

**TRADEMARK ASSIGNMENT**

Electronic Version v1.1  
 Stylesheet Version v1.1

<b>SUBMISSION TYPE:</b>	NEW ASSIGNMENT		
<b>NATURE OF CONVEYANCE:</b>	SECURITY INTEREST		
<b>CONVEYING PARTY DATA</b>			
<b>Name</b>	<b>Formerly</b>	<b>Execution Date</b>	<b>Entity Type</b>
CELLU TISSUE-CITYFOREST LLC		03/17/2007	LIMITED LIABILITY COMPANY: MINNESOTA
<b>RECEIVING PARTY DATA</b>			
<b>Name:</b>	ASSOCIATED BANK, NATIONAL ASSOCIATION		
<b>Street Address:</b>	200 NORTH ADAMS STREET		
<b>City:</b>	GREEN BAY		
<b>State/Country:</b>	WISCONSIN		
<b>Postal Code:</b>	54301		
<b>Entity Type:</b>	NATIONAL BANKING ASSOCIATION: WISCONSIN		
<b>PROPERTY NUMBERS Total: 2</b>			
<b>Property Type</b>	<b>Number</b>	<b>Word Mark</b>	
Registration Number:	2321203	CITYFOREST	
Registration Number:	2326010		
<b>CORRESPONDENCE DATA</b>			
<b>Fax Number:</b>	(612)338-3857		
	<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>		
<b>Phone:</b>	612-338-0115		
<b>Email:</b>	glipp@fwhtlaw.com		
<b>Correspondent Name:</b>	GLENDA M. LIPP C/O FABYANSKE LAW FIRM		
<b>Address Line 1:</b>	800 LASALLE AVENUE, SUITE 1900		
<b>Address Line 4:</b>	MINNEAPOLIS, MINNESOTA 55402		
<b>NAME OF SUBMITTER:</b>	GLENDA LIPP		
<b>Signature:</b>	/GLENDA LIPP/		
<b>Date:</b>	04/17/2007		

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**Total Attachments: 29**

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NOTICE OF SECURITY INTEREST IN U.S. TRADEMARKS

United States Patent and Trademark Office:

Please be advised that pursuant to an Security Agreement dated as of June 29, 2005 (the "Security Agreement") made by CityForest Corporation, Inc., a Minnesota corporation that has been converted into Cellu Tissue-CityForest LLC, a Minnesota limited company ("Grantor") for the benefit of ASSOCIATED BANK, NATIONAL ASSOCIATION, as collateral agent (in such capacity, the "Collateral Agent") and subsequently assigned by the Collateral Agent to ASSOCIATED BANK, NATIONAL ASSOCIATION (the "Bank"), Grantor has granted to the Bank a continuing security interest in, and a continuing lien upon, all of the trademarks and trademark applications described below together with the goodwill of the business with which such trademarks and trademark applications are associated:

TRADEMARKS

See Part I of Exhibit A attached hereto and incorporated herein by reference.

TRADEMARK APPLICATIONS

See Part II of Exhibit A attached hereto and incorporated herein by reference.

The Bank's security interest in the described trademark and trademark applications can be terminated only in accordance with the terms of the Security Agreement.

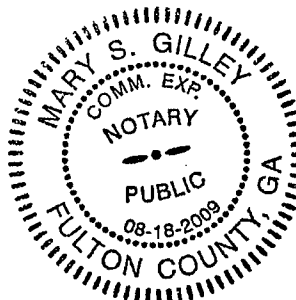
Very truly yours,

Cellu Tissue-CityForest LLC

By: Dianne M. Schew  
Name: \_\_\_\_\_  
Its: CFO

Subscribed and sworn to before me  
this 7 day of March, 2007.

Mary S. Gilley  
Notary Public



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TRADEMARK  
REEL: 003523 FRAME: 0506

**EXHIBIT A**

**TRADEMARKS AND TRADEMARKS APPLICATIONS**

**PART I. TRADEMARKS**

<b>Mark</b>	<b>Registration No.</b>	<b>Registration Date</b>
CityForest	2,321,203	February 22, 2000
CityForest Design	2,326,010	March 7, 2000

**PART II. TRADEMARK APPLICATIONS**

NONE

**EXECUTION**

**SECURITY AGREEMENT**

THIS SECURITY AGREEMENT dated as of June 29, 2005 (this "Agreement") by CITYFOREST CORPORATION, a Minnesota corporation (the "Borrower"), for the benefit of ASSOCIATED BANK, NATIONAL ASSOCIATION, as collateral agent for the benefit of itself and the ratable benefit of the "Secured Parties" (as defined in the Reimbursement Agreement described below) (the "Collateral Agent").

**RECITALS**

A. Pursuant to the terms of that certain Indenture of Trust dated as of March 1, 1998 (as the same may be amended or modified in accordance with its terms, the "Indenture"), between the City of Ladysmith, Wisconsin (the "Issuer"), and Wells Fargo Bank, N.A., as the successor to Norwest Bank Wisconsin, N. A., as trustee (the "Trustee"), the Issuer issued its \$27,000,000 Variable Rate Demand Solid Waste Disposal Facility Revenue Bonds, Series 1998 (CityForest Corporation Project) (the "Bonds") of which \$20,750,000.00 remain outstanding on the date hereof; and, pursuant to the terms of that certain Loan Agreement dated as of even date with the Indenture (as the same may be amended or modified in accordance with its terms, the "Bond Loan Agreement"), between the Issuer and the Borrower, the Issuer loaned the proceeds of the Bonds to the Borrower for the purpose of enabling the Borrower to finance the expansion and upgrade of an existing tissue mill in the Town of Ladysmith, Rusk County, Wisconsin (such tissue mill, as modified, improved, upgraded or expanded from time to time being the "Plant").

B. As a condition to issuing the Bonds, the Issuer required the Borrower to deliver the "Credit Facility" (as defined in the Indenture) to the Trustee, which Credit Facility is currently an irrevocable, direct-pay letter of credit dated March 1, 1998 issued by Union Bank of California, N. A. (the "Original Credit Facility Provider"), as amended and extended to date (as so amended and extended, the "Original Credit Facility").

C. The obligation of the Borrower to reimburse the Original Credit Facility Provider and any other banks that may from time to time participate in the Original Credit Facility for drawings made thereunder is set forth in the Reimbursement Agreement of even date with the Indenture among the Borrower, Union Bank of California, N. A., as agent (in such capacity, the "Agent"), the Original Credit Facility Provider as the "Issuing Bank" described therein, and the other banks named therein, as amended to date (as so amended, the "Original Reimbursement Agreement"). The Original Reimbursement Agreement has provided for a revolving line of credit pursuant to which "Banks" party thereto agreed to make certain "Revolving Loans" to the Borrower.

D. The Borrower and the State of Wisconsin Investment Board, in its capacity as the Senior Subordinated Lender (in such capacity, the "Senior Subordinated Lender"), are the parties to that certain Amended and Restated Senior Subordinated Loan Agreement dated as of June 11, 2004 (the "Original Senior Subordinated Loan Agreement") pursuant to which, among other things, the Senior Subordinated Lender made the Senior Subordinated Loan to the Borrower.

E. The Borrower's respective obligations to the "Banks" party to the Original Reimbursement Agreement and to the Senior Subordinated Lender are secured by the "Security Documents" described in the Original Reimbursement Agreement including, without limitation, that certain Security Agreement dated as of March 1, 1998, as amended to date (the "Original Security Agreement") made by the Borrower in favor of Union Bank of California, N.A., in its capacity as collateral agent (in such capacity, the "Original Collateral Agent").

F. The Borrower and Associated Bank, National Association (the "Bank") have entered into that certain Reimbursement Agreement dated as of even date herewith (as amended, modified, supplemented or restated from time to time, the "Reimbursement Agreement") pursuant to which, among other things, the Bank has agreed to: (1) issue the Bonds Letter of Credit as a "Substitute Credit Facility" described in the Indenture in substitution for the Original Credit Facility; and (2) make Revolving Loans to refinance the "Revolving Loans" made to the Borrower pursuant to the Original Reimbursement Agreement and for the other purposes described therein.

G. As a condition precedent to the effectiveness of the Reimbursement Agreement, the Bank has required, among other things, that:

(1) the Borrower grant a security interest in the Collateral described herein pursuant to the terms hereof to secure the payment of the Senior Obligations;

(2) the Senior Subordinated Lender authorizes the Original Collateral Agent to release, among other things, its security interest in the "Collateral" described in the Original Security Agreement;

(3) the Borrower, the Senior Subordinated Lender, the Bank, and the Bank, in its separate capacity as Collateral Agent for the Secured Parties enter into the Collateral Agency Agreement pursuant to which, among other things, the Secured Parties appoint the Collateral Agent to act as collateral agent as set forth therein and agree to the relevant priority of their respective interests in Borrower's property subject to the Liens created by the "Security Documents" described in the Reimbursement Agreement; and

(4) the Borrower and the Senior Subordinated Lender enter into the First Senior Subordinated Loan Agreement Amendment amending the Original Senior Subordinated Loan Agreement.

H. As a condition precedent to doing so, the Senior Subordinated Lender has also required that the Borrower execute and deliver this Agreement to secure the payment of the Senior Subordinated Obligations described in the Reimbursement Agreement (such Senior Subordinated Obligations and the Senior Obligations being sometimes referred to herein collectively as the "Secured Obligations" and individually as a "Secured Obligation").

I. Capitalized terms used but not otherwise defined herein shall have the respective meanings assigned to such terms in the Reimbursement Agreement including, without limitation, in Appendix A to the Reimbursement Agreement.

### AGREEMENT

SECTION 1. Grant of Security. The Borrower hereby assigns and grants to the Collateral Agent for benefit of itself and the ratable benefit of the Secured Parties, a security interest in all of the Borrower's right, title and interest in and to the following, whether now owned or hereafter acquired or arising (the "Collateral"):

- (a) the Equipment;
- (b) the Inventory;
- (c) the Receivables and the Related Contracts;
- (d) All Governmental Approvals now or hereafter held by the Borrower or in which the Borrower may have an interest including, without limitation, those specified in Schedule 1 hereto, and all rights (whether or not earned by performance) under any franchises, documents, licenses, contracts, agreements, goodwill, inventions, designs, patents, patent applications, trademarks, trademark applications and trade names, now owned or hereafter acquired with the rights to all renewals thereof, assignable by law (collectively, the "Pledged Permits");
- (e) To the extent related to the property described above in subsections (a) through (d), (i) all policies of insurance, now or hereafter held by the Borrower, including, without limitation, builders' risk, casualty and liability, business interruption and any title insurance, and including all proceeds therefrom (excluding proceeds with respect to casualty and liability) and (ii) all rights, now or hereafter held by the Borrower to any warranties of any manufacturer or contractor or any other Person;
- (f) All books, correspondence, credit files, records, invoices and other documents, including, without limitation, all tapes, cards, computer runs and other paper or documents now or hereafter in the possession or control of the Borrower or any Person acting for the Borrower and relating to, the Plant or the Borrower's business operations and all reports of the Borrower's engineers or consultants of any kind and all other reports referring to the viability, performance and output of the Plant or the Borrower's business operations;
- (g) All balances, credits, deposits, accounts (including, without limitation, the CA Accounts, provided, however, that the security interest granted herein as to the Senior Debt Service Reserve Fund shall only be for the benefit of the Senior Secured Parties), deposit accounts, investment accounts, securities accounts, securities, financial assets, security entitlements, investment property and moneys, whether now existing or hereafter held in the name or on behalf of the Borrower, including all such balances,

credits, deposits, accounts and moneys held at the Bank, whether (i) in the possession or control of the Borrower, (ii) in the possession or control of, or in transit to, the Collateral Agent, or (iii) held by third parties having notice of the security interest created by this Agreement; all monies, documents and instruments required to be deposited with the Borrower or the Collateral Agent pursuant to any term of this Agreement, the Collateral Agency Agreement or any Credit Document, and any other bank account held by the Borrower or on its behalf;

(h) To the extent assignable pursuant to the relevant "Assigned Agreement" described below or under the UCC or other applicable law, each of the agreements listed on Schedule 2 hereto and any other lease, construction, power, fuel, transportation, management, interest rate protection (including, without limitation, any Rate Protection Agreement) or other agreement now existing or hereafter entered into by the Borrower relating to the operation, maintenance or use and occupancy of the Plant or to the protection from interest rate fluctuation risk, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof and of this Agreement and the Credit Documents (such agreements as so amended, supplemented or modified, the "Assigned Agreements"), including, without limitation, all rights of the Borrower (i) to receive moneys due and to become due under or pursuant to the Assigned Agreements, to compel performance and otherwise to exercise all remedies thereunder, including, without limitation, all rights to make determinations, to exercise any election or option contained in such agreements, to give or receive any notice or consent, to demand and receive any property the subject of any of the Assigned Agreements, to file any claims and generally to take any action which (in the opinion of the Collateral Agent) may be necessary or advisable in connection with any of the foregoing, and (ii) to receive the proceeds of any claim for damages arising out of or for breach of any Assigned Agreement and proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements;

(i) To the extent not included in paragraphs (a) through (h) above, all other personal property of the Borrower of any kind or description whatsoever, wherever located whether now owned or hereafter acquired, tangible or intangible, including without limitation all of the Borrower's equipment, fixtures, inventory, chattel paper, instruments, documents, accounts, contract rights, and general intangibles, and all returned or repossessed goods arising from or relating to any of the foregoing;

(j) Commercial tort claims identified on Schedule 4 hereto; and

(k) All accessions and additions to, substitutions for, and all replacements, products and proceeds (including, without limitation, (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the Collateral Agent or the Borrower from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to the Borrower from time to time in connection with the exercise of the power of eminent domain by any Governmental Person and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral) of any of the foregoing.



SECTION 2. Security for Secured Obligations. This Agreement secures the payment of all the Secured Obligations.

SECTION 3. Remains Liable. Anything herein to the contrary notwithstanding, (a) the Borrower shall remain liable under the Assigned Agreements and the other contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Collateral Agent of any of the rights hereunder shall not release the Borrower from any of its duties or obligations under the contracts and agreements included in the Collateral, and (c) neither the Collateral Agent nor any Secured Party shall have any obligation or liability under the Assigned Agreements or the other contracts and agreements included in the Collateral by reason of this Agreement, nor shall the Collateral Agent or any Secured Party be obligated to perform any of the obligations or duties of the Borrower thereunder or to take any action to collect or enforce any claim for payment assigned hereunder by reason of this Agreement.

SECTION 4. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) A true and complete copy of each of the Assigned Agreements will, upon execution thereof, be, furnished to the Collateral Agent, and to the extent that the representations and warranties on the part of the Borrower contained in the Credit Documents relate to the Assigned Agreements, the same are repeated herein for the benefit of the Collateral Agent.

(b) Schedule 3 hereto correctly sets forth (i) the Borrower's exact legal name, (ii) the Borrower's state of incorporation or organization, (iii) the Borrower's chief executive office and principal place of business (the "Chief Office"), (iv) the offices of the Borrower where records concerning Receivables are kept and (v) the locations at which any Equipment or Inventory will be kept. None of the Receivables is evidenced by a promissory note or other instrument.

(c) The Borrower owns the Collateral free and clear of all Liens, other than Permitted Liens. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Collateral Agent relating to this Agreement. The Borrower has no trade name.

(d) The Borrower has exclusive possession and control of the Equipment and Inventory, except for Inventory located in the warehouse facilities as described in Schedule 3 pursuant to one or more agreements between the Borrower and the warehousing companies identified in Schedule 3.

(e) This Agreement creates a valid and perfected first-priority security interest in the Collateral subject to Permitted Liens, securing the payment of the Secured

Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken.

(f) No Governmental Approval (other than Governmental Approvals referred to in (e) above that have already been taken) is required either (i) for the grant by the Borrower of the security interest granted hereby or for the execution, delivery or performance of this Agreement by the Borrower or (ii) for the perfection of or the exercise by the Collateral Agent of its rights and remedies hereunder, other than the filing of financing statements in the appropriate offices.

(g) All letter-of-credit rights and commercial tort claims of the Debtor are described on Schedule 4 hereto.

(h) The Borrower has only one state of incorporation or organization.

**SECTION 5. Further Assurances.**

(a) The Borrower agrees that from time to time, at the expense of the Borrower, the Borrower will promptly execute and deliver such Assigned Agreements and all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Collateral Agent may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Collateral Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Borrower will: (i) mark conspicuously each document of title or other document (as defined in the UCC) relating to Inventory, each chattel paper included in the Receivables and each Related Contract and, at the request of the Collateral Agent, each of its records pertaining to the Receivables with a legend, in form and substance satisfactory to the Collateral Agent, indicating that such document, chattel paper, Related Contract or Receivables are subject to the security interest granted hereby; (ii) if any Collateral shall be evidenced by a promissory note or other instrument or chattel paper, deliver and pledge to the Collateral Agent hereunder such note, instrument or chattel paper duly indorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Collateral Agent; and (iii) file such financing or continuation statements, or amendments thereto, and execute and file such other instruments or notices, as may be necessary or desirable, or as the Collateral Agent may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby.

(b) A carbon, photographic or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) The Borrower will furnish to the Collateral Agent from time to time statements and schedules further identifying and describing the Collateral and such other

reports in connection with the Collateral as the Collateral Agent may reasonably request, all in reasonable detail.

(d) The Borrower shall promptly notify the Collateral Agent if any Collateral (i) shall reside in the possession of a third party or (ii) consist of deposit accounts (other than the CA Accounts), investment property, letter-of-credit rights or electronic chattel paper. The Borrower shall, as to any such Collateral in the possession of a third party, immediately notify such third party of the Collateral Agent's security interest and obtain an acknowledgment, in form and substance reasonably satisfactory to the Collateral Agent, from such third party that it is holding possession of the Collateral for the benefit of the Collateral Agent. The Borrower shall also use its best efforts to assist the Collateral Agent from time to time in obtaining control of any Collateral consisting of deposit accounts (other than the CA Accounts), investment property, letter-of-credit rights and electronic chattel paper; provided, however, that the Collateral Agent agrees that it will not exercise its rights under any control agreement relating to a deposit account to direct the transfer of items deposited in such deposit account to the Collateral Agent or any account controlled by the Collateral Agent prior to the occurrence of an Event of Default. Without limiting the foregoing, if Borrower becomes a beneficiary of a letter of credit, then Borrower shall promptly notify the Collateral Agent thereof and enter into a tri-party agreement with the Collateral Agent and the issuer and/or confirmation bank with respect to such letter of credit assigning the letter-of-credit rights to the Collateral Agent and directing all payments thereunder to the Collateral Agent, all in form and substance reasonably satisfactory to the Collateral Agent; provided, however, that any payments received by the Collateral Agent from any such letter of credit shall be deposited in the Borrower's Operating Account so long as no Event of Default has occurred and is continuing at the time of the Collateral Agent's receipt of such payment.

(e) The Borrower hereby irrevocably authorizes the Collateral Agent at any time and from time to time to file in any filing office in any UCC jurisdiction any initial financing statements and amendments thereto that (i) indicate the Collateral (A) as "all assets" of the Borrower or words of similar effect, regardless of whether any particular asset included in the Collateral falls within the scope of Article 9 of the UCC of such jurisdiction, or (B) as being of an equal or lesser scope or with greater detail, and (i) contain any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including (A) whether the Borrower is an organization, the type of organization and any organization identification number issued to the Borrower, and (B) in the case of a financing statement filed as a fixture filing or indicating any Collateral as as-extracted collateral or timber to be cut, a sufficient description of the real property to which such Collateral relates. The Borrower agrees to furnish any such information to the Collateral Agent promptly upon request.

(f) The Borrower shall not reincorporate or reorganize itself under the laws of any jurisdiction other than the jurisdiction in which it is incorporated or organized as of the date hereof without prior written consent of the Collateral Agent.

(g) Borrower will not change the location of its Chief Office without 30 days' prior written notice to Collateral Agent. Borrower warrants that its books and records concerning accounts and chattel paper constituting part of the Collateral are located at its chief executive office.

(h) Borrower will not change its legal name without 30 days' prior written notice to the Collateral Agent, the Collateral Agent has given its written consent to such change, and Borrower has delivered to the Collateral Agent acknowledgment copies of financing statements filed where appropriate to continue the perfection of the Collateral Agent's security interest in the Collateral as a first priority security interest therein subject to Permitted Liens.

(i) The Borrower acknowledges that it is not authorized to file any amendment or termination statement with respect to any financing statement relating to any security interest granted hereunder without the prior written consent of the Collateral Agent and agrees that it will not do so without the prior written consent of the Collateral Agent, subject to the Borrower's rights under Section 9-509(d)(2) of the UCC.

(j) The Borrower shall promptly notify the Collateral Agent of any Commercial Tort Claim acquired by it and, unless otherwise consented to by the Collateral Agent, Borrower shall promptly enter into a supplement to this Agreement granting to the Collateral Agent a security interest in such Commercial Tort Claim.

**SECTION 6. As to Tangible Collateral.** At the time of attachment and perfection of the security interest granted pursuant hereto and thereafter, all tangible Collateral, including, but not limited to, Equipment and Inventory (other than Inventory sold in compliance with Section 9), will be located and will be maintained only at the places therefor specified in Schedule 3 or, upon 10 Business Days prior written notice to the Collateral Agent, at such other places in jurisdictions where all action required by Section 5 shall have been taken with respect to such Collateral with respect to the first time that Collateral is maintained at such location. Borrower will maintain the tangible Collateral in good condition and repair. Except as otherwise permitted by Section 9, Borrower will not remove such Collateral from such locations unless, at least 5 Business Days prior to any such removal, Borrower has given written notice to Collateral Agent of the location or locations to which Borrower desires to remove the Collateral, and if the Collateral is Inventory, such notice is accompanied by a revised Borrowing Base Certificate removing such Inventory from the Borrowing Base unless the Borrower has obtained the Bank's prior written consent to such removal or has delivered to the Collateral Agent such third party agreements as the Bank may require to permit the inclusion of such Inventory in the Borrowing Base including, without limitation, bailee agreements, warehouseman agreements, landlord waivers and mortgagee waivers in form and substance reasonably satisfactory to the Bank.

Collateral Agent's security interest attaches to all of the Collateral wherever located and Borrower's failure to inform Collateral Agent of the location of any item or items of Collateral shall not impair Collateral Agent's security interest thereon.

SECTION 7. As to Assigned Agreements. The Borrower shall not take any action in connection with any of the Assigned Agreements which would materially impair the value of the interest or rights of the Secured Parties therein without the express prior written consent of the Collateral Agent.

SECTION 8. As to Receivables and Assigned Agreements. The Borrower shall:

(a) Keep its chief place of business and Chief Office and the office where it keeps its records concerning the Receivables, and all originals of all chattel paper which evidence Receivables, at the Chief Office or, upon 60 days prior written notice to the Collateral Agent, at such other locations in a jurisdiction where all actions required by Section 5 shall have been taken with respect to the Receivables. The Borrower will hold and preserve such records and chattel paper and will permit representatives of the Secured Parties and the Collateral Agent at any time during normal business hours upon reasonable notice to inspect and make abstracts from such records and chattel paper. Borrower will not execute any copies of such chattel paper constituting part of the Collateral other than those which are clearly marked as a copy.

(b) Except as otherwise provided in the Collateral Agency Agreement, continue to collect, at its own expense, all amounts due or to become due the Borrower under the Receivables and the Assigned Agreements. In connection with such collections, the Borrower may take (and, at the Collateral Agent's direction, shall take) such action as the Borrower or the Collateral Agent may deem necessary or advisable to enforce collection of the Receivables and amounts due under the Assigned Agreements; provided, however, that the Collateral Agent shall have the right at any time upon the occurrence and during the continuance of an Event of Default and upon written notice to the Borrower of its intention to do so, to notify the account debtors or obligors under any Receivables or Assigned Agreements of the Collateral Agent's security interest in such Receivables or Assigned Agreements and to direct such account debtors or obligors, as the case may be, to make payment of all amounts due or to become due to the Borrower thereunder directly to the Collateral Agent and, upon such notification and at the expense of the Borrower, to enforce collection of any such Receivables and amounts due under such Assigned Agreements, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Borrower might have done. After receipt by the Borrower of the notice from the Collateral Agent referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including instruments) received by the Borrower in respect of the Receivables and the Assigned Agreements shall be received in trust for the benefit of the Collateral Agent hereunder, shall be segregated from other funds of the Borrower and shall be forthwith paid over to the Collateral Agent in the same form as so received (with any necessary indorsement) to be applied in accordance with the Collateral Agency Agreement; and/or (ii) the Borrower shall not adjust, settle or compromise the amount or payment of any Receivable and any

amount due under any Assigned Agreement, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon, without the prior written consent of the Collateral Agent.

(c) Duly fulfill all obligations on its part to be fulfilled under or in connection with the Receivables and do nothing to impair the rights of the Collateral Agent and the Secured Parties in the Receivables.

(d) After the occurrence and during the continuance of an Event of Default, Collateral Agent may at all times settle or adjust disputes and claims relating to Accounts and other Collateral directly with the customers for amounts and upon terms which Collateral Agent considers commercially reasonable. No discount, credit, allowance, adjustment or return shall be granted by Borrower to any customer without Collateral Agent's written consent except that, prior to the occurrence and during the continuance of an Event of Default, the Borrower may grant discounts, credits, allowances, adjustments and returns made or granted by Borrower in the ordinary course of business and consistent with the Borrower's customary business practices in effect prior to the date of this Agreement.

**SECTION 9. Transfers and Other Liens.** The Borrower shall not (a) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except as provided in this Section or as permitted by Section 9.6 of the Reimbursement Agreement; or (b) create or suffer to exist any Lien (other than Permitted Liens) upon or with respect to any of the Collateral other than the security interest created by this Agreement. Until an Event of Default has occurred and is continuing and the Borrower has received notice from the Collateral Agent that the Borrower's right to sell Collateral consisting of Inventory has been terminated, Borrower may sell Inventory in the ordinary course of business on terms consistent with the Borrower's customary business practices in effect prior to the date of this Agreement or as otherwise approved by the Required Secured Parties.

**SECTION 10. Notify Collateral Agent of Default.** Immediately upon any officer of Borrower becoming aware of the existence of any Default or Event of Default, Borrower will give notice to Collateral Agent that such Default or Event of Default exists, stating the nature thereof, the period of existence thereof, and what action Borrower proposes to take with respect thereto. The Borrower shall be deemed to be in compliance with this Section if it gives notice of such Default or Event of Default to the Bank in accordance with Section 8.13(e) of the Reimbursement Agreement.

**SECTION 11. Patents, Trademarks, etc.**

(a) Borrower agrees with Collateral Agent that, until the security interest granted by this Agreement has been terminated in accordance with the terms hereof, the Borrower will promptly notify the Collateral Agent of all patents (collectively the "Patents"), patent applications (collectively the "Patent Applications"), trademarks or service marks (collectively the "Trademarks") or of

any applications therefor (collectively the "Trademark Applications") and copyrights or copyright applications (collectively the "Copyrights") and the Borrower will perform all acts and execute all documents including, without limitation, grants of security interest, in form suitable for filing with the United States Patent and Trademark Office or the Copyright Office, as the case may be, reasonably requested by Collateral Agent at any time to evidence, perfect, maintain, record and enforce Collateral Agent's interest in such Collateral; and

(b) Unless Borrower shall reasonably determine that a Patent, Patent Application, Trademark, Trademark Application or Copyright is not of material economic value to Borrower, Borrower will not take any action that materially adversely affects the value of such Collateral as security for the Secured Obligations.

SECTION 12. Collateral Agent Appointed Attorney-in-Fact. The Borrower hereby irrevocably appoints the Collateral Agent the Borrower's attorney-in-fact, with full authority in the place and stead-of the Borrower and in the name of the Borrower or otherwise, from time to time in the reasonable exercise of the Collateral Agent's discretion, to take any action and to execute any instrument which the Collateral Agent reasonably may deem necessary or advisable to accomplish the purposes of this Agreement (subject to the rights of the Borrower under Section 8), including, without limitation:

(a) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral,

(b) to receive, indorse, and collect any drafts or other instruments, documents and chattel paper, in connection with clause (a) , above, and

(c) to file any claims or take any action or institute any proceedings which the Collateral Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Collateral Agent with respect to any of the Collateral or to enforce compliance with the terms and conditions of the Assigned Agreements or this Agreement.

Anything herein contained to the contrary notwithstanding, (a) neither the Collateral Agent nor any of its nominees or assignees shall have any obligation or liability by reason of or arising out of this Agreement to make any inquiry as to the nature or sufficiency of, to present or file any claim with respect to, or to take any action to collect or enforce the payment of, any amounts to which they may be entitled at any time or times by virtue of this Agreement or exercise any powers granted or conferred to them hereunder; and (b) the Collateral Agent shall only exercise its rights pursuant to this Section 12: (1) following the occurrence of and during the continuance of a Default or an Event of Default or (2) as otherwise reasonably necessary to protect the value of the Collateral and the security interests and other rights granted under this Agreement and the Borrower fails to take action reasonably requested by the Collateral Agent within five (5) Business Days after the Collateral Agent has requested that Borrower take the

requested action. Borrower ratifies and approves all acts of the attorney taken within the scope of the authority granted except for the attorney's gross negligence or willful misconduct. Neither Collateral Agent nor the attorney will be liable for any acts of commission or omission, or for any error in judgment or mistake of fact or law except for the attorney's gross negligence or willful misconduct. This power, being coupled with an interest, is irrevocable so long as any Secured Obligation remains unpaid. Borrower waives presentment and protest of all instruments and notice thereof, notice of default and dishonor and all other notices to which Borrower may otherwise be entitled.

SECTION 13. Assignment of Insurance. Borrower hereby assigns to Collateral Agent, as additional security for payment of the Secured Obligations, any and all monies due or to become due under, and any and all other rights of Borrower with respect to, any and all policies of insurance covering the Collateral. So long as no Event of Default has occurred and is continuing, the Borrower may itself adjust and collect for any losses arising out of a single occurrence of up to \$100,000.00 and up to an aggregate amount of \$250,000.00 for all occurrences during any of the Borrower's fiscal years; provided that the Borrower uses the resulting Insurance Proceeds to replace, restore or repair the damaged Collateral. After the occurrence and during the continuance of an Event of Default, or after the losses exceed the amount described in the preceding sentence, the Collateral Agent may (but need not) in its own name or in the Borrower's name execute and deliver proofs of claim, receive such monies, and settle or litigate any claim against the issuer of any such policy and the Borrower directs the issuer to pay any such monies directly to the Collateral Agent and the Collateral Agent, at its sole discretion and regardless of whether the Collateral Agent exercises its right to collect Insurance Proceeds under this Section, shall promptly elect to apply any Insurance Proceeds to the payment of the Secured Obligations in accordance with the Collateral Agency Agreement, whether due or not, or to permit the Borrower to use such Insurance Proceeds for the replacement, restoration or repair of the Collateral. The Borrower hereby irrevocably appoints the Collateral Agent the Borrower's attorney-in-fact, with full authority in the place and stead-of the Borrower and in the name of the Borrower or otherwise, from time to time in the Collateral Agent's discretion, to take any action and to execute any instrument which the Collateral Agent may deem necessary or advisable to obtain and adjust any insurance in accordance with this Section (without limiting any other rights of the Collateral Agent under the Assigned Agreements).

SECTION 14. Collateral Agent May Perform. If the Borrower fails to perform any agreement or contract contained herein or in any of the Assigned Agreements, the Collateral Agent may itself perform, or cause performance of, such agreement, and the expenses of the Collateral Agent incurred in connection therewith shall be payable by the Borrower and shall be Secured Obligations bearing interest at the Default Rate.

SECTION 15. Collateral Agent's Duties. The powers conferred on the Collateral Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against other parties or any other rights pertaining to any Collateral. The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession



if such Collateral is accorded treatment substantially equal to that accorded by the Collateral Agent to its own property.

SECTION 16. Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Collateral Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it by law or by agreement, all the rights and remedies of a secured party or default under the UCC (whether or not the UCC applies to the affected Collateral). The Collateral Agent may take any action which Collateral Agent may deem reasonably necessary or desirable in order to realize on the Collateral, including, without limitation, the power to perform any contract, to endorse in the name of Borrower any checks, drafts, notes, or other instruments or documents received in payment of or on account of the Collateral. Collateral Agent may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. The Collateral Agent may sell the Collateral without giving any warranties as to the Collateral and may specifically disclaim any warranties of title, which procedures shall not be considered to adversely affect the commercial reasonableness of any sale of the Collateral. The Borrower agrees that at least ten days' notice to the Borrower of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) All cash proceeds received by the Collateral Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Collateral Agent, be held by the Collateral Agent as collateral for, and/or then or at any time thereafter (after payment of any amounts payable to the Collateral Agent pursuant to Section 16) be applied by the Collateral Agent for the benefit of the Secured Parties against the Secured Obligations in accordance with the terms of the Collateral Agency Agreement.

(c) The Collateral Agent may declare any and all Secured Obligations to be immediately due and payable, and the same shall thereupon become immediately due and payable without further notice or demand.

(d) The Collateral Agent may offset any deposits, including unmatured time deposits, then maintained by Borrower with Collateral Agent, whether or not then due, against any indebtedness then owed by Borrower to Collateral Agent whether or not then due.

(e) The Collateral Agent may in the name of Borrower or otherwise, demand, collect, receive and give receipt for, compound, compromise, settle and give acquittance

for and prosecute and discontinue any suits or proceedings in respect of any or all of the Collateral.

(f) The Collateral Agent may enter upon and into and take possession of all or such part or parts of the properties of Borrower, including lands, plants, buildings, machinery, equipment, data processing records and systems and other property as may be necessary or appropriate in the reasonable judgment of Collateral Agent, to permit or enable Collateral Agent to store, lease, sell or otherwise dispose of or collect all or any part of the Collateral, and use and operate said properties for such purposes and for such length of time as Collateral Agent may deem necessary or appropriate for said purposes without the payment of any compensation to Borrower therefor. Borrower shall provide Collateral Agent with all information and assistance requested by Collateral Agent to facilitate the storage, leasing, sale or other disposition or collection of the Collateral after an Event of Default has occurred and is continuing.

(g) Collateral Agent may require Borrower to assemble the Collateral and make it available to Collateral Agent at a place to be designated by Collateral Agent, and any notice of intended disposition of any of the Collateral required by law shall be deemed reasonable if such notice is mailed or delivered to Borrower at its address as shown on Collateral Agent's records at least 10 days before the date of such disposition.

#### SECTION 17. Indemnity and Expenses.

(a) The Borrower agrees to indemnify the Collateral Agent and each other Secured Party from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including enforcement of this Agreement), except claims, losses or liabilities resulting from the Collateral Agent's or such Secured Party's gross negligence or willful misconduct.

(b) The Borrower will upon demand pay to the Collateral Agent the amount of any and all reasonable expenses, including the reasonable fees and disbursements of its counsel and of any experts and agents, that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder or (iv) the failure by the Borrower to perform or observe any of the provisions hereof.

SECTION 18. Remedies Cumulative. All rights and remedies of Collateral Agent shall be cumulative and may be exercised singularly or concurrently, at their option, and the exercise or enforcement of any one such right or remedy shall not bar or be a condition to the exercise or enforcement of any other.

SECTION 19. Amendments; Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Borrower herefrom, shall in any event be

effective unless the same shall be in writing and signed by the Collateral Agent and the Borrower, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 20. Notices. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telex or cable communication) and mailed, telegraphed, telexed, cabled, telecopied or delivered (by messenger or overnight courier), (a) if to the Borrower, at its address at 1215 East Worden Avenue, Ladysmith, Wisconsin 54848, Attention: President (Fax No. 715/532-5542); (b) if to the Collateral Agent, at its address at 200 North Adams Street, Green Bay, Wisconsin 54301 Attn: Stephen E. Pasowicz; or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall be effective upon receipt thereof.

SECTION 21. Continuing Security Interest; Transfer of Secured Obligations. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until payment in full of all the Secured Obligations, (ii) be binding upon the Borrower, its successors and assigns, provides, that the Borrower may not transfer or assign any or all of its rights or obligations under this Agreement without the prior written consent of the Collateral Agent and (iii) inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of the Collateral Agent, the Secured Parties and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), any Secured Party may assign or otherwise transfer its rights in the Secured Obligations to any other person or entity to the extent and in the manner provided in the applicable Credit Document and, if applicable, the Collateral Agency Agreement, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Secured Party herein or otherwise. Upon the payment in full of all the Secured Obligations, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Borrower. Upon any such termination, the Collateral Agent will, at the Borrower's expense, execute and deliver to the Borrower such documents as the Borrower shall reasonably request to evidence such termination.

SECTION 22. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 23. Governing Law; Terms. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota, without reference to choice-of-law principles, except to the extent that the perfection of the security interest hereunder, or the enforcement of any remedies hereunder, with respect to any particular Collateral shall be governed by the laws of a jurisdiction other than the State of Minnesota. Unless otherwise defined herein or in the Collateral Agency Agreement, terms used in Article 9 of the UCC are used herein as therein defined. Without limitation of the generality of the foregoing, the uncapitalized terms "account", "account debtor", "bill of lading", "chattel paper", "contract right", "deposit account", "document", "document of title", "electronic chattel paper",

“equipment”, “fixture”, “general intangible”, “investment property”, “letter-of-credit right”, “instrument”, “inventory”, “money”, “payment intangible”, “proceeds”, “products”, “purchase money security interest”, “supporting obligation” and “warehouse receipt” as used in this Agreement (or incorporated into this Agreement from Appendix A to the Reimbursement Agreement or elsewhere) shall have the meanings ascribed thereto in the UCC.

SECTION 24. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Borrower and Collateral Agent.

SECTION 25. Recitals. The above Recitals are true and correct as of the date hereof and constitute a part of this Agreement.

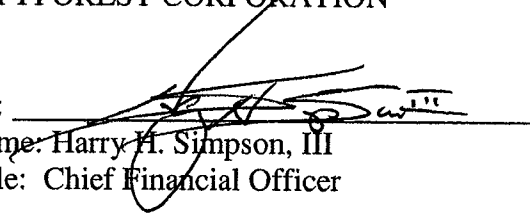
SECTION 26. Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

SECTION 27. No Obligation to Pursue Others. Collateral Agent has no obligation to attempt to satisfy the Secured Obligations by collecting them from any other person liable for them and Collateral Agent may release, modify or waive any Collateral provided by any other person to secure any of the Secured Obligations, all without affecting Collateral Agent’s rights against Borrower. Borrower waives any right it may have to require Collateral Agent to pursue any third person for any of the Secured Obligations.

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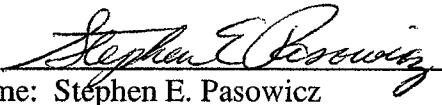
IN WITNESS WHEREOF, the Borrower has caused this Agreement to be duly executed and delivered by its officers thereunto duly authorized as of the date first above written.

CITYFOREST CORPORATION

By:   
Name: Harry H. Simpson, III  
Title: Chief Financial Officer

Accepted and agreed to this 29 day of June, 2005.

ASSOCIATED BANK, NATIONAL ASSOCIATION,  
as Collateral Agent

By:   
Name: Stephen E. Pasowicz  
Title: Vice President

SCHEDULE 1

PLEGGED PERMITS

NONE

SCHEDULE 2

ASSIGNED AGREEMENTS

NONE

SCHEDULE 3

Exact Legal Name, State of Incorporation or Organization  
and Organizational Identification Number

<u>NAME</u>	<u>STATE</u>	<u>ORGANIZATIONAL ID NO.</u>
CityForest Corporation	Minnesota	7F-294

Chief Executive Office and Principal Place of Business

<u>NAME</u>	<u>MAILING ADDRESS</u>	<u>COUNTY</u>	<u>STATE</u>
CityForest Corporation	1215 East Worden Avenue, Ladysmith	Rusk	Wisconsin

Locations of Records of Receivables

<u>NAME</u>	<u>MAILING ADDRESS</u>	<u>COUNTY</u>	<u>STATE</u>
CityForest Corporation	1215 East Worden Avenue, Ladysmith	Rusk	Wisconsin

Locations of Equipment

1215 East Worden Avenue  
Ladysmith, Wisconsin 54848

Locations of Inventory

1. 1215 East Worden Avenue  
Ladysmith, Wisconsin 54848
2. Consigned inventory at TIDI Products, located at:  
570 Enterprise Drive  
Neenah, Wisconsin 54957



SCHEDULE 4

Letter-of-Credit Rights

Name

Description

NONE

Commercial Tort Claims

Name

Description

NONE

## ASSIGNMENT OF SECURITY AGREEMENT AND AMENDMENT

This Assignment of Security Agreement and Amendment is dated as of March 21, 2007 (the "Assignment and Amendment"), by and among CELLU TISSUE-CITYFOREST LLC, a Minnesota limited liability company (the "Borrower") resulting from the conversion of CITYFOREST CORPORATION, a Minnesota corporation ("CF Corporation"), into a limited liability company, having its principal place of business at 1215 East Worden Avenue, Ladysmith, Wisconsin 54848, ASSOCIATED BANK, NATIONAL ASSOCIATION, a national banking association, in its capacity as Collateral Agent for the Secured Parties (in such capacity, the "Assignor"), and ASSOCIATED BANK, NATIONAL ASSOCIATION, a national banking association (in such capacity, the "Bank"), with an office located at 200 North Adams Street, Green Bay, Wisconsin, 54301.

### RECITALS:

A. On June 29, 2005, CF Corporation executed and delivered to Bank that certain Reimbursement Agreement, between CF Corporation and Bank (the "Original Reimbursement Agreement"), providing for Bank to issue on behalf of CF Corporation as account party an irrevocable, direct-pay letter of credit (the "Letter of Credit") in the maximum amount of Twenty Million Nine Hundred Forty-eight Thousand Nine Hundred Seventy-three and No/100 Dollars (\$20,948,973.00) (the "Maximum Letter of Credit Amount") and for Bank to make available to CF Corporation other financial accommodations, which, combined with the Maximum Letter of Credit Amount, will not exceed Twenty-six Million and No/100 Dollars (\$26,000,000.00)(capitalized terms used but not otherwise referred to in this Assignment and Amendment shall have the respective meanings assigned to such terms in the Reimbursement Agreement (as hereinafter defined).

B. As conditions to the effectiveness of the Original Reimbursement Agreement, the Bank required that CF Corporation, the Assignor, the Bank and the State of Wisconsin Investment Board, an instrumentality of the State of Wisconsin created under Chapter 15 of Wisconsin Statutes ("SWIB"), as agent for certain "Senior Subordinated Lenders" described in the Collateral Agency Agreement hereinafter described (in such capacity, the "Senior Subordinated Agent"), enter into that certain Collateral Agency and Intercreditor Agreement dated as of June 29, 2005 (the "Collateral Agency Agreement").

C. The Original Reimbursement Agreement was secured, in part, by that certain Security Agreement dated June 29, 2005 (the "Original Agreement") executed by CF Corporation in favor of Assignor covering the "Collateral" (as such term is defined in the Original Agreement).

D. Subsequent to the date of the Collateral Agency Agreement and prior to the date hereof, CF Corporation has paid in full all of the "Senior Subordinated Obligations" described in the Collateral Agency Agreement, such that neither the Senior Subordinated Agent nor any such Senior Subordinated Lender has an interest in the "Collateral" subject to the Collateral Agency Agreement and, in light of such payment in full, Assignor has agreed to assign all of its right, title and interest in the Original Agreement to Bank pursuant to this Assignment and Amendment.

E. On the date hereof, all of CF Corporation's issued and outstanding capital stock has been acquired by Cellu City Acquisition Corporation (the "Cellu Tissue Merger Sub"), a wholly-owned subsidiary of Cellu Tissue Holdings, Inc., a Delaware corporation ("Cellu Tissue"), pursuant to that certain Merger Agreement dated as of February 26, 2007 (the "Cellu Tissue Merger Agreement") among Cellu Tissue, Cellu Tissue Merger Sub, CF Corporation and Wayne Gullstad as representative of the shareholders of CF Corporation and Cellu Tissue Merger Sub has been merged (the "Cellu Tissue Merger") into CF Corporation with CF Corporation being the surviving corporation and CF Corporation has been converted (the "CF Corporation Conversion") into the Borrower.

F. Borrower has requested Bank's consent to the Cellu Tissue Merger and the CF Corporation Conversion, and Bank has agreed to consent, provided that Borrower, as the surviving entity of the Cellu Tissue Merger and the CF Corporation Conversion, amend and restate the Original Reimbursement Agreement pursuant to that certain Amended and Restated Reimbursement Agreement of even date herewith (the Original Reimbursement Agreement, as so amended and restated, together with any and all renewals, amendments extensions for any period, increases or rearrangements thereof is referred to as the "Reimbursement Agreement").

G. Pursuant to the Reimbursement Agreement, Borrower and Bank have agreed to amend the Original Agreement as set forth below.

## AGREEMENTS

1. Defined Terms. All capitalized terms used in this Assignment and Amendment shall, except where the context otherwise requires, have the meanings set forth in the Original Agreement as amended hereby or the Reimbursement Agreement.

2. Assignment. For valuable consideration, the sufficiency of which is hereby acknowledged, Assignor hereby sells, assigns and transfers to Bank all of its right title and interest in the Original Agreement so that, after giving effect to such assignment, the Bank is the sole "Secured Party" under the Original Agreement, as amended by this Assignment and Amendment.

3. Amendments. The Original Agreement is hereby amended as follows:

(a) The Original Agreement is generally amended so that:

(i) any reference to the "Borrower" shall be deemed to be a reference to Cellu Tissue-CityForest LLC, a Minnesota limited liability company;

(ii) any reference to the "Collateral Agent", any "Secured Party", the "Secured Parties" or the "Required Secured Parties" shall be deemed to be a reference to the Bank;

(iii) any reference to the "Reimbursement Agreement" shall be deemed to be a reference to the Amended and Restated Reimbursement Agreement dated

as of March 21, 2007 between the Borrower and the Bank, as amended, modified supplemented or restated from time to time;

(iv) any reference to the "Secured Obligations" shall be deemed to be a reference to the "Senior Obligations";

(v) any reference to the "Collateral Agency Agreement" shall be deemed to be a reference to the "Reimbursement Agreement"; and

(vi) any reference to "State of Wisconsin Investment Board", the "Senior Subordinated Lender", the "Amended and Restated Senior Subordinated Loan Agreement", any "Senior Subordinated Loan Document", the loan from the State of Wisconsin Investment Board to CityForest Corporation and any other reference to the subordinated loan referenced in the Amended and Restated Senior Subordinated Loan Agreement shall be deleted, it being understood and agreed that CityForest Corporation has repaid in full the loan evidenced by the Amended and Restated Senior Subordinated Loan Agreement.

(b) The Original Agreement is hereby further generally amended by the parenthetical clause of Section 1(g) of the Original Agreement is hereby deleted in its entirety.

(c) The two parenthetical clauses of Section 5(d) of the Original Agreement are hereby deleted in their respective entireties.

4. Validity; No Default. Borrower hereby represents and warrants to Bank as follows:

(a) The Original Agreement, as amended by this Assignment and Amendment, is the legal, valid and binding obligation of Borrower and is enforceable in accordance with its terms; and

(b) No Event of Default has occurred and is continuing or will result from the effectiveness of this Assignment and Amendment.

5. Reference to and Effect on the Original Agreement.

(a) From and after the date of this Assignment and Amendment, each reference in the Original Agreement to "this Agreement", "this Security Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Original Agreement and each reference in any other Loan Document to the "Security Agreement" or words of like import referring to the Original Agreement shall mean and be a reference to the Original Agreement as amended hereby;

(b) Except as specifically set forth above, the Original Agreement remains in full force and effect and is hereby ratified and confirmed; and

(c) The execution, delivery and effectiveness of this Assignment and Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Bank under the Original Agreement, as amended by this Assignment and Amendment, nor constitute a waiver of any provision of the Original Agreement.

6. Headings. Section headings in this Assignment and Amendment are included herein for convenience of reference only and shall not constitute a part of this Assignment and Amendment for any other purpose.

7. Recitals. The recitals to this Assignment and Amendment constitute a part of this Agreement.

8. Counterparts. This Assignment and Amendment may be executed in counterparts and by separate parties in separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same document.

9. Governing Law. The parties agree that this Assignment and Amendment is to be construed and governed by the laws of the State of Minnesota.

10. Time of Essence. Time shall be of the essence as to each and every provision of this Assignment and Amendment.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Assignment and Amendment as of the date first written above.

**BORROWER:**

**CELLU TISSUE-CITYFOREST LLC**, a  
Minnesota limited liability company

By: Dianne M. Scheu  
Name: Dianne M. Scheu  
Title: Senior Vice President and  
Chief Financial Officer

**ASSIGNOR:**

**ASSOCIATED BANK, NATIONAL  
ASSOCIATION**, a national banking association, as  
Collateral Agent for the Secured Parties

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BANK:**

**ASSOCIATED BANK, NATIONAL  
ASSOCIATION**, a national banking association

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IN WITNESS WHEREOF, the parties have executed this Assignment and Amendment as of the date first written above.

**BORROWER:**

**CELLU TISSUE-CITYFOREST LLC**, a  
Minnesota limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ASSIGNOR:**

**ASSOCIATED BANK, NATIONAL  
ASSOCIATION**, a national banking association, as  
Collateral Agent for the Secured Parties

By: Thomas M. Toerpe  
Name: Thomas M. Toerpe  
Title: Vice President

**BANK:**

**ASSOCIATED BANK, NATIONAL  
ASSOCIATION**, a national banking association

By: Thomas M. Toerpe  
Name: Thomas M. Toerpe  
Title: Vice President

SIGNATURE PAGE: ASSIGNMENT OF SECURITY AGREEMENT AND AMENDMENT