

This mortgage secures an indebtedness of \$100,000.00.

STATE OF ALABAMA)

JEFFERSON COUNTY)

MORTGAGE

THIS MORTGAGE, made and executed as of this 13th day of March, 1997, by and between:

MORTGAGORS: CLAUDE HENDRICKSON and
JAN HENDRICKSON, husband and wife
(the "Mortgagors" or collectively
the "Mortgagor"), and

MORTGAGEE: THE CIT GROUP/
CREDIT FINANCE, INC.
(the "Mortgagee" or "Lender").

WITNESSETH:

WHEREAS:

(a) On June 19, 1996, Power Paper Limited Partnership, an Illinois Limited Partnership ("Borrower") and Lender entered into that certain Loan and Security Agreement (as the same may have been thereafter amended, restated, supplemented or otherwise modified and in effect from time to time, the "Loan Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement. Certain Events of Default have occurred and are continuing under the Loan Agreement. Because of such Events of Default, Lender has, among other things, the present right to declare all of Borrower's Obligations under the Loan Agreement to be immediately due and payable and to exercise any and all legal rights and remedies available to it, having reserved all rights it has at law, in equity, by agreement or otherwise;

(b) Claude Hendrickson is a guarantor of the Borrower's Obligations pursuant to that certain Guaranty dated as of the 19th day of June, 1996, together with the guaranty granted in section 1.03 below, (the "Guaranty");

(c) Borrower has requested that Lender forbear for a period of time from the exercise of its rights and remedies otherwise available to Lender at law, in equity, by agreement or otherwise as a result of such Events of Default; Lender is prepared, for a limited period of time, to forbear from the exercise of its rights and remedies;

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(d) In order to induce such forbearance, Claude Hendrickson has agreed to enter into this Mortgage and to cause his wife, Jan Hendrickson, to enter into this Mortgage and to guaranty the Borrower's Obligations to the extent of her interest in the property described herein; and

(e) The forbearance by Lender from the current exercise of its rights and remedies as provided for in the Loan Agreement shall result in direct and tangible benefit to Borrower and the Mortgagors. The Mortgagors acknowledge that in view of the benefits derived by each of them from the Borrower's business operations, (i) the temporary forbearance by Lender of its rights and remedies under the Loan Agreement will inure to the benefit of each of the Mortgagors, and (ii) it is in the direct interest and to the direct advantage of each of the Mortgagors that they each execute and deliver this Mortgage.

NOW, THEREFORE, the undersigned Mortgagor, in consideration of the forbearance mentioned above, and any extension or renewals thereof, and further to secure the performance of the covenants, conditions and agreements hereinafter set forth, does hereby GRANT, BARGAIN, SELL and CONVEY unto the Lender, its successors and assigns, the real estate described on Exhibit A attached hereto (the "Mortgaged Property"),

TOGETHER WITH all buildings, structures and improvements of every nature whatsoever now or hereafter situated thereon and all fixtures thereto;

TOGETHER WITH all easements, rights-of-way, gores of land, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, and all estates, rights, titles, interest, privileges, liberties, tenements, hereditaments, and appurtenances whatsoever, in any way belonging, relating or appertaining to any of the Mortgaged Property, whether now owned or hereafter acquired by Mortgagor;

TOGETHER WITH all judgments, awards of damages and settlements hereafter made resulting from condemnation proceedings or the taking of the premises or any part thereof under the power of eminent domain, or for any damage (whether caused by such taking or otherwise) to the premises or the improvements thereon or any part thereof, or to any rights appurtenant thereto, including any award for change of grade or streets;

TOGETHER WITH all funds held in any escrow account to cover taxes and insurance with respect to the Mortgaged Property and all right, title and interest in and to any prepaid items, including, without limitation, insurance premiums together with the right to the insurance proceeds.

TO HAVE AND TO HOLD the Mortgaged Property and all parts thereof unto the Mortgagee, his successors and assigns forever, subject, however, to those encumbrances, if any, set forth on the attached Exhibit B and the terms and conditions herein:

AND the Mortgagor covenants and agrees with the Mortgagee as follows:

ARTICLE I
COVENANTS OF MORTGAGOR

1.01 WARRANTY OF TITLE: The Mortgagor is lawfully seized of an indefeasible estate in fee simple in the Mortgaged Property and has good right, full power and lawful authority to sell, convey and mortgage such property pursuant hereto, subject, however to those encumbrances, if any, set forth on the attached Exhibit B. Except as provided above, Mortgagor represents that the Mortgaged Property is free and clear of all liens, charges, and encumbrances whatsoever.

1.02 PERFORMANCE OF MORTGAGE: The Mortgagor will perform and comply with the Guaranty, all without any deductions or credit for taxes or other similar charges paid by the Mortgagor, and hereby confirms and ratifies his obligations thereunder. The Mortgagors acknowledge that their obligations hereunder and under the Guaranty are joint and several.

1.03 GUARANTY OF PAYMENT

(a) In consideration of the forbearance referenced above, Jan Hendrickson, (the "Guarantor") unconditionally and absolutely agrees to guaranty the obligations due and owing to Lender to the full extent of her interest in the Mortgaged Property. No recourse shall be had for the payment of the principal, interest or other charges against Jan Hendrickson personally, and the Lender agrees to look only to the Mortgaged Property for satisfaction of Jan Henderickson's in rem obligation created herein (hereinafter the "In rem Guaranty"). The In rem Guaranty guarantees the full and prompt payment, when due, to the extent of her interest in the Mortgaged Property, whether at maturity or earlier by reason of acceleration or otherwise, and at all times thereafter, of all of the Borrower's Obligations (including, without limitation, interest accruing following the filing by or against Borrower of a bankruptcy petition, whether or not allowed as a claim in any bankruptcy proceeding). The Guarantor further agrees that her In rem Guaranty shall extend to pay all costs and reasonable expenses, including, without limitation, all court costs and attorneys' and paralegals' fees and expenses, paid or incurred by the Lender in endeavoring to collect all or any part of the Borrower's Obligations from, or in prosecuting any action against, the Guarantor.

(b) The Guarantor hereby agrees that, except as hereinafter provided, her In rem Guaranty obligations hereunder shall be unconditional, irrespective of (i) the validity or enforceability of the Borrower's Obligations or of any promissory note or other document evidencing all or any part of the Borrower's Obligations, (ii) the absence of any attempt to collect the Borrower's Obligations from Borrower or any other guarantor or other action to enforce the same, (iii) the waiver or consent by the Lender with respect to any other provision of any instrument evidencing the Borrower's Obligations, or any part thereof, or any other agreement now or hereafter executed by Borrower and delivered to the Lender, (iv) failure by the Lender to take any steps to perfect and maintain its security interest in, or to preserve its rights to, any security or collateral for the Borrower's Obligations, (v) the Lender's election, in any proceeding instituted under Chapter 11 of the Bankruptcy Code, of the application of Section 1111(b)(2) of the Bankruptcy Code, (vi) any borrowing or granting of a security interest by Borrower, as a debtor-in-possession, under Section 364 of the Bankruptcy Code, (vii) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of the Lender's claim(s) for repayment of the Borrower's Obligations.

1.04 COVENANT TO PAY TAXES, ETC.: The Mortgagor, from time to time when the same shall become due, will pay and discharge all taxes of every kind and nature (including real and personal property taxes and income, franchise, withholding, profits and gross receipts taxes), all general and special assessments, levies, permits, inspection and licenses fees, all water and sewer rents and charges, all charges for public utilities, and all other public charges whether of a like or different nature, ordinary or extraordinary, foreseen or unforeseen, imposed upon or assessed against them or the Mortgaged Property or any part thereof or upon the revenues, rents, issues, income and profits of the Mortgaged Property or arising in respect of the occupancy, use or possession thereof being hereinafter sometimes collectively referred to as "taxes and other assessments."

1.05 INSURANCE:

(a) The Mortgagor will at all times keep the Mortgaged Property insured, for the mutual benefit of the Mortgagee and the Mortgagor, as their respective interests may appear, with insurance against loss or damage by fire and other casualty with extended coverage and vandalism, malicious mischief and flood insurance covering the Mortgaged Property and all improvements thereon, together with all replacements, additions and improvements thereof, and all fixtures therein, in an amount not less than the full insurable value thereof, with loss payable to the Mortgagee.

(b) Such insurance shall be evidenced by a valid and enforceable policy in all respects reasonably satisfactory to the Mortgagee. All such policies shall be delivered to the Mortgagee immediately upon demand and in any event, at least annually upon each anniversary hereof and not less than ten (10) days prior to the

expiration date of the policy to be renewed or replaced, accompanied, if requested by the Mortgagee, by evidence satisfactory to the Mortgagee that all premiums payable with respect to such policies have been paid and such policies shall contain (i) no endorsement permitting cancellation for default in payment of a loan whereby the premium has been financed and (ii) a provision for fifteen (15) days notice to Mortgagee before cancellation. The Mortgagee, at its sole option, may accept duplicate original policies or certificates evidencing the issuance of such policies. All such policies shall contain a New York standard, non-contributory mortgage endorsement making losses payable to the Mortgagee.

(c) If any portion of the Mortgaged Property or any improvements, or fixtures thereof, thereon or therein or appurtenant thereto are damaged or destroyed by fire or other cause, Mortgagor shall forthwith give notice thereof to Mortgagee, and shall make prompt proof of loss to the applicable insurance companies whereupon, all insurance proceeds shall be payable to Mortgagee.

1.06 ESCROW: Mortgagor will pay to the Mortgagee, upon request, a pro rata portion of the taxes and other assessments and insurance premiums next to become due, as estimated by the Mortgagee. Any deficit shall immediately be paid to the Mortgagee by the Mortgagor of the premises. Money so held shall not bear interest, and upon default will be applied by the Mortgagee on account of the indebtedness secured by this Mortgage. Mortgagor shall furnish Mortgagee with bills in sufficient time to pay for the taxes and other assessments before penalty attaches and for the insurance premiums before the policies lapse.

1.07 CONDEMNATION: In the event that the Mortgaged Property or any part thereof, is taken under the power of eminent domain or by condemnation, the Mortgagee, its successors and assigns, shall as a matter of right be entitled to the entire proceeds of the award which is hereby assigned to the Mortgagee, its successors and assigns. Mortgagee may apply the same to the reduction of amounts due under the Loan Agreement. Mortgagee is authorized in the name of Mortgagor to execute and deliver valid acquittances thereof and to appeal from any such award.

1.08 CARE OF THE PROPERTY: The Mortgagor will preserve and maintain the Mortgaged Property in good condition and repair, and will not commit or suffer any waste and will not do or suffer to be done anything which will increase the risk of fire or other hazard to the Mortgaged Property or any part thereof; will not permit nor perform any act which would in any way impair the value of the Mortgaged Property; and shall not demolish any building or improvement located on such property without the written consent of Mortgagee.

1.09 INSPECTION: The Mortgagee or his duly authorized representative is hereby authorized to enter upon and inspect the Mortgaged Property at any time during normal business hours.

1.10 COMPLIANCE: The Mortgagor will promptly comply with all present and future laws, ordinances, rules and regulations of any governmental authority affecting the Mortgaged Property.

1.11 PERFORMANCE BY MORTGAGEE OF DEFAULTS BY MORTGAGOR: If the Mortgagor shall default in the payment of any tax, lien, assessment or charge levied or assessed against the Mortgaged Property; in the payment of any utility charge, whether public or private; in the payment of insurance premium; in the procurement of insurance coverage and the delivery of the insurance policies required hereunder; or in the performance or observance of any other covenant, condition or term of this Mortgage, and the period applicable thereto within which Mortgagor may correct the same has expired (provided that in the event of an emergency or where in Mortgagee's reasonable judgment its rights or security hereunder would be impaired by delay, Mortgagee may act without notice or delay of any kind), then the Mortgagee, at its option may perform or observe the same, and all payments made for costs or incurred by the Mortgagee in connection therewith, shall be secured hereby and shall be upon demand, immediately repaid by the Mortgagor to the Mortgagee with interest thereon at the rate of fifteen percent (15%) per annum. The Mortgagee is hereby empowered to enter and to authorize others to enter upon the Mortgaged Property or any part thereof for the purpose of performing or observing any such defaulted covenant, condition or term, without thereby becoming liable to the Mortgagor, or any person in possession holding under the Mortgagor.

1.12 TRANSFER OF MORTGAGED PROPERTY: The Mortgagor shall not sell, assign, encumber or otherwise convey the Mortgaged Property or any part thereof, without obtaining the prior written consent of Mortgagee. Any such sale, transfer, conveyance or encumbrance made without Mortgagee's prior written consent shall be void.

1.13 LIENS: Any lien which may be filed under the provisions of the statutes of Alabama, relating to the liens of mechanics and materialmen, shall be promptly paid and discharged by Mortgagor and shall not be permitted to take priority over the lien of this Mortgage, provided that Mortgagor, upon first furnishing to Mortgagee such security as shall be satisfactory to Mortgagee for the payment of all liability, costs and expenses of the litigation, may in good faith contest, at Mortgagor's expense, the validity of any such lien or liens.

ARTICLE II

EVENTS OF DEFAULT; REMEDIES OF MORTGAGEE

2.01 EVENT OF DEFAULT: The term "Event of Default," wherever used in this Mortgage, shall mean any one or more of the following events:

(a) Failure by the Mortgagor to duly observe any other covenant, condition or agreement contained in this Mortgage, in the Guaranty, or in any other document executed by the Mortgagor relating to this Mortgage or the Borrower's Obligations;

(b) The filing by the Mortgagor of a voluntary petition in bankruptcy, or the Mortgagor's adjudication as a bankrupt or insolvent, or the filing by the Mortgagor of any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for themselves under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, or the Mortgagor's seeking or consenting to or acquiescence in the appointment of any trustee, receiver or liquidator of all of any substantial part of the Mortgaged Property or of any or all the rents, revenues, issues, earnings, profits or income thereof, or the making of any general assignment for the benefit of credits or the admission in writing of its inability to pay its debts generally as they become due; or

(c) The entry by a court of competent jurisdiction of an order, judgment, or decree approving a petition filed against the Mortgagor seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency, or other relief for debtors, which order, judgment or decree remains unvacated and unstayed for an aggregate of thirty (30) days (whether or not consecutive) from the date of entry thereof, or the appointment of any trustee, receiver or liquidator of the Mortgagor or of all or any substantial part of the Mortgaged Property or of any or all of the rents, revenues, issues, earnings, profits or income thereof without the consent or acquiescence of the Mortgagor which appointment shall remain unvacated and unstayed for an aggregate for thirty (30) days (whether or not consecutive);

(d) The occurrence of any act or condition whereby the interest of Mortgagee in the Mortgaged Property becomes endangered by reason of the enforcement of any prior lien or encumbrance thereon;

(e) The occurrence of any act or condition occasioned or suffered to be occasioned by Mortgagor whereby the security of this Mortgage shall be weakened, diminished, or impaired, in the reasonable judgment of the Mortgagee; and

(f) The failure by the Mortgagor to pay and discharge in full all of Borrower's Obligations within 120 days from the date hereof.

2.02 ACCELERATION OF MATURITY: If any Event of Default shall have occurred, then the entire principal amount of the indebtedness secured hereby with interest accrued thereon shall, at the option of the Mortgagee, become due and payable without notice or demand, time being of the essence; and any omission on

the part of the Mortgagee to exercise such option when entitled to do so shall not be considered as a waiver of such right.

2.03 RIGHT OF MORTGAGEE TO ENTER AND TAKE POSSESSION:

(a) If an Event of Default shall have occurred, the Mortgagor, upon demand of the Mortgagee, shall forthwith surrender to the Mortgagee the actual possession of the Mortgaged Property; and if and to the extent permitted by law, the Mortgagee may enter and take possession of all the Mortgaged Property, and may exclude the Mortgagor and his agents and employees wholly therefrom.

(b) Upon every such entering upon or taking of possession, the Mortgagee may hold, store, use, operate, manage and control the Mortgaged Property, and, from time to time (i) make all necessary and proper maintenance, repairs, renewals thereto and thereon and purchase or otherwise acquire additional fixtures, personalty and other property; (ii) insure or keep the Mortgaged Property insured; (iii) manage and operate the Mortgaged Property and exercise all the rights and powers of the Mortgagor in his name or otherwise, with respect to the same; (iv) enter into any and all agreements with respect to the exercise by others of any of the powers herein granted the Mortgagee, all as the Mortgagee from time to time may determine to be to its best advantage; and the Mortgagee may collect and receive all the income, revenues, rents, issues and profits of the same including those past due as well as those accruing thereafter, and, after deducting: (1) all expenses of taking, holding, managing, and operating the Mortgaged Property (including compensation for the services of all persons employed for such purposes); (2) the cost of all such maintenance, repairs, renewals, replacements, additions, betterments, improvements and purchases and acquisitions; (3) the cost of such insurance; (4) such taxes and other assessments and other charges prior to the lien of this Mortgage as the Mortgagee may determine to pay; (5) other proper charges upon the Mortgaged Property or any part thereof; and (6) the reasonable compensation, expenses and disbursements of the attorneys and agent of the Mortgagee; shall apply the remainder of the moneys so received by the Mortgagee, first to the payment of accrued interest; then to the payment of tax deposits; and finally to the payment of overdue installments of principal and interest.

2.04 MORTGAGEE'S POWER OF ENFORCEMENT: If an Event of Default shall have occurred and be continuing, the Mortgagee may, either with or without entry or taking possession as hereinabove provided or otherwise, proceed by suit or suits at law or in equity or any other appropriate proceeding or remedy: (a) to enforce payment of the Borrower's Obligations or the performance of any term thereof or any other right; (b) to foreclose this Mortgage and to sell, as an entirety or in separate lots or parcels, the Mortgaged Property, as provided by law; and (c) to pursue any other remedy available to it, all as the Mortgagee shall deem most effectual for such purposes. The Mortgagee shall take action either by such proceedings or by the

exercise of its powers with respect to entry or taking possession, as the Mortgagee may determine.

2.05 POWER OF SALE: If an Event of Default shall have occurred, Mortgagee may sell the Mortgaged Property at public outcry to the highest bidder for cash in front of the Courthouse door in the county where said property is located, either in person or by auctioneer, after having first given notice of the time, place and terms of sale by publication once a week for three (3) successive weeks prior to said sale in some newspaper published in said county, and, upon payment of the purchase money, Mortgagee or any person conducting the sale for Mortgagee is authorized to execute to the purchaser at said sale a deed to the premises so purchased. Mortgagee may bid at said sale and purchase said premises, or any part thereof, if the highest bidder therefor. At the foreclosure sale the Mortgaged Property may be offered for sale and sold as a whole without first offering it in any other manner or may be offered for sale and sold in any other manner Mortgagee may elect.

2.06 SUITS TO PROTECT THE MORTGAGED PROPERTY: The Mortgagee shall have power: (a) to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Mortgaged Property by any acts which may be unlawful or any violation of the Mortgage; (b) to preserve or protect its interest in the Mortgaged Property and in the income, revenues, rents and profits arising therefrom; and (c) to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with, such enactment, rule or order would impair the security hereunder.

2.07 DELAY OR OMISSION-NO WAIVER: No delay or omission of the Mortgagee or of any holder of the note to exercise any right, power or remedy accruing upon any default shall exhaust or impair any such right, power or remedy or shall be construed to be a waiver of any such default, or acquiescence therein; and every right, power and remedy given by this Mortgage to the Mortgagee may be exercised from time to time and as often as may be deemed expedient by the Mortgagee.

2.08 REMEDIES CUMULATIVE: No right, power, or remedy conferred upon or reserved to the Mortgagee by this Mortgage is intended to be exclusive of any right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity or by statute.

ARTICLE III

MISCELLANEOUS

3.01 COMMERCIAL LOAN: THE MORTGAGOR ACKNOWLEDGES THAT THIS MORTGAGE SECURES AN OBLIGATION INCURRED FOR COMMERCIAL PURPOSES ONLY AND THAT THE MORTGAGOR IS NOT ENTITLED TO PROTECTION UNDER ANY CONSUMER FINANCE LAW, RULE OR REGULATION. MORTGAGOR HEREBY WAIVES ANY RIGHT THEY MAY HAVE IN CONNECTION WITH ANY HOMESTEAD RIGHTS.


Initials

3.02 COSTS OF COLLECTION: In the event that Mortgagee retains an attorney in order to enforce, collect or secure any of Borrower's Obligations secured hereby, to enforce any provisions of this Indenture, to collect any sums due hereunder, or in order to attempt to enforce, collect or secure any items, Mortgagor shall reimburse Mortgagee, including reasonable attorneys' fees, whether suit be brought or not. Reasonable attorneys' fees shall include, but not be limited to, reasonable fees incurred in any and all judicial, bankruptcy and other proceedings, including appellate proceedings, whether such proceedings arise before or after entry of a final judgment.

3.03 GOVERNING LAW: This Mortgage, and the right of the parties hereunder, shall be interpreted and governed in accordance with the laws of the State of Alabama.

3.04 NOTICES: All notices under this Mortgage shall be in writing, duly signed by the party giving such notice, and shall be deemed to have been given when deposited in the United States Mail, postage prepaid, by registered or certified mail, return receipt requested, to the applicable address shown on the first page hereof, or to such other address as either party may from time to time provide by notice hereunder to the other.

WITNESS the following signatures.

MORTGAGOR:



CLAUDE HENDRICKSON



JAN HENDRICKSON

STATE OF ALABAMA)
JEFFERSON COUNTY)

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that **Claude Hendrickson**, whose name is signed to the foregoing Mortgage, and who is known to me, acknowledged before me on this day that, being informed of the contents of the Mortgage, he executed the same voluntarily on the day the same bears date.

Given under my hand this 17 day of March, 1997.




Notary Public
My Commission Expires: 5/13/99

STATE OF ALABAMA)
JEFFERSON COUNTY)

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that **Jan Hendrickson**, whose name is signed to the foregoing Mortgage, and who is known to me, acknowledged before me on this day that, being informed of the contents of the Mortgage, she executed the same voluntarily on the day the same bears date.

Given under my hand this 17 day of March, 1997.



Notary Public
My Commission Expires: 5/13/99

EXHIBIT A

Lot 4, Block 2, according to the Plat of Inverness Point, Phase One, a subdivision of Inverness, as recorded in Map Book 13, Page 6, in the Office of the Judge of Probate of Shelby County, Alabama. Situated in Shelby County, Alabama.

EXHIBIT B

1. Building set back lines and easements as shown on recorded map.
2. Restrictive covenants as recorded in Real Record 209, Page 890, amended in Real Record 221, Page 275 and further amended in Real Record 226, Page 837 and Real Record 237, Page 700 in Probate Office of Shelby County, Alabama.
3. Agreement with Alabama Power Company recorded in Real Book 306, Page 116 in Probate Office.
4. Easement to Alabama Power Company recorded in Real Book 306, Page 134 in Probate Office.
5. Release of damages as recorded in Real Book 214, Page 18, in Probate Office.
6. Mortgage from Claude F. Hendrickson and Jan K. Hendrickson, husband and wife, to Liberty Mortgage Corporation, dated June 18, 1993, recorded as Instrument #1993-19982, and assigned to Countrywide Funding Corporation, by assignment dated June 18, 1993, recorded as Instrument #1993-19983, in Probate Office.

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