

12-11-1998



U.S. Department of Commerce  
Patent and Trademark Offices  
TRADEMARK

FORM PTO-1618A  
Expires 06/30/99  
OMB 0651-0027

100858970

**RECORDATION FORM COVER SHEET  
TRADEMARKS ONLY**

12/19/98

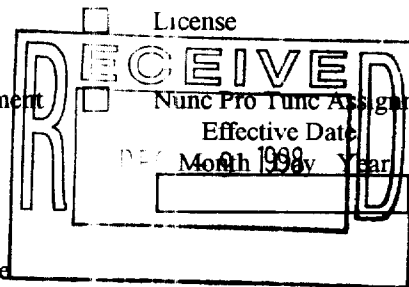
TC: The Commissioner of Patents and Trademarks: Please record the attached original documents(s) or copy(ies).

**Submission Type**

- New
- Resubmission (Non-Recordation)  
Document ID #
- Correction of PTO Error  
Reel #  Frame #
- Corrective Document  
Reel #  Frame #

**Conveyance Type**

- Assignment
- Security Agreement
- Merger
- Change of Name
- Other



**Conveying Party**

Mark if additional names of conveying parties attached

Execution Date  
Month Day Year

Name

Formerly

- Individual  General Partnership  Limited Partnership  Corporation  Association
- Other
- Citizenship/State of Incorporation/Organization

**Receiving Party**

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

City

State/Country

Zip Code

- Individual  General Partnership  Limited Partnership  Corporation  Association
- Other
- Citizenship/State of Incorporation/Organization

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached (Designation must be a separate document from Assignment.)

12/14/1998 BSMITH 00000001 75419706

FOR OFFICE USE ONLY

01 FC:481  
02 FC:482  
03 FC:483  
40.00 OP  
55.00 OP  
12.00 OP

burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

Mail Documents to be recorded with required cover sheet(s) information to:  
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

HART1-760921

**TRADEMARK  
REEL: 1829 FRAME: 0382**

**Domestic Representative Name and Address**

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

**Correspondent Name and Address**

Area Code and Telephone Number

860-275-8200

Name

Amy Span Wergeles, Esq.

Address (line 1)

Robinson & Cole LLP

Address (line 2)

280 Trumbull Street

Address (line 3)

Hartford, CT 06103-3597

Address (line 4)

**Pages**

Enter the total number of pages of the attached conveyance document including any attachments.

#

58

**Trademark Application Number(s) or Registration Number(s)**



Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

**Trademark Application Number(s)**

**Registration Number(s)**

75/419,706

1,987,286

1,715,706

1,595,348

75/419,704

2,033,403

1,715,705

1,610,899

1,721,909

1,593,655

1,505,890

**Number of Properties**

Enter the total number of properties involved.

#

22

**Fee Amount**

Fee Amount for Properties Listed (37 CFR 3.41):

\$

565.00

Method of Payment:

Enclosed

Deposit Account

+ \$120.00 (expedited ser

Deposit Account

\$685.00 (TOTAL ENCLOSE

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

18-1685

Authorization to charge additional fees:

Yes

No

**Statement and Signature**

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Charges to deposit account are authorized, as indicated herein.

Amy Span Wergeles

December 8, 1998

Name of Person Signing

Signature

Date Signed

**RECORDATION FORM COVER SHEET**  
**CONTINUATION**  
**TRADEMARKS ONLY**

U.S. Department of Commerce  
 Patent and Trademark Office  
**TRADEMARK**

**Conveying Party**

Mark if additional names of conveying parties attached

Enter Additional Conveying Party

Execution Date  
 Month Day Year

Name

Formerly

Individual     General Partnership     Limited Partnership     Corporation     Association

Other

Citizenship State of Incorporation/Organization

**Receiving Party**

Mark if additional names of receiving parties attached

Enter Additional Receiving Party

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

City

State/Country

Zip Code

Individual     General Partnership     Limited Partnership   

Corporation     Association

Other

Citizenship/State of Incorporation/Organization

If document to be recorded as an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached (Designation must be a separate document from the Assignment.)

**Trademark Application Number(s) or Registration Number(s)**

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

**Trademark Application Number(s)**

**Registration Number(s)**

1,524,448     728,011   

1,466,332     659,362   

1,223,389     573,349   

871,337     545,971   

875,646   

787,571   

729,202

COMMERCIAL REVOLVING LOAN AND SECURITY AGREEMENT

COMMERCIAL REVOLVING LOAN AND SECURITY AGREEMENT (as it may be amended and supplemented from time to time, the "Agreement"), dated as of *November 24*, 1998, by and between MOHAWK PAPER MILLS, INC., a New York corporation with its principal place of business at 465 Saratoga Street, Cohoes, NY 12047 ("Borrower") and STATE STREET BANK AND TRUST COMPANY, with its principal office at 225 Franklin Street, Boston, MA 02110 ("Lender").

Lender has agreed, subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties set forth herein, to establish for Borrower's benefit the Revolving Loan set forth below. All schedules and exhibits referred to in this Agreement are annexed hereto and made a part hereof.

In consideration of the foregoing and in further consideration of the mutual covenants herein contained, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

1.1 General Terms. As used in this Agreement, the following terms shall have the following respective meanings:

"Accounts" shall have the meaning given to that term in Section 4.1. hereof.

"Account Debtor" shall mean the Persons liable on an Account.

"Banking Day" means a day other than a Saturday, Sunday or banking holiday in the Commonwealth of Massachusetts.

"Borrower" shall have the meaning given to that term in the preamble of this Agreement.

"Borrower's Account" means an account on Lender's books bearing Borrower's name and in which all advances by Lender to Borrower and all payments by Borrower to Lender pursuant to this Agreement shall be recorded.

"Borrowing Base" means, at the time in question, the sum of the following: (i) eighty percent (80%) of the value of the Borrower's then existing Eligible Accounts; plus (ii) fifty percent (50%) of the value of the Borrower's then existing Eligible Inventory, determined on a FIFO basis, adjusted as provided on the Borrowing Base Certificate up to a maximum of \$6,000,000.00; less any amounts which may in the future be due from Lender to third parties under standby letters of credit issued pursuant to this Agreement by Lender at Borrower's request.

"Borrowing Base Certificate" shall have the meaning given to that term in Section 7.4(E).

"Capital Expenditures" means, during the period being measured, the total amount of Borrower's expenditures for the acquisition, construction, improvement, replacement or purchase of property or plant assets or any other assets that in accordance with GAAP is required or permitted to be treated as a capital asset, including, expenditures under capital leases.

"Closing Date" means \_\_, 1998.

"Code" means the Internal Revenue Code of 1986, as amended, and all rules and regulations promulgated thereunder, in each case as in effect from time to time.

"Collateral" means any and all assets of Borrower or any of Borrower's Affiliates or any other Person with respect to which Lender is now or hereafter granted a lien, security interest, mortgage or any other interest pursuant to this Agreement or any other agreement entered into with respect to the transactions contemplated by this Agreement, including the items described in Section 4.1 hereof.

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

"Eligible Account" means an Account lawfully owned by Borrower arising from the sale of Inventory in the ordinary course of Borrower's business with respect to which Lender has a valid and perfected first priority security interest and net of any credit to which the Account Debtor may be entitled (for any deposit or similar advance payment), which Account (i) is not aged more than ninety (90) calendar days past the original invoice date; (ii) is the valid and binding obligation of a Solvent Account Debtor thereunder and enforceable by Borrower in the courts of the jurisdiction in which such Account Debtor is located and is not subject to any dispute or claim of offset by such Account Debtor; (iii) does not arise out of a transaction with an Account Debtor who is located outside the United States of America and Canada; (iv) does not arise out of a transaction with an officer, director, shareholder, employee, agent or affiliated company of Borrower; (v) in the case of an Account arising from a sale or sales to a vendor and/or supplier of Borrower, such Account is net of any amounts owing by Borrower to such third party; (vi) is not an obligation with respect to which the Account Debtor's obligation to pay the Account is conditional or otherwise subject to any repurchase obligation or return right, including sales made on a bill and hold, new product introduction, guaranteed sale, sale and return, sale on approval or consignment basis; (vii) has not arisen out of a transaction with an Account Debtor fifty percent (50%) or more of whose dollar amount of Accounts with Borrower are aged more than ninety (90) calendar days past the original invoice date; (viii) has not been determined by Lender in Lender's commercially reasonable discretion to be ineligible by reason of Lender's opinion regarding collectability of the Account and/or the creditworthiness of the Account Debtor.

"Eligible Inventory" means the Inventory owned by Borrower which (A) are in good condition and meet all standards imposed by any regulatory authority having jurisdiction over such goods, their use and/or sale, and are otherwise currently saleable by Borrower, currently usable by Borrower, in the ordinary course of Borrower's business, or are works in process; (B) are not subject to any third-party dispute, off-set or lien; (C) are otherwise satisfactory to Lender in Lender's commercially reasonable discretion; (D) are located on the premises of Borrower at 465 Saratoga Street, Cohoes, New York or at any location set forth on Schedule 1.1(a); (E) with respect to which Lender has a valid, perfected, first priority security interest; and (F) conform to the representation set forth in Section 6.20. In the event of any dispute as to whether or not any Inventory is Eligible Inventory, the determination of the Bank shall at all times control.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, and all regulations and rulings promulgated thereunder, in each case as in effect from time to time.

"ERISA Affiliate" means each trade or business (whether or not incorporated) that together with Borrower or any of Borrower's Affiliates would be treated as a single employer under Section 414 of the Code for any purpose or would be treated as a single employer under Section 4001 of ERISA.

"Event of Default" shall have the meaning given to that term in Section 10.1.

"GAAP" means generally accepted accounting principles in effect from time to time in the United States of America, consistently applied.

"General Account" means Borrower's disbursement account with Lender.

"Indebtedness" means all items of borrowed money, guarantees and capital loan obligations.

"Indemnified Person" means each of Lender and Lender's Affiliates, successors and assigns and each of their respective past, present and future stockholders, officers, directors, employees, agents, attorneys and representatives, and their respective heirs, executors, legal representatives, successors and assigns.

"Interest Expense" means for the period measured the total interest expense paid or payable during such period.

"Inventory" shall have the meaning given to such term in Section 4.1(D) hereof.

"Laws" means all ordinances, statutes, rules, regulations, guidelines, orders, injunctions, writs or decrees of any governmental or political subdivision or agency thereof, or any

court or similar entity established by any such governmental or political subdivision or agency thereof.

"Legal Rate" means, at any time, the maximum rate of interest which may be charged on any Loan under applicable Law.

"Lender" shall have the meaning given to that term in the preamble of this Agreement.

"Multiemployer Plan" means a Plan defined as such in Section 3(37) of ERISA to which Borrower or any ERISA Affiliate has or had any obligation to contribute or has made contributions.

"Net Worth" means at the date of calculation Borrower's total stockholders' equity.

"Obligations" means all loans, advances, debts, liabilities, obligations, Indebtedness, covenants and duties owing by Borrower to Lender of every kind and description (whether or not evidenced by any note or other instrument and whether or not for the payment of money), direct or indirect, primary or secondary, absolute or contingent, fixed or otherwise (including obligations of performance) due or to become due, now existing or hereafter arising, including all principal, interest, charges, expenses, attorneys' fees and other sums chargeable to Borrower by Lender pursuant to this Agreement, the Revolving Note or any Related Agreements and all reimbursement obligations under letters of credit (including the Letter of Credit as hereinafter defined), and the performance and fulfillment by Borrower of all of the terms, conditions, promises, covenants and provisions contained in this Agreement, the Revolving Note or any Related Agreement, including Borrower's obligations pursuant to Sections 2 and 7.11(E).

"PBGC" means the Pension Benefit Guaranty Corporation established under Title IV of ERISA or any other governmental agency, department or instrumentality succeeding to the functions of said corporation.

"Permitted Encumbrances" means liens incurred or deposits made in the ordinary course of Borrower's business in connection with worker's compensation, unemployment insurance and other types of social security, or to secure Borrower's performance of leases, utility contracts, franchises, licenses, statutory obligations, surety and appeal bonds, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money) incurred in the ordinary course of Borrower's business; (B) liens permitted pursuant to the provisions of Section 8.1 and/or shown on Schedule 4.3; (C) liens arising from judgments, attachments or decrees, provided however said liens do not otherwise give rise to a breach of warranty, covenant, negative covenant or other Event of Default hereunder.

"Person" means a corporation, association, general or limited partnership, limited liability company, limited liability partnership, organization, business, joint venture, individual, sole proprietorship, government or political subdivision thereof or a governmental agency.

"Plan" means any employee pension or benefit plan (A) to which Section 4021 of ERISA applies to Borrower or any ERISA Affiliate; or (B) to which Borrower or any ERISA Affiliate made, or was required to make, contributions at any time within the five (5) years preceding the Closing Date.

"Prime Rate" means the prime rate of interest announced by Lender at its principal office in Boston from time to time as its "Prime Rate". Notwithstanding the foregoing, Borrower acknowledges that Lender may regularly make domestic commercial loans at rates of interest less than the rate of interest referred to in the immediately preceding sentence.

"Prior Agreement" means the Commercial Term Loan, Revolving Loan and Security Agreement, dated as of March 29, 1996, between the Borrower and the Lender as in effect on the date hereof.

"Prohibited Transaction" means with respect to any Plan or Multiemployer Plan any transaction described in Section 406 of ERISA which is not exempt by reason of Section 408 of ERISA and any transaction described in Section 4975 of the Code which is not exempt by reason of Section 4975(c)(2) or 4975(d) of the Code.

"Related Agreements" means those documents described on the Index of Closing Documents attached hereto as Schedule 1.1(b).

"Reportable Event" means (A) a reportable event described in Section 4043 of ERISA; (B) a withdrawal by a substantial employer from any Plan that has two or more contributing sponsors at least two of which are not under common control, as referred to in Section 4063(b) of ERISA; or (C) a cessation of operations at a facility causing more than twenty percent (20%) of any Plan's participants to be separated from employment, as referred to in Section 4068(f) of ERISA.

"Revolving Loan" shall have the meaning given to that term in Section 2.1.

"Revolving Note" shall have the meaning given to that term in Section 2.1.

"Senior Management" shall mean the Chief Financial Officer, Chief Executive Officer, President, Treasurer or any Senior or Executive Vice President of the Borrower.

"Solvent" means, as to any Person, that such Person (A) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage, (B) is able to pay its debts as they mature, (C) owns property having both a fair salable value in the ordinary course of such Person's business and a fair valuation that is greater than the amount required to pay its Indebtedness, including for this purpose unliquidated and disputed claims, and (D) has not been dissolved, terminated or ceased normal business operations, a receiver has not been appointed in connection with such Person and no proceedings under bankruptcy, insolvency or other similar laws have been commenced by or against such Person.



"Subsidiary" means, with respect to any Person, any corporation or other entity of which capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions is at the time in question directly or indirectly owned or controlled by such Person.

"Tangible Net Worth" means Net Worth less intangible assets. FAS87 assets shall be excluded from the definition of intangible assets.

"Termination Date" means \_\_\_\_\_ 1, 2000.

"Unfunded Vested Liabilities" means, with respect to any Plan, the amount (if any) by which the present value of all vested benefits under the Plan exceeds the fair market value of all Plan assets allocable to such benefits, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA for calculating the potential liability of Borrower or any ERISA Affiliate to the PBGC or the Plan under Title IV of ERISA.

1.2 Accounting Terms. Subject to the provisions of Section 9.4, all accounting terms not specifically defined herein shall be construed in accordance with GAAP consistent with those applied in the preparation of the financial statements required hereunder and in connection with the financial covenants set forth herein. All financial data and reports submitted pursuant to this Agreement shall be prepared in accordance with GAAP.

## SECTION 2. THE LOAN TRANSACTIONS

Lender shall make the Loans to Borrower upon the following terms and conditions:

2.1 Revolving Loans. Subject to the terms and conditions set forth in this Agreement, Lender will make advances to Borrower ("Revolving Loans") up to, but not exceeding, an aggregate principal amount outstanding of the lesser of the Borrowing Base or Fourteen Million Dollars (\$14,000,000). Within the foregoing limit, Borrower may borrow, repay and reborrow Revolving Loans at any time or from time to time from the Closing Date until the Termination Date. On the Termination Date all principal, interest and other amounts outstanding in respect of Revolving Loans shall immediately become due and payable without any further action on the part of Lender. Borrower's obligation to repay Revolving Loans and to pay interest, fees, costs and expenses in connection therewith, shall be evidenced by Borrower's Revolving Line of Credit Note in the form of Exhibit A hereto (the "Revolving Note").

### 2.2 Advances

(A) If Borrower wishes to receive a Revolving Loan, Borrower shall make a written, teletype or telephonic request (subject to written confirmation at Lender's request) for an advance no later than 2:00 p.m. Boston, Massachusetts, on the Banking Day which precedes the

Banking Day proposed for such Loan. Each such request for a Revolving Loan shall be irrevocable and shall specify the aggregate principal amount and the date of such requested Loan. Lender shall not be obligated to honor any such request if at the time such request is made any Default or any Event of Default shall exist. In addition to the foregoing, Lender shall make automatic advances to the Borrower pursuant to the terms and conditions of a certain Liquidity Management Control System (LMCS) Agreement dated as of the date hereof.

(B) Lender shall make each Revolving Loan whether pursuant to Borrower's request or automatically as aforesaid, by depositing the proceeds thereof in the General Account. Each request by Borrower for a Revolving Loan shall constitute, without more, a representation and warranty by Borrower that no Default or Event of Default has occurred and is continuing.

### 2.3 Prepayment.

(A) Subject to the terms of this Agreement and the Revolving Note including without limitation, the obligation to pay a prepayment fee, Borrower shall have the right to make prepayments of principal on the Loans at any time or from time to time.

(B) If at any time the aggregate outstanding balance of the Revolving Loans shall exceed the lesser of Fourteen Million Dollars (\$14,000,000) or the Borrowing Base, the Borrower shall immediately repay the Loans in an amount equal to such excess.

### 2.4 Manner, Time and Application of Scheduled Payments.

(A) All scheduled payments made by Borrower hereunder on account of principal, interest, fees, costs and expenses shall be made to Lender on their respective due dates in immediately available funds not later than 11:00 a.m., Boston, Massachusetts, at Lender's address set forth herein or such other address as Lender may from time to time specify in writing. Each payment by Borrower with respect to the Revolving Loan will be applied, first, on account of fees, costs and expenses that are due and payable by Borrower hereunder, second, on account of any interest on the Revolving Loan then due and owing, third, to the principal balance of the Revolving Loan outstanding.

(B) Borrower hereby authorizes Lender to charge, from time to time, against the General Account or any of Borrower's other accounts with Lender any amount so due.

2.5 Use of Proceeds. Borrower shall use the proceeds of advances under the Revolving Loan only for Borrower's business purposes.

2.6 Letter of Credit. Lender may issue letters of credit (a "Letter of Credit") at Borrower's request. To extent a Letter of Credit is drawn then said amount so drawn shall be immediately disbursed under the Revolving Loan by Lender to repay itself for the payment made under the Letter of Credit and repayment by the Borrower to the Lender of said amount so disbursed hereunder shall be governed by this Agreement and the Revolving Note.

A. Each Letter of Credit shall be issued by the Lender at its option substantially in accordance with the Borrower's application, including any amendments thereto and in accordance with the terms of this Agreement.

B. If a Draft (as defined below) is payable in foreign currency, the Borrower's payment shall be made in U.S. dollars at the Lender's selling rate for telecommunication transfers of such currency to the place of payment in effect on the date of payment by the Borrower or the date of Lender's settlement of its obligation, whichever Lender may require. If there is no selling rate in effect in Boston for making such transfers on the date of payment or settlement, as the case may be, the Borrower shall pay to Lender on demand an amount equal to Lender's actual cost of settlement of its obligations. The Borrower agrees to comply with all government regulations concerning exchange that apply to the Letter of Credit or any Drafts.

As used in this Agreement, the term "Draft" includes all drafts, acceptances, instruments, advices or other demands for payment under a Letter of Credit, and all documents required to be presented under a Letter of Credit.

C. Lender or its correspondents may accept or pay any Draft complying with the terms of the Letter of Credit under which it is drawn. The Borrower agrees that users of Letters of Credit shall not be deemed agents of the Lender. Neither Lender nor its correspondents shall be responsible for (a) any act or omission by the beneficiary of any Letter of Credit or any fraud, forgery or other defect not apparent on the face of documents accompanying any Draft, (b) failure of any Draft to refer adequately to a Letter of Credit, (c) failure of any document to strictly conform to the terms of a Letter of Credit, (d) failure of any document to be presented under a Letter of Credit, (other than documents expressly required to be presented under a Letter of Credit), or (e) any act, event or circumstance for which the Lender would not be liable under the UCP (as defined below).

The happening of any of the acts or events referred to above shall not impair the Borrower's obligations to reimburse Lender, and neither Lender nor its correspondents shall be liable to Borrower for any act or omission unless in bad faith or gross negligence, and each action by Lender or its correspondents shall be binding on the Borrower. The Borrower will promptly examine its copy of each Letter of Credit and any amendments thereto and all Drafts and documents from time to time delivered to it by the Lender and will promptly notify Lender of noncompliance or irregularity and failure on the part of Borrower to so act will result in the Borrower being deemed to have waived any claim or defense that would otherwise be available to it as a result thereof. In no event shall the Lender be liable to the Borrower for any special or consequential damages.

D. In addition to any other indemnity provision contained herein, Borrower agrees to indemnify Lender and hold it harmless from any loss, cost (including legal costs and reasonable attorney's fees) or damage it may suffer as a result of (i) any failure of the Borrower to comply with the terms of this Agreement as it relates to the Letter of Credit, (ii) obligations and responsibilities imposed by foreign laws and customs for which the Borrower is liable to indemnify the Lender under the UCP

or (iii) Lender's dishonor of a draft or demand at the Borrower's request or pursuant to an injunction.

E. Each Letter of Credit shall be subject to the Uniform Customs and practice for Documentary Credits, 1993 revision, International Chamber of Commerce Publication No. 500 and any subsequent revisions thereof ("UCP"), except as the Lender and the Borrower may otherwise agree.

2.7 Unused Line Fee. Borrower shall pay an unused line fee equal to one quarter of one percent (1/4%) of the unused portion of the Revolving Loan, calculated on an average daily balance basis, and which fee shall be payable in arrears on the first day of each quarter.

### SECTION 3. INTENTIONALLY OMITTED

### SECTION 4. SECURITY INTERESTS

4.1 Grant of Security Interest by Borrower. To secure Borrower's timely payment and performance of all of the Obligations, Borrower hereby mortgages, pledges, transfers, conveys and delivers to Lender, and grants to Lender an irrevocable, unconditional and continuing first and prior security interest (except for approved superior liens as set forth in Section 4.3 below) in and lien upon the following property of Borrower (the "Collateral"):

(A) All accounts and accounts receivable related to or arising from the sale or lease of inventory or rendition of services by Borrower in the ordinary course of its business or arising in any other manner and all other accounts, bank accounts, contracts, contract rights, notes, documents, chattel paper, instruments, acceptances, drafts or other forms of obligations and receivables (collectively, the "Accounts"), whether or not the same are listed on any schedules, assignments or reports furnished to Lender from time to time, and whether such Accounts are now existing or are created at any time hereafter, together with all goods, inventory and merchandise returned by or reclaimed by or repossessed from customers wherever such goods, inventory and merchandise are located, and all proceeds thereto including without limitation, proceeds of insurance thereon and all guaranties, securities, and liens which Borrower may hold for the payment of any such Accounts, including without limitation, all rights of stoppage in transit, replevin and reclamation and all other rights and remedies of an unpaid vendor or lienor, and any liens held by Borrower as a mechanic, contractor, subcontractor, processor, materialman, machinist, manufacturer, artisan, or otherwise;

(B) All documents, instruments, securities, documents of title, general intangibles, policies and certificates of insurance, guaranties, securities, chattel paper, deposits, tax refunds, proceeds of insurance, proceeds of an eminent domain or condemnation award, cash, liens or other property (other than real property), which are now or may hereinafter be in the possession of the Borrower or as to which the Borrower may now or hereafter control possession by documents of title or otherwise, including, but not limited to, all property allocable to unshipped orders relating to Accounts and Inventory;

(C) All books, records, customer lists, supplier lists, ledgers, evidences of shipping, invoices, purchase orders, sales orders and all other evidences of Borrower's business records, including all cabinets, drawers, etc. that may hold the same; computer records, lists, software, programs, wherever located, all whether now existing or hereafter arising or acquired;

(D) All Borrower's inventory, whether now owned or hereafter acquired, including without limitation: (i) all goods manufactured or acquired for sale or lease, and any piece goods, raw materials, work in process and finished merchandise, findings or component materials, and all supplies, goods, incidentals, office supplies, packaging materials, and any and all items including machinery and equipment used or consumed in the operation of the business of Borrower or which contribute to the finished product or to the sale, promotion and shipment thereof, in which Borrower now or at any time hereafter may have an interest, whether or not such inventory is listed in this agreement on any reports furnished to Lender from time to time; (ii) all inventory whether or not the same is in transit or in the constructive, actual or exclusive occupancy or possession of Borrower or is held by Borrower or by others for the Accounts, including without limitation, all goods covered by purchase orders and contracts with suppliers and all goods billed and held by suppliers; (iii) all inventory which may be located on premises of Borrower or of any carrier, forwarding agents, truckers, warehousemen, vendors, selling agents or third parties; (iv) all general intangibles relating to or arising out of inventory; and (v) all proceeds and products of the foregoing resulting from the sale, lease or other disposition of inventory, including cash, accounts receivable, other non-cash proceeds and trade-ins\* (collectively, "Inventory");

(E) All general intangibles, including without limitation, tax refunds, customer lists, proceeds of insurance, unearned insurance premium refunds, eminent domain awards, condemnation proceeds, and patents, copyrights, tradenames, trademarks as set forth on Schedule 4.1, applications therefor, and licenses to any patent, copyright, trademark, or tradename that Borrower now owns, has the right to use or may hereafter own or acquire the right to use;

(F) All equipment, machinery, appliances, and furniture and fixtures, now existing or hereafter arising, wherever located, and all contracts, contract rights and chattel paper arising out of any lease of any of the foregoing or otherwise;

(G) All other collateral in which Borrower may hereafter grant to Lender a security interest; and

(H) All renewals, substitutions, replacements, additions, accessions, proceeds, and products of any and all of the foregoing.

4.2 Continuous Security Interest. Borrower and Lender expressly acknowledge that the security interest granted hereunder shall remain as security for payment and performance of the Obligations, whether now existing or which may hereafter be incurred by future advances, or otherwise. The notice of the continuing grant of this security interest therefore shall not be required to be stated on the face of any document representing any such Obligations, nor otherwise identify it as

being secured hereby.

4.3 Priority of the Liens and Security Interests. The liens and security interests granted to Lender pursuant to Section 4.1 shall constitute valid and enforceable first priority liens and security interests against the Collateral, prior in right to all other liens, security interests, charges and other encumbrances and, subject only to Borrower's right to collect Accounts and sell Inventory in the ordinary course of business. Borrower shall not take any action to impair or defeat the foregoing priority.

## SECTION 5. CONDITIONS PRECEDENT TO THE LOANS

5.1 Initial Loans. Lender's obligation to make any initial Revolving Loans on the Closing Date is subject to delivery by Borrower, prior to or at the time of the making thereof of each of the documents and items described on the Index of Closing Documents attached as Schedule 1.1(b) except to the extent said items are listed on said Schedule 1.1(b) to be delivered post closing.

5.2 Subsequent Loans. Lender's obligation to make any Revolving Loan subsequent to the Closing Date shall be subject to the further conditions precedent that on the date on which Lender makes such advance:

(A) Borrower shall have received and provided to Lender such other approvals, opinions, consents or documents as Lender may reasonably request; and

(B) the following statements shall be true, and each request for a Revolving Loan shall be deemed to be a representation and warranty by Borrower to the effect that, at and as of the date of such request:

(i) the representations and warranties contained in Section 6 are true and correct on and as of the date of such request as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing, or would result from such advance.

## SECTION 6. REPRESENTATIONS AND WARRANTIES

To induce Lender to enter into this Agreement and to make the Loans, Borrower represents and warrants to Lender as follows:

6.1 Corporate Existence, Good Standing, Etc. Borrower is and will continue to be a corporation duly organized, validly existing and in good standing under the Laws of the State of New York. Borrower is and will continue to be duly qualified and licensed to transact business in all states or jurisdictions except those jurisdictions in which Borrower's failure to so qualify or be so licensed or in good standing would not, individually or in the aggregate, have a material adverse effect on

Borrower's business, operations, affairs, condition or properties.

6.2 Licenses, Waivers, Material Contracts, Etc. Borrower possesses all material licenses, waivers, consents, rights, permits, orders and other governmental authorizations and approvals, and all material franchises, contracts and agreements, necessary to carry on its business as presently conducted. All of such licenses, waivers, consents, rights, permits, orders, authorizations, approvals, franchises, contracts and agreements are in full force and effect and there is no material violation or material failure of compliance or allegation of such violation or failure of compliance on the part of Borrower with respect to any of the foregoing.

6.3 Books and Records. Borrower's principal place of business is located at Borrower's address set forth in Section 11.8; all of Borrower's books and records are kept at such principal place of business; and Borrower does not invoice receivables from or maintain records relating to receivables at any location other than such principal place of business. Borrower has not changed its name, been the surviving corporation in any merger, acquired any business, or changed its chief executive office within five (5) years prior to the date of this Agreement.

6.4 Power and Authority. Borrower has the corporate power to execute, deliver and carry out this Agreement, the Revolving Note and the Related Agreements to which it is a party and to incur the Obligations, and has taken all necessary corporate action to authorize its execution, delivery and performance of this Agreement, the Revolving Note and the Related Agreements to which it is a party and its incurring of the Obligations.

6.5 No Violation. Borrower's execution and delivery of this Agreement, the Revolving Note and the Related Agreements to which it is a party and compliance by Borrower with all of the terms and provisions hereof and thereof, will not violate any provision of any existing Law or any writ, order, judgment, injunction, determination, award or decree of any court or governmental instrumentality or of Borrower's certificate of incorporation or bylaws or any agreement or instrument to which Borrower is a party or which is binding upon Borrower or its assets, and will not result in, or require, the creation or imposition of any lien, security interest, charge or encumbrance of any nature whatsoever upon or in any of Borrower's assets except as contemplated by this Agreement, and no consent or approval of any other party (including Borrower's shareholders) and no consent, license, approval or authorization of, exemption of or registration or declaration with, any governmental bureau or agency (federal, state, municipal or otherwise) or any other Person is required in connection with the execution, delivery, performance, validity and enforceability of this Agreement, the Revolving Note and the Related Agreements.

6.6 Valid and Binding Agreement. This Agreement, the Revolving Note and the Related Agreements delivered pursuant hereto will be valid and binding upon and enforceable against Borrower in accordance with their respective terms.

6.7 Litigation, Claims. There is not pending, nor to Borrower's knowledge is there threatened, against Borrower any action, suit, order, notice, claim, investigation or proceeding at law

or in equity or by or before any governmental instrumentality or other agency which could materially adversely affect Borrower or any of Borrower's properties or rights, or which could have a material adverse effect upon Borrower's business operations or financial condition, or which could involve the payment by Borrower of \$100,000 or more (whether or not covered by insurance) if adversely determined.

6.8 Existing Defaults. Borrower is not in default with respect to the payment or performance of any of its material obligations or in the performance of any material covenants or material conditions to be performed by Borrower pursuant to the terms and provisions of any agreement or instrument to which Borrower is a party or by which it or its property may be bound, which default has not been waived in writing, including any leases of premises on which the Collateral is or may be located, and Borrower has received no notice of default thereunder.

6.9 Title to Properties. Borrower has good and marketable title to all of its properties, real and personal, and such properties are subject only to the Permitted Encumbrances.

6.10 Compliance With Laws. Borrower is in material compliance with, and has not received any notice that it is not in compliance with, all applicable Laws with respect to:

(A) Any restrictions, specifications or other requirements pertaining to products which it sells or leases or to the services it performs;

(B) The conduct of its business operations; and

(C) The use, maintenance and operation of the property leased or owned by it in the operation of its business.

6.11 Guaranties, Etc. There are no outstanding contracts or agreements of guaranty or suretyship made by Borrower or to which Borrower is a party or to which Borrower or any of its assets are subject, except the Related Agreements.

6.12 Financial Statements. Except as previously disclosed to Lender, Borrower's financial statements heretofore furnished to Lender, including any schedules and notes pertaining thereto, have been prepared in accordance with GAAP, and fully and fairly present Borrower's financial condition at the dates thereof and the results of Borrower's operations for the periods covered thereby, and there has been no material adverse change in Borrower's financial condition or business from December 31, 1997, to the date of this Agreement. All projections furnished to Lender by Borrower have been prepared in good faith and represent the best opinion of Borrower as of the date delivered as to the most probable course of Borrower's business. Such projections were prepared in accordance with practices usually followed in the preparation of accounting projections in good faith and the regular course of an ongoing business.

6.13 Existing Indebtedness. Borrower has no material Indebtedness of any nature, except as



permitted by this Agreement or as set forth on Schedule 6.13 and Borrower does not know of, or have reasonable grounds to know of, any basis for the assertion against it of any material Indebtedness of any nature.

6.14 Tax Returns. Borrower has filed or caused to be filed and will continue to file or cause to be filed all tax returns required to be filed and has paid and will continue to pay all federal, state and local taxes shown to be due and payable on said returns and all assessments made against it (except such as are being contested in the manner described in Section 7.2) and has made or caused to be made adequate provision in accordance with GAAP for the payment of such taxes, assessments or other charges accruing but not yet payable, and no claims for any of such taxes are being asserted with respect to such taxes. Borrower's federal tax returns have not been audited, or if audited have been accepted by the Internal Revenue Service as filed or amended.

6.15 Compliance With the Code and ERISA. Schedule 6.15 sets forth a description of each Plan sponsored or to which Borrower is a party. Borrower is in compliance in all material respects with all applicable provisions of the Code and ERISA with respect to all Plans. Except as set forth in Schedule 6.15, neither a Reportable Event nor a Prohibited Transaction has occurred with respect to any Plan; no notice of intent to terminate a Plan has been filed with any Person nor has any Plan been terminated; no circumstance exists which constitutes grounds under Section 4042 of ERISA entitling the PBGC to institute proceedings to terminate, or appoint a trustee to administer, a Plan, nor has the PBGC instituted any such proceedings; and neither Borrower nor any ERISA Affiliate has incurred any liability to the PBGC or the U.S. Department of Labor under ERISA. Neither the PBGC nor the U.S. Department of Labor has imposed a lien on the assets of Borrower or any ERISA Affiliate.

6.16 Environmental Matters. Except as described in Schedule 6.16, to the best of its knowledge, Borrower:

(A) has obtained all material permits, licenses and other authorizations which are required under all environmental Laws, including Laws relating to emissions, discharges, releases or threatened releases of pollutants, contamination, chemicals, or industrial, toxic or hazardous substances or waste into the environment (including air, surface water, ground water or land), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substance or wastes;

(B) is in material compliance with all terms and conditions of all such required permits, licenses and authorizations, and also is in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in such Laws or contained in any Law, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder;

(C) has never caused any oil, friable asbestos, hazardous waste, hazardous material or other waste or material regulated or limited by applicable federal, state or local environmental Law ("Hazardous Material") to be spilled, placed, located or disposed of on, under or about, nor are any

Hazardous Materials now existing on, under or about, any premises owned or leased by it (collectively, the "Premises") or into the atmosphere, any body of water or any wetlands in excess of the maximum permitted regulatory levels;

(D) has no knowledge of any notice of any violation, or lien or any other notice issued by any governmental agency or other Person with respect to the environmental condition of the Premises; and

(E) Borrower has not received any notice from any Person with respect to any of the matters described in this Section 6.16.

6.17 Solvency. After giving effect to the consummation of each transaction contemplated by this Agreement and after each Revolving Loan, Borrower will be Solvent.

6.18 No Untrue Statements, Etc. No representation or warranty by Borrower contained in this Agreement and no statement contained in any certificate or other document furnished or to be furnished by Borrower pursuant to this Agreement, or in connection with the transactions contemplated hereby, contains, or at the time of delivery will contain, any untrue statement of any material fact or omits or will omit any statement of any material fact necessary to make it not misleading.

6.19 Eligible Accounts. Each Eligible Account, at the time it comes into existence, will be a true and correct statement of (i) the bona fide indebtedness of the account debtor named thereon; and (ii) the amount of the Account for such inventory sold and delivered to, or for services performed for and accepted by, the account debtor, net of any charges, discounts, adjustments or other reductions whatsoever.

6.20 Inventory. With respect to Inventory scheduled, listed or referred to in any Borrowing Base Certificate or other writing as Eligible Inventory or which Borrower wants Lender to consider as Eligible Inventory, Borrower warrants that: (i) Borrower is the lawful owner of such Inventory and has the right to subject such Inventory to a lien in favor of Lender; (ii) such Inventory is located at the premises of the Borrower at 465 Saratoga Street, Cohoes, New York 12047 or at one or more locations set forth on Schedule 1.1(a); (iii) such Inventory is not subject to any lien except that of Lender; (iv) such Inventory is of good and merchantable quality, free from any material defects that would affect the market value of such Inventory; and (v) such Inventory satisfies the objective criteria set forth in the definition of Eligible Inventory.

6.21 Survival. Except to the extent the representation and warranty relates to a prior date, all of Borrower's representations and warranties set forth in this Section 6 shall survive until all Obligations are finally and indefeasibly satisfied in full.

## SECTION 7. AFFIRMATIVE COVENANTS

Borrower covenants and agrees that so long as any of the Obligations remain outstanding and unpaid, it will perform and observe each and all of the following covenants and agreements:

7.1 Additional Information. Borrower will furnish to Lender, with reasonable promptness, such information regarding Borrower's business, affairs, operations and financial condition as Lender may reasonably request and, upon reasonable prior notice, give any representative of Lender (i) access during normal business hours to, and permit Lender to examine and copy and make extracts from, any and all books, records, accounts and documents in Borrower's possession relating to Borrower's affairs; (ii) access during normal business hours to inspect any of Borrower's properties; and (iii) access to discuss Borrower's affairs, finances and accounts with any of Borrower's officers and/or any independent certified public accountants of Borrower; provided that Lender's access to Borrower's properties and officers and employees shall be scheduled so as not to materially interfere with Borrower's business operations.

7.2 Taxes. Borrower will pay and discharge at or before the date any of the same would become delinquent, all taxes, assessments, rents, claims and charges, except where the same are being contested in good faith by appropriate proceedings, and will maintain in accordance with GAAP appropriate reserves for the accrual of any of the same.

7.3 Maintenance of Corporate Existence; Properties. Borrower will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights, franchises, privileges and contracts, and comply, in all material respects, with all Laws applicable thereto.

7.4 Reporting Requirements. Borrower will furnish or cause to be furnished to Lender the following financial statements and other information:

(A) Within one hundred twenty (120) calendar days after the close of each fiscal year of Borrower an audited financial statement of Borrower prepared on a LIFO basis at the close of such fiscal year setting forth, without limitation, a statement of income and retained earnings of Borrower for such fiscal year and a statement of cash flows for Borrower for such fiscal year, prepared in conformity with GAAP, applied on a basis consistent with that of the preceding year or containing disclosure of the effect on results of operation or cash flows of any change in the application of accounting principles during the year, in each case accompanied by the unqualified (except to the extent a qualification arises as a result of a change in GAAP) audit report, of a nationally recognized independent certified public accounting firm selected by Borrower and acceptable to Lender acting reasonably. Each such report shall also be accompanied by a compliance certificate prepared by Senior Management showing whether the provisions of Sections 7, 8 and 9 have been complied with and stating that to the best of Senior Management's knowledge during the course of their review nothing came to their attention that caused them to believe that Borrower failed to comply with the terms, covenants, provisions or conditions of Sections 7, 8 and 9 insofar as they relate to accounting matters.

(B) Within sixty (60) days after the end of Borrower's fiscal year end, Borrower's financial projections prepared on a LIFO basis for the upcoming fiscal year setting forth said projections on a quarterly basis, prepared internally by Borrower's Senior Management in accordance with GAAP, consistently applied and accompanied by a certificate of Borrower's Senior Management certifying the accuracy of such statements.

(C) within thirty (30) calendar days after the end of each fiscal month of Borrower, Borrower's financial statements of the type described in Section 7.4(A) above prepared internally by Borrower's management in accordance with GAAP consistently applied on the basis of both LIFO and FIFO and subject to any year-end adjustments. On a quarterly basis these statements shall be accompanied by a certificate of Borrower's Senior Management certifying compliance with those matters set forth in Section 7.4(A).

(D) Not later than the twentieth (20th) calendar day following the end of each fiscal month, as Lender shall direct, an accounts receivable aging report as of the last calendar day of the preceding fiscal month, as applicable, certified as being accurate by Senior Management of Borrower and in form and substance acceptable to Lender.

(E) Not later than twenty (20) days following the end of each month, Borrower shall submit to Lender a monthly borrowing base certificate in the form of Exhibit B (a "Borrowing Base Certificate"), executed by the treasurer, or the chief financial officer of Borrower, together with a schedule of Eligible Receivables and Eligible Inventory, in each case certified as being accurate by the treasurer or the chief financial officer of Borrower.

(F) Promptly after the filing or receiving thereof, copies of all reports, including annual reports, and notices which Borrower or any ERISA Affiliate files with or receives from the Internal Revenue Service, the PBGC or the U.S. Department of Labor under the Code or ERISA.

7.5 Notices to Lender. Borrower will promptly give notice in writing to Lender of: (i) the occurrence of any Default or Event of Default of which it knows and (ii) all litigation and/or governmental proceedings affecting it in which the amount involved is \$200,000 or more, whether or not covered by insurance.

7.6 Maintenance of Bank Accounts. Borrower will maintain its disbursement account with Lender.

7.7 Maintenance of Property. Borrower will maintain its equipment, real estate and other properties, including the Collateral, in good condition and repair (normal wear and tear excepted), and will pay and discharge, or cause to be paid and discharged when due the cost of repairs to or maintenance of the same, and will pay or cause to be paid when due all rental or mortgage payments due on such real estate.

7.8 Liability Insurance. Borrower shall at its expense, keep and maintain such public liability and third party property damage insurance in such amounts and with such deductibles as are reasonably acceptable to Lender and shall deliver to Lender the original (or a certified copy) of each policy of insurance and evidence of the payment of all premiums therefor. Such policies of insurance shall contain an endorsement showing Lender as additional insured thereunder and shall provide that said policy cannot be terminated or amended without the insurer providing thirty (30) days prior written notice to Lender.

7.9 Casualty Insurance. Borrower shall at Borrower's expense, keep and maintain its assets, including its buildings, machinery, equipment, Inventory and all its other tangible personal property, insured against loss or damage by fire, explosion and other hazards customarily insured under extended and unnamed perils coverage and such other risks ordinarily insured against by other prudent owners or users of such properties in similar businesses in an amount at least equal to the full insurable value of all such property and with such deductibles as are reasonably acceptable to Lender. Borrower shall deliver to Lender the original (or a certified copy) of each policy of insurance and evidence of the payment of all premiums therefor. All of the policies of insurance pertaining to Borrower's personal property assets (excluding Borrower's real property) shall contain an endorsement showing all losses payable to Lender as lender loss payee and otherwise in form and substance reasonably satisfactory to Lender and shall provide that such policy cannot be terminated or amended without the insurer providing thirty (30) days prior written notice to Lender.

7.10 Attorney-In-Fact. Borrower hereby agrees to consult with Lender in making, adjusting, settling and receiving proceeds of claims under policies of insurance. If Borrower at any time or times hereafter shall fail to obtain or maintain any of the policies of insurance required above or to pay any premium in whole or in part relating thereto, then Lender, without waiving or releasing any Obligation of or Default or Event of Default by Borrower hereunder, at any time or times thereafter, shall have the right, but not the obligation, in Lender's sole discretion, to obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto as Lender deems advisable, and all sums so expended, together with interest thereon at the rate prescribed in the Revolving Note shall be part of the Obligations, payable ON DEMAND and otherwise repaid as provided herein and secured by the Collateral.

(A) Borrower hereby assigns any and all other sums which may become payable under such property and casualty and liability insurance policies to Lender as additional security for the Obligations. Notwithstanding any other provision of this Agreement, provided no Default or Event of Default has occurred and is continuing, Borrower shall have the right to use the proceeds of insurance to replace any equipment or other personal property damaged by fire or other hazard covered by Borrower's casualty insurance. Any such insurance proceeds received by Lender shall be held as further security and Collateral hereunder, and Lender shall distribute such proceeds to Borrower as the costs of repair or replacement of the insured property or other expenses relating to such loss become due and payable by Borrower and thereafter shall promptly distribute to Borrower such amount of such proceeds as are not needed for repair or replacement, provided that if at any time there is in existence an Event of Default, any such insurance proceeds may, in Lender's sole discretion, be applied,

in whole or in part, to the payment of any of the Obligations.

(B) Borrower shall furnish Lender with certificates or other evidence satisfactory to Lender of compliance with the provisions of Sections 7.8 and 7.9.

7.11 Environmental Matters. Borrower shall, with respect to environmental matters:

(A) obtain and maintain all permits and other authorizations as described in Section 6.16 (including any such permits and other authorizations which may be required after the date of this Agreement); comply strictly and in all respects with the requirements of all federal, state and local environmental Laws; notify Lender promptly in the event of any spill, hazardous waste pollution or contamination affecting the Premises; forward to Lender promptly any notices relating to such matters received from any Person; and pay promptly when due any fine or assessment against any of the Premises; and

(B) except as set forth on Schedule 6.16, not become involved, and not permit any tenant of any of the Premises owned (and not leased) by Borrower to become involved, in any operations at any of the Premises generating, storing, disposing or handling Hazardous Material or any other activity that could lead to the imposition on Borrower, Lender or such Premises of any liability or lien under any environmental Laws; and

(C) immediately contain and remove any Hazardous Material found on, under or about any of the Premises owned (and not leased) by Borrower in violation of any Law, which work must be done in compliance with applicable Laws and at Borrower's expense; and agree that Lender shall have the right, at Lender's sole option but at Borrower's expense, to have an environmental engineer or other representative review such containment and/or removal work as it is being performed; and;

(D) promptly upon Lender's request, based upon Lender's reasonable belief that a Hazardous Material or other environmental problem exists with respect to any of the Premises owned (and not leased) by Borrower, provide Lender with an environmental site assessment report, all in scope, form and content and performed by such company or companies as may be reasonably satisfactory to Lender; and

(E) indemnify, defend, and hold harmless each Indemnified Person from, against and in respect of, and to reimburse each Indemnified Person ON DEMAND with respect to, any claim, cost, damage (including consequential damages), expense (including attorneys' fees and expenses), loss, liability, obligation, penalty, action, suit, disbursement or judgment now or hereafter arising as a result of any environmental claims against Borrower, any Indemnified Person or any of the Premises or any breach of the representations and warranties set forth in Section 6.16 or the covenants set forth in this Section 7.11. The provisions of this Section 7.11(E) shall continue in effect forever and shall survive (among other events) the termination of this Agreement and the payment and satisfaction of the Obligations.

7.12 Further Assurances. At any time or from time to time upon Lender's request, Borrower shall execute and deliver, or cause to be executed and delivered, to Lender and/or such other Persons such further documents and instruments and do such other acts and things and provide such additional information as Lender may reasonably request in order fully (i) to accomplish the purposes and carry out the terms of this Agreement, (ii) to be informed of Borrower's status and affairs, and (iii) to vest more completely in and assure to Lender its rights under this Agreement, the Revolving Note, any Related Agreements and in and to any Collateral.

7.13 Losses, Etc. Borrower shall promptly notify Lender in writing of any loss, theft, damage, destruction, encumbrance, levy, seizure or attachment of or on any of Borrower's assets if the asset is material to Borrower's business and has not been promptly replaced.

7.14 Plan Funding. Borrower shall fund all of its "Defined Benefit Plans" (as defined in ERISA) in accordance with no less than the minimum funding standards of ERISA.

7.15 Collection of Accounts. Borrower shall collect its Accounts and sell its Inventory only in the ordinary course of business.

7.16 Payment of Indebtedness. Borrower will pay when due (or within applicable grace periods) all Indebtedness due third persons, except when the amount thereof is being contested in good faith by appropriate proceedings and with adequate reserves therefor being set aside on Borrower's books.

7.17 Changes of Location. Borrower shall notify Lender at least thirty (30) calendar days in advance of any change in the location of any of Borrower's place of business or of the establishment of any new, or the discontinuance of any existing, place of business.

7.18 Field Audits. Lender shall have the right to audit the Collateral at such times as it deems appropriate. The Borrower shall be responsible for the cost of two (2) audits per year at a cost not to exceed \$1,200 per audit provided, however, Borrower shall be responsible for the cost of additional audits if an Event of Default has occurred and is continuing.

7.19 Year 2000. Borrower has reviewed its business operations which could be adversely affected by, and has developed a program to address on a timely basis, the "Year 2000 Problem" (i.e., the risk that computer applications used by the Borrower, may be unable to recognize and properly perform date-sensitive functions involving certain dates prior to and after December 31, 1999). Borrower reasonably believes that Borrower will complete its Year 2000 Program by June 30, 1999 and that, to the extent that any required remedial steps are within Borrower's control, the "Year 2000 Problem" will not have a material adverse impact on the business operations or financial condition of Borrower. Borrower will provide Lender semi-annual updates on the progress of Borrower's Year 2000 Program and will provide promptly to Lender any assessment of Borrower's Year 2000 efforts

conducted by a third party. Borrower will commit adequate resources to complete its Year 2000 Program by June 30, 1999.

7.20 Prior Agreement. On the Closing Date Borrower agrees to repay all amounts owing under the Prior Agreement and terminate the commitment of Lender thereunder.

## SECTION 8. NEGATIVE COVENANTS

So long as any Obligations remain outstanding and unpaid, Borrower shall not without Lender's prior written consent, which consent may be withheld in Lender's sole discretion:

8.1 No Liens. Except for liens and encumbrances in favor of Lender and Permitted Encumbrances, create, assume or suffer to exist, any mortgage, pledge, encumbrance, lien, security interest or charge of any kind upon any of its Accounts, Inventory, machinery or equipment, real estate or other assets, whether now owned or hereafter acquired by Borrower.

8.2 No Other Indebtedness. Borrow funds from or otherwise incur or permit to exist any Indebtedness to any Person other than Lender, except Indebtedness incurred in connection with purchase money financings consented to by Lender and Indebtedness described on Schedule 6.13.

8.3 No Advances. Make or suffer to exist any additional advances or loans to, or any investments (by transfers of property, contributions to capital, purchase of stock or securities or evidence of indebtedness or business or otherwise) in, any Person in excess of \$100,000 in any aggregate amount outstanding at any time. It is acknowledged that as of August 31, 1998 Borrower has made prior advances or loans to persons in an aggregate amount of \$1,565,205.00.

8.4 No Mergers, Etc. Merge or consolidate with or into any other Person, dissolve or liquidate; materially amend its certificate of incorporation or bylaws; change its name; enter into any reorganization or recapitalization; or reclassify its capital stock as debt.

8.5 No Sales of Assets. Except in the ordinary course of business, sell, exchange or otherwise dispose of a material part of its assets, or any part thereof, or any interest therein, provided that Borrower may dispose of assets having a fair market value of up to \$25,000 or which are no longer used and useful in Borrower's business.

8.6 No Contingent Liabilities. Agree to purchase or repurchase or assume, guaranty, endorse, agree to supply funds in connection with, or otherwise become or remain liable in connection with the obligations, stock or dividends of any Person, except for endorsement of negotiable instruments for collection or discount in the regular course of business.

8.7 No Purchase of Margin Stock. Directly or indirectly apply any part of the proceeds of the Loans to the purchase or carrying of any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or any regulations, interpretations, or rulings



thereunder.

8.8 Fiscal Year. Change its fiscal year without Lender's consent which shall not be unreasonably withheld.

8.9 No Prepayment of Indebtedness. Make any prepayment on any Indebtedness permitted by this Agreement, except Indebtedness to Lender pursuant to the terms of this Agreement and the Revolving Note or as otherwise permitted under a certain Intercreditor Agreement of even date between Lender and ALBANK (as hereinafter defined), without in each instance receiving the prior written consent of Lender, which consent shall not be unreasonably withheld, and except indebtedness owing pursuant to the Prior Agreement.

8.10 No Untrue Statements. Furnish Lender any certificate or other document that contains any untrue statement of material fact or that omits to state a material fact necessary to make such certificate or other document not misleading in light of the circumstances under which such certificate or other document was furnished.

## SECTION 9. FINANCIAL COVENANTS

So long as any Obligations remain outstanding and unpaid, Borrower shall comply with the following covenants:

9.1 Leverage Ratio. Borrower shall maintain its ratio of Total Liabilities to Tangible Net Worth according to the following schedule. Leverage Ratio is defined as Total Liabilities DIVIDED BY Tangible Net Worth (LIFO Basis).

From the date of this Agreement to 12/30/98 - Not greater than 3.50:1.0

From 12/31/98 to 9/29/99- Not greater than 3.20:1.0

From 9/30/99 to 5/1/00 - Not greater than 3.0:1.0.

9.2 Minimum Tangible Net Worth Borrower must maintain a minimum Tangible Net Worth calculated on a LIFO Basis as follows: As of the date hereof, \$12,200,000. Thereafter, the minimum Tangible Net Worth shall be ninety (90%) percent of the highest actual Tangible Net Worth, measured as of each month's end. For example, if at month's end, September 1998, Borrower's Tangible Net Worth is \$15,000,000 and this is the highest month's end Tangible Net Worth to date then, until such time as there exists a higher month's end Tangible Net Worth, the minimum Tangible Net Worth requirement shall be \$13,500,000 (\$15,000,000 x .9).

9.3 Debt Service Ratio. The ratio of Net Income plus Depreciation and Amortization plus the noncash portion of expenses related to FAS #87, #106 and #112 plus Interest Expense less Cash Shareholder Distributions to current maturation of long term debt ("CMLTD") plus Interest Expense must not be less than 1.65X. This ratio shall be measured quarterly commencing June 30, 1998 on a trailing four quarter basis. Amounts due under the Revolving Loan shall not be considered CMLTD.

9.4. Effect of Changes in GAAP. Covenant compliance shall be determined utilizing GAAP, provided that, if the Borrower notifies the Bank that Borrower wishes to amend any covenant to eliminate the effect of any change in GAAP on the operation of such covenant, then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Bank.

## SECTION 10. DEFAULT

10.1 Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default under this Agreement, the Revolving Note and all Related Agreements:

(A) Borrower shall fail to pay when due any installment of principal or interest or any fee payable hereunder, under the Revolving Note or under any Related Agreement (whether due on a date fixed for prepayment, by acceleration or otherwise).

(B) Borrower shall fail to observe or perform any obligation to be observed or performed by it under this Agreement;

(C) The Chief Executive Officer as of the date hereof retires, is replaced, or otherwise terminated, dies or is no longer capable of performing his duties and which in the event of death or incapacity, a successor acceptable to Lender acting in a commercially reasonable manner has not been appointed within sixty (60) days of the date of death or such incapacity;

(D) Any representation or warranty made in writing by or on behalf of Borrower in this Agreement, in any Related Agreement, or in any certificate or other document delivered pursuant hereto or thereto or otherwise in connection with any of the transactions contemplated hereby, shall prove to have been false, misleading or incorrect in any material respect when made or deemed made.

(E) Borrower shall admit its inability to pay its debts as they mature, shall fail generally to pay its debts as they become due, or shall make an assignment for the benefit of its or any of its creditors.

(F) Proceedings in bankruptcy or for reorganization of Borrower or for the readjustment, arrangement, composition or adjustment of any of Borrower's debts under the federal bankruptcy act, as amended, or any part thereof, or under any other Laws, whether state or federal, for the relief of debtors, now or hereafter existing, (i) shall be commenced by Borrower, or (ii) shall be commenced against Borrower and shall not be discharged, vacated, dismissed, or stayed within sixty (60) calendar days of their commencement against Borrower.

(G) A receiver, liquidator or trustee shall be appointed for Borrower or for any substantial part of Borrower's assets, or any proceedings shall be instituted for the dissolution or the full

or partial liquidation of Borrower and such receiver, liquidator or trustee shall not be discharged within sixty (60) calendar days of his or her appointment, or such proceedings shall not be dismissed or stayed within sixty (60) calendar days of their commencement, or Borrower shall discontinue its business or materially change the nature of its business.

(H) A receiver, liquidator or trustee shall be appointed by Borrower or by Borrower for any substantial part of the assets of Borrower, or any proceedings shall be instituted by Borrower for the dissolution or the full or partial liquidation of Borrower, or Borrower shall discontinue its business or materially change the nature of its business.

(I) Borrower shall suffer final judgments for payment of money aggregating in excess of \$100,000, and the same shall not be discharged within a period of thirty (30) calendar days unless, pending further proceedings, execution has not been commenced or if commenced has been effectively stayed or bonded.

(J) A judgment creditor of Borrower shall obtain possession of all or any material portion of the Collateral by any means, including attachment, levy, distraint, replevin or self-help, which shall not be released within thirty (30) calendar days of the date of such attachment, levy, distraint, replevin or self-help.

(K) Any uninsured loss, theft, damage, destruction, encumbrance, levy, seizure, or attachment of or on any of Borrower's assets in violation of this Agreement, which event shall materially affect Borrower's ability to continue to conduct its business in the normal course, and Borrower's failure to remedy such event to Lender's satisfaction within sixty (60) calendar days after the occurrence of such event.

(L) The placing of any material lien generally on Borrower's property by the United States of America, or any federal, state or local governmental agency or authority.

(M) A payment default by Borrower or any other material default resulting in acceleration, under any Indebtedness for borrowed money.

(N) The occurrence of an event of default under any other agreement between Lender and Borrower.

(O) The occurrence of an event of default under any other loan to the Borrower from any other lender.

10.2 Acceleration. Upon the occurrence of an Event of Default continuing beyond any applicable notice and cure periods set forth in the Revolving Note which notice and cure provisions shall apply hereunder, Lender at its option may declare all of the Obligations to be immediately due and payable, notwithstanding the foregoing, in the case of an Event of Default under Sections 10.1(F), (G), or (H), all of the Obligations, whether hereunder or otherwise, automatically shall become due and

payable without presentment, demand, protest, notice of protest or dishonor, or other notice of any kind, all of which are hereby expressly waived by Borrower, and without further action of any kind by Lender.

10.3 Remedies. Upon the occurrence of an Event of Default continuing beyond any applicable notice and cure periods set forth in the Revolving Note which notice and cure provisions shall apply hereunder, with or without accelerating the Obligations under Section 10.2 and without notice, Lender shall have, in addition to the rights and remedies given it by this Agreement, the Revolving Note and the Related Agreements, all those rights and remedies allowed by all applicable Laws, including the Uniform Commercial Code as enacted in any jurisdiction in which any Collateral may be located. Notwithstanding the foregoing, in the case of an Event of Default under Sections 10.1(F), (G), or (H), all of the Obligations, whether hereunder or otherwise, Lender may pursue its rights and remedies as aforesaid without presentment, demand, protest, notice of protest or dishonor, or other notice of any kind, all of which are hereby expressly waived by Borrower, and without further action of any kind by Lender.

10.4 Notice to Account Debtors. Lender may, in its sole and absolute discretion, at any time or times after the occurrence of a Default or an Event of Default, and without prior notice to Borrower, send a notice to Borrower's account debtors notifying the account debtors that Borrower's Accounts have been assigned to Lender, that Lender has a lien thereon and, at Lender's option, that all payments upon Borrower's Accounts be made directly to Lender.

10.5 Additional Rights of Lender. In addition to the foregoing but only at such time as Lender may exercise those remedies set forth in Section 10.3, Lender shall have the right: (a) to demand, collect, receive payment of, receipt for, settle, compromise or adjust, and give discharges and releases in respect of the Accounts or any of them; (b) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Accounts or any of them and to enforce any other rights in respect thereof or in respect of the goods which have given rise thereto; (c) to defend any suit, action or proceeding brought against the Borrower in respect of any Account or the goods which have given rise thereto; (d) to settle, compromise or adjust any suit, action or proceeding described in clause (b) or (c) above and, in connection therewith, to give such discharges or releases as the Lender may deem appropriate; (e) to endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents evidencing or securing the Accounts or any of them; (f) to receive, open and dispose of all mail addressed to the Borrower and to notify the post office authorities to change the address of delivery of mail addressed to the Borrower to such address, care of the Lender, as the Lender may designate; and (g) generally to sell, assign, transfer, pledge, make any agreement in respect of or otherwise deal with any Account or the goods or service which have given rise thereto, as fully and completely as though the Lender were the absolute owner thereof for all purposes, including contacting Account Debtors directly for verification or other purposes. The powers conferred on the Lender by this Agreement are solely to protect the interest of the Lender and shall not impose any duty upon the Lender to exercise any such power, and if the Lender shall exercise any such power, it shall be accountable only for amounts that it

actually receives as a result thereof and shall not be responsible to the Borrower except for gross negligence and willful misconduct. The Lender shall be under no obligation to take steps necessary to preserve rights in any other Collateral against prior parties but may do so at its option. As its option the Lender may discharge any taxes, liens, security interests or other encumbrances to which any Collateral is at any time subject, and may, upon the failure of the Borrower so to do, purchase insurance on any Collateral and pay for the repair, maintenance or preservation thereof, and the Borrower agrees to reimburse the Lender on demand for any payments made or expenses incurred by the Lender pursuant to the foregoing authorization, and authorizes the Lender to charge the Borrower for the amount of such payments or expenses. The Lender may at any time take control of any proceeds of Collateral to which the Lender is entitled hereunder or under applicable law. In addition, the Lender may require the Borrower to assemble any tangible personal property constituting Collateral and make it available to the Lender at a place to be designated by the Lender and which is reasonably convenient to the Borrower. The Borrower hereby grants to the Lender a nonexclusive irrevocable license in connection with the Lender's exercise of its rights hereunder, to use, apply and affix any trademark, tradename, logo or the like in which the Borrower now or hereafter has rights, which license may be used upon the occurrence of any of the Events of Default. The Lender may buy at any public sale, and if the Collateral is of a type customarily sold on a recognized market or the subject of widely distributed standard price quotations the Lender may buy at private sale.

## SECTION 11. MISCELLANEOUS

11.1 Right of Set-Off. Borrower hereby grants to Lender a lien on and a right of set-off against all monies, deposits, securities and other property and the proceeds thereof, now or hereafter held or received by, or in transit to Lender or any entity under the direct or indirect control of Lender from or for Borrower, whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all deposits (general or special), balances, sums and credits with and all of Borrower's claims against Lender at any time existing. Lender may at any time following and during the continuance of an Event of Default apply the same or any part thereof to the Obligations or any part thereof, whether or not matured at the time of such application.

11.2 Custody and Preservation of Collateral. Lender shall have no duty beyond the safe custody thereof as to: (i) the collection or protection of any Collateral now or hereafter securing any Note or any Obligation or any income thereon; (ii) the preservation of rights against prior parties; or (iii) the preservation of any rights pertaining thereto. Lender may exercise its rights with respect to any Collateral without resorting or regard to any other Collateral or any other sources of reimbursement for any Obligation.

11.3 Lender's Expenses. Except as otherwise provided herein, Borrower shall, ON DEMAND, reimburse Lender for all of Lender's reasonable expenses, including reasonable fees and expenses of legal counsel for Lender, incurred in connection with the preparation, administration, amendment, modification, delivery or enforcement of this Agreement, the Revolving Note and/or the Related Agreements or the collection or attempted collection of the Revolving Note, including any

such reasonable fees and expenses related to any federal bankruptcy proceeding and whether incurred prior or subsequent to any federal bankruptcy proceeding.

11.4 Enforcement and Waiver by Lender. Lender shall have the right at all times to enforce the provisions of this Agreement, the Revolving Note and the Related Agreements in strict accordance with the terms hereof and thereof, notwithstanding any conduct or custom on the part of Lender in refraining from so doing at any time or times. Lender's failure or delay at any time or times to enforce its rights or remedies under such provisions strictly in accordance with the same shall not be construed as having created a custom in any way or manner contrary to the specific provisions of this Agreement or as having in any way or manner modified or waived the same. No waiver of any provision of, or any of Lender's rights under, this Agreement, the Revolving Note, any Related Agreement or any other document or agreement now or hereafter relating to any of the Obligations and/or the Collateral, and no consent to any departure by any Person therefrom, shall be effective unless such waiver or consent is in writing and signed by an authorized officer of Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which such waiver or consent is given. All of Lender's rights and remedies under this Agreement, the Revolving Note and/or any Related Agreement are cumulative and concurrent, and may be exercised singularly or concurrently and are not exclusive or in derogation of any other rights or remedies provided by Law or otherwise. Lender's exercise or partial exercise of one right or remedy shall not be deemed a waiver or release of and shall not preclude the further exercise of such right or remedy or any other right or remedy.

11.5 Waivers and Release. To the maximum extent permitted by applicable Laws, Borrower:

(A) ACKNOWLEDGES THAT EACH OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, THE REVOLVING NOTE AND EACH OF THE RELATED AGREEMENTS IS A COMMERCIAL TRANSACTION, AND HEREBY EXPRESSLY AND IRREVOCABLY WAIVES TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW ITS RIGHTS TO NOTICE AND HEARING BEFORE LENDER'S OR ANY OF LENDER'S SUCCESSORS' OR ASSIGNS' EXERCISE OF THE REMEDIES OF SELF-HELP, SET-OFF OR ANY SUMMARY PROCEDURE OR ANY OTHER PREJUDGMENT REMEDY AND, EXCEPT WHERE REQUIRED BY THIS AGREEMENT OR ANY APPLICABLE LAW, NOTICE OF ANY OTHER ACTION TAKEN BY LENDER; and

(B) EXPRESSLY AND IRREVOCABLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT, ANY RELATED AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION WITH THIS AGREEMENT, OR (ii) IN ANY WAY CONNECTED WITH OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO WITH RESPECT TO THIS AGREEMENT, ANY RELATED AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH

CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE. BORROWER SHALL NOT SEEK TO CONSOLIDATE ANY SUCH ACTION, IN WHICH A JURY TRIAL HAS BEEN WAIVED, WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED.

11.6 Applicable Law. This Agreement, the Revolving Note and each of the Related Agreements and the rights and remedies of the parties hereto and thereto shall be governed by and construed and enforced in accordance with the Laws and decisions of the State of New York without regard to conflict of laws principles.

11.7 Jurisdiction and Service of Process. Except to the extent prohibited by applicable Laws:

(A) Borrower agrees that (i) the execution of this Agreement, the Revolving Note and each Related Agreement and the performance of Borrower's Obligations hereunder and thereunder shall be deemed to have a New York situs; (ii) notwithstanding the foregoing, Borrower shall be subject to the personal jurisdiction of the courts of record of the Commonwealth of Massachusetts with respect to any suit, action or other legal proceeding arising out of this Agreement, the Revolving Note and/or any Related Agreement and/or the enforcement of any of the foregoing and/or any of the transactions contemplated by any of the foregoing; and (iii) any such suit, action or legal proceeding may be brought by Lender and shall be brought by Borrower in the courts of record of the Commonwealth of Massachusetts or the courts of the United States located in the Commonwealth of Massachusetts;

(B) Borrower hereby irrevocably consents to the jurisdiction of each such court in any such suit, action or other legal proceeding; and

(C) Borrower hereby irrevocably waives any objection which it may have to the laying of venue of any such suit, action or other legal proceeding in any of such courts.

11.8 Notices. Any notices or consents required or permitted by this Agreement shall be in writing (other than those which under the specific terms of this Agreement may be given by telephone, which shall be effective when received verbally) and shall be deemed delivered if hand-delivered or if sent by (i) certified mail, postage prepaid, return receipt requested, (ii) telecopy, or (iii) via a nationally-recognized overnight courier service (marked for next day delivery), as follows, unless such address is changed by written notice to each other party hereunder:

Borrower: Mohawk Paper Mills, Inc.  
465 Saratoga Street  
Cohoes, NY 12047

With a copy to: Anthony F. Kahn, Esq.  
White & Case LLP  
1155 Avenue of the Americas  
New York, NY 10036-2787

Lender: State Street Bank and Trust Company  
225 Franklin Street  
Boston, MA 02110  
Attn: Girard R. Sargent, V.P.

With a copy to: Robinson & Cole, LLP  
One Boston Place  
Boston, MA 02108  
Attn: Matthew A. Kameron, Esq.  
Fax: (617) 557-5999

With a copy to: ALBANK, FSB  
833 Broadway  
Albany, NY 12207-1415

With a copy to: Robert Wakeman, Esq.  
Cooper, Erving, Savage, Nolan &  
Heller, LLP  
39 North Pearl Street  
Albany, NY 12207

11.9 Binding Effect, Assignment and Entire Agreement. This Agreement, the Revolving Note and each Related Agreement to which it is a party shall inure to the benefit of, and shall be binding upon, each of Borrower and Lender and their respective successors, permitted transferees and permitted assigns. Neither Borrower nor Lender shall assign any of its rights or delegate any of its obligations hereunder or under the Revolving Note or under any Related Agreement without the other party's prior written consent, which consent in the case of consent requested from



Borrower by Lender shall not be unreasonably withheld, and any such assignment in contravention of this Section 11.9 shall be null and void. This Agreement, the Revolving Note, the Related Agreements and the documents executed and delivered pursuant hereto and thereto constitute the entire agreement between the parties with respect to the transactions contemplated by this Agreement, and supersede all prior written or oral understandings, agreements and commitments with respect to the subject matter hereof and/or thereof, all of which prior understandings, agreements and commitments are merged into this Agreement, the Revolving Note and the Related Agreements. Except as specifically set forth in any Related Agreement, no amendment, modification or termination of any provision of this Agreement, the Revolving Note, any Related Agreement or any document or agreement now or hereafter relating to any of the Obligations and/or the Collateral shall be effective unless the same shall be contained in a writing signed by the parties to this Agreement and any other Persons who are parties to such Revolving Note, Related Agreement or other document or agreement. No notice to or demand on Borrower in any case shall entitle Borrower to any other or further notice or demand in similar or other circumstances.

11.10 Payment Dates. Whenever any payment to be made hereunder or under the Revolving Note shall be stated to be due on a calendar day other than a Banking Day, such payment may be made on the next succeeding Banking Day and such extension of time shall in such case be included in computing interest in connection with such payment, Revolving Note or any Related Agreement.

11.11 Inspection. Lender shall have the right upon reasonable notice to inspect Borrower's premises and books and records.

11.12 Severability. If any provision of this Agreement, the Revolving Note or any Related Agreement shall be held invalid under any applicable Law, such invalidity shall not affect any other provision of this Agreement, such Revolving Note or such Related Agreement, as applicable, that can be given effect without the invalid provision, and, to this end, the provisions of each of this Agreement, the Revolving Note and each Related Document are severable.

11.13 Counterparts. This Agreement and each Related Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument, and this Agreement shall be effective when at least one counterpart of this Agreement or such Related Agreement, as applicable, has been executed by each party hereto or thereto.

11.14 Participation Loan. Borrower recognizes and consents to the fact that the Revolving Loan is being funded on a pro rata basis by Lender and ALBANK, FSB ("ALBANK") pursuant to the terms of a Participation Agreement of even date. To the extent any notices, documents, financial statements or any other items are required hereunder to be delivered to the Lender by the Borrower, Borrower shall also be required to deliver said notices, documents, financial statements and other items to ALBANK.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

MOHAWK PAPER MILLS, INC.

By: Raymond J. Jurek  
Its Sr. VP & CFO

STATE STREET BANK AND TRUST COMPANY

By: Richard V. [Signature]  
Its Vice President

SCHEDULE 1.1(a)

INVENTORY LOCATIONS

Mohawk Paper Mills, Inc.  
465 Saratoga Street  
Cohoes, NY 12047

Mohawk Paper Mills, Inc.  
One O'Connor Drive  
Waterford, NY 12188

Mohawk Paper Mills, Inc.  
Rotterdam Industrial Park  
Bldg. 12  
Rotterdam, NY 12307

Mohawk Paper Mills, Inc.  
c/o Bender Warehouse  
205 Parr Blvd.  
Reno, NV 89512

Nationwide Papers  
1424 First Street, N.W.  
P.O. Box 26028  
Albuquerque, NM 87125

Nationwide Papers  
345 Schwerin Street  
San Francisco, CA 94134

Nationwide Papers  
15005 Northam Street  
La Mirada, CA 90638

Nationwide Papers  
4800 E. 48<sup>th</sup> Ave  
Denver, CO 80216-3214

Boyd Converting Company  
Pleasant Street  
South Lee, MA 02160

Heller & Usdan, Inc.  
Paper Merchants &  
Converters  
7 Caesar Place  
Moonachie, NJ 07074

Holyoke Card and Paper Co.  
95 Fisk Ave.  
Springfield, MA 01101-3450

Kalamazoo Converting  
521 East Mosel Ave.  
Kalamazoo, MI 49004

W.W.F. Canada/  
T. Havill, Inc.  
11970 Boul. Alvert Hudon  
Montreal Canada H1G 3K3

**SCHEDULE 1.1(b)**

**RELATED AGREEMENTS**

Revolving Line of Credit Note - Fluctuating Interest  
Commercial Revolving Loan and Security Agreement

UCC-1 Financing Statements executed by Mohawk Paper Mills, Inc., as Debtor in favor of State Street  
Bank and Trust Company as Secured Party:

State of New York  
Albany County, NY  
Saratoga County, NY

SCHEDULE 4.1

TRADEMARKS/COPYRIGHTS

**MOHAWK SUPERFINE**

INTL CLASS: 16 (Paper Goods & Printed Matter)

U.S. CLASS: 2 (Receptacles)

5 (Adhesives)

22 (Games, Toys, & Sporting Goods)

23 (Cutlery, Machines, & Tools, Parts Therof)

29 (Brooms, Brushes, & Dusters)

37 (Paper & Stationery)

38 (Prints & Publications)

50 (Merchandise Not Otherwise Classified)

STATUS: Pending; Final Refusal Counted - Not Mailed

GOODS/SERVICES: PRINTING PAPER, NAMELY, TEXT, COVER AND BRISTOL PAPERS

SERIAL NO.: 75-419,706

FIRST USE: December 1945 (Intl Class 16)

FIRST COMMERCE: December 1945 (Intl Class 16)

FILED: January 20, 1998

ORIGINAL APPLICANT: MOHAWK PAPER MILLS, INC. (New York Corporation), PO BOX 497, 465 SOUTH SARATOGA ST., COHOES, NY (New York), 12047, USA (United States of America)

DISCLAIMS: "SUPERFINE"

OTHER U.S. REGISTRATIONS: 0573349; 1595348

**50/10PLUS**

INTL CLASS: 16 (Paper Goods & Printed Matter)

U.S. CLASS: 2 (Receptacles)

5 (Adhesives)

22 (Games, Toys, & Sporting Goods)

23 (Cutlery, Machines, & Tools, Parts Therof)

29 (Brooms, Brushes, & Dusters)

37 (Paper & Stationery)

38 (Prints & Publications)

50 (Merchandise Not Otherwise Classified)

STATUS: Pending; Approval For Publication

GOODS/SERVICES: COATED PRINTING PAPER, NAMELY, TEXT, COVER AND BRISTOL PAPERS

SERIAL NO.: 75-419,704

FIRST USE: September 12, 1990 (Intl Class 16)

FIRST COMMERCE: September 12, 1990 (Intl Class 16)

FILED: January 20, 1998

ORIGINAL APPLICANT: MOHAWK PAPER MILLS, INC. (New York Corporation), PO BOX 497, 465 SOUTH SARATOGA ST., COHOES, NY (New York), 12047, USA (United States of America)

**INXWELL**

INTL CLASS: 16 (Paper Goods & Printed Matter)

U.S. CLASS: 2 (Receptacles)

5 (Adhesives)

22 (Games, Toys, & Sporting Goods)

23 (Cutlery, Machines, & Tools, Parts Therof)

29 (Brooms, Brushes, & Dusters)

37 (Paper & Stationery)

38 (Prints & Publications)

50 (Merchandise Not Otherwise Classified)

STATUS: Registered

GOODS/SERVICES: PRINTING PAPERS

SERIAL NO.: 74-727,216

REG. NO.: 1,987,286

REGISTERED: July 16, 1996

FIRST USE: August 28, 1995 (Intl Class 16)

FIRST COMMERCE: August 28, 1995 (Intl Class 16)

FILED: September 11, 1995

PUBLISHED: April 23, 1996

OWNER AT PUBLICATION: MOHAWK PAPER MILLS, INC. (New York Corporation), 465 SOUTH SARATOGA ST., PO BOX 497, COHOES, NY (New York), 12047, USA (United States of America)

**OPTIONS**

INTL CLASS: 16 (Paper Goods & Printed Matter)

U.S. CLASS: 2 (Receptacles)

5 (Adhesives)

22 (Games, Toys, & Sporting Goods)

23 (Cutlery, Machines, & Tools, Parts Therof)

29 (Brooms, Brushes, & Dusters)

37 (Paper & Stationery)

38 (Prints & Publications)

50 (Merchandise Not Otherwise Classified)

STATUS: Registered; Intent to Use - Application

GOODS/SERVICES: TEXT AND COVER PAPERS SOLD WHOLESALE TO PRINTERS  
AND < BOOD > \* BOOK \* BINDERS

SERIAL NO.: 74-690,539

REG. NO.: 2,033,403

REGISTERED: January 28, 1997

FIRST USE: August 4, 1995 (Intl Class 16)

FIRST COMMERCE: August 4, 1995 (Intl Class 16)

FILED: June 19, 1995

PUBLISHED: November 5, 1996

OG AMENDED: July 15, 1997

ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York

Corporation), 465 SOUTH SARATOGA ST., (PO BOX 497), COHOES, NY  
(New York), 12047, USA (United States of America  
CLAIMS: IN THE STATEMENT, COLUMN 1, LINE 6, "BOOD" SHOULD BE  
DELETED, AND "BOOK" SHOULD BE INSERTED.

**FIELDSTONE**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Registered  
GOODS/SERVICES: PRINTING AND COVER PAPERS  
SERIAL NO.: 74-238,679  
REG. NO.: 1,721,909  
REGISTERED: October 6, 1992  
FIRST USE: March 16, 1970 (Intl Class 16)  
FIRST COMMERCE: March 16, 1970 (Intl Class 16)  
FILED: January 21, 1992  
PUBLISHED: July 14, 1992  
OWNER AT PUBLICATION: MOHAWK PAPER MILLS, INC. (New York  
Corporation), 465 SOUTH SARATOGA ST., COHOES, NY (New York),  
12047, USA (United States of America

**ARTEMIS**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Registered  
GOODS/SERVICES: TEXT AND COVER PAPERS  
SERIAL NO.: 74-233,592  
REG. NO.: 1,715,706  
REGISTERED: September 15, 1992  
FIRST USE: June 22, 1945 (Intl Class 16)  
FIRST COMMERCE: June 22, 1945 (Intl Class 16)  
FILED: December 26, 1991  
PUBLISHED: June 23, 1992  
OWNER AT PUBLICATION: MOHAWK PAPER MILLS, INC. (New York  
Corporation), 465 SOUTH SARATOGA ST., COHOES, NY (New York),  
12047, USA (United States of America

**NAVAJO**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Registered; Section 8 & 15 - Accepted & Acknowledged  
GOODS/SERVICES: COVER, MIMEOGRAPH, BRISTOL, BOND, LEDGER, VELLUM,  
DRAWING AND TEXT PAPERS  
SERIAL NO.: 74-233,591  
REG. NO.: 1,715,705  
REGISTERED: September 15, 1992

FIRST USE: January 19, 1939 (Intl Class 16)  
FIRST COMMERCE: January 19, 1939 (Intl Class 16)  
FILED: December 26, 1991  
PUBLISHED: June 23, 1992  
AFFIDAVIT SEC.: 8-15; November 7, 1997  
ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York Corporation), 465 SOUTH SARATOGA ST., COHOES, NY (New York), 12047, USA (United States of America)

DISCLAIMS: "VIENNESE CHALK FACIAL WASH"

**WHEN YOU WANT TO LOOK GOOD ON PAPER.**

INTL CLASS: 35 (Advertising & Business Services)  
U.S. CLASS: 101 (Advertising & Business Services)  
STATUS: Abandoned - Failure To Respond  
GOODS/SERVICES: SERVICES IN CONNECTION WITH THE MERCHANDISING OF PAPER

SERIAL NO.: 74-005,201

FIRST USE: October 1, 1974 (Intl Class 35)  
FIRST COMMERCE: October 1, 1974 (Intl Class 35)  
FILED: November 27, 1989  
ABANDONED: November 19, 1990  
ORIGINAL APPLICANT: MOHAWK PAPER MILLS, INC. (New York Corporation), 465 SOUTH SARATOGA ST., COHOES, NY (New York), 12047, USA (United States of America)

**PERFECT WHITE**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 38 (Prints & Publications)  
STATUS: Registered; Section 8 - Accepted; Supplemental Register  
GOODS/SERVICES: TEXT AND COVER PAPERS  
SERIAL NO.: 73-830,133  
REG. NO.: 1,593,655  
REGISTERED: April 24, 1990  
FIRST USE: April 1, 1989 (Intl Class 16)  
FIRST COMMERCE: April 15, 1989 (Intl Class 16)  
FILED: October 10, 1989  
AFFIDAVIT SEC.: 8; January 4, 1996  
ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York Corporation), 465 SOUTH SARATOGA ST., COHOES, NY (New York), 12047, USA (United States of America)

**MOHAWK INNOVATION**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Registered; Section 8 & 15 - Accepted & Acknowledged  
GOODS/SERVICES: PRINTING AND WRITING PAPERS  
SERIAL NO.: 73-828,330  
REG. NO.: 1,595,348



REGISTERED: May 8, 1990  
FIRST USE: July 31, 1989 (Intl Class 16)  
FIRST COMMERCE: September 11, 1989 (Intl Class 16)  
FILED: September 29, 1989  
PUBLISHED: February 13, 1990  
AFFIDAVIT SEC.: 8-15; January 31, 1996  
ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York Corporation), 465 SOUTH SARATOGA ST., COHOES, NY (New York), 12047, USA (United States of America)  
OTHER U.S. REGISTRATIONS: 0573349

#### **PREMIUM LASER TEXT**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Registered; Section 8 - Accepted; Supplemental Register  
GOODS/SERVICES: TEXT AND COVER PAPERS  
SERIAL NO.: 73-828,329  
REG. NO.: 1,610,899  
REGISTERED: August 21, 1990  
FIRST USE: September 1, 1989 (Intl Class 16)  
FIRST COMMERCE: September 15, 1989 (Intl Class 16)  
FILED: September 29, 1989  
AFFIDAVIT SEC.: 8; October 15, 1996  
ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York Corporation), 465 SOUTH SARATOGA ST., COHOES, NY (New York), 12047, USA (United States of America)

#### **TOMOHAWK**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 38 (Prints & Publications)  
STATUS: Registered; Section 8 & 15 - Accepted & Acknowledged  
GOODS/SERVICES: TEXT AND COVER PAPERS  
SERIAL NO.: 73-714,955  
REG. NO.: 1,505,890  
REGISTERED: September 27, 1988  
FIRST USE: June 1980 (Intl Class 16)  
FIRST COMMERCE: June 1980 (Intl Class 16)  
FILED: March 7, 1988  
PUBLISHED: July 5, 1988  
AFFIDAVIT SEC.: 8-15; February 17, 1994  
ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York Corporation), 465 SOUTH SARATOGA ST., COHOES, NY (New York), 12047, USA (United States of America)

#### **ULTRAFELT**

INTL CLASS: 16 (Paper Goods & Printed Matter)

U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Registered; Section 8 & 15 - Accepted & Acknowledged  
GOODS/SERVICES: PRINTING PAPER  
SERIAL NO.: 73-680,108  
REG. NO.: 1,524,448  
REGISTERED: February 14, 1989  
FIRST USE: February 1987 (Intl Class 16)  
FIRST COMMERCE: May 1987 (Intl Class 16)  
FILED: August 24, 1987  
PUBLISHED: November 22, 1988  
AFFIDAVIT SEC.: 8-15; September 7, 1994  
ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York Corporation), 465 SOUTH SARATOGA ST., COHOES, NY (New York), 12047, USA (United States of America)

#### NUANCE

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Registered; Section 8 & 15 - Accepted & Acknowledged  
GOODS/SERVICES: BOND PAPER  
SERIAL NO.: 73-657,982  
REG. NO.: 1,466,332  
REGISTERED: November 24, 1987  
FIRST USE: April 2, 1987 (Intl Class 16)  
FIRST COMMERCE: April 2, 1987 (Intl Class 16)  
FILED: April 30, 1987  
PUBLISHED: September 1, 1987  
AFFIDAVIT SEC.: 8-15; April 2, 1993  
ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York Corporation), 465 SOUTH SARATOGA ST., COHOES, NY (New York), 12047, USA (United States of America)

#### IRISH LINEN

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Registered; Section 8 & 15 - Accepted & Acknowledged  
GOODS/SERVICES: TEXT AND COVER PAPERS  
SERIAL NO.: 73-310,850  
REG. NO.: 1,223,389  
REGISTERED: January 11, 1983  
FIRST USE: December 16, 1980 (Intl Class 16)  
FIRST COMMERCE: December 16, 1980 (Intl Class 16)  
FILED: May 18, 1981  
PUBLISHED: October 19, 1982  
AFFIDAVIT SEC.: 8-15; September 29, 1988  
LAST LISTED OWNER: MOHAWK PAPER MILLS, INC., COHOES, N.Y.

**VISTA <VIEW>**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Cancelled - Section 7(D)  
GOODS/SERVICES: (U.S. CL. A) COVER PAPER (U.S. CL. 37 ) COVER  
PAPER  
SERIAL NO.: 72-421,368  
REG. NO.: 966,500  
REGISTERED: August 21, 1973  
FIRST USE: April 6, 1972 (U.S. Class 37)  
FIRST COMMERCE: April 6, 1972 (U.S. Class 37)  
FILED: April 14, 1972  
PUBLISHED: June 5, 1973  
CANCELLED IN OG: November 7, 1989  
CANCELLATION RECORDED: September 25, 1989  
CANCELLATION SEC.: 7D  
LAST LISTED OWNER: MOHAWK PAPER MILLS, INC., COHOES, N.Y.

**FIELDSTONE**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Expired  
GOODS/SERVICES: PRINTING AND COVER PAPERS  
SERIAL NO.: 72-358,320  
REG. NO.: 913,569  
REGISTERED: June 8, 1971  
FIRST USE: March 16, 1970 (U.S. Class 37)  
FIRST COMMERCE: March 16, 1970 (U.S. Class 37)  
FILED: April 29, 1970  
PUBLISHED: February 2, 1971  
AFFIDAVIT SEC.: 8-15  
ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York  
Corporation), COHOES, NY (New York), 12047, USA (United States  
of America)

**M and Design**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Renewed  
GOODS/SERVICES: PAPER AND PAPERBOARD, BOTH COATED AND  
UNCOATED-NAMELY, ALL KINDS OF WRITING PAPERS AND PAPER  
SPECIALTIES INCLUDING PAPERS MADE WITH SPECIAL CHARACTERISTICS  
AND PROPERTIES TO ADAPT THEM TO SPECIAL USES SUCH AS DRAWING  
AND PRINTING PAPER, LEDGER PAPER, CONSTRUCTION PAPER, POSTER  
PAPER, TAG STOCK, BOND PAPER, WEDDING PAPER, TYPEWRITER PAPER,  
BOOK PAPER, MANUSCRIPT COVER PAPER, TEXT PAPER, COVER PAPER,  
BOX COVER PAPER, DETAIL PAPER, DUPLICATOR AND MIMEOGRAPH AND  
COPY PAPER, BRISTOL PAPER, PAPETERIE PAPER, SPECIAL FINISH

PAPER, VELLUM PAPER, OPAQUE VELLUM PAPER, OPAQUE SMOOTH PAPER,  
ENVELOPE PAPER, AND ANNOUNCEMENT PAPER

SERIAL NO.: 72-303,811

REG. NO.: 871,337

REGISTERED: June 17, 1969

FIRST USE: July 23, 1968 (U.S. Class 37)

FIRST COMMERCE: July 24, 1968 (U.S. Class 37)

FILED: July 29, 1968

PUBLISHED: April 1, 1969

RENEWED IN OG: May 8, 1990

AFFIDAVIT SEC.: 8-15

ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York  
Corporation), COHOES, NY (New York), 12047, USA (United States  
of America)

#### DESIGN ONLY

INTL CLASS: 16 (Paper Goods & Printed Matter)

U.S. CLASS: 37 (Paper & Stationery)

STATUS: Renewed

GOODS/SERVICES: PAPER AND PAPER BOARD, BOTH COATED AND  
UNCOATED-NAMELY, ALL KINDS OF WRITING PAPERS AND PAPER  
SPECIALTIES INCLUDING PAPERS MADE WITH SPECIAL CHARACTERISTICS  
AND PROPERTIES TO ADAPT THEM TO SPECIAL USES AS DRAWING AND  
PRINTING PAPER, LEDGER PAPER, CONSTRUCTION PAPER, POSTER  
PAPER, TAG STOCK, BOND PAPER, WEDDING PAPER, TYPEWRITER PAPER,  
BOOK PAPER, MANUSCRIPT COVER PAPER, TEXT PAPER, COVER PAPER,  
BOX COVER PAPER, DETAIL PAPER, DUPLICATOR AND MIMEOGRAPH AND  
COPY PAPER, BRISTOL PAPER, PAPETERIE PAPER, SPECIAL FINISH  
PAPER; VELLUM PAPER, OPAQUE SMOOTH PAPER, ENVELOPE PAPER AND  
ANNOUNCEMENT PAPER

SERIAL NO.: 72-303,330

REG. NO.: 875,646

REGISTERED: August 26, 1969

FIRST USE: July 1, 1946 (U.S. Class 37)

FIRST COMMERCE: August 1, 1946 (U.S. Class 37)

FILED: July 22, 1968

PUBLISHED: June 10, 1969

RENEWED IN OG: May 8, 1990

AFFIDAVIT SEC.: 8-15

ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York  
Corporation), COHOES, NY (New York), 12047, USA (United States  
of America)

PORTRAIT: THE INDIAN SHOWN IN THE DRAWING IS FICTITIOUS.

**TICONDEROGA**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Renewed  
GOODS/SERVICES: PRINTING AND WRITING PAPERS  
SERIAL NO.: 72-199,204  
REG. NO.: 787,571  
REGISTERED: March 30, 1965  
FIRST USE: December 1, 1932 (U.S. Class 37)  
FIRST COMMERCE: December 1, 1932 (U.S. Class 37)  
FILED: August 4, 1964  
PUBLISHED: January 12, 1965  
RENEWED IN OG: May 21, 1985  
AFFIDAVIT SEC.: 8-15  
1ST NEW OWNER ENTERED AFTER REGISTRATION: MOHAWK PAPER MILLS,  
INC. (New York Corporation), 485 SOUTH SARATOGA ST. (PO BOX  
497), COHOES, NY (New York), 12047, USA (United States of  
America

**DIAZOPAQUE**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Expired; Supplemental Register  
GOODS/SERVICES: COPY PAPER SUITABLE FOR DIAZO REPRODUCTION  
SERIAL NO.: 72-160,648  
REG. NO.: 793,493  
REGISTERED: July 27, 1965  
FIRST USE: November 21, 1962 (U.S. Class 37)  
FIRST COMMERCE: November 21, 1962 (U.S. Class 37)  
FILED: January 14, 1963  
EXPIRED: October 27, 1985  
AFFIDAVIT SEC.: 8  
LAST LISTED OWNER: MOHAWK PAPER MILLS, INC., COHOES, N.Y.

**TICONDEROGA OFFSET**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Renewed  
GOODS/SERVICES: PAPERS AND PAPER PRODUCTS-NAMELY, PRINTING AND  
BOOK PAPERS.  
SERIAL NO.: 72-118,252  
REG. NO.: 729,202  
REGISTERED: March 27, 1962

FIRST USE: January 30, 1953 (U.S. Class 37)  
FIRST COMMERCE: January 30, 1953 (U.S. Class 37)  
FILED: April 20, 1961  
PUBLISHED: January 9, 1962  
LAST LISTED OWNER: INTERNATIONAL PAPER COMPANY, NEW YORK, N.Y.  
CLAIMS: -9-THE WORD "OFFSET" IS DISCLAIMED APART FROM THE MARK AS SHOWN.\*

#### **TICONDEROGA TEXT**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Renewed; Registered  
GOODS/SERVICES: PAPER AND PAPER PRODUCTS-NAMELY, PRINTING AND BOOK PAPERS  
SERIAL NO.: 72-117,370  
REG. NO.: 728,011  
REGISTERED: February 27, 1962  
FIRST USE: December 1, 1932 (U.S. Class 37)  
FIRST COMMERCE: December 1, 1932 (U.S. Class 37)  
FILED: April 7, 1961  
PUBLISHED: December 12, 1961  
AFFIDAVIT SEC.: 8-15  
1ST NEW OWNER ENTERED AFTER REGISTRATION: MOHAWK PAPER MILLS, INC. (New York Corporation), COHOES, NY (New York), USA (United States of America)  
DISCLAIMS: THE WORD "TEXT" IS HEREBY DISCLAIMED APART FROM THE MARK AS SHOWN.

#### **POSEIDON**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Renewed  
GOODS/SERVICES: ALL KINDS OF WRITING, DRAWING, AND PRINTING PAPERS, TYPEWRITER PAPERS, BOOK PAPERS, MANUSCRIPT COVER PAPERS, BRISTOL PAPERS, TEXT PAPERS, COVER PAPERS  
SERIAL NO.: 72-030,260  
REG. NO.: 659,362  
REGISTERED: March 11, 1958  
FIRST USE: May 7, 1957 (U.S. Class 37)  
FIRST COMMERCE: May 7, 1957 (U.S. Class 37)  
FILED: May 17, 1957  
PUBLISHED: December 24, 1957  
RENEWAL FILED: October 20, 1997  
RENEWED IN OG: December 30, 1997  
AFFIDAVIT SEC.: 8-15  
ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York Corporation), PO BOX 497, 465 SOUTH SARATOGA ST., COHOES, NY (New York), 12047, USA (United States of America)

**CORTLEA Stylized Letters**

INTL CLASS: 16 (Paper Goods & Printed Matter)

U.S. CLASS: 37 (Paper & Stationery)

STATUS: Expired

GOODS/SERVICES: PAPER AND PAPER BOARD-NAMELY, UNCOATED AND COATED

PAPERS, WRITING PAPERS AND PAPER SPECIALITIES INCLUDING PAPERS MADE WITH SPECIAL CHARACTERISTICS AND PROPERTIES TO ADAPT THEM TO SPECIAL USES SUCH AS DRAWING AND PRINTING PAPERS, BOND PAPERS, WEDDING PAPERS, TYPEWRITER PAPERS, BOOK PAPERS, MANUSCRIPT COVER PAPERS, TEXT PAPERS, COVER PAPERS, BOX COVER PAPERS, DETAIL PAPERS, DRAWING PAPERS, PAPETERIE PAPERS, SPECIAL FINISH PAPERS, VELLUM PAPERS, ENVELOPE PAPER, AND ANNOUNCEMENT PAPERS

SERIAL NO.: 71-682,583

REG. NO.: 623,068

REGISTERED: March 13, 1956

FIRST USE: 1937 (U.S. Class 37)

FIRST COMMERCE: 1937 (U.S. Class 37)

FILED: March 1, 1955

PUBLISHED: December 20, 1955

EXPIRED: December 16, 1996

AFFIDAVIT SEC.: 8-15

ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York Corporation), COHOES, NY (New York), USA (United States of America)

**NAVAJO**

INTL CLASS: 16 (Paper Goods & Printed Matter)

U.S. CLASS: 37 (Paper & Stationery)

STATUS: Expired

GOODS/SERVICES: COVER MIMEOGRAPHS, BRISTOL, BOND, LEDGER, VELLUM, DRAWING AND TEXT PAPERS

SERIAL NO.: 71-592,089

REG. NO.: 546,301

REGISTERED: August 7, 1951

FIRST USE: January 19, 1939 (U.S. Class 37)

FIRST COMMERCE: January 19, 1939 (U.S. Class 37)

FILED: February 7, 1950

PUBLISHED: May 15, 1951

RENEWAL FILED: March 14, 1991

AFFIDAVIT SEC.: 8-15

OWNER TYPE UNDEFINED: MOHAWK PAPER MILLS, INC. (New York Corporation), COHOES AND WATERFORD, NY (New York), USA (United States of America)

**MOHAWK Block Letters**

INTL CLASS: 16 (Paper Goods & Printed Matter)

U.S. CLASS: 37 (Paper & Stationery)

STATUS: Renewed

GOODS/SERVICES: SCHOOL DRAWING, PRINTING BRISTOL, PRINTING COVER,  
ENVELOPE, BOND, CONSTRUCTION, POSTER, LEDGER, MIMEO,  
DUPLICATOR, TAG STOCK PAPER, TEXT, VELLUM, OPAQUE VELLUM, AND  
OPAQUE SMOOTH PAPERS, MANUFACTURED AND SOLD BY SAID

CORPORATION

IN ROLLS, IN REAMS, AND IN UNITS OF ONE THOUSAND SHEETS

SERIAL NO.: 71-592,086

REG. NO.: 573,349

REGISTERED: April 21, 1953

FIRST USE: March 25, 1932 (U.S. Class 37)

FIRST COMMERCE: March 25, 1932 (U.S. Class 37)

FILED: February 7, 1950

PUBLISHED: December 16, 1952

RENEWAL FILED: December 7, 1992

RENEWED IN OG: February 16, 1993

AFFIDAVIT SEC.: 8-15

3RD NEW OWNER ENTERED AFTER REGISTRATION: MOHAWK PAPER MILLS,  
INC. (New York Corporation), 465 SOUTH SARATOGA ST., COHOES,  
NY (New York), 12047, USA (United States of America)



**ARTEMIS**

INTL CLASS: 16 (Paper Goods & Printed Matter)  
U.S. CLASS: 37 (Paper & Stationery)  
STATUS: Renewed  
GOODS/SERVICES: TEXT AND COVER PAPERS  
SERIAL NO.: 71-592,083  
REG. NO.: 545,971  
REGISTERED: July 31, 1951  
FIRST USE: June 22, 1945 (U.S. Class 37)  
FIRST COMMERCE: June 22, 1945 (U.S. Class 37)  
FILED: February 7, 1950  
PUBLISHED: April 24, 1951  
RENEWAL FILED: March 14, 1991  
RENEWED IN OG: January 26, 1993  
AFFIDAVIT SEC.: 8-15  
ORIGINAL REGISTRANT: MOHAWK PAPER MILLS, INC. (New York Corporation), 485 S. SARATOGA ST., COHOES, NY (New York), 12047, USA (United States of America)

The following is a copyright owned by MOHAWK PAPER MILLS INC.

**Hazard management program.**

CLASS: TX (Textual Works)  
LC RETRIEVAL CODE: C (Machine-readable works)  
STATUS: Registered  
REGISTRATION NUMBER: TX1883920  
DATE REGISTERED: July 31, 1986 (19860731)  
DATE OF CREATION: 1986  
DATE OF PUBLICATION: July 07, 1986  
AUTHOR(s): Mohawk Paper Mills, Inc  
OWNER(s): Mohawk Paper Mills, Inc  
REGISTRATION DEPOSIT: printout & 19 p.

**SCHEDULE 6.13**

**EXISTING INDEBTEDNESS**

**CAPTIAL LEASES**

- I. Master Equipment Lease Agreement No. 30476 dated 8/21/90 between Fleet Credit Corporation and Mohawk Paper Mills, Inc., which was subsequently assigned to TransAmerica Business Credit Corporation effective 10/18/96.
- Schedule 7: Soft Calendar Stack. 8/31/98 outstanding balance of \$567,810.68.
- II. Master Lease Agreement dated November 10, 1992 between the CIT Group/Equipment Financing, Inc. and Mohawk Paper Mills, Inc. with an outstanding balance as of 8/31/98 of \$461,091.81.
- II. Master Lease Agreement dated 9/13/91 between the CIT Group/Equipment Financing, Inc. and Mohawk Paper Mills, Inc. with an outstanding balance as of 8/31/98 of \$7,559.53.
- Starch and Supply & Equipment Financing Agreement dated 1/1/96 between Cargill, Incorporated and Mohawk Paper Mills, Inc., including Promissory Note dated 1/1/96 between Cargill, Incorporated and Mohawk Paper Mills, Inc. \$378,180.00. 8/31/98 outstanding balance of \$162,099.00.

**SCHEDULE 6.15**

**ERISA**

001 Union Employees Pension Plan of Mohawk Paper Mills  
002 Trustees of the United Paperworkers International Union Local 390 401(k) Plan  
003 Non-Union Retirement Income Plan  
004 The Mohawk Paper Mills Defined Contribution Savings Plan  
501 Group Term Insurance - Union  
502 Group Ordinary Life - All Employees  
503 Collective Bargaining Union Plan  
505 Group Term Insurance - Non-Union  
506 Non-Union Plan Benefit  
507 Long Term Disability LTD  
508 NY State Disability Insurance  
509 Employee Assistance Program  
510 Mohawk Paper Mills, Inc. Flexible Benefits Plan

## SCHEDULE 6.16

### ENVIRONMENTAL MATTERS

#### 1992 Cohoes Mill Oil Spill

In July 1992 Borrower experienced an oil spill at the Cohoes Mill. A partially buried 25,000 gallon storage tank that contained number 6 fuel oil developed leaks as a result of corrosion. After migrating through porous soil, the oil leaked into a 36 inch storm water drain which discharges to a branch of the Mohawk River that flows into the Hudson River. The oil that had accumulated in the storm water drain was flushed out during a heavy rainstorm.

After the problem was discovered, the spill was cleaned up and the tank was emptied and dismantled for disposal. The branch of the storm water drain into which the oil leaked was isolated from the main drain line by a concrete barrier. Manholes which served as entry points to the now blocked branch line were also filled and capped with concrete to eliminate the potential for a similar future occurrence.

All actions taken by Borrower with respect to such spill were approved, observed and supervised by representatives of the New York State Department of Environmental Conservation.

#### Friable Asbestos

Most of the asbestos insulation that was present in the Cohoes Mill was removed in recent years during the course of capital improvement projects. Asbestos insulation is more prevalent in the Waterford Mill. It can be found on piping in the machine room area. Asbestos was also used extensively in the old power house, a section of the Waterford Mill that contains the remnants of three steam boilers which were taken out of service in 1997.

Borrower is also aware that the exterior siding on the Waterford Mill pulp shed contains significant amounts of chrysotile, an asbestos fiber that was once commonly used in construction materials. Air sampling for asbestos fiber was performed in the Waterford Mill pulp shed in 1993 by a professionally certified industrial hygienist employed by Adirondack Environmental Services ("AES"). The highest concentration of asbestos detected in six air samples acquired over a 24 hour period was 0.008 fibers per cubic centimeter. AES also confirmed the composition of the pulp shed siding. The siding was described as containing 30% to 50% chrysotile.

#### Other "Hazardous materials"

Borrower regularly uses and stores on site substances that are deemed hazardous by regulations. These materials are used in accordance with applicable regulations.

## EXHIBIT A

### Form of Revolving Line of Credit Note REVOLVING LINE OF CREDIT NOTE - FLUCTUATING INTEREST

\$14,000,000.00

, 1998

Boston, Massachusetts

For value received, Mohawk Paper Mills, Inc. (the "Borrower") promises to pay to the order of State Street Bank and Trust Company ("Bank") at the office of Bank located at 225 Franklin Street, Boston, MA 02110-2804, or such other place as the holder hereof shall designate, on May 1, 2000, FOURTEEN MILLION (\$14,000,000) DOLLARS or, if less, the aggregate unpaid principal amount of all loans made by the Bank to the Borrower pursuant to this Note. The Borrower further promises to pay the order of the Bank interest only monthly in arrears on the first day of each calendar month at the interest rate in effect pursuant to the interest rate options set forth below. Interest shall be calculated on the basis of actual days elapsed and a 360-day year. At any time that Borrower is in default hereunder or under any obligation to the Bank or in the event this Note is not paid in full at maturity, interest on unpaid balances shall thereafter be payable at a fluctuating interest rate per annum equal to four (4%) percent above the Prime Rate in effect from time to time.

The following interest rate options for the entire principal balance hereunder or for amounts exceeding \$500,000 shall be selected by Borrower from time to time. In the event the principal balance hereunder is less than \$500,000 or if the \$500,000 minimum amount is otherwise not met then the Fluctuating Rate (as hereinafter defined) shall be in effect.

1. Fluctuating Rate. The "Fluctuating Rate" shall be a per annum interest rate equal to the Bank's Prime Rate in effect from time to time plus the percentage spread set forth below in the provision entitled Fluctuating Rate Option Spread. Each change in such interest rate shall become effective simultaneously with the corresponding change in such Prime Rate. Prime Rate shall mean the rate of interest announced by the Bank at its principal office in Boston from time to time as its Prime Rate.

2. LIBOR Rate. The "LIBOR Rate" shall be a per annum interest rate equal to LIBOR plus the percentage spread set forth below in the matrix entitled "LIBOR Spread". The LIBOR Rate may be set at Borrower's option for periods of 30, 60 and 90 days (the "Designated Interest Rate Period"), but in no event shall extend beyond the maturity date of this Note. LIBOR (the London Interbank Offered Rate) means the rate per annum at which deposits in U.S. Dollars are offered to the Bank by first-class banks

in the London Interbank Market at approximately 11:00 a.m. (London Time) no more than two (2) business days prior to the first day such Designated Interest Rate Period applies and with a maturity comparable to such Designated Interest Rate Period.

The percentage spread for the Fluctuating Rate or the LIBOR Rate is based upon the Leverage Ratio and Debt Service Ratio matrix set forth below. ("Leverage Ratio" and "Debt Service Ratio" shall have the meanings given to them in the Loan Agreement referenced below.)

Debt Service Ratio		LIBOR Spread			
		<2.5	>=2.50 and <3.10	>=3.10 and <3.40	>=3.40
<1.70		2.50	2.75	3.00	3.25
>=1.70		2.25	2.50	2.75	3.00
and <2.00					
>=2.00		2.00	2.25	2.50	2.75
and <2.50					
>=2.50		1.50	2.00	2.50	2.75

4. Fluctuating Rate Option Spread. The spread above Prime shall equate to the matrix above as follows:

- If the LIBOR Rate pricing option, as calculated using the matrix above, results in pricing less than or equal to LIBOR plus two and one-quarter (2.25%) percent, then the fluctuating rate option shall be Prime.
- If the LIBOR Rate pricing option, as calculated using the matrix above, results in pricing greater than LIBOR plus two and one-quarter (2.25%) percent, but less than or equal to LIBOR plus two and three-quarters (2.75%) percent, then the fluctuating rate option shall be Prime plus one-half of one (.5%) percent.

- If the LIBOR Rate pricing option, as calculated using the matrix above, results in pricing greater than LIBOR plus two and three-quarters (2.75%) percent, then the fluctuating rate option shall be Prime plus one (1%) percent.

The applicable position on the matrix set forth above will be measured using Borrower's fiscal quarter financial statements. Borrower will submit a pricing measurement schedule, substantially in the form of Exhibit A attached hereto, within twenty-five (25) days following the conclusion of each fiscal quarter. Any change in the rate or index will become effective on the first day of the month following receipt of such schedule. In the event the maturity date of an amount outstanding under a LIBOR Rate option does not precisely coincide with a change in rate of index, the new rate will become effective, with respect to a LIBOR Rate, on the first day following the end of the relevant Designated Interest Rate Period.

The matrix above contemplates certain Leverage and Debt Service Ratios which may not conform to the requirements of the Commercial Revolving Loan and Security Agreement of even date (the "Loan Agreement"). Said requirements in the Loan Agreement shall not be deemed waived and/or modified as a result of the matrix set forth above. To the extent a Leverage and/or Debt Service Ratio is achieved which falls within the parameters of the matrix but fails to meet the requirement in the Loan Agreement, said failure shall be an event of default under the Loan Agreement unless waived in writing by the Bank.

In the event of prepayment of the Borrower's obligations to the Bank during such time as a Libor Rate is in effect, either at the Borrower's initiative or upon the exercise by the Bank of its rights in the event of the Borrower's default, the Borrower agrees to pay to the Bank a prepayment fee equal to its lost net interest income resulting from such prepayment, if any. Therefore, the Borrower's final payment to the Bank shall consist of all principal amounts outstanding, all interest owing up to the date of such prepayment or demand by the Bank, together with the Bank's lost net interest income, if any, computed by the Bank in a commercially reasonable manner.

Subject to the terms of this Note, Borrower shall have the right to make prepayments of principal at any time or from time to time.

If at any time the aggregate outstanding balance hereunder shall exceed the lesser of Fourteen Million Dollars (\$14,000,000) or the Borrowing Base as defined in a the Loan Agreement, the Borrower shall immediately repay this Note in an amount equal to such excess.

Any deposits or other sums at any time credited by or due from the holder to the Borrower and any securities or other property of the Borrower at any time in the possession of the holder may at all times be held and treated as collateral for the payment of this Note and any and all other liabilities (direct or indirect, absolute or contingent, sole, joint or several,

secured or unsecured, due or to become due, now existing or hereafter arising) of the Borrower to the holder. Regardless of the adequacy of collateral, the holder may apply or set off such deposits or other sums against such liabilities at upon an event of default continuing beyond any applicable notice and cure provisions in the case of the Borrower, but only with respect to matured liabilities in the case of endorser.

The Borrower hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement hereof and consent that no indulgence, and no substitution, release or surrender of collateral, and no discharge or release of any other party primarily or secondarily liable hereon, shall discharge or otherwise affect the liability of the Borrower or any such endorser. No delay or omission on the part of the holder in exercising any right hereunder shall operate as a waiver of such right or of any other right hereunder, and a waiver of any such right on any one occasion shall not be construed as a bar to or waiver of any such right on any future occasion.

This Note is secured by any collateral at any time granted to Bank to secure any obligations of any maker hereof.

This Note shall, at the option of the Bank, be immediately due and payable without notice or demand upon the occurrence of any of the following events of default, which in the case of a default in payment to the Bank has not been cured by Borrower within ten (10) days of its receipt of written notice from Bank and which in the case of any other default (other than arising under (d) and (e) below and/or under Section 10.1 (F), (G) or (H) as set forth in the Loan Agreement in which events there shall be no notice or cure period provided) has not been cured by Borrower within thirty (30) days of its receipt of written notice from Bank:

- (a) default of any liability, obligation or undertaking of the Borrower, hereunder or otherwise, including failure to pay in full and when due any sum due under either this Note or any other loan from the Bank to the Borrower, whether now existing or hereinafter arising;
- (b) default of any liability, obligation or undertaking of the Borrower under the provisions of any other agreement, including without limitation under the Loan Agreement between the Borrower and the Bank which by its terms relates to the obligations of the Borrower to the Bank;
- (c) if any statement, representation or warranty made in or in connection with the application for the loan evidenced by either this Note or any loan from the Bank to the Borrower, or in any supporting financial statement of the Borrower shall be found to have been false in any material respect;
- (d) if the Borrower is a corporation, trust or partnership, the liquidation, termination or dissolution of any such organization or its ceasing to carry on actively its present business or the appointment of a receiver of its property;



- (e) the institution by or against the Borrower of any proceedings under the Bankruptcy Act or any other law in which the Borrower is alleged to be insolvent or unable to pay their respective debts as they mature or the making by the Borrower of an assignment for the benefit of creditors provided the institution of such proceedings against the Borrower shall not be a default hereunder if such proceedings are stayed, terminated or dismissed within sixty (60) days of being instituted.
  
- (f) an event of default occurs under any loan from any other bank to the Borrower.

The Borrower agrees to pay on demand all reasonable costs and expenses (including legal costs and reasonable attorney's fees) incurred or paid by the holder in enforcing this note on default.

The Note incorporates the terms and conditions set forth in the Loan Agreement, which terms and conditions are incorporated by reference herein, including without limitation, Borrower's warranties, covenants and negative covenants contained therein.

This Note shall be governed by the laws of the State of New York.

**BORROWER:**

Mohawk Paper Mills, Inc.

By: \_\_\_\_\_

Its:

\_\_\_\_\_  
Witness

## EXHIBIT B

### Description of Collateral

All of the Borrower's right, title and interest in and to the following (collectively, the "Collateral"), whether now or hereafter existing or acquired, in which a security interest is granted to the Lender:

(A) All accounts and accounts receivable related to or arising from the sale or lease of inventory or rendition of services by Borrower in the ordinary course of its business or arising in any other manner and all other accounts, bank accounts, contracts, contract rights, notes, documents, chattel paper, instruments, acceptances, drafts or other forms of obligations and receivables (collectively, the "Accounts"), whether or not the same are listed on any schedules, assignments or reports furnished to Lender from time to time, and whether such Accounts are now existing or are created at any time hereafter, together with all goods, inventory and merchandise returned by or reclaimed by or repossessed from customers wherever such goods, inventory and merchandise are located, and all proceeds thereto including without limitation, proceeds of insurance thereon and all guaranties, securities, and liens which Borrower may hold for the payment of any such Accounts, including without limitation, all rights of stoppage in transit, replevin and reclamation and all other rights and remedies of an unpaid vendor or lienor, and any liens held by Borrower as a mechanic, contractor, subcontractor, processor, materialman, machinist, manufacturer, artisan, or otherwise;

(B) All documents, instruments, securities, documents of title, general intangibles, policies and certificates of insurance, guaranties, securities, chattel paper, deposits, tax refunds, proceeds of insurance, proceeds of an eminent domain or condemnation award, cash, liens or other property (other than real property), which are now or may hereinafter be in the possession of the Borrower or as to which the Borrower may now or hereafter control possession by documents of title or otherwise, including, but not limited to, all property allocable to unshipped orders relating to Accounts and Inventory;

(C) All books, records, customer lists, supplier lists, ledgers, evidences of shipping, invoices, purchase orders, sales orders and all other evidences of Borrower's business records, including all cabinets, drawers, etc. that may hold the same; computer records, lists, software, programs, wherever located, all whether now existing or hereafter arising or acquired;

(D) All Borrower's inventory, whether now owned or hereafter acquired, including without limitation: (i) all goods manufactured or acquired for sale or lease, and any piece goods, raw materials, work in process and finished merchandise, findings or component materials, and all supplies, goods, incidentals, office supplies, packaging materials, and any and all items including machinery and equipment used or consumed in the operation of the business of Borrower or which contribute to the finished product or to the sale, promotion and shipment thereof, in which Borrower now or at any time hereafter may have an interest, whether or not

such inventory is listed in this agreement on any reports furnished to Lender from time to time; (ii) all inventory whether or not the same is in transit or in the constructive, actual or exclusive occupancy or possession of Borrower or is held by Borrower or by others for the Accounts, including without limitation, all goods covered by purchase orders and contracts with suppliers and all goods billed and held by suppliers; (iii) all inventory which may be located on premises of Borrower or of any carrier, forwarding agents, truckers, warehousemen, vendors, selling agents or third parties; (iv) all general intangibles relating to or arising out of inventory; and (v) all proceeds and products of the foregoing resulting from the sale, lease or other disposition of inventory, including cash, accounts receivable, other non-cash proceeds and trade-ins (collectively, "Inventory");

(E) All general intangibles, including without limitation, tax refunds, customer lists, proceeds of insurance, unearned insurance premium refunds, eminent domain awards, condemnation proceeds, and patents, copyrights, tradenames, trademarks including but not limited to those copyrights and trademarks listed on Schedule 4.1, any applications therefor, and licenses to any patent, copyright, trademark, or tradename that Borrower now owns, has the right to use or may hereafter own or acquire the right to use;

(F) All equipment, machinery, appliances, and furniture and fixtures, now existing or hereafter arising, wherever located, and all contracts, contract rights and chattel paper arising out of any lease of any of the foregoing or otherwise;

(G) All other collateral in which Borrower may hereafter grant to Lender a security interest; and

(H) All renewals, substitutions, replacements, additions, accessions, proceeds, and products of any and all of the foregoing.

**EXHIBIT C**

**Form of Borrowing Base Certificate**

Certificate as to Collateral and Borrowing Base

Pursuant to the Commercial Revolving Loan and Security Agreement ("Agreement") between the undersigned ("Borrower"), and State Street Bank and Trust Company (the "Lender") dated as of November 24, 1998, the undersigned hereby requests loan availability as outlined below and hereby confirms to the Lender its security interest pursuant to the Agreement in all of the Borrower's non-real estate assets including, without limitation, inventory (including existing and hereafter acquired), accounts receivable (including existing and hereafter created), and equipment (including existing and hereafter acquired). The following is a true and accurate calculation of borrowing availability under the Agreement as of the date set forth below.

A 1 Total Eligible Accounts (See Section 1.1 of the Agreement)	\$ _____
2 Accounts receivable formula percentage	80%
3 Accounts receivable availability (A1 times A2)	\$ _____
B 1 Total Eligible Inventory (See Section 1.1 of Agreement)	\$ _____
2 Inventory at Nationwide Paper on consignment	\$ _____
3 Inventory at finishing plants	\$ _____
4 Total Inventory not located on Borrower's premises (B2 plus B3)	\$ _____
5 Adjustment for Inventory not located on Borrower's premises ( B4 minus \$400,000, but not less than zero)	\$ _____
6 Adjusted Total Eligible Inventory (B1 minus B5)	\$ _____
7 Inventory formula percentage per Agreement	50%
8 Inventory availability (B6 times B7)	\$ _____
9 Maximum inventory advances	\$ 6,000,000

- |   |               |
|---|---------------|
| 10 Inventory availability (lesser of B8 or B9)                    | \$ _____      |
| C 1 AGGREGATE AVAILABILITY (A3 plus B10)                          | \$ _____      |
| 2 Maximum Revolving Line of Credit Amount                         | \$ 14,000,000 |
| 3 MAXIMUM AVAILABILITY (lesser of C1 or C2)                       | \$ _____      |
| 4 Outstanding Loan Balance under Revolving<br>Line of Credit      | \$ _____      |
| 5 Outstanding amounts under Letters of<br>Credit issued by Lender | \$ _____      |
| 6 NET AVAILABILITY (C3 minus C4 and C5)                           | \$ _____      |

The Borrower hereby certifies that all representations and warranties contained in the Agreement are true and accurate in all material respects on the date of this Certificate and on the effective date of the subject loan request herein as though such representations and warranties had been made on those dates (except to the extent that such representations or warranties expressly relate to an earlier date).

Signed as of this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_  
  [month]                                      [year]

Mohawk Paper Mills, Inc.

By: \_\_\_\_\_  
Its: \_\_\_\_\_