million and 00/100 Dollars         | (\$1,000,000)  |
| Florida   | Five Million and 00/100 Dollars        | (\$5,000,000)  |
| Georgia   | One Million and 00/100 Dollars         | (\$1,000,000)  |
| Kansas    | Five Million and 00/100 Dollars        | (\$5,000,000)  |
| Minnesota | Thirty Five Million and 00/100 Dollars | (\$35,000,000) |
| New York  | Fifty Million and 00/100 Dollars       | (\$50,000,000) |

In the foregoing states, the security for such indebtedness shall not be reduced by any prepayment or repayment thereof so long as any portion of such indebtedness shall remain unpaid and that portion of such indebtedness last remaining unpaid shall be deemed secured hereby.

Notwithstanding anything to the contrary herein contained, (i) to the extent the Premises are located in any

of the following States, this Mortgage shall be deemed to be and shall be enforceable as a mortgage, assignment, security agreement and financing statement: Alabama, Colorado, Florida, Idaho, Kansas, Maine, Massachusetts, Michigan, Minnesota, Montana, New Hampshire, New York, Oregon, Rhode Island, Vermont, Wisconsin, Wyoming;

(ii) to the extent the Premises are located in any of the following States, this Mortgage shall be deemed to be and shall be enforceable as a deed of trust, assignment, security agreement and financing statement: California, Mississippi, Missouri, Texas, Washington, Nevada;

(iii) to the extent the Premises are located in any of the following States, this Mortgage shall be deemed to be and shall be enforceable as an open end mortgage, assignment, security agreement and financing statement: Connecticut, Ohio;

(iv) to the extent the Premises are located in the following State, this Mortgage shall be deemed to be and shall be enforceable as a trust deed, assignment, security agreement and financing statement: Illinois; and

(v) to the extent the Premises are located in the following State, this mortgage shall be deemed to be and shall be enforceable as a deed to secure debt, assignment, security agreement and financing statement: Georgia.

Wherever herein contained, the phrase "Trustee and Mortgagee, as applicable" or any similar phrase (1) shall be deemed to refer to Trustee for the benefit of Mortgagee, as beneficiary, to the extent the Premises are located in any of the States listed in subsections (ii) or (iv) above (except that, to the extent the Premises are located in the State of Nevada, with respect to personal property only, such phrases shall be deemed to refer to Mortgagee) and (2) shall be deemed to refer to Mortgagee (and, in the case of Georgia, to Mortgagee, as grantee) to the extent the Premises are located in any of the States listed in subsections (i), (iii) or (v) and Trustee shall have no rights, powers or obligations in those States. To the extent the Premises are located in any of the States listed in subsections (ii) or (iv) above, references to Mortgagee shall, if the context so requires, be deemed to be references to Mortgagee, as beneficiary.

Notwithstanding anything to the contrary herein contained, to the extent the Premises are located in the

State of Washington, the Premises are not used primarily for agricultural or farming purposes.

### GRANTING CLAUSES

All the estate, right, title and interest of Grantor in, to and under, or derived from:

#### GRANTING CLAUSE FIRST

##### Land

All those certain lot(s), piece(s) or parcel(s) of land more particularly described in Exhibit A, as the description of the same may be amended or supplemented from time to time and all and singular the reversions or remainders in and to said land and the tenements, hereditaments, easements, rights-of-way or use, rights (including alley, drainage, crop, timber, logging and cutting, agricultural, horticultural, mineral, water, oil and gas rights), privileges, royalties and appurtenances to said land, now or hereafter belonging or in anywise appertaining thereto, including any such right, title, interest in, to or under any agreement or right granting, conveying or creating, for the benefit of said land, any easement, right or license in any way affecting other property and in, to or under any streets, ways, alleys, vaults, gores or strips of land adjoining said land or any parcel thereof, or in or to the air space over said land, all rights of ingress and egress by motor vehicles to parking facilities on or within said land, and all claims or demands of Grantor, either at law or in equity, in possession or expectancy, of, in or to the same (all of the foregoing hereinafter collectively called the "Land").

#### GRANTING CLAUSE SECOND

##### Improvements

All buildings, structures, facilities and other improvements now or hereafter located on the Land, and all building material, building equipment and fixtures of every kind and nature now or hereafter located on the Land or attached to, contained in, or used in connection with, any such buildings, structures, facilities or other improvements, and all appurtenances and additions thereto and betterments,

renewals, substitutions and replacements thereof, owned by Grantor or in which Grantor has or shall acquire an interest (all of the foregoing hereinafter collectively called the "Improvements").

### GRANTING CLAUSE THIRD

#### Equipment and General Intangibles

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All chattels and articles of personal property, and all appurtenances and additions thereto and betterments, renewals, substitutions and replacements thereof, of every character and wherever situated, now or hereafter owned, constructed or acquired by Grantor or in which Grantor has or shall acquire an interest, in any way belonging, relating or appertaining to, or used in connection with, or located on, the properties referred to in GRANTING CLAUSE FIRST, SECOND, FOURTH or FIFTH, or placed on any part thereof, though not attached thereto (all of the foregoing hereinafter collectively called the "Equipment"), including all partitions, screens, awnings, shades, blinds, curtains, draperies, carpets, rugs, furniture and furnishings, heating, lighting, plumbing, ventilating, air conditioning, refrigerating, gas, steam, electrical, incinerating and/or compacting plants, systems, fixtures and equipment, elevators, escalators, ranges, vacuum and other cleaning systems, call systems, switchboards, sprinkler systems and other fire prevention and extinguishing apparatus and materials, motors, machinery, pipes, ducts, conduits, dynamos, engines, compressors, generators, boilers, stokers, furnaces, pumps, tanks, appliances, equipment, utensils, tools, implements, fittings and fixtures and all permits, licenses, franchises, certificates and other rights and privileges obtained in connection with the Premises. Without limitation, Grantor hereby grants to Trustee and Mortgagee, as applicable, a security interest in and to all of Grantor's present and future "equipment" and "general intangibles" (as defined in the Uniform Commercial Code of the State in which the Premises are located, and Trustee and Mortgagee, as applicable, shall have, in addition to all rights and remedies provided in the Mortgage Documents, all of the rights and remedies of a "secured party" under said Uniform Commercial Code. This Mortgage constitutes and shall be deemed to be a "security agreement" for all purposes of said Uniform Commercial Code. If the lien of this Mortgage is subject to a security interest covering any property described in this Granting Clause Third, then all of the right, title and interest of Grantor in and to any and all

such property is hereby assigned to Trustee and Mortgagee, as applicable, together with the benefits of all deposits and payments now or hereafter made thereon by or on behalf of Grantor.

#### GRANTING CLAUSE FOURTH

##### Leasehold and Other Contractual Interests

All the leases, lettings and licenses of, and all other contracts and agreements affecting, the Land, the Improvements, the Equipment and/or any other property or rights mortgaged or otherwise conveyed or encumbered hereby, or any part thereof, now or hereafter entered into, and all amendments, modifications, supplements, additions, extensions and renewals thereof, and all right, title and interest of Grantor thereunder, including cash and securities deposited thereunder, the right to receive and collect the rents, income, proceeds, issues and profits payable thereunder and the rights to enforce, whether at law or in equity or by any other means, all provisions and options thereof, including, to the extent the Premises are located in the State of Michigan, all rights conferred by Act No. 210 of the Michigan Public Acts of 1953, as amended by Act No. 151 of the Michigan Public Acts of 1966 (M.C.L.A. 554.231, et seq.) and Act No. 228 of the Michigan Public Acts of 1925, as amended by Act No. 55 of the Michigan Public Acts of 1933 (M.C.L.A. 554.211, et seq.).

#### GRANTING CLAUSE FIFTH

##### Other and After Acquired Property

Any and all moneys, goods, accounts, chattel paper, general intangibles, documents, instruments, contract rights and other property, of every kind and nature in which Grantor has or obtains an interest which may from time to time be subjected to the lien hereof by Grantor, through a supplement to this Mortgage or otherwise, or by any other person or entity, or which may come into the possession of or be subject to the control of Trustee or Mortgagee, it being the intention and agreement of Grantor that all property hereafter acquired or constructed by Grantor shall forthwith upon acquisition or construction thereof by Grantor and without any act or deed by Grantor be subject to the lien and security interest of this Mortgage as if such property were now owned by Grantor and were specifically described in this Mortgage and conveyed or encumbered hereby or pursuant

hereto, and Trustee and Mortgagee are hereby authorized to receive any and all such property as and for additional security hereunder.

#### GRANTING CLAUSE SIXTH

##### Proceeds and Awards

All unearned premiums, accrued, accruing or to accrue under insurance policies now or hereafter obtained by Grantor, all proceeds of the conversion, voluntary or involuntary, of any of the property described in these Granting Clauses into cash or other liquidated claims, including proceeds of hazard, title and other insurance, and all judgments, damages, awards, settlements and compensation (including interest thereon) heretofore or hereafter made to the present and all subsequent owners of the Land, the Improvements, the Equipment and/or any other property or rights encumbered or conveyed hereby for any injury to or decrease in the value thereof for any reason, or by any governmental or other lawful authority for the taking by eminent domain, condemnation or otherwise of all or any part thereof, including awards for any change of grade of streets.

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TO HAVE AND TO HOLD, subject to the matters described in Exhibit B ("Permitted Encumbrances"), all and singular the Premises, whether now owned or leased or hereafter acquired and whether now or hereafter existing, together with all the rights, privileges and appurtenances thereunto belonging, unto Trustee and Mortgagee, as applicable, forever, for the uses and purposes herein set forth.

Notwithstanding anything to the contrary herein contained, this Mortgage shall become effective only upon the filing with the Secretary of State of the State of Delaware of the Articles of Merger of DAI into Grantor, as contemplated by the Credit Agreement.

AND Grantor covenants and agrees with Trustee and Mortgagee as follows:

#### ARTICLE I

##### Representations and Warranties of Grantor

SECTION 1.01. Warranty of Title. (i) Grantor has and will have good, marketable and insurable fee simple title to the Premises, free and clear of all liens, charges and

encumbrances of every kind and character, subject only to Permitted Encumbrances; (ii) Grantor has and will have full power and lawful authority to encumber and convey the Premises as provided herein; (iii) Grantor owns and will own all of the Equipment, free and clear of all liens, charges and encumbrances of every kind and character, subject only to Permitted Encumbrances and to liens permitted under Section 5.02(a) of the Credit Agreement; (iv) this Mortgage is and will remain a valid and enforceable lien on, and security interest in, the Premises, subject only to Permitted Encumbrances; and (v) Grantor hereby warrants and will forever warrant and defend such title and the validity, enforceability and priority of the lien and security interest hereof against the claims of all persons and parties whomsoever.

SECTION 1.02. Due Incorporation and Good Standing. Grantor is a corporation duly organized and existing in good standing under the law of Delaware and is duly qualified and in good standing to do business in the State in which the Premises are located.

SECTION 1.03. Corporate Authority; Binding Obligation; and Other Matters. Grantor has full power and authority to own its properties (including the Premises) and to carry out its business as presently conducted and as proposed to be conducted. The execution, delivery, recordation, filing and performance of the Credit Agreement, the Mortgage Documents and this Mortgage have been duly authorized by all necessary action of Grantor, and the Credit Agreement, the Mortgage Documents and this Mortgage constitute the legal, valid and binding obligations of Grantor, enforceable against Grantor in accordance with their respective terms. None of such execution, delivery, recordation or performance (i) violate any provision of the charter or by-laws of Grantor nor of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to Grantor, any of its properties or this Mortgage, (ii) result in or require the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any nature (other than as is constituted hereby) on the Premises or (iii) require the consent of the stockholders of Grantor or any lienholders prior in rank to this Mortgage or the authorization, consent or approval of, or any license from, or any filing or registration with, any governmental or quasi-governmental body (except the recordation of this

Mortgage in the appropriate land records and the filing of appropriate related Uniform Commercial Code filings).

SECTION 1.04. Bankruptcy. Grantor is solvent, and no bankruptcy, insolvency or similar proceeding is pending or contemplated by or against Grantor.

SECTION 1.05. Existing Defaults. There is no existing default by Grantor under the Credit Agreement, the Mortgage Documents, this Mortgage or Permitted Encumbrances, and no event has occurred which, with notice or the passage of time or both, would constitute or result in such a default.

SECTION 1.06. Certificates and Permits. (i) Grantor has and will maintain in effect all necessary certificates, licenses, authorizations, registrations, permits and/or approvals necessary for the operation of all or any part of the Premises, the conduct of Grantor's business at the Premises, and the commencement or continuation of construction on the Premises, including, where appropriate, a Permanent Certificate of Occupancy and Board of Fire Underwriters Certificate for those portions of the Improvements which have been completed as of the date hereof and all required zoning ordinance, building code, land use, environmental and other similar permits or approvals, all of which as of the date hereof are in full force and effect and not subject to any revocation, amendment, release, suspension or forfeiture, (ii) the present and contemplated use and/or occupancy of the Premises does not conflict with or violate any of the same and (iii) Grantor, promptly upon request by Mortgagee or Trustee, shall deliver to Trustee and Mortgagee copies of all of the same.

SECTION 1.07. No Actions Pending. Except as noted in the Credit Agreement, there is no action, suit or proceeding, judicial, administrative or otherwise (including any condemnation or similar proceeding), pending or threatened or, to the best of Grantor's knowledge, contemplated against or affecting Grantor or the Premises.

SECTION 1.08. Utilities; Roads; Damage. (i) The Premises are served by all utilities required for the present use thereof; (ii) all streets and roads (other than streets and roads located within such portion of the Premises on which timber is grown for the purpose of cutting and sale ("Timberland")) necessary to serve the Premises for the use thereof as herein contemplated have been completed and are serviceable and have been dedicated or accepted by the

appropriate governmental entities; and (iii) the Premises are free from damage caused by fire or other casualty.

SECTION 1.09. Statements, etc. Correct. All reports, statements, certificates and other data furnished by or on behalf of Grantor to Trustee or Mortgagee in connection with the Credit Agreement, the Mortgage Documents or this Mortgage, or the transactions contemplated thereunder or hereunder, and all representations and warranties made herein or in the Credit Agreement or the Mortgage Documents, or any certificate or other instrument delivered in connection herewith or therewith, are true and correct in all material respects and do not omit to state any material fact or circumstance necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading as of the date of such information, reports, statements or certificates.

## ARTICLE II

### Covenants of Grantor

#### SECTION 2.01. General Covenants.

(a) Payment of Obligations. Grantor will punctually pay when due the Obligations, and will perform and observe all of its obligations under and all of the provisions of the Credit Agreement, the Mortgage Documents and this Mortgage.

(b) Compliance with other Requirements. Grantor will perform and observe all of the provisions of any of the documents or requirements referred to in Sections 1.02, 1.05 and 1.06 and applicable to Grantor, any of its properties or this Mortgage, noncompliance with which would materially and adversely affect Grantor, the Premises or the lien or priority of this Mortgage or the security afforded hereby.

(c) Good Standing. Grantor will maintain in good standing its corporate existence, franchises, rights and privileges under the law of Delaware and its right to transact business in the State in which the Premises are located, and will not dissolve, liquidate, terminate or otherwise dispose, directly or indirectly or by operation of law, of all or substantially all of its assets to any Person (as defined in the Credit Agreement) without Mortgagee's consent, except as otherwise permitted by Section 5.02(e) of the Credit Agreement.

(d) Further Assurances. Grantor will, at the request of Trustee or Mortgagee, (i) promptly correct any defect, error or omission which may be discovered in the contents of the Credit Agreement, any Mortgage Document or this Mortgage, or in the execution, acknowledgment or recordation thereof or hereof, (ii) promptly do, execute, acknowledge and deliver any and all such further acts, deeds, conveyances, mortgages, deeds of trust, assignments, estoppel certificates, financing statements and continuations thereof, notices of assignment, transfers, certificates, assurances and other instruments as Trustee or Mortgagee may reasonably require from time to time in order to effectuate the purposes of this Mortgage, to subject to the lien and security interest hereby created any of Grantor's properties, rights or interests covered or now or hereafter intended to be covered hereby, to perfect and maintain said lien and security interest, and to convey, grant, assign, transfer and confirm unto Trustee and Mortgagee the rights granted or now or hereafter intended to be granted to Trustee or Mortgagee hereunder or under any other instrument executed in connection with this Mortgage or which Grantor may be or become bound to convey, mortgage or assign to Trustee or Mortgagee in order to carry out the intention or facilitate the performance of the provisions of this Mortgage.

(e) Filing and Recording. Grantor will, at the request of Trustee or Mortgagee, promptly record and re-record, file and refile and register and re-register this Mortgage, any financing or continuation statements and every other instrument in addition or supplemental to any thereof that shall be required by law in order to perfect and maintain the validity, effectiveness and priority of this Mortgage and the lien and security interest intended to be created hereby, or to subject after-acquired property of Grantor or proceeds to such lien and security interest, in such manner and places and within such times as may be necessary to accomplish such purposes and to preserve and protect the rights and remedies of Trustee or Mortgagee. Grantor will furnish to Trustee and Mortgagee evidence satisfactory to them of every such recording, filing or registration.

(f) Protection of Lien; Defense of Action. If the lien, security interest, validity or priority of this Mortgage, or if title or any of the rights of Grantor, Trustee or Mortgagee in or to the Premises, shall be endangered or questioned, or shall be attacked directly or indirectly, or if any action or proceeding is instituted

against Grantor, Trustee or Mortgagee with respect thereto, Grantor will promptly notify Trustee and Mortgagee thereof and will diligently endeavor to cure any defect which may be developed or claimed, and will take all necessary and proper steps for the defense of such action or proceeding, including the employment of counsel, the prosecution or defense of litigation and, subject to Mortgagee's approval, the compromise, release or discharge of any and all adverse claims. Trustee and Mortgagee, or either of them (whether or not named as a party to such actions or proceedings), are hereby authorized and empowered (but shall not be obligated) to take such additional steps as they may deem necessary or proper for the defense of any such action or proceeding or the protection of the lien, security interest, validity or priority of this Mortgage or of such title or rights, including the employment of counsel, the prosecution or defense of litigation, the compromise, release or discharge of such adverse claims, the purchase of any tax title and the removal of prior liens and security interests. Grantor shall, on demand, reimburse Trustee and Mortgagee for all expenses (including attorneys' fees and disbursements) incurred by either of them in connection with the foregoing matters, and the party incurring such expenses shall be subrogated to all rights of the person receiving such payment.

#### SECTION 2.02. Operation and Maintenance.

(a) Repair and Maintenance. Grantor will operate and maintain the Premises in good order, repair and operating condition, will promptly make all necessary repairs, renewals, replacements, additions and improvements thereto, interior and exterior, structural and nonstructural, foreseen and unforeseen, or otherwise necessary to insure that the same as part of the security under this Mortgage shall not in any way be diminished or impaired, and will not cause or allow any of the Premises to be misused or wasted or to deteriorate; provided, however, that nothing herein contained shall be construed as a prohibition against the cutting of, or the customary methods of maintaining, any standing timber in the ordinary course of Grantor's business, as presently constituted.

(b) Replacement of Equipment. Grantor will keep the Premises fully equipped and will replace all worn-out or obsolete fixtures or personal property which form a part of the Premises with fixtures or personal property comparable thereto on the date of this Mortgage, and will not, without

Mortgagee's consent, remove from the Premises any fixtures or personalty covered by this Mortgage unless the same is replaced by Grantor with an article of equal suitability and value when new, owned by Grantor free and clear of any lien or security interest (other than Permitted Encumbrances and the lien and security interest created by this Mortgage). No part of the Improvements shall be removed, demolished or structurally or materially altered (including an alteration which impairs the value thereof), nor shall any new building, structure, facility or other improvement be constructed on the Land without Mortgagee's consent.

(c) Inventory. Upon Mortgagee's request from time to time, Grantor will deliver to Mortgagee an inventory describing and showing the make, model, serial number and location of all fixtures and personal property constituting part of or used in the management, maintenance and operation of the Premises, together with a certification by Grantor that said inventory is a true and complete schedule of all such fixtures and personal property, that no other fixtures or personal property are required in the management, maintenance and operation of the Premises, and that all such items are owned by Grantor free and clear of any lien or security interest except as permitted hereunder.

(d) Compliance with Laws. Grantor will perform and comply promptly with, and cause the Premises to be maintained, used and operated in accordance with, any and all (i) present and future laws, ordinances, rules, regulations and requirements of every duly constituted governmental or quasi-governmental authority or agency applicable to Grantor or the Premises, (ii) similarly applicable orders, rules and regulations of any regulatory, licensing, accrediting, insurance underwriting or rating organization or other body exercising similar functions, (iii) similarly applicable duties or obligations of any kind imposed under any Permitted Encumbrance or otherwise by law, covenant, condition, agreement or easement, public or private, and (iv) policies of insurance at any time in force with respect to the Premises. If Grantor receives any notice that Grantor or the Premises is in default under or is not in compliance with any of the foregoing, or notice of any proceeding initiated under or with respect to any of the foregoing, Grantor will promptly furnish a copy of such notice to Mortgagee.

(e) Use. Grantor will not use or occupy, or permit the Premises to be used or occupied, in any manner which violates any applicable law, rule, regulation or order, or

which constitutes a public or private nuisance or which makes void, voidable or cancellable, or increases the premium of, any insurance then in force with respect thereto.

(f) Zoning; Title Matters. Grantor will not, without Mortgagee's consent, (i) initiate or support any zoning reclassification of the Premises, seek any variance under existing zoning ordinances applicable to the Premises or use or permit the use of the Premises in a manner which would result in such use becoming a non-conforming use under, or violate, applicable zoning ordinances, (ii) modify, amend or supplement any Permitted Encumbrances, (iii) impose any restrictive covenants or encumbrances upon the Premises, execute or file any subdivision plat affecting the Premises or consent to the annexation of the Premises to any municipality or (iv) permit or suffer the Premises to be used by the public or any person in such manner as might make possible a claim of adverse usage or possession or of any implied dedication or easement or easement by prescription.

#### SECTION 2.03. Insurance.

(a) Casualty Insurance. Grantor will keep the Improvements and the Equipment insured for the benefit of Trustee, Mortgagee and the holders of the Obligations as follows:

(i) against damage or loss by fire and such other hazards (including lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, vandalism, malicious mischief, aircraft, vehicle and smoke, but excluding earthquake or flood) as are covered by the broadest form of extended coverage endorsement as is available from time to time in the State in which the Premises are located, in an amount not less than the actual replacement cost thereof (as defined in subsection (h) of this Section);

(ii) against war risks as, when and to the extent such insurance is obtainable from the United States of America or an agency or instrumentality thereof and for the maximum obtainable amount of such insurance;

(iii) against damage or loss from (i) sprinkler system leakage and (ii) boilers, boiler tanks, heating and air conditioning equipment, pressure vessels, auxiliary piping and similar apparatus, on such basis and in such amounts as shall be required by Mortgagee; and

(iv) during the period of any construction, repair, restoration or replacement of the Improvements and the Equipment, a standard all-risk builder's risk policy with extended coverage, including coverage against collapse, written on a completed value basis, for an amount at least equal to the actual replacement cost of the Improvements and the Equipment.

(b) Liability Insurance. Grantor shall procure and maintain comprehensive public liability insurance covering Grantor, Trustee, Mortgagee and the holders of the Obligations against claims for bodily injury or death or property damage occurring in, on or about or resulting from the Premises, or any street, drive, sidewalk, curb or passageway adjacent thereto, in standard form and with such insurance company or companies and in such amounts as may be acceptable to Mortgagee, which insurance shall include blanket contractual liability coverage which insures contractual liability under any indemnification in the Credit Agreement, the Mortgage Documents or this Mortgage of Trustee, Mortgagee or the holders of the Obligations by Grantor (but such coverage or the amount thereof shall in no way limit such indemnification).

(c) Other Insurance. Grantor, at Mortgagee's request, will procure and maintain such other insurance or such additional amounts of insurance, covering Grantor or the Premises, as Mortgagee shall from time to time require and which are reasonable or customary considering the then use of the Premises.

(d) Form of Policy. All insurance required under this Section shall contain such provisions, endorsements and expiration dates, be in such form and amounts, and be issued by such insurance companies, as shall be dictated by prudent management, or as Mortgagee shall from time to time otherwise reasonably require. Without limiting the foregoing, all such policies shall have endorsed thereon, in form reasonably acceptable to Mortgagee, the New York Standard Mortgagee Clause, or local equivalent, without contribution, in the name of Trustee, Mortgagee and the holders of the Obligations, and a waiver of subrogation endorsement. All such policies shall provide that the same will not be cancelled, amended or materially altered (including by reduction in the scope or limits of coverage) without at least thirty (30) days' notice (or, if less than thirty (30) days shall be available, then such lesser number of days as shall be available) to Mortgagee.

(e) Duplicate Originals. Duplicate original policies evidencing the insurance required under this Section and any additional insurance which shall be taken out on the Premises by or on behalf of Grantor shall be deposited with and held by Mortgagee and, in addition, Grantor will deliver to Mortgagee (i) receipts evidencing payment of all premiums thereon and (ii) duplicate original renewal policies with evidence satisfactory to Mortgagee of payment of all premiums thereon, at least thirty (30) days prior to the expiration of each such policy. In lieu of the duplicate original policies provided herein to be delivered to Mortgagee, Grantor may deliver original certificates from the issuing insurance company, evidencing that such policies are in full force and effect and containing information which, in Mortgagee's reasonable judgment, is sufficient to allow Mortgagee to determine whether such policies comply with the requirements of this Section.

(f) No Separate Insurance. Grantor shall not carry separate or additional insurance concurrent in form or contributing in the event of loss with that required under this Section unless endorsed in favor of Trustee, Mortgagee and the holders of the Obligations in accordance with the requirements of this Section and otherwise approved by Mortgagee in all respects.

(g) Transfer of Title. In the event of foreclosure of this Mortgage or other transfer of title or assignment of the Premises in extinguishment, in whole or in part, of the Obligations, all right, title and interest of Grantor in and to all policies of insurance required under this Section or otherwise then in force with respect to the Premises and all proceeds payable thereunder and unearned premiums thereon shall immediately vest in the purchaser or other transferee of the Premises.

(h) Replacement Cost. For purposes of this Section, the term "replacement cost" shall mean the cost of replacing the Improvements and the Equipment, exclusive of the cost of excavations, foundations and footings, as determined from time to time (but not less often than once every three (3) years) by the insurance company or companies holding such insurance or by an appraiser, engineer, architect or contractor proposed by Grantor and approved by said company or companies and Mortgagee.

SECTION 2.04. Damage and Destruction.

(a) Grantor's Obligations. In the event of any damage to or loss or destruction of the Premises, Grantor shall (i) promptly notify Mortgagee of such event and take such steps as shall be necessary to preserve any undamaged portion of the Premises and (ii) unless otherwise instructed by Mortgagee shall (except to the extent in violation of Section 5.02(h) of the Credit Agreement, unless such violation shall be waived by the Banks) promptly, regardless whether the insurance proceeds, if any, shall be sufficient for the purpose or shall be otherwise applied by Mortgagee as provided herein, commence and diligently pursue to completion (except with respect to Timberland) the restoration, replacement, rebuilding or (with respect to Timberland) such reforestation as may be customary in the industry of the Premises as nearly as possible to their value, condition and character immediately prior to such damage, loss or destruction and in accordance with plans and specifications approved, and with other provisions for the preservation of the security hereunder established, by Mortgagee.

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 (b) Mortgagee's Rights; Application of Proceeds. In the event that any portion of the Premises is so damaged, destroyed or lost, and such damage, destruction or loss is covered, in whole or in part, by insurance described in Section 2.03, then (i) Mortgagee may, but shall not be obligated to, make proof of loss if not made promptly by Grantor and is hereby authorized and empowered by Grantor to settle, adjust or compromise any claims for damage, destruction or loss thereunder, (ii) in the event that an Event of Default has occurred and is continuing hereunder or under the Credit Agreement or in the event that the insurance proceeds are in excess of the greater of (x) Two Million and 00/100 Dollars (\$2,000,000) or (y) 25% of the gross asset value, before depreciation, of the asset damaged, destroyed or lost, each insurance company concerned is hereby authorized and directed to make payment therefor directly to Mortgagee, and (iii) in the event that an Event of Default has occurred and is continuing hereunder or under the Credit Agreement or in the event that the insurance proceeds are in excess of the greater of (x) Two Million and 00/100 Dollars (\$2,000,000) or (y) 25% of the gross asset value, before depreciation, of the asset damaged, destroyed or lost, Mortgagee shall have the right to apply the insurance proceeds, first, to reimburse Trustee, Mortgagee and the holders of the Obligations for all reasonable costs and expenses, including attorneys' fees and disbursements, incurred in connection with the collection of such proceeds, and, second, the remainder of such proceeds shall be applied, at Mortgagee's option, in payment (without premium or penalty) of all or any part of the Obligations in accordance with the Trust Agreement, in the order and manner determined by Mortgagee in its sole discretion (provided that the remainder of the Obligations shall continue in full force and effect and Grantor shall not be excused in the payment

thereof), or to the cure of any then current default hereunder, or to the repair, restoration, replacement or, with respect to Timberland, customary reforestation, in whole or in part, of the portion of the Premises so damaged, destroyed or lost. Any insurance proceeds held by Mortgagee to be applied to the Premises shall be paid out from time to time upon compliance by Grantor with such reasonable provisions as may be imposed by Mortgagee. Interest, if any, actually earned on any insurance proceeds held by Mortgagee to be applied to the Premises shall be credited to such insurance proceeds, for the benefit of Grantor.

Notwithstanding anything herein or at law or in equity to the contrary, none of the insurance proceeds paid to Mortgagee as herein provided shall be deemed trust funds and Mortgagee shall be entitled to dispose of such proceeds as provided in this Section and Section 2.03. Grantor expressly assumes all risk of loss, including a decrease in the use, enjoyment or value, of the Premises from any casualty whatsoever, whether or not insurable or insured against.

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(c) Release of Damaged Premises. In the event that Mortgagee elects to apply the remainder of such proceeds in payment of all or any part of the Obligations, as provided in Section 2.04(b) above, and the amount of such remainder shall equal or exceed the fair market value of the portion of the Premises so damaged, destroyed or lost immediately preceding such damage, destruction or loss (or if less than such amount and Grantor shall pay to Mortgagee the difference between such fair market value and such remainder, which payment shall be applied by Mortgagee in payment (without premium or penalty) of all or any part of the Obligations), Trustee and/or Mortgagee, as applicable, shall, at the request of Grantor, deliver to Grantor, in recordable form, all such documents as may be necessary to release of record the portion of the Premises so damaged, destroyed or lost from the liens, security interests, conveyances and assignments evidenced hereby. Notwithstanding anything in the preceding sentence to the contrary, Trustee shall so release such portion of the Premises only upon the direction of Mortgagee.

#### SECTION 2.05. Condemnation.

(a) Grantor's Obligations; Proceedings. Grantor, immediately upon obtaining knowledge of any pending or threatened institution of any proceedings for the condemnation of the Premises or of any right of eminent domain, or of any other proceedings arising out of injury or damage to the Premises, will notify Mortgagee of the threat

or pendency thereof. Mortgagee may participate in any such proceedings, and Grantor from time to time will execute and deliver to Mortgagee all instruments requested by Mortgagee to permit such participation. Grantor shall, at its expense, diligently prosecute any such proceedings, deliver to Mortgagee copies of all papers served in connection therewith and consult and cooperate with Mortgagee, its attorneys and agents, in the carrying on and defense of any such proceedings, provided that no settlement of any such proceeding shall be made by Grantor without Mortgagee's consent.

(b) Mortgagee's Rights to Proceeds. In the event the proceeds of condemnation awards or proceeds of sale in lieu of condemnation, together with the judgments, decrees and awards for injury or damage to the Premises, are in excess of the greater of (x) Two Million and 00/100 Dollars (\$2,000,000) or (y) 25% of the gross asset value, before depreciation, of the Premises condemned, or if an Event of Default has occurred and is continuing hereunder or under the Credit Agreement, such proceeds, judgments, decrees and awards are hereby assigned and shall be paid to Mortgagee. Grantor agrees to execute and deliver such further assignments thereof as Mortgagee may request and authorizes Mortgagee to collect and receive the same, to give receipts and acquittances therefor, and to appeal from any such judgment, decree or award. Mortgagee shall in no event be liable or responsible for failure to collect, or exercise diligence in the collection of, any of the same.

(c) Application of Proceeds. Mortgagee shall have the right to apply any proceeds, judgments, decrees or awards referred to in subsection (b) of this Section, first, to reimburse Trustee and Mortgagee for all reasonable costs and expenses, including attorneys' fees, incurred in connection with the proceeding in question or the collection of such amounts, and, second, subject to Section 2.04(c), the remainder thereof as provided in Section 2.04(b) for insurance proceeds held by Mortgagee.

(d) Effect on the Obligations. Notwithstanding any condemnation, taking or other proceeding referred to in this Section causing injury to or decrease in value of the Premises (including a change in grade of any street), but, subject to the Banks' rights under Section 6.01(g) of the Credit Agreement, Grantor shall continue to pay the Obligations as provided herein until any such proceeds, judgment, decree or award shall have actually been received by Trustee or Mortgagee, and applied against the Obligations, and any reduction in the Obligations resulting from such application shall be deemed to take effect only on the date of such receipt, provided that, if prior to the receipt by

Trustee or Mortgagee of such proceeds, judgment, decree or award the Premises shall have been sold on foreclosure of this Mortgage or otherwise, Mortgagee shall have the right to receive the same to the extent of any deficiency found to be due upon such sale, whether or not a deficiency judgment on this Mortgage shall have been sought, recovered or denied, together with attorneys' fees and disbursements incurred by Trustee or Mortgagee in connection with the collection thereof.

#### SECTION 2.06. Liens and Liabilities.

(a) Discharge of Liens. Grantor will pay, bond or otherwise discharge, from time to time when the same shall become due, all lawful claims and demands of mechanics, materialmen, laborers and others which, if unpaid, might result in, or permit the creation of, a lien on the Premises, or on the revenues, rents, issues, income or profits arising therefrom and, in general, Grantor shall do, or cause to be done, at Grantor's sole cost and expense, everything necessary to fully preserve the lien, security interest and priority of this Mortgage.

(b) Creation of Liens. Except as permitted under Section 5.02(a) of the Credit Agreement, Grantor will not, without Mortgagee's consent, create, place or permit to be created or placed, or through any act or failure to act acquiesce in the placing of, or allow to remain, any deed of trust, mortgage, trust deed, deed to secure debt, voluntary or involuntary lien, whether statutory, constitutional or contractual (except for the lien for ad valorem taxes on the Premises or assessments which are not yet due and payable), security interest, encumbrance or charge, or conditional sale or other title retention document, against or covering the Premises, prior to, on a parity with or subordinate to the lien of this Mortgage, other than Permitted Encumbrances. If any of the foregoing becomes attached to the Premises without such consent, Grantor will promptly cause the same to be discharged and released.

(c) No Consent. Nothing in the Credit Agreement, the Mortgage Documents or this Mortgage shall be deemed or construed in any way as constituting the consent or request by Trustee or Mortgagee, express or implied, to any contractor, subcontractor, laborer, mechanic or materialman for the performance of any labor or the furnishing of any material for any improvement, construction, alteration or repair of the Premises. Grantor further agrees that neither

Trustee nor Mortgagee stand in any fiduciary relationship to Grantor.

SECTION 2.07. Taxes and Other Charges.

(a) Taxes on the Premises. Grantor will pay when due, and before any penalty, interest or cost for non-payment thereof may be added thereto, all taxes, assessments, vault, water and sewer rents, rates, charges and assessments, levies, permits, inspection and license fees and other governmental and quasi-governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, heretofore or hereafter assessed, levied or otherwise imposed against or upon, or which may become a lien upon, the Premises or any part thereof or any appurtenance thereto, or the revenues, rents, issues, income and profits of the Premises or arising in respect of the occupancy, use or possession thereof (collectively, "Impositions"). Grantor will also pay any penalty, interest or cost for non-payment of Impositions which may become due and payable. To the extent the Premises are located in the State of Michigan, the failure of Grantor to pay any Impositions against the Premises shall constitute waste, as provided by Act No. 236 of the Michigan Public Acts of 1961, as amended (M.C.L.A. 600.2927). Grantor further hereby consents to the appointment of a receiver under said statute, in the event Mortgagee elects to seek such relief thereunder.

(b) Receipts. Unless Grantor is making monthly deposits pursuant to Section 2.08, upon Mortgagee's request, Grantor will furnish to Mortgagee, within 20 days, validated receipts showing payment in full of all Impositions due and payable through the date of such request.

(c) Income and Other Taxes. Grantor will promptly pay all income, franchise and other taxes owing by Grantor, and any stamp taxes which may be required to be paid in connection with the Obligations, this Mortgage or any other Mortgage Document, together with any interest or penalties thereon, and Grantor will pay any and all taxes, charges, filing, registration and recording fees, excises and levies (other than income, franchise and doing business taxes) imposed upon Mortgagee or the holders of the Obligations by reason of execution of the Credit Agreement, the Mortgage

Documents or this Mortgage or ownership of this Mortgage or any mortgage supplemental hereto, any security instrument with respect to any Equipment or any instrument of further assurance.

(d) Brundage Clause. In the event of the enactment after the date hereof of any law in the State in which the Premises are located or any other governmental entity deducting from the value of the Premises for the purpose of taxation any lien or security interest thereon, or changing in any way the laws for the taxation of mortgages, deeds of trust or other liens or debts secured thereby, or the manner of collection of such taxes, so as to affect this Mortgage, the Obligations, Mortgagee or the holders of the Obligations, then, and in such event, Grantor shall, on demand, pay to Mortgagee or such holder, or reimburse Mortgagee or such holder for payment of, all taxes, assessments, charges or liens for which Mortgagee or such holder is or may be liable as a result thereof, provided that if any such payment or reimbursement shall be unlawful or would constitute usury or render the Obligations wholly or partially usurious under applicable law, then Mortgagee may, at its option, declare the Obligations immediately due and payable or require Grantor to pay or reimburse Mortgagee for payment of the lawful and non-usurious portion thereof.

#### SECTION 2.08. Tax and Insurance Deposits.

(a) Amount of Deposits. To further secure Grantor's obligations under Sections 2.03 and 2.07, but not in lieu thereof, Mortgagee, at its option, may require that Grantor deposit with Trustee or with such service or financial institution as Mortgagee may direct monthly, one-twelfth (1/12) of the annual Impositions and premiums for insurance required under Section 2.03, and Grantor shall, accordingly, make such deposits. In addition, if required by Mortgagee, Grantor shall also deposit with Mortgagee a sum of money which, together with the aforesaid monthly installments, will be sufficient to make each of said payments of Impositions and premiums, at least 10 days before such payments are due. If the amount of any such payments is not ascertainable at the time any such deposit is required to be made, the deposit shall be made on the basis of Mortgagee's estimate thereof, and, when such amount is fixed for the then-current year, Grantor shall promptly deposit any deficiency with Mortgagee.

(b) Use of Deposit. All funds so deposited shall, until so applied, constitute additional security for the Obligations, shall be held by Mortgagee in a separate account, with interest, if any, actually earned on such funds credited to such account, for the benefit of Grantor, and, provided that no Event of Default (as defined in Section

6.01) shall have occurred and be continuing hereunder, shall be applied in payment of the aforesaid amounts prior to their becoming delinquent, to the extent that Mortgagee shall have such funds on hand, provided that Mortgagee shall have no obligation to use said funds to pay any installment of Impositions prior to the last day on which payment thereof may be made without penalty or interest or to pay an insurance premium prior to the due date thereof. It shall be Grantor's responsibility to furnish Mortgagee with bills or invoices therefor in sufficient time to pay the same before any penalty or interest attaches and before said policies of insurance lapse, and Mortgagee shall have no responsibility for payment of the same in the absence of such bills or invoices. If an Event of Default shall have occurred and be continuing hereunder, or if the Obligations shall be accelerated as herein provided, all funds so deposited may, at Mortgagee's option, be applied to the Obligations in the order determined by Mortgagee or to cure said Event of Default or as provided in this Section.

(c) Transfer of Mortgage. Upon an assignment or other transfer of this Mortgage, Trustee or Mortgagee shall have the right to pay over the balance of such deposits in its possession to the assignee or other successor, and Trustee and Mortgagee shall thereupon be completely released from all liability with respect to such deposits and Grantor or the owner of the Premises shall look solely to the assignee or transferee with respect thereto. This provision shall apply to every transfer of such deposits to a new assignee or transferee.

(d) Transfer of Premises. Subject to the provisions of Article V hereof, transfer of record title to the Premises shall automatically transfer to the new owner the beneficial interest in any deposits under this Section. Upon full payment and satisfaction of this Mortgage or, at Mortgagee's option, at any prior time, the balance of amounts deposited in Trustee's or Mortgagee's possession shall be paid over to the record owner of the Premises, and no other party shall have any right or claim thereto in any event.

(e) Depository. Grantor agrees, at Mortgagee's request and at Grantor's expense, to make the aforesaid deposits with Trustee or such service or financial institution as Mortgagee may from time to time designate.

SECTION 2.09. Inspection. Grantor will allow Trustee or Mortgagee or its authorized representatives to

enter upon and inspect the Premises at all reasonable times and will assist Trustee, Mortgagee or such representative in effecting said inspection.

#### SECTION 2.10. Records, Reports and Audits.

(a) Maintenance of Records. Grantor shall keep and maintain complete and accurate books and records in accordance with sound accounting principles with respect to all operations of or transactions involving the Premises.

(b) Reports; Audits. Grantor will prepare and render to Mortgagee such reports at such times as Mortgagee shall from time to time reasonably request and, if so requested by Mortgagee or otherwise required hereunder, certified by an independent certified public accountant approved by Mortgagee.

(c) Inspection of Records. Grantor will allow Mortgagee or its authorized representatives to examine and make copies of all such books and records and all supporting data therefor at Grantor's principal place of business in New York or at such other place as shall be approved by Mortgagee. Grantor will assist Mortgagee or such representative in effecting such examination.

SECTION 2.11. Certificates. Grantor, within 30 days after request therefor by Mortgagee, shall furnish to Mortgagee a written statement, duly acknowledged, certifying to Mortgagee and/or any designee as to (a) the amount of the Obligations then owing under this Mortgage, (b) the terms of payment and maturity date of the Obligations, (c) the date to which interest has been paid under this Mortgage and (d) whether any offsets or defenses exist against the Obligations and, if any are alleged to exist, a detailed description thereof.

### ARTICLE III

#### Assignment of Rents and Other Sums

SECTION 3.01. Assignment. (a) Grantor hereby grants, bargains, sells, transfers, assigns and sets over to Mortgagee all rents, income, profits, proceeds and any and all cash collateral to be derived from the Premises, or the use and occupation thereof, or under any contract or bond relating to the construction or reconstruction of the Premises, including all rents, royalties, revenue, rights,

deposits (including security deposits) and benefits accruing to Grantor under all leases now or hereafter covering the Premises (including oil, gas and mining leases) and under all timber, logging or cutting contracts now or hereafter affecting the Premises, whether before or after foreclosure or during the full period of redemption, if any, and the right to receive the same and apply them against the Obligations or against Grantor's other obligations hereunder, together with all contracts, bonds, leases and other documents evidencing the same now or hereafter in effect and all rights of Grantor thereunder. Nothing contained in the preceding sentence shall be construed to bind Mortgagee to the performance of any of the provisions of any such contract, bond, lease or other document or otherwise impose any obligation upon Mortgagee (including any liability under a covenant of quiet enjoyment contained in any lease or under applicable law in the event that any tenant shall have been joined as a party defendant in any action to foreclose this Mortgage and shall have been foreclosed of all right, title and interest and all equity of redemption in the Premises), except that Mortgagee shall be accountable for any money actually received pursuant to such assignment. The assignment of said rents, income, profits, proceeds and cash collateral, and of the aforesaid rights with respect thereto and to the contracts, bonds, leases and other documents evidencing the same is an absolute assignment.

(b) Notwithstanding the provisions of subsection 3.01(a) above, so long as there shall exist no Event of Default hereunder, and except as otherwise expressly provided herein, Grantor shall have the right and license to collect, as the same shall accrue, said rents, income, profits, proceeds and cash collateral. Grantor agrees to hold the same in trust and to use the same in payment of the Obligations, Impositions and insurance premiums payable hereunder and all other charges on or against the Premises.

(c) In the event of any such Event of Default, the right and license set forth in subsection (b) of this Section may be revoked by Mortgagee, and thereafter Trustee or Mortgagee shall have the right and authority to exercise any of the rights or remedies referred to or set forth in Article VI. In addition, upon such an Event of Default, Grantor shall promptly pay to Trustee or Mortgagee (i) all rent prepayments and security or other deposits paid to Grantor pursuant to any lease assigned hereunder and (ii) all charges for services or facilities or for escalation which were paid pursuant to any such lease to the extent allocable to any

period from and after such Event of Default. To the extent the Premises are located in the State of Michigan, Mortgagee shall be entitled to all of the rights and benefits conferred by Act No. 210 of the Michigan Public Acts of 1953, as amended by Act No. 151 of the Michigan Public Acts of 1966 (M.C.L.A. 554.231, et seq.), and Act No. 228 of the Michigan Public Acts of 1925, as amended by Act No. 55 of the Michigan Public Acts of 1933 (M.C.L.A. 554.211, et seq.).

(d) If Grantor is not required to surrender possession of the Premises hereunder in the event of any such Event of Default, Grantor will pay monthly in advance to Trustee or Mortgagee, on its entry into possession pursuant to Article VI, or to any receiver appointed to collect said rents, income, profits or proceeds, the fair and reasonable rental value for the use and occupation of the Premises or such part thereof as may be in the possession of Grantor. Upon a default in any such payment, Grantor will vacate and surrender such possession to Trustee, Mortgagee or such receiver, and, upon a default in vacating and surrendering the same, may be evicted by summary or any other available proceedings.

(e) Grantor will, as and when requested from time to time by Mortgagee, execute, acknowledge and deliver to Mortgagee, in form approved by Mortgagee, one or more general or specific assignments of the lessor's interest under any lease now or hereafter affecting the Premises. Grantor will, on demand, pay to Mortgagee, or reimburse Mortgagee for the payment of any reasonable costs or expenses incurred in connection with the preparation or recording of any such assignment.

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SECTION 3.02. Leases. (a) Grantor will (i) perform or cause to be performed the lessor's obligations under any lease now or hereafter affecting the whole or any part of the Premises, (ii) enforce the performance by the lessee thereunder of all of said lessee's obligations thereunder and (iii) give Mortgagee prompt notice and a copy of any notice of any default, termination or cancellation sent or received by the lessor thereunder.

(b) Grantor will not, without Mortgagee's consent, (i) amend, modify or otherwise alter any such lease, (ii) cancel, terminate or accept a surrender thereof, (iii) assign, mortgage, pledge or otherwise transfer, dispose of or encumber, whether by operation of law or otherwise, any such lease or the rents or other income thereunder or therefrom or

(iv) accept or permit the acceptance of a prepayment of any rents for more than one month in advance of the due dates therefor.

(c) Grantor will, promptly upon Mortgagee's request from time to time, prepare and deliver to Mortgagee such information as Mortgagee may reasonably request concerning the leases affecting the Premises.

#### ARTICLE IV

##### Additional Advances; Expenses; Indemnity

##### SECTION 4.01. Additional Advances and Disbursements.

(a) Grantor agrees that, if Grantor shall default in any of its obligations hereunder to pay any amount or to perform any action, including its obligation under Section 2.07 to pay Impositions and under Section 2.03 to procure, maintain and pay premiums on the insurance policies referred to therein, then Trustee or Mortgagee shall have the right, but not the obligation, in Grantor's name or in its own name, and without notice to Grantor, to advance all or any part of such amounts or to perform any or all such actions, and, for such purpose, Grantor expressly grants to Trustee and Mortgagee, in addition and without prejudice to any other rights and remedies hereunder, the right to enter upon and take possession of the Premises to such extent and as often as either of them may deem necessary or desirable to prevent or remedy any such default. No such advance or performance shall be deemed to have cured such default by Grantor or any Event of Default with respect thereto. All sums so advanced and all expenses incurred by Trustee or Mortgagee in connection with such advances or actions, and all other sums advanced or expenses incurred by Trustee or Mortgagee hereunder or under applicable law shall be demand obligations owing by Grantor to Trustee or Mortgagee and shall bear interest at the rate and as provided in the Credit Agreement. All such amounts advanced or incurred, and all such interest thereon, shall be part of the Obligations and shall be secured by this Mortgage. Trustee or Mortgagee, upon making any such advance, shall be subrogated to all of the rights of the person receiving such advance.

(b) To the extent the Premises are located in the State of Illinois, it is understood and agreed that with respect to subsequent purchasers and mortgagees without actual notice, none of the indebtedness for monies expended as hereinabove in this Section 4.01 recited shall result in

an increase of the indebtedness secured and to be secured hereby over the face amount of the Notes beyond Eighty Percent (80%) of such face amount. In determining the amount of such increase, there shall be excluded from any computation all indebtedness which would constitute secured indebtedness under the terms of this Mortgage had this Section 4.01 been omitted herefrom.

(c) To the extent the Premises are located in the State of Montana, the total amount of all future advances contemplated and to be subject to mortgage protection shall not exceed Eighty Percent (80%) of the face amount of the Notes. The lien for such amount of said future advances shall have priority to the same extent as if the amount thereof had been actually advanced by Mortgagee or the Holders of the Obligations at the time of the execution of this Mortgage.

(d) To the extent the Premises are located in the State of Florida, this Mortgage is given to secure not only existing indebtedness, but also such future or additional advances, whether such advances are obligatory or optional, as are made within twenty (20) years from the date hereof, to the same extent as if such future or additional advances were made on the date hereof. The total amount of indebtedness that may be so secured may decrease or increase from time to time, but, to the extent the Premises are located in the State of Florida, the total unpaid balance so secured at one time shall not exceed Five Million and 00/100 Dollars (\$5,000,000) plus interest thereon, and any disbursements made for the payment of taxes, levies or insurance on the Premises, with interest on such disbursements.

SECTION 4.02. Other Expenses. (a) Grantor will pay or, on demand, reimburse Trustee, Mortgagee or any holder of the Obligations for the payment of, all appraisal fees, recording and filing fees, taxes, brokerage fees and commissions, abstract fees, title insurance premiums and fees, Uniform Commercial Code search fees, escrow fees, trustee's fees, attorneys' fees and disbursements and all other costs and expenses of every character reasonably incurred by Grantor, Trustee, Mortgagee or any holder of the Obligations in connection with the closing of the transactions contemplated under the Credit Agreement, under the Mortgage Documents or hereunder, or otherwise attributable or chargeable to Grantor as owner of the Premises.

(b) Grantor will pay or, on demand, reimburse Trustee, Mortgagee or any holder of the Obligations for the payment of any costs or expenses (including attorneys' fees and disbursements) incurred or expended in connection with or incidental to (i) any default or Event of Default by Grantor under the Credit Agreement, under any Mortgage Document or hereunder, or (ii) the exercise or enforcement by or on behalf of Trustee, Mortgagee or any holder of the Obligations of any of its rights or remedies or Grantor's obligations under the Credit Agreement, under any Mortgage Document or this Mortgage, including the enforcement, compromise or settlement of this Mortgage or the Obligations or the defense, assertion of the rights and claims of Trustee, Mortgagee or any holder of the Obligations hereunder in respect thereof, by litigation or otherwise.

SECTION 4.03. Indemnity. (a) Grantor agrees to indemnify and hold harmless Trustee, Mortgagee and the holders of the Obligations from and against any and all losses, liabilities, suits, obligations, fines, damages, judgments, penalties, claims, charges, costs and expenses (including attorney's fees and disbursements) which may be imposed on, incurred or paid by or asserted against Trustee, Mortgagee or any holder of the Obligations by reason or on account of, or in connection with, (i) any default or Event of Default by Grantor under the Credit Agreement, under any Mortgage Document or hereunder, (ii) Trustee's, Mortgagee's or any such holder's exercise of any of its rights and remedies, or the performance of any of its duties under the Credit Agreement, under any Mortgage Document or hereunder, (iii) the construction, reconstruction or alteration of the Improvements, (iv) any negligence or willful misconduct of Grantor, any lessee of the Premises, or any of their respective agents, contractors, subcontractors, servants, employees, licensees or invitees, (v) any accident, injury, death or damage to any person or property occurring in, on or about the Premises or any street, drive, sidewalk, curb or passageway adjacent thereto or (vi) any other transaction arising out of or in any way connected with the Premises, the Credit Agreement, any Mortgage Document or this Mortgage, except for the willful misconduct or gross negligence of the indemnified person. Any amount payable to Trustee, Mortgagee or such holder under this Section shall be deemed a demand obligation.

(b) Grantor's obligations under this Section shall not be affected by the absence or unavailability of insurance covering the same or by the failure or refusal by any

insurance carrier to perform any obligation on its part under any such policy of covering insurance. If any claim, action or proceeding is made or brought against Trustee, Mortgagee or any holder of the Obligations which is subject to the indemnity set forth in this Section, Grantor shall, upon notice thereof by Mortgagee, resist or defend against the same, if necessary in the name of Trustee, Mortgagee or such holder, by attorneys for Grantor's insurance carrier (if the same is covered by insurance) or otherwise by attorneys approved by Mortgagee. Notwithstanding the foregoing, Trustee, Mortgagee and such holder, in their discretion, may engage their own attorneys to resist or defend, or assist therein, and Grantor shall pay, or, on demand, shall reimburse Trustee, Mortgagee or such holder for the payment of, the reasonable fees and disbursements of said attorneys.

## ARTICLE V

### Sale or Transfer of the Premises

SECTION 5.01. Continuous Ownership. Grantor acknowledges that the continuous ownership of the Premises by Grantor is of a material nature to the transaction and the Banks' agreement to create the Bank Obligations. Grantor agrees that, except as otherwise provided in Section 1.04 or 5.02(f) of the Credit Agreement or herein, Grantor will not, directly or indirectly sell, grant, convey, assign or otherwise transfer (collectively, "Transfer"), or permit to be the subject of a Transfer, the Premises or any legal or beneficial interest therein, by operation of law or otherwise, without Mortgagee's consent. For purposes of this Mortgage, but without limiting the foregoing, a Transfer of the legal or beneficial ownership, directly or indirectly, in any of the issued and outstanding stock of any class of stock of Grantor, shall be deemed a Transfer of the Premises or an interest therein.

SECTION 5.02. Release of Lien. In the event of a sale of a portion of the Premises in accordance with the terms and conditions of Sections 1.04 or 5.02(f) of the Credit Agreement, Trustee and/or Mortgagee, as applicable, shall, at the request of Grantor, deliver to Grantor, in recordable form, all such documents as may be necessary to release such portion of the Premises from the liens, security interests, conveyances and assignments evidenced hereby. Notwithstanding anything in the preceding sentence to the contrary, Trustee shall so release such portion of the Premises only upon the written direction of Mortgagee.

## ARTICLE VI

Defaults and Remedies

SECTION 6.01. Events of Default. The term "Event of Default", as used in this Mortgage, shall mean the occurrence of any of the following events:

(a) a default in the payment, when due and payable, of any of the principal amounts of the Obligations, or a default in the payment, within 5 Business Days (as defined in the Credit Agreement) of the date on which the same shall become due and payable, of any other portion of the Obligations, whether of interest, premium, fees or otherwise, and whether on any stated due date, at maturity or upon acceleration; or

(b) if any representation made, or deemed made, in the Credit Agreement, in any Mortgage Document or herein, or otherwise made by or on behalf of Grantor in connection with the transactions contemplated hereunder, be false or misleading so as to materially and adversely affect Mortgagee's security hereunder; or

(c) if default shall be made in the performance or observance of any other provision contained in the Credit Agreement, in any Mortgage Document or herein, beyond the applicable grace period therefor or, if no such grace period is applicable, if the default has not been remedied (i) within 10 Business Days after written notice thereof shall have been given to Grantor or (ii) if such default cannot be cured within such 10 Business Day period with the exercise of all due diligence, if Grantor commences to cure the same with all due diligence prior to the expiration of such 10 Business Day period, and thereafter proceeds to cure the same within such period of time as may be necessary to cure the same with all due diligence, and such default shall materially and adversely affect Mortgagee's security hereunder; or

(d) the Premises or any interest therein shall be the subject of a Transfer, except as set forth in Section 5.02 hereof; or

(e) if any other event occurs which, under the terms hereof, would permit Mortgagee to accelerate the Obligations; or

(f) if Grantor shall become insolvent, or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts as they become due; or

(g) if Grantor shall file a petition or an answer under any title, section or chapter of the Federal Bankruptcy Code, as amended, or under any present or future law or statute of the United States of America or of any State or other jurisdiction thereof relevant to bankruptcy, insolvency or other relief of debtors (collectively "Bankruptcy Laws"), (i) requesting that Grantor be declared a bankrupt or insolvent or (ii) requesting reorganization, arrangement, protection, relief, composition, readjustment, moratorium, liquidation, dissolution, termination or similar relief for itself or its debts; or

(h) if Grantor shall file an answer admitting the material allegations of, or consent or default in answering, a petition filed against it in any proceeding under a Bankruptcy Law; or

(i) if a petition or answer proposing (i) the adjudication of Grantor as a bankrupt or insolvent or (ii) Grantor's reorganization or arrangement under any Bankruptcy Law shall be filed in any court and not be discharged or denied within 60 days; or

(j) if Grantor shall apply for, consent to or acquiesce in the appointment of a receiver, trustee, liquidator or custodian for Grantor or all or a substantial part of its assets (including the Premises), or if such a receiver, trustee or liquidator is appointed and is not discharged within 60 days after such appointment; or

(k) if an order, judgment or decree shall be entered in a court of competent jurisdiction (i) adjudicating Grantor a bankrupt or insolvent or (ii) approving a petition or answer requesting reorganization or arrangement of Grantor, and such order, judgment or decree shall continue unstayed and in effect for any period of 60 days; or

(l) if a final judgment or order for the payment of money in excess of \$5,000,000 (or its equivalent in another currency) shall be rendered against Grantor, and either (A) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (B) there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order by reason of a pending appeal or otherwise, shall not be in effect; or

(m) if any of the events referred to in subsections (f) through (l) of this Section shall occur with respect to

any of the Obligors (as defined in the Credit Agreement), other than Grantor; or

(n) if Grantor abandons the Premises or ceases to do business or terminates its business for any reason whatsoever and such abandonment, cessation or termination shall materially and adversely affect Mortgagee's security hereunder; or

(o) if the Premises shall be taken, attached or sequestered on execution or other process of law in any action against Grantor and such taking, attachment or sequestration shall materially and adversely affect Mortgagee's security hereunder; or

(p) if any claim of priority (except a claim based upon a Permitted Encumbrance) to this Mortgage or any Mortgage Document by title, lien or otherwise shall be upheld by any court of competent jurisdiction or shall be consented to by Grantor; or

(q) if the Guaranty (as defined in the Credit Agreement) shall fail to be in full force and effect or the Guarantor shall claim that it is no longer in full force and effect or that the Guarantor's obligations thereunder have been terminated or substantially terminated.

For the purposes of this Section 6.01, an Event of Default shall be deemed to materially and adversely affect Mortgagee's security hereunder if such Event of Default, either alone or when taken in the aggregate with other Events of Default then existing under this Mortgage or any of the Mortgages (as defined in the Credit Agreement), is deemed by the Majority Banks (as defined in the Credit Agreement) to be material and adverse to the liens and security interests, taken as a whole, granted by the Mortgages, the Security and Pledge Agreement and any other document from time to time granting to Mortgagee and/or Trustee, as applicable, a lien or security interest in the property of Grantor.

SECTION 6.02. Remedies. Upon the occurrence of any one or more Events of Default, Trustee or Mortgagee may (but shall not be obligated to), in addition to any rights or remedies available to it under the Credit Agreement, under any Mortgage Document or hereunder, take such action personally or by its agents or attorneys, with or without entry, and without notice, demand, presentment or protest (each and all of which are hereby waived), as it deems necessary or advisable to protect and enforce its rights and remedies against Grantor and in and to the Premises,

including the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Trustee or Mortgagee may determine, in its sole discretion, without impairing or otherwise affecting its or their other rights or remedies (provided that only Mortgagee may take the action described in subsection (a) of this Section):

(a) Declare the obligation of each Bank to make Advances to be terminated, whereupon the same shall forthwith terminate and, subject to any right of reinstatement pursuant to applicable law, declare the entire balance of the Obligations (including the entire principal balance thereof, all accrued and unpaid interest and any premium thereon and all other such sums secured hereby) to be immediately due and payable, and upon any such declaration the entire unpaid balance of the Obligations shall become and be immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by Grantor, anything in the Credit Agreement, in any Mortgage Document or herein to the contrary notwithstanding; or

(b) Institute a proceeding or proceedings, judicial or otherwise, for the complete foreclosure of this Mortgage under any applicable provision of law and, to the extent the Premises are located in the State of Maine, Massachusetts or New Hampshire, Mortgagee shall have the Statutory Power of Sale in addition to all other rights and remedies hereunder; or

BOOK 425 PAGE 41 (c) Institute a proceeding or proceedings for the partial foreclosure of this Mortgage under any applicable provision of law for the portion of the Obligations then due and payable, subject to the lien of this Mortgage continuing unimpaired and without loss of priority so as to secure the balance of the Obligations not then due and payable; or

(d)(i) To the extent permitted by applicable law, sell the Premises, and all estate, right, title, interest, claim and demand of Grantor therein, and all rights of redemption thereof, at one or more sales, as an entirety or in parcels, with such elements of real and/or personal property (and, to the extent permitted by applicable law, may elect to deem all of the Premises to be real property for purposes thereof), and at such time and place and upon such terms as it may deem expedient, or as may be required by applicable law, and in the event of a sale, by foreclosure or otherwise, of less than all of the Premises, this Mortgage

shall continue as a lien and security interest on the remaining portion of the Premises;

(ii) To the extent the Premises are located in the State of Texas, Trustee is authorized and empowered and it shall be its special duty, at the request of Mortgagee, to sell the Premises at the courthouse door of any county in the State of Texas in which any part of the Premises is situated, at public venue to the highest bidder for cash between the hours of 10:00 a.m. and 4:00 p.m. on the first Tuesday in any month, after having given notice of such sale in accordance with the statutes of the State of Texas then in force governing sales of real estate under powers conferred by deed of trust; or

(iii) To the extent the Premises are located in the State of Alabama, whether or not possession of the Premises is taken, after giving 21 days' notice by publication once a week for three consecutive weeks of the time, place and terms of each such sale by publication in some newspaper published in the county wherein the Premises are located, sell the Premises (or such part or parts thereof as Mortgagee may from time to time elect to sell), in front of such county's courthouse door, at public outcry, to the highest bidder for cash. Mortgagee may bid at any sale or sales had under the terms of this Mortgage and may purchase the Premises, if the highest bidder therefor. At any foreclosure sale any part or all of the Premises, real, personal or mixed, may be offered for sale in parcels or en masse for one total price, the proceeds of any such sale en masse to be accounted for in one account without distinction between the items included therein or without assigning to them any proportion of such proceeds, Grantor hereby waiving the application of any doctrine of marshalling or like proceeding. In case Mortgagee, in the exercise of the power of sale herein given, elects to sell the Premises in parts or parcels, sales thereof may be held from time to time, and the power of sale granted herein shall not be fully exercised until all of the Premises not previously sold shall have been sold or all the Obligations secured hereby shall have been paid in full, and this Mortgage shall continue as a lien and security interest on any part of the Premises not so sold; or

(iv) To the extent the Premises are located in the State of Georgia, sell the Premises at one or more public sales before the door of the courthouse of the county in which the Premises are situated, to the highest bidder for cash, in order to pay the Obligations, and all

expenses of sale and of all proceedings in connection therewith, including reasonable attorney's fees, after advertising the time, place and terms of sale once a week for four (4) weeks immediately preceding such sale (but without regard to the number of days) in the newspaper in which Sheriff's sales are advertised in said county. At any such public sale, Mortgagee may execute and deliver to the purchaser a conveyance of the Premises in fee simple, with full warranties of title and to this end, Grantor hereby constitutes and appoints Mortgagee the agent and attorney-in-fact of Grantor to make such sale and conveyance, and thereby to divest Grantor of all right, title and equity that Grantor may have in and to the Premises and to vest the same in the purchaser or purchasers at such sale or sales, and all the acts and doings of said agent and attorney-in-fact are hereby ratified and confirmed, and any recitals in said conveyance or conveyances as to facts essential to a valid sale shall be binding upon Grantor. The aforesaid power of sale and agency hereby granted are coupled with an interest and are irrevocable by death or otherwise, are granted as cumulative of the other remedies provided hereby or by law for collection of the Obligations and shall not be exhausted by one exercise thereof but may be exercised until full payment of all of the Obligations. In the event of any sale under this Mortgage by virtue of the exercise of the powers herein granted, or pursuant to any order in any judicial proceeding or otherwise, the Premises may be sold as an entirety or in separate parcels and in such manner or order as Mortgagee in its sole discretion may elect, and if Mortgagee so elects, Mortgagee may sell the personal property covered by this Mortgage at one or more separate sales in any manner permitted by the Uniform Commercial Code as enacted in the State of Georgia, and one or more exercises of the powers herein granted shall not extinguish nor exhaust such powers, until the entire Premises are sold or the Obligations are paid in full. Mortgagee, at its option, is authorized to foreclose this Mortgage subject to the rights of any tenants of the Premises, and the failure to make any such tenants parties to any such foreclosure proceeding and to foreclose their rights will not be, nor be asserted to be by Grantor, a defense to any proceeding instituted by Mortgagee to collect the Obligations.

(e) Institute an action, suit or proceeding in equity for the specific performance of any of the provisions contained in the Credit Agreement, in any Mortgage Document or herein; or

(f) Sue and recover a judgment on the Obligations, as the same become due and payable, or on account of any default or defaults by Grantor under the Credit Agreement, under any Mortgage Document or hereunder; or

(g) Apply for the appointment of a receiver, custodian, trustee, liquidator or conservator of the Premises, to be invested with the fullest powers permitted under applicable law, as a matter of right and without regard to or the necessity to disprove the adequacy of the security for the Obligations or the solvency of Grantor or any other person liable for the payment of the Obligations, and Grantor and each other person so liable waives or shall be deemed to have waived such necessity and consents or shall be deemed to have consented to such appointment; or

(h) Enter upon the Premises, and exclude Grantor and its agents and servants wholly therefrom, without liability for trespass, damages or otherwise, and take possession of all books, records and accounts relating thereto, and Grantor agrees to surrender possession of the Premises and of such books, records and accounts to Trustee or Mortgagee on demand after the happening of any Event of Default; and having and holding the same may use, operate, manage, preserve, control and otherwise deal therewith and conduct the business thereof, either personally or by its superintendents, managers, agents, servants, attorneys or receivers, without interference from Grantor; and upon each such entry and from time to time thereafter may, at the expense of Grantor and the Premises, without interference by Grantor and as it may deem advisable, (i) either by purchase, repair or construction, may maintain and restore the Premises, (ii) may insure or reinsure the same, (iii) may make all necessary or proper repairs, renewals, replacements, reforestation as may be customary in the industry, alterations, additions, betterments and improvements thereto and thereon, (iv) may complete the construction of the Improvements and, in the course of such completion, may make such changes in the contemplated or completed Improvements as it may deem advisable, (v) may in every such case in connection with the foregoing have the right to exercise all rights and powers of Grantor with respect to the Premises, either in Grantor's name or otherwise, including the right to make, cancel, enforce or modify leases and subleases, obtain and evict tenants and subtenants on such terms as it shall deem advisable; or

(i) With or without the entrance upon or taking possession of the Premises, collect and receive all earnings, revenues, rents, issues, profits, income and cash collateral derived from the Premises, and after deducting therefrom all costs and expenses of every character incurred by Trustee or Mortgagee in collecting the same and in using, operating, managing, preserving and controlling the Premises, and otherwise in exercising Trustee's or Mortgagee's rights under subsection (h) of this Section, including all amounts necessary to pay Impositions, insurance premiums and other charges in connection with the Premises, as well as reasonable compensation for the services of Trustee, Mortgagee and their respective attorneys, agents and employees, apply the remainder as provided in Section 6.05; or

(j) Release any portion of the Premises for such consideration as Trustee or Mortgagee may require without, as to the remainder of the Premises, in any way impairing or affecting the lien or priority of this Mortgage, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the Obligations shall have been reduced by the actual monetary consideration, if any, received by Trustee or Mortgagee for such release, and may accept by assignment, pledge or otherwise any other property in place thereof as Trustee or Mortgagee may require without being accountable for so doing to any other lienor; or

(k) Take all actions permitted under the Uniform Commercial Code of the State in which the Premises are located; or

(l) Take any other action, or pursue any other right or remedy, as Trustee or Mortgagee may have under applicable law, and Grantor does hereby grant the same to Trustee and Mortgagee.

In the event that Trustee or Mortgagee shall exercise any of the rights or remedies set forth in subsections (h) and (i) of this Section, neither such party shall be deemed to have entered upon or taken possession of the Premises except upon the exercise of its option to do so, evidenced by its demand and overt act for such purpose, nor shall either be deemed a mortgagee in possession by reason of such entry or taking possession. Neither Trustee nor Mortgagee will be liable to account for any action taken pursuant to any such exercise other than for rents actually received by such party, nor liable for any loss sustained by Grantor resulting from any failure to let the Premises, or

from any other act or omission of Trustee or Mortgagee except to the extent such loss is caused by the willful misconduct or bad faith of such party. Grantor hereby consents to, ratifies and confirms the exercise by either Trustee or Mortgagee of said rights and remedies, and appoints each of Trustee and Mortgagee as its attorney-in-fact, which appointment shall be deemed to be coupled with an interest and is irrevocable, for such purposes.

SECTION 6.03. Expenses. In any proceeding, judicial or otherwise, to foreclose this Mortgage or enforce any other remedy of Trustee or Mortgagee under the Credit Agreement, under any Mortgage Document or hereunder, there shall be allowed and included as an addition to and a part of the Obligations in the decree for sale or other judgment or decree all expenditures and expenses which may be paid or incurred in connection with the exercise by Trustee or Mortgagee of any of its rights and remedies provided or referred to in Section 6.02, and the same shall be secured by this Mortgage.

SECTION 6.04. Rights Pertaining to Sales. The following provisions shall apply to any sale or sales of all or any portion of the Premises under or by virtue of this Article VI, whether made under the power of sale herein granted or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale:

(a) Trustee or Mortgagee, as applicable, may conduct any number of sales from time to time. The power of sale set forth in Section 6.02(d) hereof shall not be exhausted by any one or more such sales as to any part of the Premises which shall not have been sold, nor by any sale which is not completed or is defective in Trustee's or Mortgagee's opinion, until the Obligations shall have been paid in full.

(b) Any sale may be postponed or adjourned by public announcement at the time and place appointed for such sale or for such postponed or adjourned sale without further notice.

(c) After each sale, Trustee or Mortgagee, as applicable, or an officer of any court empowered to do so, shall execute and deliver to the purchaser or purchasers at such sale a good and sufficient instrument or instruments granting, conveying, assigning and transferring all right, title and interest of Grantor in and to the property and

rights sold and shall receive the proceeds of said sale or sales and apply the same as herein provided. Trustee and Mortgagee, as applicable, are hereby appointed the true and lawful attorney-in-fact of Grantor, which appointment is irrevocable and shall be deemed to be coupled with an interest, in Grantor's name and stead, to make all necessary conveyances, assignments, transfers and deliveries of the property and rights so sold, and for that purpose Trustee or Mortgagee, as applicable, may execute all necessary instruments of conveyance, assignment, transfer and delivery, and may substitute one or more persons with like power, Grantor hereby ratifying and confirming all that said attorney or such substitute or substitutes shall lawfully do by virtue thereof. Nevertheless, Grantor, if requested by Trustee or Mortgagee, shall ratify and confirm any such sale or sales by executing and delivering to Trustee or Mortgagee, as applicable, or such purchaser or purchasers all such instruments as may be advisable, in Trustee's or Mortgagee's judgment, for the purposes designated in such request.

(d) Any and all statements of fact or other recitals made in any of the instruments referred to in subsection (c) of this Section given by Trustee or Mortgagee, as applicable, as to nonpayment of the Obligations, or as to the occurrence of any Event of Default, or as to Mortgagee having declared all or any of the Obligations to be due and payable, or as to the request to sell, or as to notice of time, place and terms of sale and of the property or rights to be sold having been duly given, or as to the refusal, failure or inability to act of Trustee, or as to the appointment of any substitute or successor Trustee, or as to any other act or thing having been duly done by Mortgagee or by such Trustee, shall be taken as prima facie evidence of the truth of the facts so stated and recited. Trustee or Mortgagee, as applicable, may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale so held, including the posting of notices and the conduct of sale, but in the name and on behalf of Trustee or Mortgagee, as applicable.

(e) The receipt of Trustee or Mortgagee, as applicable, for the purchase money paid at any such sale, or the receipt of any other person authorized to give same, shall be sufficient discharge therefor to any purchaser of any property or rights sold as aforesaid, and no such purchaser, or its representatives, grantees or assigns, after paying such purchase price and receiving such receipt, shall be bound to see to the application of such purchase price or

any part thereof upon or for any trust or purpose of this Mortgage or, in any manner whatsoever, be answerable for any loss, misapplication or nonapplication of any such purchase money, or part thereof, or be bound to inquire as to the authorization, necessity, expediency or regularity of any such sale.

(f) Any such sale or sales shall operate to divest all of the estate, right, title, interest, claim and demand whatsoever, whether at law or in equity, of Grantor in and to the properties and rights so sold, and shall be a perpetual bar both at law and in equity against Grantor and any and all persons claiming or who may claim the same, or any part thereof, by, through or under Grantor to the fullest extent permitted by applicable law.

(g) Upon any such sale or sales, Mortgagee or any holder of the Obligations may bid for and acquire the Premises and, in lieu of paying cash therefor, may make settlement for the purchase price by crediting against the Obligations the amount of the bid made therefor, after deducting therefrom the expenses of the sale, the cost of any enforcement proceeding hereunder and any other sums which Trustee or Mortgagee is authorized to deduct under the terms hereof, to the extent necessary to satisfy such bid.

(h) In the event that Grantor, or any person claiming by, through or under Grantor, shall transfer or refuse or fail to surrender possession of the Premises after any sale thereof, then Grantor or such person shall be deemed a tenant at sufferance of the purchaser at such sale, subject to eviction by means of forcible entry and detainer proceedings, or subject to any other right or remedy available hereunder or under applicable law.

(i) Upon any such sale, it shall not be necessary for Trustee, Mortgagee or any public officer acting under execution or order of court to have present or constructively in its possession any or all of the Premises.

(j) In the event of any sale referred to in this Section, all of the Obligations, if not previously due and payable, immediately thereupon shall, notwithstanding anything to the contrary in the Credit Agreement, in any Mortgage Document or herein, become due and payable.

(k) This instrument shall be effective as a mortgage and open end mortgage as well as a deed of trust,

trust deed or deed to secure debt; in the event a foreclosure hereunder shall be commenced by Trustee or Mortgagee, as applicable, Trustee or Mortgagee, as applicable, may, at any time before the sale of the Premises, abandon the sale, and may institute suit for the collection of the Obligations and for the foreclosure of this Mortgage, or in the event that Trustee or Mortgagee, as applicable, should institute a suit for collection of the Obligations, and for the foreclosure of this Mortgage, Mortgagee may at any time before the entry of final judgment in said suit dismiss the same and sell, or require Trustee to sell, the Premises in accordance with the provisions of this Mortgage.

(l) To the extent the Premises are located in the State of Michigan, Grantor hereby waives all rights to a hearing prior to sale in connection with any foreclosure of this Mortgage by advertisement and all notice requirements except as set forth in the Michigan statute providing for foreclosure by advertisement.

(m) To the extent the Premises are located in the State of Mississippi, Grantor waives the provisions of Section 89-1-55 of the Code of Mississippi of 1972, and laws amendatory thereof, if any, as far as said section restricts the right of Trustee to offer at sale more than 160 acres at a time, and Trustee may offer the Premises as a whole, regardless of the manner in which it may be described. Grantor also waives the provisions of Section 89-1-59 of the Mississippi Code of 1972.

SECTION 6.05. Application of Proceeds. The purchase money, proceeds or avails of any sale referred to in Section 6.04, together with any other sums which may be held by Trustee or Mortgagee hereunder, whether under the provisions of this Article VI or otherwise, shall, except as herein expressly provided to the contrary, be applied as follows.

First: To the payment of the costs and expenses of any such sale, including reasonable compensation to Trustee, Mortgagee, their agents and counsel, and of any judicial proceeding wherein the same may be made, and of all expenses, liabilities and advances made or incurred by Trustee or Mortgagee hereunder, together with interest thereon as provided herein, and all taxes, assessments and other charges, except any taxes, assessments or other charges subject to which the Premises shall have been sold.

Second: Ratably, to the payment in full of the Obligations (including principal, interest, premium and fees in such order as Mortgagee may elect).

Third: To the extent permitted by applicable law, to be set aside by Trustee or Mortgagee as adequate security in its judgment for the payment of sums which would have been paid by application under clauses First and Second above to Trustee or Mortgagee, arising out of an obligation or liability with respect to which Grantor has agreed to indemnify it, but which sums are not yet due and payable or liquidated.

Fourth: To the payment of the surplus, if any, to whomsoever may be lawfully entitled to receive the same.

SECTION 6.06. Additional Provisions as to Remedies.

(a) No right or remedy herein conferred upon or reserved to Trustee or Mortgagee is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and continuing, shall be in addition to every other right or remedy given under the Credit Agreement, under any Mortgage Document or hereunder or now or hereafter existing at law or in equity, and may be exercised from time to time and as often as may be deemed expedient by Trustee or Mortgagee.

(b) No delay or omission by Trustee or Mortgagee to exercise any right or remedy hereunder upon an Event of Default shall impair such exercise, or be construed to be a waiver of any such Event of Default or an acquiescence therein.

(c) The failure, refusal or waiver by Trustee or Mortgagee of its right to assert any right or remedy hereunder upon any Event of Default or other occurrence shall not be construed as waiving such right or remedy upon any other or subsequent Event of Default or other occurrence.

(d) Neither Trustee nor Mortgagee shall have any obligation to pursue any rights or remedies it may have under any other agreement prior to pursuing its rights or remedies under the Credit Agreement, under any Mortgage Document or hereunder.

(e) No recovery of any judgment by Trustee or Mortgagee and no levy of an execution upon the Premises or

any other property of Grantor shall affect, in any manner or to any extent, the lien and security interest of this Mortgage upon the Premises, or any liens, rights, powers or remedies of Trustee or Mortgagee hereunder, and such liens, rights, powers and remedies shall continue unimpaired as before.

(f) Trustee and Mortgagee may resort to any security given by this Mortgage or any other security now given or hereafter existing to secure the Obligations, in whole or in part, in such portions and in such order as Trustee or Mortgagee may deem advisable, and no such action shall be construed as a waiver of any of the liens, rights or benefits granted hereunder.

(g) Acceptance of any payment after the occurrence of an Event of Default shall not be deemed a waiver or a cure of such Event of Default, and acceptance of any payment less than any amount then due shall be deemed an acceptance on account only.

(h) Nothing in the Credit Agreement, in any Mortgage Document or herein shall affect the obligations of Grantor to pay the Obligations in the manner and at the time and place herein or therein respectively expressed.

(i) In the event that Trustee or Mortgagee shall have proceeded to enforce any right or remedy hereunder by foreclosure, sale, entry or otherwise, and such proceeding shall be discontinued, abandoned or determined adversely for any reason, then Grantor, Trustee and Mortgagee shall be restored to their former positions and rights hereunder with respect to the Premises, subject to the lien hereof.

SECTION 6.07. Waiver of Rights and Defenses. To the full extent Grantor may do so, Grantor agrees with Mortgagee as follows:

(a) Grantor will not at any time insist on, plead, claim or take the benefit or advantage of any statute or rule of law now or hereafter in force providing for any appraisement, valuation, stay, extension, moratorium or redemption, or of any statute of limitations, and Grantor, for itself and its heirs, devisees, representatives, successors and assigns, and for any and all persons ever claiming an interest in the Premises, hereby waives and releases all rights of redemption, valuation, appraisement, notice of intention to mature or declare due the whole of the Obli-

gations, and all rights to a marshaling of the assets of Grantor, including the Premises, or to a sale in inverse order of alienation, in the event of foreclosure of the liens and security interests created hereunder. To the extent the Premises are located in the State of Illinois, the foregoing waiver is made pursuant to Section 12-124 of the Illinois Code of Civil Procedure.

(b) Grantor shall not have or assert any right under any statute or rule of law pertaining to any of the matters set forth in subsection (a) of this Section, to the administration of estates of decedents or to any other matters whatsoever to defeat, reduce or affect any of the rights or remedies of Trustee or Mortgagee hereunder, including the rights of Trustee or Mortgagee hereunder to a sale of the Premises for the collection of the Obligations without any prior or different resort for collection, or to the payment of the Obligations out of the proceeds of sale of the Premises in preference to any other person (other than the holder of a Permitted Encumbrance).

(c) If any statute or rule of law referred to in this Section and now in force, of which Grantor or any of its heirs, devisees, representatives, successors or assigns and such other persons claiming any interest in the Premises might take advantage despite this Section, shall hereafter be repealed or cease to be in force, such statute or rule of law shall not thereafter be deemed to preclude the application of this Section.

(d) Grantor shall not be relieved of its obligation to pay the Obligations at the time and in the manner provided in the Credit Agreement, in any Mortgage Document or herein, nor shall the lien, security interest or priority of this Mortgage or any Mortgage Document be impaired by any of the following actions, non-actions or indulgences by Trustee or Mortgagee, each of which actions, non-actions or indulgences Trustee or Mortgagee may, in its discretion, take or refrain from taking:

(i) any failure or refusal by Trustee or Mortgagee to comply with any request by Grantor (X) to consent to any action by Grantor or (Y) to take any action to foreclose this Mortgage or otherwise enforce any of the provisions of the Credit Agreement, of any Mortgage Document or hereof;

(ii) any release, regardless of consideration, of the whole or any part of the Premises or any other security for the Obligations, or any person liable for payment of the Obligations;

(iii) any waiver by Mortgagee of compliance by Grantor with any provision of the Credit Agreement, any Mortgage Document or this Mortgage, or consent by Mortgagee to the performance by Grantor of any action which would otherwise be prohibited hereunder or thereunder, or to the failure by Grantor to take any action which would otherwise be required hereunder or thereunder; and

(iv) any agreement or stipulation between Trustee or Mortgagee and Grantor, or, with or without Grantor's consent, between Trustee or Mortgagee and any subsequent owner or owners of the Premises or any other security for the Obligations, renewing, extending or modifying the time of payment or the terms of the Credit Agreement, any Mortgage Document or this Mortgage (including a modification of any interest rate), and in any such event Grantor shall continue to be obligated to pay the Obligations at the time and in the manner provided in the Credit Agreement, in the Mortgage Documents and herein, as so renewed, extended or modified, unless expressly released and discharged by Mortgagee.

SECTION 6.08. Exercise by Trustee. Notwithstanding anything herein to the contrary, Trustee (a) shall not exercise, or waive the exercise of, any of its rights or remedies under this Article (other than its right to reimbursement) except upon the request of Mortgagee, and (b) shall exercise, or waive the exercise of, any or all of such rights or remedies upon the request of Mortgagee and at the direction of Mortgagee as to the manner of such exercise or waiver, provided that Trustee shall have the right to decline to follow any of such request or direction if Trustee shall be advised by counsel that the action or proceeding, or manner thereof, so directed may not lawfully be taken or waived.

## ARTICLE VII

### Defeasance

SECTION 7.01. Defeasance. If the Bank Obligations shall be paid as the same become due and payable, then and in that event only all rights hereunder shall terminate and the

Premises shall become wholly released and cleared of the liens, security interests, conveyances and assignments evidenced hereby, upon receipt by Trustee or Mortgagee, as applicable, of evidence satisfactory to it that the foregoing conditions have been satisfied, at Grantor's sole cost and expense. In such event, Trustee and/or Mortgagee, as applicable, shall, at the request of Grantor, promptly deliver to Grantor, in recordable form, all such documents as shall be necessary to release the Premises from the liens, security interests, conveyances and assignments evidenced hereby. Notwithstanding anything in the preceding sentence to the contrary, Trustee shall so release the Premises only upon the direction of Mortgagee.

## ARTICLE VIII

### Additional Provisions

#### SECTION 8.01. Provisions as to Payments, Advances.

(a) All payments of the Bank Obligations shall be made in such lawful money of the United States of America as shall be legal tender for payment of all debts, public and private, at the time of payment, shall be made in the manner expressly designated therefor or, if no such designation is made, at the address of Mortgagee indicated in Section 8.04, or at such other place as Mortgagee may designate from time to time.

(b) If any of the Obligations cannot lawfully be secured by this Mortgage, or if any part of the Premises cannot lawfully be subject to the lien and security interest hereof, to the full extent of said Obligations, then all payments made thereon shall be applied first in discharge of that portion thereof which is unsecured by this Mortgage.

(c) To the extent that any of the Obligations are used to pay indebtedness secured by any Permitted Encumbrance or other outstanding lien, security interest or charge against the Premises or to pay in whole or in part the purchase price therefor, Trustee and Mortgagee shall be subrogated to any and all rights, security interests and liens held by any owner or holder of the same, whether or not the same are released. Grantor agrees that, in consideration of such payment by Trustee or Mortgagee, Grantor hereby waives and releases all demands, defenses and causes of action for offsets and payments with respect to the same.

(d) Any payment made under this Mortgage by any person at any time liable for the payment of the Obligations,

or by any subsequent owner of the Premises, or by any other person whose interest in the Premises might be prejudiced in the event of a failure to make such payment, or by any partner, stockholder, officer or director thereof, shall be deemed, as between Trustee or Mortgagee and all such persons, to have been made on behalf of all such persons.

(e) With respect to that portion of the Premises located in New York, all Advances secured hereby and the right to such Advances shall, in compliance with Section 13 of the New York Lien Law, be received and held by Grantor as a trust fund to be applied first for the purpose of paying the cost of any Improvement and Grantor shall apply the same first to the payment of the cost of such Improvement before using any part of the total of the same for any other purpose.

SECTION 8.02. Usury Savings Clause. All agreements in the Credit Agreement, in any Mortgage Document or herein are expressly limited so that in no contingency or event whatsoever, whether by reason of advancement or acceleration of maturity of the Obligations, or otherwise, shall the amount paid or agreed to be paid hereunder for the use, forbearance or detention of money exceed the highest lawful rate permitted under applicable usury laws. If, from any circumstance whatsoever, fulfillment of any provision of the Credit Agreement, of any Mortgage Document or hereof, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law which a court of competent jurisdiction may deem applicable hereto, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity and if, from any circumstance whatsoever, Trustee or Mortgagee shall ever receive as interest an amount which would exceed the highest lawful rate, the receipt of such excess shall be deemed a mistake and shall be cancelled automatically or, if theretofore paid, such excess shall be credited against the principal amount of the Obligations to which the same may lawfully be credited, and any portion of such excess not capable of being so credited shall be rebated to Grantor.

SECTION 8.03. Separability. If, in any jurisdiction, all or any portion of any provision of the Credit Agreement, any Mortgage Document or this Mortgage shall be held to be invalid, illegal or unenforceable in any respect, then, at Mortgagee's option, such invalidity, illegality or unenforceability shall not affect any other provision thereof or hereof, and such provision shall be limited and construed in such jurisdiction as if such

invalid, illegal or unenforceable provision or portion thereof were not contained therein or herein.

SECTION 8.04. Notices. Any notice, demand, consent, approval, direction, request, agreement or other communication (any "Notice") required or permitted hereunder shall be in writing and shall be validly given if mailed by United States Mail, registered or certified mail, return receipt requested, postage prepaid, or if delivered in person or by telex, telegram or cable, addressed as follows to the person entitled to receive the same:

If to Grantor:

Diamond International Corporation  
733 Third Avenue  
New York, New York 10017  
Attention: Secretary

with a copy to:

Skadden, Arps, Slate, Meagher & Flom  
919 Third Avenue  
New York, New York 10022  
Attention: Theodore J. Kozloff

If to Mortgagee:

Manufacturers Hanover Trust Company  
40 Wall Street  
New York, New York 10015  
Attention: Escrow Administration

and to:

Leslie Howard Savran  
40 Wall Street  
New York, New York 10015  
Attention: Escrow Administration

If to Trustee:

Pioneer National Title Insurance Company  
120 Broadway  
New York, New York 10271  
Attention: First Vice President

Any Notice shall be deemed to have been validly given hereunder when so mailed, telexed, telegraphed or cabled.

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Any person shall have the right to specify, from time to time, as its address or addresses for purposes of this Mortgage, any other address or addresses in the United States of America upon giving 30 days notice thereof to each other person then entitled to receive notices or other instruments hereunder. If any notice or other instrument shall be given otherwise than as specified in this Section, the same shall not be deemed to have been validly given hereunder until the same is, in fact, received by the person to whom it was sent.

SECTION 8.05. Right to Deal. In the event that ownership of the Premises becomes vested in a person other than Grantor, Trustee and Mortgagee may, without notice to Grantor, deal with such successor or successors in interest with reference to this Mortgage or the Obligations in the same manner as with Grantor, without in any way vitiating or discharging Grantor's liability hereunder or for the payment of the Obligations or being deemed a consent to such vesting.

SECTION 8.06. No Merger. (a) If both the lessor's and the lessee's interest under any lease which constitutes a part of the Premises shall at any time become vested in any one person, this Mortgage and the lien and security interest created hereby shall not be destroyed or terminated by the application of the doctrine of merger and, in such event, Trustee and Mortgagee shall continue to have and enjoy all of the rights and privileges of Trustee and Mortgagee hereunder as to each separate estate.

(b) Upon the foreclosure of the lien created hereby on the Premises, as herein provided, any leases then existing shall not be destroyed or terminated by application of the doctrine of merger or as a matter of law or as a result of such foreclosure unless Trustee or Mortgagee or any purchaser at a foreclosure sale shall so elect by notice to the lessee in question.

SECTION 8.07. Applicable Law. This Mortgage shall be governed by, and construed in accordance with, the law of the State in which the Premises are located.

SECTION 8.08. Equal and Ratable Security for the Existing Obligations. The Existing Obligations each provide that Grantor will not create any mortgage, pledge, security interest or lien upon certain of the Premises without providing that the Existing Obligations shall be equally and ratably secured by such mortgage, pledge, security interest or lien. In clarification of (i) the fulfillment of

Grantor's obligation to provide equal and ratable security for the holders of the Existing Obligations and (ii) the rights of the holders of the Obligations, Grantor hereby declares and Trustee and Mortgagee agree that:

(a) For so long as the Bank Obligations remain outstanding, the Bank Obligations and the Existing Obligations shall be equally and ratably secured by this Mortgage.

(b) Mortgagee may deal with the Premises and may issue, or instruct Trustee to issue, as applicable, any release to be given hereunder pursuant to Section 2.04, 5.02 or 7.01 or take any other action, or instruct Trustee to take any other action, as applicable, required or permitted hereunder, without reference to or the approval of the holders of the Obligations and any third party (including any title insurance company issuing a title insurance policy, or a commitment to issue a title insurance policy, in connection with the Premises) may conclusively rely on the due authority of Mortgagee (or Trustee, if so instructed by Mortgagee) to do any or all of the foregoing.

(c) Upon satisfaction of the Bank Obligations, whether by way of discharge, release, exchange, extinguishment, cancellation or otherwise, Grantor's obligation to continue the security provided by this Mortgage for the benefit of the holders of the Existing Obligations shall thereupon cease without any requirement of notice to or approval of the holders of the Existing Obligations and whether or not the Existing Obligations are then in default.

SECTION 8.09. Appointment of Trustee and Mortgagee. Grantor hereby appoints each of Trustee and Mortgagee its attorney-in-fact, which appointment is irrevocable and shall be deemed to be coupled with an interest, to execute, acknowledge, deliver and file or record for and in the name of Grantor any of the documents or instruments referred to in Section 2.01(d) and (e).

SECTION 8.10. Sole Discretion of Trustee and Mortgagee. Whenever Trustee's or Mortgagee's judgment, consent or approval is required hereunder for any matter, or either shall have an option or election hereunder, such judgment, the decision as to whether or not to consent to or approve the same or the exercise of such option or election

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shall be in the sole discretion of Trustee or Mortgagee, as the case may be, unless otherwise indicated herein to be reasonably given or exercised.

SECTION 8.11. Provisions as to Covenants and Agreements. All of Grantor's covenants and agreements hereunder shall run with the land and time is of the essence with respect thereto.

SECTION 8.12. Matters to be in Writing. This Mortgage cannot be altered, amended, modified, terminated or discharged except in a writing signed by the party against whom enforcement of such alteration, amendment, modification, termination or discharge is sought. No waiver, release or other forbearance by Trustee or Mortgagee will be effective against Trustee or Mortgagee unless it is in a writing signed by Mortgagee, and then only to the extent expressly stated.

SECTION 8.13. Construction of Provisions. The following rules of construction shall be applicable for all purposes of this Mortgage and all documents or instruments supplemental hereto, unless the context otherwise requires:

(a) All references herein to numbered Articles or Sections or to lettered Exhibits are references to the Articles and Sections hereof and the Exhibits annexed to this Mortgage, unless expressly otherwise designated in context.

(b) The terms "include", "including" and similar terms shall be construed as if followed by the phrase "without being limited to."

(c) The term "Premises" shall be construed as if followed by the phrase "or any part thereof."

(d) The terms "Obligations", "Bank Obligations" and "Existing Obligations" each shall be construed as if followed by the phrase "or any part thereof".

(e) Words of masculine, feminine or neuter gender shall mean and include the correlative words of the other genders, and words importing the singular number shall mean and include the plural number, and vice versa.

(f) The term "person" shall include natural persons, firms, partnerships, corporations and any other public and private legal entities.

(g) The term "provisions", when used with respect hereto or to any other document or instrument, shall be construed as if preceded by the phrase "terms, covenants, agreements, requirements, conditions and/or".

(h) All Article, Section and Exhibit captions herein are used for convenience and reference only and in no way define, limit or describe the scope or intent of, or in any way affect, this Mortgage.

(i) No inference in favor of, or against, any party shall be drawn from the fact that such party has drafted any portion hereof.

(j) The cover page of and all recitals set forth in, and all Exhibits to, this Mortgage are hereby incorporated in this Mortgage.

(k) All obligations of Grantor hereunder shall be performed and satisfied by or on behalf of Grantor at Grantor's sole cost and expense.

(l) The term "lease" shall mean "tenancy, subtenancy, lease or sublease" and the term "lessee" shall mean "tenant, subtenant, lessee and sublessee".

SECTION 8.14. Successors and Assigns. The provisions hereof shall be binding upon Grantor and the heirs, devisees, representatives, successors and assigns of Grantor, including successors in interest of Grantor in and to all or any part of the Premises, and shall inure to the benefit of Trustee, Mortgagee and the holders of the Obligations and their respective heirs, successors, legal representatives, substitutes and assigns. All references in this Mortgage to Grantor, Trustee or Mortgagee shall be construed as including all of such other persons with respect to the person referred to. Where two or more persons have executed this Mortgage, the obligations of such persons shall be joint and several except to the extent the context clearly indicates otherwise.

SECTION 8.15. Counterparts. This Mortgage may be executed in any number of counterparts with the same effect as if all parties hereto had executed the same document. All such counterparts shall be construed together and shall constitute one instrument, but in making proof hereof it shall only be necessary to produce one such counterpart.

## ARTICLE IX

Provisions as to Trustee

SECTION 9.01. Trustee's Appointment. Trustee may resign by an instrument in writing addressed to Mortgagee, or Trustee may be removed at any time with or without cause by an instrument in writing executed by Mortgagee and duly recorded. In case of the death, resignation, removal or disqualification of Trustee or if for any reason Mortgagee shall deem it desirable to appoint a substitute or successor trustee to act instead of Trustee herein named or any substitute or successor Trustee, then Mortgagee shall have the right and is hereby authorized and empowered to appoint a successor Trustee, or a substitute Trustee, without other formality than appointment and designation in writing executed and acknowledged by Mortgagee and the recordation of such writing in the office where this Mortgage is recorded, and the authority hereby conferred shall extend to the appointment of other successor and substitute Trustees successively until the Bank Obligations have been paid in full or until the Premises are sold hereunder. Such appointment and designation by Mortgagee shall be full evidence of the right and authority to make the same and of all facts therein recited. If Mortgagee is a corporation or a national banking association and such appointment is executed in its behalf by an officer of such corporation or national banking association, such appointment shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of any action by the board of directors or any superior officer of the corporation or national banking association. Upon the making of such appointment and designation, all of the estate and title of Trustee in the Premises shall vest in the named successor or substitute Trustee and it shall thereupon succeed to and shall hold, possess and execute all the rights, powers, privileges, immunities and duties herein conferred upon Trustee; but, nevertheless, upon the written request of Mortgagee or of the successor or substitute Trustee, Trustee ceasing to act shall execute and deliver an instrument transferring to such successor or substitute Trustee all of the estate and title in the Premises of Trustee so ceasing to act, together with all the rights, powers, privileges, immunities and duties herein conferred upon Trustee, and shall duly assign, transfer and deliver any of the properties and moneys held by said Trustee hereunder to said successor or substitute Trustee. All references herein to Trustee shall be deemed to refer to Trustee (including any successor or substitute appointed and designated as herein provided) from time to time acting hereunder. Grantor hereby ratifies and confirms any and all acts which Trustee herein named or

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its successor or successors, substitute or substitutes, in this trust, shall do lawfully by virtue hereof.

SECTION 9.02. Exculpation. Trustee shall not be liable for any error of judgment or act done by Trustee in good faith, or be otherwise responsible or accountable under any circumstances whatsoever, except for Trustee's gross negligence or willful misconduct. Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by it hereunder, believed by it in good faith to be genuine. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and Trustee shall be under no liability for interest on any moneys received by it hereunder.

IN WITNESS WHEREOF, Grantor has executed this Mortgage under seal this 19th day of November, 1982.

Witnesses to execution  
by Diamond International  
Corporation:  
Signed, sealed and delivered  
in the presence of:

DIAMOND INTERNATIONAL  
CORPORATION

BOOK 425 PAGE 62

Angela P. Fleming  
Name: Angela P. Fleming  
Address: 84-70 129th Street  
Kew Gardens, New York  
11415

By George Pascale  
Name: George Pascale  
Title: Vice President  
and Secretary

Kevin Handwerker  
Name: Kevin Handwerker  
Address: 336 East 50th Street  
New York, New York 10022

Angela P. Fleming  
Name: Angela P. Fleming  
Address: 84-70 129th Street  
Kew Gardens, New York  
11415

By Ronald D. Rocheleau  
Name: Ronald D. Rocheleau  
Title: Treasurer

Kevin Handwerker  
Name: Kevin Handwerker  
Address: 336 East 50th Street  
New York, New York 10022

[Corporate Seal]  
733 Third Avenue  
New York, New York 10017

STATE OF NEW YORK )  
 ) ss.:  
COUNTY OF NEW YORK )

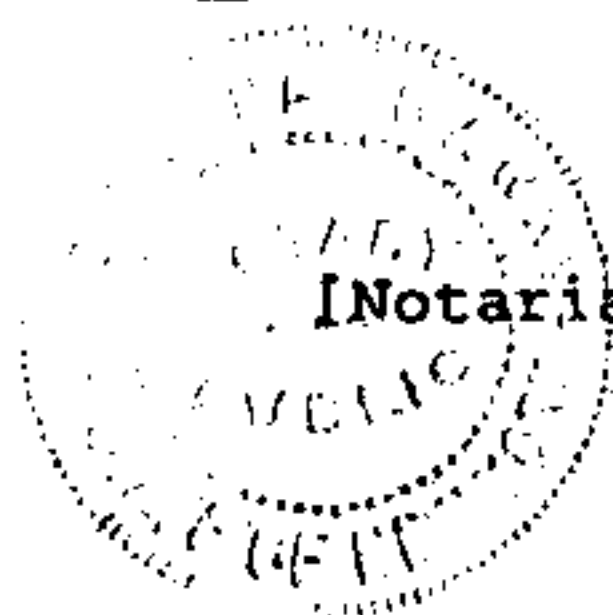
I, the undersigned authority, a Notary Public in and for said county in said state, hereby certify that George Pascale and Ronald D. Rocheleau, whose names as the Vice President and Secretary and the Treasurer of Diamond International Corporation, a corporation, are signed to the foregoing instrument, and who are known to me acknowledged before me on this day that, being informed of the contents of said instrument, they, as such officers and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this 19th day of November, 1982.

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*Johanna Barry*  
Notary Public

My Commission Expires March 30, 1984



[Notarial Seal]

JOHANNA BARRY  
Notary Public, State of New York  
No. 41-4767460  
Qualified in Queens County  
Certificate Filed in New York County  
Commission Expires March 30, 1984

84 8B

EXHIBIT A

PARCEL 1:

The following described real estate, situated in Shelby County, Alabama:

PARCEL 1A:

A parcel of land situated in the NE $\frac{1}{4}$  of Section 6, Township 24 North, Range 13 East, and more exactly described as follows: Begin at center of the North side of said Section 6 and go Eastward along it 309.3 feet; thence at an angle of 87 deg. 07' 30" to the right 1966.82 feet to intersection of South boundary of Highway 25; thence at an angle of 91 deg. 38' to the left and along said boundary 316.5 feet to point of beginning of said land; thence continue Eastward along Highway boundary 315.2 feet; thence at an angle of 91 deg. 38' a distance of 449.0 feet; thence at an angle of 88 deg. 22' to the right a distance of 315.2 feet; thence at an angle of 91 deg. 38' to the right 449.0 feet to point of beginning, said tract containing 3.25 acres according to survey made on 12th day of August, 1967.

PARCEL 1B:

Begin at the center of North side of Section 6, Township 24 North, Range 13 East and proceed Easterly along the North side of said Section 6 a distance of 309.3 feet; thence at an angle to the right of 87 deg. 07' 30" a distance of 1916.82 feet to the North right of way line of Highway 25; thence at an angle to the left of 91 deg. 38' and along said North right of way line a distance of 783.4 feet; thence at an angle to the right of 91 deg. 38' a distance of 50.1 feet to a point on the South right of way line of Highway 25, the point of beginning; thence continue along last named line a distance of 280.0 feet; thence at an angle to the right of 90 deg. 00' a distance of 151.5 feet; thence at an angle to right of 90 deg. 00' a distance of 275.8 feet to south right of way of Highway 25; thence at an angle to the right of 88 deg. 22' and along said south right of way a distance of 151.7 feet to point of beginning.

PARCEL 1C:

A parcel of land containing 14.3 acres and situated in the SW $\frac{1}{4}$  of NE $\frac{1}{4}$  of Section 6, Township 24, North, Range 13 East and described as follows: Begin at the SE corner of said SW $\frac{1}{4}$  of NE $\frac{1}{4}$  and go Westward along the South side of same 576.0 feet; thence at an angle of 90 deg. 00' to the right 75.0 feet; thence at an angle of 90 deg. 00' to the left 120.0 feet; thence at an angle of 90 deg. 00' to the left 75.0 feet to the South side of said Quarter Quarter Section; thence at an angle of 90 deg. 00' to the right and along this side 415.51 feet to the SE border of paved County Highway; thence at an angle of 122 deg. 43' to the right and along this border 819.54 feet to intersection South border of Highway 25; thence at an angle of 53 deg. 32' to the right and along this border 678.60 feet to East side of said Quarter Quarter section; thence at an angle of 94 deg. 31' to the right and along this side 733.91 feet to point of beginning.

EXCEPT property conveyed to W. L. Lawler and W. L. Lawler, Jr., d/b/a Lawler Manufacturing Company by deed dated February 27, 1959, recorded in the Probate Office of Shelby County, Alabama, in Deed Book 201, page 23; ALSO EXCEPT property conveyed to Lawler Manufacturing Company, Inc., a Corporation by deed dated October 18, 1967, and recorded in Deed Book 250, page 631, in said Probate Office.

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EXHIBIT B

Permitted Encumbrances

1. The lien of this Mortgage.
2. The leasehold interest of the tenants under the leases described on Exhibit B-1 attached hereto and made a part hereof.
3. Liens in respect of Impositions (as defined in Section 2.07 hereof) not yet due and payable.
4. Any state of facts that an accurate survey or personal inspection would reveal.
5. The reservation by any prior grantor of any right, title and interest in and to all oil, gas and other hydrocarbon substances, minerals, ores and metals of every nature and kind in and under the Premises.
6. Rights, if any, relating to construction and maintenance, in connection with any public authority, of streets, tunnels, wires, poles, pipes and appurtenances thereto, on, under or across the Premises.
7. Regulations of any governmental authority, agency, department or instrumentality having or claiming jurisdiction of or with respect to or affecting the Premises.
8. Rights, easements and licenses in favor of, and agreements with, any public utility company including, but not limited to, gas, electricity, telephone, telegraph and cable television services and pipelines and private sewer agreements, which do not materially and adversely affect the use of the Premises for their current use.
9. Encumbrances of record which do not materially and adversely affect the use of the Premises for their current use.

EXHIBIT B-1

Leases

None

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SCHEDULE I

Merger Information

1. Corporations which have been merged into Grantor:

UNIFORM CHEMICAL PRODUCTS, INC.

SECURITY LITHOGRAPH COMPANY

MAGNETIC CODING COMPANY

SECURITY LITHOGRAPH COMPANY, LABEL DIVISION

SCHWABACHER-FREY COMPANY

PENOBSCOT COMPANY

THE UNITED STATES PLAYING CARD COMPANY

DIAMOND NATIONAL CORPORATION

THE HEEKIN CAN COMPANY

CALMAR, INC.

STATE FOREST PRODUCTS CO.

TILESTON AND HOLLINGSWORTH COMPANY

DIAMOND AUTOMATION, INC.

THE DAYTON PAPER STOCK CO.

LMF CORPORATION

FORREST LUMBER COMPANY

FOSTER LUMBER COMPANY, INC.

BROOKS-SCANLON, INC.

2. Corporations which have been merged into Foster Lumber Company, Inc.:

TYLANDER LUMBER COMPANY, INC.

3. Previous names of Penobscot Company:

PENOBSCOT CHEMICAL FIBRE COMPANY

ANNEX I

CONFORMED COPY

DIAMOND TRUST AGREEMENT

dated as of November 10, 1982

among

DIAMOND INTERNATIONAL CORPORATION

and

DIAMOND (USA) INC.

and

MANUFACTURERS HANOVER TRUST COMPANY  
(as the Corporate Trustee)

and

LESLIE HOWARD SAVRAN  
(as the Individual Trustee)

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## DIAMOND TRUST AGREEMENT

AGREEMENT dated as of November 10, 1982 among Diamond International Corporation, a Delaware corporation ("Diamond"), Diamond (USA) Inc., a Delaware corporation ("DUSA"), Manufacturers Hanover Trust Company, a New York corporation (the "Corporate Trustee") and Leslie Howard Savran, an individual residing in the State of New York (the "Individual Trustee"), each of the foregoing trustees being trustees for the holders of the Secured Debt referred to below.

### WITNESSETH:

WHEREAS, Diamond Acquisition Inc. ("Acquisition"), a Delaware corporation and wholly owned subsidiary of Diamond (USA) Inc., is to be merged (the "Merger") into Diamond pursuant to a certain Agreement and Plan of Merger dated November 1, 1982 by and among Acquisition, Diamond (USA) Inc. and Diamond;

WHEREAS, in order to help finance the Merger, Acquisition has entered into a Credit Agreement dated as of October 29, 1982 among Acquisition, Diamond (USA) Inc., the banks named therein and Citibank, N.A. as Agent for said banks (as the same may be modified by the Assumption Agreement (as hereinafter defined) and as the same may be amended and further modified from time to time, the "Credit Agreement"), and pursuant to the Assumption Agreement, Diamond has agreed or will agree, effective upon the effective time of the Merger (the "Effective Time"), to assume all of the obligations of Acquisition under the Credit Agreement and to grant such banks liens on and security interests in substantially all its assets from time to time owned by it;

WHEREAS, pursuant to the Credit Agreement, it is contemplated that Diamond will enter into a security and pledge agreement in substantially the form of Exhibit A with such changes thereto as shall be acceptable to the Majority Banks (as defined in the Credit Agreement) (the "General Security Agreement") and mortgages in substantially the form of Exhibit B with such changes thereto as shall be acceptable to the Majority Banks (the "Mortgages");

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WHEREAS, Diamond has entered into certain Note Purchase Agreements, each dated July 15, 1971 (the "1971 Agreements") with certain parties listed on Schedule 1 hereto whereby Diamond agreed to secure such parties "equally and ratably" with any other creditors of Diamond which may have a security interest in Diamond's Timberlands, Principal Manufacturing Facility or Debt or capital stock of a Restricted Subsidiary (each of the foregoing capitalized terms as defined in the 1971 Agreements);

WHEREAS, Diamond has entered into a certain Indenture dated as of September 1, 1976 with The Chase Manhattan Bank (National Association) (the "Chase Indenture") whereby Diamond agreed to secure the holders of the debentures issued thereunder "equally and ratably" with any other creditors of Diamond which may have a security interest in any Timberlands, Principal Manufacturing Property or capital stock of a Restricted Subsidiary (each of the foregoing capitalized terms as defined in the Chase Indenture);

WHEREAS, Diamond has entered into certain Purchase Agreements, each dated November 14, 1978 (the "1978 Agreements") with certain parties listed on Schedule 2 hereto whereby Diamond agreed to secure such parties "equally and ratably" with any other creditors of Diamond which may have a security interest in any Timberlands, Principal Manufacturing Facility or Debt or capital stock of a Restricted Subsidiary (each of the foregoing capitalized terms as defined in the 1978 Agreements); and

WHEREAS, this Agreement is intended to secure the Secured Debt (as hereinafter defined) equally and ratably to the extent required by the aforementioned agreements.

#### FIRST DECLARATION OF TRUST:

NOW, THEREFORE, in order to secure the Obligations (as hereinafter defined) arising out of and evidenced by all the Secured Debt Agreements (as hereinafter defined) and in consideration of the premises and the mutual agreements set forth herein, Diamond hereby confirms that as of the Effective Time it has granted or will grant to the Trustees a lien and security interest in and to the Collateral (as hereinafter defined) and the Trustees do hereby declare that they hold as trustees in trust under this Agreement all of their right, title and interest in, to and under all the following (and Diamond does hereby consent thereto):

(A) the General Security Agreement, the collateral granted to the Trustees thereunder, the Consent and Agreement executed or to be executed by and among Acquisition and The Travelers Corporation, a Connecticut corporation in favor of the Corporate Trustee and the cash and non-cash proceeds thereof;

(B) the Mortgages and the collateral granted to the Trustees thereunder and the cash and non-cash proceeds thereof;

(C) the General Collateral Account, the Preferred Collateral Account and the proceeds of each of the foregoing; and

(D) such other collateral consisting of any other properties of Diamond or its subsidiaries or the successors and assigns of Diamond or its subsidiaries as Diamond may, from time to time, with written notice to the Trustees, grant to the Trustees for the benefit of the Holders (as hereinafter defined) together with all agreements, documents or instruments ("Additional Collateral Agreements") creating, evidencing or relating to such collateral.

TO HAVE AND TO HOLD the foregoing security documents and collateral unto the Trustees and their successors in trust under this Agreement and their assigns and the assigns of their successors in trust forever or until terminated in accordance with the terms hereof;

IN TRUST NEVERTHELESS, under and subject to the terms and conditions herein set forth and for the benefit of the Holders and for the enforcement of the payment of all the Secured Debt, and for the performance of and compliance with the covenants and conditions of this Agreement, the General Security Agreement, the Mortgages, the Additional Collateral Agreements and the Secured Debt Agreements.

PROVIDED, HOWEVER, that these presents are upon the condition that if Diamond, its successors or assigns, shall satisfy the obligations referred to in Section 6.3, then, subject to the conditions specified in said Section 6.3, all the estates and rights assigned in the Mortgages, General Security Agreement, the Additional Collateral Agreements, the

General Collateral Account and the Preferred Collateral Account, and the rights of the Trustees and the Holders in the Trust Estate shall cease, determine and be void; otherwise they shall remain and be in full force and effect.

#### SECOND DECLARATION OF TRUST:

NOW, THEREFORE, in order to secure the Obligations arising out of and evidenced by the Chase Indenture only, and in consideration of the premises and the mutual agreements set forth herein, Diamond hereby confirms that as of the Effective Time it hereby grants to the Trustees a lien and security interest in and to, and the Trustees do hereby declare that they hold as trustees in trust under this Agreement all of the their right, title and interest in, to and under the Chase Collateral Account (as hereinafter defined) and the proceeds thereof.

TO HAVE AND TO HOLD the Chase Collateral Account together with all proceeds thereof until the Trustees and their successors in trust under this Agreement and their assigns and the assigns of their successors in trust forever or until terminated in accordance with the terms hereof;

BOOK 425 PAGE 75 IN TRUST NEVERTHELESS, under and subject to the terms and conditions herein set forth and for the benefit of Chase as trustee for holders of debentures issued from time to time pursuant to the Chase Indenture and for the enforcement of the payment of all Obligations arising out of or evidenced by the Chase Indenture, and for the performance and compliance with the covenants and conditions of Section 3.5 and the Chase Indenture.

PROVIDED, HOWEVER, that these presents are upon the condition that if Diamond, its successors or assigns, shall satisfy the obligations referred to in Section 3.5, then, subject to the conditions therein specified, all the estates and rights assigned in and to the Chase Collateral Account shall cease, determine and be void; otherwise they shall remain and be in full force and effect.

#### THIRD DECLARATION OF TRUST:

NOW, THEREFORE, in order to secure the Obligations arising out of and evidenced by the 1971 Agreements only, and in consideration of the premises and the mutual agreements

set forth herein, Diamond hereby confirms that as of the Effective Time it hereby grants to the Trustees a lien and security interest in and to, and the Trustees do hereby declare that they hold as trustees in trust under this Agreement all of their right, title and interest in, to and under the 1971 Holders Collateral Account (as hereinafter defined) and the proceeds thereof.

TO HAVE AND TO HOLD the 1971 Holders Collateral Account together with all proceeds thereof until the Trustees and their successors in trust under this Agreement and their assigns and the assigns of their successors in trust forever or until terminated in accordance with the terms hereof;

IN TRUST NEVERTHELESS, under and subject to the terms and conditions herein set forth and for the benefit of the 1971 Note Holders (as hereinafter defined) and for the enforcement of the payment of all Obligations arising out of or evidenced by the 1971 Agreements, and for the performance and compliance with the covenants and conditions of Section 3.5 and the 1971 Agreements.

PROVIDED, HOWEVER, that these presents are upon the condition that if Diamond, its successors or assigns, shall satisfy the obligations referred to in Section 3.5, then, subject to the conditions therein specified, all the estates and rights assigned in and to the 1971 Holders Collateral Account shall cease, determine and be void; otherwise they shall remain and be in full force and effect.

#### FOURTH DECLARATION OF TRUST:

NOW, THEREFORE, in order to secure the Obligations arising out of and evidenced by the 1978 Agreements only, and in consideration of the premises and the mutual agreements set forth herein, Diamond hereby confirms that as of the Effective Time it hereby grants to the Trustees a lien and security interest in and to, and the Trustees do hereby declare that they hold as trustees in trust under this Agreement all of their right, title and interest in, to and under the 1978 Holders Collateral Account (as hereinafter defined) and the proceeds thereof.

TO HAVE AND TO HOLD the 1978 Holders Collateral Account together with all proceeds thereof until the Trustees and their successors in trust under this Agreement and their assigns and the assigns of their successors in trust forever or until terminated in accordance with the terms hereof;

IN TRUST NEVERTHELESS, under and subject to the terms and conditions herein set forth and for the benefit of the 1978 Note Holders (as hereinafter defined) and for the enforcement of the payment of all Obligations arising out of or evidenced by the 1978 Agreements, and for the performance and compliance with the covenants and conditions of Section 3.5 and the 1978 Agreements.

PROVIDED, HOWEVER, that these presents are upon the condition that if Diamond, its successors or assigns, shall satisfy the obligations referred to in Section 3.5, then, subject to the conditions therein specified, all the estates and rights assigned in and to the 1978 Holders Collateral Account shall cease, determine and be void; otherwise they shall remain and be in full force and effect.

IT IS HEREBY FURTHER COVENANTED AND DECLARED, that the Trust Estate, the Chase Collateral Account, the 1971 Holders Collateral Account and the 1978 Holders Collateral Account are to be held and applied by the Trustees, subject to the further covenants, conditions and trusts hereinafter set forth.

## SECTION 1

### DEFINITIONS AND OTHER MATTERS

(a) The following terms shall have the following meanings as used herein (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Acquisition" has the meaning assigned such term in the Recitals.

"Actionable Default" means a default referred to in an Actionable Default Notice.

"Actionable Default Notice" has the meaning assigned such term in Section 2.1.

"Additional Collateral Agreements" has the meaning assigned such term in the First Declaration of Trust.

"Affiliate" of a Person means any other Person which controls, is controlled by, or is under common control with, such Person.

"Agent" means Citibank, N.A. and any successor Agent for the banks pursuant to the Credit Agreement.

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"Assumption Agreement" means an assumption agreement executed, or to be executed, by Diamond, in substantially the form of Exhibit H to the Credit Agreement.

"Authorized Officer" means the Chairman, the President, any Vice President, the Secretary or the Treasurer of a Person or any other officer designated as an "Authorized Officer" by the Board of Directors (or equivalent governing body) of such Person.

"Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended from time to time, or any other federal or state law relating to insolvency, bankruptcy, reorganization or relief of debtors generally.

"Chase" means The Chase Manhattan Bank (National Association) and any successor trustee under the Chase Indenture.

"Chase Collateral Account" has the meaning assigned to such term in Section 3.5.

"Chase Indenture" has the meaning assigned such term in the Recitals.

"Closing Date" means the date on which the Merger becomes effective if, but only if, advances shall then have been made pursuant to the Credit Agreement.

"Collateral" means the assets in the Trust Estate.

"Corporate Trustee" has the meaning assigned such term in the introduction to this Agreement.

"Credit Agreement" has the meaning assigned such term in the Recitals.

"Diamond" has the meaning assigned such term in the introduction to this Agreement.

"Disputed Amount" has the meaning assigned such term in Section 3.5.

"Distribution Date" means any date on which the Trustees shall distribute moneys from the General Collateral Account pursuant to Section 3.4.

"DUSA" has the meaning assigned in the introduction to this Agreement.

"Effective Time" has the meaning assigned such term in the Recitals.

"General Collateral Account" has the meaning assigned such term in Section 3.1.

"General Security Agreement" has the meaning assigned such term in the Recitals.

"Holders" means the 1971 Note Holders, the 1978 Note Holders, the Agent (for itself and as agent for the holders of the notes issued from time to time pursuant to the Credit Agreement) and Chase (as trustee for holders of debentures issued from time to time pursuant to the Chase Indenture).

"Individual Trustee" has the meaning assigned such term in the introduction to this Agreement.

"ITC Recapture" means the recapture of investment tax credit allowed under Section 38 of the Code in respect of qualified investment in property which is disposed of before the end of its recapture period.

"Majority Holders" means the Holders who represent at least 66 2/3% of the Obligations, provided, however, that, for purposes of this definition only, until such time as all Obligations owed to the Agent and the banks parties to the Credit Agreement shall have been paid in full, the Obligations owed to Non-Bank Holders shall be deemed reduced by an amount equal to the amount in the Non-Bank Holders Collateral Accounts, from time to time.

"Merger" has the meaning assigned such term in the Recitals.

"Mortgages" has the meaning assigned such term in the Recitals.

"1971 Agreements" has the meaning assigned such term in the Recitals.

"1971 Holders Collateral Account" has the meaning assigned such term in Section 3.5.

"1971 Note Holders" means the holders of the notes issued pursuant to the 1971 Agreements and listed on Schedule 1, or such other holders of such notes as Diamond may, from time to time, advise the Trustees pursuant to Section 4.2.

"1978 Agreements" has the meaning assigned such term in the Recitals.

"1978 Holders Collateral Account" has the meaning assigned such term in Section 3.5.

"1978 Note Holders" means the holders of the notes issued pursuant to the 1978 Agreements and listed on Schedule 2 or such other holders of such notes as Diamond may, from time to time, advise the Trustees pursuant to Section 4.2.

"Non-Bank Holders" means all Holders other than the Agent.

"Non-Bank Holders Agreements" means collectively the 1971 Agreements, the Chase Indenture, the 1978 Agreements and each agreement and instrument delivered by Diamond pursuant thereto, as the same may be amended from time to time in accordance with the provisions of Section 5.01(q) of the Credit Agreement.

"Non-Bank Holders Collateral Accounts" means collectively the Chase Collateral Account, the 1971 Holders Collateral Account and the 1978 Holders Collateral Account.

"Notice of Sale" has the meaning assigned such term in Section 6.1.

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"Obligations" means at any time any obligations of Diamond arising out of or evidenced by the Secured Debt Agreements, whether for principal, accrued and unpaid interest, accrued and unpaid expenses, fees or otherwise, whether or not such obligations are due and payable at such time, provided, however, that for purposes of determining what constitutes "Majority Holders", Obligations shall be limited to obligations at such time in respect of outstanding principal, accrued and unpaid interest and accrued and unpaid facility or commitment fees.

"Party to a Defaulted Agreement" has the meaning assigned such term in Section 2.1.

"Permitted Sale" means a sale of assets which is permitted by Sections 5.01(i) and (j) and 5.02(f) and (i) of the Credit Agreement or any successor sections thereto pursuant to an amendment thereof.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a foreign state or political subdivision thereof or any agency of such state or subdivision.

"Preferred Collateral Account" has the meaning assigned such term in Section 3.6.

"Preferred Stock" means Diamond International Corporation Series A Cumulative Convertible Preferred Stock.

"Ratably" or "Ratable" means the method of determining what proportion of funds or other property should be held for, or distributed to, each of the Holders as follows:

FIRST, for, or to, each of the Holders in the proportion that (a) the amount of outstanding principal, accrued interest and accrued facility or commitment fees (whether or not due and payable) owed to it under or in connection with the Secured Debt Agreements bears to (b) the amount of outstanding principal, accrued interest and accrued facility fees (whether or not due and payable) owed to all the Holders under or in connection with the Secured Debt Agreements, until all such principal, interest and fees have been paid in full or provided for in full, and then

SECOND, for, or to, each of the Holders in the proportion that (a) the amount of all Obligations owed to it other than those referred to in clause FIRST bears to (b) the amount of all Obligations owed to all the Holders other than those Obligations referred to in clause FIRST,

provided, however, for purposes of this definition, any amounts owed to Non-Bank Holders for which there is a corresponding amount in the Non-Bank Holders Collateral Accounts, shall be deemed to have been paid and satisfied.

"Secured Debt" means all debt of Diamond arising out of or evidenced by the Secured Debt Agreements.

"Secured Debt Agreements" means collectively the Credit Agreement, the 1971 Agreements, the Chase Indenture, the 1978 Agreements and each agreement or instrument delivered by Diamond pursuant thereto or assumed by Diamond pursuant to the Assumption Agreement (including, without limitation, the Security Documents) as the same may be amended from time to time in accordance with the provisions thereof and of Sections 5.01(q) and 10.01 of the Credit Agreement.

"Security Documents" means the agreements, instruments and other documents referred to in paragraph one of the FIRST DECLARATION OF TRUST.

"Timberland" has the meaning assigned such term in the Credit Agreement.

"Trustees" means the Individual Trustee and the Corporate Trustee.

"Trustees' Fees" means the fees payable to the Trustees pursuant to Section 4.3.

"Trust Estate" means the right, title and interest of the Trustees in and to the Security Documents and collateral referred to in paragraph one of the FIRST DECLARATION OF TRUST, but shall not include the Non-Bank Holders Collateral Accounts or any funds, investments, income or proceeds therein and thereof.

(b) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement and section references are to this Agreement unless otherwise specified.

(c) Subject to Section 5.10, any reference to "the Trustees" shall be a reference to either or both of them.

## SECTION 2

### ACTIONABLE DEFAULTS; REMEDIES

2.1 Actionable Default Notice. If there exists a default in any Secured Debt Agreement, which default would (with the giving of notice, passage of time, request or consent of a percentage of holders of the obligations or any combination of the foregoing) permit Chase, a 1971 Note Holder, a 1978 Note Holder or the Agent (any such party being a "Party to a Defaulted Agreement") to accelerate Diamond's obligations under a Secured Debt Agreement, and if such Party to a Defaulted Agreement gives the Trustees a written notice ("Actionable Default Notice") stating

(a) the nature of the default;

(b) the action requested to be taken by the Trustees with respect to the Collateral or this Agreement (which action may include, without limitation, the calling of a meeting of all Holders or the institution of any remedies provided by law or this Agreement, or any Security Document); and

(c) that such Party to a Defaulted Agreement requests the Trustees to poll the Holders with respect to such action,

then the Trustees shall forthwith send a copy of the Actionable Default Notice (or provide the substance thereof) to each Holder and poll the Holders as to whether they want the Trustees to take such action. If the Majority Holders shall have advised the Trustees that they favor such action and direct the Trustees to take such action (whether or not such poll shall have been taken or completed), then, subject to Section 2.10, the Trustees shall forthwith commence the same.

Nothing in this Section 2 is intended to modify the rights that the Trustees hold for the benefit of the Holders with respect to Diamond or the Collateral under the Secured Debt Agreements or law, but rather is intended to provide a mechanism for the enforcement of such rights and the performance of incidental actions.

2.2 Remedies Generally. (a) Diamond hereby waives presentment, demand, protest or any notice (to the extent permitted by applicable law) of any kind in connection with this Agreement, any Collateral or any instrument issued pursuant to a Secured Debt Agreement.

(b) Diamond hereby irrevocably constitutes and appoints the Trustees and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of Diamond or its own name, from time to time in the Trustees' discretion, upon the occurrence and during the continuance of any Actionable Default, for the purpose of carrying out the terms of this Agreement and the Security Documents, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes hereof and thereof and, without limiting the generality of the foregoing, hereby gives the Trustees the power and right on behalf of Diamond, without notice to or assent by Diamond, to do the following:

(i) to ask for, demand, sue for, collect, receive and give acquittance for any and all moneys due or to become due upon or by virtue hereof and thereof,

(ii) to receive, take, endorse, assign and deliver any and all checks, notes, drafts, acceptances, documents and other negotiable and non-negotiable instruments and chattel paper taken or received by the Trustees in connection herewith and therewith,

(iii) to commence, file, prosecute, defend, settle, compromise or adjust any claim, suit, action or proceeding with respect hereto and thereto or in connection herewith and therewith,

(iv) to sell, transfer, assign or otherwise deal in or with the Collateral or any part thereof as fully and effectually as if the Trustees were the absolute owners thereof,

(v) to make demands, give consents and releases, and to exercise any other rights contemplated or permitted by the Security Documents, and

(vi) to do, at their option and at the expense and for the account of Diamond, at any time and from time to time, all acts and things which the Trustees deem necessary to protect or preserve the Collateral or the Trust Estate and to realize upon the Collateral.

### 2.3 Right to Initiate Judicial Proceedings, Etc.

Upon the occurrence of and during the continuance of any Actionable Default, (i) the Trustees shall have the right and power to institute and maintain such suits and proceedings as they or the Majority Holders may deem appropriate to protect and enforce the rights vested in them by this Agreement and each Security Document and (ii) the Trustees may either, after entry or without entry, proceed by suit or suits at law or in equity to enforce such rights and to foreclose upon the Collateral and to sell all or, from time to time, any of the Trust Estate under the judgment or decree of a court of competent jurisdiction, provided, that nothing in this Section 2 shall be construed to impose a duty on the Trustees to take any discretionary action without first receiving direction from the Majority Holders to do the same.

2.4 Appointment of a Receiver. If a receiver of the Trust Estate shall be appointed in judicial proceedings, the Trustees may be appointed as such receiver. Notwithstanding the appointment of a receiver, the Trustees shall be entitled to retain possession and control of all cash held by or deposited with them or their agents or co-trustees pursuant to any provision of this Agreement or any Security Document.

2.5 Exercise of Powers. All of the powers, remedies and rights of the Trustees as set forth in this Agreement may be exercised by the Trustees in respect of any

Security Document as though set forth at length therein and all the powers, remedies and rights of the Trustees and the Holders as set forth in any Security Document may be exercised from time to time as herein and therein specified, provided, that nothing in this Section shall be construed to impose a duty on the Trustees to take any action without first receiving direction from the Majority Holders to do the same.

2.6 Direction by Holders. (a) Subject to Section 2.10, if an Actionable Default shall have occurred and be continuing and the Trustees shall have received an Actionable Default Notice with respect thereto:

(i) The Trustees shall take such action as is required by Section 2.1, and take such other action as the Majority Holders shall request in writing; and

(ii) The Trustees shall follow the written directions of the Majority Holders with respect to the time, method and place of taking any action required by the preceding paragraph (i) or, if no such direction is provided, then the Trustees may take such action in the manner they deem advisable in order to protect the interests of the Holders, provided, that nothing in this Section shall be construed to impose a duty on the Trustees to take any discretionary action without first receiving a direction from the Majority Holders to do the same.

(b) Nothing in this Section 2.6 shall impair the right of the Trustees in their discretion to take or omit to take any action deemed proper by the Trustees and which action or omission is not inconsistent with the direction of the Majority Holders; provided, however, the Trustees shall not be under any obligation to take any action which is discretionary with the Trustees under the provisions hereof without the prior written direction of the Majority Holders and, provided, further, that nothing herein shall require the Trustees to take any action without first being reasonably satisfied that they are or will be duly indemnified for any loss or damage caused by, or in connection with, their taking such action (except any loss or damage caused by their own gross negligence or willful misconduct).

2.7 Remedies Not Exclusive. (a) No remedy conferred upon or reserved to the Trustees herein or in the Security Documents is intended to be exclusive of any other remedy or remedies, but every such remedy shall be cumulative and shall be in addition to every other remedy conferred

herein or in the Security Documents or now or hereafter existing at law or in equity or by statute.

(b) No delay or omission of the Trustees to exercise any right, remedy or power accruing upon any Actionable Default shall impair any such right, remedy or power or shall be construed to be a waiver of any such Actionable Default or any acquiescence therein; and every right, power and remedy given by this Agreement or any Security Document to the Trustees may be exercised from time to time and as often as may be deemed expedient by the Trustees.

(c) In case the Trustees shall have proceeded to enforce any right, remedy or power under this Agreement or any Security Document and the proceeding for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustees, then and in every such case Diamond, the Trustees and the Holders shall, subject to any determination in such proceeding, severally and respectively be restored to their former positions and rights hereunder and under such Security Document with respect to the Trust Estate, the Non-Bank Holders Collateral Accounts and in all other respects, and thereafter all rights, remedies and powers of the Trustees shall continue as though no such proceeding had been taken.

(d) All rights of action and rights to assert claims upon or under this Agreement and the Security Documents may be enforced by the Trustees without the possession of any debt instrument or the production thereof in any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustees shall be brought in their names as Trustees and any recovery of judgment shall be held as part of the Trust Estate or any of the Non-Bank Holders Collateral Accounts, as the case may be.

2.8 Waiver of Certain Rights. Diamond, to the extent it may lawfully do so, on behalf of itself and all who may claim through or under it, including, without limitation, any and all subsequent creditors, vendees, assignees and lienors, expressly waives and releases any, every and all rights to demand or to have any marshalling of the Trust Estate upon any sale, whether made under any power of sale herein granted or pursuant to judicial proceedings or upon any foreclosure or any enforcement of this Agreement and consents and agrees that all the Trust Estate and any such sale may be offered and sold as an entirety.

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2.9 Limitation on Trustees' Duties in Respect of Collateral. Beyond their duties set forth in this Agreement, the Trustees shall not have any duty to Diamond and the Holders as to any Collateral in their possession or control or in the possession or control of any agent or nominee of them or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

2.10 Limitation by Law. All rights, remedies and powers provided by this Section 2 may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Section 2 are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Agreement invalid, unenforceable in whole or in part or not entitled to be recorded, registered, or filed under the provisions of any applicable law.

2.11 Absolute Rights of Holders. Notwithstanding any other provision of this Agreement or any provision of any Security Document, the right of each Holder, which is absolute and unconditional, to receive payments of the Secured Debt held by such Holder on or after the due date thereof as set forth in the Secured Debt Agreements, to institute suit for the enforcement of such payment on or after such due date, or to assert its position as a secured creditor in a case under the Bankruptcy Code in which Diamond is a debtor, or the obligation of Diamond which is also absolute and unconditional, to pay the Secured Debt to the Holders at the time and place expressed therein shall not be impaired or affected without the consent of such Holder. In addition, every right of each Holder to receive payment or security from sources other than the Collateral or the Non-Bank Holders Collateral Accounts shall not be, and is not hereby, impaired or affected. Without limiting the generality of the foregoing, no Holder shall be hereby obligated to share with any other Holder any proceeds of such other collateral, guaranty or any right of set-off; nor shall any Holder's right to receive its ratable share of proceeds of the Non-Bank Holders Collateral Accounts or the Collateral hereunder be diminished by or affected in any way by its right to receive proceeds of any other collateral, set-off, payment upon a guaranty or payment from any other source.

## SECTION 3

## COLLATERAL ACCOUNTS; APPLICATION OF MONEYS

3.1 The General Collateral Account. On the Closing Date there shall be established and, at all times thereafter until terminated in accordance with this Agreement, there shall be maintained, with the Corporate Trustee an account which shall be entitled the "Diamond Creditors Collateral Account" (herein call the "General Collateral Account"). The General Collateral Account shall be established and maintained by the Corporate Trustee at the office of its corporate trust department in the State of New York for the Ratable benefit of the Holders. All moneys which are received by the Trustees either after the occurrence of an Actionable Default, upon a Permitted Sale, pursuant to Section 1.4 of the Credit Agreement, upon liquidation or otherwise in respect of the Collateral shall be deposited in the General Collateral Account and thereafter shall be held and applied by the Corporate Trustee in accordance with the terms of this Agreement.

3.2 Control of the General Collateral Account. All right, title and interest in and to the General Collateral Account shall vest in the Corporate Trustee, and all funds on deposit and investments, interest, income and proceeds thereof and therefrom in the General Collateral Account shall constitute part of the Trust Estate. The General Collateral Account shall be subject to the exclusive dominion and control of the Corporate Trustee.

3.3 Investment of Funds Deposited in the General Collateral Account. (a) The Corporate Trustee shall invest and reinvest moneys on deposit in the General Collateral Account at any time in:

(i) marketable obligations of the United States having a maturity which is (1) not more than one year from the date of acquisition and (2) prior to the next Principal Payment Date (as defined in the Credit Agreement) after the date of acquisition;

(ii) marketable obligations of an agency of the United States, payment of which is fully and directly guaranteed by the United States, which obligations have a maturity which is (1) not more than one year from the date of acquisition and (2) prior to the next Principal Payment Date (as defined in the Credit Agreement) after the date of acquisition; and

(iii) bankers' acceptances and certificates of deposit and other interest-bearing obligations issued by the Corporate Trustee or any bank organized under the laws of the United States or any state thereof with capital, surplus and undivided profits aggregating at least \$500,000,000 in each case having a maturity which is (1) not more than one year from the date of acquisition and (2) prior to the next Principal Payment Date (as defined in the Credit Agreement) after the date of acquisition;

provided, however, that in order to provide the Holders with a perfected security interest therein, each such investment shall be either

(A) evidenced by negotiable certificates or instruments, or if non-negotiable then issued in the name of the Trustee, which (together with any appropriate instruments of transfer) are delivered to, and held by, the Corporate Trustee or an agent thereof (which shall not be Diamond or an Affiliate of Diamond) in New York; or

(B) in book-entry form and recorded on the books of an entity located in New York and in which (in the opinion of independent counsel to the Trustees) the Trustees shall have a perfected security interest.

and provided, further, that the maximum amount of the funds held in the General Collateral Account which may be invested in obligations of the types described in clause (iii) above of any one issuer shall not exceed the lesser of 5% of the funds in the General Collateral Account and \$10,000,000 and, provided, further, that the Corporate Trustee shall invest any funds to be distributed on a Distribution Date referred to in Section 3.4(d)(1) below (other than the proviso thereof) in such assets as shall be liquid on such Distribution Dates (to the extent possible). All such investments and the interest and income received thereon and therefrom and the net proceeds realized on the sale thereof shall be held in the General Collateral Account as part of the Trust Estate.

(b) Within the limitations established by the preceding paragraph (a), the Corporate Trustee shall from time to time invest and reinvest the funds in the General Collateral Account at the direction of the chief financial officer, controller or treasurer of Diamond unless either (i) an Actionable Default shall occur and shall be continuing, or

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(ii) the Majority Holders shall otherwise direct the Corporate Trustee. If either of the two preceding events shall occur, then the Corporate Trustee shall invest all funds in the General Collateral Account in any manner directed by the Majority Holders (subject to the preceding paragraph (a) if there is no Actionable Default). Any direction by the chief financial officer, controller or treasurer of Diamond pursuant to this paragraph (b) may be telephonic but immediately confirmed in writing.

3.4 Application of Moneys. (a) All moneys held by the Corporate Trustee in the General Collateral Account shall, to the extent available for distribution, be distributed by the Corporate Trustee (or, in the case of moneys allocable to the Non-Bank Holders applied by the Corporate Trustee to the Non-Bank Holders Collateral Accounts pursuant to Section 3.5) on the Distribution Dates as follows:

FIRST, To the payment (in such priority as the Corporate Trustee shall elect) of all reasonable legal fees and expenses and other reasonable costs or expenses or other liabilities of any kind incurred by the Trustees as mortgagees under the Mortgages, as secured parties under the General Security Agreement or otherwise in connection with the Additional Collateral Agreements or this Agreement (including, without limitation, any reasonable costs or expenses or liabilities incurred in connection with the foreclosure of Mortgages or the sale of any assets covered by the Additional Collateral Agreements or the General Security Agreement, or in the operation or maintenance of any of the properties covered by the Mortgages or any of the assets covered by the Additional Collateral Agreements or the General Security Agreement), except only for any such fees, expenses, costs or liabilities incurred by the Trustees as a result of their gross negligence or willful misconduct in performing or failing to perform any of their duties to the parties hereto expressly set forth herein; provided, however, that nothing herein is intended to relieve Diamond of its duties to pay such costs, fees, expenses and liabilities from funds outside of the General Collateral Account, as required by the Credit Agreement.

SECOND, To the Trustees in an amount equal to the Trustees' Fees which are unpaid as of the Distribution Date and to any Holder which has theretofore advanced or paid any such Trustees' Fees in an amount equal to the

amount thereof so advanced or paid by such Holder prior to such Distribution Date; provided, however, that nothing herein is intended to relieve Diamond of its duties to pay such fees from funds outside of the General Collateral Account, as required by the Credit Agreement.

THIRD, Pursuant to paragraph (b) below, Ratably to the Holders. (It is understood that when the Corporate Trustee delivers money to the Agent pursuant to this clause THIRD, the Agent may distribute such moneys to the banks which are parties to the Credit Agreement or may hold all or some of such moneys in a cash collateral account of Diamond in favor of such banks.)

FOURTH, Any surplus then remaining shall, pursuant to the provisions of Sections 6.2 and 6.3, be paid to Diamond, its successors or assigns, or to whomever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

(b) In order to determine the Ratable amount to be distributed to each of the Holders pursuant to clause THIRD above, unless otherwise directed in writing by the Majority Holders, the Corporate Trustee shall rely on a certificate of an Authorized Officer of Diamond. From time to time, whenever there is to be a Distribution Date at the request of the Majority Holders, the Corporate Trustee shall so advise Diamond, and two days (if practicable) prior to each Distribution Date, Diamond shall forthwith deliver to the Corporate Trustee the certificate previously referred to.

(c) The term "unpaid" as used in this Section 3.4 means all amounts of Trustees' Fees and Secured Debt outstanding as of a Distribution Date as to which prior distributions (whether actually distributed or set aside pursuant to Section 3.5) have not been made, or if made, have subsequently been recovered from the recipient thereof.

(d) Distribution Dates shall occur, from time to time, either

(1) within one business day of any receipt by the Trustees of proceeds of a Permitted Sale or the receipt of proceeds from insurance, upon foreclosure, liquidation or similar proceedings affecting the Collateral, provided, however, that if, after the receipt of such proceeds and prior to any distribution thereof, there shall be less than \$8,000,000 in the General Collateral

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Account available for distribution, the Trustees shall not distribute such funds (unless otherwise directed by the Majority Holders) until such a time as there shall be \$8,000,000 or more available for distribution, at which time such distribution shall be made if the investments in the General Collateral Account are then sufficiently liquid to effect a distribution or, if they are not sufficiently liquid, then as soon thereafter, or

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(2) on any date on which there are moneys in the General Collateral Account, and on which the Majority Holders shall request that a distribution be made, at which time such distribution shall be made if the investments in the General Collateral Account are then sufficiently liquid to effect a distribution or, if they are not sufficiently liquid, then as soon thereafter as the Corporate Trustee can liquidate sufficient investments to make such distribution, provided, that the Corporate Trustee shall not be liable for any loss caused by fluctuations in market value in connection with the liquidation of such investments.

(e) All interest received on the investments in the General Collateral Account shall be part of the General Collateral Account, provided, however, that unless an Actionable Default occurs and is continuing, the Corporate Trustee shall from time to time upon receipt thereof, release all such interest from the General Collateral Account and pay the same to Diamond (at such account of Diamond as Diamond shall specify).

3.5 Application of Moneys Distributable to Non-Bank Holders; Non-Bank Holders Collateral Accounts. (a) The Corporate Trustee shall establish three separate cash collateral accounts to be maintained by, and under the exclusive dominion and control of, the Corporate Trustee in the State of New York for the benefit of Chase as trustee for the holders of debentures issued from time to time pursuant to the Chase Indenture, the 1971 Note Holders and the 1978 Note Holders, respectively. The cash collateral account in favor of Chase (the "Chase Collateral Account") shall be entitled "Collateral Account in Favor of Chase as Trustee", the cash collateral account in favor the 1971 Note Holders (the "1971 Holders Collateral Account") shall be entitled "Collateral Account in Favor of 1971 Note Holders" and the cash collateral account in favor of the 1978 Note Holders (the "1978 Holders Collateral Account") shall be entitled "Collateral Account in Favor of 1978 Note Holders". All moneys allocable to the Non-Bank Holders pursuant to Section 3.4 shall be deposited in the Non-Bank Holders Collateral

Accounts in accordance with the following; provided, however, that at any time, and from time to time, Diamond may, by delivery of a certificate of an Authorized Officer, instead instruct the Corporate Trustee to apply such moneys to the ratable payment or prepayment of the Obligations owing to the Non-Bank Holders pursuant to Section 3.4 and the Corporate Trustee shall deliver such moneys to the Non-Bank Holders in accordance with the terms of such certificate. Moneys to be deposited in the Non-Bank Holders Collateral Accounts pursuant to this Section 3.5 shall be allocated among the three accounts as follows:

(i) to the Chase Collateral Account in an amount equal to the product of the total amount of moneys to be deposited in all Non-Bank Holders Collateral Accounts multiplied by the fraction equal to the following quotient:

$$\frac{\text{(the outstanding principal and all accrued interest under the Chase Indenture)}}{\text{(the outstanding principal and all accrued interest under all Non-Bank Holders Agreements)}}$$

(ii) to the 1971 Holders Collateral Account in an amount equal to the product of the total amount of moneys to be deposited in all Non-Bank Holders Collateral Accounts multiplied by the fraction equal to the following quotient:

$$\frac{\text{(the outstanding principal and all accrued interest under the 1971 Agreements)}}{\text{(the outstanding principal and all accrued interest under all Non-Bank Holders Agreements), and}}$$

(iii) to the 1978 Holders Collateral Account in an amount equal to the product of the total amount of moneys to be deposited in all Non-Bank Holders Collateral Accounts multiplied by the fraction equal to the following quotient:

$$\frac{\text{(the outstanding principal and all accrued interest under the 1978 Agreements)}}{\text{(the outstanding principal and all accrued interest under all Non-Bank Holders Agreements).}}$$

The Corporate Trustee shall rely on a certificate of an Authorized Officer of Diamond as to such allocation.

(b) Each of the three separate Non-Bank Holders Collateral Accounts shall be governed by the following provisions:

(i) The Corporate Trustee's duties, liabilities and rights with respect to each of the Non-Bank Holders Collateral Accounts shall be the same as its duties, liabilities and rights with respect to the Trust Estate unless otherwise stated herein;

(ii) Moneys in each of the Non-Bank Holders Collateral Accounts shall be invested and reinvested by the Corporate Trustee in the types of investments listed in Section 3.3. Such investments shall be on such terms and subject to such conditions as are set out in Section 3.3; provided, however, that investments of the type referred to in Section 3.3(a)(i), (ii) and (iii) may have maturity dates after the next Principal Payment Date after the date of their acquisition;

(iii) All interest received from investments in any of the Non-Bank Holders Collateral Accounts shall be part of such Non-Bank Holders Collateral Account, provided, however, that unless an Actionable Default occurs and is continuing, the Corporate Trustee shall, from time to time upon receipt thereof, release all such interest from each of the Non-Bank Holders Collateral Accounts and pay the same to Diamond (at such account of Diamond as Diamond shall specify);

(iv) From time to time, upon written notice of an Authorized Officer of Diamond to the Corporate Trustee that (1) any indebtedness is due and payable to any Non-Bank Holder pursuant to the Secured Debt Agreements to which such Non-Bank Holder (among others) is party or (2) that any amount is to be prepaid or otherwise distributed on a ratable basis (or in the case of payments under debentures issued pursuant to the Chase Indenture, in accordance with the terms of the Chase Indenture) to either the holders of debentures issued pursuant to the Chase Indenture, all the 1971 Note Holders or all the 1978 Note Holders, the Corporate Trustee shall forthwith (if there are sufficient liquid investments in such account, or if there are not sufficient liquid investments, then as soon as the Corporate Trustee can liquidate sufficient investments to make such distribution) release funds (but not in excess

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of such Non-Bank Holder's ratable share of all funds held in such account), from the Chase Collateral Account, the 1971 Holders Collateral Account, or the 1978 Holders Collateral Account, as the case may be, to such Non-Bank Holder as Diamond shall state in its notice and at the addresses (or in the accounts) and in the amounts so specified in such notice, provided, that the Corporate Trustee shall not be liable for any loss caused by fluctuations in market value in connection with the liquidation of such investments. If there shall be an insufficient amount for such purpose in the Chase Collateral Account, the 1971 Holders Collateral Account, or the 1978 Holders Collateral Account, as the case may be, at that time, then the Corporate Trustee shall distribute the moneys to the Non-Bank Holders specified in such notice ratably in proportion to the amount set forth in such notice. In no event shall (x) money in the Chase Collateral Account be distributed pursuant to this Section 3.5(b)(iv) to Holders other than Chase as trustee for the holders of debentures issued pursuant to the Chase Indenture, (y) money in the 1971 Holders Collateral Account be distributed pursuant to this Section 3.5(b)(iv) to Holders other than the 1971 Note Holders, and (z) money in the 1978 Holders Collateral Account be distributed pursuant to this Section 3.5(b)(iv) to Holders other than 1978 Holders;

(v) From time to time, if no Actionable Default shall occur and shall be continuing, and if there are sufficient liquid assets held in the applicable Non-Bank Holders Collateral Account, the Corporate Trustee shall effect a partial release of funds from such Non-Bank Holders Collateral Accounts as follows:

(A) If Diamond delivers to the Corporate Trustee any instrument issued pursuant to the Secured Debt Agreements which instrument is marked "cancelled" on the face thereof, together with a certificate of an Authorized Officer of Diamond stating

(1) that Diamond redeemed, exchanged or purchased such instrument from a prior holder thereof,

(2) that such instrument has been cancelled, and

(3) the outstanding principal amount of the instrument and accrued interest thereon

immediately prior to the time Diamond purchased, exchanged, or redeemed the same.

then the Corporate Trustee shall release from the Chase Collateral Account if such instrument shall have been issued pursuant to the Chase Indenture, from the 1971 Holders Collateral Account if such instrument shall have been issued pursuant to a 1971 Agreement or from the 1978 Holders Collateral Account if such instrument shall have been issued pursuant to a 1978 Agreement, and shall deliver to Diamond (at an account specified by Diamond) an amount equal to the ratable share in such collateral account which is held for the benefit of the holder of such instrument, provided, that nothing in this Section 3.5(b)(v) is intended to supersede any provisions of the Credit Agreement. For purposes of determining what constitutes such ratable share, it shall be assumed that the outstanding principal amount of the instrument and accrued interest thereon shall be the amount specified in the previously mentioned certificate of Diamond. The Corporate Trustee shall rely on a certificate of an Authorized Officer of Diamond as to the amount of money which constituted such ratable share.

(B) If the Corporate Trustee shall receive a certificate signed by both an Authorized Officer of Diamond and any Non-Bank Holder (1) directing the Corporate Trustee to release from the Non-Bank Holders Collateral Account established for the benefit of (among others) such Non-Bank Holder an amount equal to such Non-Bank Holder's ratable share of the amount in such account and deliver it to a specified party and (2) stating that, upon such release of funds, such Non-Bank Holder disclaims and gives up any and all rights it may otherwise have in or to any Collateral or any amount in any Non-Bank Holders Collateral Account or any rights under this Agreement or any Security Documents or any right to be "equally and ratably" secured under the Secured Debt Agreements, then the Corporate Trustee shall release an amount equal to such ratable share and deliver it to the party specified in the aforementioned certificate. The Corporate Trustee shall rely on a certificate of an Authorized Officer of Diamond as to the amount of such ratable share. On and after the time of such release, such Non-Bank Holder shall not be deemed to be a Holder, a Non-Bank Holder or a beneficiary of the Trustees'

rights for any purposes under this Agreement or the Security Documents nor shall the Secured Debt held by such Non-Bank Holder which was the subject of such certificate be deemed thereafter to be outstanding for any purposes under this Agreement or the Security Documents;

(vi) Upon written notice of an Authorized Officer of Diamond that all Obligations of Diamond to (x) Chase, as trustee for the holders of debentures, (y) the 1971 Note Holders or (z) the 1978 Note Holders, have been paid in full, the Corporate Trustee shall forthwith,

(1) send a notice to Chase, the 1971 Note Holders or the 1978 Note Holders, as the case may be, stating that (A) it has received such a notice from Diamond and (B) unless it shall have received a notice from any such Non-Bank Holder within 30 days stating that there are any Obligations unpaid to such Holder, the Corporate Trustee shall distribute the funds in the Chase Collateral Account, the 1971 Holders Collateral Account or the 1978 Holders Collateral Account, as the case may be, to Diamond and shall terminate such account in accordance with the provisions of this Section 3.5; and

(2) when, within 35 and 40 days after the date on which the Corporate Trustee sends such notices required by the preceding clause (1), if it shall not have received a notice from a Non-Bank Holder saying that there remain any unpaid Obligations, the Corporate Trustee shall distribute to Diamond (at the account of Diamond as Diamond shall specify) the funds then held in the Chase Collateral Account, the 1971 Holders Collateral Account or the 1978 Holders Collateral Account, as the case may be. If the Corporate Trustee shall have received such a notice from one or more Non-Bank Holders, the Corporate Trustee shall release and deliver to Diamond only such funds in the relevant Non-Bank Holders Collateral Account as shall not include the amount which represents the ratable share held for the benefit of the Holder or Holders who shall have notified the Corporate Trustee that there remain Obligations owed to it or them (such amount being the "Disputed Amount"). The Corporate Trustee shall not release the Disputed Amount unless and until it shall receive a certificate signed by the Holder(s) for whose benefit the Disputed Amount is being held,

or final non-appealable order of a court of competent jurisdiction, directing the Corporate Trustee to release and deliver such amount to Diamond; and

(vii) Upon distribution of all the funds in any Non-Bank Holders Collateral Account to Diamond in accordance with the preceding paragraphs (v) and (vi), the Trustees' obligations under this Section 3.5 with respect to such Non-Bank Holders Collateral Account shall terminate.

(c) For purposes of this Section 3.5, "ratable" or "ratably" shall mean at any time, with respect to the Chase Collateral Account, the 1971 Holders Collateral Account or the 1978 Holders Collateral Account, the proportion that (1) the amount of outstanding principal and accrued interest owed to any Non-Bank Holder for whose benefit such account is established bears to (2) the aggregate amount of outstanding principal and accrued interest owed to Chase as trustee for the debenture holders, all the 1971 Holders or all the 1978 Holders, as the case may be, pursuant to the Secured Debt Agreements. Unless otherwise specified, the Trustees shall rely on a certificate of an Authorized Officer of Diamond as to amounts owed to Non-Bank Holders pursuant to this Section 3.5.

3.6 The Preferred Collateral Account. In addition to the General Collateral Account and the three Non-Bank Holders Collateral Accounts, the Corporate Trustee shall establish and maintain from the Closing Date and until termination thereof in accordance with the provisions hereof a cash collateral account entitled the "Diamond Creditors Preferred Account" (the "Preferred Collateral Account") of Diamond as follows:

(i) Diamond shall deliver to the Corporate Trustee on the Closing Date an amount equal to \$20.74 times the number of shares of Preferred Stock outstanding on the Closing Date;

(ii) The funds delivered to the Corporate Trustee pursuant to the preceding paragraph (i) shall be deposited by the Corporate Trustee in the Preferred Collateral Account, which shall be maintained by the Corporate Trustee in the State of New York to secure all the Obligations owing to all Holders and which collateral

account shall be part of the Trust Estate. The Corporate Trustee shall retain full dominion and control over the Preferred Collateral Account;

(iii) The Corporate Trustee shall invest and reinvest the moneys in the Preferred Collateral Account in the types of investments, subject to such terms and conditions, as are set forth in Section 3.3; provided, however, that investments of the type referred to in Section 3.3(a) (i), (ii) and (iii) may have maturity dates after the next Principal Payment Date after the date of their acquisition;

(iv) So long as no Actionable Default shall have occurred and shall be continuing, interest on the investments made pursuant to the preceding clause (iii) shall, from time to time upon receipt thereof, be delivered to Diamond;

(v) From time to time, so long as no Actionable Default shall have occurred and shall be continuing, upon receipt of a notice from Diamond stating,

(a) that a holder (or holders) of Preferred Stock has requested the redemption, conversion or liquidation of the same or that Diamond has complied with such a request;

(b) the number of shares to be, or which were, so redeemed, converted or liquidated;

(c) the proposed date of such redemption, conversion or liquidation or if such redemption, conversion and liquidation shall have been effected, the date on which Diamond proposes to be reimbursed for such redemption, conversion or liquidation; and

(d) if such notice shall be with respect to reimbursement for a liquidation, conversion or redemption which shall then have already been effected by Diamond, then a statement by Diamond that it has not already been reimbursed for such liquidation, conversion or redemption by funds in the Preferred Collateral Account,

the Corporate Trustee shall make available to Diamond, on or before the date specified in part (c) of the notice

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(if there are then sufficient liquid investments in such account, or if there are not sufficient liquid investments then as soon as the Corporate Trustee can liquidate sufficient investments), an amount equal to \$20.74 times the number of shares specified in part (b) of the notice, which money (if not for reimbursement of a previously effected conversion, liquidation or redemption) shall be used by Diamond only for the specified purpose (otherwise such money shall immediately be returned to the Preferred Collateral Account);

(vi) In the event that

(a) there shall remain no outstanding Obligations arising under the Credit Agreement and other Loan Documents (as defined in the Credit Agreement), then pursuant to the provisions of Sections 6.2 and 6.3, or

(b) there shall be no shares of Preferred Stock outstanding and no Actionable Default shall have occurred and shall be continuing and an Authorized Officer of Diamond shall have delivered a certificate to the Corporate Trustee so stating, then the Corporate Trustee shall deliver a notice to the Holders setting forth the substance of such certificate of Diamond and stating that it intends to release the funds in the Preferred Collateral Account to Diamond, and if the Corporate Trustee shall not have received contrary directions from the Majority Holders within 20 days after the Corporate Trustee sends such notice,

all funds in the Preferred Collateral Account shall be delivered to Diamond, its successors or assigns, or to whomsoever may be lawfully entitled to the same, as a court of competent jurisdiction may direct; and

(vii) Upon distribution of the funds to Diamond (its successors, etc.) in accordance with the preceding paragraph (vi), the Trustees' obligations under this Section 3.6 shall terminate and the Preferred Collateral Account shall cease to exist and shall be null, void and of no effect.

**3.7 Grant of Security Interest.** Diamond hereby grants a possessory lien and security interest in the General Collateral Account, the Preferred Collateral Account and the Non-Bank Holders Collateral Accounts together with all

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investments, from time to time, therein and all proceeds thereof, from the date of the establishment of such accounts until the termination thereof pursuant to the terms hereof, to the Trustees for the benefit of all the Holders in the case of the General Collateral Account and the Preferred Collateral Account and related investments, and for the benefit of the Non-Bank Holders in the case of the Non-Bank Holders Collateral Account and related investments, which lien and security interest is for the purposes and on the terms set forth in this Agreement.

3.8 Collateral Accounts as Security. Notwithstanding the foregoing, upon the occurrence and during the continuance of an Actionable Default (A) any funds in the General Collateral Account or the Preferred Collateral Account shall, at the request of or with the consent of the Majority Holders, be distributed to the Holders Ratably, and (B) any funds in any of the Non-Bank Holders Collateral Accounts shall, at the request of or with the consent of the Holders to whom at least 66-2/3% of the outstanding principal and accrued interest under the Chase Indenture, the 1971 Agreements or the 1978 Agreements, as the case may be (together with instruments issued thereunder), are owed, be distributed to Chase, the 1971 Note Holders or the 1978 Note Holders, as the case may be, ratably in proportion to the Obligation owed to them.

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#### SECTION 4

##### AGREEMENTS WITH THE TRUSTEES

4.1 Delivery of Agreements. On the Closing Date, Diamond will deliver to the Trustees a true and complete copy of each of the Secured Debt Agreements and Security Documents as in effect on the Closing Date. Diamond agrees that, promptly upon the execution thereof, Diamond will deliver to the Trustees a true and complete copy of any and all Security Documents entered into subsequent to the date hereof and a true and complete copy of any and all amendments, modifications or supplements to any of the foregoing.

4.2 Information as to Holders. Diamond agrees that it shall deliver to the Trustees from time to time upon request of the Trustees, a list setting forth, for each Secured Debt Agreement (i) the aggregate principal amount outstanding thereunder, (ii) the accrued and unpaid interest thereunder, (iii) the accrued and unpaid facility fees

thereunder (if any), (iv) to the extent known to Diamond, the names of the Holders of the Secured Debt outstanding thereunder and the unpaid principal amount thereof all accrued interest thereon, all accrued facilities (if any) thereunder and all other unpaid amounts thereunder known to Diamond, owing to each Holder and (v) such other information regarding the Holders and the Secured Debt Agreements as the Trustees may reasonably request. In addition, Diamond shall deliver to the Trustees, each time a distribution from the Trust Estate or any Non-Bank Holders Collateral Account is to be made pursuant to the terms hereof, a certificate of an Authorized Officer, setting forth the amounts to be distributed and the parties to whom such distributions are to be made. Diamond will furnish to the Trustees on the Closing Date a list setting forth the name and address of each Holder and each party to whom notices must be sent under the Secured Debt Agreements and Diamond agrees to furnish promptly to the Trustees any changes or additions to such list. Unless otherwise specified herein, the Trustees may for all purposes hereunder, rely on such information given by Diamond unless (i) the Trustees shall have actual knowledge of an inaccuracy or (ii) any Holder shall provide contrary information with respect to such Holder in which case, unless such Holder and Diamond can reach an agreement on such issue within a period of 10 days, the Trustees shall appoint an independent arbitrator (who shall be acceptable to Diamond and such Holder) to resolve the dispute (at the expense of Diamond).

4.3 Compensation and Expenses. Diamond agrees to pay to the Trustees and any co-trustees or successor trustees appointed hereunder, from time to time upon demand, (i) reasonable compensation for their services hereunder and under the Security Documents and for administering the Trust Estate and the Non-Bank Holders Collateral Accounts and (ii) all the fees, costs and expenses of the Trustees (including, without limitation, the reasonable fees and disbursements of their counsel and such special counsel as the Trustees elect to retain) (A) arising in connection with the preparation, execution, delivery, modification and termination of this Agreement and each Security Document or the enforcement of any of the provisions hereof or thereof or (B) incurred or required to be advanced in connection with the administration of the Trust Estate, the Non-Bank Holders Collateral Accounts, the sale or other disposition of Collateral pursuant to any Security Document and the preservation, protection or defense of the Trustees' rights under this Agreement and in and to the Collateral, the Non-Bank Holders Accounts and the Trust Estate. As security for such payment,

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the Trustees shall have a prior lien upon all Collateral and other property and funds held or collected by the Trustees as part of the Trust Estate. Diamond's obligations under this Section 4.3 shall survive the termination of the other provisions of this Agreement.

4.4 Stamp and Other Similar Taxes. Diamond agrees to indemnify and hold harmless the Trustees and each Holder from any present or future claim for liability for any stamp or other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with this Agreement, any Security Document, the Trust Estate, the Non-Bank Holders Collateral Accounts or any Collateral. The obligations of Diamond under this Section 4.4 shall survive the termination of the other provisions of this Agreement.

4.5 Filing Fees, Excise Taxes, Etc. Diamond agrees to pay or to reimburse the Trustees for any and all amounts in respect of all search, filing, recording and registration fees, taxes, excise taxes and other similar imposts which may be payable or determined to be payable in respect of the execution, delivery, performance and enforcement of this Agreement and each Security Document. The obligations of Diamond under this Section 4.5 shall survive the termination of the other provisions of this Agreement.

4.6 Indemnification. (a) Diamond agrees to pay, indemnify, and hold the Trustees and each of the agents thereof harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement and the Security Documents unless arising from the gross negligence or willful misconduct of such of the Trustees or such of the agents as are seeking indemnification. As security for such payment, the Trustees shall have a prior lien upon all Collateral and other property and funds held or collected by the Trustees as part of the Trust Estate.

(b) In any suit, proceeding or action brought by the Trustees under or with respect to the Collateral for any sum owing thereunder, or to enforce any provisions thereof, Diamond will save, indemnify and keep the Trustees and the Holders harmless from and against all expense, loss or damage suffered by reason of any defense, set-off, counterclaim, recoupment or reduction of liability whatsoever of the

obligee thereunder (unless such expense, loss or damage is caused by the gross negligence or willfull misconduct of the Trustees), arising out of a breach by Diamond of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such obligee or its successors from Diamond and all such obligations of Diamond shall be and remain enforceable against and only against Diamond and shall not be enforceable against the Trustees or any Holder. The agreements in this Section 4.6 shall survive the termination of the other provisions of this Agreement.

4.7 Further Assurances. At any time and from time to time, upon the written request of the Trustees or either of them, and at the expense of Diamond, Diamond will promptly execute and deliver any and all such further instruments and documents and take such further action as the Trustees or the Majority Holders reasonably deem necessary or desirable in obtaining the full benefits of this Agreement and the Security Documents and of the rights and powers herein and therein granted, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the liens and security interests granted by the Security Documents; provided, however, that nothing herein shall be deemed to impose any obligation on the Trustees to take any discretionary action without first receiving the written direction of the Majority Holders and without first being reasonably satisfied that they are or will be duly indemnified for any loss or damage caused by, or in connection with, their taking such action (except any loss or damage caused by their own gross negligence or willful misconduct). Diamond also hereby authorizes the Trustees to file any such financing or continuation statement without the signature of Diamond to the extent permitted by applicable law. Diamond shall, in all of its financial statements, indicate by footnote or otherwise that the Secured Debt is secured pursuant to this Agreement and the Security Documents.

## SECTION 5

### THE TRUSTEES

5.1 Acceptance of Trust. The Trustees, for themselves and their respective successors, hereby accept the trusts created by this Agreement upon the terms and conditions hereof, including those contained in this Section 5.

5.2 Exculpatory Provisions. (a) The Trustees shall not be responsible in any manner whatsoever for the correctness of any recitals, statements, representations or warranties contained herein or in the Security Documents, all of which are made solely by Diamond. The Trustees make no representations as to the value or condition of the Trust Estate, the Non-Bank Holders Collateral Accounts or any part thereof, or as to the title of Diamond thereto or as to the security afforded by the Security Documents or this Agreement, or as to the validity, execution (except their own execution), enforceability, legality or sufficiency of this Agreement, any Security Document or any Secured Debt Agreement, and the Trustees shall incur no liability or responsibility in respect of any such matters. The Trustees shall not be responsible for insuring the Trust Estate or for the payment of taxes, charges, assessments or liens upon the Trust Estate or otherwise as to the maintenance of the Trust Estate or the Non-Bank Holders Collateral Accounts, except that in the event that the Trustees enter into possession of a part or all of the Trust Estate or the Non-Bank Holders Collateral Accounts, the Trustees shall preserve the part in their possession.

(b) The Trustees shall not be required to ascertain or inquire as to the performance by Diamond of any of the covenants or agreements contained herein, in any Security Document or in any Secured Debt Agreement.

(c) The Trustees shall not be personally liable for any action taken or omitted to be taken by them in accordance with this Agreement or any Security Document except for their own gross negligence or willful misconduct.

5.3 Delegation of Duties. The Trustees may execute any of the trusts or powers hereof and perform any duty hereunder either directly or by or through agents or attorneys-in-fact (which shall not include officers and employees of Diamond). The Trustees shall be entitled to advice of counsel concerning all matters pertaining to such trusts, powers and duties. The Trustees shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by them without gross negligence or willful misconduct.

5.4 Reliance by Trustees. (a) Whenever in the administration of the trusts of this Agreement the Trustees shall deem it necessary or desirable that a matter be proved or established in connection with the taking, suffering or

omitting any action hereunder by the Trustees, unless otherwise provided herein, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively provided or established by a certificate of an Authorized Officer of Diamond delivered to the Trustees, and such certificate shall constitute a full warranty to the Trustees for any action taken, suffered or omitted in reliance thereon unless (i) the Trustees shall have actual knowledge of an inaccuracy therein or (ii) any Holder shall provide contrary information with respect to such matter in which case unless such Holder and Diamond can reach agreement on such issue within a period of 10 days, the Trustees shall appoint an independent arbitrator (who shall be acceptable to Diamond and such Holder) to resolve the dispute.

(b) The Trustees may consult with independent counsel, and any opinion of such counsel who are not employees of the Trustees shall be full and complete authorization and protection in respect of any action taken or suffered by them hereunder in accordance therewith unless the Trustees have actual knowledge of a reason to question the validity of such opinion. The Trustees shall have the right at any time to seek instructions concerning the administration of the Trust Estate or the Non-Bank Holders' Interests Accounts from any court of competent jurisdiction.

(c) The Trustees may rely, and shall be fully protected in acting, upon any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, bond or other paper or document which they have no reason to believe to be other than genuine and to have been signed or presented by the proper party or parties or, in the case of cables, telecopies and telexes, to have been sent by the proper party or parties. In the absence of their gross negligence or willful misconduct, the Trustees may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustees that conform to the requirements of this Agreement or any Security Document.

**5.5 Limitations on Duties of the Trustees.** (a) The Trustees undertake to perform only the duties expressly set forth herein.

(b) The Trustees may exercise the rights and powers granted to them by this Agreement and the Security Documents,

but only pursuant to the terms of this Agreement, and the Trustees shall not be liable with respect to any action taken or omitted by them in accordance with the direction of the Majority Holders.

(c) Except as herein otherwise expressly provided, the Trustees shall not be under any obligation to take any action which is discretionary with the Trustees under the provisions hereof or under any Security Document except upon the written request of the Majority Holders. The Trustees shall make available for inspection and copying by each Holder each certificate or other paper furnished to the Trustees by Diamond or by any Holder or any other Person, under or in respect of this Agreement, any Security Document or any of the Trust Estate.

5.6 Moneys to be Held in Trust. All moneys received by the Trustees under or pursuant to any provision of this Agreement or any Security Document shall be held in trust for the purposes for which they were paid or are held.

5.7 Resignation and Removal of Trustees. (a) The Trustees may at any time, by giving 30 days' prior written notice to Diamond and the Holders, resign and be discharged of the responsibilities hereby created, such resignation to become effective upon the appointment of a successor trustee or trustees by Diamond, the acceptance of such appointment by such successor trustee or trustees, and the approval of such successor trustee or trustees by the Majority Holders. The Trustees may be removed at any time (with or without cause) and a successor trustee or trustees appointed by the affirmative vote of the Majority Holders, provided that the Trustees shall be entitled to their or its fees and expenses to the date of removal. If no successor trustee or trustees shall be appointed and approved within 30 days from the date of the giving of the aforesaid notice of resignation or within 30 days from the date of such vote for removal, the Trustees shall, or any Holder may, apply to any court of competent jurisdiction to appoint a successor trustee or trustees to act until such time, if any, as a successor trustee or trustees shall have been appointed as above provided. Any successor trustees so appointed by such court shall immediately and without further act be superseded by any successor trustee or trustees approved by the Majority Holders as above provided.

(b) If at any time the Trustees shall resign or otherwise become incapable of acting, or if at any time a

vacancy shall occur in the office of the Trustees or either of them for any other cause, a successor trustee or trustees shall be appointed by the Majority Holders, and the powers, duties, authority and title of the predecessor trustee or trustees terminated and cancelled without procuring the resignation of such predecessor trustee or trustees, and without any other formality (except as may be required by applicable law) than appointment and designation of a successor trustee or trustees in writing, duly acknowledged, delivered to the predecessor trustee or trustees and Diamond and filed for record in each public office, if any, in which this Agreement is required to be filed.

(c) The appointment and designation referred to in Section 5.7(b) shall, after any required filing, be full evidence of the right and authority to make the same and of all the facts therein recited, and this Agreement shall vest in such successor trustee or trustees, without any further act, deed or conveyance, all of the estate and title of its predecessor or their predecessors, and upon such filing for record the successor trustee or trustees shall become fully vested with all the estates, properties, rights, powers, trusts, duties, authority and title of its predecessor or their predecessors; but such predecessor or predecessors shall, nevertheless, on the written request of the Majority Holders, Diamond or its or their successor trustee or trustees, execute and deliver an instrument transferring to such successor or successors all the estates, properties, rights, powers, trusts, duties, authority and title of such predecessor or predecessors hereunder and shall deliver all securities and moneys held by it or them to such successor trustee or trustees. Should any deed, conveyance or other instrument in writing from Diamond be required by any successor trustee or trustees for more fully and certainly vesting in such successor trustee or trustees the estates, properties, rights, powers, trusts, duties, authority and title vested or intended to be vested in the predecessor trustee or trustees, any and all such deeds, conveyances and other instruments in writing shall, on request of such successor trustee or trustees, be executed, acknowledged and delivered by Diamond.

(d) Any required filing for record of the instrument appointing a successor trustee or trustees as hereinabove provided shall be at the expense of Diamond. The resignation of any trustee or trustees and the instrument or instruments removing any trustee or trustees, together with all other instruments, deeds and conveyances provided for in

this Section 5 shall, if permitted by law, be forthwith recorded, registered and filed by and at the expense of Diamond, wherever this Agreement is recorded, registered and filed.

5.8 Status of Successors to the Trustees. Every successor to the Corporate Trustee appointed pursuant to Section 5.7 shall be a bank or trust company in good standing and having power so to act, incorporated under the laws of the United States or any State thereof or the District of Columbia and having its principal corporate trust office within the State of New York, and shall also have capital, surplus and undivided profits of not less than \$100,000,000, if there be such an institution with such capital, surplus and undivided profits willing, qualified and able to accept the trust upon reasonable or customary terms. Every successor to the Individual Trustee appointed pursuant to Section 5.7 shall be an individual residing in the State of New York.

5.9 Merger of the Corporate Trustee. Any corporation into which the Corporate Trustee may be merged, or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Corporate Trustee shall be a party, shall be the Corporate Trustee under this Agreement without the execution or filing of any paper or any further act on the part of the parties hereto.

5.10 Powers of Individual Trustee. The Individual Trustee has been joined as a party hereunder so that if, by any present or future law in any jurisdiction in which it may be necessary to perform any act in the execution of the trust hereby created, the Corporate Trustee may be incompetent or unqualified to act as the Trustee, then all the acts required to be performed in such jurisdiction, in the execution of the trusts hereby created, shall and will be performed by the Individual Trustee, acting alone. Therefore, notwithstanding any other term or provision hereof to the contrary, the Corporate Trustee alone shall have and exercise the rights and powers granted herein and shall be solely charged with the performance of the duties herein declared on the part of the Trustees to be had and exercised or to be performed; provided, however, that if the Corporate Trustee, or the Majority Holders deem it necessary for the Individual Trustee to act in a particular jurisdiction, the Individual Trustee shall have and exercise the rights and powers granted herein and shall be charged with the performance of the duties

herein declared on the part of the Trustees to be had and exercised or to be performed, but only in such particular jurisdiction.

5.11 Additional Co-Trustees; Separate Trustees.

(a) If at any time or times it shall be necessary or prudent in order to conform to any law of any jurisdiction in which any of the Collateral shall be located, or the Trustees shall be advised by counsel satisfactory to them, that it is so necessary or prudent in the interest of the Holders, or the Majority Holders shall in writing so request the Trustees and Diamond, or the Trustees shall deem it desirable for their own protection in the performance of their duties hereunder, the Trustees and Diamond shall execute and deliver all instruments and agreements necessary or proper to constitute another bank or trust company, or one or more persons approved by the Trustees and Diamond and the Majority Holders, either to act as co-trustee or co-trustees of all or any of the Collateral, jointly with the Trustees originally named herein or any successor or successors, or to act as separate trustee or trustees of any such property. In the event Diamond shall not have joined in the execution of such instruments and agreements within 30 days after the receipt of a written request from the Trustees so to do, or in case an Actionable Default shall have occurred and be continuing, the Trustees may act under the foregoing provisions of this Section 5.11 without the concurrence of Diamond (but with the concurrence of the Majority Holders), and Diamond hereby appoints the Trustees as its agent and attorney to act for it under the foregoing provisions of this Section 5.11 in either of such contingencies.

(b) Every separate trustee and every co-trustee, (other than any trustee which may be appointed as successor to the Corporate Trustee or the Individual Trustee pursuant to Section 5.7), shall, to the extent permitted by law, be appointed and act and be such, subject to the following provisions and conditions, namely:

(i) all rights, powers, duties and obligations conferred upon the trustees in respect of the custody, control and management of moneys, papers or securities shall be exercised solely by Trustees (i.e., the original Trustees or their successors appointed pursuant to Section 5.7);

(ii) all rights, powers, duties and obligations conferred or imposed upon the Trustees hereunder shall be

conferred or imposed and exercised or performed by the Trustees and such separate trustee or separate trustees or co-trustee or co-trustees, jointly, as shall be provided in the instrument appointing such separate trustee or separate trustees or co-trustee or co-trustees, except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustees shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed by such separate trustee or separate trustees or co-trustee or co-trustees;

(iii) no power given hereby to, or which it is provided hereby may be exercised by, any such co-trustee or co-trustees or separate trustee or separate trustees, shall be exercised hereunder by such co-trustee or co-trustees or separate trustee or separate trustees, except jointly with, or with the consent in writing of, the Trustees, anything herein contained to the contrary notwithstanding;

(iv) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(v) Diamond and the Trustees, at any time, by an instrument in writing, executed by them jointly, may accept the resignation of or remove any such separate trustee or co-trustee, and in that case, by an instrument in writing executed by Diamond and the Trustees jointly, may appoint a successor (who shall be acceptable to the Majority Holders) to such a separate trustee or co-trustee, as the case may be, anything herein contained to the contrary notwithstanding. In the event that Diamond shall not have joined in the execution of any such instrument within ten days after the receipt of a written request from the Trustees so to do, or in case an Actionable Default shall have occurred and be continuing, the Trustees shall have the power to accept the resignation of or remove any such separate trustee or co-trustee and to appoint (with the consent of the Majority Holders) a successor without the concurrence of Diamond. Diamond hereby appointing the Trustees its agents and attorneys to act for it in such connection in either of such contingencies. In the event that the Trustees shall have appointed a separate trustee or separate trustees or co-trustee or co-trustees as above

provided, they may at any time, by an instrument in writing, accept the resignation of or remove any such separate trustee or co-trustee, the successor to any such separate trustee or co-trustee to be appointed by Diamond and the Trustees, or by the Trustees alone, as hereinbefore provided in this Section 5.11.

5.12 Trustees Appointed Attorneys-in-Fact. Diamond hereby appoints the Trustees Diamond's attorneys-in-fact, with full authority in the place and stead of Diamond and in the name of Diamond or otherwise, from time to time at the direction of the Majority Holders (or in the case of actions relating to any of the Non-Bank Holders Collateral Accounts, at the direction of the Non-Bank Holders to whom 66-2/3% of the Obligations owed to the Non-Bank Holders for whose benefit such account was established), to take any action and to execute any instrument which the same may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, indorse and collect all instruments made payable to Diamond representing any dividend, interest payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

5.13 Reasonable Care. The Corporate Trustee shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Corporate Trustee accords its own property, it being understood that the Corporate Trustee shall not have any responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not the Corporate Trustee has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Collateral.

## SECTION 6

### RELEASE OF COLLATERAL

6.1 Partial Release of Collateral. (a) From time to time, upon receipt by the Trustees of a notice (a "Notice of Sale") signed by an Authorized Officer of Diamond, which Notice of Sale shall

(i) state that Diamond is not in default under any of the Secured Debt Agreements;

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(ii) state that Diamond has entered into an agreement to sell a certain asset or assets which are included in the Collateral and that either (A) such sale is in compliance with Sections 5.01(i) and (j) and 5.02(f) and (i) of the Credit Agreement (together with a statement showing the computation used to determine compliance with Section 5.01(j)) or such successor Sections as would render such sale a Permitted Sale or (b) that such sections of the Credit Agreement have been duly waived for purposes of the proposed sale, in which case a copy of the waiver shall be delivered to the Trustees as an attachment to the Notice of Sale; and

(iii) specify (A) the asset(s) to be sold; (B) the purchasers of such asset(s); (C) the proposed date of sale; (D) the total purchase price therefor; and (E) the amount of the purchase price payable in cash on the date of the sale.

the Trustees,

(1) shall send to each Holder either a copy of such Notice of Sale (or information in lieu thereof pursuant to paragraph (b) below) or information as to the substance thereof; and

(2) shall execute and deliver to Diamond a release or releases (including, without limitation, Uniform Commercial Code termination statements) in recordable form as to the asset(s) specified in the Notice of Sale from the liens, security interests, conveyances and assignments evidenced by the Security Documents on or within the period of one day before or after the proposed date of sale (if possible), which release shall state that it is effective as of the proposed date of sale; provided, however, that if so requested by the Majority Holders, the Trustees shall not deliver such release or releases until such time as the cash proceeds referred to below in this Section 6.1(a) are delivered to the Trustees or the Majority Holders are satisfied that the proceeds shall be delivered to the Trustees pursuant to arrangements that are satisfactory to the Majority Holders, and, provided, further, that if prior to the time that the Trustees send a release pursuant to this paragraph (2), (A) the Trustees shall have received an Actionable Default Notice, and (B) the Majority Holders shall have directed the Trustees either not to deliver such a release or not to deliver releases generally, then the Trustees shall so notify Diamond and shall not sign any release in connection with such asset sale.

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(b) Diamond agrees to provide the Trustees with a Notice of Sale at least thirty days prior to the proposed date of sale, or, if it is impossible to deliver a completed Notice of Sale at such time, then (A) to deliver so much of the information as would be set out on a Notice of Sale as is practicable at that time and to provide the rest of the information as soon as practicable or (B) if it is impossible for Diamond to deliver any information as to the proposed sale thirty days prior thereto, then to deliver information relating to such sale as soon as practicable, provided, that if

(1) Diamond shall have used its best efforts to comply with this requirement;

(2) Diamond shall have delivered sufficient information to identify the sale at least 10 days prior to the sale and the information set forth in clauses (i), (ii) and (iii) of Section 6.1(a) at least two days prior thereto; and

(3) the Trustees shall not have received an Actionable Default Notice,

then the Trustees shall deliver the releases previously referred notwithstanding the fact that they shall not have received a complete Notice of Sale thirty days prior to the proposed date of sale.

(c) Concurrently with receipt of release(s) pursuant to paragraphs (a) or (b) above, Diamond shall deliver to the Trustees either (i) 80% of the gross cash proceeds of such sale and any promissory notes delivered in connection therewith (except in the case of a sale of Timberland, in which case the Trustees shall receive 100% of the gross cash proceeds therefor net of any ITC Recapture), or (ii) if such sale shall not have yet been consummated, then a statement as to when (which shall be not later than two days after such sale) and how the Trustees shall receive the sales proceeds described in the preceding clause (i), which statement shall be complied with by Diamond. Notwithstanding the foregoing, the Majority Holders, upon the request of Diamond, may, by their consent, reduce the percentage of such cash proceeds to be delivered to the Trustees to a percentage less than that specified above; provided, however, in no case, without the consent of all the Holders, may such percentage be reduced to less than 50%; and provided, further, that Diamond shall use such additional cash proceeds for general working capital purposes or to satisfy other business needs, but shall not use any amount of

such proceeds for the purpose of paying, repaying or prepaying any of the Obligations. Upon receipt of such proceeds by the Trustees, the cash proceeds shall be deposited into the General Collateral Account and the non-cash portion shall be held by the Trustees in New York as Collateral. If any sale of assets contemplated by this subsection (c) of Section 6.1 is not consummated within one day of the date on which the Trustees shall deliver a release to Diamond with respect to such assets, Diamond shall immediately return such release (and any copies thereof) to the Trustees, and Diamond shall be liable to the Trustees and the Holders for any loss or misuse of such release (or copies) until it is so returned.

(d) In addition to the releases permitted by the preceding paragraphs (a) or (b) of this Section 6.1, from time to time, at the request of, or with the consent of, the Majority Holders, the Trustees shall sign and deliver to Diamond statements acknowledging the release of any Collateral from their lien and security interest under the Security Documents, provided that no such release shall be granted under this Section 6.1(d) if (1) a Notice of Sale has been issued with respect to the Collateral subject to such release and the last sentence of Section 6.1(c) has not become applicable or (2) the Collateral subject to such release is covered by a binding contract of sale entered into by or on behalf of Diamond. Anything in this Agreement to the contrary notwithstanding, if any Collateral which is released pursuant to this Section 6.1(d) is sold by Diamond within 120 days after such release, Diamond agrees to treat such sale as if it were a sale pursuant to Section 6.1(c) and deposit the applicable portion of the proceeds of such sale in the General Collateral Account for the Ratable benefit of all the Holders.

(e) From time to time if there shall be no Actionable Default which shall have occurred and which shall be continuing, upon receipt by the Trustees of a notice from an Authorized Officer of Diamond stating,

(i) that Diamond is not in default of its obligations under any of the Secured Debt Agreements;

(ii) that there is to be a sale in the ordinary course of business of certain assets included in the Collateral as permitted by Sections 5.01(i) and (j) and 5.02(f) and (i) of the Credit Agreement, or a sale of assets at a purchase price of less than \$5,000,000 as permitted by Section 1.04 of the Credit Agreement;

(iii) a description of such assets; and

(iv) the proposed date of sale,

then (unless otherwise directed by the Majority Holders) the Trustees shall execute and deliver a release or releases (including, without limitation, Uniform Commercial Code termination statements) in recordable form as to the asset(s) referred to in such notice from the liens, security interests, conveyances and assignments evidenced by the Security Documents on or within one day before or after the proposed date of sale (if possible) which release shall state that it is effective as of the proposed date of sale, provided, that if any sale of assets contemplated by this subsection (e) of Section 6.1 is not consummated within one day of the date on which the Trustees shall deliver a release to Diamond with respect to such assets, Diamond shall immediately return such release (and any copies thereof) to the Trustees, and Diamond shall be liable to the Trustees and the Holders for any loss or misuse of such release (or copies) until it is so returned.

6.2 Full Release of Collateral Upon Satisfaction of Certain Obligations. The Trustees shall promptly release in accordance with Section 6.3 all the Collateral upon satisfaction by Diamond of the Obligations arising under the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement) and all its obligations hereunder.

6.3 Procedures for Full Release of Collateral. In furtherance of the undertaking set forth above in Section 6.2, the Trustees shall upon the request of Diamond, deliver a notice to the Agent (with a copy to each Holder) containing the following:

(i) a statement as to the total amount of moneys in the Non-Bank Holders Collateral Accounts;

(ii) a statement prepared by Diamond (which Diamond agrees to prepare from time to time at the request of the Trustees) as to the ratable share of the moneys in the Non-Bank Holders Collateral Accounts applicable to each Non-Bank Holder; and

(iii) a statement that the Trustees intend to release all the Collateral (but not the funds in the Non-Bank Holders Collateral Accounts) unless they receive a notice from the Agent within 60 days saying that it has not received payment in full of all the Obligations owed to it.

If the Trustees do not receive a certificate from the Agent within 60 days after the delivery of such notice stating that such Obligations have not been satisfied, then the Trustees shall release all the Collateral (but not funds in the Non-Bank Holders Collateral Accounts) from the security interest in their favor and deliver to Diamond all Collateral (but not funds in the Non-Bank Holders Collateral Accounts) in the possession of the Trustees within a period of 75 and 90 days (if possible) after the Trustees shall have delivered the above-mentioned notice to the Agent, provided, that Diamond shall have made adequate provision for the expenses of the Trustees associated with such release of Collateral and all other expenses of, or owing to, the Trustees hereunder and, provided, further, that the failure of the Agent to provide a certificate to the Trustees pursuant to this Section 6.3 shall in no way be deemed a waiver of, or impair, its rights to receive payment in respect of unpaid Obligations. If the Trustees shall have received such a certificate from the Agent within 60 days, the Trustees shall not release the Collateral unless and until the Agent or a court of competent jurisdiction so directs the Trustees.

6.4 Release of Collateral if Merger Shall Not Occur. In the event that the Merger shall not occur on the day following the First Closing Date (as defined in the Credit Agreement or such later date as may be acceptable to the Agent and Diamond then upon receipt by the Trustees of a letter from the Agent stating that no Merger has taken place in accordance with the terms of the Credit Agreement, the Trustees shall promptly execute and deliver to Diamond releases (including, without limitation, Uniform Commercial Code termination statements), in recordable form, as to all the Collateral.

6.5 Effect of Release of Collateral. (a) Upon (i) the effectiveness of the release of the Collateral pursuant to the preceding Sections 6.2 and 6.3 or Section 6.4, all right, title and interest of the Trustees and the Holders in, to and under the Trust Estate, the Collateral and the Security Documents shall terminate and shall revert to Diamond, its successors and assigns, and the estate, right, title and interest of the Trustees therein shall thereupon cease, determine and become void; and in such case, upon the written request of Diamond, its successors or assigns, and at the cost and expense of Diamond, its successors or assigns, the Trustees shall execute and deliver a satisfaction of the Security Documents and such instruments as are necessary or desirable to terminate and remove of record any documents constituting public notice of the Security Documents and the security interests and assignments granted thereunder and

shall assign and transfer, or cause to be assigned and transferred, and shall deliver or cause to be delivered to Diamond, all property, including all moneys, instruments and securities of Diamond then held by the Trustees. The cancellation and satisfaction of the Security Documents shall be without prejudice to the rights of the Trustees or any successor trustee to charge and be reimbursed for any expenditures which it may thereafter incur in connection therewith.

(b) Other than a release of all Collateral pursuant to Section 6.4 (in connection with the failure of the Merger to occur), in which case all right, title and interest of the Trustees and the Non-Bank Holders in and to the Non-Bank Holders Collateral Accounts shall terminate, cease and be of no force and effect, nothing in this Section 6 shall affect the rights of the Trustees or the Non-Bank Holders in and to any amounts in the Non-Bank Holders Collateral Accounts which shall, pursuant to Section 3.5, survive the termination of the Trustees' right, title and interest in the Trust Estate.

## SECTION 7

### MISCELLANEOUS

7.1 Amendments, Supplements and Waivers. (a) With the written consent of the Majority Holders, the Trustees and Diamond may, from time to time, enter into written agreements supplemental hereto for the purpose of adding to or waiving any provision of this Agreement or any of the Security Documents or changing in any manner the rights of the Trustees, the Holders or Diamond hereunder or thereunder; provided, however, that no such supplemental agreement shall:

(i) amend, modify or waive any provision of this Section 7.1 without the written consent of each Holder,

(ii) reduce the percentage specified in the definition of Majority Holders, without the written consent of all the Holders,

(iii) amend, modify or waive any provision of this Agreement which would cause a violation of the equal and ratable security provisions in the Secured Debt Agreements to which any Non-Bank Holder is a party, or

(iv) amend, modify or waive any provision of Section 5.10 without the written consent of the Individual Trustee.

Any such supplemental agreement shall be binding upon Diamond, the Holders and the Trustees and their respective successors. The Trustees shall not enter into any such supplemental agreement unless they shall have received a certificate of an Authorized Officer of Diamond to the effect that such supplemental agreement will not result in a breach of any provision or covenant contained in the Secured Debt Agreements.

(b) Notwithstanding the provisions of paragraph (a), the Trustees and Diamond may, at any time and from time to time, without the consent of any Holders, enter into additional Security Documents or one or more agreements supplemental hereto or to any Security Document, in form satisfactory to the Trustees,

(i) to add to the covenants of Diamond, for the benefit of the Holders, or to surrender any right or power herein conferred upon Diamond;

(ii) to mortgage, pledge or grant a security interest in favor of the Trustees as additional security for the Secured Debt any property or assets which are required to be mortgaged or pledged, or in which a security interest is required to be granted, to the Trustees pursuant to any Security Document or otherwise; or

(iii) to cure any ambiguity, to correct or supplement any provision herein or in any Security Document which may be defective or inconsistent with any other provision herein or therein, or to make any other provisions with respect to matters or questions arising hereunder or under any Security Document which shall not be inconsistent with any provision hereof or of any Security Document; provided, that any such action contemplated by this clause (iii) shall not adversely affect the interests of the Holders.

7.2 Additional Actions of Holders. Whether or not there shall be an Actionable Default, the Majority Holders may, from time to time, reasonably request that the Trustees take or refrain from taking certain actions with respect to

the Collateral or the Holders, and the Trustees shall take or refrain from taking such action, provided, that the Trustees need not take or refrain from taking such actions if it would violate applicable law or the terms of this Agreement, the Security Documents or the Secured Debt Agreements or if the Trustees shall not be reasonably satisfied that they are or will be duly indemnified for any loss or damage caused by, or in connection with, their taking such action (except for any loss or damage caused by their own gross negligence or willful misconduct). In addition, whether or not there shall be an Actionable Default, the Holders to whom at least 66-2/3% of the Obligations secured by any Non-Bank Holders Collateral Account are owed, may, from time to time, reasonably request that the Trustees take or refrain from taking certain actions with respect to such Non-Bank Holders Collateral Account, and the Trustees shall take or refrain from taking such actions, provided, that the Trustees need not take or refrain from taking such actions if it would violate applicable law or the terms of this Agreement, the Security Documents or the Secured Debt Agreements to which any of the Non-Bank Holders are a party or if the Trustees shall not be reasonably satisfied that they are or will be duly indemnified for any loss or damage caused by, or in connection with, their taking such action (except for any loss or damage caused by their own gross negligence or willful misconduct).

7.3 Notices. All notices, requests, demands and other communications provided for or permitted hereunder shall, unless otherwise stated herein, be in writing (including telex and telecopy communications) and shall be sent by mail (by registered or certified mail, return receipt requested), telex, telecopier or hand delivery:

(a) If to Diamond, to its address at 733 Third Avenue, New York, New York 10017, Attention: Secretary or at such other address as shall be designated by it in a written notice to the Trustees and DUSA; with a copy to DUSA at its address at 161 West Putnam Avenue, Greenwich, Connecticut 06830, Attention: Secretary, and a copy to Jane von der Heyde at Suite 2400, 650 Fifth Avenue, New York, New York 10019, or at such other address as shall be designated by Diamond in a written notice to the Trustees, provided, that a failure to send a copy of any notice to DUSA or to Jane von der Heyde shall not render such "notice to Diamond" ineffective;

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(b) If to DUSA, to it at its address at 161 West Putnam Avenue, Greenwich, Connecticut 06830, Attention: Secretary and with a copy to Jane von der Heyde at Suite 2400, 650 Fifth Avenue, New York, New York 10019, or at such other address as shall be designated by it in a written notice to the Trustees and Diamond; provided, that a failure to send a copy of any notice to Jane von der Heyde shall not render such "notice to DUSA" ineffective;

(c) If to the Trustees, to the Corporate Trustee at its address at 40 Wall Street, New York, New York 10015, Attention: Escrow Administration or at such other address as shall be designated by it in a written notice to Diamond and each Holder; with a copy to the Individual Trustee at his address at 40 Wall Street, New York, New York 10015, Attention: Escrow Administration or at such other address as shall be designated by him in a written notice to Diamond, each Holder and the Corporate Trustee, provided, that a failure to send a copy of any notice to the Individual Trustee shall not render "notice to the Trustees" ineffective; and

(d) If to any Holder, to it at the address specified from time to time in the list provided by Diamond to the Trustees pursuant to Section 4.2 with copies to whoever (other than Diamond) is specified by Diamond pursuant to Section 4.2 as a party to whom notice must be sent under the Secured Debt Agreements, provided, that in the case that no address is known for a Holder, notice shall be given to it in the manner specified by the related Secured Debt Agreement, and, in the absence of any such specified means of giving notice, by such notice in the national edition of The Wall Street Journal or as the Trustees shall determine to be reasonable. For purposes of notice by publication, one notice is sufficient and shall be deemed made on the date of its publication.

All such notices, requests, demands and communications shall be deemed to have been duly given or made, (i) when delivered by hand, (ii) five business days after being deposited in the mail, postage prepaid, (iii) when telexed with answerback received or (iv) when telecopied with receipt acknowledged or when published in The Wall Street Journal or such other publication; provided, however, that any notice, request, demand or other communication to the Trustees shall not be effective until received and, provided, further, that any notice to the Trustees from Diamond shall be signed by an Authorized Officer.

7.4 Void Ab Initio. (a) Notwithstanding anything to the contrary contained herein, if the Merger shall not be consummated one day after the First Closing Date (or such later date as may be acceptable to the Agent and Diamond), this entire Agreement shall be deemed to be void ab initio (there shall have been no trust created hereby; no Holders shall have had any rights to any assets referred to herein; and the Trustees shall have had no duties hereunder) except as follows in paragraph (b) of this Section 7.4.

(b) If this Agreement is deemed void ab initio pursuant to the foregoing paragraph (a), then the only rights and obligations which will survive hereunder are the following: (i) any rights of Diamond pursuant to Section 6.4, and (ii) any fees which the Trustees shall have earned pursuant to Section 4.3, or any expenses which they shall have incurred pursuant to Section 4.6 or otherwise hereunder or any other amounts which would be payable to the Trustees hereunder shall remain payable; provided, however, that such amounts shall be paid by DUSA which hereby agrees to the assumption of all such obligations hereunder in the event that the Merger shall not take place on the day following the First Closing Date (or such later date as may be acceptable to the Agent and Diamond) (it being understood that Diamond is concurrently released of all obligations hereunder).

7.5 Headings. Section, subsection and other headings used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

7.6 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7.7 Treatment of Payee or Indorsee by Trustees.  
(a) The Trustees may treat the registered holder of any registered note, and the payee or indorsee of any note or debenture which is not registered, as the absolute owner thereof for all purposes hereunder and shall not be affected by any notice to the contrary, whether such promissory note or debenture shall be past due or not.

(b) Any person, firm, corporation or other entity which shall be designated as the duly authorized representative of one or more Holders to act as such in

connection with any matters pertaining to this Agreement or any Security Document or the Collateral shall present to the Trustees such documents, including, without limitation, opinions of counsel, as the Trustees may reasonably require, in order to demonstrate to the Trustees the authority of such person, firm, corporation or other entity to act as the representative of such Holders.

7.8 Dealings with Diamond. (a) Upon any application or demand by Diamond to the Trustees to take or permit any action under any of the provisions of this Agreement, Diamond shall (unless otherwise waived by the Trustees in writing) furnish to the Trustees a certificate signed by an Authorized Officer stating that all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Agreement relating to such particular application or demand, no additional certificate or opinion need be furnished.

(b) Any opinion of counsel may be based, insofar as it relates to factual matters which were not independently established by counsel, upon a certificate of Diamond filed with the Trustees.

7.9 Claims Against the Trustees. This Agreement is made for the benefit of the Holders, and the Majority Holders may from time to time enforce their rights as explicit beneficiaries hereunder. Any claims or causes of action which the Holders or Diamond shall have against the Trustees shall survive the termination of this Agreement and the release of the Collateral and the Non-Bank Holders Collateral Accounts hereunder.

7.10 Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and shall inure to the benefit of the Holders and their respective successors and assigns and nothing herein or in any Security Document is intended or shall be construed to give any other person any right, remedy or claim under, to or in respect of this Agreement, any Security Document, the Collateral, the Non-Bank Holders Collateral Account or the Trust Estate.

7.11 Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance

with, the laws of the State of New York and any action alleging any breach by the Trustees of their duties hereunder, whether by act or omission or anticipatory, may be prosecuted in the courts of the State of New York or Federal Courts sitting in New York.

7.12 Effectiveness. This Agreement shall become effective on the execution and delivery hereof and shall remain in effect so long as the Trustees shall have any obligations hereunder.

7.13 Reexecution of Agreement. This Agreement shall be reexecuted at any time and from time to time, at the request of the Majority Holders, with such changes in the form hereof (including, without limitation, changes on the cover page and adding supplemental signatures and notary statements) as may be necessary to comply with the filing or recording requirements of any jurisdiction where this Agreement is to be filed.

7.14 Counterparts. This Agreement may be executed in separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

DIAMOND INTERNATIONAL  
CORPORATION

By /s/ R. D. Rocheleau  
Title: Treasurer

MANUFACTURERS HANOVER  
TRUST COMPANY

By /s/ L. H. Savran  
Title: Vice President

/s/ L. H. Savran  
Leslie Howard Savran

DIAMOND (USA) INC.

By /s/ Bowman Gray  
Title: Vice President

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STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.:

[NOTARY STATEMENTS IF NECESSARY]

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GENERAL ORIENTAL LIMITED GUARANTY

The undersigned, General Oriental Limited, a corporation organized and existing under the laws of the British Crown Colony of Hong Kong, does hereby unconditionally guaranty as of the date of the Agreement (as hereinafter defined) that all obligations of Diamond (USA) Inc. to the Trustees arising under or pursuant to the foregoing Diamond Trust Agreement (the "Agreement") will be paid strictly in accordance with the terms of the Agreement. The liability of the undersigned shall be absolute and unconditional irrespective of:

(1) any lack of validity or enforceability of the Agreement;

(2) any amendment or waiver of any terms of the Agreement; or

(3) any other circumstance which might constitute a defense available to, or discharge of, DUSA in respect of such obligations.

This guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of DUSA's obligations under the Agreement is rescinded or must otherwise be returned by the Trustees upon the insolvency, bankruptcy or reorganization of DUSA or otherwise, all as though such payment had not been made.

The undersigned hereby irrevocably submits to the jurisdiction of any New York State or Federal court sitting in New York City in any action or proceeding arising out of or relating to this guaranty, and the undersigned hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State court, or to the extent permitted by law, in such Federal court. The undersigned hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The undersigned hereby irrevocably appoints CT Corporation System (the "Process Agent"), with an office on the date hereof at 1633 Broadway, New York, New York 10019, United States, as its agent to receive on behalf of the undersigned and its property service of copies of the summons and complaint and any other process which may be served in any such action or proceedings. Such service may be made by mailing or delivering a copy of such process to the undersigned in care of the Process Agent at the Process Agent's above address, and the undersigned hereby irrevocably

authorizes and directs the Process Agent to accept such service on its behalf. As an alternative method of service, the undersigned also irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to the undersigned at its address at 22nd floor, Prince's Building, Hong Kong, with copies to Stephenson Harwood, Saddler's Hall, Gutter Lane, London EC2V 6BS England, Attention of Peter F. Simpson and Messrs. Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York, 10022, Attention of Theodore J. Kozloff. The undersigned agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

GENERAL ORIENTAL LIMITED

By /s/ Ian M. Duncan  
Title: Director

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STATE OF NEW YORK    )  
                          )   ss.:  
COUNTY OF NEW YORK    )

[NOTARY STATEMENT IF NECESSARY]

BOOK 425 PAGE 128

SCHEDULE 1

to

DIAMOND TRUST AGREEMENT

Holders of Instruments Issued Pursuant to certain  
Note Purchase Agreements, each dated July 15, 1971:

| <u>Name and Address of Holder</u>                                                                                                                                                                                                                    | <u>Original<br/>Principal<br/>Amount<br/>of Notes</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| <p>State of South Carolina<br/>Retirement System<br/>P.O. Box 11568<br/>Columbia, S.C. 29211</p> <p>Att: The Honorable Grady L. Patterson, Jr.,<br/>Treasurer</p>                                                                                    | <p>\$10,000,000</p>                                   |
| <p>State of New Jersey -<br/>Teachers' Pension &amp; Annuity Fund<br/>Department of the Treasury<br/>Division of Investment<br/>P.O. Box 1829<br/>Trenton, N.J. 08625</p> <p>Att: Mr. Richard L. Stoddard,<br/>Director, Division of Investments</p> | <p>1,750,000</p>                                      |
| <p>State of New Jersey -<br/>Public Employees' Retirement System<br/>Department of the Treasury<br/>Division of Investment<br/>P.O. Box 1829<br/>Trenton, N.J. 08625</p> <p>Att: Mr. Richard L. Stoddard,<br/>Director, Division of Investments</p>  | <p>1,000,000</p>                                      |

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| <u>Name and Address of Holder</u>                                                                                                                                       | <u>Original<br/>Principal<br/>Amount<br/>of Notes</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Liberty National Life Insurance Company<br>P.O. Box 2612<br>Birmingham, Ala. 35202<br><br>Att: Mr. D. Laurence Faulkner                                                 | \$2,000,000                                           |
| The Western Saving Fund Society of Philadelphia<br>Broad & Chestnut Streets<br>Philadelphia, Pa. 19107<br><br>Att: Mr. John W. York, Vice President                     | 1,000,000                                             |
| Home Beneficial Life Insurance Company<br>3901 West Broad Street<br>P.O. Box 27572<br>Richmond, Va. 23232<br><br>Att: Mr. Harry A. Roberts,<br>Assistant Vice President | 1,000,000                                             |
| Independent Order of Foresters<br>789 Don Mills Road<br>Don Mills 402<br>Ontario, Canada<br><br>Att: Mr. William E. Boothe,<br>Executive Treasurer                      | 500,000                                               |
| Ohio Citizens Trust Company<br>One Levis Square<br>Toledo, Ohio 43603<br><br>Att: Mr. Donald Miles,<br>Trust Investment Department                                      | 500,000                                               |

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| <u>Name and Address of Holder</u>                                                                                                                                             | <u>Original<br/>Principal<br/>Amount<br/>of Notes</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| <p>North American Reinsurance Corporation<br/>245 Park Avenue<br/>New York, N.Y. 10017</p> <p>Att: Mr. L.J. Miale, Treasurer</p>                                              | \$300,000                                             |
| <p>Swiss Reinsurance Company, U.S. Branch<br/>245 Park Avenue<br/>New York, N.Y. 10017</p> <p>Att: Mr. L.J. Miale, Treasurer</p>                                              | 300,000                                               |
| <p>Stuyvesant Life Insurance Company<br/>1105 Hamilton Street<br/>Allentown, Pa. 18101</p> <p>Att: Mr. C. Richard Satuffer, Vice President</p>                                | 250,000                                               |
| <p>North American Reassurance Company<br/>245 Park Avenue<br/>New York, N.Y. 10017</p> <p>Att: Mr. L.J. Miale, Treasurer</p>                                                  | 200,000                                               |
| <p>J. Walter Thompson Company<br/>Profit Sharing Trust<br/>420 Lexington Avenue<br/>New York, N.Y. 10017</p> <p>Att: Mr. Howard D. Brundage,<br/>Executive Vice President</p> | 200,000                                               |
| <p>Estate of Harry C. Trexler<br/>1227 Hamilton Street<br/>Allentown, Pa. 18102</p> <p>Att: Mr. Nolan P. Benner</p>                                                           | 150,000                                               |

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| <u>Name and Address of Holder</u>                                                                                                           | <u>Original<br/>Principal<br/>Amount<br/>of Notes</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Trustees of The Profit Sharing and Retirement<br>Plan of Liberty National Life Insurance Company<br>P.O. Box 2612<br>Birmingham, Ala. 35202 | \$100,000                                             |

Att: Mr. D. Laurence Faulkner

|                                                                                                                                                                 |         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| State of New Jersey -<br>Police and Firemen's Retirement System<br>Department of the Treasury<br>Division of Investment<br>P.O. Box 1829<br>Trenton, N.J. 08625 | 750,000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

Att: Mr. Richard L. Stoddard,  
Director, Division of Investments

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SCHEDULE 2

to

DIAMOND TRUST AGREEMENT

Holders of Instruments Issued Pursuant to certain  
Purchase Agreements, each dated November 14, 1978:

| <u>Name and Address of Holder</u>                                                                                                                                                              | <u>Original<br/>Principal<br/>Amount<br/>of Notes</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| <p>Equitable Life Insurance Company of Iowa<br/>c/o Equitable Investment Services, Inc.<br/>604 Locust Street<br/>P.O. Box 1635<br/>Des Moines, Iowa 50306</p> <p>Att: Securities Division</p> | <p>\$3,000,000</p>                                    |
| <p>Business Men's Assurance Company of America<br/>P.O. Box 458<br/>Kansas City, Missouri 64141</p> <p>Att: Securities Department</p>                                                          | <p>1,000,000</p>                                      |
| <p>Guarantee Mutual Life Company<br/>8721 Indian Hills Drive<br/>Omaha, Nebraska 68114</p> <p>Att: Investment Department</p>                                                                   | <p>1,000,000</p>                                      |
| <p>Lutheran Mutual Life Insurance Company<br/>Heritage Way<br/>Waverly, Iowa 50677</p> <p>Att: Investment Department</p>                                                                       | <p>1,000,000</p>                                      |

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| <u>Name and Address of Holder</u>                                                                                            | <u>Original<br/>Principal<br/>Amount<br/>of Notes</u> |
|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| The Lafayette Life Insurance Company<br>2203 South 18th Street<br>Lafayette, Indiana 47902<br><br>Att: Investment Department | \$500,000                                             |
| American Mutual Life Insurance Company<br>418 6th Avenue<br>Des Moines, Iowa 50307<br><br>Att: Finance Department            | 500,000                                               |

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[Exhibits A and B to Trust Agreement  
on file with the Corporate Trustee]

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[Conformed copy,  
with Exhibit I  
conformed as  
executed]

ANNEX II

U.S. \$455,000,000

CREDIT AGREEMENT

Among

DIAMOND ACQUISITION INC.  
as Borrower

DIAMOND (USA) INC.  
as Pledgor

and

CITIBANK, N.A.  
as Agent

and

CITIBANK, N.A.  
CROCKER NATIONAL BANK  
THE FIRST NATIONAL BANK OF CHICAGO  
THE HONGKONG AND SHANGHAI BANKING CORPORATION  
(New York Branch)  
MARINE MIDLAND BANK, N.A.  
WELLS FARGO BANK, N.A.  
NORTH CAROLINA NATIONAL BANK, and  
CREDIT LYONNAIS  
(New York Branch)  
as Banks

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THIS CREDIT AGREEMENT (as the same may be amended from time to time pursuant to Section 10.01, being herein referred to as this "Agreement") dated as of October 29, 1982 among:

(i) DIAMOND ACQUISITION INC., a corporation organized and existing under the laws of the State of Delaware ("Diamond Acquisition") (Diamond Acquisition, and, from and after the time it merges into Diamond International Corporation, a Delaware corporation ("Diamond International"), the surviving corporation in such merger being herein referred to as the "Borrower")),

(ii) DIAMOND (USA) INC., a corporation organized and existing under the laws of the State of Delaware ("DUSA"),

(iii) the financial institutions listed on the signature pages of this Agreement under the heading "Banks" (such banks, together with any other banks which may become parties hereto being herein referred to as the "Banks"), and

(iv) CITIBANK, N.A. ("Citibank"), as agent for the Banks hereunder (such agent and any successor agent appointed pursuant to Section 7.06 being herein referred to as the "Agent").

PRELIMINARY STATEMENT. The Borrower has requested the Banks to make advances to it in an aggregate principal amount of up to U.S. \$455,000,000, on the terms and the conditions set forth in this Agreement. The proceeds of such advances are to be used, in part, to make a loan to DUSA, the parent of Diamond Acquisition, the proceeds of which shall be used to finance the purchase of the remaining outstanding shares of Diamond International pursuant to a merger of Diamond Acquisition into Diamond International. Concurrently with the Effective Time (as hereinafter defined), Diamond International shall assume the rights and obligations of Diamond Acquisition hereunder. The Banks have agreed severally to make such advances to the Borrower on such terms and conditions. NOW, THEREFORE, the parties hereto agree as follows:

# ARTICLE I DEFINITIONS

SECTION 1.01. Certain Defined Terms. As used in this Agreement and the Schedules hereto, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"A Advance" means an advance by a Bank to the Borrower pursuant to Section 2.01(b). Pursuant to Section 2.03, the proceeds of the A Advances shall be used, among other things, to finance the Merger and pay certain related expenses.

"Acquisition/Banks Collateral Account" has the meaning assigned such term in Section 2.01.

"Acquisition/DUSA Loan" means a loan from Acquisition to DUSA on the First Closing Date in an aggregate principal amount not to exceed \$425,000,000, the proceeds of which shall be held in the DUSA/Banks Collateral Account until released pursuant to the terms of this Agreement.

"Active Subsidiary" means any Subsidiary of the Borrower which is not an Inactive Subsidiary.

"Advance" means either an A Advance or a B Advance.

"Agent" has the meaning assigned such term in the introduction to this Agreement.

"Agreement" has the meaning assigned such term in the introduction to this Agreement.

"Applicable Lending Office" means, with respect to each Bank, the office of such Bank specified as its "Lending Office" below its name on the signature pages hereof, or such other office or affiliate of such Bank, within the United States, as such Bank may from time to time specify to the Borrower and the Agent.

"Articles of Merger" means a Certificate of Merger of Diamond Acquisition into Diamond International, in substantially the form of Exhibit A to the Merger Agreement.

"Assumption Agreement" means an agreement of Diamond International (i) as to the assumption of all obligations of

Diamond Acquisition hereunder and under the Notes, and of Diamond Acquisition as grantor, assignor or pledgor under all Collateral Documents to which Acquisition is or will be a party, and (ii) as to certain representations and warranties referred to therein, which agreement shall be in substantially the form of Exhibit H with such changes thereunto as are acceptable to the Majority Banks, and delivered pursuant to Section 3.02, as such agreement may be amended, modified or supplemented from time to time in accordance with the provisions of Section 10.01.

"B Advance" means an advance by a Bank to the Borrower pursuant to Section 2.01(c). Pursuant to Section 2.03, the proceeds of the B Advances shall be used to pay interest hereunder.

"Banks" has the meaning assigned such term in the introduction to this Agreement.

"Borrower" has the meaning assigned such term in the introduction to this Agreement.

"Borrowing" means a borrowing consisting of simultaneous Advances from each of the Banks.

"Brooks-Scanlon Sellers" means the persons listed on Schedule I to a certain Stock Purchase Agreement, dated as of October 2, 1981 among CDI Holdings Inc., Cavenham Development Inc. and the Sellers named therein.

"Business Day" means a day of the year on which the Banks are not authorized or required to close in New York City.

"Cash Collateral Accounts" means, collectively, the DUSA/Banks Collateral Account, the Acquisition/Banks Collateral Account and the Interest Reserve Account.

"Certificate of Sale" means a certificate in substantially the form of Exhibit F hereto, prepared and delivered by the Borrower to the Agent, from time to time pursuant to Section 5.01(h), in connection with the sale of assets of Diamond International.

"Chase Indenture" means the Indenture dated as of September 1, 1976 between Diamond International and the Chase Manhattan Bank (National Association) as trustee, as the same may be amended from time to time in accordance with the provisions of Section 5.01(q).

"Code" means the Internal Revenue Code of 1954, as amended from time to time.

"Collateral" means all property (other than the Non-Bank Holders Collateral Account described in the Trust Agreement) which is subject, or which is purported to be subject, from time to time, to any lien, pledge or security interest pursuant to any of the Collateral Documents.

"Collateral Documents" means the DUSA Pledge Agreement, the Security and Pledge Agreement, the Mortgages, the Assumption Agreement, the Trust Agreement, any financing statement or similar document filed, from time to time, pursuant to the foregoing, and any agreement required pursuant to the terms of the foregoing.

"Commitment" has the meaning assigned to that term in Section 2.01.

"Commitment Termination Date" means the day which occurs 53 months after the First Closing Date, or the earlier date of termination in whole of the Commitments pursuant to Section 2.07 or 6.01.

"Consolidated" refers to the accounts of Diamond International and its Subsidiaries as consolidated in accordance with generally accepted accounting principles, including principles of consolidation consistent with those applied in the preparation of the Consolidated financial statements referred to in Section 4.02(f).

"Consolidated Subsidiaries" means at any time those Subsidiaries of the Borrower which are included in the Consolidated financial statements of the Borrower.

"Default" means an Event of Default or event which, with the giving of notice or lapse of time or both, would become an Event of Default.

"Diamond Acquisition" has the meaning assigned such term in the introduction to this Agreement.

"Diamond Financial Control" means Diamond Financial Control Corporation, a corporation organized and existing under the laws of Delaware.

"Diamond International" has the meaning assigned such term in the introduction to this Agreement.

"Disclosed Litigation" has the meaning assigned such term in Section 4.02(h).

"Dollars" and the sign "\$" each means lawful money of the United States.

"Domestic Subsidiaries" means all Subsidiaries of the Borrower which are not Foreign Subsidiaries.

"DUSA" has the meaning assigned such term in the introduction to this Agreement.

"DUSA/Banks Collateral Account" has the meaning assigned such term in Section 2.02.

"DUSA Loan Note" means the promissory note of DUSA in respect of the Acquisition/DUSA Loan.

"DUSA Pledge Agreement" means an agreement in substantially the form of Exhibit C hereto with such changes thereto as are acceptable to the Majority Banks, as the same may be amended, modified or supplemented from time to time in accordance with the provisions of Section 10.01, made by the Pledgor to the Agent for the benefit of the Agent and the Banks, including a pledge by the Pledgor of the Common Shares of Diamond International to the Agent for the benefit of the Agent and the Banks as security for all indebtedness of the Borrower to the Agent and the Banks hereunder and under the Notes.

"Effective Federal Funds Rate" means, for any day, the weighted average of the rates on overnight Federal funds transactions, with members of the Federal Reserve System only, arranged by Federal funds brokers, as published as of such day by the Federal Reserve Bank of New York.

"Effective Time" is the time at which the Merger shall become effective.

"ERISA" means the U.S. Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" of a Person means any trade or business (whether or not incorporated) which is a member of a group which is under common control (within the meaning of the regulations under Section 414 of the Code) and of which such Person is a member.

"Escher Wyss Manchester" means a joint venture of which a 65% interest is owned by Diamond International.

"Event of Default" has the meaning assigned such term in Section 6.01.

"EWM" means EWM Corporation, a corporation organized and existing under the laws of Delaware.

"Exchange Agent" means an exchange agent for the Merger to be selected by DUSA and approved by Diamond International pursuant to the Merger Agreement.

"First Closing" means the funding of the A Advances into certain cash collateral accounts pursuant to Section 2.01(b).

"First Closing Date" means the date of the First Closing.

"First Year" means the one year period from the First Closing Date to the date one year thereafter.

"Foreign Subsidiaries" means, at any time, Subsidiaries of the Borrower which both (i) are not organized under the laws of the United States or any State or political subdivision thereof and (ii) do not own or maintain significant assets in the United States.

"Funded Debt Exclusive of Travelers" means at any time, Funded Indebtedness less the Travelers Purchase Price in effect at such time.

"Funded Indebtedness" means at any time all amounts which would in accordance with generally accepted accounting principles be included in the balance sheet of Diamond International and its Consolidated Subsidiaries under the caption "debt" if such item were computed in the manner that it was computed on their December 31, 1981 Consolidated balance sheet.

"Goodwill" means at any time all amounts which would in accordance with generally accepted accounting principles be included in the balance sheet of Diamond International and its Consolidated Subsidiaries under the caption "Investment in Excess of Acquired Net Assets of Divisions" if such item were computed in the manner that it was computed on their December 31, 1981 Consolidated balance sheet.

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"Guarantor" means General Oriental Limited, a corporation organized and existing under the laws of the British Crown Colony of Hong Kong, or any successor guarantor under the Guaranty.

"Guaranty" means a guaranty made by the Guarantor in favor of the Agent and the Banks, in substantially the form of Exhibit I, delivered pursuant to Section 3.01, as the same may be amended from time to time pursuant to Section 10.01.

"Heekin" means all of the assets which are the subject of a certain Escrow Agreement dated September 29, 1982, among Diamond International Corporation, Wesray Packaging Inc., Corporate Properties Associates 2, Sunkist Service Company, Manufacturers Hanover Leasing Corporation, Citicorp Industrial Credit Inc., Pioneer National Title Insurance Company, Heekin Can, Inc., Gibson Realty Inc. and Wesray Corp., and the Exhibits thereto.

"Inactive Subsidiary" means any Subsidiary of the Borrower that (i) conducts no regular business and (ii) has total assets of less than \$50,000 and total liabilities, contingent or otherwise, of less than \$50,000, provided, that (A) when the assets of such Subsidiary are added to the assets of all other Inactive Subsidiaries, the aggregate amount of such assets does not exceed \$200,000, and (B) when the liabilities, contingent or otherwise, of such Subsidiary are added to the liabilities, contingent or otherwise, of all other Inactive Subsidiaries, the aggregate amount of such liabilities does not exceed \$200,000.

"Indebtedness" means, for any Person, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, to the extent that such indebtedness does, or should in accordance with generally accepted accounting principles, appear as a liability on such Person's balance sheet, (ii) to the extent not included in the preceding clause (i), all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the remedies and rights of the seller under such agreement in the event of default are limited to repossession or sale of such property), (iii) obligations as lessee under leases which have been or will be, in accordance with generally accepted accounting principles as applied to such Person, recorded as capital leases, (iv) all direct or indirect guarantees of such Person in respect of, and all obligations (contingent or otherwise) of such Person to .

purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness of any other Person of the type referred to in clauses (i), (ii) and (iii) above, and (v) all indebtedness of the type referred to in clauses (i), (ii) and (iii) above secured by (or for which the holder of such indebtedness has an existing right to be secured by) any lien, security interest or other charge or encumbrance upon or in property (including, without limitation, accounts and contract rights) owned by such Person even though such Person has not assumed or become liable for the payment of such indebtedness; provided, however, that when determining the amount of Indebtedness of more than one Person on a Consolidated basis, if a liability exists on the part of one such Person of a type referred to in clause (i), (ii) or (iii) above and such liability is guaranteed by another such Person in such a manner that it would constitute Indebtedness within the meaning of clause (iv) above or is secured by the assets of the other such Person in such a manner that it would constitute Indebtedness within the meaning of clause (v) above, then in either case, the consolidated Indebtedness shall not include both the amount of the underlying liability of the former Person and the amount of the guaranty of, or security interest granted by, the latter Person, but shall instead include only the amount of the underlying liability of the former Person. It is understood that Indebtedness shall not include trade payables and accrued liabilities incurred and paid in the ordinary course of business, cutting rights of the kind listed on Schedule VI hereto and obligations in respect of performance bonds incurred in the ordinary course of business.

"Interest Payment Date" has the meaning set forth in Section 2.09 hereof.

"Interest Reserve Account" means a cash collateral account of the Borrower in favor of the Agent and the Banks established, maintained and terminated in accordance with the provisions of Article VIII.

"ITC Recapture" means the recapture of investment tax credit allowed under Section 38 of the Code in respect of qualified investment in property which is disposed of before the end of its recapture period.

"Lien" means with respect to the property of a Person, any lien, security interest, other charge or encumbrance (including the lien or retained security title of a conditional vendor) of any kind or any other type of

preferential arrangement upon or with respect to any properties of any character (including, without limitation, sales of accounts receivable) of such Person.

"Loan Documents" means collectively this Agreement, the Notes, the Guaranty, the Collateral Documents and any agreement delivered in connection with any of the foregoing.

"Majority Banks" means at any time those Banks who in the aggregate are owed 66-2/3% or more of the outstanding principal amount of the obligations (whether or not due and payable) hereunder and under the Notes, or, if no amount is outstanding, Banks having at least 66-2/3% of the Commitments.

"Margin Stock" has the meaning assigned such term in Regulation U of the Board of Governors of the Federal Reserve System.

"Merger" means the proposed merger of Diamond Acquisition into Diamond International on substantially the terms set forth in the Merger Agreement.

"Merger Agreement" means the Agreement and Plan of Merger in substantially the form of Exhibit B to the Proxy Statement by and among Diamond Acquisition, DUSA and Diamond International.

"Mortgages" means collectively the Mortgage, Deed of Trust, Assignment and Security Agreements by Diamond International (and, if requested by the Majority Banks through the Agent) its Subsidiaries in substantially the form of Exhibit E with such changes thereto as shall be acceptable to the Majority Banks, to a trustee to be named therein and the Trustee as mortgagee, on the real property of Diamond International (and any such Subsidiaries) in the States listed on Schedule IV (which shall not include the real property of Heekin, Stirling Bluffs, EWM, Escher Wyss Manchester or Diamond Financial Control), as the same may be amended, supplemented or modified, from time to time pursuant to Section 10.01.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA.

"Net Assets Exclusive of Travelers" means, at any time, the excess (if any) of the total assets of the Borrower and its Consolidated Subsidiaries over current liabilities of the Borrower and its Consolidated Subsidiaries as shown,

on a Consolidated balance sheet (which shall not include the current portion of Funded Indebtedness), less (a) Goodwill, prepaid expenses, deferred charges and the DUSA Loan Note, (b) the book value of the standing timber located on the Timberland and (c) the outstanding principal amount of notes receivable received after the First Closing Date in connection with an asset sale (other than the sale of Heekin) but only if such notes either (1) are in default or (2) mature on a date after the final maturity date of the Advances (or, if such notes are installment notes then only those installments maturing after the final maturity date of the Advances shall be excluded from Net Assets Exclusive of Travelers), as each of the foregoing would appear on a Consolidated balance sheet.

"1978 Agreements" means those certain Note Purchase Agreements, each dated November 14, 1978, between Diamond International and the purchasers named therein, as the same may be amended from time to time in accordance with the provisions of Section 5.01(q).

"1971 Agreements" means those certain Note Purchase Agreements, each dated July 15, 1971, between Diamond International and the purchasers named therein as the same may be amended from time to time in accordance with the provisions of Section 5.01(q).

"Note" means a promissory note of the Borrower payable to the order of any Bank, in substantially the form of Exhibit A hereto, evidencing the indebtedness of the Borrower hereunder to such Bank, as the same may be amended from time to time pursuant to Section 10.01.

"Notice of Borrowing" has the meaning assigned to that term in Section 2.05.

"Obligors" shall mean collectively the Borrower, the Guarantor and the Pledgor.

"Other Secured Creditors" means the holders of the Other Secured Debt.

"Other Secured Debt" means the debt arising out of, or evidenced by, the Other Secured Debt Agreements and referred to in the Trust Agreement as the "Obligations owed to Non-Bank Holders".

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"Other Secured Debt Agreements" means the Chase Indenture, the 1971 Agreements and the 1978 Agreements and all instruments issued pursuant thereto.

"Person" means an individual, corporation, partnership, joint venture, trust, unincorporated organization or any other juridical entity, or a foreign state or any agency or political subdivision thereof.

"Plan" means a pension plan other than a Multiemployer Plan providing benefits for employees of the Borrower or any ERISA Affiliate of the Borrower and covered by Title IV of ERISA.

"Pledgor" means DUSA or any successor pledgor under the DUSA Pledge Agreement.

"Preferred Collateral Account" has the meaning assigned to that term in Section 2.03.

"Preferred Stock" means shares of Series A Cumulative Convertible Preferred Stock of Diamond International.

"Principal Payment Dates" means the dates on which principal payments are due pursuant to Section 2.08(a).

"Process Agent" means CT Corporation System, with an office on the date hereof at 1633 Broadway, New York, New York 11019.

"Proxy Statement" means the Diamond International Proxy Statement mailed, or to be mailed to the stockholders of Diamond International in connection with the Merger, which Proxy Statement is, or will be, in substantially the form of the October 18, 1982 proof thereof.

"Ratably" or "Ratable" means, with respect to payments to, or applications for, the Banks and Other Secured Creditors, in proportion to the outstanding amount of outstanding principal, accrued interest and accrued facility fees owed by the Borrower to each such creditor relative to the amount owed to all such creditors, under or pursuant to this Agreement, the Notes, the Collateral Documents and the Other Secured Debt Agreements.

"Reportable Event" has the meaning given to such term in Section 4043 of ERISA and the regulations issued thereunder.

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"Second Closing" means the closing which occurs upon the release of funds from the Acquisition/Banks Collateral Account and/or the DUSA/Banks Collateral Account pursuant to Section 8.02(e).

"Second Closing Date" means the date of the Second Closing.

"Security and Pledge Agreement" means a Security, Assignment and Pledge Agreement in substantially the form of Exhibit D with such changes thereto as shall be acceptable to the Majority Banks in favor of the Trustee, as to substantially all the personal property of the Borrower (other than the stock of or personal property of Heekin, Stirling Bluffs, EWM, Escher Wyss Manchester or Diamond Financial Control), as such agreement may be amended, modified or supplemented from time to time in accordance with the provisions of Section 10.01.

"Stirling Bluffs" means Stirling Bluffs Corporation, a corporation organized and existing under the laws of California.

"Subsidiary" of a Person means any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether or not at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries, or by one or more other Subsidiaries.

"Termination Event" means (i) a Reportable Event (other than a Reportable Event not subject to the provision for 30-day notice to the Pension Benefit Guaranty Corporation under such regulations), or (ii) the withdrawal of the Borrower or any of its Affiliates from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or a cessation of operations by the Borrower or any of its Affiliates which is treated as such a withdrawal pursuant to Section 4062(e) of ERISA or (iii) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, or (iv) the institution of proceedings to terminate a Plan by the Pension Benefit Guaranty Corporation under Section 4042 of ERISA, or (v) any other event or condition which might constitute grounds under

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Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"Timberland" has the meaning assigned such term in Section 4(a) of the Travelers Agreement.

"Travelers" means The Travelers Corporation, a Connecticut corporation.

"Travelers Agreement" means that certain Timberland Option Agreement dated August 6, 1982 between Travelers and Diamond Acquisition.

"Travelers Consent" means a consent of Travelers in form and substance satisfactory to the Majority Banks.

"Travelers Purchase Price" means the purchase price payable by Travelers, from time to time, pursuant to Section 1(a) of the Travelers Agreement.

"Trust Agreement" means a trust agreement establishing a trust for the benefit of the Banks and the Other Secured Creditors and providing for certain other matters, in substantially the form of Exhibit G, with such changes thereto as shall be acceptable to the Majority Banks, as such agreement may be amended from time to time in accordance with its terms.

"Trustee" means the trustee or trustees under the Trust Agreement.

"United States" and "U.S." each means United States of America.

SECTION 1.02. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.02(f).

SECTION 1.03. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

SECTION 1.04. Certain Asset Sales. For purposes of Section 2.07(a) and 5.01(i) (in addition to any exclusion for

sales in the ordinary course of business), sales of assets shall not include any sale of an asset where the total purchase price is less than \$5,000,000, provided, that all such asset sales which involve a total purchase price of at least \$200,000 ("Combined Assets") shall be aggregated until the total amount of Combined Assets reaches \$10,000,000, whereupon an amount equal to 80% of the total cash proceeds from such sales will be (x) applied to reduce the Commitments dollar for dollar pursuant to Section 2.07(a), if the date of such application occurs prior to the First Closing or (y) remitted by the Borrower to the Trustee for application pursuant to the Trust Agreement and Section 5.01(i), if the date of such remittance is after the First Closing. The total purchase price of all Combined Assets thereafter sold shall also be aggregated as provided in the preceding sentence.

## ARTICLE II AMOUNTS AND TERMS OF THE ADVANCES

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SECTION 2.01. The Advances. (a) Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make one A Advance and one or more B Advances to the Borrower in an aggregate amount for all Advances not to exceed at any time outstanding the amount of the commitment set forth opposite its name on the signature pages hereof, as such amount may be reduced from time to time pursuant to Section 2.07 (the "Commitment"). Each A Advance shall be in an amount of not less than \$1,000,000.

(b) A Advances. On any Business Day prior to December 31, 1982, and upon satisfaction of the applicable conditions set forth under Article III, each Bank will simultaneously make an A Advance to the Borrower, provided, that the aggregate amount of all A Advances shall not exceed \$440,000,000 (or such lesser amount as is provided by Section 2.07). The A Advances shall be deemed made when the Banks transfer such funds to the Agent and the Agent transfers such funds into a cash collateral account (the "Acquisition/Banks Collateral Account") to be maintained by the Agent for the Banks as security for the Borrower's obligations hereunder and under the Notes pursuant to Section 8.02. Outstanding A Advances which are repaid or prepaid cannot be reborrowed.

(c) B Advances. Each Bank will make B Advances to the Borrower from time to time on any Interest Payment Date which is not also a Principal Payment Date during the period

from the Second Closing Date until the Commitment Termination Date, provided, that (i) the aggregate amount of each Borrowing of B Advances shall not exceed the amount of the interest due and payable hereunder and under the Notes on the date of such Borrowing and, (ii) the aggregate amount of the B Advances made by the Banks at any time outstanding shall not exceed \$15,000,000. Within the limits of the foregoing, the Borrower may borrow, repay pursuant to Section 2.08 or prepay pursuant to Section 2.10 and reborrow under this Section 2.01(c).

**SECTION 2.02. Transfer of Funds from the Acquisition/Banks Collateral Account to the DUSA/Banks Collateral Account.** On the First Closing Date, if the Borrower shall have given the Agent at least two Business Days' prior notice

(1) that it intends to make the Acquisition/DUSA Loan on the First Closing Date; and

(2) of the amount of such loan (which amount shall not exceed \$425,000,000),

the Agent will transfer the amount specified in such notice from the Acquisition/Banks Collateral Account to a separate cash collateral account of DUSA (the "DUSA/Banks Collateral Account") maintained by the Agent for the Banks as security for the Borrower's obligations hereunder and under the Notes. Such amount will represent the Acquisition/DUSA Loan. Section 8.02 will govern all aspects of the DUSA/Banks Collateral Account not otherwise provided for in this Article II.

**SECTION 2.03. Use of Proceeds.** (a) A Advances. If the Second Closing Date shall occur on the first Business Day after the First Closing Date, the proceeds of all A Advances (including such proceeds as shall have been transferred to the DUSA/Banks Collateral Account) shall (i) be used to pay such stockholders or option holders or holders of stock appreciation rights of Diamond International as are not affiliates of DUSA, for their interest in Diamond International pursuant to the terms of the Merger Agreement (or shall be transferred to the Exchange Agent to hold for such purposes), or (ii) be deposited in a cash collateral account (the "Preferred Collateral Account"), to be held by the Trustee as security for all obligations of the Borrower hereunder, under the other Loan Documents and the Other Secured Debt Agreements pursuant to Section 3.6 of the Trust Agreement, or (iii) be used to pay or reimburse costs

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associated with the Merger. Any excess over the amount required for the foregoing purposes may be used by the Borrower (but not DUSA) for general working capital needs or to pay down certain outstanding debt. If the Second Closing Date shall not occur on the first Business Day following the First Closing Date, the proceeds of the A Advances shall be applied as set forth in Section 2.10(c).

(b) B Advances. The proceeds of all B Advances shall be used solely to pay interest which becomes due and payable to the Banks hereunder and under the Notes. The Borrower hereby authorizes and directs each Bank simultaneously with the making of such Bank's B Advances, to apply the proceeds of such Advances directly to the payment of amounts of interest then payable by the Borrower to such Bank hereunder and under the Note issued to such Bank.

SECTION 2.04. Prepayment of Acquisition/DUSA Loan. DUSA and Acquisition agree that, notwithstanding any other terms of the Acquisition/DUSA Loan,

(a) such loan shall be prepaid on the first Business Day following the First Closing Date if the Second Closing shall not then occur;

(b) once the amount of funds required for the purposes specified in clause (i) of Section 2.03 shall have been paid to the securityholders specified therein or transferred to the Exchange Agent, and the amount required to pay or reimburse the costs associated with the Merger shall have been paid or set aside pursuant to Section 8.02(e), then any excess remaining in the DUSA/Banks Collateral Account shall be returned to the Borrower as a prepayment on the Acquisition/DUSA Loan; and

(c) any time that the Exchange Agent returns funds to DUSA, such funds shall be returned to the Borrower as a prepayment on the Acquisition/DUSA Loan.

SECTION 2.05. Making the Advances. (a) Each Borrowing shall be made on notice given by the Borrower to the Agent, not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Borrowing, and the Agent shall give to each Bank prompt notice thereof and of each other notice received from the Borrower hereunder. Each such notice of a Borrowing (a "Notice of Borrowing") shall be by telephone, telex or cable, in each case confirmed immediately in writing, in

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substantially the form of Exhibit B hereto, specifying therein (i) the requested date of such Borrowing, (ii) whether the Borrowing is to consist of A Advances (which shall only occur on one occasion) or B Advances and (iii) the amount of such Borrowing. Each Bank shall, before 11:00 A.M. (New York City time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Agent at its address referred to in Section 10.02, in same day funds, such Bank's ratable portion of such Borrowing; provided, however, in the case of any B Advances, each Bank shall (in lieu of making such funds available to the Agent) notify the Agent that it is prepared to make an application of funds pursuant to Section 2.03(b). After the Agent's receipt of such funds or such notice, as the case may be, and upon fulfillment of the applicable conditions set forth in Article III, the Agent will, in the case of A Advances, make such funds available to the Borrower at the Agent's aforesaid address and, in the case of B Advances, notify the Banks that said conditions have been met whereupon the Banks shall make such application pursuant to Section 2.03(b).

(b) Each Notice of Borrowing shall be irrevocable and binding on the Borrower, and the Borrower shall indemnify each Bank against any loss or expense incurred by such Bank as a result of any failure to fulfill, on or before the date specified for such Borrowing, the applicable conditions set forth in Article III, including, without limitation, any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Advance to be made by such Bank as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(c) In the case of an A Advance, unless the Agent shall have received notice from a Bank prior to the date of such Borrowing that such Bank will not make available to the Agent such Bank's ratable portion of such Borrowing, the Agent may assume that such Bank has made such portion available to the Agent on the date of such Borrowing in accordance with and to the extent provided in subsection (a) of this Section 2.05 and the Agent may, in reliance upon such assumption, make available to the Borrower (or transfer to the relevant cash collateral account pursuant to this Article II) on such date a corresponding amount of such A Advance; provided, however, if the Agent has received such notice from such Bank, the Agent may not make such assumption and may not make available to the Borrower (or to such cash collateral

account) on such date such corresponding amount. If and to the extent such Bank shall not have so made such ratable portion available to the Agent, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at the Effective Federal Funds Rate from time to time prevailing. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's A Advance, for purposes of this Agreement.

(d) The failure of any Bank to make an Advance to be made by it as part of any Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Advance to be made by such other Bank on the date of any Borrowing.

SECTION 2.06. Facility Fee. The Borrower agrees, whether or not any Advances are made hereunder, to pay each Bank its ratable share of a facility fee for the period beginning on the First Closing Date and ending on the later of the Commitment Termination Date or the date on which all obligations of the Borrower hereunder are satisfied, as follows:

(a) For the First Year, the Borrower shall pay to each Bank an amount equal to  $1/2$  of 1 percent per annum of the original Commitment set forth opposite such Bank's name on the signature pages hereof. This amount is payable on the date of the Effective Time; provided, however, if the date of the Effective Time shall not have occurred as of December 18, 1982, then the Borrower shall pay to the Banks  $1/4$  of the amount owing for the First Year on December 18, 1982, and the remainder on the date of the Effective Time.

(b) For the period commencing at the end of the First Year, the Borrower will pay to each Bank in advance, on the last day of the First Year and annually thereafter on each anniversary of the First Closing Date, a facility fee equal to  $1/2$  of 1% per annum of the sum of (i) the then aggregate unpaid principal amount of the Advances by such Bank (after taking into effect any principal payments made by the Borrower on such payment date) and (ii) the then aggregate unused amount of such Bank's Commitment (if any).

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(c) All amounts paid pursuant to this Section 2.06 are nonrefundable.

(d) Any amount of facility fees not paid when due hereunder shall bear interest, payable on demand, from the date when due until the date such fee is paid at the fluctuating rate of interest set forth in Section 2.09.

SECTION 2.07. Reductions of the Commitments. The amount of the Commitments may be reduced from time to time, as follows:

(a) Mandatory Reductions. The parties acknowledge that the amount of the Commitments assumes that on the First Closing Date, Diamond International and/or its Consolidated Subsidiaries will own substantially all the assets reflected in the Consolidated balance sheet of Diamond International and its Subsidiaries as at June 20, 1982 except for (1) assets sold by Diamond International in the ordinary course of its business as presently constituted or (2) the assets listed on Schedule XI which assets have been sold. The Banks' Commitments hereunder are conditioned upon Diamond International's ownership of such non-excepted assets, provided, however, that Diamond International and/or its Consolidated Subsidiaries may sell such non-excepted assets if such sales (i) comply with the provisions of Section 5.02(f), (ii) do not result in a termination of, or give rise to a right of termination of, the Travelers Agreement and (iii) do not leave Diamond International with insufficient Timberland to exercise the option contained in Section 1(a) of the Travelers Agreement, but if Diamond International and/or its Consolidated Subsidiaries does sell non-excepted assets in accordance with the terms of the foregoing part of this proviso prior to the First Closing Date, then the Commitments shall be ratably reduced dollar for dollar by 80% of the amount of the aggregate cash proceeds — but in the case of a sale involving Timberland, by 100% of the amount of the aggregate cash proceeds net of any ITC Recapture related to such sale — received in connection with such asset sales and the respective available amounts of A Advances and B Advances shall be reduced in a proportion mutually agreeable to the Borrower and the Banks.

(b) Voluntary Reductions. The Borrower shall have the right, upon at least two Business Days' notice to the Agent, to terminate in whole or reduce ratably in part

the unused portions of the respective Commitments of the Banks, provided that each partial reduction shall be in the aggregate amount of \$10,000,000 or a multiple thereof.

SECTION 2.08. Repayment of Advances. (a) A Advances. The Borrower shall repay the principal amount of the A Advances, together with all accrued and unpaid interest thereon in six installments as follows:

| <u>Number of Months After<br/>First Closing Date</u> | <u>Amount Payable</u>                         |
|------------------------------------------------------|-----------------------------------------------|
| 12 months                                            | \$72,000,000                                  |
| 18 months                                            | \$72,000,000                                  |
| 24 months                                            | \$72,000,000                                  |
| 30 months                                            | \$80,000,000                                  |
| 42 months                                            | \$72,000,000                                  |
| 54 months                                            | Remaining unpaid amount<br>of all A Advances. |

(b) B Advances. On each Principal Payment Date, the Borrower shall also repay the principal amount of all B Advances outstanding on such date, together with all accrued and unpaid interest thereon.

SECTION 2.09. Interest. (a) The Borrower shall pay interest on the unpaid principal amount of each Advance made by each Bank from the date of such Advance until such principal amount thereof is paid in full, at a fluctuating interest rate per annum equal to the sum of (i) 1-1/2% per annum, plus (ii) the higher of (a) the rate announced publicly by Citibank in New York from time to time as its base rate and (b) 1/2 of 1 percent per annum above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be terminated or suspended, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing, in either case adjusted to the nearest 1/4 of one percent, or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent. Each change in such fluctuating interest rate shall take effect simultaneously with the corresponding change in the rate referred to in clause (ii).

(b) Accrued interest on each Advance shall be payable quarterly on the date three months after the First Closing Date and every three months thereafter during the term of such Advance (each such date being an "Interest Payment Date") and, thereafter, on demand.

SECTION 2.10. Prepayments. Prepayments of the Advances shall be as follows:

(a) Optional Prepayments. The Borrower may upon at least one Business Day's notice to the Agent, prepay the outstanding amount of the Advances comprising the same Borrowing or Borrowings in whole or ratably in part (but if in whole, then with accrued interest on such amount to the date of such prepayment); provided, however, that each partial prepayment shall be in an aggregate principal amount of not less than \$10,000,000 and shall be applied to the principal installments in the order of their maturities (first to B Advances and then to A Advances for each installment unless otherwise directed by the Borrower).

(b) Mandatory Prepayments in Connection with Asset Sales. On or after the Second Closing Date and subject to the provisions of Section 5.01(i), whenever the Borrower or its Consolidated Subsidiaries shall receive any cash in respect of a sale of assets (other than any such sales in the ordinary course of Diamond International's business as is presently conducted) whether at the time of such sale or thereafter as a deferred payment of the purchase price (or a part thereof), the Borrower shall immediately make available to the Trustee pursuant to the Trust Agreement 80% of such cash proceeds — but in the case of any sale involving Timberland 100% of such cash proceeds (net of any ITC Recapture related to such sale) — to reduce the amount of outstanding Indebtedness in respect of the Advances and the Other Secured Debt. All prepayments pursuant to this subsection (b) shall, pursuant to the Trust Agreement, be deposited by the Trustee in the General Collateral Account (as defined in the Trust Agreement) and applied by the Trustee Ratably in accordance with Article III of the Trust Agreement and, after such application, by the Agent pursuant to Section 5.01(i) herein.

(c) Mandatory Prepayment if Second Closing does not Take Place. If the Second Closing shall not occur on the

day following the First Closing Date, then the Borrower shall prepay the principal amount of all outstanding Advances, together with all accrued interest thereon on the day following the First Closing Date.

SECTION 2.11. Payments and Computations. (a) The Borrower shall make each payment hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent at its address referred to in Section 10.02 in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees payable to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement and the Notes.

(b) The Borrower hereby authorizes each Bank, if and to the extent payment owed to such Bank is not made when due to such Bank hereunder or under any Loan Document to which the Borrower is then a party, to charge from time to time against any or all of the Borrower's accounts with such Bank any amount so due.

BOOK 425 PAGE 149 A (c) All computations of interest or facility fees shall be made on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or facility fees are payable. Each determination by the Agent of an interest rate or facility fee hereunder shall be conclusive and binding for all purposes.

(d) Whenever any payment hereunder or under any other of the Loan Documents shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of any interest or facility fee, as the case may be.

(e) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be

distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment in full to the Agent, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Effective Federal Funds Rate from time to time prevailing.

SECTION 2.12. Sharing of Payments, Etc. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Advances made by it in excess of its ratable share of payments on account of the Advances obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participations in the Advances made by them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and such Bank shall repay to the purchasing Bank the purchase price to the extent of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.12 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

### ARTICLE III CONDITIONS OF LENDING AND CLOSINGS

SECTION 3.01. Conditions to the First Closing. The obligation of each Bank to make its initial Advance is subject to the following conditions precedent:

- (i) The conditions set forth on Part 1 (Conditions to the First Closing) of Schedule III hereto shall have been satisfied.

(ii) The Agent shall have received (x) concurrently with the execution hereof, the Guaranty dated the date hereof duly executed by the Guarantor and (y) on or before the date of the initial Borrowing, all of the following, each dated the date of the initial Borrowing unless otherwise indicated in the last sentence of this Section 3.01, and in form and substance satisfactory to the Agent and (except for the Notes) in sufficient copies for each Bank:

(a) The Notice of Borrowing pursuant to Section 2.05, dated the date of its delivery (and the notice provided by Section 2.02 dated the date of its delivery, if Diamond Acquisition is to make the Acquisition/DUSA Loan).

(b) The Notes made payable to the order of the Banks, respectively.

(c) Certified copies of the resolutions of the Board of Directors of each of Diamond Acquisition, DUSA, the Guarantor and Diamond International approving this Agreement, the Notes and each other Loan Document to which it is, or will be, a party, or by which it is, or will be, otherwise obligated, and of all documents evidencing other necessary corporate action with respect to this Agreement, the Notes and such Loan Documents.

(d) Certified copies of all necessary governmental authorizations and approvals and necessary consents of creditors of each of Diamond Acquisition, DUSA, the Guarantor and Diamond International with respect to the Merger, this Agreement, the Notes and the other Loan Documents.

(e) A signed copy of a certificate of the Secretary or an Assistant Secretary or other appropriate officer of each of Diamond Acquisition, DUSA, the Guarantor and Diamond International certifying the names and true signatures of the officers of such entity authorized to sign this Agreement and the Notes and the other documents (including other Loan Documents) or certificates to be delivered by it pursuant to this Agreement.

(f) A certificate signed by a duly authorized officer of Diamond Acquisition stating that all the

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conditions set forth in Part 1 of Schedule III have been complied with and satisfied, provided, that such certificate need not make any representation respecting whether any actions or documents are satisfactory to the Agent or the Banks. In making such statement, Diamond Acquisition may rely on any certificate of DUSA, the Guarantor or Diamond International, provided, that any such certificate shall also be delivered to the Agent and state that the Banks may rely on such certificate.

(g) Certified copies of the Certificate of Incorporation and By-laws of each of Diamond Acquisition, DUSA and Diamond International and the comparable documents relating to the Guarantor.

(h) Certified copies of the Merger Agreement, the documents relating to the Acquisition/DUSA Loan (if any such loan is to be made) and the Proxy Statement.

(i) The DUSA Pledge Agreement, duly executed by DUSA (therein called the Pledgor).

(j) The Security and Pledge Agreement (including the airplane chattel mortgage attached thereto), duly executed by the Borrower (therein called the Grantor) together with,

(i) acknowledgment copies of proper Financing Statements (Forms UCC-1) duly filed under the Uniform Commercial Code of all jurisdictions as may be necessary or, in the opinion of the Agent, desirable to perfect the security interests created by the Security and Pledge Agreement;

(ii) certified copies of Requests for Information or Copies (Forms UCC-11) listing the Financing Statements referred to in paragraph (i) above and all other effective financing statements which name Diamond Acquisition or Diamond International (under their present names and any names set forth in Schedule VII) as debtor and which are filed in the jurisdictions referred to in said paragraph (i), together with copies of such other financing statements (none of which shall cover

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the collateral purported to be covered by the Security and Pledge Agreement) as are referred to therein;

(iii) evidence satisfactory to the Agent of the completion of all recordings and filings of the Borrower as may be necessary or, in the opinion of the Bank, desirable to perfect the security interests and liens created by the Security and Pledge Agreement;

(iv) evidence satisfactory to the Agent of the insurance required by the Security and Pledge Agreement; and

(v) certificates representing the Pledged Instruments (as defined in the Security and Pledge Agreement and which shall include, without limitation, the note representing the Acquisition/DUSA Loan), together with undated stock powers and other instruments of transfer or assignment, executed in blank, in connection with the Pledged Instruments.

(k) Counterparts relating to DUSA of such items as are listed in subparagraphs (i) through (iii) of paragraph (j) of this Section 3.01.

(l) The Mortgages duly executed by Diamond International (and if requested by the Majority Banks) the appropriate Subsidiaries of Diamond International, together with

(i) the evidence of insurance required by Section 2.03(e) of the Mortgages; and

(ii) a mortgagee policy of title insurance issued by Pioneer National Title Insurance Company in the amount of at least \$250,000,000 (with re-insurance (including a direct access agreement with such reinsurers) in such amounts and by such other reputable title insurance companies as the Agent shall require) insuring the validity and priority of the first lien of the Mortgages on at least the timberland in California and Oregon, subject only to such encumbrances as are permitted by the Mortgages or as the Agent shall approve, and containing

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an endorsement for affirmative insurance of the non-applicability of any alien land laws in a form acceptable to the Agent; and

(iii) written confirmation, dated as of the Second Closing Date, by Pioneer National Title Insurance Company that they or their agents have duly recorded all of the Mortgages and that all applicable mortgage tax and recording charges have been paid.

It is understood that the Mortgages and the Security and Pledge Agreement, as delivered by Diamond International (and its Subsidiaries, if applicable), will contain such changes from the form of Mortgage attached as Exhibit E and the form of Security and Pledge Agreement attached as Exhibit D as local counsel in the respective jurisdictions covered by the Mortgages and the Security and Pledge Agreement shall recommend, and the Agent and its counsel shall agree, as necessary or appropriate, to conform to local law and practice.

(m) Evidence, satisfactory to the Agent, that all actions necessary, or, in the opinion of the Agent, desirable to effectuate a first priority security interest (subject to the liens permitted by the Mortgage and Security and Pledge Agreement) in favor of the Banks and the Agent (and, to the extent contemplated hereby, the Trustee and the Other Secured Creditors) on all the Collateral deemed material by the Agent have been taken and completed or will have been taken and completed prior to the Second Closing.

(n) A copy of the Travelers Agreement and Travelers Consent, each certified by a duly authorized officer of the Borrower as being in full force and effect, together with a favorable opinion of the general counsel of Travelers, stating that such agreement and consent have been duly authorized, executed and delivered on behalf of Travelers, do not violate, or require any approval or consent under any law or contractual restriction binding on Travelers and constitute the legal, valid and binding obligations of Travelers, enforceable against Travelers in accordance with their respective terms.

(o) The Trust Agreement, dated the date of delivery thereof (which date shall be at least three weeks prior to the First Closing Date), duly executed by all parties thereto.

(p) A certificate signed by the chief financial officers of Diamond Acquisition and Diamond International, stating that the ratio of (a) the pro forma Net Assets Exclusive of Travelers of Diamond International and its Consolidated Subsidiaries immediately after the Merger to (b) the pro forma Funded Debt Exclusive of Travelers of Diamond International and its Consolidated Subsidiaries immediately after the Merger shall be no less than 1.95:1. For purposes of computation of this ratio, such chief financial officers shall calculate the ratio from the Consolidated financial statements dated as of September 12, 1982 as adjusted (1) to give the effect to the receipt and disposition of the proceeds of the sale of (i) the "Packaging Group" as defined in Diamond International's Quarterly Report on Form 10-Q dated June 20, 1982 and (ii) Heekin and (iii) any other asset sales in accordance with Section 2.07(a) and (2) to give effect to the A Advances under this Agreement.

(q) A confirmation by DUSA and the Guarantor that the representations and warranties set forth in Section 4.03 hereof and in Section 8 of the Guaranty, respectively, are true and correct.

(r) A letter from the Process Agent, agreeing to act as Process Agent for, and to forward forthwith all process received by it to, the Guarantor.

(s) Agreements with the Brooks-Scanlon Sellers in which each of the Brooks-Scanlon Sellers agrees to release the Diamond International shares which CDI Holdings Inc. pledged to them; provided, however, that the failure to deliver any such agreements shall not be grounds for the Banks to refuse to make Advances hereunder so long as DUSA agrees to use its best efforts to obtain such agreements.

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(t) A favorable opinion of Messrs. Skadden, Arps, Slate, Meagher & Flom, counsel for Diamond Acquisition, DUSA and the Guarantor, in form and substance satisfactory to the Agent and the Majority Banks.

(u) A favorable opinion of Messrs. Stephenson Harwood and Lo, Hong Kong counsel for the Guarantor, in form and substance satisfactory to the Agent and the Majority Banks.

(v) A favorable opinion of Messrs. Shearman & Sterling, counsel for the Agent, in form and substance satisfactory to the Agent and the Majority Banks.

(w) Favorable opinions of such local counsel in the states listed on Schedule IV as shall be acceptable to the Agent, together with favorable opinions of such other special counsel as the Agent or any Bank may reasonably request, each in form and substance satisfactory to the Agent and the Majority Banks. Without limiting the generality of the foregoing, it is understood that such opinions of local and special counsel may cover, as to the respective law of the jurisdictions of such counsel, the validity, perfection and priority of the liens and security interests purported to be secured by the Collateral Documents, that such Collateral Documents duly secure the Indebtedness purported to be secured thereby, and that the provisions in the Mortgages and the Security and Pledge Agreement relating to the release by the Trustees of the liens and security interests created thereunder are fully effective to accomplish the matters therein provided.

(x) A certificate signed by a duly authorized officer of Diamond Acquisition, stating that

(i) The representations and warranties contained in Section 4.01 are correct on and as of the First Closing Date as though made on and as of such date, and

(ii) No event has occurred and is continuing, or would result from such Advance, which constitutes a Default.

(y) Such other approvals, opinions or documents as any Bank through the Agent may reasonably request.

The documents delivered pursuant to paragraphs (c), (d), (e), (g), (i), (j), (l), (m), (n), (p) and (w) of this Section 3.01(ii) shall each be dated as of the Second Closing Date and shall be held in escrow by the Agent until directed by the Person who delivered the same, to release it from escrow in connection with the Second Closing.

**SECTION 3.02. Conditions to the Second Closing.**

The obligation of the Banks (through the Agent) to release funds from the DUSA/Banks Collateral Account and the Acquisition/Banks Collateral Account pursuant to Section 8.02 shall be subject to the following conditions which must occur no later than one Business Day following the First Closing Date:

(i) Diamond International shall deliver an executed copy of the Assumption Agreement dated as of the Second Closing Date, together with a favorable opinion of Messrs. Shea & Gould dated the Second Closing Date in form and substance satisfactory to the Agent and the Majority Banks;

(ii) The Articles of Merger shall be duly filed in the Office of the Secretary of State of the State of Delaware and any other action necessary to consummate the Merger shall have been duly taken and completed;

(iii) The documents delivered pursuant to paragraphs (c), (d), (e), (g), (i), (j), (l), (m), (n), (p) and (w) of Section 3.01(ii) shall each have been released from escrow by the Agent at the direction of the Person who delivered the same and each shall be in full force and effect;

(iv) The Borrower shall deliver a pro forma Consolidated balance sheet of Diamond International and its Consolidated Subsidiaries which shall give effect to the transactions contemplated by the Merger and this Agreement, certified by the chief financial officer of Diamond International. For purposes of the preparation of this balance sheet, the chief financial officer may rely on the balance sheets of Diamond International and its Consolidated Subsidiaries and the balance sheet of Diamond Acquisition, each dated as of September 12, 1982

and as adjusted to give effect to the receipt and disposition of the proceeds of the sale of (i) the "Packaging Group" as defined in Diamond International's Quarterly Report on Form 10-Q dated June 20, 1982, (ii) Heekin, and (iii) any other asset sales in accordance with Section 2.07(a);

(v) Messrs. Skadden, Arps, Slate, Meagher & Flom shall deliver an opinion in form and substance satisfactory to the Agent and the Majority Banks, and Messrs. Shearman & Sterling shall deliver an opinion in form and substance satisfactory to the Agent and the Majority Banks;

(vi) In connection with the DUSA Pledge Agreement, DUSA shall deliver

(i) certificates representing the Pledged Collateral (as defined in the DUSA Pledge Agreement) to the extent required by the DUSA Pledge Agreement; and

(ii) undated stock powers executed in blank, with respect to the Pledged Collateral;

(vii) The conditions set forth on Part 2 (Conditions to the Second Closing) of Schedule III shall have been satisfied and the Agent shall have received a certificate signed by a duly authorized officer of Diamond International stating that all the conditions set forth on said Part 2 shall have been complied with and satisfied, provided, that such certificate need not make any representation respecting whether any actions or documents are satisfactory to the Agent or the Banks. In making such statement, Diamond International may rely on any certificate of any other Obligor, provided, that any such certificate shall also state that the Banks may rely on it; and

(viii) In connection with the Mortgages and other Collateral Documents, DUSA will deliver to the Agent a certified copy of resolutions adopted by DUSA as sole stockholder of Diamond International, which resolutions shall ratify the actions of Diamond International in executing, delivering and filing the Mortgages and other Collateral Documents.

Each of the transactions set forth in this Section 3.02 (including the release of funds pursuant to Section 8.02), is intended to take place on the Second Closing Date concurrently with each and every other transaction required by this Section 3.02. Accordingly, no act or transaction under this Section 3.02 shall be deemed to have taken place and been completed until all the acts and transactions set forth in this Section 3.02 shall have taken place and been completed or waived by the Agent.

**SECTION 3.03. Conditions to Subsequent Borrowings.**

The obligation of each Bank to make an Advance on the occasion of each Borrowing after the initial Borrowing shall be subject to the further conditions precedent that (i) at least two Business Days before the date of such Borrowing the Agent shall have received a written confirmatory Notice of Borrowing with respect thereto and such other approvals, opinions or documents as any Bank through the Agent may reasonably request and (ii) on the date of such Borrowing the following statements shall be true and the acceptance by the Borrower of the proceeds of such Borrowing shall be deemed to constitute a representation and warranty by the Borrower that on the date of such Borrowing such statements are true:

(a) the representations and warranties of the Borrower set forth in subsections (f) and (h) of Section 4.02 are correct on and as of the date of such Borrowing as though made on and as of such date; and

(b) no Default has occurred and is continuing, or would result from such Borrowing.

**SECTION 3.04. Undertaking of the Agent.** At the time the Trust Agreement is signed by Diamond International the Agent shall deliver to Diamond International a letter stating that if the Second Closing shall not occur on the first Business Day after the First Closing Date, it shall request the Trustee to deliver to Diamond International such documents and certificates as may be necessary to effect a valid release of all the Collateral.

**ARTICLE IV  
REPRESENTATIONS AND WARRANTIES**

**SECTION 4.01. Representations and Warranties of Diamond Acquisition.** Diamond Acquisition represents and warrants as follows:

(a) Due Incorporation, Etc. It is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority, corporate or otherwise, to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under, the Merger Agreement, this Agreement, the Travelers Agreement, the Notes and the other Loan Documents to which it is, or is to be, a party.

(b) Due Authorization and Execution, Etc. The execution, delivery and performance by the Borrower of the Merger Agreement, the Travelers Agreement, this Agreement, the Notes, and the other Loan Documents to which it is, or is to be, a party, and the consummation of the Merger have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of its stockholders except the approval by its stockholders of the Merger which approval shall have been obtained prior to the First Closing Date, (ii) violate any provision of law, any rule, regulation (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it or of its charter or by-laws, (iii) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which it is a party or by which it or its properties may be bound or affected or (iv) result in, or require, the creation or imposition of any lien (other than as provided in the Collateral Documents) upon or with respect to any of the properties now owned or hereafter acquired by it; and it is not in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument. This Agreement has been, and each of the other Loan Documents to which Diamond Acquisition is, or is to be a party, when delivered hereunder will be, duly executed by Diamond Acquisition.

(c) Governmental Consents. Except for the requirements of the Securities Act of 1934, as amended, the Foreign Investment Review Act of Canada, ERISA, the Foreign Investment Survey Act, certain Blue Sky laws and alien land laws, the approval of the California Public Utilities Commission and the filing and recordation of

appropriate merger documents as required by the laws of the State of Delaware, all of which requirements shall have been satisfied, and which recordings and filings shall have been completed, prior to the Second Closing Date (except for the Articles of Merger which will be filed concurrently with the Second Closing), no authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or will be necessary to the valid execution, delivery or performance by it of the Merger Agreement, the Travelers Agreement, this Agreement, the Notes and the other Loan Documents to which it is a party.

(d) Legal, Valid and Binding Nature. This Agreement, the Merger Agreement and the Travelers Agreement constitute, and the Notes and the other Loan Documents to which it is or is to be a party when delivered hereunder will constitute, legal, valid and binding obligations of Diamond Acquisition enforceable against it in accordance with their respective terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.

(e) Subsidiaries. It has no Subsidiaries.

(f) Financial Statements; No Material Adverse Change. Its balance sheet as at June 20, 1982, and the related statements of income and shareholders' equity and of changes in financial position for the period then ended, duly signed by its chief financial officer, copies of which have been furnished to each Bank, fairly present its financial condition as at such date and the results of the operations of the Borrower for the period ended on such date, all in accordance with generally accepted accounting principles applied on a consistent basis, and since June 20, 1982, there has been no material adverse change in such condition or operations.

(g) Absence of Litigation. There are no actions, suits, investigations, litigation or proceedings pending or, to the best of its knowledge, threatened against or affecting the Borrower or its Subsidiaries or its or their properties or in connection with the transactions contemplated by the Merger Agreement or any Loan Document, before any court, arbitrator or governmental

department, commission, board, bureau, agency or instrumentality, domestic or foreign except for the actions referred to under the captions "The Merger - Litigation relating to the Merger" and "Business and Properties of Diamond - Legal Proceedings" of the Proxy Statement, which actions have had no change in their status as described therein which is adverse to Diamond Acquisition, Diamond International, Diamond International and its Subsidiaries taken as a whole or any of the transactions contemplated by the Merger or the Loan Documents.

(h) Accuracy of Proxy Statement Information. The information with respect to DUSA, Diamond Acquisition, and all affiliates (other than Diamond International and its Subsidiaries as to which Diamond Acquisition makes no representations) of each of them contained in the Proxy Statement is correct in all material respects and does not omit any material fact required to be stated therein or necessary in light of the circumstances under which it was made in order to make the statements therein not misleading.

(i) Accuracy of Information Given to Banks. No information, schedule, exhibit or report furnished by it to the Agent or any Bank in connection with the negotiation or delivery of this Agreement or any other Loan Document contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading as of the date of such information, schedule, exhibit or report.

(j) DUSA as Parent. It is a wholly-owned Subsidiary of DUSA.

(k) Travelers Agreement. It has delivered, or prior to the Second Closing will deliver to the Agent, true and correct copies of the Travelers Agreement and the Travelers Consent pursuant to Section 3.01. The Travelers Agreement and the Travelers Consent are each in full force and effect and have not been revoked, amended or otherwise modified since the date reflected on the document delivered to the Banks.

(l) Cash Collateral Account. From and after the First Closing Date, the provisions in Article II and VIII

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relating to the Acquisition/Banks Collateral Account will constitute a valid, subsisting, first priority lien and security interest in and to the collateral purported to be covered thereby securing the payment of all obligations purported to be covered thereby and all action required to perfect fully the liens and security interests so constituted will have been taken and completed.

(m) Information Regarding Collateral. The information set forth in Schedule V hereto, respecting the Collateral is accurate and complete.

(n) ERISA. There are no Plans providing benefits for employees of Diamond Acquisition or its ERISA Affiliates and there have been no such Plans since July 1, 1974.

SECTION 4.02. Representations and Warranties of Diamond International. By executing the Assumption Agreement, Diamond International represents and warrants as follows:

(a) Due Incorporation, Etc. Diamond International is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority, corporate and otherwise, to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under, the Merger Agreement, the Travelers Agreement, this Agreement and the other Loan Documents, to which it is or is to be a party or by which it is or is to be otherwise obligated. It is duly qualified to do business and is in good standing in all jurisdictions where the failure to do so would materially impair its ability to conduct its business as presently constituted.

(b) Due Authorization and Execution, Etc. The execution, delivery, filing or recording and performance by Diamond International of the Merger Agreement and the Loan Documents to which it is or is to be a party and the assumption and performance by Diamond International of this Agreement, the Travelers Agreement and the other Loan Documents or by which it is, or is to be, otherwise obligated, have been duly authorized by all necessary corporate action and do not (i) require any consent or approval of the stockholders of Diamond International, except such consent as is proposed in the Proxy Statement

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(which consent shall have been duly obtained prior to the Effective Time), (ii) violate any provision of law, any rule, regulation (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to Diamond International or of the charter or by-laws of Diamond International or any properties of Diamond International, (iii) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which Diamond International and each of its Subsidiaries is a party or by which it or its properties may be bound or affected or (iv) result in, or require, the creation or imposition of any Lien (other than as provided herein and in the Collateral Documents) upon or with respect to any of the properties now owned or hereafter acquired by Diamond International and each of its Subsidiaries; and Diamond International or its Subsidiaries (1) is not in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, loan or credit agreement or (2) in the case of any agreement, lease or instrument which is not referred to in clause (1) above, is not in default under any such agreement, lease or instrument in any respect which may impair its ability to carry on its business as now conducted or to perform or observe each of its obligations under the Merger Agreement, the Travelers Agreement, the Loan Documents and the Other Secured Debt Agreements. The Mortgages, the Assumption Agreement and each other Loan Document to be executed and delivered by Diamond International hereunder have been, or will be prior to delivery, duly executed by Diamond International.

(c) Governmental Consents. Except for the requirements of the Securities Act of 1934, as amended, the Foreign Investment Review Act of Canada, ERISA, the Foreign Investment Survey Act, certain Blue Sky laws and alien land laws, the approval of the California Public Utilities Commission and the filing and recordation of appropriate merger documents as required by the laws of the State of Delaware, all of which requirements shall have been satisfied, and which recordings and filings shall have been completed, prior to the Second Closing Date (except for the Articles of Merger which will be filed concurrently with the Second Closing), no

authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or will be necessary to the valid execution, delivery, filing, recording or performance by Diamond International of the Merger Agreement, the Travelers Agreement, this Agreement, or any other Loan Document to which it is or is to be a party or otherwise by which it is to be obligated or for the valid consummation of the Merger.

(d) Legal, Valid and Binding Nature. This Agreement, the Merger Agreement, the Travelers Agreement and the other Loan Documents to which it is or is to be a party or otherwise by which it is, or is to be, obligated constitute or upon consummation of the Merger will constitute, legal, valid and binding obligations of Diamond International enforceable against Diamond International in accordance with their respective terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

(e) Subsidiaries. Set forth in Schedule I hereto are the following:

(i) a complete and accurate list of all of the Subsidiaries of Diamond International, showing as of the date hereof (as to each such Subsidiary) the jurisdiction of its incorporation, the number of shares of each class of capital stock authorized, and the number of shares of each class outstanding on the date hereof, all of which outstanding shares are owned, directly or indirectly, by Diamond International, except as disclosed in such Schedule, and none of such shares is covered by any outstanding options, warrants, rights of conversion, purchase rights or similar rights at the date hereof except as disclosed in such Schedule;

(ii) a complete and accurate list of all the Inactive Subsidiaries;

(iii) a complete and accurate list of all the Foreign Subsidiaries; and

(iv) correct annotation as to all the Consolidated Subsidiaries.

All of the outstanding capital stock of the Active Subsidiaries has been validly issued, is fully paid and (subject to liability imposed by statutes for wages of employees) non-assessable and is owned by Diamond International or one or more of its Active Subsidiaries (as indicated on such Schedule) free and clear of any Liens, except as disclosed in such Schedule and except as expressly provided herein and in the Collateral Documents. Each Active Subsidiary is duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation.

(f) Financial Statements; No Material Adverse Change. The Consolidated balance sheet of Diamond International and its Consolidated Subsidiaries as at December 31, 1981, and the related Consolidated statements of income and shareholders' equity and of changes in financial position of Diamond International and its Consolidated Subsidiaries for the fiscal year then ended, certified by Deloitte Haskins & Sells, independent certified public accountants, and the Consolidated balance sheet of Diamond International and its Consolidated Subsidiaries as at June 20, 1982, and the related Consolidated statements of income and shareholders' equity and of changes in financial position of Diamond International and its Consolidated Subsidiaries for the 24 weeks then ended, duly signed by the chief financial officer of Diamond International, copies of which have been furnished to each Bank, fairly present (subject, in the case of said balance sheet as at June 20, 1982, and said statements of income and of changes in financial position for the 24 weeks then ended, to year-end audit adjustments) the Consolidated financial condition of Diamond International and its Consolidated Subsidiaries as at such dates and the Consolidated results of the operations of Diamond International and its Consolidated Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles applied on a consistent basis, and since June 20, 1982, there has been no material adverse change in such condition or operations of Diamond International or of Diamond International and its Consolidated Subsidiaries. Neither (i) the sales of assets listed in paragraph (vii) of Part 1 of Schedule III at the aggregate price required by such paragraph nor (ii) asset sales in accordance with the terms of this Agreement nor (iii) the making of a Borrowing hereunder shall be deemed a "material adverse change" for purposes of this paragraph (f).

(g) Good Title to Assets. Diamond International and each of its Consolidated Subsidiaries has good, insurable and marketable fee simple title to the real property and good title to the other assets included in the Consolidated balance sheet dated as at June 20, 1982 (previously delivered to the Banks) including, without limitation, all the collateral covered or purported to be covered by the Collateral Documents to which Diamond International is or is to be a party or by which it is, or is to be, otherwise obligated, except for certain assets sold in the ordinary course of business or the sales of assets listed in Schedule XI. Diamond International and/or such Consolidated Subsidiaries own such non-excluded assets free and clear of all Liens except for Liens permitted by Section 5.02(a) hereof.

(h) Absence of Litigation. There are no actions, suits, investigations, litigation or proceedings pending or, to the best of its knowledge, threatened against or affecting Diamond International or any of its Subsidiaries or the properties of Diamond International or any such Subsidiary before any court, arbitrator or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which, if determined adversely, could have a material adverse effect on the financial condition, properties, or operations of Diamond International or Diamond International and its Subsidiaries taken as a whole except as noted under the captions "The Merger - Litigation relating to the Merger" and "Business and Properties of Diamond - Legal Proceedings" in the Proxy Statement (the "Disclosed Litigation"). Except for the Disclosed Litigation, no suit, action, investigation, litigation or proceeding is pending or, to the best of its knowledge, threatened, in any court or before any arbitrator or governmental entity specified above in connection with the transactions contemplated by this Agreement, any other Loan Documents or the Merger Agreement. There has been no change in the status of any of the actions, suits, investigations, litigation or proceedings referred to in the Disclosed Litigation which is adverse to Diamond International or any of its Subsidiaries or any transactions contemplated by the Merger, the Travelers Agreement or the Loan Documents.

(i) First Priority Lien. On and at all times after the Second Closing Date, the Interest Reserve Account and, subject to the exceptions noted in paragraph (g) of

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this Section 4.02, each of the Collateral Documents to which Diamond International is or is to be a party or by which it is, or is to be, otherwise obligated, will constitute a valid, subsisting, first priority lien and security interest in and to the collateral purported to be covered thereby enforceable against all third parties in all jurisdictions securing the payment of all obligations purported to be secured thereby and all action required to perfect fully such liens and security interests so constituted will have been taken and completed.

(j) No Violation of Other Agreements. Neither Diamond International nor any of its Subsidiaries is a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any charter or corporate restriction which would have a material adverse effect on the ability of Diamond International to carry out its obligations under the Merger Agreement, the Travelers Agreement, this Agreement or any other Loan Document to which it is or is to be a party or by which it is, or is to be, otherwise obligated.

(k) Accuracy of Information Given to Banks. No information, schedule, exhibit or report furnished by Diamond International to the Agent or the Banks in connection with the negotiation or delivery of this Agreement or any other Loan Document contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading as of the date of such information, schedule, exhibit or report.

(l) ERISA.

(i) Except as listed on Schedule VIII, no Termination Event has occurred nor is reasonably expected to occur with respect to any Plan of Diamond International or its Affiliates.

(ii) Schedule B (Actuarial Information) to the 1981 annual report with respect to each Plan of Diamond International and its Affiliates, copies of which have been filed with the Internal Revenue Service and furnished to the Agent is complete and accurate and fairly presents the funding status of

such Plan, and, to the best of the actual knowledge of the Borrower (it being understood that the Borrower has not reviewed the actuarial reports for the 1982 Plan years with respect to the Plan), since the date of the 1981 Schedule B there has been no material adverse change in such funding status.

(iii) Except as listed in Schedule VIII, to the best of the knowledge of the Borrower, neither Diamond International nor any of its ERISA Affiliates has incurred any withdrawal liability under ERISA to any Multiemployer Plan.

(m) Payment of Taxes. Diamond International and each of its Subsidiaries has filed all tax returns (federal, state and local) required to be filed by it or has obtained appropriate extensions with respect thereto, and has paid all taxes shown thereon to be due, including interest and penalties, or provided adequate reserves for payment thereof, except for (i) taxes presently payable without penalty or interest and (ii) taxes (other than "Impositions" as defined in the Mortgages), not in excess of \$5,000,000 payable to federal, state and local governments where Diamond International or its Subsidiaries is contesting in good faith by appropriate proceedings all or a portion of the taxes owed. Diamond International and/or such Subsidiaries have paid or set up adequate reserves for the payment of all taxes payable, or which in their estimate may become payable, in respect of the period ending December 31, 1981 and all periods prior thereto, and Diamond International and/or its Subsidiaries has provided for deferred taxes in accordance with generally accepted accounting principles in amounts sufficient to cover estimated future tax liabilities.

(n) Proxy Statement and Merger Agreement. The Borrower has delivered to each of the Banks true copies of the Proxy Statement and the Merger Agreement. The Merger Agreement has been duly executed by the parties thereto, is in full force and effect and has not been revoked, amended or otherwise modified since the date reflected on such document. The Proxy Statement has been mailed to Diamond International's stockholders and has not been amended or otherwise modified.

(o) Accuracy of Proxy Statement Information. The information (other than information with respect to

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Diamond Acquisition, DUSA, the Guarantor and any affiliate (other than Diamond International) of them as to which Diamond International makes no representation) contained in the Proxy Statement is correct in all material respects and does not omit any material fact or any fact necessary to make the statements contained therein in light of the circumstances under which they were made not misleading.

(p) Preferred Stock. Diamond International has no more than 2,139,369 shares of Class A Preferred Stock outstanding and has paid the full amount of all quarterly dividends on the outstanding shares of such Preferred Stock as contemplated in its Certificate of Incorporation.

(q) Information Regarding Collateral. The information set forth on Schedule VI hereto, respecting the Collateral, is true, correct and complete in all material respects; provided, however, that from and after the Merger, Schedule VI shall be automatically deemed amended to include, in addition to that currently set forth on such schedule, the assets and locations listed on Schedule V.

(r) Timberland for Travelers Agreement. To the best of its knowledge, Diamond International has sufficient Timberland to exercise the option granted pursuant to Section 1(a) of the Travelers Agreement.

(s) Indebtedness. Schedule II, Part 1, is a complete and accurate list of all Indebtedness (other than intercompany Indebtedness of the type permitted by Section 5.02(b) and other than the Other Secured Debt) of Diamond International as of the date of this Agreement and Schedule II, Part 2, is a complete and accurate list of all Indebtedness (other than intercompany Indebtedness of the type permitted by Section 5.02(b) and other than the Other Secured Debt) of Diamond International as of the Effective Time.

(t) Certain Names. Diamond International has no trade names. Set forth on Schedule VII is a complete and accurate list of (i) all prior names of Diamond International, and (ii) the names of all companies which have merged into Diamond International within the past 20 years.

(u) Sales of Certain Assets. The assets listed in Schedule XI are assets of Diamond International and its Subsidiaries which have been sold for the purchase price indicated on such Schedule.

(v) Stirling Bluffs. Stirling Bluffs is a Subsidiary of Diamond International which is subject to regulation by the California Public Utility Commission. In order to grant a Lien on the stock of such Subsidiary, the approval of the California Public Utility Commission would be required. The book value of the assets of Stirling Bluffs is no greater than \$1,000,000.

(w) Heekin. Heekin is the subject of a certain Agreement and Plan of Merger (the "Heekin Agreement") dated September 1, 1982 by and among Heekin Can, Inc., Diamond International and Wesray Packaging, Inc. Pursuant to the Heekin Agreement, no Liens may be granted on the stock or assets of Heekin.

(x) Diamond Financial Control. Diamond Financial Control is a Subsidiary of Diamond International which, among other things, arranges financing plans for certain purchasers of residential homes. The book value of the assets of Diamond Financial Control is no greater than \$600,000.

(y) EWM. EWM is a Subsidiary of Diamond International which leases certain assets to Escher Wyss Manchester. Pursuant to a certain agreement to which Diamond International is a party, Diamond International may not grant a security interest in the stock or assets of EWM. The book value of the assets of EWM is no greater than \$800,000. EWM is not a Consolidated Subsidiary.

(z) Escher Wyss Manchester. Escher Wyss Manchester is a joint venture of a Subsidiary of Diamond International. Pursuant to a certain agreement to which Diamond International is a party, Diamond International may not grant a security interest in the Diamond International's partners equity in the assets of Escher Wyss Manchester or in Diamond International's interest in the joint venture without the consent of the other partner. Diamond International's partners equity in the assets of Escher Wyss Manchester is no greater than \$12,000,000.

(aa) Performance Bonds. The amount of contingent liability for which Diamond International and its Subsidiaries may be liable in respect of performance bonds relating to the cutting rights contracts does not exceed \$20,000,000.

SECTION 4.03. Representations and Warranties of DUSA. DUSA represents and warrants as follows:

(a) As of the Second Closing Date, all the representations and warranties set forth in Section 4 of the DUSA Pledge Agreement shall be true and correct.

(b) From and after the First Closing Date, the provisions in Article II relating to DUSA/Banks Collateral Account will constitute a valid, subsisting, first priority lien and security interest in and to the collateral purported to be covered thereby securing the payment of all obligations purported to be secured thereby and all action required to perfect fully the liens and security interests so constituted will have been taken and completed.

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#### ARTICLE V COVENANTS

SECTION 5.01. Affirmative Covenants of the Borrower. So long as (i) any Note shall remain unpaid, (ii) the Borrower shall have any obligations hereunder or under any other Loan Documents, (iii) the Guarantor shall have any obligations under the Guaranty or (iv) any Bank shall have any Commitment, the Borrower will, unless the Majority Banks shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, paying when due all taxes, assessments and governmental charges imposed upon it or upon its property except to the extent contested in good faith with respect to (i) taxes presently payable without penalty or interest and (ii) to the extent permitted by Section 4.02(m)(ii) hereof, federal, state and local taxes not in excess of \$5,000,000.

(b) Preservation of Corporate Existence, Etc.

Subject to Article IX, preserve and maintain, and cause each Subsidiary to preserve and maintain, its corporate existence, rights (charter and statutory), and franchises; provided, however, that (1) Diamond Acquisition may merge into Diamond International pursuant to the Merger and (2) the Borrower may sell its Subsidiaries, from time to time, in a manner consistent with subsection (i) of this Section 5.01 and subsections (f) and (i) of Section 5.02 and (3) the Borrower may sell, liquidate or otherwise dispose of any of its Inactive Subsidiaries.

(c) Visitation Rights. At any reasonable time and from time to time, permit the Agent or any of the Banks or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and any of the Subsidiaries with any of their respective officers or directors.

(d) Keeping of Books. Keep on a Consolidated basis with its Consolidated Subsidiaries and cause each other Subsidiary to keep, proper books of record and account, in which full and correct entries in all material respects shall be made of all financial transactions and the assets and business of such entity or entities (except in the case of Foreign Subsidiaries) in accordance with generally accepted accounting principles consistently applied.

(e) Maintenance of Properties, Etc. Subject to Article IX, and with respect to any properties subject to the Mortgages, subject to the covenants contained therein, and subject to the right of the Borrower to sell its assets in a manner consistent with subsection (i) of this Section 5.01 and subsections (f) and (i) of Section 5.02, maintain and preserve, and cause each Subsidiary to maintain and preserve, all of its properties which are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(f) Performance and Compliance with All Loan Documents. Perform and comply with each of the provisions in the Loan Documents to which it is a party

(including, without limitation, those requiring the Borrower to tender to the Agent instruments from time to time).

(g) Maintenance of Insurance. Maintain for itself and all Domestic Subsidiaries, and cause each Foreign Subsidiary to maintain, such insurance as is required by Section 12 of the Security and Pledge Agreement and Section 2.03 of the Mortgages and such other insurance with reputable insurance companies or associations in such amounts and covering substantially all the risks that prudent management would deem necessary to insure against, and self insure against all other risks.

(h) Delivery of Certificate of Sale. Upon the sale or disposition of any of its assets (except in the ordinary course of Diamond International's business as presently constituted), deliver to the Agent a Certificate of Sale relating to such sale.

(i) Application of Sales Proceeds. Immediately upon receipt thereof,

(A) remit 80% of all cash proceeds from the sale of assets (other than sales in the ordinary course of Diamond International's business as presently constituted) -- but in the case of sales involving Timberland, 100% of all cash proceeds net of any ITC Recapture relating to such sales -- whether such proceeds are received at the time of the sale or thereafter in connection with any deferred purchase price, to the Trustee pursuant to the Trust Agreement. Pursuant to the Trust Agreement the Trustee shall deposit all such proceeds in the General Collateral Account (as defined in the Trust Agreement) and use the funds therein to pay, repay or prepay the Agent, the Banks and the Other Secured Creditors Ratably as follows:

(1) The Ratable portion of the proceeds to be applied to pay, repay or prepay the Other Secured Creditors shall be transferred to the Trustee to be either transferred to the Other Secured Creditors or held in the Non-Bank Holders Collateral Account pursuant to the Trust Agreement; and

(2) The Ratable portion of the proceeds to be applied to pay, repay or prepay the Agent and the Banks shall be delivered to the Agent and applied at the Borrower's option in either the manner set out in option (I) or the manner set out in option (II) below. The Borrower shall deliver a certificate to the Agent at the time that the Agent receives funds under this Section 5.01(i) stating (i) there is no Default (or if there is a Default, the nature thereof); (ii) whether it has selected option (I) or option (II); (iii) how much of the funds are to be distributed to the Agent, each Bank and the Interest Reserve Account; and (iv) how it computed the amounts to be distributed to the Agent, the Banks and the Interest Reserve Account. The Agent shall (unless it has actual knowledge that the statements therein are untrue or the computations incorrect) follow the directions set forth in such certificate.

Option (I):

FIRST, to prepay the outstanding principal amount of the Advances, to the Banks ratably, together with all accrued interest thereon, in the order of the maturities of the principal installments of such Advances (for each installment, first to B Advances and then to A Advances unless otherwise specified by the Borrower); and SECOND, any excess, to pay ratably any other amounts owing to the Agent and the Banks hereunder and under any other Loan Documents; or

Option (II):

FIRST, if the Advances scheduled to be due on the next Principal Payment Date shall not have then already been prepaid, then to prepay such advances; and SECOND (after all Advances referred to in the preceding clause have been prepaid), to be held in a cash collateral account maintained by the Agent in favor of the Banks (the "Interest Reserve Account") pursuant to Article VIII, provided, that

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at the date of the proposed deposit of funds into the Interest Reserve Account the aggregate amount in the Interest Reserve Account including the amount to be deposited therein on such date shall not exceed the product of (a) the aggregate principal outstanding amount of all Advances, (b) the interest rate in effect hereunder on the date of such proposed deposit, and (c) 180 days divided by 365 days (any excess over such product to be used to prepay the Advances as set forth in paragraph (I) above);

provided, however, that if a Default shall have occurred and shall be continuing at the time such proceeds are received by the Borrower or if the Borrower shall not have delivered the certificate referred to in subparagraph (A)(2) of this Section 5.01(i) (whether or not the asset subject to the sale is then or is to be released from the security interest created by the Collateral Documents), 100% of all cash proceeds from each asset sale (other than sales in the ordinary course) shall be applied Ratably to the indebtedness owed to the Banks (and applied as set forth above in Option (I)) and Other Secured Creditors; and

(B) pledge and deliver to the Trustee all promissory notes, securities or other instruments received in connection with asset sales for the Ratable benefit of the Banks and the Other Secured Creditors pursuant to the Security and Pledge Agreement.

(j) Ratio of Net Assets Exclusive of Travelers to Funded Debt Exclusive of Travelers. From and after the Second Closing, maintain a ratio of Net Assets Exclusive of Travelers to Funded Debt Exclusive of Travelers at the end of each fiscal quarter, and also at the time of each and every asset sale and at the time of each and every payment or prepayment of any principal amount of the Advances, after giving effect to such sale or payment, of (a) not less than 1.75:1 until the First Principal Payment Date and (b) not less than 2:1 thereafter. For purposes of computing the ratio required by this subsection (j) at the time of an asset sale (other than

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sales in the ordinary course) and at the time of any payment or prepayment of any principal amount of the Advances, the Borrower shall calculate the ratio on the information set forth in the most recent annual or quarterly financial statements then available as adjusted to give effect to such asset sale or repayment or prepayment, or any previous such asset sale, repayment or prepayment since the most recent annual or quarterly financial statements then available.

(k) Funds Released from Cash Collateral Accounts. Cause all funds released from Cash Collateral Accounts to be used solely for the purposes stated herein.

(l) Delisting of Stock. Use its best efforts to have the Common Stock of Diamond International delisted from the New York Stock Exchange at the Effective Time or as soon thereafter as practicable.

(m) Payment of Dividends on Preferred Stock. Cause to be paid all dividends on the Preferred Stock in accordance with the terms of the Certificate of Incorporation of the Borrower; provided, however, that any payment made to holders of Preferred Stock pursuant to this paragraph (m) shall not be deemed to create a default under any other provision of this Agreement.

(n) Reporting Requirements. Furnish to the Agent in sufficient copies for distribution to each Bank: (i) as soon as available and in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of DUSA, and of Diamond International and its Consolidated Subsidiaries, a balance sheet of such entity as of the end of such fiscal quarter and a statement of income and retained earnings of such entity for the period commencing at the end of the previous fiscal year and ending with the end of such fiscal quarter (which, in the case of Diamond International, shall be reported on a Consolidated basis), certified by the chief financial officer of such entity; (ii) as soon as available and in any event within 90 days after the end of each fiscal year of each of DUSA, and Diamond International and its Consolidated Subsidiaries, a copy of the financial statements for such fiscal year (which, in the case of Diamond International, shall be reported on a consolidated basis) certified in a manner acceptable to the Majority Banks, in the case of the statements of DUSA by its chief financial officer, and in the case of

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those of Diamond International and its Consolidated Subsidiaries by its accountants specified in Section 5.02(m); (iii) promptly after the sending or filing thereof, copies of all reports which DUSA or Diamond International sends to any of its securityholders (other than Diamond Group Inc. or DUSA), and copies of all reports and registration statements which such entities or any Subsidiary thereof file with the Securities and Exchange Commission or any national securities exchange; (iv) as soon as possible and in any event (A) within 30 days after the Borrower or any of its ERISA Affiliates knows or has reason to know that any Termination Event described in clause (i) of the definition of Termination Event with respect to any Plan has occurred and (B) within 10 days after the Borrower or any of its ERISA Affiliates knows or has reason to know that any other Termination Event with respect to any Plan has occurred, a statement of the chief financial officer of the Borrower describing such Termination Event and the action, if any, which the Borrower or such ERISA Affiliate proposes to take with respect thereto; (v) promptly and in any event within two Business Days after receipt thereof by the Borrower or any of its ERISA Affiliates from the Pension Benefit Guaranty Corporation ("PBGC"), copies of each notice received by the Borrower or any such ERISA Affiliate of the PBGC's intention to terminate any Plan or to have a trustee appointed to administer any Plan; (vi) promptly and in any event within 30 days after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Plan; (vii) promptly and in any event within five Business Days after receipt thereof by the Borrower or any of its ERISA Affiliates from a Multiemployer Plan sponsor, a copy of each notice received by the Borrower or any of its ERISA Affiliates concerning the imposition or amount of withdrawal liability pursuant to Section 4202 of ERISA; (viii) as soon as available and in any event within 45 days after the end of each of the first three fiscal quarters and within 90 days after the end of the fiscal year and at the time of any payment or prepayment of any principal amount of the Advances a certificate of its chief financial officer showing compliance with the ratio set forth in paragraph (j) of this Section 5.01, together with the computations relating thereto in substantially the form provided for in the Certificate of Sale; and (ix) such other information respecting the condition or

operations, financial or otherwise, of Diamond Acquisition, DUSA or Diamond International and its Consolidated Subsidiaries as any Bank through the Agent may from time to time reasonably request.

(o) Additional Assurances. Provide additional information regarding the Collateral, and execute, deliver and file such additional documents and instruments and do such other acts and things as may be necessary or reasonably desirable to protect and perfect the Banks' and Other Secured Creditors' rights in and to the Collateral.

(p) Payment of Trustee's Fees. Pay all Trustee's fees pursuant to the Trust Agreement.

(q) Compliance with Other Secured Debt Agreements. Perform and comply with all provisions in the agreements relating to the Other Secured Debt and not make any amendments in any terms of such agreements which would have the effect of (1) increasing the principal amount outstanding thereunder or the amount of interest or fees or other amounts payable thereunder or (2) making any payment due at an earlier date than is contemplated by such agreements as in effect on the date of this Agreement or (3) imposing on the Borrower any restrictions or obligations which are substantially more onerous than those contemplated by such agreements as in effect on the date of this Agreement; provided, however, that the Borrower may (i) prepay any or all amounts of the Other Secured Debt pursuant to the provisions of the Other Secured Debt Agreements and (ii) may purchase (for a purchase price no greater than the amount of outstanding principal together with the amount of accrued and unpaid interest thereon) any instruments evidencing the Other Secured Debt.

(r) Compliance with Travelers Agreement. (i) Perform and comply with all provisions in the Travelers Agreement; (ii) maintain the Travelers Agreement in full force and effect; (iii) not amend the Travelers Agreement without the written consent of the Agent; and (iv) maintain good and marketable title to sufficient Timberland to exercise the option granted in Section 1 of the Travelers Agreement, provided, however, that the Borrower may, at any time, exercise the option thereunder in accordance with its terms.

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(s) Sale of Assets Within Six Months. Sell, or cause its Subsidiaries to sell, sufficient assets in accordance with the provisions hereof to generate cash proceeds of no less than \$100,000,000 within six months of the First Closing Date.

(t) Preferred Collateral Account. Transfer, or cause to be transferred, on the Second Closing Date an amount equal to the product of (i) \$20.74 and (ii) the number of shares of Preferred Stock issued and outstanding on the Second Closing Date, to the Preferred Collateral Account as provided in the Trust Agreement.

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(u) Transfer of Timberland. Within twelve months after the First Closing Date, transfer or cause to be transferred substantially all its Timberland and the Timberland of its Domestic Subsidiaries to a parent corporation (or a wholly-owned Subsidiary) of Diamond International which corporation shall have no material liabilities except for those liabilities which (x) arise in connection with such transfer and (y) shall be fully subordinated to the debt hereunder and under the other Loan Documents and the Other Secured Debt Agreements. In connection therewith it will cooperate in all ways with the Guarantor to assist the Guarantor in complying with its undertakings in the Guaranty to cause (1) stock of the aforementioned parent corporation (or wholly-owned Subsidiary) to be pledged to the Trustee as security for the Borrower's obligations under the Loan Documents and the Other Secured Debt Agreements and (2) such parent corporation (or wholly-owned Subsidiary) to undertake to perform and observe certain other covenants of the type provided herein and (3) adjust all the covenants and other provisions of the Loan Documents to provide for no greater credit risk than is currently contemplated.

(v) Title Reports. Deliver to the Agent within 6 months after the First Closing Date, title reports covering all its real properties in the State of Maine.

SECTION 5.02. Negative Covenants of the Borrower. So long as (i) any Note shall remain unpaid, (ii) the Borrower shall have any obligations hereunder or under any of the Loan Documents, (iii) the Guarantor shall have any obligations under the Guaranty or (iv) any Bank shall have any Commitment, the Borrower will not, without the written consent of the Majority Banks:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien upon or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, in each case to secure Indebtedness of any Person, other than

(i) purchase money liens or purchase money security interests upon or in any property acquired or held by the Borrower or such Subsidiary in the ordinary course of business to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property,

(ii) Liens existing on such property at the time of its acquisition,

(iii) Liens created pursuant to the Collateral Documents,

(iv) Liens expressly permitted by the Collateral Documents,

(v) Liens existing on the date hereof and listed on Schedule IX, and

(vi) Liens on assets of its Foreign Subsidiaries securing Indebtedness permitted by paragraph (b) of this Section 5.02 of not more than U.S.\$5,000,000 in the aggregate,

provided, that the aggregate principal amount of the Indebtedness secured by the Liens referred to in clauses (i), (ii) and (v) above (including any such liens which may be in existence on the date hereof, but not including liens on assets of its Foreign Subsidiaries permitted by clause (vi) above) shall not collectively exceed \$20,000,000 at any time outstanding and; provided, further, that, with respect to any properties subject to the Mortgages, the only permitted liens shall be those defined as Permitted Encumbrances in the Mortgages. Notwithstanding the foregoing, nothing herein shall prevent any Person from selling or encumbering any stock if, and for so long as, it constitutes Margin Stock.

(b) Indebtedness. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Indebtedness other than (i) Indebtedness of Diamond International and its Domestic Subsidiaries

(including Indebtedness in existence on the Second Closing Date whether or not listed on Schedule II, Part 2) not to exceed in the aggregate \$20,000,000, (ii) Indebtedness arising out of this Agreement, the Notes and the Other Secured Debt Agreements, (iii) Indebtedness of its Foreign Subsidiaries in an aggregate amount (including any Indebtedness of the Foreign Subsidiaries existing on the date hereof, and any Indebtedness of the Foreign Subsidiary to its parent pursuant to paragraph (g) of this Section 5.02), not to exceed \$10,000,000, and (iv) intercompany Indebtedness between the Borrower and any of its Consolidated Domestic Subsidiaries or between or among such Consolidated Domestic Subsidiaries and intercompany Indebtedness between or among the Borrower's Consolidated Foreign Subsidiaries which would not, or should not in accordance with generally accepted accounting principles, be reflected in the amounts reported on financial statements of the Borrower and its Consolidated Subsidiaries.

(c) Lease Obligations. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any obligations for the payment of rental for any property under leases or agreements to lease having a term of one year or more which would cause the direct or contingent liabilities of the Borrower and its Subsidiaries, on a Consolidated basis, in respect of all such obligations to exceed \$8,000,000 in the aggregate payable in any period of 12 months.

(d) Dividends, Etc. Subject to Article IX and Section 5.01(u), declare or pay any dividends, purchase or otherwise acquire for value any of its capital stock now or hereafter outstanding, or make any distribution of assets to its stockholders as such, or permit any of its Subsidiaries to purchase or otherwise acquire for value any stock of the Borrower; provided, however,

(i) the Borrower may declare and pay dividends provided for in its Certificate of Incorporation on the Preferred Stock; and comply with all provisions in its Certificate of Incorporation and in the Merger Agreement regarding redemption, conversion and liquidation rights of the holders of the Preferred Stock; and

(ii) after the end of the fourteenth month following the First Closing Date, so long as

(A) the Travelers Agreement is in full force and effect and the Borrower shall own sufficient Timberland to exercise the option granted by Section 1(a) of the Travelers Agreement,

(B) the ratio of the Travelers Purchase Price to Funded Indebtedness is at least 1:1, and

(C) no Default has occurred and is continuing or would result from the payment of such dividend,

the Borrower may on any Interest Payment Date declare dividends in an aggregate amount not to exceed the amount of the Borrower's year-to-date consolidated net income less the amount of any dividends previously declared during such year. For purposes of this provision, net income shall not include extraordinary gains and gains on the disposal of a segment of the Borrower's business net of all recaptured taxes (but shall take account of, and deduct for, extraordinary losses and losses on the disposal of a segment of the Borrower's business inclusive of all recapture taxes), provided, that if there are both extraordinary gains and extraordinary losses for any period, then in determining the amount of extraordinary losses to be deducted from the net income figure, the amount of extraordinary losses shall be limited to the excess, if any, of such extraordinary losses over extraordinary gains. Payment of such dividends may be made on any day up to six months after the end of the fiscal year during which such dividends are declared, provided, that at the time of such payment there shall be no Default and that no Default shall result from the making of such payment; and

(iii) so long as no Default has occurred and is continuing, the Borrower may declare, and on any date on which an interest payment is due on the Acquisition/DUSA Loan may pay dividends to DUSA in an amount equal to the amount of interest payable on the Acquisition/DUSA Loan on such date; provided, however that the proceeds of such dividend shall be used exclusively for the purpose of paying such interest on the Acquisition/DUSA Loan; and provided,

further, that funds shall not actually be transferred out of the Borrower for the payment of this dividend, but rather the dividend shall be deemed made by the Borrower and the interest payment shall be deemed made by DUSA upon their agreement to make such dividend and interest payment.

The Borrower shall not amend its Certificate of Incorporation or the Merger Agreement in any way that will provide for any payment pursuant to clause (i) to be made in a greater amount or on an earlier date than is contemplated by the Certificate of Incorporation as in effect on the date of this Agreement or permit any Subsidiary to do any of the foregoing.

(e) Mergers, Etc. Subject to Article IX and Section 5.01(u) and except pursuant to the Merger, merge with or into or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person except that Consolidated Subsidiaries may merge into the Borrower.

(f) Sales, Etc. of Assets. Subject to Article IX and Section 5.01(u), sell, lease, transfer or otherwise dispose of (including, without limitation, by way of a merger), or permit any Active Subsidiary to sell, lease, transfer or otherwise dispose of (including, without limitation, by way of a merger), any of its assets, including (without limitation) any manufacturing plant, retail operation or Timberlands except (i) pursuant to the Merger, (ii) sales or leases in the ordinary course of Diamond International's business as presently constituted, (iii) pursuant to a sale (A) at least 75% of the purchase price of which is paid in cash at the time of such sale and (B) which is made to an entity which is not an affiliate of the Borrower or (iv) sales to affiliates permitted by paragraph (i) of this Section 5.02; provided, however, that no such sale, lease, transfer or other disposition shall be permitted if, after giving effect thereto, the Borrower would not be in compliance with Section 5.01(j).

(g) Investments in Other Persons. Except for (i) current investments of Diamond International and its Subsidiaries listed on Schedule X, and (ii) equity

investments which have been made prior to the date of this Agreement in the Borrower's Subsidiaries, make, or permit any Subsidiary to make, any loan or advance to, or invest in, any Person (including to or in the Borrower or any of its affiliates) except that (A) the Borrower or its Subsidiaries may

(1) make the Acquisition/DUSA Loan on terms satisfactory to the Agent in order for DUSA to purchase certain shares of Diamond International pursuant to the Merger and pay related costs,

(2) purchase readily marketable direct obligations of the United States of America and certificates of deposit (and other time deposits) issued by commercial banks of recognized standing operating in the United States of America in each case maturing within 60 days from the date of issuance,

(3) purchase commercial paper maturing within 60 days of issuance, rated A-1 by Standard & Poor's Corporation, Inc. or P-1 by Moody's Investors Service, Inc.,

(4) invest in repurchase agreements with such banks as are included in clause (2) above and which involve the types of securities listed in clause (2) above, and

(5) invest in, or make loans to, the Borrower's Foreign Subsidiaries,

provided, that (x) the aggregate amount of money invested by the Borrower and its Subsidiaries (collectively) in repurchase agreements pursuant to clause (4) above shall not exceed at any time outstanding in the aggregate \$10,000,000 and (y) the amount of money invested in or loaned to Foreign Subsidiaries by the Borrower and its Domestic Subsidiaries (collectively) pursuant to clause (v) above shall not exceed at any time outstanding in the aggregate \$10,000,000;

(B) the Borrower and its Domestic Subsidiaries may make such loans to or investments in each other as would not, or should not, in accordance with generally accepted

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accounting principles, appear in the amounts reported on their Consolidated financial statements;

(C) Foreign Subsidiaries may purchase readily marketable direct obligation of the government of the country of their incorporation and certificates of deposit (and other time deposits) issued by commercial banks of recognized standing in the country of their incorporation in each case maturing within 60 days from the date of issuance; and

(D) Diamond International Export Sales Corporation (DISC) may purchase "Qualified Export Assets" as defined in Section 993(b)(7) and Section 993(b)(8) of the Internal Revenue Code of 1954, provided, that the aggregate amount of all investments of this type may not exceed \$15,000,000 at any time outstanding. These assets include, but are not limited to, securities of Private Export Funding Corporation (PEFCO), American Express Export Credit Corporation and Eximbank obligations.

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(h) Capital Expenditures. Make, or permit any Subsidiary to make, any expenditure for fixed or capital assets which would cause the aggregate of all such expenditures made by the Borrower and its Subsidiaries during any fiscal year to exceed the amount of the prior year's depreciation charges as reported in the audited Consolidated financial statements.

(i) Transfer of Assets to Subsidiaries. Create new Subsidiaries or transfer any assets from the Borrower or any Subsidiary to any other Subsidiary except:

(i) in the ordinary course of Diamond International's business as presently constituted, or

(ii) as part of a sale of assets permitted by paragraph (f) of this Section 5.02 or the transfer of Timberland pursuant to Section 5.01(u) and then (in either case) only if all the capital stock of the new Subsidiary or the transferee Subsidiary is pledged and delivered to the Trustees pursuant to the Security and Pledge Agreement prior to the transfer of any assets thereto.

(j) Change in Nature of Business. Expand, or permit any Subsidiary to expand, into any new line of business.

(k) Equity Structure. Subject to Article IX, not make or permit any change in its equity structure, including its equity ownership, except (i) pursuant to the Merger Agreement, (ii) any redemption, conversion or liquidation of the Preferred Stock, (iii) to permit additional equity investments from the parents it shall have immediately after the Merger, and (iv) pursuant to paragraph (d) of this Section 5.02.

(l) Statements and Auditors. Not make or permit any significant change in the accounting treatment and reporting practices used in connection with any of its financial statements or other reports referred to in Section 5.01(n) and not make or permit any change in the auditors reviewing such statements and reports from Deloitte, Haskins & Sells except that (1) it may, from time to time, change such accounting treatment and reporting practices if required in order to comply with generally accepted accounting principles and (2) on one occasion it may change its accountant to another accountant of recognized standing (i.e., one of the "Big Eight" or another independent public accounting firm satisfactory to the Agent).

(m) Trade Payables. Have, or permit any Subsidiary to have, trade payables in excess of \$25,000,000 which are overdue for a period greater than six weeks.

(n) Transfers to Certain Subsidiaries. Notwithstanding any provision herein which has the effect of permitting the Borrower or its Consolidated Subsidiaries to invest in, make loans to or otherwise transfer assets to Consolidated Subsidiaries but not unconsolidated subsidiaries, the Borrower and its Consolidated Subsidiaries may not (pursuant to such provisions) invest in, make loans to, or transfer assets to Stirling Bluffs, Diamond Financial Control or Heekin (except in the ordinary course of Diamond International's business as presently constituted).

## ARTICLE VI EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

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(a) The Borrower shall fail to pay any principal amount when due hereunder or under the Notes; or shall fail to pay any interest or other amount payable by it to any of the Banks pursuant to this Agreement or any other Loan Document within 5 Business Days of the date on which such payment is due; or

(b) Any representation or warranty made or deemed made by any Obligor (or any officer of the same) in or in connection with this Agreement or any other Loan Document shall prove to have been incorrect in any material respect when made; or

(c) The Borrower shall fail to perform or observe any of its covenants contained in Sections 5.01(i) and (r) and 5.02 (d), (e), (f) and (g); or

(d) Any Obligor shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any other Loan Document on its part to be performed or observed and any such failure shall remain unremedied for 10 Business Days after written notice thereof shall have been given to such Obligor by the Agent or any Bank; or

(e) Any Obligor or any Subsidiary of any Obligor shall fail to pay any Indebtedness (other than that evidenced by the Notes) in excess of \$2,000,000 (in the aggregate) of such Obligor or such Subsidiary, including any interest or premium thereon, when due (whether at scheduled maturity or by required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other default under any agreement or instrument relating to any Indebtedness in excess of \$1,000,000, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or

(f) Any of the Obligors or any Subsidiary of any of them shall generally not pay its debts as such debts

become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any of the Obligors or any such Subsidiary of any of them seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it) shall remain undismissed or unstayed for a period of 60 days; or any of the Obligors or any such Subsidiary of any of them shall take corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) Any governmental authority or any Person acting or purporting to act under governmental authority shall have taken any action to condemn, seize or appropriate, or to assume custody or control of, all or any substantial part of the property of the Borrower or all or any substantial part of the assets of the Borrower shall be destroyed or damaged, and such destruction or damage shall not be substantially covered by insurance; or

(h) Any judgment or order for the payment of money in excess of \$5,000,000 (or its equivalent in another currency) shall be rendered against any Obligor or any of their Subsidiaries and either (A) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (B) there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) The Guaranty, the Travelers Agreement, the Travelers Consent or any Collateral Document shall fail to be in full force and effect or any party thereto (other than the Banks or the Agent) shall claim that it is no longer in full force and effect or that such party's obligations thereunder have been terminated or substantially terminated; or

(j) Any Termination Event with respect to a Plan of the Borrower or any of its ERISA Affiliates shall have occurred and shall be continuing 30 days after notice thereof shall have been given to the Borrower by the Agent and, (i) such Termination Event (if correctible) shall not have been corrected and (ii) the then current value of such Plan's benefits guaranteed under Title IV of ERISA exceeds the then current value of such Plan's assets allocable to such benefits by more than \$15,000,000 (or in the case of a Termination Event involving the withdrawal of a substantial employer as defined in Section 4001(a)(2) of ERISA, the withdrawing employer's proportionate share of such excess exceeds such amount); or

(k) The Borrower or any of its ERISA Affiliates as employer under one or more Multiemployer Plans shall have made one or more complete or partial withdrawals from such Multiemployer Plan or Plans, and the plan sponsor or sponsors of such Multiemployer Plan or Plans shall have notified such withdrawing employer that such employer has incurred a withdrawal liability in an annual amount which with respect to any such Plan or with respect to all such Plans in the aggregate exceeds \$4,000,000; or

(l) The Banks shall not have, or shall cease to have, a valid and perfected first priority lien or security interest, subject only to the encumbrances explicitly permitted by the terms hereof and the Collateral Documents, in any part of the Collateral (including, without limitation, the Travelers Agreement) deemed by the Majority Banks to be material; or

(m) The Merger shall be voided or otherwise declared ineffective in any proceeding before any court or governmental entity; or any such proceeding shall be commenced and shall not be dismissed within 60 days and the Agent shall not have received an opinion of counsel satisfactory to the Majority Banks to the effect that there is no substantial likelihood that the outcome of the proceedings would have the effect of voiding or otherwise declaring ineffective the Merger;

then, and in any such event, the Agent shall at the request, or may with the consent, of the Majority Banks, by notice to the Borrower, (i) declare the obligation of each Bank to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) declare the entire unpaid principal

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amount of the Notes, all interest accrued and unpaid thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Notes, all such accrued interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower.

## ARTICLE VII THE AGENT

SECTION 7.01. Authorization and Action. Each Bank hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof or thereof, as the case may be, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes, the Guaranty, or the Collateral Documents), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks and such instructions shall be binding upon all Banks and all holders of Notes; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to this Agreement or the other Loan Documents or applicable law.

SECTION 7.02. Duties and Obligations. Neither the Agent nor any of its respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent (i) may treat the payee of any Note as the holder thereof unless and until the Agent receives written notice of the assignment thereof signed by such payee and the Agent receives the written agreement of the assignee that such assignee is bound hereby as it would have been if it had been an original Bank party hereto, in each case in form satisfactory to the Agent, (ii) may consult with legal counsel (including counsel for any Obligor), independent public accountants and other experts selected by it and shall not be liable for any action

taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts, (iii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations made in or in connection with any Loan Document, (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Loan Document or to inspect the property (including the books and records) of any Obligor, and (v) shall incur no liability under or in respect of this Agreement or any other Loan Documents by acting upon any notice, consent, certificate (including any Certificate of Sale) or other instrument or writing (which may be by telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties or by acting upon any representation or warranty of the Borrower made or deemed to be made hereunder or thereunder, as the case may be. Further, the Agent (A) makes no warranty or representation to any Bank and shall not be responsible to any Bank for the accuracy or completeness of any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or any other Loan Document, (B) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any other Loan Document on the part of any Obligor or to inspect the property (including the books and records) of any Obligor, and (C) shall be not responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto or thereto.

Without limiting the generality of the foregoing, the Agent may, from time to time, in the name of the Banks, authorize the Trustee to take any acts which the Agent would be permitted to take hereunder including, without limitation, upon receipt of any Certificate of Sale, release or pursuant to the terms of the Trust Agreement authorize the Trustee to release, or cause to be released, the assets described in such Certificate of Sale from the security interest created in favor of the Banks and the Other Secured Creditors.

SECTION 7.03. Agent and Affiliates. With respect to its Commitment, the Advances made by it and the Note issued to it, the Agent which is also a Bank shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent;

and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include the Agent in its capacity as a Bank. The Agent and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, any Obligor and any Person which may do business with any Obligor, all as if it were not the Agent hereunder and without any duty to account therefor to the Banks.

SECTION 7.04. Bank Credit Decision. It is understood and agreed by each Bank that it has itself been, and will continue to be, solely responsible for making its own independent appraisal of and investigations into the financial condition, creditworthiness, condition, affairs, status and nature of the Obligors. Accordingly, each Bank confirms to the Agent that it has not relied, and will not hereafter rely, on the Agent (i) to check or inquire on its behalf into the adequacy, accuracy or completeness of any information provided by the Obligors under or in connection with this Agreement or any other Loan Document or the transactions herein or therein contemplated (whether or not such information has been or is hereafter distributed to such Bank by the Agent), or (ii) to assess or keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of any Obligor. Each Bank acknowledges that a copy of this Agreement and a copy of the Schedules and Exhibits hereto have been made available to it and to its individual legal counsel for review and each Bank acknowledges that it is satisfied with the form and substance of this Agreement and the Schedules and Exhibits hereto.

SECTION 7.05. Indemnification by the Banks. The Banks agree to indemnify the Agent (to the extent not reimbursed by or on behalf of any Obligor), ratably according to the respective principal amounts of the Notes then held by each of them (or if no Notes are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted by the Agent under this Agreement or any other Loan Document, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or

disbursements resulting from the Agent's gross negligence or willful misconduct. Without limiting the generality of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preservation of any rights of the Agent or the Banks under, or the enforcement of, or legal advice in respect of rights or responsibilities under, this Agreement or any other Loan Document, to the extent that the Agent is not reimbursed for such expenses by the Borrower or the Guarantor.

SECTION 7.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Borrower and may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Banks, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a bank organized under the laws of the United States or of any state thereof, or any affiliate of such bank, and having a combined capital and surplus of at least \$50,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

#### ARTICLE VIII CASH COLLATERAL ACCOUNTS

SECTION 8.01. Interest Reserve Account. The Interest Reserve Account referred to in Section 5.01(i) shall be established, maintained and terminated as follows:

(a) Creation of Interest Reserve Account. At the time that any monies are received by the Trustee pursuant to Section 5.01(i) and thereafter delivered to the Agent

pursuant to said Section and the Trust Agreement for deposit in the Interest Reserve Account, the Agent shall establish, and thereafter maintain an account called the "Interest Reserve Account for the Benefit of the Diamond Bank Syndicate" in New York, which account shall be the Interest Reserve Account referred to in Section 5.01(i). Such account (together with all funds, investments, proceeds, income and interest thereof and thereon) shall be under the exclusive dominion and control of the Agent in the State of New York until terminated in accordance with the provisions of this Article VIII.

(b) Transfer of Funds into Account. Funds received by the Agent from the Trustee pursuant to the Trust Agreement for deposit by the Agent into the Interest Reserve Account pursuant to Section 5.01(i) shall be so deposited.

(c) Grant of Security Interest. The Borrower hereby grants a possessory lien and a security interest in the Interest Reserve Account, together with all funds, investments, proceeds, interest and income thereof and thereon, from time to time therein to the Agent for its benefit and the benefit of the Banks, as security for the Borrower's obligations (now or hereafter existing) to the Agent and the Banks hereunder and under the other Loan Documents. All right, title and interest in and to the foregoing shall vest in the Agent for its benefit and the benefit of the Banks.

(d) Investments of Funds in Account. From time to time, the Agent shall, at its discretion, invest and reinvest monies on deposit in the Interest Reserve Account in the following:

(i) marketable obligations of the United States having a maturity of not more than 60 days from the date of acquisition;

(ii) marketable obligations of a United States Person, directly and fully guaranteed by the United States, having a maturity of not more than 60 days from the date of acquisition;

(iii) bankers' acceptances and certificates of deposit and other interest-bearing obligations issued by the Trustee or any bank organized under the laws of the United States or any state thereof with capital, surplus and undivided profits aggregating at least \$100,000,000

in each case having a maturity of not more than one year from the date of acquisition; and

(iv) commercial paper of a United States Person (except for commercial paper issued by Diamond or its affiliates) rated A-1 or the equivalent thereof by Standard & Poor's Corporation or P-1 or the equivalent thereof by Moody's Investors Service, Inc.;

provided, however, that in order to provide the Agent with a perfected security interest therein, each such investment shall be either

(A) evidenced by negotiable certificates or instruments, or if non-negotiable then issued in the name of the Agent, which (together with any appropriate instruments of transfer) are delivered to, and held by, the Agent or an agent thereof (which shall not be the Borrower or an affiliate thereof) in New York; or

(B) in book-entry form and issued in the State of New York by an entity located in New York and in which (in the opinion of counsel to the Agent) the Agent shall have a perfected security interest.

(e) Interest, Etc. So long as there is no Default, the Agent shall from time to time, release to the Borrower any interest and income paid on the investments in the Interest Reserve Account.

(f) Application of Monies. On

(1) any Interest Payment Date, or

(2) any date on which the Borrower is to make a prepayment pursuant to Section 2.10 if the Agent would not be required to liquidate any investments in the Interest Reserve Account to make the following distribution,

if the Agent shall have received notice from the Borrower at least two Business Days prior thereto, which notice shall have said,

(i) that the Borrower requests that certain funds be released from the Interest Reserve Account for the payment of principal and/or interest on the Advances;

(ii) the amount to be released for principal and the amount to be released for interest; and

(iii) the date of such interest and/or principal payment,

the Agent shall release from the Interest Reserve Account the amount specified in such notice (or if such amount is not then in the Interest Reserve Account such lesser amount that is contained in the account). The amount shall be deemed to be released from the Interest Reserve Account when the Agent transfers such funds to the Banks in accordance with the terms of the Borrower's notice. The Borrower shall provide the Agent with any additional information the Agent requests in order to make such payment.

(g) Termination. In the event that,

(i) the Borrower has paid all amounts (whether or not then due and payable) owing to the Banks and the Agent hereunder and under the other Loan Documents, and

(ii) no Bank has any Commitment hereunder,

and the Borrower delivers a certificate to the Agent verifying the foregoing and requesting that the funds be released from the Interest Reserve Account, the Agent shall within 15 Business Days of its receipt of such notice (unless the Agent has reason to believe that the contents of such certificate were false) release all amounts in the Interest Reserve Account to the Borrower (to an account specified by the Borrower). Thereupon, the Interest Reserve Account shall terminate and all parties' rights and obligations with respect to the account shall terminate, provided that if either of the statements (i) or (ii) above shall not have been true, the Borrower shall be liable to the injured parties.

SECTION 8.02. The Acquisition/Banks Collateral Account and the DUSA/Banks Collateral Account. The Acquisition/Banks Collateral Account and the DUSA/Banks Collateral Account shall be established, maintained and terminated as follows:

(a) Creation of Accounts. On the First Closing Date, the Agent shall establish, and thereafter maintain, in the State of New York an account called the "Diamond Acquisition Bank Syndicate Account" which shall be the

Acquisition/Banks Collateral Account and, if there is an Acquisition/DUSA Loan, an account called the "(DUSA) Account for the Diamond Bank Syndicate" which shall be the DUSA/Banks Collateral Account. Each such account shall be security for the indebtedness (now or hereafter existing) of the Borrower to the Banks and the Agent hereunder and under the other Loan Documents. Such accounts (together with all funds, investments, proceeds, income and interest thereon and therein) shall be maintained by, and shall remain under the exclusive dominion and control of, the Agent in New York pursuant to the terms hereof until terminated in accordance with this Section 8.02.

(b) Transfer of Funds Into Accounts. Funds shall be transferred into the Acquisition/Banks Collateral Account and the DUSA/Banks Collateral Account pursuant to Sections 2.01 and 2.02.

(c) Grant of Security. DUSA and Acquisition each hereby grant to the Agent for its own benefit and the benefit of the Banks a possessory lien and security interest in and to the DUSA/Banks Collateral Account (if any) and in and to the Acquisition/Banks Collateral Account, respectively, together with all funds, investments, interest, income and proceeds thereof and thereon, from time to time therein, from the date of the establishment of such accounts until the termination thereof pursuant to the terms hereof, for the purposes and on the terms set forth herein. All right, title and interest in and to such accounts shall vest in the Agent for its benefit and the benefit of the Banks.

(d) Investments. The Agent shall invest funds in such accounts only in investments in which the Agent shall have a perfected security interest.

(e) Application of Funds. (I) If there is no Default and if the Conditions to the Second Closing set forth in Section 3.02 shall have been satisfied on the first Business Day following the First Closing Date, then on the Second Closing Date funds in the DUSA/Banks Collateral Account and in the Acquisition/Banks Collateral Account shall be applied as follows:

(i) upon receipt by the Agent of a certificate of a duly authorized officer of DUSA stating,

I. there is no Default;

II. the amount of funds required to purchase shares of Diamond International (pre-Merger) Common Stock (or options or warrants therefor) or to be transferred to the Exchange Agent pursuant to the Merger Agreement;

III. an estimate of the amount of funds required for costs and expenses relating to the Merger; and

IV. that the excess of the funds in the DUSA/Banks Collateral Account over the sum of the amounts referred to in the previous clauses II and III are to be transferred to the Borrower as a prepayment on the Acquisition/DUSA Loan,

the Agent shall release from the DUSA/Banks Collateral Account to DUSA an amount equal to the sum of the amounts referred to in clauses II and III above and shall transfer any excess to the Acquisition/Banks Collateral Account; then

(ii) after the previous release is effected, and upon receipt by the Agent of a certificate of a duly authorized officer of the Borrower stating,

I. there is no Default; and

II. the amount of funds required to be transferred to the Preferred Collateral Account pursuant to Section 5.01(t) and directing the Agent to transfer such amount to the Trustee,

the Agent shall release and transfer to the Trustee from the Acquisition/Banks Collateral Account an amount equal to the amount referred to in clause II above and shall release any excess amount in the Acquisition/Banks Collateral Account to the Borrower.

(II) If the Conditions to the Second Closing set forth in Section 3.02 shall not have been satisfied or waived on the first Business Day following the First Closing, the Agent shall as soon as possible transfer all funds in the DUSA/Banks Collateral Account to the Acquisition/Banks Collateral Account as a prepayment on the Acquisition/DUSA Loan and thereafter transfer all amounts in the Acquisition/Banks Collateral Account to the Banks ratably in proportion to the amounts owed to them hereunder and under

the Notes as a payment, repayment or prepayment (in whole or in part, as the case may be) of such amounts.

If a Default shall occur and shall be continuing, the Agent shall not release any funds from the Acquisition/Banks Collateral Account or the DUSA/Banks Collateral Account without the consent of the Majority Banks.

DUSA and Diamond Acquisition each hereby authorize the Agent to make the foregoing applications.

(f) Termination. Once all amounts in the Acquisition/Banks Collateral Account and the DUSA/Banks Collateral Account shall have been applied in the manner set forth in the preceding paragraph (e), such accounts shall be automatically terminated.

SECTION 8.03. Reasonable Care by Agent. The Agent shall exercise reasonable care in the custody of the investments in its possession or control under this Article VIII at any time, but shall be deemed to have exercised reasonable care if the investments are accorded treatment substantially equal to that which the Agent accords its own property, but no failure of the Agent to take steps to preserve rights against any parties with respect to any of the investments shall be deemed a failure to exercise reasonable care. It is expressly understood that the Agent shall have no responsibility for ascertaining or taking such action or for informing the Borrower with respect to maturities or other matters relative to any of the investments, whether or not the Agent has or is deemed to have knowledge of such matters or for any losses which may be incurred by the Borrower on any of the investments.

SECTION 8.04. Remedies. In addition to, and not in substitution for, any other remedies available to the Banks, upon the occurrence and during the continuance of any Default, the Agent may with the consent of, and shall upon the request of, the Majority Banks release any or all of the funds from the Cash Collateral Accounts and apply them ratably to the obligations of the Borrower to the Banks and the Agent hereunder and under the other Loan Documents as follows: first to repay the Advances together with interest thereon and, then to pay all other obligations of the Borrower hereunder and under the other Loan Documents. The Borrower hereby authorizes the Agent to make such an application of the funds.

SECTION 8.05. Agent Appointed Attorney-in-Fact.

DUSA and the Borrower each appoints the Agent as its attorney-in-fact, with full authority in the place and stead of DUSA and the Borrower and in the name of DUSA or the Borrower or otherwise, from time to time in the Agent's discretion to take any action and to execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Article VIII, including, without limitation, to receive, endorse and collect all instruments made payable to DUSA or the Borrower representing any interest payment, dividend, or other distribution in respect of the Cash Collateral Accounts or any part thereof and to give full discharge for the same.

ARTICLE IX  
SPECIAL PROVISIONS RELATING TO TRANSFER  
OF ASSETS FROM THE BORROWER TO DUSA

SECTION 9.01. Transfer of Assets. Notwithstanding the provisions of Sections 5.01(b) and (e) and Sections 5.02 (d), (e), (f) and (l) restricting mergers and transfers of the Borrower's assets, the Banks agree that the Borrower may transfer all (but not less than all unless with the consent of all the Banks) its assets to DUSA by way of a single transfer, a series of transfers, a merger of the Borrower into DUSA (but only if DUSA shall be the parent of the Borrower immediately prior to the transfer or merger) including specifically a distribution or series of distributions of assets in redemption of the shares of the Borrower, pursuant to Section 331, 336 or 346 of the Code, subject to the following terms and conditions precedent:

(a) All Assets and All Obligations. All assets and all obligations of the Borrower (at that time) shall be transferred to, and assumed by, DUSA on or before December 31, 1983.

(b) DUSA to Assume Obligations. As soon as any assets are transferred to DUSA, DUSA shall assume in a writing, in form and substance satisfactory to the Majority Banks all obligations of the "Borrower", the "Grantor", "Diamond Acquisition", "Diamond International" or any other term used to refer to such entities under each of the Loan Documents and shall agree to be bound by such documents as if it were the original party thereto.

(c) Current Obligations. At the time of the first transfer of assets, DUSA shall have no Indebtedness except Indebtedness to affiliates which will be fully subordinated to Indebtedness owing to the Banks.

(d) Pledge of DUSA Stock. DUSA's parent shall pledge to the Banks as security for the obligations hereunder and under the Notes, all the outstanding capital stock of DUSA. In addition, DUSA's parent shall thereafter be deemed to be an "Obligor" for all purposes hereunder.

(e) Guaranty Reaffirmed. The Guarantor shall reaffirm the Guaranty in the context of the transfer.

(f) Collateral. The Banks shall have a valid and perfected first priority security interest in all the assets of DUSA, subject only to the encumbrances expressly permitted by the Loan Documents and the value of such collateral shall be at least equal to the value of the Banks' collateral prior to the transfer.

(g) Covenants. The covenants and other terms of the Loan Documents shall be adjusted to include DUSA in such a way as to provide the Banks (in the Banks' sole judgment) with no greater credit risk than immediately prior to the transfer.

(h) Miscellaneous Documents, Opinions, Etc. The Banks shall receive such agreements, documents, certificates and opinions as any Bank, through the Agent, shall deem necessary or desirable to evidence the foregoing including, without limitation, opinions that the transfer would not violate any provisions of other agreements and would not adversely affect the Travelers Agreement.

## ARTICLE X MISCELLANEOUS

SECTION 10.01. Amendments, Etc. Except as otherwise provided in the Loan Documents, and subject to Section 10.10, no amendment or waiver of any provision of any Loan Document, nor consent to any departure by any Obligor therefrom, shall in any event be effective unless

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(i) the same shall be in writing and signed by the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) waive any of the conditions specified in Article III (though the Agent alone may defer the fulfillment of such conditions until the date of the applicable Borrowing), (b) increase the Commitments of the Banks or subject the Banks to any additional obligations, (c) reduce the principal of, or interest on, the Notes or any facility fees hereunder, (d) postpone any scheduled date fixed for any payment in respect of principal of, or interest on, the Notes or any facility fees hereunder, (e) take any action which requires the signing of all the Banks pursuant to the terms of any Loan Document, (f) release any collateral except in connection with an asset sale permitted by the terms of this Agreement, or (g) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action hereunder; and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Banks required hereinabove to take such action, affect the rights or duties of the Agent under this Agreement, any Note or any other Loan Document, and

(ii) if Section 7.1 of the Trust Agreement is applicable, such amendment, waiver or consent shall comply with said Section.

SECTION 10.02. Notices, Etc. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing or by telex, telegram or cable and mailed (by registered or certified mail, return receipt requested) or sent or delivered, as to each party hereto, at its address set forth under its name on the signature pages hereof or at such other address as shall be designated by such party in a written notice to the other parties hereto. After the Effective Time, any notice to Diamond International shall be in such form and mailed or sent or delivered to it at its address at 733 Third Avenue, New York, New York 10017, Attention: Secretary, with a copy to Messrs. Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York 10022, Attention: Theodore J. Kozloff, and with a copy to DUSA at its address specified on the signature pages hereof,

provided, that the failure to deliver copies of any notice to Messrs. Skadden, Arps, Slate, Meagher & Flom or to DUSA shall not render the notice given to Diamond International ineffective. Unless the terms hereof refer to the time of receipt of a notice, all such notices and communications shall be effective, in the case of written notice, when deposited in the mails, air mail, postage prepaid, and, in the case of notice by telex, telegram or cable, when sent addressed as set forth above, except that notices and communications to the Agent pursuant to Article II shall not be effective until received by the Agent.

SECTION 10.03. No Waiver; Cumulative Remedies. No failure on the part of the Agent or any Bank to exercise, and no delay in exercising, any right hereunder or under any other Loan Document or any Note shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 10.04. Costs and Expenses. The Borrower agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery and administration of this Agreement, the Notes or any other Loan Document and the other documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of special New York counsel for the Agent and local counsel for the Agent or the Banks (including without limitation, counsel retained in the jurisdictions listed on Schedule IV and any special F.A.A. counsel for the Banks) with respect thereto and with respect to advising the Agent or the Banks as to its or their rights and responsibilities under this Agreement. The Borrower further agrees to pay on demand all losses, costs and expenses, if any (including reasonable counsel fees and expenses), in connection with the preservation of any rights of the Agent or the Banks under, or the enforcement of, or legal advice in respect of the rights or responsibilities of the Agent or the Banks under, this Agreement, the Notes, the other Loan Documents and the other documents delivered hereunder or thereunder, including, without limitation, losses, costs and expenses sustained by each Bank as a result of any failure by the Borrower to perform or observe its obligations contained herein or in the Note held by such Bank.

SECTION 10.05. Indemnification by the Borrower.

The Borrower agrees to indemnify and hold harmless the Agent and each Bank from and against any and all claims, damages, liabilities and expenses (including, without limitation, fees and disbursements of counsel) which may be incurred by or asserted against the Agent or such Bank in connection with or arising out of, or relating in any manner to, any investigation, litigation, or proceeding related to the Merger whether or not the Agent or such Bank is a party thereto.

SECTION 10.06. Right of Set-off.

Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Note held by such Bank, irrespective of whether or not such Bank shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Bank agrees promptly to notify the Borrower after any such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Bank may have.

SECTION 10.07. Margin Stock.

Nothing contained in this Agreement shall restrict any Person from selling or encumbering any stock if, and for so long as, such stock constitutes Margin Stock.

SECTION 10.08. Binding Effect.

This Agreement shall become effective as of the date first above written when it shall have been executed by the Borrower, DUSA and the Agent and when the Agent shall have been notified by each Bank that such Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent and each Bank and their respective successors and assigns, provided, that (except as otherwise explicitly provided for herein), the Borrower shall not have the right

to assign its rights hereunder or any interest herein without the prior written consent of the Banks. Any Bank may assign to any financial institution in the United States all or any part of, or any interest in, such Bank's rights and benefits hereunder and under the Note issued to it hereunder, and to the extent of such assignment such assignee shall have the same rights and benefits against the Borrower as it would have had if it were a Bank hereunder; provided, however, that unless and until the conditions for the Agent's treating such assignee as holder pursuant to clause (i) of Section 7.02 shall have been satisfied, such assignee shall not be entitled to exercise the rights of a Bank under this Agreement and the Agent shall not be obligated to make payment of any amount to which such assignee may become entitled hereunder other than to the Bank which assigned its rights to such assignee.

SECTION 10.09. Entire Agreement. The Loan Documents set forth the entire agreement of the parties with respect to the matters contained therein and there are no oral agreements relating to such matters.

SECTION 10.10. Modifications in Schedules. It is understood that from time to time Diamond International may desire to update, modify or amend the various Schedules attached hereto. The Banks agree that prior to the Second Closing Diamond International may do so without the need for a formal amendment pursuant to Section 10.01, provided, that the following procedure is used. Diamond International shall deliver to the Agent copies of the revised Schedule clearly marked to show the date of delivery thereof and any changes from that attached to this Agreement, in sufficient number for each of the Banks. Within five Business Days of its receipt of such schedule, the Agent shall deliver a copy of the same to each of the Banks. If (but only if) neither the Agent nor any Bank (through the Agent) shall object to the proposed new schedule, within 10 Business Days thereof (i.e. after the fifth Business Day) then such new Schedule shall be deemed to be part of this Agreement and shall supersede the Schedule previously part hereof.

SECTION 10.11. Governing Law. Except as may otherwise be provided in any Loan Document, this Agreement, the Notes and the other Loan Documents shall, to the extent permitted by law, be governed by, and construed in accordance with, the laws of the State of New York, United States.

SECTION 10.12. Limitation on Interest. No provision of this Agreement or any other Loan Document shall require the payment or permit the collection of interest in excess of the maximum rate permitted by applicable law.

SECTION 10.13. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers or agents thereunto duly authorized, as of the date first above written.

THE BORROWER

DIAMOND ACQUISITION INC.

By /s/ Roland A.E. Franklin  
President

Address:

161 West Putnam Avenue  
Greenwich, Connecticut 06830  
Attention: President

THE PLEDGOR

DIAMOND (USA) INC.

By /s/ Bowman Gray, III  
Vice President

Address:

161 West Putnam Avenue  
Greenwich, Connecticut 06830  
Attention: President

BOOK 425 PAGE 207

THE AGENT

CITIBANK, N.A.

By /s/ Nancy J. Teachout  
Vice President

Address:

399 Park Avenue  
New York, New York 10043  
Attention: N.J. Teachout

THE BANKS

Commitment:

U.S.\$170,000,000.00

CITIBANK, N.A.

By /s/ Nancy J. Teachout  
Vice President

Address and Lending Office:

399 Park Avenue  
New York, New York 10043  
Attention: N.J. Teachout

U.S.\$50,000,000.00

CROCKER NATIONAL BANK

By /s/ James B. Murray  
Vice President

Address and Lending Office

1 Montgomery Street  
San Francisco, California 94104  
Attention: J.A. Nitis

with a copy to:

Crocker National Bank  
611 Lexington Avenue  
New York, New York 10022

BOOK 425 PAGE 208

Commitment:

U.S.\$50,000,000.00

THE FIRST NATIONAL BANK OF CHICAGO

By /s/ Katharine W. Hoff  
Vice President

Address:

767 Fifth Avenue 15th Floor  
New York, New York 10153  
Attention: K.W. Hoff

Lending Office:

National Division  
One First National Plaza  
8th Floor  
Chicago, Illinois 60670

U.S.\$50,000,000.00

THE HONGKONG AND SHANGHAI  
BANKING CORPORATION  
(New York Branch)

By /s/ Michael J. Rea  
Vice President

Address:

5 World Trade Center  
New York, New York 10048  
Attention: M.J. Rea

Lending Office:

5 World Trade Center  
New York, New York 10048

BOOK 425 PAGE 209

Commitment:

U.S.\$50,000,000.00

MARINE MIDLAND BANK, N.A.

By /s/ Stephen J. Treanor  
Vice President

Address:

140 Broadway  
New York, New York 10015  
Attention: S.J. Treanor

Lending Office:

140 Broadway  
New York, New York

U.S.\$40,000,000.00

WELLS FARGO BANK, N.A.

By /s/ Richard T. Clapp  
Attorney-in-Fact

Address:

Wells Fargo Corporate  
Services, Inc.  
55 E. 52nd Street - 19th Floor  
New York, New York 10055  
Attention: L.B. Comstock

Lending Office:

420 Montgomery Street  
San Francisco, California 94163

BOOK 425 PAGE 210

Commitment:

U.S.\$30,000,000.00

NORTH CAROLINA NATIONAL BANK

By /s/ Richard P. Peccie  
Vice President

## Address:

1 NCNB Plaza T17-2  
Charlotte, North Carolina 28255  
Attention: R.P. Peccie

## Lending Office:

1 NCNB Plaza  
Charlotte, North Carolina 28255

U.S.\$15,000,000.00

CREDIT LYONNAIS  
(New York Branch)By /s/ Benjamin W. Bacon  
First Vice President

## Address:

Credit Lyonnais, N.Y. Branch  
95 Wall Street  
New York, New York 10005  
Attention: B.W. Bacon

## Lending Office:

95 Wall Street  
New York, New York 10005U.S.\$455,000,000.00

Total of the Commitments

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## SCHEDULE I

## Subsidiaries of Diamond International

| Name of Corporation | Jurisdiction of Incorporation | Number of Shares Authorized (1) | Number of Shares Outstanding (1) | Number of Shares Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Not Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Which Include Special Stock Rights (3) | Existing Liens (1) |
|---------------------|-------------------------------|---------------------------------|----------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------|--------------------|
|                     |                               |                                 |                                  |                                                                              |                                                                                  |                                                         |                    |

## I. DOMESTIC SUBSIDIARIES (ACTIVE)

|                                         |          |                       |        |                  |  |  |  |
|-----------------------------------------|----------|-----------------------|--------|------------------|--|--|--|
| * Diamond Financial Control Corporation | Delaware | 200 (no par value)    | 200    | 200 (Diamond)    |  |  |  |
| * Groveton Papers Company               | Maine    | 50,000 (no par value) | 32,567 | 32,567 (Diamond) |  |  |  |

- (1) Specify separately for each class of stock.
- (2) Specify the number of shares owned and the name of the owner of record for each class of stock.
- (3) Specify all outstanding options, warrants, rights of conversion, purchase rights or similar rights, if any, which apply to each class of stock.
- \* Indicates a Subsidiary which is included in the financial statements of Diamond International and its Consolidated Subsidiaries.
- \*\* No assets. Will supply information if necessary.
- \*\*\* Inactive - in liquidation.

| Name of Corporation                                   | Jurisdiction of Incorporation | Number of Shares Authorized (1) | Number of Shares Outstanding (1) | Number of Shares                                            |                                                                 | Number of Shares Which Include Special Stock | Existing Liens (1) |
|-------------------------------------------------------|-------------------------------|---------------------------------|----------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------|--------------------|
|                                                       |                               |                                 |                                  | Owned, Directly or Indirectly, by Diamond International (2) | Not Owned, Directly or Indirectly, by Diamond International (2) | Rights (3)                                   |                    |
| *Rushmore Paper Sales                                 | New York                      | 500 (par value \$100)           | 4                                | 4 (Groveton Papers)                                         |                                                                 |                                              |                    |
| *Wyoming Valley Paper Mill                            | New Hampshire                 | 2500 (par value \$100)          | 507                              | 507 (Groveton Papers)                                       |                                                                 |                                              |                    |
| *Lotbiniere Pulp & Paper Co. Ltd.                     | Canada (Quebec)               | 500 (par value \$100)           | 300                              | 300 (Wyoming Valley Paper Mill)                             |                                                                 |                                              |                    |
| *Diamond Manchester, Inc.                             | Delaware                      | 100 Common (par value \$1)      | 10                               | 10 (Diamond)                                                |                                                                 |                                              |                    |
| Diamond International Export Sales Corporation (DISC) | Delaware                      | 200 (no par value)              | 200                              | 200 (Diamond)                                               |                                                                 |                                              |                    |

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\*\* No assets. Will supply information if necessary.

\*\*\* Inactive - in liquidation.

| Name of Corporation      | Jurisdiction of Incorporation | Number of Shares Authorized (1) | Number of Shares Outstanding (1) | Number of Shares Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Not Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Which Include Special Stock Rights (3) | Existing Liens (1) |
|--------------------------|-------------------------------|---------------------------------|----------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------|--------------------|
|                          |                               |                                 |                                  |                                                                              |                                                                                  |                                                         |                    |
| *LMF Properties, Inc.    | Missouri                      |                                 |                                  |                                                                              |                                                                                  |                                                         |                    |
| *LMF Investments, Inc.   | Missouri                      | 500,000 (Common \$1)            | 451,750                          | 451,750 (Diamond by Merger)                                                  |                                                                                  |                                                         |                    |
| *LMF Mortgage, Inc.      | Missouri                      | 30,000 (Common \$1)             | 10,000                           | 10,000 (Diamond by Merger)                                                   |                                                                                  |                                                         |                    |
| *Stirling Bluffs Company | California                    | 5,000 (\$100 each) Common       | 5,000                            | 5,000 (Diamond)                                                              |                                                                                  |                                                         |                    |
| *Redmond Timber Company  | Oregon                        | 5,000 (no par value)            | 5,000                            | 5,000 (Diamond by Merger)                                                    |                                                                                  |                                                         |                    |

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(3) Specify all outstanding options, warrants, rights of conversion, purchase rights or similar rights, if any, which apply to each class of stock.

\* Indicates a Subsidiary which is included in the financial statements of Diamond International and its Consolidated Subsidiaries.

\*\* No assets. Will supply information if necessary.

\*\*\* Inactive - in liquidation.

| Name of Corporation                 | Jurisdiction<br>of<br>Incorporation | Number of<br>Shares Au-<br>thorized (1)     | Number of<br>Shares Out-<br>standing (1) | Number of<br>Shares<br>Owned,<br>Directly or<br>Indirectly,<br>by Diamond<br>International (2) | Number of<br>Shares<br>Not Owned,<br>Directly or<br>Indirectly,<br>by Diamond<br>International (2) | Number of<br>Shares<br>Which Include<br>Special Stock<br>Rights (3) | Existing<br>Liens (1) |
|-------------------------------------|-------------------------------------|---------------------------------------------|------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-----------------------|
| Whittier Moulding<br>Company        | Oregon                              | 300<br>(no par<br>value)                    | 300                                      | 300<br>(Diamond by<br>Merger)                                                                  |                                                                                                    |                                                                     |                       |
| ABCO Moulding &<br>Millwork Company | Colorado                            | 200,000<br>Common<br>(par value \$1)        | 116,865                                  | 116,865<br>(Diamond by<br>Merger)                                                              |                                                                                                    |                                                                     |                       |
| Elt Corporation                     | Delaware                            | 100<br>Common<br>(par value<br>\$1)         | 100                                      | 65 (Diamond)                                                                                   | 35 (Sulzer<br>Bros., Inc.)                                                                         |                                                                     |                       |
| Diamond Automation<br>Corporation   | Delaware                            | 1,000<br>Common stock<br>(par value<br>\$1) | 1,000                                    | 1,000<br>(Diamond)                                                                             |                                                                                                    |                                                                     |                       |

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- \*\*\* Inactive - in liquidation.

| Name of Corporation | Jurisdiction of Incorporation | Number of Shares Authorized (1) | Number of Shares Outstanding (1) | Number of Shares Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Not Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Which Include Special Stock Existing Liens (1) |           |
|---------------------|-------------------------------|---------------------------------|----------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------------|-----------|
|                     |                               |                                 |                                  |                                                                              |                                                                                  | Rights (3)                                                      | Liens (1) |

# II. DOMESTIC SUBSIDIARIES (INACTIVE)

|                                           |               |                          |       |                 |  |  |  |
|-------------------------------------------|---------------|--------------------------|-------|-----------------|--|--|--|
| Diamond Lumber Company                    | Wyoming       | 1,000 \$1 each           | 1,000 | 1,000 (Diamond) |  |  |  |
| **Diamond National Corporation            | Delaware      |                          |       |                 |  |  |  |
| **Diamond National Investment Corporation | Delaware      |                          |       |                 |  |  |  |
| **Erie Lithographing & Printing Company   |               |                          |       |                 |  |  |  |
| Forbes Lithograph Manufacturing Company   | Massachusetts | 10 Common (no par value) | 10    | 10 (Diamond)    |  |  |  |

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- \*\* No assets. Will supply information if necessary.
- \*\*\* Inactive - in liquidation.

BOOK 425 PAGE 217

| Name of Corporation | Jurisdiction of Incorporation | Number of Shares Authorized (1) | Number of Shares Outstanding (1) | Number of Shares Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Which Include Special Stock Rights (3) | Existing Liens (1) |
|---------------------|-------------------------------|---------------------------------|----------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------|--------------------|
|---------------------|-------------------------------|---------------------------------|----------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------|--------------------|

\*\*Greg Manufacturing Company

\*\*Lehman Printing & Lithograph Company

\*\*Logan Moore Building Materials Co.

Magnetic Coding Company

\*\*Maryland Color Printing Company

Security Lithograph Company

(1) Specify separately for each class of stock.

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(3) Specify all outstanding options, warrants, rights of conversion, purchase rights or similar rights, if any, which apply to each class of stock.

\* Indicates a Subsidiary which is included in the financial statements of Diamond International and its Consolidated Subsidiaries.

\*\* No assets. Will supply information if necessary.

\*\*\* Inactive - in liquidation.

BOOK 425 PAGE 218

| Name of Corporation | Jurisdiction of Incorporation | Number of Shares Authorized (1) | Number of Shares Outstanding (1) | Number of Shares Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Not Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Which Include Special Stock Rights (1) | Existing Liens (1) |
|---------------------|-------------------------------|---------------------------------|----------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------|--------------------|
|---------------------|-------------------------------|---------------------------------|----------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------|--------------------|

\*\*Self-Locking Carton Company Illinois

The Diamond Match Company Delaware 10 (no par value) 10 10 (Diamond)

\*\*The Donaldson Lithographing Company

The Gardner Board & Carton Company Ohio 500 Common (par value \$1) 500 500 (Diamond)

\*\*The Kansas City Mortgage Company Missouri

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(3) Specify all outstanding options, warrants, rights of conversion, purchase rights or similar rights, if any, which apply to each class of stock.

\* Indicates a Subsidiary which is included in the financial statements of Diamond International and its Consolidated Subsidiaries.

\*\* No assets. Will supply information if necessary.

\*\*\* Inactive - in liquidation.

| Name of Corporation | Jurisdiction of Incorporation | Number of Shares Authorized (1) | Number of Shares Outstanding (1) | Number of Shares                                            |                                                                 | Number of Shares Which Include Special Stock Rights (3) | Existing Liens (1) |
|---------------------|-------------------------------|---------------------------------|----------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------|--------------------|
|                     |                               |                                 |                                  | Owned, Directly or Indirectly, by Diamond International (2) | Not Owned, Directly or Indirectly, by Diamond International (2) |                                                         |                    |

\*\*The United States Printing & Lithograph Co.

\*\*Theo A. Schmidt Lithographing Company

Timber Investment & Mortgage Enterprise, Inc.

|          |                            |        |                            |
|----------|----------------------------|--------|----------------------------|
| Colorado | 25,000 Capital \$ .01 each | 12,000 | 12,000 (Diamond by Merger) |
|----------|----------------------------|--------|----------------------------|

Yoder Engraving Company

|      |              |     |               |
|------|--------------|-----|---------------|
| Ohio | 100 \$5 each | 100 | 100 (Diamond) |
|------|--------------|-----|---------------|

733 Second Corporation

|          |                    |     |               |
|----------|--------------------|-----|---------------|
| Delaware | 200 (no par value) | 200 | 200 (Diamond) |
|----------|--------------------|-----|---------------|

\*\*733 Third Corp.

- (1) Specify separately for each class of stock.
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- " No assets. Will supply information if necessary.
- \*\*\* Inactive - in liquidation.

| Name of Corporation | Jurisdiction of Incorporation | Number of Shares Authorized (1) | Number of Shares Outstanding (1) | Number of Shares Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Not Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Which Include Special Stock Rights (3) | Existing Liens (1) |
|---------------------|-------------------------------|---------------------------------|----------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------|--------------------|
|---------------------|-------------------------------|---------------------------------|----------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------|--------------------|

|                         |            |  |  |  |  |  |  |
|-------------------------|------------|--|--|--|--|--|--|
| **733 Third Corporation | California |  |  |  |  |  |  |
|-------------------------|------------|--|--|--|--|--|--|

|                          |          |  |  |  |  |  |  |
|--------------------------|----------|--|--|--|--|--|--|
| **733 Fourth Corporation | Delaware |  |  |  |  |  |  |
|--------------------------|----------|--|--|--|--|--|--|

|                         |          |  |  |  |  |  |  |
|-------------------------|----------|--|--|--|--|--|--|
| **733 Fifth Corporation | Delaware |  |  |  |  |  |  |
|-------------------------|----------|--|--|--|--|--|--|

|                       |          |                       |       |                 |  |  |  |
|-----------------------|----------|-----------------------|-------|-----------------|--|--|--|
| 733 Sixth Corporation | Delaware | 1,000 (par value \$1) | 1,000 | 1,000 (Diamond) |  |  |  |
|-----------------------|----------|-----------------------|-------|-----------------|--|--|--|

|                         |          |                    |     |               |  |  |  |
|-------------------------|----------|--------------------|-----|---------------|--|--|--|
| 733 Seventh Corporation | Delaware | 200 (no par value) | 200 | 200 (Diamond) |  |  |  |
|-------------------------|----------|--------------------|-----|---------------|--|--|--|

|                          |          |  |  |  |  |  |  |
|--------------------------|----------|--|--|--|--|--|--|
| **The Heekin Can Company | Delaware |  |  |  |  |  |  |
|--------------------------|----------|--|--|--|--|--|--|

|                          |          |  |  |  |  |  |  |
|--------------------------|----------|--|--|--|--|--|--|
| **Molaw Containers, Inc. | New York |  |  |  |  |  |  |
|--------------------------|----------|--|--|--|--|--|--|

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\* Indicates a Subsidiary which is included in the financial statements of Diamond International and its Consolidated Subsidiaries.

\*\* No assets. Will supply information if necessary.

\*\*\* Inactive in liquidation.

| Name of Corporation | Jurisdiction of Incorporation | Number of Shares Authorized (1) | Number of Shares Outstanding (1) | Number of Shares                                            |                                                                 | Number of Shares Which Include Special Stock Rights (3) | Existing Liens (1) |
|---------------------|-------------------------------|---------------------------------|----------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------|--------------------|
|                     |                               |                                 |                                  | Owned, Directly or Indirectly, by Diamond International (2) | Not Owned, Directly or Indirectly, by Diamond International (2) |                                                         |                    |

## III FOREIGN SUBSIDIARIES (ACTIVE)

|                        |         |                                                                          |                  |                                                               |                                                             |  |  |
|------------------------|---------|--------------------------------------------------------------------------|------------------|---------------------------------------------------------------|-------------------------------------------------------------|--|--|
| Hartmann Fibre Limited | England | 360,000 ordinary, par value LI; 150,000 6% Redeemable & Cumulative Pref. | 360,000 ordinary | 360,000 (Diamond)                                             |                                                             |  |  |
| Ital-Pac               | Italy   | 130,000 10,000 Lire each                                                 | 130,000          | 66,300 (Diamond)                                              | 63,700 (SAFFA)                                              |  |  |
| I.P. Co.               | Italy   | 5,000 10,000 Lire each                                                   | 5,000            | Diamond indirectly owns 51% of 5,000 shares owned by Ital-Pac | SAFFA indirectly owns 49% of 5,000 shares owned by Ital-Pac |  |  |

- 
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- " No assets. Will supply information if necessary.
- \*\*\* Inactive - in liquidation.

BOOK 425 PAGE 222

| Name of Corporation      | Jurisdiction of Incorporation | Number of Shares Authorized (1) | Number of Shares Outstanding (1) | Number of Shares Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Not Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Which Include Special Stock Rights (3) | Existing Liens (3) |
|--------------------------|-------------------------------|---------------------------------|----------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------|--------------------|
|                          |                               |                                 |                                  |                                                                              |                                                                                  |                                                         |                    |
| *Diamonat, Ltd.          | Switzerland                   | 900 Sfrs. 1,000 each            | 900                              | 900 (Diamond)                                                                |                                                                                  |                                                         |                    |
| *Calmar Plastics Limited | Canada                        | 50,000 (no par value)           | 50,000                           | 50,000 (Diamond)                                                             |                                                                                  |                                                         |                    |
| *Calmar Albert GmbH      | Germany                       | DM 500,000                      | DM 500,000                       | DM 500,000 (Diamond)                                                         |                                                                                  |                                                         |                    |
| *Calmond S.R.A.***       | Italy                         | 100 10,000 Lire each            | 100                              | 90 (Diamond)<br>10 (Calmar-Albert GmbH)                                      |                                                                                  |                                                         |                    |
| *Calmar-Albert Sarl      | France                        | 2,500 100 frs. each             | 2,500                            | 2,495 (Diamond)<br>5 (Calmar-Albert GmbH)                                    |                                                                                  |                                                         |                    |

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\*\* No assets. Will supply information if necessary.

\*\*\* Inactive - in liquidation.

| Name of Corporation             | Jurisdiction of Incorporation | Number of Shares Authorized (1)                                                       | Number of Shares Outstanding (1) | Number of Shares Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Which Include Special Stock Rights (3) | Existing Liens (1) |
|---------------------------------|-------------------------------|---------------------------------------------------------------------------------------|----------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------|--------------------|
| *Omni-Pac Sarl                  | France                        | 5,000 (100 Frs. each)                                                                 | 5,000                            | 4,850 (Diamond) 150 (Omni-Pac GmbH)                                          |                                                         |                    |
| *Omni-Pac A/B                   | Sweden                        | 500 SEK 100 each                                                                      | 500                              | 500 (Omni-Pac GmbH)                                                          |                                                         |                    |
| *Omni-Pac APS Denmark           | Denmark                       | DKR 100,000                                                                           | DKR 100,000                      | DKR 100,000 (Omni-Pac GmbH)                                                  |                                                         |                    |
| *Diamond National of Canada**** | Canada                        | 7,500 Pref. (par value \$100) 5% Cumulative & Redeemable 70,000 Common (no par value) | 50,820 Common                    | 50,820 (Diamond)                                                             |                                                         |                    |

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\*\* No assets. Will supply information if necessary.

\*\*\* Inactive - in liquidation.

\*\*\*\* Inactive

BOOK 425 PAGE 224

| Name of Corporation                              | Jurisdiction of Incorporation | Number of Shares Authorized (1) | Number of Shares Outstanding (1) | Number of Shares Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Not Owned, Directly or Indirectly, by Diamond International (2) | Number of Shares Which Include Special Stock Rights (3) | Existing Liens (1) |
|--------------------------------------------------|-------------------------------|---------------------------------|----------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------|--------------------|
|                                                  |                               |                                 |                                  |                                                                              |                                                                                  |                                                         |                    |
| *Diamond Automation GmbH***                      | Germany                       | DM 100,000                      | DM 100,000                       | DM 100,000 (Diamond Automation)                                              |                                                                                  |                                                         |                    |
| *Dixit-Pac GmbH                                  | Germany                       | DM 6,000,000                    | DM 6,000,000                     | DM 6,000,000 (Diamond)                                                       |                                                                                  |                                                         |                    |
| *Diamond Automation Verpackungsmaschinen GmbH*** | Germany                       | DM 1,000,000                    | DM 1,000,000                     | DM 1,000,000 (Diamond)                                                       |                                                                                  |                                                         |                    |

(1) Specify separately for each class of stock.

(2) Specify the number of shares owned and the name of the owner of record for each class of stock.

(3) Specify all outstanding options, warrants, rights of conversion, purchase rights or similar rights, if any, which apply to each class of stock.

\* Indicates a Subsidiary which is included in the financial statements of Diamond International and its Consolidated Subsidiaries.

\*\* No assets. Will supply information if necessary.

\*\*\* Inactive - in liquidation.

# SCHEDULE II

## Certain Indebtedness of the Borrower

### Part I - Indebtedness at the Date Hereof

| <u>Section A - Domestic Indebtedness</u>                                                                                                                                    | <u>\$000</u>    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Chase Loan                                                                                                                                                                  | \$30,000        |
| Deferred purchase of St. Maries Timberland                                                                                                                                  | 8,550           |
| Augusta Wisconsin Industrial Development Bond                                                                                                                               | 3,100           |
| Deferred purchase commitments of the Oregon Lumber Division                                                                                                                 | 1,988           |
| Deutsch Mark Loan (DM 3MM at 2.55)                                                                                                                                          | 1,395           |
| Miscellaneous debt of the Retail Division                                                                                                                                   | 675             |
| Diamond Gardner "4's"                                                                                                                                                       | 553             |
| Miscellaneous debt of the California Lumber Division                                                                                                                        | 308             |
| Miscellaneous debt of the Northwest Lumber Division                                                                                                                         | 48              |
|                                                                                                                                                                             | <u>46,617</u>   |
| 1% Promissory Notes payable to National Union Insurance<br>Company on demand                                                                                                | <u>1,220</u>    |
| Sundry mortgages on land owned by Diamond<br>International in Wheeler County, Oregon, securing<br>debt of unrelated parties                                                 | <u>1,464</u>    |
| Guarantee by Diamond International to Continental<br>Illinois Leasing Corporation for financing for E.C.<br>Hughes Inc. equipment purchases from the Automation<br>Division | 750             |
| Guarantee to Girard Bank for Insurance Company Loans<br>re Groveton Paper Board Inc.                                                                                        | 340             |
| Guarantee to Chemical Bank                                                                                                                                                  | 145             |
| Nile Match Company Letters of Credit                                                                                                                                        | 77              |
| Guarantee by Groveton Papers Co. re Covell                                                                                                                                  | 30              |
|                                                                                                                                                                             | <u>1,342</u>    |
| Oregon Lumber Land (2)                                                                                                                                                      | <u>610</u>      |
| <u>- Total Domestic Indebtedness</u>                                                                                                                                        | <u>\$51,253</u> |

Section B - Foreign Indebtedness\$000

## Hartmann Fibre Limited

Borrowing Facility with Barclays Bank PLC  
(Facility £500,000)

(guaranteed by Diamond International)

\$841

Maximum  
FacilityFacility with Northern Trust Ltd (Facility £500,000)  
(comfort letter issued by Diamond International)

841

"

## Omni-Pac S.A.R.L.

Borrowing Facility with Banque Franco-Allemande SA (Facility  
FF 3 million)

(guaranteed by Omni-Pac GmbH)

417

"

## Omni-Pac AB

Borrowing Facility with Deutsche Skandinavische  
(Sw.Kr.1.5 million)(guaranteed by Omni-Pac GmbH)

201

"

## Ital-Pac SpA

Borrowing Facility with Credito Italiano (Facility Lira 200  
million)(comfort letter issued by Diamond International)1,000  
3,300

"

## Hartmann Fibre Limited

Unpaid Royalties and Interest thereon, due to  
Diamond International (£1.3m approximately)2,187

## Omni-Pac S.A.R.L.

Bill Discounting Facility with Banque Franco-Allemande SA  
(Facility FF3 million)

417

"

Bill Discounting Facility with Credit Industriel  
(Facility FF2.5 million)348  
765

"

## Guarantee by Calmar-Albert GmbH to Italian Banks

for liquidation of Calmond SpA (Lira 28,161,680)

19- Total Foreign Indebtedness6,271- Combined Total Domestic and Foreign Indebtedness\$57,524

## Part II - Indebtedness as of the Second Closing Date

| <u>Section A - Domestic Indebtedness</u>                                                                                                                                    | <u>\$000</u>    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Deferred purchase of St. Maries Timberland                                                                                                                                  | \$8,550         |
| Augusta Wisconsin Industrial Development Bond                                                                                                                               | 3,100           |
| Deferred purchase commitments of the Oregon Lumber Division                                                                                                                 | 1,988           |
| Miscellaneous debt of the Retail Division                                                                                                                                   | 675             |
| Miscellaneous debt of the California Lumber Division                                                                                                                        | 308             |
| Miscellaneous debt of the Northwest Lumber Division                                                                                                                         | 48              |
|                                                                                                                                                                             | <u>14,669</u>   |
| 1% Promissory Notes payable to National Union Insurance<br>Company on demand                                                                                                | <u>1,220</u>    |
| Sundry mortgages on land owned by Diamond<br>International in Wheeler County, Oregon, securing<br>debt of unrelated parties                                                 | <u>1,464</u>    |
| Guarantee by Diamond International to Continental<br>Illinois Leasing Corporation for financing for E.C.<br>Hughes Inc. equipment purchases from the Automation<br>Division | 750             |
| Guarantee to Chemical Bank                                                                                                                                                  | 145             |
| Nile Match Company Letters of Credit                                                                                                                                        | 77              |
| Guarantee by Groveton Papers Co. re Covell                                                                                                                                  | 30              |
|                                                                                                                                                                             | <u>1,002</u>    |
| Oregon Lumber Land (2)                                                                                                                                                      | <u>610</u>      |
| <u>- Total Domestic Indebtedness</u>                                                                                                                                        | <u>\$18,965</u> |

Section B - Foreign Indebtedness\$000

|                                                                                                                      |                 |                  |
|----------------------------------------------------------------------------------------------------------------------|-----------------|------------------|
| Hartmann Fibre Limited                                                                                               |                 |                  |
| Borrowing Facility with Barclays Bank PLC                                                                            |                 |                  |
| (Facility £500,000)                                                                                                  |                 |                  |
| (guaranteed by Diamond International)                                                                                | 5841            | Maximum Facility |
| Facility with Northern Trust Ltd (Facility £500,000)                                                                 |                 |                  |
| (comfort letter issued by Diamond International)                                                                     | 841             | "                |
| Omni-Pac S.A.R.L.                                                                                                    |                 |                  |
| Borrowing Facility with Banque Franco-Allemande SA (Facility FF 3 million)                                           |                 |                  |
| (guaranteed by Omni-Pac GmbH)                                                                                        | 417             | "                |
| Omni-Pac AB                                                                                                          |                 |                  |
| Borrowing Facility with Deutsche Skandinavische                                                                      |                 |                  |
| (Sw.Kr.1.5 million)(guaranteed by Omni-Pac GmbH)                                                                     | 201             | "                |
| Ital-Pac SpA                                                                                                         |                 |                  |
| Borrowing Facility with Credito Italiano (Facility Lira 200 million)(comfort letter issued by Diamond International) | 1,000           | "                |
|                                                                                                                      | <u>3,300</u>    |                  |
| Hartmann Fibre Limited                                                                                               |                 |                  |
| Unpaid Royalties and Interest thereon, due to Diamond International (£1.3m approximately)                            | <u>2,187</u>    |                  |
| Omni-Pac S.A.R.L.                                                                                                    |                 |                  |
| Bill Discounting Facility with Banque Franco-Allemande SA (Facility FF3 million)                                     | 417             | "                |
| Bill Discounting Facility with Credit Industriel (Facility FF2.5 million)                                            | 348             | "                |
|                                                                                                                      | <u>765</u>      |                  |
| Guarantee by Calmar-Albert GmbH to Italian Banks for liquidation of Calmond SpA (Lira 28,161,680)                    | <u>19</u>       |                  |
| <u>- Total Foreign Indebtedness</u>                                                                                  | <u>6,271</u>    |                  |
| <u>- Combined Total Domestic and Foreign Indebtedness</u>                                                            | <u>\$25,236</u> |                  |

### SCHEDULE III

#### Certain Conditions Precedent to the Closings

##### Part I: Conditions to the First Closing

(i) The terms of the Merger Agreement (including all amendments, if any, thereto) and all aspects of the legal and corporate structure relating to the Merger shall be acceptable to the Banks (through the Agent);

(ii) The Merger Agreement shall be in full force and effect and all the conditions precedent to the valid consummation of the Merger shall have occurred (or the Banks shall be satisfied that they will have occurred within one Business Day) except for the filing of the Articles of Merger and the making of the initial Advances;

(iii) All necessary consents of the creditors of each of the Obligors and Diamond International and all consents of the federal, state, local or foreign governmental authorities necessary in connection with the execution, delivery and performance of the Loan Documents or the consummation of the Merger shall have been obtained;

(iv) The record holders of more than 85% of the outstanding shares of Diamond International Common Stock shall have voted in favor of the Merger;

(v) The First Closing Date shall occur on or before December 30, 1982;

(vi) DUSA shall own (directly, or in the case of no more than 877,244 shares, through its CDI Holdings, Inc. subsidiary) at least 5,577,640 shares of the outstanding Common Stock of Diamond International;

(vii) Diamond International shall have sold the following assets in compliance with Section 5.02(f) and shall have received cash proceeds therefrom in an amount of no less than \$190,000,000: (i) Heekin; (ii) the "Packaging Group" as defined in Diamond International's Quarterly Report on Form 10-Q dated June 20, 1982; and (iii) United States Playing Cards Company;

(viii) The Acquisition/DUSA Loan, if any, shall be on terms and conditions satisfactory to the Agent.

Part 2: Conditions to the Second Closing

(i) Certain Indebtedness outstanding on the date hereof of Diamond International in an aggregate principal amount of not less than \$51,000,000.00 under (a) the 1971 Agreements, (b) the Chase Indenture, and (c) the 1978 Agreements shall remain outstanding;

(ii) The Banks shall have received opinions of counsel satisfactory to the Banks stating that the Other Secured Debt has been secured equally and ratably (to the extent necessary) with the Borrower's obligations hereunder and under the Notes;

(iii) The Agent shall be satisfied that all actions necessary in order to create a valid, perfected, first-priority security interest (subject to encumbrances permitted by the Loan Documents) in favor of the Banks in all the Collateral deemed necessary by the Banks, shall have been taken, except such action as is to be performed by the Agent or any of the Banks;

(iv) The Travelers Agreement (as in effect on August 6, 1982 without amendment) shall be in full force and effect and Travelers shall have duly consented in a manner satisfactory to the Banks to the assignment by the Borrower of its rights thereunder to the Trustee;

(v) The statements set forth in Section 3.03(ii) shall be true and correct; and

(vi) The Borrower shall have paid the fees referred to in Section 2.06 and the Agent's fee required in connection with this financing.

SCHEDULE IV

States and Counties in which  
Mortgages are to be Filed

| <u>State</u> | <u>County</u>   |
|--------------|-----------------|
| Alabama      | Shelby          |
| California   | Tehama          |
|              | Los Angeles     |
|              | Yuba            |
|              | Butte           |
|              | Mendocino       |
|              | Plumas          |
|              | Shasta          |
|              | Trinity         |
|              | Kern            |
|              | San Luis Obispo |
|              | Contra Costa    |
|              | Solano          |
|              | Lake            |
|              | Sonoma          |
|              | Sacramento      |
|              | Colusa          |
|              | Siskiyou        |
|              | Glenn           |
|              | Lassen          |
|              | Placer          |
|              | Yolo            |
|              | Nevada          |
|              | El Dorado       |
|              | Fresno          |
|              | Kings           |
|              | San Joaquin     |
|              | Stanislaus      |
|              | Sutter          |
|              | Tulare          |

## Colorado

Boulder  
Morgan  
El Paso  
Summit  
Arapahoe  
Jefferson  
Larimer  
Weld  
Garfield  
Gunnison  
Denver

## Connecticut

Hartford  
New London  
Litchfield

## Florida

Volusia  
Lee  
St. Lucie  
Martin  
Indian River  
Sarasota

## Georgia

Fulton

## Idaho

Bonner  
Twin Falls  
Boundary  
Kootenai  
Benewah  
Clearwater  
Latah  
Shoshone

## Illinois

Will

## Kansas

Thomas  
Johnson  
Sherman  
Barton  
Douglas  
Scott  
Greeley

## Maine

York  
 Penobscot  
 Cumberland  
 Kennebec  
 Oxford  
 Aroostook  
 Piscataquis  
 Androscoggin  
 Franklin  
 Hancock  
 Somerset  
 Waldo  
 Washington

## Massachusetts

Norfolk  
 Worcester  
 Essex  
 Hampden  
 Suffolk

## Michigan

Oakland

## Minnesota

Carlton  
 Aitkin  
 Cass  
 Itasca  
 Koochiching  
 Lake  
 Pine  
 St. Louis

## Mississippi

Adams

## Missouri

Jackson  
 Callaway

## Montana

Mineral  
 Missoula  
 Sanders

## Nevada

Washoe

## New Hampshire

Strafford  
 Rockingham  
 Belknap  
 Carroll  
 Hillsborough  
 Coos  
 Grafton

## New York

Monroe  
 St. Lawrence  
 Clinton  
 Franklin  
 Herkimer  
 Lewis

## Ohio

Fayette  
 Montgomery  
 Butler

## Oregon

Lane  
 Deschutes  
 Jefferson  
 Crook  
 Wheeler  
 Grant  
 Klamath  
 Lake

## Rhode Island

Providence  
 Kent

## Texas

Lubbock

## Vermont

Caledonia  
 Essex  
 Franklin  
 Orleans

## Washington

Whatcom  
 Spokane  
 Benton  
 King  
 Thurston  
 Snohomish  
 Clark  
 Pend Oreille  
 Stevens

Wyoming

Natrona  
Laramie  
Campbell  
Sweetwater  
Albany  
Weston  
Carbon  
Sheridan  
Fremont

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SCHEDULE V

Diamond Acquisition's Information Regarding Collateral

1. Diamond Acquisition has no inventory, equipment or accounts receivable.
2. Diamond Acquisition is not the holder of any instruments except, on the First Closing Date, it shall hold the note of DUSA in respect of the Acquisition/DUSA Loan.
3. Diamond Acquisition has no documents of title.
4. Except for the Travelers Agreement, Diamond Acquisition has no contracts which either (a) are likely to yield more than \$1,000,000 in profits in any given year or (b) are so material to the conduct of its business (as presently constituted or as would be constituted after the Merger) that the loss thereof would have a material adverse effect on its financial statements (in their current form or on a pro forma consolidated basis with Diamond International and its Consolidated Subsidiaries).
5. Diamond Acquisitions's chief place of business and principal executive office are in Greenwich, Connecticut.
6. Diamond Acquisition has no goods covered by certificates of title.
7. Diamond Acquisition has no real property.
8. Diamond Acquisition has no material non-cash assets other than the foregoing.

# SCHEDULE VI

## Diamond International's Information Regarding Collateral

1. All the inventory and equipment of Diamond International are located at the following locations:

| <u>Location Code</u> | <u>Location</u>                      | <u>County*</u> | <u>State</u> |
|----------------------|--------------------------------------|----------------|--------------|
|                      | <u>New England Land &amp; Timber</u> |                |              |
| 1721                 | New York Woodlands                   |                | N.Y.         |
| 1722                 | Minnesota Woodlands                  | Carlton        | Minn.        |
| 1725                 | New Hampshire Woodlands              |                | N.H.         |
| 1730                 | Maine Woodlands                      |                | Maine        |
|                      | <u>Diamond Fiber</u>                 |                |              |
| 4622                 | Plattsburgh                          | Clinton        | N.Y.         |
| 4623                 | Palmer                               | Hampden        | Mass.        |
| 4625                 | Red Bluff                            | Tehama         | Calif.       |
| 4627                 | Natchez                              | Adams          | Miss.        |
| 4628                 | Portland                             | Cumberland     | Maine        |
| 4600                 | Middletown                           | Butler         | Ohio         |
| 4600                 | Dayton                               | Montgomery     | Ohio         |
| 4600                 | Atlanta                              | Fulton         | Georgia      |
|                      | <u>Diamond Automation</u>            |                |              |
| 5242                 | Farmington                           | Oakland        | Michigan     |
| 5243                 | Engineering Development              | Center         | Michigan     |
| 5245                 | Montevallo                           | Shelby         | Alabama      |
|                      | <u>Calmar</u>                        |                |              |
| 6220                 | City of Industry                     | Los Angeles    | Calif.       |
| 6226                 | Spring Mfg. Plant-                   |                |              |
|                      | Washington Court House               | Fayette        | Ohio         |
| 6228                 | Washington Court House               | Fayette        | Ohio         |
|                      | <u>Pulp &amp; Paper</u>              |                |              |
| 6721                 | Fine Papers                          | Coos           | N.H.         |
| 6722                 | Gouverneur Tissue                    | St. Lawrence   | N.Y.         |
| 6723                 | Campbell Stationery                  | Coos           | N.H.         |
| 6724                 | Mainco School Supply                 | Norfolk        | Mass.        |
| 6726                 | Penobscot Pulp                       | Penobscot      | Maine        |
| 6727                 | Penobscot Tissue                     | Penobscot      | Maine        |
| 6728                 | Semi Chemical Pulp                   | Coos           | N.H.         |
| 6729                 | Hyde Park                            | Suffolk        | Mass.        |
| 6760                 | Vanity Fair Paper Sales              | Suffolk        | Mass.        |
| 6761                 | Groveton Tissue                      | Coos           | N.H.         |

\* Counties not shown will be subsequently provided upon request.

Location  
Code

Location  
Western Retail

County

State

|      |                         |             |        |
|------|-------------------------|-------------|--------|
| 7119 | Portland                | Multnomah   | Oregon |
| 7121 | Nat. Wholesale-Hardware | Sacramento  | Calif. |
| 7122 | Nat. Wholesale-Lumber   | Butte       | Calif. |
| 7125 | Chico Apiary            | Butte       | Calif. |
| 7128 | V.V. Trucks             |             | Calif. |
| 7129 | Bellingham              | Whatcom     | Wash.  |
| 7131 | Spokane                 | Spokane     | Wash.  |
| 7132 | Salem                   | Marion      | Oregon |
| 7134 | Albeni Falls            | Bonner      | Idaho  |
| 7135 | Bakersfield - White     | Kern        | Calif. |
| 7136 | Kent                    | King        | Wash.  |
| 7137 | Lacey                   | Thurston    | Wash.  |
| 7138 | Everett                 | Snohomish   | Wash.  |
| 7139 | Springfield             | Lane        | Oregon |
| 7140 | Anderson                | Shasta      | Calif. |
| 7142 | Chico                   | Butte       | Calif. |
| 7143 | Colusa                  | Colusa      | Calif. |
| 7144 | Vancouver               | Clark       | Wash.  |
| 7145 | Dunsmuir                | Siskiyou    | Calif. |
| 7146 | Twin Falls              | Twin Falls  | Idaho  |
| 7147 | Orland                  | Glenn       | Calif. |
| 7148 | Orville                 | Butte       | Calif. |
| 7149 | Paradise                | Butte       | Calif. |
| 7150 | Red Bluff               | Tehama      | Calif. |
| 7151 | Redding                 | Shasta      | Calif. |
| 7152 | Reno                    | Washoe      | Nevada |
| 7153 | Bonnors Ferry           | Boundary    | Idaho  |
| 7154 | Sandpoint               | Bonner      | Idaho  |
| 7155 | Hayden Lake             | Kootenai    | Idaho  |
| 7156 | Woodburn                | Marion      | Oregon |
| 7158 | Auburn                  | Placer      | Calif. |
| 7159 | Esparto                 | Yolo        | Calif. |
| 7160 | Rancho Cordova          | Sacramento  | Calif. |
| 7161 | Grass Valley            | Nevada      | Calif. |
| 7164 | Yuba City               | Sutter      | Calif. |
| 7165 | Roseville               | Placer      | Calif. |
| 7167 | North Highlands         | Sacramento  | Calif. |
| 7168 | Woodland                | Yolo        | Calif. |
| 7169 | Tahoe Valley            | Placer      | Calif. |
| 7170 | Atwater                 | Merced      | Calif. |
| 7171 | Fresno                  | Fresno      | Calif. |
| 7172 | Galt                    | Sacramento  | Calif. |
| 7173 | Hanford                 | Kings       | Calif. |
| 7175 | Lodi                    | San Joaquin | Calif. |

| <u>Location<br/>Code</u> | <u>Location</u>                 | <u>County</u>   | <u>State</u> |
|--------------------------|---------------------------------|-----------------|--------------|
| 7176                     | Manteca                         | San Francisco   | Calif.       |
| 7177                     | Modesto                         | Stanislaus      | Calif.       |
| 7178                     | Oakdale                         | Stanislaus      | Calif.       |
| 7179                     | Placerville                     | El Dorado       | Calif.       |
| 7180                     | Stockton                        | San Joaquin     | Calif.       |
| 7184                     | Paso Robles                     | San Luis Obispo | Calif.       |
| 7185                     | Shafter                         | Kern            | Calif.       |
| 7186                     | Taft                            | Kern            | Calif.       |
| 7187                     | Pittsburg                       | Del Norte       | Calif.       |
| 7189                     | Fairfield                       | Solano          | Calif.       |
| 7190                     | Lakeport                        | Lake            | Calif.       |
| 7191                     | Lewiston                        | Nez Perce       | Idaho        |
| 7192                     | Petaluma                        | Sonoma          | Calif.       |
| 7193                     | Pine Grove                      | Shasta          | Calif.       |
| 7194                     | Santa Rosa                      | Sonoma          | Calif.       |
| 7195                     | Sebastopol                      | Sonoma          | Calif.       |
| 7196                     | Ukiah                           | Mendocino       | Calif.       |
| 7197                     | Vacaville                       | Solano          | Calif.       |
| 7198                     | Visalia                         | Tulare          | Calif.       |
| <u>California Lumber</u> |                                 |                 |              |
| 8110                     | Plywood                         | Tehama          | Calif.       |
| 8120                     | Oroville                        | Butte           | Calif.       |
| 8130                     | Chico Almond Orchard            | Butte           | Calif.       |
| 8140                     | Red Bluff                       | Tehama          | Calif.       |
| 8150                     | Remanufactured Wood<br>Products | Butte           | Calif.       |
| 8160                     | Marysville                      | Yuba            | Calif.       |
| 8170                     | Finished Wood Products          | Butte           | Calif.       |
| 8180                     | Timber & Lands                  |                 | Calif.       |
| <u>Central Retail</u>    |                                 |                 |              |
| 8322                     | Boulder                         | Boulder         | Colo.        |
| 8323                     | Lafayette                       | Boulder         | Colo.        |
| 8324                     | Brush                           | Morgan          | Colo.        |
| 8326                     | Casper                          | Natrona         | Wyoming      |
| 8327                     | Cheyenne                        | Platte          | Wyoming      |
| 8328                     | Chillicothe                     | Livingston      | Mo.          |
| 8329                     | Colby                           | Thomas          | Kansas       |
| 8330                     | Colorado Springs                | El Paso         | Colo.        |
| 8331                     | Deland                          | Volusia         | Fla.         |
| 8333                     | DeSoto                          | Johnson         | Kansas       |
| 8334                     | Dillon                          | Summit          | Colo.        |
| 8335                     | Englewood                       | Arapahoe        | Colo.        |
| 8336                     | Evergreen                       | Jefferson       | Colo.        |

| <u>Location<br/>Code</u> | <u>Location</u>           | <u>County</u> | <u>State</u> |
|--------------------------|---------------------------|---------------|--------------|
| 8337                     | Fort Collins              | Larimer       | Colo.        |
| 8338                     | Fort Lupton               | Weld          | Colo.        |
| 8339                     | Fort Myers                | Lee           | Fla.         |
| 8340                     | Fort Pierce               | St. Lucie     | Fla.         |
| 8341                     | Gillette                  | Campbell      | Wyoming      |
| 8342                     | Glenwood Springs          | Garfield      | Colo.        |
| 8343                     | Goodland                  | Sherman       | Kansas       |
| 8344                     | Great Bend                | Barton        | Kansas       |
| 8345                     | Green River               | Sweetwater    | Wyoming      |
| 8346                     | Gunnison                  | Gunnison      | Colo.        |
| 8347                     | Hobe Sound                | Martin        | Fla.         |
| 8349                     | Laramie                   | Albany        | Wyoming      |
| 8350                     | Lawrence                  | Douglas       | Kansas       |
| 8351                     | Liberty                   | Clay          | Mo.          |
| 8352                     | Lubbock                   | Lubbock       | Texas        |
| 8353                     | Minturn                   | Eagle         | Colo.        |
| 8354                     | Newcastle                 | Weston        | Wyoming      |
| 8356                     | Overland Park             | Johnson       | Kansas       |
| 8358                     | Rapid City                | Pennington    | S. Dakota    |
| 8359                     | Raytown                   | Jackson       | Mo.          |
| 8360                     | Rock Springs              | Sweetwater    | Wyoming      |
| 8361                     | Saratoga                  | Carbon        | Wyoming      |
| 8362                     | Scott City                | Scott         | Kansas       |
| 8364                     | Sheridan                  | Sheridan      | Wyoming      |
| 8366                     | Tribune                   | Greeley       | Kansas       |
| 8367                     | Vero Beach                | Indian River  | Fla.         |
| 8368                     | Ormond Beach              | Volusia       | Fla.         |
| 8369                     | Riverton                  | Fremont       | Wyoming      |
| 8370                     | Independence              | Jackson       | Mo.          |
| 8371                     | Wichita                   | Sedgewich     | Kansas       |
| 8372                     | Longmont                  | Contra Costa  | Colo.        |
| 8373                     | Sarasota                  | Sarasota      | Fla.         |
| 8374                     | Port Charlotte            | Charlotte     | Fla.         |
| 8375                     | Lee's Summit              | Jackson       | Mo.          |
| 8276                     | Brighton                  | Adams         | Colo.        |
| 8400                     | <u>New England Lumber</u> |               | Maine        |
|                          | <u>Eastern Retail</u>     |               |              |
| 8524                     | Direct Sales              |               |              |
| 8525                     | Dover Wholesale           | Strafford     | N.H.         |
| 8531                     | Biddeford                 | York          | Maine        |
| 8532                     | Bangor                    | Penobscot     | Maine        |
| 8533                     | Portsmouth                | Rickingham    | N.H.         |
| 8534                     | South Portland            | Cumberland    | Maine        |

| <u>Location<br/>Code</u> | <u>Location</u>     | <u>County</u> | <u>State</u> |
|--------------------------|---------------------|---------------|--------------|
| 8536                     | Laconia             | Belknap       | N.H.         |
| 8537                     | Wolfboro            | Carroll       | N.H.         |
| 8538                     | North Conway        | Carroll       | N.H.         |
| 8539                     | Norway              | Oxford        | Maine        |
| 8540                     | Bedford             | Hillsborough  | N.H.         |
| 8541                     | Rutland             | Rutland       | Vermont      |
| 8545                     | Saranac Lake        | Franklin      | N.Y.         |
| 8547                     | Johnstown           | Fulton        | N.Y.         |
| 8555                     | Webster             | Worcester     | Mass.        |
| 8559                     | Middletown          | Essex         | Mass.        |
| 8560                     | Pawtucket           | Providence    | R.I.         |
| 8562                     | Warwick             | Kent          | R.I.         |
| 8563                     | West Hartford       | Hartford      | Conn.        |
| 8565                     | Southington         | Hartford      | Conn.        |
| 8566                     | Groton              | New London    | Conn.        |
| 8568                     | New Milford         | Litchfield    | Conn.        |
| <u>Northwest Lumber</u>  |                     |               |              |
| 8641                     | Albeni Falls        | Bonner        | Idaho        |
| 8642                     | Superior            | Mineral       | Montana      |
| 8643                     | Coeur D'Alene       | Kootenai      | Idaho        |
| 8645                     | Fernwood            | Benewah       | Idaho        |
| <u>Oregon Lumber</u>     |                     |               |              |
| 8720                     | Timberlands         |               | Oregon       |
| 8730                     | Bend Lumber         | Deschutes     | Oregon       |
| 8731                     | Bend Logging        |               | Oregon       |
| 8732                     | Bend Equipment Pool |               | Oregon       |
| 8740                     | Plywood             | Deschutes     | Oregon       |
| 8750                     | Remanufacturing     | Deschutes     | Oregon       |
| <u>Diamond Match</u>     |                     |               |              |
| 2122                     | Cloquet             | Carlton       | Minnesota    |
| 2123                     | Springfield         | Hampden       | Mass.        |
| 2131                     | Dixfield            | Oxford        | Maine        |
| 2132                     | Oakland             | Kennebec      | Maine        |
| 2100                     | Atlanta             | Fulton        | Georgia      |
| 2100                     | Sparks              | Washoe        | Nevada       |
| 2100                     | Dayton              | Montgomery    | Ohio         |
| 2100                     | Carrolton           | Dallas        | Texas        |

2. Diamond International is not the holder of any instruments except:

A. Stock of its Subsidiaries listed on Schedule I.

B.. Heekin Note in the amount of \$9,000,000 subject to final closing of Escrow Agreement.

C. Promissory notes or instruments evidencing investments of the type listed in Section 5.02(g) which, in the aggregate, do not exceed \$50,000,000.

3. Diamond International holds no documents of title except those representing goods worth, in the aggregate, no more than \$50,000.

4. Except for certain government contracts and contracts shown on Schedule VI-4 attached, Diamond International has no individual contracts which either (a) are likely to yield more than \$1,000,000 in profits in any given year or (b) are so material to the conduct of Diamond International's business (as presently constituted) that the loss thereof would have a material effect on the consolidated balance sheet or income statement of the company.

5. The government timber cutting right contracts to which Diamond International is a party are as follows:

- A. California Lumber - See Schedule VI-5(a) attached.
- B. Oregon Lumber - See Schedule VI-5(b) attached.
- C. Northwest Lumber - See Schedule VI-5(c) attached.
- D. New England Land & Timber Division - None.

6. Diamond International's chief place of business and principal executive office are in New York City.

7. Other than automobiles which have an aggregate book value of less than \$[to follow prior to First Closing], Diamond International's goods covered by certificates of title are as follows:

[To follow prior to First Closing].

#### Aircraft

| <u>Reg. #</u> | <u>Serial #</u> | <u>Manufacturer and Model No.</u> | <u>Location</u>       |
|---------------|-----------------|-----------------------------------|-----------------------|
| N871D         | NA0295          | British Aerospace - HS 125-700A   | New York,<br>New York |

|        |            |                                              |                            |
|--------|------------|----------------------------------------------|----------------------------|
| N873D  | 500-0337   | Cessna Aircraft Company -<br>Cessna 500      | Red Bluff,<br>California   |
| N870D  | 27-7854127 | Piper Aircraft Corporation -<br>PA23-Aztec F | Groveton,<br>New Hampshire |
| N6258N | 340A0449   | Cessna Aircraft Company -<br>Cessna 340A     | Bend,<br>Oregon            |

Original registration certificates are filed with the FAA; a copy must be on aircraft at all times.

8. The records pertaining to Diamond International's accounts receivable are maintained in the following locations:

| <u>Location</u> | <u>County*</u> | <u>State</u> |
|-----------------|----------------|--------------|
|-----------------|----------------|--------------|

Computer Centers

|            |  |        |
|------------|--|--------|
| Bangor     |  | Maine  |
| Blue Ash   |  | Ohio   |
| Costa Mesa |  | Calif. |

Other Divisional Locations

Lumber Division

|               |        |
|---------------|--------|
| Red Bluff     | Calif. |
| Coeur d'Alene | Idaho  |
| Bend          | Oregon |
| Passadumkeag  | Maine  |

Retail Division\*\*

|            |        |
|------------|--------|
| Sacramento | Calif. |
| Wakefield  | Mass.  |
| Boulder    | Colo.  |

Systems

|            |          |
|------------|----------|
| Farmington | Michigan |
|------------|----------|

\* Counties not shown will be subsequently provided upon request.

\*\* Individual retail stores also receive computerized customer statements and collect receivables. These can be furnished upon request.

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| <u>Location</u>                                                     | <u>County*</u> | <u>State</u> |
|---------------------------------------------------------------------|----------------|--------------|
| <u>Calmar</u><br>City of Industry                                   |                | Calif.       |
| <u>N E Land &amp; Timber</u><br>Old Town                            |                | Maine        |
| Match Division<br>Fiber Products<br><u>Pulp and Paper</u><br>Bangor |                | Maine        |

9. Diamond International has no material patents, trademarks or copyrights.

10. Diamond International's real properties (and any timber, mineral rights and fixtures) on which Mortgages are to be filed are located in the jurisdictions set forth on Schedule IV and Diamond International has provided the Agent with descriptions (in the form of deeds or title reports) of substantially all real property owned by Diamond International in such jurisdictions.

11. Other than as set forth above, Diamond International has no material tangible assets.

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\* Counties not shown will be subsequently provided upon request.

SCHEDULE VII

Prior Names of Diamond International and  
Companies Merged into Diamond International

Name Changes

THE DIAMOND MATCH COMPANY  
DIAMOND GARDNER CORPORATION  
DIAMOND NATIONAL CORPORATION  
DIAMOND INTERNATIONAL CORPORATION

Corporations Merged into Diamond International since 1980

SECURITY LITHOGRAPH COMPANY  
MAGNETIC CODING COMPANY  
SECURITY LITHOGRAPH COMPANY, LABEL DIVISION  
SCHWABACHER-FREY COMPANY  
PENOBSCOT COMPANY  
THE UNITED STATES PLAYING CARD COMPANY  
DIAMOND NATIONAL CORPORATION  
THE HEEKIN CAN COMPANY  
CALMAR, INC.  
STATE FOREST PRODUCTS CO.  
TILESTON AND HOLLINGSWORTH COMPANY  
DIAMOND AUTOMATION, INC.  
THE DAYTON PAPER STOCK CO.  
PENOBSCOT COMPANY  
LMF CORPORATION  
FORREST LUMBER COMPANY  
FOSTER LUMBER COMPANY, INC.  
BROOKS-SCANLON, INC.

SCHEDULE VIII  
Reportable Events and Information  
Regarding ERISA

[To Follow]

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SCHEDULE IX

Certain Liens on the Properties of  
Diamond International

[To Follow]

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SCHEDULE X

Certain Investments and Notes Receivable  
of Diamond International

[To Follow]

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SCHEDULE XI

Certain Sales of Diamond International's Assets

|                        |              |
|------------------------|--------------|
| Heekin                 | \$84,000,000 |
| Packaging Group        | \$80,000,000 |
| Retail Locations       |              |
| ; Rutland, Vermont     |              |
| Johnstown, New York    |              |
| Saranac Lake, New York | \$850,000    |
| Glens Falls, New York  | \$650,000    |
| Raytown, Missouri      | \$175,000    |
| Lubbock, Texas         | \$400,000    |
| Broomfield, Colorado   | \$2,000,000  |
| Wilmington, Illinois   |              |
| Tissue Machine         | \$1,250,000  |

EXHIBIT A  
to  
Credit Agreement

PROMISSORY NOTE

\$ \_\_\_\_\_

Dated: \_\_\_\_\_, 1982

FOR VALUE RECEIVED, the undersigned, DIAMOND ACQUISITION INC., a Delaware corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of \_\_\_\_\_ (the "Bank") the principal sum of [amount of the Bank's Commitment in words] Dollars (\$[amount of the Bank's Commitment in figures]) or, if less, the aggregate unpaid principal amount of the Advances (as defined in the Credit Agreement referred to below) made by the Bank to the Borrower pursuant to the Credit Agreement, on the dates and in the amounts specified in the Credit Agreement; provided, however, that the last such installment shall be in the amount necessary to repay in full the unpaid principal amount thereof.

The Borrower promises to pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full, at such interest rate, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Agent, at 399 Park Avenue, New York, New York, in same day funds. All Advances made by the Bank to the Borrower pursuant to the Credit Agreement and all payments made on account of principal hereof shall be recorded by the Bank and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement dated as of October 29, 1982 (the "Credit Agreement") among the Borrower, Diamond (USA) Inc., as Pledgor, the Bank and certain other banks parties thereto, and Citibank, N.A., as Agent for the Bank and such other banks. The Credit Agreement, among other things, (i) provides for the making of

advances (the "Advances") by the Bank to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the Dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Advance being evidenced by this Promissory Note, (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified and (iii) is secured by the Collateral Documents referred to therein.

DIAMOND ACQUISITION INC.

By \_\_\_\_\_  
Title:

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### ADVANCES AND PAYMENTS OF PRINCIPAL

[illegible]

EXHIBIT B  
to  
Credit Agreement

NOTICE OF BORROWING

To Citibank, N.A., as Agent  
for the Banks parties  
to the Credit Agreement  
referred to below  
399 Park Avenue  
New York, New York 10043

\_\_\_\_\_, 1982

Attention: Nancy Teachout, Vice President

Gentlemen:

We refer to the Credit Agreement, dated as of October 29, 1982 (the "Credit Agreement", the terms defined therein being used herein as therein defined), among Diamond Acquisition Inc., as Borrower, Diamond (USA) Inc., as Pledgor, certain Banks parties thereto and Citibank, N.A., as Agent for said Banks. [The undersigned has assumed all rights and obligations of the Borrower under the Credit Agreement and the other Loan Documents.\*\*]

In connection therewith, we hereby give you notice pursuant to Section 2.05 of the Credit Agreement that the undersigned hereby requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by Section 2.05 of the Credit Agreement:

(i) The Proposed Borrowing is a Borrowing of [A Advances\*] [B Advances\*\*];

(ii) The requested Business Day of the Proposed Borrowing is \_\_\_\_\_, 198\_; and

(iii) The aggregate amount of the Proposed Borrowing is \$\_\_\_\_\_.

Very truly yours,

Diamond Acquisition Inc.\*  
Diamond International Corporation\*\*

By \_\_\_\_\_  
Title:

- \* To be included before the Merger.  
\*\* To be included after the Merger.

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[Exhibits C-I of the Credit Agreement  
on file with the Agent]

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1982 DEC -1 PM 3:17

total - 1500<sup>00</sup>  
Rec 40350  
Ind. 120  

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190150

