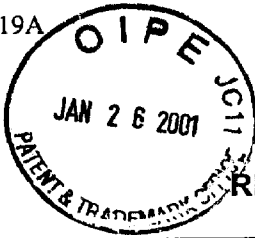


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FORM PTO-1619A
Expires 06/30/99
OMB 0651-0027



01-26-2001

U.S. Patent & TMOfo/TM Mail Rcpt. Dt. #40

02-07-2001



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RECORDATION FORM COVER SHEET PATENTS ONLY

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

Submission Type

New

Resubmission (Non-Recordation)
Document ID#

Correction of PTO Error
Reel # Frame #

Corrective Document
Reel # Frame #

Conveyance Type

Assignment Security Agreement

License Change of Name

Merger Other

U.S. Government
(For Use ONLY by U.S. Government Agencies)

Departmental File Secret File

Conveying Party(ies)

Mark if additional names of conveying parties attached

Name (line 1) Execution Date Month Day Year

Name (line 2)

Second Party

Name (line 1)

Name (line 2)

Execution Date Month Day Year

Receiving Party

Mark if additional names of receiving parties attached

Name (line 1) If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative is attached. (Designation must be a separate document from Assignment.)

Name (line 2)

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

FOR OFFICE USE ONLY

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

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

PATENT
REEL: 011485 FRAME: 0044

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages

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

Application Number(s) or Patent Number(s)

Mark if additional numbers attached

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

Patent Application Number(s)

Patent Number(s)

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| <input type="text" value="4,270,976"/> | <input type="text" value="4,187,141"/> | <input type="text"/> |

If this document is being filed together with a new Patent Application, enter the date the patent application was signed by the first named executing inventor.

Patent Cooperation Treaty (PCT)

Enter PCT application number

only if a U.S. Application Number has not been assigned.

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| PCT <input type="text"/> | PCT <input type="text"/> | PCT <input type="text"/> |

Number of Properties

Enter the total number of properties involved. #

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41): \$

Method of Payment: Enclosed Deposit Account

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

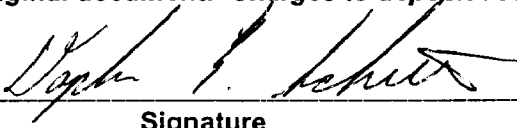
Deposit Account Number: #

Authorization to charge additional fees: Yes No

Statement and Signature

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

Daphne E. Schmitt



1/25/01

Name of Person Signing

Signature

Date

PATENT SECURITY AGREEMENT

AGREEMENT dated as of January 18, 2001 made by Great Northern Paper, Inc., a Delaware corporation with its chief executive office located at One Katahdin Avenue, Millinocket, Maine 04462 ("Borrower"), in favor of Congress Financial Corporation (New England), a Massachusetts corporation with a place of business at One Post Office Square, Boston, MA 02109, and its successors, assigns, and other legal representatives ("Secured Party").

W I T N E S S E T H:

WHEREAS, Borrower and Secured Party are parties to a Loan and Security Agreement, dated as of the date hereof (the "Loan Agreement"), and certain supplements, agreements, documents and instruments entered into pursuant thereto, (collectively, with the Loan Agreement, the "Loan Documents"), pursuant to which Secured Party may make certain loans and credit accommodations to Borrower; and

WHEREAS, Secured Party's willingness to enter into the Loan Documents and make the loans and credit accommodations available thereunder is subject to the condition, among others, that Borrower execute and deliver this Patent Security Agreement;

NOW, THEREFORE, in consideration of the premises and for one dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in addition to, and not in limitation of, any rights of the Secured Party under the Loan Documents, Borrower hereby agrees for the benefit of Secured Party as follows:

1. DEFINITIONS.

1.1 All capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided therefore in the Loan Agreement. In addition, the following terms shall have the meanings set forth in this Section 1 or elsewhere in this Security Agreement referred to below:

"PTO" shall mean the United States Patent and Trademark Office.

"Patents" shall mean all of the following now or hereafter owned or used by the Borrower:

(a) all letters patent of the United States or any other country, and all applications for letters patent of the United States or any other country;

(b) all re-issues, continuations, divisions, continuations-in-part, renewals or extensions thereof;

(c) the inventions disclosed or claimed therein, including the right to make, use, practice and/or sell (or license or otherwise transfer or dispose of) the inventions disclosed or claimed therein; and

(d) the right (but not the obligation) to make and prosecute applications for such Patents.

Patents shall include but not be limited to those set forth on Schedule A attached hereto.

“Patent Collateral” shall mean all of the Borrower's right, title and interest in and to all of the Patents, the Patent License Rights, and the Patent Rights, and all additions, improvements, and accessions to, all substitutions for and replacements of, and all products and Proceeds (including insurance proceeds) of any and all of the foregoing, and all books and records and technical information and data describing or used in connection with any and all such rights, interests, assets or property.

“Patent License Rights” shall mean any and all past, present or future rights and interests of the Borrower pursuant to any and all past, present and future licensing agreements in favor of the Borrower, or to which the Borrower is a party, pertaining to any Patents or Patent Rights, owned or used by third parties in the past, present or future, including the right in the name of the Borrower or Secured Party to enforce, sue and recover for, any past, present or future breach or violation of any such agreements.

“Patent Rights” shall mean any and all past, present or future rights in, to and associated with the patents throughout the world, whether arising under federal law, state law, common law, foreign law, or otherwise, including but not limited to the following: all such rights arising out of or associated with the Patents; the right (but not the obligation) to register claims under any federal, state or foreign patent law or regulation; the right (but not the obligation) to sue or bring opposition or bring cancellation proceedings in the name of the Borrower or Secured Party for any and all past, present and future infringements of or any other damages or injury to the Patents or the Patent Rights, and the rights to damages or profits due or accrued arising out of or in connection with any such past, present or future infringement, damage or injury; and the Patent License Rights.

“Proceeds” shall mean any consideration received from the sale, exchange, license, lease or other disposition or transfer of any right, interest, asset or property which constitutes Patent Collateral, any value received as a consequence of the ownership, possession, use or practice of any Patent Collateral, and any payment received from any insurer or other person or entity as a result of the destruction or the loss, theft or other involuntary conversion, of whatever nature, of any right, interest, asset or property which constitutes Patent Collateral.

2. GRANT OF SECURITY; COLLATERAL ASSIGNMENT.

2.1 Grant of Security Interest. As collateral security for the complete and timely performance and satisfaction of all Obligations, the Borrower hereby unconditionally

grants to Secured Party, a continuing security interest in and first priority lien on the Patent Collateral, and pledges, mortgages and hypothecates the Patent Collateral to Secured Party. Notwithstanding anything provided for elsewhere in this Agreement, the Patent Collateral shall not include those assets specifically excluded from the Secured Party's Collateral pursuant to Section 5.3 of the Loan Agreement.

2.2 Collateral Assignment.

(a) In addition, and not by way of limitation of, the grant, pledge, mortgage and hypothecation of the Patent Collateral provided in Section 2.1, to secure the complete and timely payment, performance and satisfaction of all Obligations, the Borrower hereby grants, assigns, transfers and conveys to Secured Party, BY WAY OF COLLATERAL SECURITY, the Borrower's entire right, title and interest in and to the Patent Collateral. The foregoing grant, assignment, transfer and conveyance shall be referred to from time to time herein as the "Section 2.2 Assignment." SECURED PARTY ASSUMES NO LIABILITY OR RESPONSIBILITY ARISING IN ANY WAY BY REASON OF ITS HOLDING SUCH COLLATERAL SECURITY EXCEPT RESULTING FROM ITS GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(b) Unless and until there shall have occurred and be continuing an Event of Default and Secured Party has notified the Borrower that the license granted hereunder is terminated, Secured Party hereby grants to the Borrower the sole and exclusive, non-transferable, royalty-free, worldwide right and license under the Patent Collateral to make, have made for it, use, sell and otherwise practice the Patents for the Borrower's own benefit and account and for none other, with the right to prosecute and maintain Patents in the United States Patent and Trademark Office and in foreign countries; provided, however, that the foregoing right and license shall be no greater in scope than, and limited by, the rights assigned to Secured Party by the Borrower hereby. The Borrower agrees not to sell, assign, transfer, or sub-license any of its rights or interests in the license granted to the Borrower in this Section 2.2(b), without the prior written consent of Secured Party; provided, however that so long as no Event of Default shall have occurred and be continuing, the Borrower may license the Patent Collateral in any lawful manner that is in the ordinary course of its business and is otherwise not inconsistent with the provisions of this Security Agreement, or the Loan Documents. Any such sub-licenses granted on or after the date hereof shall be terminable by Secured Party upon termination of the Borrower's license hereunder.

2.3 License. In addition to, and not by way of limitation of, all other rights of Secured Party and obligations of the Borrower pursuant to this Security Agreement and the other Loan Documents, upon the effectuation of a Section 2.2 Assignment, the Secured Party shall hold a fully-paid-up, worldwide right and license to make, use, practice and sell (or license or otherwise transfer) the Patent Collateral, for the exclusive purpose of, and to the extent necessary and sufficient for, the full and complete enjoyment and exercise of and realization upon the rights, remedies and interests of Secured Party pursuant to this Security Agreement and the other Loan Documents.

2.4 Supplemental to Loan Documents. The parties expressly acknowledge and agree that they have simultaneously executed and delivered the Loan Documents pursuant to which the Borrower unconditionally granted to Secured Party, a continuing security interest in and first priority lien on the Collateral (including the Patent Collateral). In no event shall this Security Agreement, the Section 2.2 Assignment of the Patent Collateral hereunder or the recordation of this Security Agreement (or any document hereunder) with the PTO, or any other governmental or public office or agency, adversely affect or impair, in any way or to any extent, the other Loan Documents, the security interest of Secured Party in the Collateral (including the Patent Collateral) pursuant to the other Loan Documents, the attachment and perfection of such security interest under the Code, or the present or future rights and interests of Secured Party in and to the Collateral under or in connection with this Security Agreement, the other Loan Documents, and/or the Code. Any and all rights and interests of Secured Party in and to the Patent Collateral (and any and all obligations of the Borrower with respect to the Patent Collateral) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of Secured Party (and the obligations of the Borrower) in, to or with respect to the Collateral (including the Patent Collateral) provided in or arising under or in connection with the other Loan Documents.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE BORROWER. The Borrower represents and warrants to, and covenants and agrees with, Secured Party, as follows:

3.1 Schedules of Patents and Licenses. Set forth on Schedule A hereto is a true and complete list of all Patents (excluding any inventions for which patent applications have not yet been filed). Set forth on Schedule A hereto is a true and complete list of all license or other agreements pursuant to which any persons (other than the Borrower), have the right to use or have any right, title or interest in any of the Patents and/or Patent Registrations applicable thereto. All license and other agreements applicable to the Patents are the valid and binding obligations of all of the parties thereto, enforceable against each of such parties in accordance with their respective terms (provided, that, with respect to any such parties other than the Borrower and its affiliates, such representation and warranty is made to the best of the Borrower's knowledge and belief).

3.2 Title. Except as set forth in Schedule A the Borrower is and will, subject to license, continue to be the sole and exclusive owner of the entire legal and beneficial right, title and interest in and to the Patents and the Patent Collateral (other than ownership and other rights reserved by the owners of the Licensed Patents), free and clear of any lien, charge, security interest, claim, or other encumbrance, except for the security interest and collateral assignment created by this Security Agreement and the other Loan Documents and except for liens and encumbrances explicitly permitted pursuant to the Loan Documents. The Borrower will defend its right, title and interests in and to the Patents and the Patent Collateral against any and all claims of any third parties.

3.3 Validity and Enforceability. The Patents and Patent Rights related thereto are subsisting, have not been adjudged invalid or unenforceable, and are valid and enforceable;

and the Borrower has not received written notice of any claim by any third party that any of the Patents and Patent Rights related thereto are invalid or unenforceable.

3.4 Exclusive Right to Use. To the best of the Borrower's knowledge and belief, except as set forth in Schedule A the Borrower has, and shall continue to have, the exclusive right to practice, make, sell, and use all the Patents, throughout the countries of issue, free and clear of any liens, charges, encumbrances, claims or rights of any third party, or restrictions on the rights of the Borrower to protect or enforce any of its Patent Rights against any third party.

3.5 After-Acquired Patent Collateral. The Borrower agrees that, upon its commencement of use of or acquisition of any right, title or interest in or to any Patent or Patent Right other than the Patents or Patent Rights set forth on Schedule A hereto (including any reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, or any variations or new versions of any such scheduled Patents or Patent Rights), the provisions of this Security Agreement shall automatically apply thereto; and the Borrower shall promptly notify Secured Party thereof (and for this purpose Secured Party agrees that the Borrower may satisfy such notification obligation by providing to Secured Party, upon the use of a new patent or upon the reasonable request of the Secured Party, up-to-date, amended and/or supplemented Schedule A). Secured Party shall be authorized to amend such Schedule A, as appropriate, to include such additional Patents and Patent Rights, without the necessity for the Borrower's approval of or signature to such amendment, and the Borrower shall do all such other acts (at its own expense) deemed necessary or appropriate by Secured Party to implement or preserve Secured Party's interest therein (including but not limited to executing and delivering, and recording in all places where this Security Agreement or notice hereof is recorded, an appropriate counterpart of or other instrument pursuant to this Security Agreement). Such additional Patents and Patent Rights shall be automatically included in the "Patents" and "Patent Rights" as defined herein, and all representations and warranties of the Borrower set forth herein shall be deemed to be restated by the Borrower as of the date of any such amendment of or supplement to Schedule A with the full force and effect as though made on such date.

3.5 Maintenance of Patent Collateral. The Borrower shall take any and all such actions as are commercially reasonable (including but not limited to institution and maintenance of suits, proceedings or actions) and necessary or appropriate to properly maintain, protect, preserve, care for and enforce the Patent Collateral. Without limiting the generality of the foregoing, the Borrower shall pay when due such fees, taxes and other expenses which shall be incurred or which shall accrue with respect to any of the Patent Collateral. The Borrower shall not abandon or dedicate to the public any of the Patents or related Patent Rights, nor do any act nor omit to do any act if such act or omission is of a character that tends to cause or contribute to the abandonment or dedication to the public of any Patent or related Patent Right or loss of or adverse effect on any rights in any Patent or related Patent Right.

3.6 Enforcement of Licenses. The Borrower shall do all commercially reasonable things which are necessary or appropriate to insure that each licensee of any Patent, in its use of any or all of the Patent Collateral in its business, shall (a) comply fully with all

applicable license agreements and (b) satisfy and perform all the same obligations set forth herein (with respect to the Borrower's use of the Patent Collateral) as fully as though such obligations were set forth with respect to such licensee's use of the licensed Patent Collateral.

3.7 No Infringements. To the best of the Borrower's knowledge and belief, except as set forth on Schedule A hereto, there is at present no material infringement or unauthorized or improper use of the Patents or related Patent Rights. The Borrower shall use efforts consistent with past practices to detect any such infringement or unauthorized or improper use. In the event any such infringement or unauthorized or improper use by any third party has been reasonably established by the Borrower, the Borrower shall promptly notify Secured Party.

3.8 Filing for Perfection of Interest. Borrower shall cause this Security Agreement to be recorded with the PTO.

3.9 Collections. Except as otherwise provided in the Loan Documents, the Borrower shall continue to collect, at its own expense, all amounts due or to become due to the Borrower in respect of the Patent Collateral or any part thereof; provided, however, that Borrower shall cause all such amounts to be paid over to the lock box account maintained by Borrower for the benefit of Secured Party in accordance with the Loan Documents.

3.10 Remedies Upon Default; Secured Party's Right to Perform Borrower's Obligations. If the Borrower shall fail to do any act which it has covenanted to do hereunder, or if any representation or warranty of the Borrower shall be breached, Secured Party, in its own name or that of the Borrower (in the sole discretion of Secured Party), may (but shall not be obligated to) do such act or remedy such breach (or cause such act to be done or such breach to be remedied), and any cost or expense incurred by Secured Party in so doing shall be added to the principal amount of the Obligations and shall bear interest at the rate applicable to overdue principal under the Loan Documents. The Borrower shall cooperate with Secured Party in any such act or remedy.

4. REMEDIES UPON AN EVENT OF DEFAULT.

4.1 Actions on Patents and Patent Collateral. If any Event of Default shall have occurred and be continuing, then Secured Party shall have the right, as the true and lawful agent of the Borrower, with power of substitution for the Borrower and in the Borrower's name, Secured Party's name or otherwise, for the use and benefit of Secured Party, (i) to notify any and all obligors with respect to the Patent Collateral or any part thereof; (ii) upon notice from Secured Party, to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Patent Collateral or any part thereof; (iii) to demand, collect, sue for and receive payment of, for its own use and account, and give receipt for and give discharges and releases of, all or any of the Patent Collateral and all amounts due or to become due in respect of the Patent Collateral; (iv) to sign the name of the Borrower on any invoice relating to any of the Patent Collateral; (v) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Patent Collateral or to enforce any rights or

remedies in respect of any Patent Collateral; (vi) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to or pertaining to all or any of the Patent Collateral; (vii) to license, or to the extent permitted by any applicable law, sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis any of the Patent Collateral throughout the world, for such term or terms, on such conditions, and in such manner, as Secured Party shall determine (other than in violation of any then existing licensing arrangements to the extent that waivers or other adequate provision cannot be secured therefor); and (viii) generally to make, use, practice, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Patent Collateral, and to do all other acts and things necessary to carry out the purposes of this Security Agreement and the Loan Documents, as fully and completely as though Secured Party were the absolute owner of the Patent Collateral for all purposes; provided, however, that except as provided for by law or the Code or its equivalent in other jurisdictions, nothing herein contained shall be construed as requiring or obligating Secured Party to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by Secured Party, or to present or file any claim or notice, or to take any action with respect to the Patent Collateral or any part thereof, or the moneys due or to become due in respect thereof, or any property covered thereby, and no action taken by Secured Party or omitted to be taken with respect to the Patent Collateral or any part thereof shall give rise to defense, counterclaim or offset in favor of the Borrower's claim or action against Secured Party. Whether or not Secured Party shall have so notified any obligors, the Borrower shall at its expense cooperate with Secured Party and render all reasonable assistance to Secured Party in enforcing claims against such obligors. It is understood and agreed that the appointment of Secured Party as the agent of the Borrower for the purposes set forth above in this Section 4.1 is coupled with an interest and is irrevocable.

4.2 Other Remedies Upon Default. Upon the occurrence and during the continuation of an Event of Default, then, forthwith upon notice by Secured Party to the Borrower, in addition to all other rights and remedies of Secured Party, whether under law, the other Loan Documents, or otherwise (all such rights and remedies being cumulative, not exclusive, and enforceable alternatively, successively or concurrently, without notice to or consent by the Borrower except as expressly provided otherwise herein), Secured Party's rights and remedies with respect to the Patent Collateral, shall include but not be limited to the following, without payment of royalty or compensation of any kind to the Borrower except as expressly provided otherwise herein:

(a) The Borrower's license with respect to the Patents as set forth in Section 2.2(b) shall terminate, and the Borrower shall immediately cease and desist from the practice, manufacture, use and sale (or license or other transfer) of the Patents.

(b) Secured Party may, to the same extent that the Borrower had the right to do so immediately prior to such notice, license or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any of the Patent Collateral, throughout the world, for such term or terms, on such conditions, and in such manner, as Secured Party shall in its sole discretion determine.

(c) Secured Party may (without assuming any obligations or liability thereunder), at any time, enforce (and shall have the exclusive right but not the obligation to enforce) against any licensor, licensee or sublicensee all Patent License Rights of the Borrower, and take or refrain from taking any such action.

(d) Secured Party may, on one or more occasions at any time, with or without legal process and with or without previous notice or demand for performance, take possession of all tangible manifestations or embodiments of the Patent Collateral and documentation relating thereto and all business records, documents and files with respect to the Patent Collateral, and without liability for trespass to enter any premises where such tangible manifestations or embodiments, business records, documents and files with respect to the Patent Collateral may be located for the purpose of taking possession of or removing such tangible manifestations or embodiments, business records, documents and files.

(e) In general, Secured Party may exercise, in respect of the Patent Collateral, all of the rights and remedies provided under the other Loan Documents, or otherwise including, without limitation, all rights and remedies of a secured party on default under the Uniform Commercial Code (whether or not such Code applies to the affected Patent Collateral).

4.3 No Obligation of Secured Party. Nothing herein shall be construed as obligating Secured Party to take any of the foregoing actions at any time.

4.4 Costs and Application of Proceeds. The Borrower agrees to pay when due all costs incurred in any license, assignment, sale, transfer or other disposition of all or any portion of the Patent Collateral to or by Secured Party, including any taxes, fees and reasonable attorneys' fees, and all such costs shall be added to the Obligations. Secured Party may apply the proceeds actually received from any such license, assignment, sale, transfer, other disposition or other collection or realization, to the out-of-pocket costs and expenses thereof, including without limitation reasonable attorneys' fees and all legal, travel and other expenses which may be incurred or paid by Secured Party in protecting or enforcing its rights upon or under this Security Agreement, the Patent Collateral, the Collateral or the Obligations, and any proceeds remaining shall be held by Secured Party as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to Secured Party pursuant to Section 6) to the Obligations; and the Borrower shall remain liable and will pay Secured Party on demand any deficiency remaining, together with interest thereon at a rate equal to the highest rate then payable on the Obligations and the balance of any expenses unpaid.

5. LIABILITIES, INDEMNITY AND COSTS.

5.1 Liability for Uses of Patent Collateral. The Borrower shall be liable for any and all uses or misuses of and the practice, manufacture, sales (or other transfers or dispositions) of any of the Patent Collateral by the Borrower and its affiliates and for any failure to take reasonable measures to avoid and prevent the improper use, practice or sale (or other transfer or disposition) of the Patent Collateral by any other party (including but not limited to any licensee of the Patents), any failure to use or practice the Patents in accordance with this

Security Agreement, or any other claim, suit, loss, damage, expense or liability of any kind or nature (except those resulting from any gross negligence or willful misconduct of Secured Party) arising out of or in connection with the Patent Collateral or the production, marketing, delivery, sale, license or other transfer or disposition of the goods and services provided under or in connection with or which use, practice or incorporate any of the Patents or the Patent Collateral prior to the termination of the Borrower's license pursuant to Section 4.2(a). The Borrower shall also be exclusively liable for any claim, suit, loss, damage, expense or liability arising out of or in connection with the fault, negligence, acts or omissions of the Borrower (regardless of whether such fault, negligence, acts or omissions occurred or occur prior to or after such license termination).

5.2 License Agreement Obligations. Nothing in this Security Agreement shall relieve the Borrower from any performance of any covenant, agreement or obligation of the Borrower under any license agreement now or hereafter in effect licensing any part of the Patent Collateral, or from any liability to any licensee or licensor under any such license agreement or to any other party, or shall impose any liability on Secured Party for any act or omission of the Borrower in connection with any such license agreement.

5.3 Indemnification. The Borrower shall indemnify and hold harmless Secured Party from and against, and shall pay to Secured Party on demand, any and all claims, actions, suits, judgments, penalties, losses, damages, costs, disbursements, expenses, obligations or liabilities of any kind or nature (except those resulting from Secured Party's gross negligence or willful misconduct) arising in any way out of or in connection with this Security Agreement, the Patent Collateral, custody, preservation, use, practice, operation, sale, license (or other transfer or disposition) of the Patent Collateral, any alleged infringement of the intellectual property rights of any third party, the production, marketing, provision, delivery and sale of the goods and services provided under or in connection with or using or practicing any of the Patents or the Patent Collateral, the sale of, collection from or other realization upon any of the Patent Collateral, the failure of the Borrower to perform or observe any of the provisions hereof, or matters relating to any of the foregoing. The Borrower shall also indemnify and hold harmless Secured Party from and against any and all claims, actions, suits, judgments, penalties, losses, damages, costs, disbursements, expenses, obligations or liabilities arising out of or in connection with any fault, negligence, act or omission of the Borrower (regardless of whether such fault, negligence, act or omission occurred or occurs prior to or after such license termination). The Borrower shall make no claim against Secured Party for or in connection with the exercise or enforcement by Secured Party of any right or remedy granted to it hereunder, or any action taken or omitted to be taken by Secured Party hereunder (except for the gross negligence or willful misconduct of Secured Party).

6. POWER OF ATTORNEY.

6.1 Grant. The Borrower hereby grants to Secured Party, and any officer or agent of Secured Party as Secured Party may designate in its sole discretion, a power of attorney, thereby constituting and appointing Secured Party (and Secured Party's designee) its true and lawful attorney-in-law and attorney-in-fact, effective upon the occurrence and during the

continuation of an Event of Default, for the purpose of assigning, selling, licensing or otherwise transferring or disposing of all right, title and interest of the Borrower in and to any of the Patent Collateral. The Borrower hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof.

6.2 Irrevocable. The foregoing power of attorney is coupled with an interest and is irrevocable until this Security Agreement shall terminate.

6.3 Release. The Borrower hereby releases Secured Party from any claims, causes of action and demands at any time arising out of or in connection with any actions taken or omitted to be taken by Secured Party under the power of attorney granted herein (except for the gross negligence or willful misconduct of Secured Party).

7. General Provisions.

7.1 Loan and Security Agreement Controls. This Security Agreement is supplemental to the Loan Agreement, the terms of which, including, without limitation, the notice and governing law provisions, the waivers of jury trial, consent to service of process and jurisdiction and prohibition on non-written waivers, the Borrower expressly accepts, confirms and acknowledges are incorporated herein by reference. In the event of any irreconcilable conflict between the provisions of this Security Agreement and the Loan Agreement the provisions of the Loan Agreement shall control.

7.2 Specific Enforcement. Due to the unique nature of the Patent Collateral, and in order to preserve its value, the Borrower agrees that the Borrower's agreements, duties and obligations under this Security Agreement shall be subject to specific enforcement and other appropriate equitable orders and remedies.

8. Release and Termination. Upon the satisfaction of those conditions set forth in Section 7.8 of the Loan Agreement and only to the extent necessary to release the affected Patent Collateral, Secured Party's interest hereunder shall be released with respect to the affected Patent Collateral and this agreement shall terminate with respect to such items of Patent Collateral. Secured Party agrees to execute and deliver any and all documents reasonably necessary to effectuate this provision, including without limitation any documents that may need to be filed or registered with the PTO.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

WITNESS:

GREAT NORTHERN PAPER, INC.

By: Bill Grieve

Name: BILL GRIEVE

Title: EXECUTIVE VICE PRESIDENT

CONGRESS FINANCIAL CORPORATION
(NEW ENGLAND)

By: _____

Name: _____

Title: _____

STATE OF MAINE
COUNTY OF ANDROSCOGGIN, ss

Jan 17, 2001

Then personally appeared the above-named Bill Grieve, the Vice President of Great Northern Paper, Inc., a Delaware corporation and acknowledged the foregoing instrument to be said corporation's free act and deed, before me,

[Signature]
Notary Public
My Commission Expires:

COMMONWEALTH OF MASSACHUSETTS
COUNTY OF SUFFOLK, ss

_____, 2001

Then personally appeared the above-named _____, the _____ of Congress Financial Corporation (New England), a Massachusetts corporation and acknowledged the foregoing instrument to be said corporation's free act and deed, before me,

Notary Public
My Commission Expires:

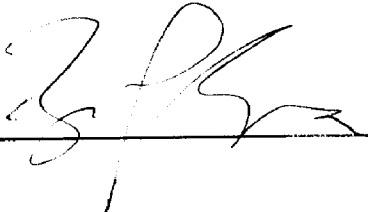
IN WITNESS WHEREOF, Borrower has caused this Security Agreement to be executed by its duly authorized officer as of the date first written above.

WITNESS:

GREAT NORTHERN PAPER, INC.

By: _____
Name: _____
Title: _____

CONGRESS FINANCIAL CORPORATION
(NEW ENGLAND)



By: Marc E. Swartz
Name: MARC E. SWARTZ
Title: SENIOR VICE PRESIDENT

STATE OF MAINE
COUNTY OF _____, ss

_____, 2001

Then personally appeared the above-named _____, the _____ of Great Northern Paper, Inc., a Delaware corporation and acknowledged the foregoing instrument to be said corporation's free act and deed, before me,

Notary Public
My Commission Expires:

COMMONWEALTH OF MASSACHUSETTS
COUNTY OF SUFFOLK, ss

January 19, 2001

Then personally appeared the above-named MARC E. SWARTZ, the SR VICE PRES of Congress Financial Corporation (New England), a Massachusetts corporation and acknowledged the foregoing instrument to be said corporation's free act and deed, before me,

Constance M. Richard
Notary Public
My Commission Expires: 11/9/2001

SCHEDULE A TO
PATENT SECURITY AGREEMENT

PATENTS

a. Patents, Patent Applications, etc.

| Name | File Date | Application Serial Number | Patent Date | Patent No. |
|---|-----------|------------------------------|-------------|------------|
| Barrier Coat for Groundwood Carbonless Coated Paper | 12/16/76 | 751,205 | 09/5/78 | 4,111,461 |
| Barrier Coat for Groundwood Carbonless Coated Paper (Canadian) | 06/24/77 | 281,325 | 07/22/80 | 1,081,950 |
| Improved Wood Pulp Bleaching Process | 12/13/96 | 08/766,617 | | |
| Method of Producing Peroxide Bleached Pulp | 07/25/79 | 60,614 | 06/02/81 | 4,270,976 |
| Process and Apparatus for the Deresination and Brightness Improvement of Cellulose Pulp | 12/03/81 | 326,866 | 04/24/84 | 4,444,621 |
| Process for the Bleaching of Cellulose Pulp | 04/17/78 | 896/649 | 07/10/79 | 4,160,693 |
| Method of Producing Bleached Mechanical Pulp | 06/19/78 | 916,515 | 02/05/80 | 4,187,141 |
| Process for Bleaching Mechanical Wood Pulp with Sodium Hydrosulfite and Sodium Hydroxide in a Refiner | 04/09/90 | 506,576 | 07,14,92 | 5,129,987 |

b. Licenses: NONE

c. Infringements and Claims: NONE

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