EXHIBIT A

Form of DIP Credit Agreement

MTHM DRAFT 6/05/08

DEBTOR-IN-POSSESSION CREDIT AGREEMENT

Dated as of June [_], 2008

among

SCOTIA PACIFIC COMPANY LLC,

as the Borrower,

LEHMAN COMMERCIAL PAPER INC.,
as Administrative Agent,

and

The Other Lenders Party Hereto

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DEBTOR-IN-POSSESSION CREDIT AGREEMENT

This DEBTOR-IN-POSSESSION CREDIT AGREEMENT ("Agreement") is entered into as of June [_], 2008 among SCOTIA PACIFIC COMPANY LLC, a Delaware limited liability company (the "Borrower"), as a debtor and a debtor-in-possession, each lender from time to time party hereto (collectively, the "Lenders" and individually, a "Lender"), and LEHMAN COMMERCIAL PAPER INC., as administrative agent for the Lenders (in such capacity, and together with any successor administrative agent acting in such capacity, the "Administrative Agent") and as documentation agent and collateral agent for the Lenders.

PRELIMINARY STATEMENTS:

On January 18, 2007 (the "Petition Date"), Borrower filed a voluntary petition for relief under the Bankruptcy Code with the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") (such proceeding being administered under Case No. 07-20032-C-11 is hereinafter referred to as the "Chapter 11 Case"), and Borrower continues to operate its businesses and manage its properties as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

Borrower has requested Lenders to provide, subject to the terms and conditions contained herein, a debtor-in-possession revolving loan credit facility in an aggregate amount of up to $20,000,000 (the "Facility") which may be available from time to time on a revolving basis on or after the date of entry of the Final Borrowing Order (defined below) as provided herein, and Lenders are willing to extend the Facility to Borrower in accordance with and on the terms and conditions set forth herein.

The proceeds of the Facility will be used for (a) working capital and general corporate purposes (including capital expenditures) of the Borrower, including but not limited to, professional fees and expenses, in each case, in accordance with the Budget (defined below) and the other terms and conditions of this Agreement and (b) to pay transaction costs, fees and expenses in connection with the Facility.

To secure the repayment of the Facility and the payment of the other Obligations (defined below) of the Borrower hereunder and under the other Loan Documents (defined below), the Borrower is providing to the Administrative Agent and Lenders, pursuant to this Agreement and the Final Borrowing Order (defined below), the following (each as more fully described herein):

(a) with respect to the Obligations of the Borrower hereunder, an allowed administrative expense claim entitled to the benefits of Bankruptcy Code Section 364(c)(1), having a superpriority over any and all administrative expenses of the kind specified in Bankruptcy Code Sections 503(b) or 507(b);

(b) pursuant to Bankruptcy Code Section 364(c)(2) a perfected first priority (subject to permitted exceptions) lien on all present and after-acquired property of the Borrower not subject to a lien on the Petition Date, not including the actual Avoidance Actions (but including the proceeds thereof);

(c) pursuant to Bankruptcy Code Section 364(c)(3) a perfected junior lien on, and security interest in, all present and after-acquired property of the Borrower that is otherwise subject to a valid and perfected lien on the Petition Date (other than Liens securing any of the Timber Note Obligations, which shall be primed by the Liens to be granted to secure the Facility); and

(d) pursuant to Bankruptcy Code Section 364(d)(1) a perfected first priority (subject to permitted exceptions), senior priming lien on all Prepetition Timber Collateral.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Administrative Agent" has the meaning specified in the introductory paragraph hereto.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

"Administrative Questionnaire" means an Administrative Questionnaire in a form approved by the Administrative Agent.

"Affiliate" means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agreement" means this Debtor-in-Possession Credit Agreement dated as of June [_], 2008, as it may be amended, restated, supplemented or otherwise modified from time to time.

"Applicable Percentage" means, with respect to any Lender at any time, the percentage of the aggregate Commitments and Loans of all Lenders then constituted by such Lender's Commitment and outstanding Loans.

"Applicable Rate" means 8.5% per annum.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Arranger" means LCPI, in its capacity as sole lead arranger and sole book manager.

"Assignee Group" means two or more Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit D or any other form approved by the Administrative Agent.

"Assignment Fee" has the meaning specified in Section 10.06(b)(iv).

"Assignee" has the meaning specified in Section 10.06(b).

"Attributable Indebtedness" means, on any date, (a) in respect of any Capitalized Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease or similar payments under the relevant lease or other applicable agreement or instrument that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease or other agreement or instrument were accounted for as a Capitalized Lease and (c) all Synthetic Debt of such Person.

"Availability Period" means the period from and including the date hereof to the earliest of (i) the Termination Date, (ii) the Maturity Date, (iii) the date of termination of the Commitments pursuant to Section 2.06, and (iv) the date of termination of the commitment of each Lender to make Loans pursuant to Section 8.02.

"Avoidance Actions" means claims arising pursuant to Section 544, 545, 547, 548 and, to the extent applicable under the foregoing Sections 550 of the Bankruptcy Code, but expressly excluding Section 549 of the Bankruptcy Code.

"Bank of America" means Bank of America, N.A. and its successors.

"Bankruptcy Code" means the United States Bankruptcy Code of 1978, as amended.

"Bankruptcy Court" has the meaning assigned to that term in the recitals to this Agreement.

"Borrower" has the meaning specified in the introductory paragraph hereto.

"Borrower Materials" has the meaning specified in Section 6.02.

"Borrowing" has the meaning assigned thereto in Section 2.02.

"Borrowing Request" has the meaning assigned thereto in Section 2.02.

"Budget" means the consolidated cash flow projections delivered by Borrower to Administrative Agent pursuant to Section 6.01(a), setting forth on a line-item basis, weekly anticipated cash receipts and disbursements (including line items with respect to revenues, costs of goods sold, SG&A expenses and capital expenditures), in each case, that shall be in form and substance satisfactory to, and subject to the approval of, Administrative Agent, in its sole discretion (unless otherwise directed by Required Lenders). If any Budget is not approved by the

Administrative Agent as provided in Section 6.01(a), the term "Budget" shall mean the last Budget that was so approved by Administrative Agent.

"Budget Period" means, as of any date of determination, the date from August [_], 2008 through and including the Maturity Date (determined as of such date of determination).

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent's Office is located.

"Capital Expenditures" means, with respect to any Person for any period, any expenditure in respect of the purchase or other acquisition of any fixed or capital asset (excluding normal replacements and maintenance which are properly charged to current operations).

"Capitalized Leases" means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

"Carve-Outs" has the meaning specified in Section 2.15.

"Carve-Out Trigger Notice" has the meaning specified in Section 2.15.

"Cash Collateral Order" means the order regarding the use of cash collateral of Borrower entered March 18, 2008 by the Bankruptcy Court in the Chapter 11 Case, as such order may be amended, supplemented or otherwise modified from time to time with the express written consent or joinder of Administrative Agent and Required Lenders and approved by the Bankruptcy Court.

"Cash Equivalents" means any of the following types of Investments, to the extent owned by the Borrower free and clear of all Liens (other than Liens created under the Collateral Documents):

(a) readily marketable obligations issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof having maturities of not more than 360 days from the date of acquisition thereof; provided that the full faith and credit of the United States of America is pledged in support thereof;

(b) time deposits with, or insured certificates of deposit or bankers' acceptances of, any commercial bank that (i) (A) is a Lender or (B) is organized under the laws of the United States of America, any state thereof or the District of Columbia or is the principal banking subsidiary of a bank holding company organized under the laws of the United States of America, any state thereof or the District of Columbia, and is a member of the Federal Reserve System, (ii) issues (or the parent of which issues) commercial paper rated as described in clause (c) of this definition and (iii) has combined capital and surplus of at least $1,000,000,000, in each case with maturities of not more than 90 days from the date of acquisition thereof;

(c) commercial paper issued by any Person organized under the laws of any state of the United States of America and rated at least "Prime-1" (or the then equivalent

grade) by Moody's or at least "A-1" (or the then equivalent grade) by S&P, in each case with maturities of not more than 180 days from the date of acquisition thereof; and

(d) Investments, classified in accordance with GAAP as current assets of the Borrower, in money market investment programs registered under the Investment Company Act of 1940, which are administered by financial institutions that have the highest rating obtainable from either Moody's or S&P, and the portfolios of which are limited solely to Investments of the character, quality and maturity described in clauses (a), (b) and (c) of this definition.

"Cashflow For Debt Service" means, with respect to any month, (a) actual cash receipts for such month less (b) the sum of (i) payroll/benefits expenses, (ii) operating expenses and (iii) SCOPAC standalone expenses, in each cash actually incurred by Borrower for such month, and calculated in a manner consistent with the financial model attached hereto as Exhibit F.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"CERCLIS" means the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

"Change of Control" means any of the following: (i) MGI shall cease to legally and beneficially own and control 100% of the issued and outstanding shares of capital stock of Palco entitled (without regard to the occurrence of any contingency) to vote for the election of members of the Governing Body of Palco; or (ii) Palco shall cease to legally and beneficially own and control 100% of the issued and outstanding shares of capital stock of Borrower entitled (without regard to the occurrence of any contingency) to vote for the election of the independent managers of Borrower, except that it shall not constitute a "Change of Control" hereunder if the Indenture Plan Agent has assumed all of the Borrower's rights and obligations hereunder in accordance with Section 10.19. As used herein, the term "beneficially own" or "beneficial ownership" shall have the meaning assigned to that term in the Exchange Act and the rules and regulations promulgated thereunder.

"Chapter 11 Case" has the meaning assigned to that term in the recitals to this Agreement.

"Closing Date" means the first date on which the initial Credit Extension is made hereunder.

"Code" means the Internal Revenue Code of 1986.

"Collateral" means all of the "Collateral" referred to in Section 2.15 and the other Collateral Documents and all of the other property that is or is intended under the terms of Section 2.15 and the Collateral Documents to be subject to Liens in favor of the Administrative Agent for the benefit of the Secured Parties.

"Collateral Documents" means, collectively, all security agreements, mortgages, collateral assignments, pledge agreements or other similar agreements delivered to the Administrative Agent pursuant to Section 2.15(b), each of the other agreements, instruments or documents that creates or purports to create a Lien in favor of the Administrative Agent for the benefit of the Secured Parties, or an applicable order of the Bankruptcy Court in order to grant Administrative Agent, on behalf of Lenders, a Lien on any real, personal or mixed property of Borrower as security for the Obligations.

"Commitment" means, as to any Lender, the obligation of such Lender, if any, to make Loans to the Borrower hereunder in a principal amount not to exceed the amount set forth opposite such Lender's name in Schedule I hereto, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable, as such commitment may be (a) reduced from time to time pursuant to Section 2.05 or Section 2.06 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender under Section 10.06.

"Compliance Certificate" means a certificate substantially in the form of Exhibit C.

"Conduit Lender" means any special purpose entity organized and administered by any Lender for the purpose of making Loans otherwise required to be made by such Lender and designated by such Lender in a written instrument delivered to the Administrative Agent (a copy of which shall be provided by the Administrative Agent to the Borrower on request); provided that the designation by any Lender of a Conduit Lender shall not relieve the designating Lender of any of its obligations under this Agreement, including, without limitation, its obligation to fund a Loan if, for any reason, its Conduit Lender fails to fund any such Loan, and the designating Lender (and not the Conduit Lender) shall have the sole right and responsibility to deliver all consents and waivers required or requested under this Agreement with respect to its Conduit Lender, and provided, further, that no Conduit Lender shall (a) be entitled to receive any greater amount pursuant to any provision of this Agreement than the designating Lender would have been entitled to receive in respect of the extensions of credit made by such Conduit Lender if such designating Lender had not designated such Conduit Lender hereunder, (b) be deemed to have any Commitment or (c) be designated if such designation would otherwise increase the costs of the Facility to the Borrower.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Extension" means a Borrowing hereunder by the Borrower.

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Default Rate" means an interest rate equal to (i) the Applicable Rate plus (ii) 4% per annum.

"Defaulting Lender" means any Lender that (a) has failed to fund any portion of the Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"Disclosed Litigation" has the meaning set forth in Section 5.06.

"Disposition" or "Dispose" means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any property by any Person (or the granting of any option or other right to do any of the foregoing), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

"Dollar" and "$" mean lawful money of the United States.

"Environmental Laws" means any and Laws relating to pollution and the protection of the environment or the release of any Hazardous Materials into the environment.

"Environmental Liability" means any liability (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower directly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) public exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to Environmental Laws and Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Equity Interests" means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights

for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which reasonably would be expected to result under Section 4042 of ERISA in the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

"Event of Default" has the meaning specified in Section 8.01.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located, (c) any backup withholding tax that is required by the Code to be withheld from amounts payable to a Lender that has failed to comply with clause (A) of Section 3.01(e)(ii), and (d) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 10.12), any United States withholding tax that (i) is required to be imposed on amounts payable to such Foreign Lender pursuant to the Laws in force at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or (ii) is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with clause (B) of Section 3.01(e)(ii), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at

the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.01(a).

"Extraordinary Receipt" means any cash received by or paid to or for the account of any Person not in the ordinary course of business, including tax refunds, the proceeds of any sale for cash or other monetization of securities held in the SAR Account, pension plan reversions, proceeds of insurance (other than proceeds of business interruption insurance to the extent such proceeds constitute compensation for lost earnings), condemnation awards (and payments in lieu thereof), indemnity payments and any purchase price adjustments.

"Facility" has the meaning assigned to that term in the recitals to this Agreement.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be a rate determined by the Administrative Agent in accordance with banking industry practice on interbank compensation.

"Final Borrowing Order" means an order substantially in the form attached hereto as Exhibit E (with any modifications thereto approved by Administrative Agent and Required Lenders in their sole discretion) entered by the Bankruptcy Court in the Chapter 11 Case after a final hearing under Bankruptcy Rule 4001(c)(2), as the same may be amended, supplemented or otherwise modified from time to time; *provided, however*, that such order shall not be deemed the Final Borrowing Order for purposes of this Agreement unless (i) at least eleven (11) days have elapsed since the entry of such order, (ii) such order has not been reversed or stayed by the Bankruptcy Court or any other court of competent jurisdiction, and (iii) such order is in full force and effect without amendment, supplement or other modification other than amendments, supplements or modifications made with the express written consent or joinder of Administrative Agent and Required Lenders and approved by the Bankruptcy Court. Any reference in this Agreement (other than in this definition) and the Loan Documents to the date of "entry" of the Final Borrowing Order shall be deemed to refer to the date which is 11 days following the entry of such order, so long as such order has not been reversed or stayed by the Bankruptcy Court or any other court of competent jurisdiction.

"Foreign Lender" means any Lender that is organized under the Laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"FRB" means the Board of Governors of the Federal Reserve System of the United States.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

"GAAP" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

"Governing Body" means the board of directors or other body having the power to direct or cause the direction of the management and policies of a Person that is a corporation, partnership, trust or limited liability company.

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guarantee" means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"Hazardous Materials" means all materials, wastes or substances defined by, or regulated under, any Environmental Laws as a hazardous waste, hazardous material, hazardous substance, extremely hazardous waste, restricted hazardous waste, contaminant, pollutant, toxic waste, or

toxic substance, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, explosive or radioactive substances and infectious or medical wastes.

"Indebtedness" means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) the maximum amount of all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments;

(c) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business and not past due for more than 60 days after the date on which such trade account was created);

(d) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(e) all Attributable Indebtedness in respect of Capitalized Leases and Synthetic Lease Obligations of such Person and all Synthetic Debt of such Person;

(f) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interest in such Person or any other Person or any warrant, right or option to acquire such Equity Interest, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; and

(g) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitee" has the meaning specified in Section 10.04(b).

"Indenture" means the indenture dated July 20, 1998 (as amended from time to time) by and between the Borrower and the Indenture Trustee pursuant to which the Borrower issued the Timber Notes.

"Indenture Plan Agent" means any plan agent appointed under the chapter 11 plan of reorganization proposed by, among others, the Indenture Trustee, and confirmed by the Bankruptcy Court pursuant to an order reasonably acceptable to Administrative Agent.

"Indenture Trustee" means The Bank of New York, as successor trustee under the Indenture.

"Interest Payment Date" means the last Business Day of each calendar month.

"Investment" means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or interest in, another Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit or all or a substantial part of the business of, such Person. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

"IP Rights" has the meaning specified in Section 5.17.

"IRS" means the United States Internal Revenue Service.

"Laws" means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"LCPI" means Lehman Commercial Paper Inc. and its successors.

"Lender" has the meaning specified in the introductory paragraph hereto.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

"Loan" has the meaning specified in Section 2.01.

"Loan Documents" means, collectively, (a) this Agreement, (b) the Notes, (c) the Collateral Documents and (d) the Final Borrowing Order.

"Master Purchase Agreement" means the New Master Purchase Agreement, dated July 20, 1998, between the Borrower and Palco.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Borrower, other than as a result of the Borrower's relationship or business operations with Palco; (b) a material impairment of the rights and remedies of the Administrative Agent or any Lender under any Loan Document, or of the ability of Borrower to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower of any Loan Document.

"Material Contract" means any contract or other arrangement to which Borrower is a party (other than the Loan Documents, and other than any contract or other arrangement with Palco) for which the breach, nonperformance, cancellation or failure to renew could reasonably be expected to have a Material Adverse Effect.

"Maturity Date" means the earlier of (i) the Repayment Date and (ii) the effective date of any confirmed plan of reorganization in the Chapter 11 Case in which the Indenture Plan Agent has not assumed all of the Borrower's rights and obligations hereunder in accordance with Section 10.19; provided, however, that if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

"Maximum Rate" has the meaning assigned thereto in Section 10.08.

"Measurement Period" means, at any date of determination, the most recently completed four fiscal quarters of the Borrower.

"MGHI" means MAXXAM Group Holdings Inc., a wholly owned subsidiary of Maxxam Inc.

"MGI" means MAXXAM Group Inc., an indirect wholly owned subsidiary of MGHI.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto.

"Mortgaged Property" means all "Collateral" constituting real property, whether fee owned or leased.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"Net Cash Proceeds" means:

(a) with respect to any Disposition by the Borrower, or any Extraordinary Receipt received or paid to the account of the Borrower, the excess, if any, of (i) the sum of cash and Cash Equivalents received in connection with such transaction (including any cash or Cash Equivalents received by way of deferred payment pursuant to, or by monetization of, a note receivable or otherwise, but only as and when so received) over (ii) the sum of (A) the reasonable and customary out-of-pocket expenses incurred by the Borrower in connection with such transaction and (B) income taxes reasonably estimated to be actually payable within two years of the date of the relevant transaction as a result of any income or gain recognized in connection therewith; provided that, if the amount of any estimated taxes pursuant to subclause (B) exceeds the amount of taxes actually required to be paid in cash in respect of such Disposition, the aggregate amount of such excess shall constitute Net Cash Proceeds; and

(b) with respect to the sale or issuance of any Equity Interest by the Borrower, or the incurrence or issuance of any Indebtedness by the Borrower, the excess of (i) the sum of the cash and Cash Equivalents received in connection with such transaction over (ii) the underwriting discounts and commissions, and other reasonable and customary out-of-pocket expenses, incurred by the Borrower in connection therewith.

"Note" has the meaning assigned thereto in Section 2.03.

"NPL" means the National Priorities List under CERCLA.

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, the Borrower owed to any Secured Party arising under any Loan Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising, including without limitation, any liability of Borrower on any claim, whether or not the right to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed or contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed, allowed or otherwise affected by any bankruptcy, insolvency, reorganization or other similar proceeding under any Debtor Relief Laws.

"Organization Documents" means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under

any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Outstanding Amount" means, on any date, the aggregate outstanding principal amount of Loans after giving effect to any borrowings and prepayments or repayments of Loans occurring on such date.

"Palco" means the Pacific Lumber Company, a wholly owned subsidiary of MGI, and the direct parent of Borrower.

"Palco Companies" means the Borrower, Palco, and Salmon Creek, collectively.

"Patriot Act" has the meaning assigned thereto in Section 10.17.

"Participant" has the meaning specified in Section 10.06(c).

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

"Permitted Liens" means Liens permitted by Section 7.01.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Petition Date" has the meaning assigned to that term in the recitals to this Agreement.

"Plan" means any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) established by the Borrower or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, any ERISA Affiliate.

"Prepetition Collateral" means, collectively, the Prepetition Loan Collateral and the Prepetition Timber Collateral.

"Prepetition Credit Agreement" means the Credit Agreement dated as of July 20, 1998, among Borrower, the financial institutions listed on the signature pages thereof, and Bank of America, as Administrative Agent, as amended, supplemented or otherwise modified through the date hereof and as it may hereafter be amended, supplemented or otherwise modified as permitted under this Agreement.

"Prepetition Credit Documents" means all "Loan Documents" as defined in the Prepetition Credit Agreement.

"Prepetition Credit Liens" means valid, perfected and non-voidable Liens and security interests granted for the benefit of the Prepetition Lenders and certain other Persons pursuant to the Prepetition Credit Documents.

"Prepetition Indebtedness" means any Indebtedness or other liability of Borrower or claim against Borrower (within the meaning of Bankruptcy Code Section 101(5)) outstanding on the Petition Date, including Prepetition Obligations.

"Prepetition Lenders" means the Persons identified as "Lenders" under the Prepetition Credit Agreement, in their capacities as lenders under the Prepetition Credit Agreement, together with their successors and permitted assigns.

"Prepetition Loan Collateral" means all "Collateral" as defined in the Prepetition Credit Agreement.

"Prepetition Loan Obligations" means all "Obligations" as defined in the Prepetition Credit Agreement.

"Prepetition Obligations" means, collectively, the Prepetition Loan Obligations and the Timber Note Obligations.

"Prepetition Timber Collateral" means all "Collateral" that is subject to a valid Lien or security interest in effect on the Petition Date to secure any of the Timber Note Obligations, and any other Collateral that is subject to a valid Lien granted after the Petition Date to provide adequate protection in respect of the Timber Note Obligations.

"Prepetition Timber Liens" means valid, perfected and non-voidable Liens and security interests granted for the benefit of the Timber Noteholders and certain other Persons pursuant to the Indenture to secure the Timber Note Obligations.

"Projected Cash Flow Model" means a projection model regarding the Borrower containing its cash flow projections for January 2008 through December 2008, which projections shall be in form and substance satisfactory to the Administrative Agent (unless otherwise directed by the Required Lenders).

"Register" has the meaning specified in Section 10.06(b)(iii).

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees and advisors of such Person and of such Person's Affiliates.

"Repayment Date" means [December 4, 2008]; provided that if the Borrower satisfies the requirements of the First Extension Option in accordance with Section 2.04(a), such date shall be extended to [March 4], 2009; provided further that if the Borrower satisfies the requirements of the Second Extension Option in accordance with Section 2.04(b), such date shall be further extended to June 4, 2009.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

"Required Lenders" means, as of any date of determination, Lenders holding more than [66 2/3]% of the aggregate Commitments on such date.

"Required Monthly Cash Flow" means, with respect to any month, the lesser of (a) 85% of projected cash flow for such month as shown in the Projected Cash Flow Model and (b) the projected cash flow for such month as shown in the Projected Cash Flow Model less $[200,000].

"Responsible Officer" means the chief executive officer, president, chief financial officer, treasurer, assistant treasurer or controller of Borrower. Any document delivered hereunder that is signed by a Responsible Officer of Borrower shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of Borrower and such Responsible Officer shall be conclusively presumed to have acted on behalf of Borrower.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of any Person or any of its Subsidiaries, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, defeasance, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to any Person's stockholders, partners or members (or the equivalent of any thereof), or any option, warrant or other right to acquire any such dividend or other distribution or payment.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

"Salmon Creek" means Salmon Creek LLC, a wholly owned subsidiary of Palco.

"SAR Account" means the Scheduled Amortization Reserve Account created pursuant to the Indenture that holds funds used to support principal payments on the Timber Notes. Pursuant to a series of orders entered by the Bankruptcy Court, the Borrower has been authorized to use the cash held in the SAR Account to fund operations and the administration of the Chapter 11 Cases, including the fees and expenses of advisors to the Official Creditors' Committee and the Indenture Trustee for the benefit of the holders of the Timber Notes.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Secured Parties" means, collectively, the Administrative Agent, the Lenders, each co-agent or sub-agent appointed by the Administrative Agent from time to time pursuant to Section 9.05, and the other Persons the Obligations owing to which are or are purported to be secured by the Collateral under the terms of this Agreement and any other Collateral Documents.

"Subsidiary" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests

having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person.

"Superpriority Claim" means a claim against the Borrower in the Chapter 11 Case which is an administrative expense claim having priority over any or all administrative expenses of the kind specified in Sections 503(b) or 507(b) of the Bankruptcy Code, including a claim pursuant to Section 364(c)(1) of the Bankruptcy Code.

"Synthetic Debt" means, with respect to any Person as of any date of determination thereof, all obligations of such Person in respect of transactions entered into by such Person that are intended to function primarily as a borrowing of funds (including any minority interest transactions that function primarily as a borrowing) but are not otherwise included in the definition of "Indebtedness" or as a liability on the consolidated balance sheet of such Person and its Subsidiaries in accordance with GAAP.

"Synthetic Lease Obligation" means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property (including sale and leaseback transactions), in each case, creating obligations that do not appear on the balance sheet of such Person but which, upon the application of any Debtor Relief Laws to such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Termination Date" means the earliest of (i) the date of distributions to any class of creditors, equity holders or other claimants under any plan of reorganization in the Chapter 11 Case, (ii) the date of termination in whole of the Commitments and acceleration of the Loans in connection with an Event of Default, (iii) the date hereof, if the motion to approve this Agreement has not been filed with the Court by such date, (iv) [July 4], 2008, if the Final Borrowing Order has not been entered by the Bankruptcy Court by such date, (v) the date of any sale, transfer or other disposition of all or substantially all of the assets or Capital Stock of Borrower, including, without limitation, the sale of all or substantially all of the assets of the Borrower in accordance with Section 363 of the Bankruptcy Code or otherwise (including a sale consisting of a credit bid of any claim or claims against the Borrower), and (vi) the date of (a) filing by the Borrower with the Bankruptcy Court of any plan of reorganization or modification to any previously filed plan of reorganization, that does not provide for payment in full in cash of the Facility upon effectiveness or that otherwise adversely affects the interests of the Lenders or (b) the effectiveness of a plan of reorganization that does not provide for payment in full in cash of the Facility (after giving effect to the Final Borrowing Order) unless the Indenture Plan Agent has assumed all of the Borrower's rights and obligations hereunder in accordance with Section 10.19.

"Threshold Amount" means $1,000,000.

"Timber" means all crops and all trees, of any size, any age and any species, whether now located in or on or hereafter planted or growing in or on the timberlands owned or leased by Borrower, and all timber of any size, any age and any species (whether or not merchantable), and all additions, substitutions, renewals and natural increases thereof, now or hereafter growing, whether severed or unsevered, including standing and downed timber, logs, pulpwood, sawtimber, fiber, biomass, carbon rights, and stumps and cut timber remaining on such land or removed from such land.

"Timber Note Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, the Borrower arising under the Indenture or otherwise with respect to the Timber Notes.

"Timber Noteholder" means a holder of the Timber Notes.

"Timber Notes" means the Borrower's 6.55% Series B Class A-1 Timber Collateralized Notes due 2028, 7.11% Series B Class A-2 Timber Collateralized Notes due 2028 and 7.71% Series B Class A-3 Timber Collateralized Notes due 2028.

"Total Advance Limit" means (i) as of any date from the date hereof until the entry of the Final Borrowing Order, $0.00, and (ii) as of any date from and after the entry of the Final Borrowing Order, the lesser of (a) the principal amount of Loans permitted to be outstanding hereunder pursuant to the Final Borrowing Order and (b) $20,000,000, in each case as the foregoing limits are in effect at such time.

"UCC" means the Uniform Commercial Code as in effect in the State of New York; provided that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, "UCC" means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

"Unfunded Pension Liability" means the excess of a Pension Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"United States" and "U.S." mean the United States of America.

"Variance Report" means a report to be delivered by Borrower to Administrative Agent in accordance with Section 6.01(f), in form and substance satisfactory to Administrative Agent (unless otherwise directed by the Required Lenders), (a) reflecting the actual cash receipts and disbursements of Borrower for each calendar week ending in the preceding one-week period (and cumulatively for the elapsed portion of the Budget Period) with respect to each line item described in the Budget and the percentage and dollar variance of such amounts from the projected amounts therefor set forth in the Budget for each such week, (b) demonstrating in reasonable detail compliance during each such week with the restrictions contained in Section 7.12 (it being understood that whether Borrower is in compliance with Section 7.12 at any month's end shall be determined, for any week during which such month's end occurs, on

the basis of cash expenditures made through the end of such week), and (c) containing a narrative analysis of Borrower's performance for the preceding one-week period and any variance from such period in the applicable Budget.

1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Preliminary Statements, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Preliminary Statements, Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms (a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements provided as of the date hereof, except as otherwise specifically prescribed herein.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

(c) Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.04 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

ARTICLE II
THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 The Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make revolving loans (each such loan, a "Loan") to the Borrower from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Commitment; provided, however, that after giving effect to any Borrowing, (i) the Outstanding Amount shall not exceed the Facility, (ii) the aggregate Outstanding Amount of the Loans of any Lender shall not exceed such Lender's Commitment, and (iii) the Outstanding Amount shall not at any time exceed the Total Advance Limit. Within the limits of each Lender's Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01, prepay under Section 2.05, and reborrow under this Section 2.01.

2.02 Borrowings of Loans. (a) Each borrowing of a Loan (each, a "Borrowing") shall be made upon the Borrower's irrevocable notice to the Administrative Agent (any such request, a "Borrowing Request"), which may be given by telephone. Each such request must be received by the Administrative Agent not later than 11:00 a.m. three Business Days prior to the requested date of any Borrowing. Each telephonic notice by the Borrower pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Borrowing Request, appropriately completed and signed by a Responsible Officer of the Borrower. Each Borrowing shall be in a principal amount of $2,500,000 or a whole multiple of $2,500,000 in excess thereof. Each Borrowing Request (whether telephonic or written) shall specify the requested date of the Borrowing (which shall be a Business Day) and the principal amount of Loans to be borrowed.

(b) Following receipt of a Borrowing Request, the Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage of the Loans. Each Lender shall make the amount of its Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 1:00 p.m. on the Business Day specified in the applicable Borrowing Request. Upon satisfaction of the conditions set forth in Section 4.01 and Section 4.02, the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by wire transfer of such funds in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower.

2.03 Notes. The Borrower agrees that, upon the request to the Administrative Agent by any Lender, in order to evidence such Lender's Loans, the Borrower will execute and deliver to such Lender a promissory note substantially in the form of Exhibit B (each, as amended, supplemented, replaced or otherwise modified from time to time, a "Note"), with appropriate insertions therein as to payee, date and principal amount, payable to the order of such Lender and in a principal amount equal to the lesser of (a) the amount of such Lender's Commitment and (b) the unpaid principal amount of the Loans made by such Lender to the Borrower. Each Note shall be dated the date hereof.

2.04 Extension Options.

(a) At the election of the Borrower (notified in writing to the Administrative Agent not more than 30 days and no less than 10 days prior to December 4, 2008), the Borrower may request that the Lenders agree to extend the Repayment Date to March 4, 2009 (the "First Extension Option"), subject to satisfaction or waiver of the following conditions:

(i) the Administrative Agent and each of the Lenders shall have consented to such extension (in each case, such consent not to be unreasonably withheld or delayed);

(ii) the representations and warranties of the Borrower set forth in this Agreement shall be true and correct in all material respects on and as of December 4, 2008;

(iii) no Default shall be continuing on and as of December 4, 2008; and

(iv) the Borrower shall have delivered to the Administrative Agent updated Projected Cash Flow Model, which shall be in form and substance reasonably acceptable to the Administrative Agent (unless otherwise directed by the Required Lenders).

(b) If the Borrower has validly elected and satisfied the conditions to the First Extension Option pursuant to clause (a) above, then at the election of the Borrower (notified in writing to the Administrative Agent not more than 30 days and no less than 10 days prior to March 4, 2009), the Borrower may request that the Lenders agree to extend the Repayment Date to June 4, 2009 (the "Second Extension Option"), subject to satisfaction or waiver of the following conditions:

(i) the Administrative Agent and each of the Lenders shall have consented to such extension (in each case, such consent not to be unreasonably withheld or delayed);

(ii) on and as of March 4, 2009, the Indenture Plan Agent shall have succeeded to the rights and obligations of the Borrower hereunder and shall be actively marketing to sell all or substantially all of the timberland assets owned and/or leased by the Borrower;

(iii) the representations and warranties of the Borrower set forth in this Agreement shall be true and correct in all material respects on and as of March 4, 2009;

(iv) no Default shall be continuing on and as of March 4, 2009; and

(v) the Borrower shall have delivered to the Administrative Agent updated Projected Cash Flow Model, which shall be in form and substance reasonably acceptable to the Administrative Agent (unless otherwise directed by the Required Lenders).

(c) If any Lender does not consent to a requested extension of the Repayment Date, the Borrower may replace such non-consenting Lender in accordance with Section 10.12.

2.05 Prepayments. (a) Optional. The Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay Loans in whole or in part without premium or penalty; provided that (A) such notice must be received by the Administrative Agent not later than 11:00 a.m. (1) ten Business Days prior to any date of prepayment; and (B) any prepayment shall be in a principal amount of $2,500,000 or a whole multiple of $2,500,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's ratable portion of such prepayment (based on such Lender's Applicable Percentage). If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Each prepayment of Loans pursuant to the foregoing provisions of this Section 2.05(a) shall be applied to repay the Loans, and shall be paid to the Lenders in accordance with their respective Applicable Percentages.

(b) Mandatory.

(i) If the Borrower Disposes of any property (other than any Disposition of any property permitted by Section 7.05) which results in the realization by such Person of Net Cash Proceeds, the Borrower shall prepay an aggregate principal amount of Loans equal to 100% of such Net Cash Proceeds immediately upon receipt thereof by such Person (such prepayments to be applied as set forth in clauses (v) and (vii) below).

(ii) Upon the sale or issuance by the Borrower of any of its Equity Interests, the Borrower shall prepay an aggregate principal amount of Loans equal to 100% of all Net Cash Proceeds received therefrom immediately upon receipt thereof by the Borrower (such prepayments to be applied as set forth in clauses (v) and (vii) below).

(iii) Upon the incurrence or issuance by the Borrower of any Indebtedness (other than Indebtedness expressly permitted to be incurred or issued pursuant to Section

7.02), the Borrower shall prepay an aggregate principal amount of Loans equal to 100% of all Net Cash Proceeds received therefrom immediately upon receipt thereof by the Borrower (such prepayments to be applied as set forth in clauses (v) and (vii) below).

(iv) Upon any Extraordinary Receipt received by or paid to or for the account of the Borrower, and not otherwise included in clause (i), (ii) or (iii) of this Section 2.05(b), the Borrower shall prepay an aggregate principal amount of Loans equal to 100% of all Net Cash Proceeds received therefrom immediately upon receipt thereof by the Borrower (such prepayments to be applied as set forth in clauses (v) and (vii) below); provided, however, that with respect to any proceeds of insurance, condemnation awards (or payments in lieu thereof) or indemnity payments that do not exceed $1,000,000 in the aggregate during the term of this Agreement, at the election of the Borrower (as notified by the Borrower to the Administrative Agent (and the Administrative Agent shall promptly notify the Lenders thereof) on or prior to the date of receipt of such insurance proceeds, condemnation awards or indemnity payments), and so long as no Default shall have occurred and be continuing, the Borrower may apply within 60 days after the receipt of such cash proceeds to replace or repair the equipment, fixed assets or real property in respect of which such cash proceeds were received; and provided, further, however, that any Net Cash Proceeds not so applied shall be immediately applied to the prepayment of the Loans as set forth in this Section 2.05(b)(iv).

(v) Each prepayment of Loans pursuant to the foregoing provisions of this Section 2.05(b) shall be applied *first*, to repay the Loans, and shall be paid to the Lenders in accordance with their respective Applicable Percentages, and *second*, to the extent of any excess, applied to permanently reduce the Commitments.

(vi) Notwithstanding the foregoing clauses (i) through (iv), the Borrower shall not be required to make any such prepayment of Loans using any Net Cash Proceeds solely to the extent the Borrower is required to use such Net Cash Proceeds (and so applies such Net Cash Proceeds) to repay or prepay the Prepetition Loan Obligations in accordance with the terms of the Prepetition Credit Agreement, or in the case of any Extraordinary Receipts constituting the proceeds of securities held in the SAR Account, to the extent the Borrower elects to apply (and so applies) such proceeds to repay the Prepetition Loan Obligations.

2.06 Termination or Reduction of Commitments. (a) The Borrower shall have the right, upon not less than three Business Days' notice to the Administrative Agent (which will promptly notify the Lenders thereof), to terminate the Commitments or, from time to time, to reduce the amount of the Commitments; provided that no such termination or reduction shall be permitted if, after giving effect thereto and to any prepayments of the Loans made on the effective date thereof, the aggregate principal amount of the Loans then outstanding would exceed the aggregate Commitments then in effect. Any such reduction shall be in an amount equal to $1,000,000 or a whole multiple of $1,000,000 in excess thereof and shall reduce permanently the Commitments then in effect.

(b) The Administrative Agent will promptly notify the Lenders of any termination or reduction of the Commitment under this Section 2.06. Upon any reduction of the Commitments,

the Commitment of each Lender shall be reduced by such Lender's Applicable Percentage of such reduction amount. All fees in respect of the Facility accrued until the effective date of any termination of the Commitment shall be paid on the effective date of such termination.

2.07 Repayment of Loans. On the Maturity Date (or, if earlier, the Termination Date), the Borrower shall repay to the Lenders, the aggregate principal amount of all Loans outstanding on such date.

2.08 Interest. (a) Subject to the provisions of Section 2.08(b), each Loan under shall bear interest on the outstanding principal amount at a fixed rate per annum equal to the Applicable Rate.

(b) (i) If any amount of principal of any Loan is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) If any amount (other than principal of any Loan) payable by the Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Required Lenders such amount shall thereafter bear interest at a rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iii) Upon the request of the Required Lenders, while any Event of Default exists, the Borrower shall pay interest on the principal amount of all outstanding Obligations hereunder at a rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iv) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date, and on the date of any repayment or prepayment thereof. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.09 Fees.

(a) Commitment Fee. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage, a commitment fee equal to 1.0% times the actual daily amount by which the Facility exceeds the Outstanding Amount of Loans. The commitment fee shall accrue at all times during the Availability Period, including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable monthly in arrears on the last Business Day of each month, commencing with the first such date to occur after the date hereof, and on the last day of the Availability Period for the Facility. The commitment fee shall be calculated monthly in arrears.

(b) Administrative Agent Fee. The Borrower shall pay to the Administrative Agent for its own account an administrative fee equal to $10,000 per month, which fee will be payable on the date hereof and in advance on the [_] Business Day of each month thereafter prior to the maturity or early termination of the Facility and the payment in full of all amounts owing hereunder. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.10 Computation of Interest and Fees. All computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.11 Evidence of Debt. The Loans made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

2.12 Payments Generally; Administrative Agent's Clawback. (a) General. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage in respect of the Facility (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 2:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected on computing interest or fees, as the case may be.

(b) (i) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to 12:00 noon on the date of such Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02, and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event,

if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, and (B) in the case of a payment to be made by the Borrower, the Applicable Rate. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by Borrower; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the time at which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans and to make payments pursuant to Section 10.04(c) are several and not joint. The failure of any Lender to make any Loan, to fund any such participation or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its

corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or to make its payment under Section 10.04(c).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(f) Insufficient Funds. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, toward payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

2.13 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, or as adequate protection of a deposit treated as cash collateral under the Bankruptcy Code, obtain payment in respect of (a) Obligations in respect of the Facility due and payable to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations due and payable to such Lender at such time to (ii) the aggregate amount of the Obligations in respect of the Facility due and payable to all Lenders hereunder and under the other Loan Documents at such time) of payments on account of the Obligations in respect of the Facility due and payable to all Lenders hereunder and under the other Loan Documents at such time obtained by all the Lenders at such time or (b) Obligations in respect of any of the Facility owing (but not due and payable) to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations owing (but not due and payable) to such Lender at such time to (ii) the aggregate amount of the Obligations in respect of the Facility owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time) of payment on account of the Obligations in respect of the Facility owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time obtained by all of the Lenders at such time then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of Obligations in respect of the Facility then due and payable to the Lenders or owing (but not due and payable) to the Lenders, as the case may be, provided that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of

this Agreement or (B) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower (as to which the provisions of this Section shall apply).

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

2.14 Use of Proceeds. The proceeds of any Loans shall be applied by Borrower to fund working capital requirements and general corporate purposes (including capital expenditures) relating to Borrower's post-petition operations and other expenditures, in each case in accordance with, and limited by, the Budget, Section 6.11 and Section 7.12; provided that no portion of the Loans shall be used, directly or indirectly, to (a) finance or make any Restricted Payment or other payment or prepayment prohibited under Section 7.06, (b) to make any payment, distribution or loan to Palco or (c) make any payment or prepayment (including by way of an Investment) to any Person that is otherwise prohibited under this Agreement, including any payment or prepayment in respect of Prepetition Indebtedness; provided, further, that no proceeds or any other portion of the Loans shall be used, directly or indirectly, to finance in any way any investigation, research, analysis, adversary action, suit, arbitration, proceeding or other litigation of any type against the Administrative Agent or the Lenders, including any such investigation, research, analysis, action, suit, arbitration, proceeding or other litigation relating to or in connection with the Indenture or any of the documents or instruments entered into in connection therewith, and including any challenges to the Timber Note Obligations or the validity, perfection, priority or enforceability of any of the Liens securing such claims or any payment made thereunder or hereunder. Borrower shall use the entire amount of the proceeds of each Loan in accordance with this Section 2.14; provided, however, that nothing herein shall in any way prejudice or prevent Administrative Agent or the Lenders from objecting, for any reason, to any requests, motions or applications made in the Bankruptcy Court, including any applications for interim or final allowances of compensation for services rendered or reimbursement of expenses incurred under Sections 105(a), 330 or 331 of the Bankruptcy Code, by any party in interest; and provided, further, that Borrower shall not use the proceeds from any Loans for any purpose that is prohibited under the Bankruptcy Code.

2.15 Priority and Liens. (a) The Borrower hereby grants, covenants, represents and warrants that, upon entry of the Final Borrowing Order, as security for the payment of the Obligations of the Borrower hereunder and under the other Loan Documents (i) pursuant to Section 364(c)(1) of the Bankruptcy Code, a Superpriority Claim, and the Borrower hereby covenants that such Obligations shall at all times constitute allowed Superpriority Claims, (ii) pursuant to Section 364(c)(2) of the Bankruptcy Code, a perfected first priority Lien on all tangible and intangible property of the Borrower's estate (whether now or hereinafter acquired) in the Chapter 11 Case that is otherwise not encumbered by a valid and perfected Lien as of the Petition Date (including without limitation, all inventory, accounts receivable, general intangibles, contracts, servicing rights, servicing receivables, any right to payment or delivery of property under a repurchase agreement, securities, chattel paper, owned real estate, real property leaseholds, fixtures, machinery, equipment, deposit accounts, patents, copyrights, trademarks,

tradenames, rights under license agreements and other intellectual property and capital stock of the subsidiaries of the Borrower, not including the actual Avoidance Actions (but including the proceeds thereof), (iii) pursuant to Section 364(c)(3) of the Bankruptcy Code, a perfected junior Lien on all tangible and intangible property of the Borrower's estate (whether now or hereinafter acquired) in the Chapter 11 Case that is subject to valid, perfected and non-avoidable Liens or to valid Liens in existence on the Petition Date that are perfected subsequent to such commencement as permitted by Section 546(b) of the Bankruptcy Code (other than Liens securing any of the Timber Note Obligations, which shall be primed by the Liens to be granted to secure the Facility), and (iv) pursuant to Section 364(d)(1) of the Bankruptcy Code, a perfected first priority priming Lien upon all tangible and intangible property of the Borrower's estate in the Chapter 11 Case (x) that is subject to a valid Lien or security interest in effect on the Petition Date to secure any of the Timber Note Obligations and (y) that is subject to a valid Lien granted after the Petition Date to provide adequate protection in respect of the Timber Note Obligations, subject and subordinate in each case with respect to subclauses (i) through (iv) above, only to the Carve-Outs (defined below).

For purposes hereof, the "Carve-Outs" shall mean (A) all fees required to be paid to the Clerk of the Bankruptcy Court and to the Office of the United States Trustee under section 1930(a) of title 28 of the United States Code, (B) all SuperPriority Claims (other than any Superpriority Claims granted to the Timber Noteholders) allowed by the Bankruptcy Court as adequate protection prior to the date hereof and (C) following receipt by the Borrower and its counsel of notice from the Administrative Agent after the occurrence and during the continuance of an Event of Default (the "Carve Out Trigger Notice"), up to $[_____] in unpaid professional fees and expenses incurred by the Borrower (including for counsel to the Indenture Trustee) and the Official Committee of Unsecured Creditors for services performed after the date the Carve Out Trigger Notice is given, to the extent (I) such fees and expenses were allowed by the Bankruptcy Court and (II) of the aggregate amount of professional fees and expenses for the Borrower (including for counsel to the Indenture Trustee) and the Official Committee of Unsecured Creditors projected in the Budget for such period; provided, that, (x) the Carve-Outs shall not be available to pay any such professional fees and expenses incurred in connection with the investigation (including discovery) by any person or entity (including the Official Committee of Unsecured Creditors) of, or the initiation or prosecution by any person or entity (including the Official Committee of Unsecured Creditors) of, any claims, causes of action, adversary proceedings or other litigation against the Administrative Agent, the Secured Parties, the Indenture Trustee or the Timber Noteholders or with respect to their respective claims against the Borrower or their respective Liens on property of the estate; and (y) nothing in this Agreement shall impair the right of any party to object to the reasonableness of any such fees or expenses to be paid by the Borrower's estate.

(b) As to all Collateral, including without limitation, all cash, Cash Equivalents and real property the title to which is held by the Borrower, or the possession of which is held by the Borrower in the form of a leasehold interest, the Borrower hereby assigns and conveys as security, grants a security interest in, hypothecates, mortgages, pledges and sets over unto the Administrative Agent all of the right, title and interest of the Borrower in all of such Collateral, including without limitation, all cash, Cash Equivalents and owned real property and in all such leasehold interests, together in each case with all of the right, title and interest of the Borrower in and to all buildings, improvements, and fixtures related thereto, any lease or sublease thereof, all

general intangibles relating thereto (except for any "intent to use" trademark applications for which a statement of use has not been filed and accepted by the U.S. Patent and Trademark Office, solely to the extent that the grant of a Lien or security interest in such applications would result in cancellation or voiding of same) and all proceeds thereof. The Borrower acknowledges that, pursuant to the Final Borrowing Order, the Liens granted in favor of the Administrative Agent (on behalf of the Lenders) in all of the Collateral shall be perfected without the recordation of any Uniform Commercial Code financing statements, notices of Lien or other instruments of mortgage or assignment. The Borrower further agrees that (a) the Administrative Agent shall have the rights and remedies set forth in Article VIII in respect of the Collateral and (b) if requested by the Administrative Agent, the Borrower shall enter into separate Collateral Documents with respect to any such Collateral on terms reasonably satisfactory to the Administrative Agent.

(c) Subject to the Carve-Outs, the Obligations shall at all times be senior to the rights of Borrower, any trustee or examiner and any unsecured claims of any creditor or other entity in this and any subsequent case under the Bankruptcy Code. With the exception of the Carve-Outs, no cost or expense of administration or any claims in this case, including those resulting from or incurred after any conversion of this case pursuant to Section 1112 of the Bankruptcy Code shall rank prior to, or on parity with, the claims of the Lenders arising under this Agreement.

ARTICLE III
TAXES AND ILLEGALITY

3.01 Taxes. (a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes. (i) Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall to the extent permitted by applicable Laws be made free and clear of and without reduction or withholding for any Taxes. If, however, applicable Laws require the Borrower or the Administrative Agent to withhold or deduct any Tax, such Tax shall be withheld or deducted in accordance with such Laws as determined by the Borrower or the Administrative Agent, as the case may be, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If the Borrower or the Administrative Agent shall be required by the Code to withhold or deduct any Taxes, including both United States Federal backup withholding and withholding taxes, from any payment, then (A) the Administrative Agent shall withhold or make such deductions as are determined by the Administrative Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Administrative Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes or Other Taxes, the sum payable by the Borrower shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or Lender, as the case may be, receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of subsection (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Tax Indemnifications. (i) Without limiting the provisions of subsection (a) or (b) above, the Borrower shall, and does hereby indemnify the Administrative Agent and each Lender, and shall make payment in respect thereof within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of any such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(ii) Without limiting the provisions of subsection (a) or (b) above, each Lender shall, and does hereby, indemnify the Borrower and the Administrative Agent, and shall make payment in respect thereof within 10 days after demand therefor, against any and all Taxes and any and all related losses, claims, liabilities, penalties, interest and expenses (including the fees, charges and disbursements of any counsel for the Borrower or the Administrative Agent) incurred by or asserted against the Borrower or the Administrative Agent by any Governmental Authority as a result of the failure by such Lender, as the case may be, to deliver, or as a result of the inaccuracy, inadequacy or deficiency of, any documentation required to be delivered by such Lender to the Borrower or the Administrative Agent pursuant to subsection (e). Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under this Agreement or any other Loan Document against any amount due to the Administrative Agent under this clause (ii). The agreements in this clause (ii) shall survive the resignation and/or replacement of the Administrative Agent, any assignment of rights by, or the replacement of, a Lender, the termination of the aggregate Commitments and the repayment, satisfaction or discharge of all other Obligations.

(d) Evidence of Payments. Upon request by the Borrower or the Administrative Agent, as the case may be, after any payment of Taxes by the Borrower or the Administrative Agent to a Governmental Authority as provided in this Section 3.01, the Borrower shall deliver to the Administrative Agent or the Administrative Agent shall deliver to the Borrower, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the Borrower or the Administrative Agent, as the case may be.

(e) Status of Lenders; Tax Documentation. (i) Each Lender shall deliver to the Borrower and to the Administrative Agent, at the time or times prescribed by applicable Laws or when reasonably requested by the Borrower or the Administrative Agent, such properly

completed and executed documentation prescribed by applicable Laws or by the taxing authorities of any jurisdiction and such other reasonably requested information as will permit the Borrower or the Administrative Agent, as the case may be, to determine (A) whether or not payments made hereunder or under any other Loan Document are subject to Taxes, (B) if applicable, the required rate of withholding or deduction, and (C) such Lender's entitlement to any available exemption from, or reduction of, applicable Taxes in respect of all payments to be made to such Lender by the Borrower pursuant to this Agreement or otherwise to establish such Lender's status for withholding tax purposes in the applicable jurisdiction.

(ii) Without limiting the generality of the foregoing,

(A) any Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Code shall deliver to the Borrower and the Administrative Agent executed originals of Internal Revenue Service Form W-9 or such other documentation or information prescribed by applicable Laws or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent, as the case may be, to determine whether or not such Lender is subject to backup withholding or information reporting requirements; and

(B) each Foreign Lender that is entitled under the Code or any applicable treaty to an exemption from or reduction of withholding tax with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient, but no fewer than one if no specific number is requested) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(I) executed originals of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(II) executed originals of Internal Revenue Service Form W-8ECI,

(III) executed originals of Internal Revenue Service Form W-8IMY and all required supporting documentation,

(IV) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of Palco within the meaning of section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in section

881(c)(3)(C) of the Code and (y) executed originals of Internal Revenue Service Form W-8BEN, or

(V) executed originals of any other form prescribed by applicable Laws as a basis for claiming exemption from or a reduction in United States Federal withholding tax together with such supplementary documentation as may be prescribed by applicable Laws to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made.

(iii) Each Lender shall promptly (A) notify the Borrower and the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (B) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws of any jurisdiction that the Borrower or the Administrative Agent make any withholding or deduction for taxes from amounts payable to such Lender.

(f) Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender, or have any obligation to pay to any Lender, any refund of Taxes withheld or deducted from funds paid for the account of such Lender. If the Administrative Agent or any Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses incurred by the Administrative Agent or such Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

3.02 Capital Requirements. (a) If any Lender determines that any Change in Law affecting such Lender or any Lending Office of such Lender or such Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender, to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will

compensate such Lender or such Lender's holding company for any such reduction suffered. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in the preceding sentence of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(b) Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

3.03 Compensation for Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay or borrow any Loan on the date or in the amount notified by the Borrower, including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

3.04 Survival. All of the Borrower's obligations under this Article III shall survive termination of the Commitments, repayment of all other Obligations hereunder, and resignation of the Administrative Agent.

ARTICLE IV
CONDITIONS PRECEDENT TO LOANS

4.01 Conditions of Initial Credit Extension.

(a) The obligation of each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(i) The Administrative Agent's receipt of executed counterparts of this Agreement, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the Borrower.

(ii) The Borrower shall have paid to the Administrative Agent and the Arranger all fees required to be paid pursuant to Section 2.09, including, without limitation the

$350,000 fee payable pursuant to the Order of the Bankruptcy Court entered June [_], 2008. Such fees shall not be refundable for any reason whatsoever.

(iii) The Borrower shall have paid all fees, charges and disbursements of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) to the extent invoiced prior to or on the Closing Date, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Administrative Agent).

(iv) The Bankruptcy Court shall have entered the Final Borrowing Order on or prior to [July 4], 2008, seeking approval of, among other things, this Agreement and the other Loan Documents and the transactions contemplated hereunder and thereunder.

(v) No additional loans shall have been made under the Prepetition Credit Agreement prior to the date hereof (provided, however, that the Borrower accessing the SAR Account in accordance with the currently effective Cash Collateral Order shall not be deemed to constitute additional loans within the meaning of this clause).

(vi) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the Borrower, each dated such date as shall be reasonably acceptable to the Administrative Agent, and each in form and substance satisfactory to the Administrative Agent and the Required Lenders:

(A) a Note executed by the Borrower in favor of each Lender requesting a Note;

(B) any Collateral Documents requested by the Administrative Agent, duly executed by the Borrower, together with:

(1) certificates representing any Collateral constituting pledged equity accompanied by undated stock powers executed in blank and instruments evidencing any Collateral constituting pledged debt indorsed in blank,

(2) proper Financing Statements in form appropriate for filing under the Uniform Commercial Code of all jurisdictions that the Administrative Agent may deem necessary or desirable in order to perfect the Liens created under Section 2.15, covering the Collateral described therein,

(3) completed requests for information, dated on or before the date of the initial Credit Extension, listing all effective financing statements filed in the jurisdictions referred to in clause (2) above that name the Borrower as debtor, together with copies of such other financing statements, and

(4) evidence of the completion of all other actions, recordings and filings of or with respect to the Collateral that the Administrative Agent may

deem necessary or desirable in order to perfect the Liens created thereby, with the priority set forth in the Final Borrowing Order.

(C) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of the Borrower as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which the Borrower is a party or is to be a party;

(D) such documents and certifications as the Administrative Agent may reasonably require to evidence that the Borrower is duly organized or formed, and that the Borrower is validly existing, in good standing (except during the pendency of the Chapter 11 Case) and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(E) a favorable opinion of Gibson, Dunn & Crutcher LLP, counsel to the Borrower, addressed to the Administrative Agent and each Lender, covering such matters concerning the Borrower and the Loan Documents as the Administrative Agent may reasonably request;

(F) a certificate of a Responsible Officer of the Borrower either (1) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by the Borrower and the validity against the Borrower of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (2) stating that no such consents, licenses or approvals are so required;

(G) the Projected Cash Flow Model and the initial Budget;

(H) evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect, together with the certificates of insurance, naming the Administrative Agent, on behalf of the Lenders, as an additional insured or loss payee, as the case may be, under all insurance policies maintained with respect to the assets and properties of the Borrower that constitutes Collateral; and

(I) such other assurances, certificates, documents, consents or opinions as the Administrative Agent reasonably may require.

Without limiting the generality of the provisions of the last paragraph of Section 9.03, for purposes of determining compliance with any of the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Credit Extension specifying its objection thereto.

4.02 Conditions to all Loans. The obligation of each Lender to honor any Borrowing Request is subject to the following conditions precedent:

(a) The representations and warranties of the Borrower contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in Section 5.05(a) shall be deemed to refer to the most recent statements furnished pursuant to Sections 6.01(b) and (c), respectively.

(b) No Default shall exist, or would result from such proposed Credit Extension or from the application of the proceeds thereof.

(c) No order, judgment or decree of any arbitrator or Government Authority (including the Bankruptcy Court) shall purport to enjoin or restrain any Lender from making the Loans to be made by it on the date of the applicable Credit Extension.

(d) The Final Borrowing Order shall be in full force and effect and shall be unstayed by the Bankruptcy Court or any other court of competent jurisdiction.

(e) After giving effect to the proposed borrowing, the Outstanding Amount shall not exceed the Commitments or the Total Advance Limit.

(f) The Administrative Agent shall have received a Borrowing Request in accordance with the requirements hereof.

(g) All of the information made available to the Administrative Agent prior to the date of this Agreement shall be correct in all material respects; and no changes or developments shall have occurred, and, except as described on Schedule 4.02(g), no new or additional information shall have been received or discovered by the Administrative Agent or the Lenders regarding the Borrower or the transactions contemplated hereby after May 1, 2008 that either individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(h) No pleading or application shall have been filed in the Bankruptcy Court by any party in interest which is not withdrawn, dismissed or denied within 15 days after filing seeking (i) to dismiss or convert the Chapter 11 Case to a case under Chapter 7 of the Bankruptcy Code, (ii) the appointment of a trustee or an examiner having expanded powers, (iii) the granting of a super-priority claim or a Lien pari passu or senior to that of Administrative Agent granted pursuant to this Agreement and any other Collateral Documents and the Final Borrowing Order, (iv) to stay, reverse, vacate, or otherwise modify the Final Borrowing Order without the prior written consent of Administrative Agent and Lenders, or (v) relief from the automatic stay (or any other injunction having similar effect) so as to allow a third party to proceed against any material property or assets of Borrower.

Each Borrowing Request submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) through (h) have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and the Lenders that:

5.01 Existence, Qualification and Power. The Borrower (a) is duly organized and validly existing under the Laws of the jurisdiction of its organization, (b) subject to compliance with any applicable provisions of the Bankruptcy Code, has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, (c) is duly qualified and is licensed and, as applicable, in good standing (except by reason of the commencement of the Chapter 11 Case) under the Laws of its jurisdiction of organization and each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license and (d) is in compliance with its Organization Documents and all applicable orders of the Bankruptcy Court; except in each case referred to in clause (b)(i) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.02 Authorization; No Contravention. The execution, delivery and performance by the Borrower of each Loan Document to which such Person is or is to be a party have been duly authorized by all necessary corporate or other organizational action and the Bankruptcy Court, and do not and will not (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien senior to the Liens under, or require any payment to be made under (i) any Contractual Obligation to which such Person is a party or affecting such Person or the properties of such Person (except as prohibited or excused by the Final Borrowing Order, the Bankruptcy Code or an applicable order of the Bankruptcy Court, or by reason of the commencement of the Chapter 11 Case) (ii) an applicable order of the Bankruptcy Court, except the entry of the Final Borrowing Order or (iii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any Law, except in the case of clause (c) as could not reasonably be expected to have a Material Adverse Effect.

5.03 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with (a) the execution, delivery or performance by, or enforcement against, Borrower of this Agreement or any other Loan Document, (b) the grant by Borrower of the Liens granted by it pursuant to this Agreement and any other Collateral Documents, (c) the perfection or maintenance of the Liens created under this Agreement and any other the Collateral Documents (including the first priority nature thereof) or (d) the exercise by the Administrative Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral, except for entry of the Final Borrowing Order and except for filings expressly contemplated by the Loan Documents.

5.04 Binding Effect. This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by Borrower. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms.

5.05 Financial Statements; No Material Adverse Effect. (a) the consolidated balance sheet of the Borrower for the fiscal quarter ended March 31, 2008, and the related consolidated statements of income or operations for such period, including the notes thereto (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of the Borrower as of the date thereof and its results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Borrower as of the date thereof, including liabilities for taxes, material commitments.

(b) Since May 1, 2008, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect, except as described on Schedule 4.02(g) hereto.

(c) Each Budget of the Borrower delivered pursuant this Agreement was prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair in light of the conditions existing at the time of delivery of such forecasts, and represented, at the time of delivery, the Borrower's best estimate of its future financial condition and performance.

5.06 Litigation. There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrower after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against the Borrower or against any of its properties or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document, or (b) except as specifically disclosed in Schedule 5.06 (the "Disclosed Litigation"), either individually or in the aggregate, if determined adversely, could reasonably be expected to have a Material Adverse Effect, and there has been no adverse change in the status, or financial effect on Borrower, of the matters described in Schedule 5.06.

5.07 No Default. (a) The Borrower is not in default under or with respect to, or a party to, any Contractual Obligation (except to the extent the commencement of the Chapter 11 Case constitutes such a default or any Contractual Obligation with Palco) that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

(b) Schedule 5.07(b) contains a true, correct and complete list of all the Material Contracts in effect on the date hereof. Except as described on Schedule 5.07(b), all such Material Contracts are in full force and effect and no defaults currently exist thereunder (other than defaults which do not give the counterparty to such Material Contract the right to terminate such agreement on a post-Petition Date basis).

5.08 Ownership of Property; Liens; Investments. (a) The Borrower has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Schedule 5.08(b) sets forth a complete and accurate list of all Liens on the property or assets of the Borrower securing Indebtedness, showing as of the date hereof the lienholder thereof, the principal amount of the obligations secured thereby and the property or assets of the Borrower. The property of the Borrower is subject to no Liens, other than Liens set forth on Schedule 5.08(b), and as otherwise permitted by Section 7.01.

(c) Schedule 5.08(c) sets forth a complete and accurate list of all real property owned by the Borrower as of the date hereof, showing as of the date hereof the street address, county or other relevant jurisdiction, state, record owner and book and fair value thereof. The Borrower has good, marketable and insurable fee simple title to the real property owned by the Borrower, free and clear of all Liens, other than Liens created or permitted by the Loan Documents.

(d) (i) Schedule 5.08(d)(i) sets forth a complete and accurate list of all leases of real property under which the Borrower is the lessee as of the date hereof, showing as of the date hereof the street address, county or other relevant jurisdiction, state, lessor, lessee, expiration date and annual rental cost thereof. Each such lease is the legal, valid and binding obligation of the lessor thereof, enforceable in accordance with its terms, except as may be limited by Debtor Relief Laws (whether enforcement is sought by proceeding in equity or at law).

(ii) Schedule 5.08(d)(ii) sets forth a complete and accurate list of all leases of real property under which the Borrower is the lessor, showing as of the date hereof the street address, county or other relevant jurisdiction, state, lessor, lessee, expiration date and annual rental cost thereof. Each such lease is the legal, valid and binding obligation of the lessee thereof, enforceable in accordance with its terms, except as may be limited by Debtor Relief Laws (whether enforcement is sought by proceeding in equity or at law).

(e) Schedule 5.08(e) sets forth a complete and accurate list of all Investments held by the Borrower on the date hereof, showing as of the date hereof the amount, obligor or issuer and maturity, if any, thereof.

5.09 Environmental Compliance. (a) The Borrower conducts in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on its businesses, operations and properties, and as a result thereof the Borrower has reasonably concluded that such Environmental Laws and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) To the knowledge of the Borrower, none of the properties currently or formerly owned or operated by the Borrower is listed or proposed for listing on the NPL or any analogous foreign, state or local list or is adjacent to any property so listed; to the knowledge of the Borrower, there are no underground or above-ground storage tanks or any surface impoundments, septic tanks, pits, sumps or lagoons in which Hazardous Materials are being or

have been treated, stored or disposed on any property currently owned or operated by the Borrower or on any property formerly owned or operated by the Borrower that are not in material compliance with Environmental Law of for which the Borrower will incur a material Environmental Liability; to the knowledge of the Borrower, there is no asbestos or asbestos-containing material on any property currently owned or operated by the Borrower that is not maintained in material compliance with Environmental Law and for which the Borrower will incur a material Environmental Liability; and to the knowledge of the Borrower; Hazardous Materials have not been released, discharged or disposed of on any property currently or formerly owned or operated by the Borrower for which the Borrower will incur a material Environmental Liability.

(c) Borrower is not undertaking, and has not completed, either individually or together with other potentially responsible parties, any investigation, assessment or remedial or response action relating to any actual or threatened release, discharge or disposal of Hazardous Materials at any property currently or formerly owned or operated by the Borrower or to which the Borrower sent Hazardous Materials for disposal, either voluntarily or pursuant to the order of any Governmental Authority or the requirements of any Environmental Law; and all Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property currently or formerly owned or operated by Borrower have been disposed of in a manner not reasonably expected to result in a material Environmental Liability to Borrower.

5.10 Insurance. The properties of the Borrower are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower operates.

5.11 Taxes. The Borrower has filed all Federal and other material tax returns and reports required to be filed, and has paid all Federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon it or its properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Borrower that would, if made, have a Material Adverse Effect. The Borrower is not party to any tax sharing agreement.

5.12 ERISA Compliance. (a) Except as would not reasonably be expected to have a Material Adverse Effect, each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of the Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. The Borrower and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of the Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i) no ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

5.13 Subsidiaries; Equity Interests; Borrower Information. The Borrower has no Subsidiaries. The Borrower has no equity investments in any other corporation or entity other than those specifically disclosed in Part (a) of Schedule 5.13. All of the outstanding Equity Interests in the Borrower have been validly issued, are fully paid and non-assessable and are owned by Palco in the amounts specified on Part (b) of Schedule 5.13 free and clear of all Liens except those created under Section 2.15 and the other Collateral Documents. The Borrower's jurisdiction of organization, address of its principal place of business and U.S. taxpayer identification number, if any, as of the date hereof are set forth on Part (c) of Schedule 5.13.

5.14 Margin Regulations; Investment Company Act. (a) The Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock. Following the application of the proceeds of each Borrowing, not more than 25% of the value of the assets of the Borrower, subject to the provisions of Section 7.01 or Section 7.05 or subject to any restriction contained in any agreement or instrument between the Borrower and any Lender or any Affiliate of any Lender relating to Indebtedness, will be margin stock.

(b) None of the Borrower or any Person Controlling the Borrower is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

5.15 Disclosure. No report, financial statement, certificate or other information furnished (whether in writing or orally) by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (in each case as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such

information was prepared in good faith based upon assumptions believed to be reasonable at the time.

5.16 Compliance with Laws. The Borrower is in compliance in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.17 Intellectual Property; Licenses, Etc. The Borrower owns, or possesses the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights (collectively, "IP Rights") that are reasonably necessary for the operation of its businesses, without conflict with the rights of any other Person, and Schedule 5.17 sets forth a complete and accurate list of all such IP Rights owned or used by the Borrower. To the best knowledge of the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower infringes upon any rights held by any other Person. Except as specifically disclosed in Schedule 5.17, no claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Borrower, threatened, which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.18 Casualty, Etc. Neither the businesses nor the properties of the Borrower are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.19 Prepetition Indebtedness. The Indebtedness constituting Prepetition Indebtedness (and all amounts owing in respect thereof) as of the date hereof are set forth in Schedule 7.02 annexed hereto. The Prepetition Obligations and the liens and security interests in the Prepetition Collateral are not subject to avoidance, defense, objection, action, counterclaim, setoff or subordination of any kind whatsoever, except pursuant to this Agreement and the Final Borrowing Order. The Prepetition Obligations constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with the terms of the Prepetition Credit Documents and the Indenture, as the case may be, and pursuant to applicable law, except as limited by Debtor Relief Laws (regardless whether such enforceability is considered in a proceeding at law or in equity).

5.20 Chapter 11 Case. The Chapter 11 Case was commenced on the Petition Date in accordance with applicable law and proper notice thereof and the hearings for the approval of the Final Borrowing Order has been given as identified in the respective Certificates of Service filed with the Bankruptcy Court and, without limiting the foregoing, has been given to third-party creditors to the extent required by applicable law. Borrower constitutes the only debtor and debtor-in-possession subject to the Chapter 11 Case.

5.21 Orders. On the date of the making of any Loan, the Final Borrowing Order shall be in full force and effect and unstayed by the Bankruptcy Court or any other court of competent jurisdiction. Upon the Termination Date or other maturity (whether by acceleration or otherwise) of any of the Obligations of Borrower hereunder and under the other Loan Documents, Lenders shall be entitled to immediate payment of such Obligations, and to enforce the remedies provided for hereunder, without further application to or order by the Bankruptcy Court subject to the notice procedures set forth in Section 8.02.

5.22 Collateral Documents. (a) The provisions of Section 2.15 and, upon its effectiveness, the Final Borrowing Order are effective to create in favor of the Administrative Agent for the benefit of the Secured Parties a legal, valid, perfected, nonavoidable and enforceable security interest in all right, title and interest of the Borrower in the Collateral described therein (having the priority provided for herein and, upon its effectiveness, the Final Borrowing Order). Except for filings completed prior to the date hereof and as contemplated hereby and by the Collateral Documents, no filing or other action will be necessary to perfect or protect such Liens.

(b) Pursuant to Section 364(c)(2) of the Bankruptcy Code and, upon its effectiveness, the Final Borrowing Order, the Obligations will be secured by a first priority perfected Lien on all Collateral which was not subject to a valid, perfected, non-voidable and enforceable Lien existing as of the Petition Date, subject only to the Carve-Outs and Permitted Liens.

(c) Pursuant to Section 364(c)(3) of the Bankruptcy Code and, upon its effectiveness, the Final Borrowing Order, the Obligations will be secured by a first priority perfected Lien on the Collateral, subject only to (a) the Prepetition Credit Liens, (b) the Carve-Outs and (c) Permitted Liens.

(d) Pursuant to Section 364(d)(1) of the Bankruptcy Code and, upon its effectiveness, the Final Borrowing Order, the Obligations at all times will be secured by a first priority senior priming Lien on the Prepetition Timber Collateral with priority over the Prepetition Timber Liens, subject only to the Carve-Outs and Permitted Liens.

5.23 No Restrictions on Harvesting.

All timberlands currently being harvested by Borrower are being harvested in compliance in all material respects with valid permits obtained from appropriate governmental authorities to the extent permits are required, and there are no material restrictions on such harvesting activities other than (i) restrictions contained in such permits or incidental take permits, (ii) those imposed generally on similarly situated properties owned by the Borrower and (iii) those contained herein.

ARTICLE VI
AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, the Borrower shall:

6.01 Financial Statements. Deliver to the Administrative Agent, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) (i) on the date hereof, a Budget depicting cash flow projections for the immediately succeeding 13-weeks following the date hereof;

(ii) as soon as practicable and in any event no later than the [__] day of each of July 2008 and August 2008, depicting cash flow projections for the immediately succeeding 13-weeks following such [__] day; and

(iii) as soon as practicable and in any event no later than the [__] day of each month commencing after August 2008, a Budget depicting cash flow projections for the 5-week period immediately succeeding the last day covered by the then current Budget.

(b) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower (commencing with the fiscal year ended December 31, 2008), a balance sheet of the Borrower as at the end of such fiscal year, and the related statements of income or operations for such fiscal year, all in reasonable detail and prepared in accordance with GAAP, certified by the chief executive officer, chief financial officer, treasurer or controller of the Borrower as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of the Borrower in accordance with GAAP;

(c) as soon as available, but in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower (commencing with the fiscal quarter ended June 30, 2008), a balance sheet of the Borrower as at the end of such fiscal quarter, and the related statements of income or operations for such fiscal quarter and for the portion of the Borrower's fiscal year then ended, all in reasonable detail, certified by the chief executive officer, chief financial officer, treasurer or controller of the Borrower as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of the Borrower in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes;

(d) as soon as available, but in any event within 30 days after the end of each of the first 11 months of each fiscal year of the Borrower commencing with June 2008, a balance sheet of the Borrower as of the end of such month, and the related statements of income or operations, and cash flows for such month and for the portion of the Borrower's fiscal year than ended, all in reasonable detail and duly certified by the chief executive officer, chief financial officer, treasurer or controller of the Borrower;

(e) as soon as available, but in any event within 30 days after the end of each calendar month, a harvest report covering the previous month; and

(f) as soon as available and in any event no later than Wednesday of each week commencing with the first such day to occur after the date hereof, for the one-week period most recently ended (for the Monday through Sunday of the preceding week), a Variance Report in form satisfactory to Administrative Agent accompanied by an officer's certificate from the chief financial officer of Borrower certifying (1) that such report accurately presents, in all material respects, cash receipts and cash expenditures of Borrower for the periods indicated and (2) that

the signer has reviewed the terms of Section 7.12 and the transactions and condition of Borrower during the period covered by such report in reasonable detail and that such review has not disclosed the existence during or at the end of such period, and that the signer does not have knowledge of the existence as at the date of such officer's certificate, of any condition or event that constituted or constitutes a breach of Section 7.12.

6.02 Certificates; Other Information. Deliver to the Administrative Agent, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) concurrently with the delivery of the financial statements referred to in Sections 6.01(b) and (c), a duly completed Compliance Certificate signed by the chief executive officer, chief financial officer, treasurer or controller of the Borrower;

(b) promptly after any request by the Administrative Agent, at the request of any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of Borrower by independent accountants in connection with the accounts or books of the Borrower, or any audit of any of them;

(c) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Borrower, and copies of all annual, regular, periodic and special reports and registration statements which the Borrower files with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934, or with any national securities exchange, and in any case not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(d) promptly after the furnishing thereof, copies of any statement or report furnished to any holder of debt securities of the Borrower pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Lenders pursuant to Section 6.01 or any other clause of this Section 6.02;

(e) promptly, and in any event within five Business Days after receipt thereof by the Borrower, copies of each material notice or other material correspondence received from the SEC (or comparable agency in any applicable non-U.S. jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of the Borrower;

(f) promptly after the assertion or occurrence thereof, notice of any action or proceeding against or of any noncompliance by the Borrower with any Environmental Law or Environmental Permit that could (i) reasonably be expected to have a Material Adverse Effect or (ii) cause any property owned or leased by the Borrower to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law;

(g) as soon as available, but in any event within 30 days after the end of each fiscal year of the Borrower, (i) a report supplementing Schedules 5.08(c), 5.08(d)(i) and 5.08(d)(ii), including an identification of all owned and leased real property disposed of by the Borrower during such fiscal year, a list and description (including the street address, county or other relevant jurisdiction, state, record owner, book value thereof and, in the case of leases of

property, lessor, lessee, expiration date and annual rental cost thereof) of all real property acquired or leased during such fiscal year and a description of such other changes in the information included in such Schedules as may be necessary for such Schedules to be accurate and complete and (ii) a report supplementing Schedules 5.08(e) and 5.13 containing a description of all changes in the information included in such Schedules as may be necessary for such Schedules to be accurate and complete, each such report to be signed by a Responsible Officer of the Borrower and to be in a form reasonably satisfactory to the Administrative Agent; and

(h) promptly, from time to time, such other information (including, without limitation, projections) regarding the operations, business affairs and financial condition of the Borrower, or compliance with the terms of this Agreement, the other Loan Documents or any Material Contract as the Administrative Agent, at the request of any Lender, may reasonably request.

Documents required to be delivered pursuant to Section 6.01(b) or (c) or Section 6.02(c) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address listed on Schedule 10.02; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents. Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper copies of the Compliance Certificates required by Section 6.02(a) to the Administrative Agent. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower hereby acknowledges and agrees that, except as provided in the immediately succeeding paragraph, all materials and/or information provided by or on behalf of the Borrower hereunder to the Administrative Agent, the Arranger or any Lender (collectively, "Borrower Materials") shall be concurrently posted on PACER or otherwise publicly disclosed, and that the Administrative Agent, the Arranger and the Lenders are authorized to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws.

If the Borrower has determined that any Borrower Materials contain sensitive or proprietary information, Borrower may elect to treat such information as "PRIVATE" information [with the consent of the Administrative Agent] ("Private Information"); provided that (x) such Borrower Materials containing Private Information shall be clearly and

conspicuously marked prior to delivery hereunder "PRIVATE" which, at a minimum, shall mean that the word "PRIVATE" shall appear prominently on the first page thereof; and (y) with respect to such Borrower Materials, to (i) deliver a redacted copy thereof that does not contain Private Information which copy shall be clearly and conspicuously marked prior to delivery hereunder "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof and (ii) the Administrative Agent, the Arranger and any Lender shall be entitled to treat such redacted copy as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws.

Borrower agrees that if any Borrower Materials are not clearly and conspicuously marked "PRIVATE", the Administrative Agent, the Arranger and any Lender shall be entitled to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws.

6.03 Notices. Promptly notify the Administrative Agent and each Lender:

(a) of the occurrence of any Default;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Borrower; (ii) any dispute, litigation, investigation, proceeding or suspension between the Borrower and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower, including pursuant to any applicable Environmental Laws;

(c) of the occurrence of any ERISA Event;

(d) of any material change in accounting policies or financial reporting practices by the Borrower; and

(e) of the (i) occurrence of any Disposition of property or assets for which the Borrower is required to make a mandatory prepayment pursuant to Section 2.05(b)(i), (ii) occurrence of any sale of capital stock or other Equity Interests for which the Borrower is required to make a mandatory prepayment pursuant to Section 2.05(b)(ii), (iii) incurrence or issuance of any Indebtedness for which the Borrower is required to make a mandatory prepayment pursuant to Section 2.05(b)(iii), and (iv) receipt of any Extraordinary Receipt for which the Borrower is required to make a mandatory prepayment pursuant to Section 2.05(b)(iv).

Each notice pursuant to Section 6.03 (other than Section 6.03(e)) shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

6.04 Payment of Obligations. Except as prohibited or excused by the Final Borrowing Order, this Agreement, the Bankruptcy Code or an applicable order of the Bankruptcy Court, or by reason of the commencement of the Chapter 11 Case, pay and discharge as the same shall

become due and payable, all its obligations and liabilities, including (a) all material tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Borrower; (b) all lawful claims which, if unpaid, would by law become a Lien upon any of its property with priority senior to the Liens of the Administrative Agent hereunder; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness, except to the extent non-payment, individually or in the aggregate, of such Indebtedness would not exceed the Threshold Amount.

6.05 Preservation of Existence, Etc. (a) Preserve, renew and maintain in full force and effect its legal existence and, except during the pendency of the Chapter 11 Case, its good standing, under the Laws of the jurisdiction of its organization; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

6.06 Maintenance of Properties. (a) Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) use the standard of care typical in the industry in the operation and maintenance of its facilities except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.07 Maintenance of Insurance. Maintain with financially sound and reputable insurance companies not Affiliates of the Borrower, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons providing for not less than 10 days' prior notice to the Administrative Agent of termination, lapse or cancellation of such insurance.

6.08 Compliance with Laws. Comply in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.09 Books and Records. (a) Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower; and (b) maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over the Borrower.

6.10 Inspection Rights; Lender Meeting. Permit representatives and independent contractors of the Administrative Agent to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, with up to 1 inspection per year at the expense of the Borrower, at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided, however, that upon the occurrence and during the continuance of any Default or Event of Default the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice. Without in any way limiting the foregoing, Borrower will, upon the request of Administrative Agent or Required Lenders, participate in meetings of Administrative Agent and Lenders during the pendency of the Chapter 11 Case at such location and times (and from time to time) as may be agreed to by Borrower and Administrative Agent.

6.11 Use of Proceeds. Use the proceeds of the Credit Extensions for general corporate purposes not in contravention of any Law or of any Loan Document.

6.12 Covenant to Give Security.

(a) Upon the acquisition of any property by the Borrower, if such property, in the judgment of the Administrative Agent, shall not already be subject to a perfected first priority, security interest in favor of the Administrative Agent for the benefit of the Secured Parties, junior only to any Liens required to be granted to secured the Prepetition Loan Obligations, then the Borrower shall, at the Borrower's expense:

(i) promptly, but in no event more than 5 Business Days after such acquisition, furnish to the Administrative Agent a description of the property so acquired in detail satisfactory to the Administrative Agent,

(ii) within 30 days after such acquisition, cause the Borrower to duly execute and deliver to the Administrative Agent deeds of trust, trust deeds, deeds to secure debt, mortgages, leasehold mortgages, leasehold deeds of trust, supplements and other security and pledge agreements, as specified by and in form and substance satisfactory to the Administrative Agent, securing payment of all the Obligations of the Borrower under the Loan Documents and constituting Liens on all such properties,

(iii) within 60 days after such acquisition, cause the Borrower to take whatever action (including the recording of mortgages, the filing of Uniform Commercial Code financing statements, the giving of notices and the endorsement of notices on title documents) may be necessary or advisable in the opinion of the Administrative Agent to vest in the Administrative Agent (or in any representative of the Administrative Agent designated by it) valid and subsisting Liens on such property, enforceable against all third parties, and

(iv) as promptly as practicable after any acquisition of a real property, deliver, upon the request of the Administrative Agent in its sole discretion, to the Administrative

Agent with respect to such real property title reports, surveys and engineering, soils and other reports, and environmental assessment reports, each in scope, form and substance satisfactory to the Administrative Agent, provided, however, that to the extent that the Borrower shall have otherwise received any of the foregoing items with respect to such real property, such items shall, promptly after the receipt thereof, be delivered to the Administrative Agent,

(b) Upon the request of the Administrative Agent following the occurrence and during the continuance of a Default, the Borrower shall, at the Borrower's expense:

(i) within 10 days after such request, furnish to the Administrative Agent a description of the real and personal properties of the Borrower in detail satisfactory to the Administrative Agent,

(ii) if not previously delivered by the Borrower, within 30 days after such request, duly execute and deliver to the Administrative Agent deeds of trust, trust deeds, deeds to secure debt, mortgages, leasehold mortgages, leasehold deeds of trust, supplements and other security and pledge agreements, as specified by and in form and substance satisfactory to the Administrative Agent (including delivery of all instruments of the type specified in Section 4.01(a)(vii), securing payment of all the Obligations of the Borrower under the Loan Documents and constituting Liens on all such properties,

(iii) within 60 days after such request, take whatever action (including the recording of mortgages, the filing of Uniform Commercial Code financing statements, the giving of notices and the endorsement of notices on title documents) may be necessary or advisable in the opinion of the Administrative Agent to vest in the Administrative Agent (or in any representative of the Administrative Agent designated by it) valid and subsisting Liens on the properties purported to be subject to the deeds of trust, trust deeds, deeds to secure debt, mortgages, leasehold mortgages, leasehold deeds of trust, supplements and security and pledge agreements delivered pursuant to this Section 6.12, enforceable against all third parties in accordance with their terms, and

(iv) as promptly as practicable after such request, deliver, upon the request of the Administrative Agent in its sole discretion, to the Administrative Agent with respect to each parcel of real property owned or held by the Borrower, title reports, surveys and engineering, soils and other reports, and environmental assessment reports to the extent such reports are in the possession of the Borrower provided, however, that to the extent that Borrower shall have otherwise received any of the foregoing items with respect to such real property, such items shall, promptly after the receipt thereof, be delivered to the Administrative Agent.

(c) At any time upon request of the Administrative Agent, promptly execute and deliver any and all further instruments and documents and take all such other action as the Administrative Agent may deem necessary or reasonably desirable in obtaining the full benefits of, or (as applicable) in perfecting and preserving the Liens of, such guaranties, deeds of trust, trust deeds, deeds to secure debt, mortgages, leasehold mortgages, leasehold deeds of trust, supplements and other security and pledge agreements.

6.13 Compliance with Environmental Laws. Comply, and cause all lessees and other Persons operating or occupying its real properties to comply, in all material respects, with all applicable Environmental Laws and Environmental Permits; obtain and renew all Environmental Permits necessary for its operations and properties; and conduct any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials from any of its properties, as required by applicable Environmental Laws; provided, however, that the Borrower shall not be required to undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances in accordance with GAAP.

6.14 Preparation of Environmental Reports. At the request of the Required Lenders from time to time, provide to the Lenders within 90 days after such request, at the expense of the Borrower, a Phase I environmental site assessment report for any of its properties described in such request, prepared by an environmental consulting firm acceptable to the Administrative Agent, approval of which shall not be unreasonably withheld or delayed, indicating the likely presence or absence of Hazardous Materials and the estimated cost of any compliance, removal or remedial action in connection with any Hazardous Materials on such properties; without limiting the generality of the foregoing, if 45 days after such request Borrower has not taken measures to contract an environmental consulting firm to perform the Phase I environmental site assessment, the Administrative Agent shall notify Borrower in writing of its intention to retain an environmental consulting firm to perform the requested Phase I assessment. If Borrower does not respond within 5 business days of receipt of such notice, the Administrative Agent may retain an environmental consulting firm to prepare such report at the expense of the Borrower, and the Borrower hereby grants at the time of such request to the Administrative Agent, the Lenders, such firm and any agents or representatives thereof an irrevocable non-exclusive license, subject to the rights of tenants, to enter onto their respective properties to undertake such an assessment upon a 5 business day notice to the Borrower. Notwithstanding the above, the Administrative Agent the Lenders, such firm and any agents or representatives thereof shall conduct any inspections related to the environmental assessment during normal business hours and shall not unreasonably interfere with the operations of the Borrower or its tenants on said property in the conduct of the Phase I environmental site assessment.

6.15 Further Assurances.

(a) Assurances. Promptly upon request by the Administrative Agent or any Lender through the Administrative Agent, and without cost or expense to Administrative Agent or any Lender (a) correct any material defect or error that may be discovered in any Loan Document or in the execution, acknowledgment, filing or recordation thereof, and (b) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, certificates, assurances and other instruments as the Administrative Agent, or any Lender through the Administrative Agent, may reasonably require from time to time in order to (i) carry out more effectively the purposes of the Loan Documents or the Final Borrowing Order, (ii) to the fullest extent permitted by applicable law, subject Borrower's properties, assets, rights or interests to the Liens now or hereafter intended to be covered by any of the Collateral Documents and the Final Borrowing Order, (iii) perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and the Final Borrowing Order and any of the

Liens intended to be created thereunder and (iv) assure, convey, grant, assign, transfer, preserve, protect and confirm more effectively unto the Secured Parties the rights granted or now or hereafter intended to be granted to the Secured Parties under any Loan Document, the Final Borrowing Order or under any other instrument executed in connection with any Loan Document to which the Borrower is or is to be a party.

(b) Filing and Recording Obligations**.** Borrower shall jointly and severally pay all filing, registration and recording fees and all expenses incident to the execution and acknowledgement of any mortgage or Loan Document, including any instrument of further assurance described in Section 6.15(a), and shall pay all mortgage recording taxes, transfer taxes, general intangibles taxes and governmental stamp and other taxes, duties, imposts, assessments and charges, to the extent not excused by Section 1146 of the Bankruptcy Code, arising out of or in connection with the execution, delivery, filing, recording or registration of any mortgage or Loan Document, including any instrument of further assurance described in Section 6.15(a), or by reason of its interest in, or measured by amounts payable under, the Notes or any other Loan Document, including any instrument of further assurance described in Section 6.15(a), (excluding income, franchise and doing business Taxes), and shall pay all stamp Taxes and other Taxes required to be paid on the Notes or any other Loan Document; provided, however, that Borrower may contest in good faith and through appropriate proceedings, any such Taxes, duties, imposts, assessments and charges; provided further, however, that Borrower shall pay all such Taxes, duties, imposts and charges when due to the appropriate taxing authority during the pendency of any such proceedings if required to do so to stay enforcement thereof. If Borrower fails to make any of the payments described in the preceding sentence within 10 days after notice thereof from Administrative Agent (or such shorter period as is necessary to protect the loss of or diminution in value of any Collateral by reason of tax foreclosure or otherwise, as determined by Administrative Agent) accompanied by documentation verifying the nature and amount of such payments, Administrative Agent may (but shall not be obligated to) pay the amount due and Borrower shall reimburse all amounts in accordance with the terms hereof.

6.16 Compliance with Terms of Leaseholds. Except for leases rejected in the Chapter 11 Case, make all payments and otherwise perform all obligations in respect of all leases of real property to which the Borrower is a party, keep such leases in full force and effect and not allow such leases to lapse or be terminated or any rights to renew such leases to be forfeited or cancelled, notify the Administrative Agent of any default by any party with respect to such leases and cooperate with the Administrative Agent in all respects to cure any such default, except, in any case, where the failure to do so, either individually or in the aggregate, could not be reasonably likely to have a Material Adverse Effect.

6.17 Lien Searches. Promptly following receipt of the acknowledgment copy of any financing statements filed under the Uniform Commercial Code in any jurisdiction by or on behalf of the Secured Parties, deliver to the Administrative Agent completed requests for information listing such financing statement and all other effective financing statements filed in such jurisdiction that name the Borrower as debtor, together with copies of such other financing statements.

6.18 Material Contracts. Perform and observe all the terms and provisions of each Material Contract to be performed or observed by it, maintain each such Material Contract in full

force and effect, enforce each such Material Contract in accordance with its terms, take all such action to such end as may be from time to time requested by the Administrative Agent and, upon request of the Administrative Agent, make to each other party to each such Material Contract such demands and requests for information and reports or for action as Borrower is entitled to make under such Material Contract, except, in any case, where the failure to do so, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

6.19 Bankruptcy Information. Promptly after the same is available, furnish or cause to be furnished to counsel for Administrative Agent all pleadings, motions, applications, judicial information, financial information and other documents filed by or on behalf of Borrower with the Bankruptcy Court or the United States Trustee in the Chapter 11 Case or distributed by or on behalf of Borrower to any official committee appointed in the Chapter 11 Case and, without limiting the generality of the foregoing, Borrower shall promptly deliver to, and discuss with, Administrative Agent and its counsel any and all information and developments in connection with any proposed Disposition or Change of Control, including, without limitation, any letters of intent, commitment letters or engagement letters received by Borrower, and any other event or condition which is reasonably likely to have a material effect on the Borrower or the Chapter 11 Case, including, without limitation, the progress of any disclosure statement or any proposed Chapter 11 plan of reorganization.

6.20 SAR Account. Borrower will only withdraw amounts authorized pursuant to any stipulated order of the Bankruptcy Court from the SAR Account; provided that in the event that the Borrower or Indenture Trustee sells for cash or otherwise monetizes any auction rate securities held in the SAR Account, the Borrower shall, at its election, apply the Net Cash Proceeds thereof to either (i) permanently repay the Prepetition Loan Obligations or (ii) prepay the Loans and/or reduce the Commitments in accordance with Section 2.05(b)(iv).

6.21 Conduct of Timber Business. Borrower will (a) conduct Timber harvesting in a professional, businesslike manner consistent with good forestry practices, and no waste shall be committed or allowed to occur that materially affects the value of the Mortgaged Property (it being understood that reasonable Timber harvesting hereunder does not constitute waste); (b) comply in all material respects with all current material federal, state, and local laws, regulations and ordinances concerning the harvesting of Timber; (c) implement all reasonable measures that are necessary to protect the Mortgaged Property from loss by fire, disease and blight (such measures shall be consistent with generally accepted standards of fire protection practices generally followed on timberland in the same general area, including the maintenance of fire-fighting equipment customary within the industry, proper disposal of slash in a manner customary within the industry, maintenance of roads to permit reasonable access of fire-fighting equipment to all parts of the Mortgaged Property in a manner customary within the industry, and full cooperation with state and federal agencies on matters of fire prevention and control); (d) ensure that all Timber harvested from the Mortgaged Property via pay-as-cut type Timber sales (sales where each load is paid for as it is harvested and delivered to a facility) is scaled (weighed) and monitored pursuant to practices then customary in the industry; and (e) cause Timber harvested from the Mortgaged Property via lump sum Timber sales (sales where Timber is sold standing and full payment is made in advance of harvest) to be scaled or measured using

customary Timber inventory techniques while the Timber is standing and prior to sale and harvest.

ARTICLE VII
NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, unless Required Lenders shall otherwise give prior written consent, the Borrower shall not, directly or indirectly:

7.01 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, or sign or file or suffer to exist under the Uniform Commercial Code of any jurisdiction or under any similar recording or notice statute a financing statement that names the Borrower as debtor, or assign any accounts or other right to receive income, or apply to the Bankruptcy Court for the authority to do any of the foregoing, other than the following:

(a) Liens created in favor of Administrative Agent (for the benefit of the Lenders) (a) pursuant to any Loan Document or (b) authorized by the Final Borrowing Order;

(b) Liens existing on the Petition Date and listed on Schedule 7.01; provided that in the case of the Prepetition Timber Liens, such Liens shall be subject to the senior priming Liens crated in favor of the Administrative Agent (for the benefit of the Lenders);

(c) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person;

(e) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;

(f) deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) easements, zoning or similar laws, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower;

(h) Liens securing judgments for the payment of money not constituting an Event of Default under Section 8.01(f);

(i) purported Liens evidenced by the filing of precautionary UCC financing statements relating solely to operating leases of personal property leased by Borrower entered into in the ordinary course of business; and

(j) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods, which are not overdue and incurred in the ordinary course of business.

7.02 Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) Borrower may remain liable with respect to Indebtedness constituting Prepetition Indebtedness set forth on Schedule 7.02 annexed hereto without giving effect to any extensions, renewals, refinancings, supplemental borrowings or other incurrences thereof;

(c) Guarantees of the Borrower in respect of Indebtedness otherwise permitted hereunder of the Borrower; and

(d) Borrower may become and remain liable with respect to Indebtedness incurred in connection with the rejection of leases and executory contracts in the Chapter 11 Case; provided, that the obligation of Borrower in respect of such Indebtedness shall be determined by an order of the Bankruptcy Court entered at the time of such rejection, to be a general, unsecured, non-priority claim.

7.03 Investments. Make or hold any Investments, except:

(a) Investments held by the Borrower in the form of Cash Equivalents;

(b) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;

(c) Capital Expenditures approved in the then applicable Budget; and

(d) Investments existing on the date hereof and set forth on Schedule 5.08(e).

7.04 Fundamental Changes. Merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person.

7.05 Dispositions. Make any Disposition or enter into any agreement to make any Disposition, except:

(a) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business;

(b) Dispositions of inventory pursuant to log sales or stumpage sales agreements in the ordinary course of business; and

(c) Dispositions in the ordinary course of business; provided that the aggregate proceeds of all such Dispositions in any calendar month shall not exceed $50,000;

Without limiting the foregoing, any Disposition pursuant to this Section 7.05 shall be for fair market value.

7.06 Restricted Payments; Limitation on Repayments. (i) Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, or issue or sell any Equity Interests or accept any capital contribution, (ii) make any payment or prepayment on or redemption or acquisition for value (including by way of depositing with the trustee with respect thereto money or securities before due for the purpose of paying when due) of any Prepetition Indebtedness or other pre-Petition Date obligations of such Person unless such payments are adequate protection payments made in accordance with a previously entered Order of the Bankruptcy Court, (iii) pay any interest on any Prepetition Indebtedness of such Person (whether in cash, in kind securities or otherwise) unless such payments are adequate protection payments made in accordance with a previously entered Order of the Bankruptcy Court or (iv) make any payment or create or permit any Lien pursuant to Section 361 of the Bankruptcy Code (or pursuant to any other provision of the Bankruptcy Code authorizing adequate protection), or apply to the Bankruptcy Court for the authority to do any of the foregoing; provided that (a) Borrower may pay Prepetition Indebtedness arising in connection with the assumption of leases in the Chapter 11 Case, (b) Borrower may make payments permitted under Section 2.14, (c) Borrower may make payments for administrative expenses that are allowed and payable under Sections 330 and 331 of the Bankruptcy Code, (d) Borrower may pay any post-Petition Date expense incurred in the ordinary course of business including usual and customary post-Petition Date employee salaries and benefits (provided that any of the foregoing to the contrary notwithstanding, Borrower shall not implement or make any payments in respect of bonus, retention, severance or similar arrangements with respect to any of their respective officers, employees, directors or advisors, without the prior written consent of Administrative Agent and Required Lenders), and (e) Borrower may make payments to such other claimants and in such amounts as may be consented to by Administrative Agent and Required Lenders and approved by the Bankruptcy Court.

7.07 Change in Nature of Business. Engage in any material line of business substantially different from those lines of business conducted by the Borrower on the date hereof or any business substantially related or incidental thereto.

7.08 Transactions with Affiliates. (i) Enter into any transaction of any kind with any Affiliate of the Borrower, whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to the Borrower as would be obtainable by the Borrower at the time in a comparable arm's length transaction with a Person other than an Affiliate, or (ii) make any payments or other distributions to the Borrower's parent company.

7.09 Burdensome Agreements. Enter into or permit to exist any Contractual Obligation (other than this Agreement or any other Loan Document, or agreements with respect to Prepetition Indebtedness set forth on Schedule 7.02 as in effect prior to the date hereof) that (a) limits the ability of the Borrower to create, incur, assume or suffer to exist Liens on property of the Borrower; or (b) requires the grant of a Lien to secure an obligation of such Person if a Lien is granted to secure another obligation of such Person.

7.10 Use of Proceeds. Use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

7.11 Minimum Cash Flow. Permit, for any calendar month, beginning with the month of July 2008, Cashflow For Debt Service for such month to be less than the Required Monthly Cash Flow.

7.12 Budget.

(a) Incur any obligations, use any proceeds of any Loans or use any cash collateral other than in accordance with the Budget, subject to the variances of Section 7.12(b); or

(b) For the period beginning on July [_] and ending on August [_], (i) have actual cash receipts that are less than the total amount of cash receipts shown in the Budget for such period minus 15%, or (ii) have actual cash disbursements that are greater than the total amount of cash disbursements shown in the Budget for such period plus 15%; or

(c) For the period beginning on July [_] and ending on September [_], (i) have actual cash receipts that are less than the total amount of cash receipts shown in the Budget for such period minus 15%, or (ii) have actual cash disbursements that are greater than the total amount of cash disbursements shown in the Budget for such period plus 15%; or

(d) For each rolling thirteen-week period in the Budget Period, (i) have actual cash receipts that are less than the total amount of cash receipts shown in the Budget for such period minus 10%, or (ii) have actual cash disbursements that are greater than the total amount of cash disbursements shown in the Budget for such period plus 10%.

7.13 Amendments of Organization Documents. Amend any of its Organization Documents in a manner adverse to the Administrative Agent or the Lenders.

7.14 Accounting Changes. Make any change in (a) accounting policies or reporting practices, except as required by GAAP, or (b) fiscal year.

7.15 Amendment, Etc. of Indebtedness. Amend, modify or change in any manner any term or condition of any Indebtedness set forth in Schedule 7.02.

7.16 Chapter 11 Claims. Without limiting the provisions of Section 7.01 hereof, Borrower shall not (i) incur, create, assume, suffer or permit any claim or Lien or encumbrance against it or any of its property or assets in the Chapter 11 Case (other than the claims specifically referred to in Section 2.15 and the Final Borrowing Order but only to the extent therein described) to be pari passu with or senior to the claims of Administrative Agent and Lenders against Borrower in respect of the Obligations hereunder, or apply to the Bankruptcy Court for authority to do so, except to the extent permitted herein, (ii) incur or permit any other administrative expense claim (other than those specifically referred to in Section 2.15) having any priority over, or being pari passu with, the administrative expense priority of the Obligations with respect of the Chapter 11 Case, or (iii) incur any administrative expenses out of the ordinary course of business in the Chapter 11 Case without the consent of Administrative Agent.

7.17 Agreements, Orders.

(a) Material Contracts and Prepetition Indebtedness. Borrower shall not assume, reject, cancel, terminate, breach or modify (whether pursuant to Section 365 of the Bankruptcy Code or any other applicable law or otherwise), (i) any Prepetition Indebtedness if such assumption, rejection, cancellation, termination, breach or modification could reasonably be expected to be adverse in any material respect to the interests of the Lenders under the Loan Documents, or (ii) any Material Contract or any other agreement, contract, instrument or other document to which it is a party which assumption, rejection, cancellation, termination, breach or modification could reasonably be expected to result in a Material Adverse Effect.

(b) Amendments to Orders. Borrower shall not amend, modify or waive (or make any payment consistent with an amendment, modification or waiver of), or apply to the Bankruptcy Court for authority to make any amendment, modification or waiver of, any provision of the Final Borrowing Order without in each case the prior written consent of Administrative Agent and Required Lenders.

7.18 Remedies of Administrative Agent.

Borrower shall not seek to obtain any stay of the exercise of the remedies available to Administrative Agent under the Agreement, but may contest only whether the factual circumstance exist entitling Administrative Agent to such remedies pursuant to the terms of this Agreement.

7.19 Adequate Protection Payments.

Borrower shall not make any payments as adequate protection with respect to any Prepetition Indebtedness, other than as set forth in Section 7.06 without the prior written consent of Required Lenders.

7.20 Subsidiaries. Form or acquire any new direct or indirect Subsidiary.

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default. Notwithstanding the provisions of Section 362 of the Bankruptcy Code and without application or motion to, or order from, the Bankruptcy Court, the occurrence of any one or more of the following events ("Events of Default"), regardless of the reason therefore, shall constitute an Event of Default:

(a) Non-Payment. The Borrower fails to (i) pay when and as required to be paid herein, any amount of principal of any Loan, or (ii) pay within three days after the same becomes due, any interest on any Loan, or any fee due hereunder, or (iii) pay within five days after the same becomes due, any other amount payable hereunder or under any other Loan Document; or

(b) Specific Covenants. The Borrower fails to perform or observe any term, covenant or agreement contained in any of Sections 6.03(a), 6.05(a), 6.10, 6.11, 6.12, 6.14, or Article VII; or

(c) Other Defaults. Borrower fails to perform or observe any other covenant or agreement (not specified in Section 8.01(a) or (b) above) contained in any Loan Document or the Master Purchase Agreement on its part to be performed or observed and such failure continues, in the case of any failure to comply with Sections 6.01 or 6.02, for 5 Business Days, and in the case of any other failure, for 30 days after knowledge of or notice to the Borrower; or

(d) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading when made or deemed made; or

(e) Bankruptcy Events. With respect to the Chapter 11 Case, (i) the entry of an order or ruling, which has not been withdrawn, dismissed or reversed:

(A) authorizing Borrower in the Chapter 11 Case to obtain additional financing under Section 364(c) or (d) of the Bankruptcy Code, or authorizing any Person to recover from any portions of the Collateral any amounts pursuant to Section 506(c) of the Bankruptcy Code or otherwise, or (except as provided in the Final Borrowing Order) authorizing the use of cash collateral without Required Lenders' prior written consent under Section 363(c) of the Bankruptcy Code; or

(B) appointing an interim or permanent trustee in the Chapter 11 Case or the appointment of a responsible officer or an examiner with powers beyond the duty to investigate and report (as set forth in Sections 1106(a)(3) and (4) of the Bankruptcy Code) in the Chapter 11 Case; or

(C) without the prior written consent of Administrative Agent and Required Lenders, dismissal of the Chapter 11 Case, or converting the Chapter 11 Case to a case under Chapter 7 of the Bankruptcy Code; or

(D) granting relief from or modifying the automatic stay of Section 362 of the Bankruptcy Code with respect to assets having a value in excess of $1,000,000 in the aggregate (x) to allow any creditor to execute upon or enforce a Lien on any Collateral or on any other property or assets of Borrower, (y) with respect to any Lien of, or the granting of any Lien on any Collateral or any other property or assets of Borrower to, any State or local environmental or regulatory agency or authority or (z) to permit termination of or other exercise of remedies under Material Contracts; or

(E) without the prior written consent of Administrative Agent and Required Lenders, amending, supplementing, staying, reversing, vacating or otherwise modifying any of the Final Borrowing Order or this Agreement or any other Loan Document or any of the Administrative Agent's or the Lenders' rights, benefits, privileges or remedies under the Final Borrowing Order, this Agreement or any other Loan Document; or

(F) consolidating or combining Borrower with any other Person, except pursuant to a confirmed plan of reorganization with the prior written consent of the Required Lenders as contemplated in the plan of reorganization; or

(G) approving any other administrative expense claim (other than the Carve-Outs) having any priority over, or being *pari passu* with, the administrative expense priority of the Obligations in respect of the Chapter 11 Case, or approving any Lien on the Collateral (other than those specifically referred to in Section 2.15 and the Final Borrowing Order, but only to the extent therein described, and those expressly permitted under this Agreement) having any priority over, or being *pari passu* with, the Liens securing the Obligations pursuant to the Loan Documents and the Final Borrowing Order; or

(H) other than as expressly permitted pursuant to Section 7.06, approving any payment or prepayment on or redemption or acquisition for value (including, without limitation, by way of depositing with the trustee with respect thereto money or securities before due for the purpose of paying when due) of any Prepetition Indebtedness (other than the Prepetition Loan Obligations) or other pre-Petition Date obligations of Borrower, or approving any payment of any interest on any Prepetition Indebtedness (other than the Prepetition Loan Obligations) of Borrower (whether in cash, in kind securities or otherwise); or

(ii) the filing by Borrower of a motion, application or other petition to effect or consent to any order referred to in the foregoing clause (i); or

(iii) there shall arise any other administrative expense claim (other than the Carve-Outs) having any priority over, or being *pari passu* with the administrative expense priority of the Obligations in respect of the Chapter 11 Case, or there shall arise any Lien on the Collateral (other than the Carve-Outs, but only to the extent described in Section 2.15 and the Final Borrowing Order, and those expressly permitted under this Agreement) having any priority over, or being *pari passu* with, the Liens securing the Obligations pursuant to the Loan Documents and the Final Borrowing Order; or

(iv) the Bankruptcy Court shall fail to enter the Final Borrowing Order on or prior to [July 4], 2008, seeking approval of, among other things, this Agreement and the other Loan Documents and the transactions contemplated hereunder and thereunder, or shall abstain from hearing the Chapter 11 Case, or Borrower shall file a motion, application or other petition requesting such relief; or

(v) Borrower shall default in the due performance or observance by it of any term, covenant or agreement contained in the Final Borrowing Order and such default shall continue for a period of three (3) days after the earlier to occur of (x) an Officer of Borrower becoming aware of such default or (y) receipt by Borrower of notice from Administrative Agent or any Lender of such default; or

(vi) effectiveness of a plan of reorganization that does not pay the Lenders in full, in cash, upon effectiveness of the plan, unless the Indenture Plan Agent has assumed all of the Borrower's rights and obligations hereunder in accordance with Section 10.19; or

(f) Judgments. There is entered against the Borrower (i) one or more final judgments or orders for the payment of money in an aggregate amount (as to all such judgments and orders) exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer is rated at least "A" by A.M. Best Company, has been notified of the potential claim and does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 30 consecutive days during which a stay of enforcement of such judgment by reason of a pending appeal or otherwise, is not in effect; or

(g) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or would reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount, or (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; or

(h) Invalidity of Loan Documents. Any provision of any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect or shall be declared to be null and void; or the Borrower or any other Person contests in any manner the validity or enforceability of any provision of any Loan Document for more than 15 consecutive days; or the Borrower denies that it has any further liability or obligation under any Loan Document or the Borrower asserts the unenforceability or invalidity of any provision of any Loan Document, or purports to revoke, terminate or rescind any provision of any Loan Document; or

(i) Change of Control. There occurs any Change of Control; or

(j) Material Contracts. The Borrower defaults under any Material Contract (other than rejected agreements) where such default would give the counterparty the right to terminate such Material Contract on a post-Petition Date basis; or

(k) Collateral Documents. (i) This Agreement, or any Collateral Document after delivery thereof pursuant to Section 4.01 or 6.12, shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected first priority Lien (subject to Liens permitted by Section 7.01) on the Collateral purported to be covered thereby, or (ii) the grants of Collateral made in the Final Borrowing Order shall, at any time, cease to be in full force and effect (other than by reason of a release of Collateral in accordance with the terms thereof or the payment in full of the Obligations and the termination of the Commitments) or shall be declared null and void, or the validity or enforceability thereof shall be contested by the Borrower; or

(l) Dissolution. Any order, judgment, or decree shall be entered against the Borrower decreeing the dissolution or split up of Borrower and such order shall remain undischarged or unstayed for a period of 30 days.

8.02 Remedies upon Event of Default. If any Event of Default occurs and is continuing, the commitment and obligation of each Lender to make Loans shall automatically be terminated without further act of the Administrative Agent or any Lender. In addition, if any Event of Default occurs and is continuing, the Administrative Agent shall (notwithstanding the provisions of Section 362 of the Bankruptcy Code and without application or motion to, or order from, the Bankruptcy Court), at the request of, or may, with the consent of, the Required Lenders, declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that upon the occurrence of any Event of Default described in Section 8.01(e), the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Administrative Agent or any Lender.

Further, if any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, (i) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents, including, without limitation its rights with respect to the Collateral as set forth in Sections 8.03 and 8.04 below and (ii) revoke Borrower's rights to use cash collateral in which Administrative Agent has an interest. Neither Administrative Agent nor Lenders shall have any obligation of any kind to make a motion or application to the Bankruptcy Court to exercise their rights and remedies set forth or referred to in this Agreement or in the other Loan Documents.

8.03 Obtaining the Collateral Upon Default. Upon the occurrence and during the continuance of an Event of Default (and after notice of such Event of Default, if required), to the extent any such action is not inconsistent with Final Borrowing Order, the Administrative Agent, in addition to any rights now or hereafter existing under applicable law, and without application to or order of the Bankruptcy Court, shall have all rights as a secured creditor under the Uniform Commercial Code in all relevant jurisdictions and may:

(a) personally, or by agents or attorneys, immediately retake possession of the Collateral or any part thereof, from the Borrower or any other Person who then has possession of any part thereof with or without notice or process of law (but subject to any requirements of Law), and for that purpose may enter upon the Borrower's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of the Borrower;

(b) instruct the obligor or obligors on any agreements, instrument or other obligation constituting the Collateral to make any payment required by the terms of such instrument or agreement directly to any cash collateral account;

(c) sell, assign or otherwise liquidate, or direct the Borrower to sell, assign or otherwise liquidate, any or all of the Collateral or any part thereof in accordance, and take possession of the proceeds of any such sale, assignment or liquidation; and

(d) take possession of the Collateral or any part thereof, by directing the Borrower in writing to deliver the same to the Administrative Agent at any place or places designated by the Administrative Agent, in which event the Borrower shall at its own expense:

(i) forthwith cause the same to be moved to the place or places so designated by the Administrative Agent and there delivered to the Administrative Agent,

(ii) store and keep any Collateral so delivered to the Administrative Agent at such place or places pending further action by the Administrative Agent, and

(iii) while the Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain them in good condition;

It being understood that the Borrower's obligation so to deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to the Bankruptcy Court, the Administrative Agent shall be entitled to a decree requiring specific performance by the Borrower of such obligation.

8.04 Remedies; Disposition of the Collateral. Upon the occurrence and during the continuance of an Event of Default, and to the extent not inconsistent with the Final Borrowing Order, without application to or order of the Bankruptcy Court, any Collateral repossessed by the Administrative Agent under or pursuant to Section 8.03 or the Final Borrowing Order or otherwise, and any other Collateral whether or not so repossessed by the Administrative Agent, may be sold, assigned, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on commercially reasonable terms, in compliance with any requirements of law. Any of the Collateral may be sold, leased or otherwise disposed of, in the condition in which the same existed when taken by the Administrative Agent or after any overhaul or repair which the Administrative Agent shall determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceeding permitted by applicable requirements of law shall be made upon not less than 10 days' written notice to the Borrower specifying the time

at which such disposition is to be made and the intended sale price or other consideration therefor, and shall be subject, for the 10 days after the giving of such notice, to the right of the Borrower or any nominee of the Borrower to acquire the Collateral involved at a price or for such other consideration at least equal to the intended sale price or other consideration so specified. Any such disposition which shall be a public sale permitted by applicable requirements of law shall be made upon not less than 10 days' written notice to the Borrower specifying the time and place of such sale and, in the absence of applicable requirement of law, shall be by public auction (which may, at the Administrative Agent's option, be subject to reserve), after publication of notice of such auction not less than 10 days prior thereto in USA Today and The Wall Street Journal, National Edition. Subject to Section 8.03, to the extent permitted by any such requirement of law, the Administrative Agent on behalf of the Lenders or any Lender may bid for and become the purchaser of the Collateral or any item thereof, offered for sale in accordance with this Section 8.04 without accountability to the Borrower. If, under mandatory requirements of law, the Administrative Agent shall be required to make disposition of the Collateral within a period of time which does not permit the giving of notice to the Borrower as hereinabove specified, the Administrative Agent need give the Borrower only such notice of disposition as shall be reasonably practicable.

8.05 Application of Funds. After the exercise of remedies provided for in this Article VIII (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders (including fees, charges and disbursements of counsel to the respective Lenders (including fees and time charges for attorneys who may be employees of any Lender)) arising under the Loan Documents and amounts payable under Article III, ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Obligations (other than the Loans) arising under the Loan Documents, ratably among the Lenders in proportion to the respective amounts described in this clause Fifth payable to them; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

ARTICLE IX
ADMINISTRATIVE AGENT

9.01 Appointment and Authority. (a) Each of the Lenders hereby irrevocably appoints LCPI to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and the Borrower shall not have rights as a third party beneficiary of any of such provisions.

(b) The Administrative Agent shall also act as the "collateral agent" under the Loan Documents, and each of the Lenders hereby irrevocably appoints and authorizes the Administrative Agent to act as the agent of such Lender for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by Borrower to secure any of the Obligations, together with such powers and discretion as are reasonably incidental thereto. In this connection, the Administrative Agent, as "collateral agent" and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 9.05 for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Collateral Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent), shall be entitled to the benefits of all provisions of this Article IX and Article XI (including Section 10.04(c), as though such co-agents, sub-agents and attorneys-in-fact were the "collateral agent" under the Loan Documents) as if set forth in full herein with respect thereto.

9.02 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

9.03 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or

by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(d) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower or a Lender.

(e) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or the creation, perfection or priority of any Lien purported to be created by the Collateral Documents, (v) the value or the sufficiency of any Collateral, or (vi) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

9.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

9.05 Delegation of Duties and Retention of Advisors. (a) The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agents and to the Related Parties of the Administrative Agent and any such sub-agent and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

(b) The Administrative Agent may also retain any advisors or experts, including financial advisors and timber experts, as it deems necessary in connection with the Facility. Such advisors and experts may perform any and all of their duties and exercise their rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such advisors and experts and to the Related Parties of any such advisors and experts.

9.06 Resignation of Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (a) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a

successor Administrative Agent is appointed) and (b) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

9.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

9.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, the Arranger shall not have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity as the Administrative Agent or a Lender hereunder.

9.09 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Borrower, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.09 and 10.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, if the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 10.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender to authorize the Administrative Agent to vote in respect of the claim of any Lender or in any such proceeding.

9.10 Collateral and Guaranty Matters. Each of the Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (i) upon termination of the Commitments and payment in full of all Obligations (other than contingent indemnification obligations), (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) if approved, authorized or ratified in writing in accordance with Section 10.01.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property. In each case as specified in this Section 9.10, the Administrative Agent will, at the Borrower's expense, execute and deliver to the Borrower such documents as such Borrower may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Collateral Documents or to subordinate its interest in such item, in each case in accordance with the terms of the Loan Documents and this Section 9.10.

ARTICLE X
MISCELLANEOUS

10.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) waive any condition set forth in Section 4.02, or, in the case of the initial Credit Extension, Section 4.01(a), without the written consent of each Lender;

(b) without limiting the generality of clause (a) above, waive any condition set forth in Section 4.02 as to any Credit Extension without the written consent of the Required Lenders;

(c) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;

(d) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under such other Loan Document without the written consent of each Lender entitled to such payment;

(e) reduce the principal of, or the rate of interest specified herein on, any Loan, or (subject to clause (ii) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender entitled to such amount; provided, however, that only the consent of the Required Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest at the Default Rate;

(f) change (i) or 2.06(b) or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender or (ii) the order of application of any reduction in the Commitments or any prepayment of Loans from the application thereof set forth in the applicable provisions of Section 2.05(b), respectively, in any manner that materially and adversely affects the Lenders without the written consent the Required Lenders;

(g) change any provision of this Section 10.01 or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder;

(h) release or subordinate the priority of the Liens in respect of all or any material portion all of the Collateral in any transaction or series of related transactions, without the written consent of each Lender; or

(j) impose any greater restriction on the ability of any Lender to assign any of its rights or obligations hereunder without the written consent of the Required Lenders;

and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

If any Lender does not consent to a proposed amendment, waiver, consent or release with respect to any Loan Document that requires the consent of each Lender, the Borrower may replace such non-consenting Lender in accordance with Section 10.12; provided that such

amendment, waiver, consent or release can be effected as a result of the assignment contemplated by such Section (together with all other such assignments required by the Borrower to be made pursuant to this paragraph).

10.02 Notices; Effectiveness; Electronic Communications. (a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower or the Administrative Agent, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

(c) Change of Address, Etc. Each of the Borrower and the Administrative Agent may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower and the Administrative Agent. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Lender agrees to cause at least one individual at or on behalf of such Lender to at all times have selected the "Private Side Information" or similar

designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Lender's compliance procedures and applicable Law, including United States Federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to the Borrower or its securities for purposes of United States Federal or state securities laws.

(d) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Borrowing Requests) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

10.03 No Waiver; Cumulative Remedies; Enforcement. No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Borrower shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.02 for the benefit of all the Lenders; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) any Lender from exercising setoff rights in accordance with Section 10.07 (subject to the terms of Section 2.13), or (c) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to Borrower under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents or if the Administrative Agent unreasonably refuses to take any instruction from the Required Lenders, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.02 and (ii) in addition to the matters set forth in clauses (b) and (c) of the preceding proviso and subject to Section 2.13, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

10.04 Expenses; Indemnity; Damage Waiver. (a) Costs and Expenses. The Borrower shall pay (i) all actual costs and reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and the custody or preservation of creating and perfecting Liens in favor of the Administrative Agent on behalf of the Lenders in any of the Collateral, (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with Loans made hereunder, including all such out-of-pocket expenses incurred in connection with a workout, or pursuant to the Chapter 11 Case or any other workout, restructuring or negotiations in respect of such Loans and (iii) after the occurrence of an Event of Default, all costs and expenses, including without limitation reasonable attorneys' fees and costs of settlement, incurred by Administrative Agent or any Lender in connection with any subsequent Chapter 7 bankruptcy case or any other insolvency or bankruptcy proceeding. Without limiting the generality of the foregoing, if, at any time or times, regardless of the existence of an Event of Default, Administrative Agent or any Lender shall incur reasonable expenses itself or employ counsel or other professional advisors, experts or brokers, including, but not limited to, environmental, financial and management consultants, for advice or other representation or shall incur legal, appraisal, accounting, consulting or other reasonable costs and expenses in connection with:

(i) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Administrative Agent, any Lender, any Borrower or any other Person) in any way relating to the Collateral, any of the Loan Documents, or any other agreements to be executed or delivered in connection therewith or herewith, including any litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in connection with a case or proceeding commenced by or against any Borrower or any other Person that may be obligated to Agent or any Lender by virtue of the Loan Documents, under the Bankruptcy Code, or any other applicable Federal, state, or foreign bankruptcy or other similar law;

(ii) any attempt to enforce any rights or remedies of Administrative Agent or any Lender against any Borrower, or any other Person that may be obligated to Administrative Agent or any Lender by virtue of being a party to any of the Loan Documents;

(iii) any attempt to appraise, inspect, verify, protect, collect, sell, liquidate or otherwise dispose of the Collateral; or

(iv) the Chapter 11 Case (including, without limitation, the on-going monitoring by Administrative Agent of the Chapter 11 Case, including attendance by

Administrative Agent and their counsel at hearings or other proceedings and the on-going review of documents filed with a Court in respect thereof) and Administrative Agent's and Lenders' interests with respect to any Borrower (including, without limitation, the on-going review of any Borrower's business, assets, operations, prospects or financial condition as Agent shall deem necessary), the Collateral or the Obligations;

then, and in any such event, the reasonable fees and expenses incurred by Administrative Agent, such Lender and such attorneys and other professional advisors and consultants arising from such services, including those of any appellate proceedings, and all reasonable expenses, costs, charges and other fees incurred by such counsel or other professionals in any way or respect arising in connection with or relating to any of the events or actions described in this Section 10.04(a) shall be payable, on demand, by Borrower to Administrative Agent and such Lender and shall be additional Obligations secured under the Collateral Documents and the other Loan Documents. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: paralegal fees, costs and expenses; accountants' and experts' fees, costs and expenses; appraisers' fees, costs and expenses; management and other consultants' fees, costs and expenses; court costs and expenses; photocopying and duplicating expenses; court reporter fees, costs and expenses; long distance telephone charges; communication charges, air express charges; telegram charges; secretarial overtime charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other professional services. Notwithstanding the foregoing, so long as no Default shall have occurred and be continuing the Borrower will not be liable for the costs of more than 1 inspection of its property in any year in accordance with Section 6.10.

(b) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof, including any financial advisors), each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or any other Person arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or the Chapter 11 Case or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower, or any Environmental Liability related in any way to the Borrower, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any of the Borrower's directors, shareholders or creditors, and regardless of whether any Indemnitee is a party thereto, **IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF THE**

INDEMNITEE; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof) or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent). The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) Payments. All amounts due under this Section shall be payable not later than ten Business Days after demand therefor.

(f) Survival. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all the other Obligations.

10.05 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in

its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

10.06 Successors and Assigns. (a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of Section 10.06(b), (ii) by way of participation in accordance with the provisions of Section 10.06(c), (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 10.06(e) (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Subject to the conditions set forth in subsection (b)(ii) below, any Lender may in accordance with applicable law, assign to any Lender or any Affiliate, Related Fund or Control Investment Affiliate thereof or, with the consent of the Administrative Agent (not to be unreasonably withheld), to an additional bank, financial institution or other entity (other than to the Borrower or any of its Affiliates) (each, an "Assignee") all or a portion of its rights and obligations under this Agreement (including, without limitation, its Commitment, and/or Loans), pursuant to an Assignment and Assumption.

(i) Any such assignment shall be subject to the following additional conditions:

(1) the amount of the Commitments or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $1,000,000 (other than in the case of an assignment of all of a Lender's interests under this Agreement) unless the Administrative Agent otherwise consents; and

(2) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together

with a processing and recordation fee of $3,500; provided, that in the event of four or more concurrent assignments to members of the same Assignee Group (which may be effected by a suballocation of an assigned amount among members of such Assignee Group) or four or more concurrent assignments by members of the same Assignee Group to a single Assignee (or to an Assignee and members of its Assignee Group), the Assignment Fee shall be $3,500 plus $500 for each additional concurrent assignment or suballocation to a member of such Assignee Group (or from a member of such Assignee Group) after the first four; provided, further, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

For the purposes of this subsection 10.06:

"Related Fund" means with respect to any Lender, any fund that (x) invests in commercial loans and (y) is managed or advised by the same investment advisor as such Lender or an Affiliate of such investment advisor, by such Lender or an Affiliate of such Lender.

"Control Investment Affiliate" means, as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise

(ii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) below, from and after the effective date specified in each Assignment and Assumption the Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of (and bound by any related obligations under) Article III and 10.4). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 10.06(b) shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this subsection.

(iii) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and interest and principal amount of the Loans owing to each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender (but in the case of any Lender, only in relation to the name and address of such Lender, and the Commitment of, and interest and principal amount of the Loans owing to such Lender pursuant to the terms hereof from time to time), at any reasonable time and from time to time upon reasonable prior notice.

(iv) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an Assignee, the Assignee's completed Administrative Questionnaire (unless the Assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this subsection and any written consent to such assignment required by paragraph (b) of this subsection, the Administrative Agent shall accept such Assignment and Assumption, record the information contained therein in the Register and give prompt notice of such assignment and recordation to the Borrower. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(v) On or prior to the effective date of any assignment pursuant to this Section 10.06(b), the assigning Lender shall surrender any outstanding Notes held by it all or a portion of which are being assigned. Any Notes surrendered by the assigning Lender shall be returned by the Administrative Agent to the Borrower marked "cancelled".

(c) Participations. (i) Any Lender may, in the ordinary course of its business and in accordance with applicable law, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (C) such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and (D) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that requires the consent of each Lender directly affected thereby. Subject to paragraph (c)(ii) of this subsection, the Borrower

agrees that each Participant shall be entitled to the benefits of (and shall have the related obligations under) Article III to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this subsection.

(ii) A Participant shall not be entitled to receive any greater payment under Article III than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.01(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including, without limitation, any pledge or assignment to secure obligations to a Federal Reserve Bank or a Federal Home Loan Bank, and this subsection shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute (by foreclosure or otherwise) any such pledgee or Assignee for such Lender as a party hereto.

(e) Notwithstanding the foregoing, any Conduit Lender may assign any or all of the Loans it may have funded hereunder to its designating Lender without the consent of the Borrower or the Administrative Agent and without regard to the limitations set forth in Section 10.06(b). Each of the Borrower, each Lender and the Administrative Agent hereby confirms that it will not institute against a Conduit Lender or join any other Person in instituting against a Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full in cash of the latest maturing commercial paper note issued by such Conduit Lender; provided, however, that each Lender designating any Conduit Lender hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage or expense arising out of its inability to institute such a proceeding against such Conduit Lender during such period of forbearance. Each such indemnifying Lender shall pay in full in cash any claim received from the Borrower pursuant to this Section 10.06(e) within 30 Business Days of receipt of a certificate from a Responsible Officer of the Borrower specifying in reasonable detail the cause and amount of the loss, cost, damage or expense in respect of which the claim is being asserted, which certificate shall be conclusive absent manifest error. Without limiting the indemnification obligations of any indemnifying Lender pursuant to this Section 10.06(e), in the event that the indemnifying Lender fails timely to compensate the Borrower for such claim, any Loans held by the relevant Conduit Lender shall, if requested by the Borrower, be assigned promptly to the Lender that administers the Conduit Lender and the designation of such Conduit Lender shall be void.

10.07 Right of Setoff. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, and notwithstanding the provisions of Section 362 of the Bankruptcy Code and without application or motion to, or order from, the Bankruptcy Court, if an Event of Default shall have occurred and be continuing, each

Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, after obtaining the prior written consent of the Administrative Agent, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower may be contingent or unmatured or are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender or their respective Affiliates may have. Each Lender agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.08 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

10.09 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

10.10 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the

Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

10.11 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.12 Replacement of Lenders. If any Lender is a Defaulting Lender or if any other circumstance exists hereunder that gives the Borrower the right to replace a Lender as a party hereto, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee (provided that such assignee may not be the Borrower) that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 10.06(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Article III) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Article III, such assignment will result in a reduction in such compensation or payments thereafter; and

(d) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

10.13 Governing Law; Jurisdiction; Etc. (a) GOVERNING LAW. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN ANY SUCH LOAN DOCUMENT), AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE

GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THAT WOULD REQUIRE APPLICATION OF ANOTHER LAW.

(b) SUBMISSION TO JURISDICTION. SUBJECT TO THE JURISDICTION OF THE BANKRUPTCY COURT, THE BORROWER IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE STATE, COUNTY AND CITY OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (b) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW

10.14 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY

OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.15 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent and the Arranger are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Administrative Agent and the Arranger, on the other hand, (B) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent and the Arranger each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person and (B) neither the Administrative Agent nor the Arranger has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent and the Arranger and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent nor the Arranger has any obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against the Administrative Agent and the Arranger with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

10.16 Electronic Execution of Assignments and Certain Other Documents. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption or in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

10.17 USA PATRIOT Act. Each Lender that is subject to the Patriot Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby

notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify Borrower in accordance with the Patriot Act. The Borrower shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" an anti-money laundering rules and regulations, including the Patriot Act.

10.18 Parties Including Trustees; Court Proceedings. This Agreement and the other Loan Documents shall be binding upon, and inure to the benefit of, the successors of Administrative Agent and each Lender, and the assigns, transferees and endorsees of Administrative Agent and each Lender. The security interests and Liens created in this Agreement, the Collateral Documents and the other Loan Documents shall be and remain valid and perfected, and the claims of Administrative Agent and Lenders hereunder valid and enforceable in accordance with the terms hereof, notwithstanding the discharge of any Borrower pursuant to 11 U.S.C. § 1141, the conversion of the Chapter 11 Case or any other bankruptcy case of Borrower to a case under Chapter 7 of the Bankruptcy Code, the dismissal of the Chapter 11 Case or any subsequent Chapter 7 case or the release of any Collateral from the property of Borrower. The security interests and Liens created in this Agreement, the Collateral Documents and the other Loan Documents shall be and remain valid and perfected without the necessity that Administrative Agent file financing statements or otherwise perfect its security interests or Liens under applicable law. This Agreement, the claims of Administrative Agent and Lenders hereunder, and all security interests or Liens created hereby or pursuant hereto or by or pursuant to the Collateral Documents or any other Loan Document shall at all times be binding upon Borrower, the estate of Borrower and any trustee appointed in the Chapter 11 Case or any Chapter 7 case, or any other successor in interest to Borrower. This Agreement shall not be subject to Section 365 of the Bankruptcy Code.

10.19 Benefits to Plan Agent. Notwithstanding anything herein or in the other Loan Documents to the contrary, this Agreement and the other Loan Documents shall be binding upon, and inure to the benefit of, the Indenture Plan Agent; provided that upon the request of the Administrative Agent, the Indenture Plan Agent shall deliver to the Administrative Agent a written acknowledgment in form and substance reasonably satisfactory to the Administrative Agent of its assumption of all of the rights and obligations of the Borrower hereunder.

10.20 Time of the Essence. Time is of the essence of the Loan Documents.

10.21 WAIVER OF CLAIMS. EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, THE BORROWER, HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW:

(a) NOTICE AND JUDICIAL HEARING IN CONNECTION WITH THE ADMINISTRATIVE AGENT'S TAKING POSSESSION OR THE ADMINISTRATIVE AGENT'S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY

PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH THE BORROWER WOULD OTHERWISE HAVE UNDER ANY REQUIREMENT OF LAW;

(b) ALL DAMAGES OCCASIONED BY SUCH TAKING OF POSSESSION EXCEPT ANY DAMAGES WHICH ARE THE DIRECT RESULT OF THE ADMINISTRATIVE AGENT'S OR ANY LENDER'S BAD FAITH, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT;

(c) ALL OTHER REQUIREMENTS TO THE TIME, PLACE AND TERMS OF SALE OR OTHER REQUIREMENTS WITH RESPECT TO THE ENFORCEMENT OF THE ADMINISTRATIVE AGENT'S RIGHTS HEREUNDER; AND

(d) ALL RIGHTS OF REDEMPTION, APPRAISEMENT, STAY, EXTENSION OR MORATORIUM NOW OR HEREAFTER IN FORCE UNDER ANY APPLICABLE LAW IN ORDER TO PREVENT OR DELAY THE ENFORCEMENT OF THIS AGREEMENT OR THE ABSOLUTE SALE OF THE COLLATERAL OR ANY PORTION THEREOF, FOR ITSELF AND ALL WHO MAY CLAIM UNDER IT, INSOFAR AS IT OR THEY NOW OR HEREAFTER LAWFULLY MAY, HEREBY WAIVES THE BENEFIT OF ALL SUCH LAWS.

10.22 ENTIRE AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

SCOTIA PACIFIC COMPANY LLC, as Debtor
and Debtor-In-Possession

By: _____
Name: _____
Title:_____

LEHMAN COMMERCIAL PAPER INC., as
Administrative Agent

By: _____
Name: _____
Title: _____

LEHMAN COMMERCIAL PAPER INC., as a Lender

By: _____
Name: _____
Title: _____

[_____], as a Lender

By: _____
Name: _____
Title: _____