

REC

08-16-2002

8-16-02

Tab settings



To the Honorable Commissioner of Patents

Shed original documents or copy thereof.

102192574

1. Name of conveying party(ies):

Smurfit-Stone Container Canada Inc. 1959 Upper Water Street Halifax, Nova Scotia Canada B3J 2X2

9-16-02

- Individual(s), General Partnership, Corporation-State, Other

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

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

Execution Date: July 25, 2002

2. Name and address of receiving party(ies)

Name: Deutsche Bank Trust Company Americas, as Collateral Agent

Internal Address:

Street Address: 90 Hudson Street, 5th Floor

City: Jersey City State: NJ ZIP: 07302

- Individual(s) citizenship, Association, General Partnership, Limited Partnership, Corporation-State, Other

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No

(Designations must be a separate document from assignment)

Additional name(s) & address(es) attached? Yes No

4. Application number(s) or patent number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

SEE ATTACHED

Additional numbers attached? Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Penelope Agodoa

Internal Address: Federal Research Corporation

Street Address: 1030 15th Street, NW

Suite 920

City: Washington State: DC ZIP: 20005

6. Total number of applications and registrations involved:

6

7. Total fee (37 CFR 3.41) \$ 165.00

- Enclosed, Authorized to be charged to deposit account

8. Deposit account number:

(Attach duplicate copy of this page if paying by deposit account)

08/19/2002 6TON11 00000067 74590725

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01 FC:481 02 FC:482

40.00 DP 125.00 DP

9. 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.

Erin Becker Name of Person Signing

Erin Becker Signature

August 13, 2002 Date

Total number of pages including cover sheet, attachments, and document:

PRINTERS' SELECT	856,481	508,325
ECOWRAP	1,076,109	
NOKOTE	328,498	178,628
SNO-TOP	281,956	138,119
SNO-TOP PLUS	808,744	473,599
STARTS FRESH...		
ENDS FRESH	509,990	268,373
ST. LAURENT		
DESIGN LOGO	878,695	535,710
NOKOTE & DESIGN	274,193	138,084

Address of the registered owner: Smurfit-Stone Container Canada Inc./Emballages
Smurfit-Stone Container Canada

1250 René-Lévesque Blvd. West
20th Floor
Montréal, Québec
H3B 4Y3

United States of America

<u>Trademark</u>	<u>Application Number</u>	<u>Registration</u>	<u>Number</u>
ST. LAURENT DESIGN LOGO	74/590725	1,989,230	
ECOWRAP	74/465118	2,036,325	
GRAFEXFLÜT DESSIN	75/373,513		
PRINTERS' SELECT	75/373,514	2,303,333	
SNO-TOP PLUS	75097997		
ST-LAURENT	74/527136		

Trademark

Application Number

Registration

SECURITY AGREEMENT (CANADIAN)

THIS SECURITY AGREEMENT (CANADIAN) (as amended, restated, supplemented or otherwise modified from time to time, this "Agreement") is dated as of July 25, 2002 by SMURFIT-STONE CONTAINER CANADA INC., a company continued under the laws of the Province of Nova Scotia ("SSC Canada") and FRANCOBEC COMPANY, and unlimited liability company incorporated under the laws of the Province of Nova Scotia ("Francobec", and together with SSC Canada, the "Debtors") in favour of DEUTSCHE BANK TRUST COMPANY AMERICAS, a New York banking corporation (the "Collateral Agent") for the benefit of the Beneficiaries. Capitalized terms used herein shall have the respective meanings given to them in or pursuant to Section 5.1 hereof.

RECITALS:

- A. SSC Canada has entered into an Amended and Restated Credit Agreement dated as of July 25, 2002 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof and in effect, the "Credit Agreement"), by and among SSC Canada, Stone Container Corporation a Delaware corporation ("Stone"), the Lenders (as defined in the Credit Agreement), JPMorgan Chase Bank, a New York banking corporation, as agent for such lenders, and Deutsche Bank Trust Company Americas, a New York banking corporation, as an agent for such lenders, as collateral agent for such lenders (the "Collateral Agent"), as administrative agent for such lenders (the "Administrative Agent"), as swingline lender and as Revolving Facility Facing Agent (as defined in the Credit Agreement), and Deutsche Bank AG, Canada Branch, an authorized foreign bank permitted to carry on business in Canada and listed in Schedule III of the Bank Act (Canada), as Canadian administrative agent (the "Canadian Administrative Agent") and as Revolving (Canadian) Facility Facing Agent (as defined in the Credit Agreement).
- B. Francobec has executed and delivered a Guarantee, dated as of the date hereof (as amended, restated, supplemented or otherwise modified, the "Guarantee"), to the Collateral Agent for the benefit of the Beneficiaries guaranteeing, *inter alia*, the Obligations of SSC Canada (the "Guaranteed Obligations").
- C. SSC Canada has agreed to execute and deliver this Agreement to the Collateral Agent for the benefit of the Beneficiaries to secure the Obligations with those assets of SSC Canada in which a security interest is being granted pursuant to this Agreement.
- D. Francobec has agreed to execute and deliver this Agreement to the Collateral Agent for the benefit of the Beneficiaries in order to secure the Guaranteed Obligations with those assets of Francobec in which a security interest is being granted pursuant to this Agreement.

NOW, THEREFORE, in consideration of the premises and other benefits to each Debtor the receipt and sufficiency of which are hereby acknowledged, each Debtor hereby makes the following representations and warranties to each of the Beneficiaries and hereby covenants and agrees with such Beneficiaries as follows:

**ARTICLE 1
SECURITY INTERESTS**

1.1 Grant of Security Interests.

- (a) As security for the prompt and complete payment and performance when due of all of the Obligations, each Debtor hereby pledges, hypothecates, assigns, transfers and grants to the Collateral Agent for the ratable benefit of the Beneficiaries, a continuing security interest of first priority, subject, as to priority, only to Permitted Liens which, pursuant to applicable law, are prior in right to the Lien granted hereby, in all right, title and interest of each Debtor in all of such Debtor's present and after-acquired personal property including, without limitation, all (A) Equipment (including, without limitation, all Equipment used in such Debtor's business and all office equipment), (B) Fixtures, together with accessions thereto and replacement parts therefor, (C) Inventory, (D) Accounts, (F) Contracts, (G) Intangibles, (H) intangible property, (I) Intellectual Property, (J) Money; including cash and cash accounts (K) all Proceeds of the foregoing (including, without limitation, all insurance and claims for insurance effected or held for the benefit of the Debtor or the Beneficiaries in respect thereof) and (L) products of any and all of the foregoing, in each case whether now owned or hereafter acquired (all of the foregoing being collectively referred to herein as the "Collateral").
- (b) The assignment and security interest so granted to the Collateral Agent shall not relieve either Debtor from the performance of any term, covenant, condition or agreement on such Debtor's part to be performed or observed under or in respect of any of the Collateral or from any liability to any Person under or in respect of any of the Collateral or impose any obligation on the Collateral Agent to perform or observe any such term, covenant, condition or agreement on such Debtor's part to be so performed or observed or impose any liability on the Collateral Agent for any act or omission on the part of such Debtor relative thereto or for any breach of any representation or warranty on the part of such Debtor contained in this Agreement or any other Loan Document, or in respect of the Collateral or made in connection herewith or therewith. The obligations of each Debtor contained in this paragraph shall survive the termination of this Agreement and the discharge of such Debtor's other obligations hereunder.
- (c) Each Debtor's grant of security in Trademarks under this Agreement shall be limited to a grant by such Debtor of a security interest in all of such Debtor's right, title and interest in such Trademarks.
- (d) The security interest granted hereby shall not extend or apply to, and Collateral shall not include, the last day of the term of any lease or agreement therefor, but upon the enforcement of the security interest, the applicable Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.
- (e) The security interest granted hereby shall not extend or apply to, and Collateral shall not include, Excluded Property.

1.2 Power of Attorney.

Each Debtor hereby constitutes and appoints the Collateral Agent its true and lawful attorney, irrevocably, with full power after the occurrence and during the continuance of an Event of Default, upon acceleration or otherwise (in the name of such Debtor or otherwise), to require, demand, receive, compound and give acquittance for any and all monies and claims for monies due or to become due to such Debtor under or arising out of the Collateral, to endorse any cheques or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Collateral Agent may deem to be necessary or advisable in the premises. This appointment as attorney is coupled with an interest.

ARTICLE 2

GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

Each Debtor represents, warrants and covenants, which representations, warranties and covenants shall survive execution and delivery of this Agreement and any investigation by or on behalf of the Collateral Agent or any Beneficiary, as follows:

2.1 Necessary Filings.

- (a) The Perfection Certificates have been duly prepared, completed and executed and the information set forth therein including the exact legal name of each Debtor, such Debtor's type of organization, jurisdiction of organization, chief executive office, principal place of business, domicile (within the meaning of the Quebec Civil Code) and location of assets is correct and complete in all material respects. All filings, registrations and recordings necessary or appropriate to create, preserve, protect and perfect the security interest granted by each Debtor to the Collateral Agent hereby in respect of the Collateral have been accomplished and the security interest granted to the Agent pursuant to this Agreement in and to the Collateral constitutes a perfected security interest therein superior and prior to the rights of all other Persons therein (except Persons holding Permitted Liens) and subject to no other Liens (except Permitted Liens) and is entitled to all the rights, priorities and benefits afforded by the PPSA or other relevant law as enacted in any relevant jurisdiction which relates to perfected security interests. Without limiting in any way the obligations of either Debtor set forth herein, if the Collateral Agent shall notify the applicable Debtor of any filing required to be made pursuant to this Section, such Debtor shall have ten (10) business days from such notice to make any such filing.
- (b) Filings with respect to Intellectual Property. Each Debtor represents and warrants that fully executed security agreements in the form hereof and containing a description of all Collateral consisting of registered patents, trade-marks, designs and copyrights have been delivered to the Collateral Agent for recording by the Canadian Intellectual Property Office, and otherwise as may be required pursuant to the laws of any other necessary jurisdiction, to protect the validity of and to establish a legal, valid and perfected security interest in favour of the Collateral Agent (for the ratable benefit of the Beneficiaries) in respect of all Collateral consisting of registered Patents, Trademarks and Copyrights in which a security interest may be perfected by filing, recording or registration in Canada.

- (c) Financing Statements and Financing Change Statements. Each Debtor agrees to deliver to the Collateral Agent such financing statements and financing change statements, in form acceptable to the Collateral Agent, as the Collateral Agent may from time to time request in order to establish and/or maintain a valid, enforceable, first priority security interest in the Collateral as provided herein (except for Permitted Liens) and the other rights, as against third parties, provided hereby, all in accordance with the PPSA or any other relevant law. Each Debtor will pay any applicable filing fees and related expenses. The Debtor authorizes the Collateral Agent to file any such financing statements and financing change statements.
- (d) Filing Requirements. Upon written request therefor, the applicable Debtor shall promptly deliver to the Collateral Agent any and all certificates of title, applications for title or similar evidence of ownership of any or all Collateral and shall cause the Collateral Agent to be named as lienholder on any such certificates of title or other evidences of ownership. No material part of the Collateral is of a type in which security interests or liens may be registered, recorded or filed under, or notice thereof given under, any statute or regulation. The Debtor shall not permit any material Collateral to become Fixtures to real estate other than real estate described in the Mortgages executed by each Debtor (if any) in favour of the Collateral Agent.

2.2 Title to Collateral.

Each Debtor has good and marketable title to all material items comprising the Collateral, except for Permitted Liens. Neither Debtor will (i) create, incur, assume or permit to exist any Lien on any existing or future item of Collateral other than Permitted Liens, each Debtor hereby agreeing to preserve and maintain in full force and effect the Liens on the Collateral created by this Agreement in favour of the Collateral Agent or (ii) except as permitted by the Credit Agreement, enter into or assume any agreement containing a negative pledge which would require a sharing of an interest in the Collateral or prohibits or limits the grant of any such interest. Until all of the Obligations shall have been fully paid and satisfied and all commitments in respect thereof have been terminated and except as otherwise provided by the Credit Agreement, the Collateral Agent shall be entitled to retain security in and Liens upon all Collateral and all of the Collateral Agent's rights and remedies shall continue.

2.3 Further Actions – Collateral.

Each Debtor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such lists, descriptions and designations of the Collateral, mortgages, leasehold mortgages, deeds of trust, security instruments or similar instruments, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, which the Collateral Agent deems reasonably appropriate or advisable to perfect, preserve or protect its security interest in the Collateral.

2.4 Other Financing Statements.

There is no financing statement, financing change statement (or similar statement or instrument of registration under the law of any jurisdiction) on file (other than those filed in connection with

Permitted Liens) in any public office covering or purporting to cover any interest of any kind in the Collateral other than financing statements and/or financing change statements filed in connection herewith and so long as the commitment of any Lender remains in effect in whole or in part in respect of any of the Obligations or any of the Obligations remain unpaid, neither Debtor will authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction), financing change statement or statements relating to the Collateral, except financing statements or financing change statements filed or to be filed in respect of and covering the security interests granted hereby by each Debtor or in connection with financing leases permitted by the Credit Agreement or as otherwise permitted by the Credit Agreement. Neither Debtor does business under any names other than as set out in the Perfection Certificates.

2.5 Additional Representations and Warranties of each Debtor.

Each Debtor represents and warrants that (i) the execution, and delivery by it of this Agreement and the performance of its respective obligations hereunder have been duly authorized by all necessary corporate action on its part, (ii) this Agreement has been duly executed and delivered by each Debtor and (iii) this Agreement is the legal, valid and binding obligation of each Debtor enforceable against each Debtor in accordance with its terms, except as enforcement thereof may be subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law).

2.6 Covenants.

Each Debtor agrees promptly to notify the Collateral Agent and the Canadian Administrative Agent in writing of any change (i) in its corporate name, (ii) in its identity or type of organization or corporate structure, or (iii) in its jurisdiction of organization. Each Debtor agrees to promptly provide the Collateral Agent and the Canadian Administrative Agent with certified organizational documents reflecting any of the changes described in the first sentence of this paragraph. Each Debtor agrees not to effect or permit any change referred to in the preceding sentence unless all filings have been made under the PPSA or otherwise that are required in order for the Collateral Agent to continue at all times following such change to have a valid, legal and perfected first priority security interest in all the Collateral subject to Permitted Liens. Each Debtor agrees promptly to notify the Collateral Agent if any material portion of the Collateral owned or held by such Debtor is damaged or destroyed.

2.7 Protection of Agent's Security.

Neither Debtor will do anything to impair the rights of the Collateral Agent in the Collateral. Each Debtor will at all times keep the Collateral insured in favour of the Collateral Agent in compliance with the requirements of the Credit Agreement. Each Debtor assumes all liability and responsibility in connection with the Collateral acquired by it, and the liability of such Debtor to pay its Obligations shall in no way be affected or diminished by reason of the fact that such Collateral may be lost, stolen, damaged, or for any reason whatsoever unavailable to such Debtor.

2.8 Governmental Authorizations; Consents.

No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or consent of any other Person which has not been obtained on or prior to the date hereof is required either (i) for the grant by either Debtor of the security interests granted hereby or for the execution, delivery or performance of this Agreement by each Debtor or (ii) for the perfection of or the exercise by the Collateral Agent of its rights and remedies hereunder.

2.9 Bailee.

Each Debtor shall, upon the request of the Collateral Agent, notify and use commercially reasonable efforts to obtain an acknowledgement from any warehouseman, bailee, agent or processor that from time to time possesses or controls any material portion of the Collateral of the security interests created hereby and, upon the request of the Collateral Agent, shall instruct such Person to hold all such Collateral for the Collateral Agent's account subject to the Collateral Agent's instructions. In the event that either Debtor shall have, for any reason failed to make any such notification, such Debtor hereby authorizes the Collateral Agent to do so as such Debtor's agent or otherwise on such Debtor's behalf.

2.10 Covenants Regarding Patent, Trademark and Copyright Collateral.

- (a) Each Debtor agrees that it will not, nor will it permit any of its licensees to, do any act, or omit to do any act, whereby any Patent which is material to the conduct of the business of either Debtor and the respective subsidiaries taken as a whole may become invalidated or dedicated to the public, and agrees that it shall continue to mark any products covered by any such Patent with the relevant patent number as necessary and sufficient to establish and preserve its maximum rights under applicable patent laws.
- (b) Each Debtor (either itself or through its licensees or its sublicensees) will, for each Trademark material to the conduct of the business of such Debtor and the respective subsidiaries taken as a whole, (i) maintain such Trademark in full force free from any claim of abandonment or invalidity for non-use, (ii) maintain the quality of products and services offered under such Trademark, (iii) display such Trademark with notice of Canadian or foreign registration to the extent necessary and sufficient to establish and preserve its maximum rights under applicable law and (iv) not knowingly use or knowingly permit the use of such Trademark in violation of any third party rights.
- (c) Each Debtor (either itself or through licensees) will, for each work covered by a Copyright material to the business of such Debtor and the respective subsidiaries taken as a whole, continue to publish, reproduce, display, adopt and distribute the work with appropriate copyright notice as necessary and sufficient to establish and preserve its maximum rights under applicable copyright laws.
- (d) Each Debtor shall notify the Collateral Agent immediately if it knows or has reason to know that any Patent, Trademark or Copyright material to the conduct of the business of such Debtor and the respective subsidiaries taken as a whole may become abandoned, lost or dedicated to the public, or of any adverse determination or

development (including the institution of, or any such determination or development in, any proceeding in the Canadian Intellectual Property Office or any court or similar office of any country) regarding such Debtor's ownership of any such Patent, Trademark or Copyright, its right to register the same, or to keep and maintain the same.

- (e) In no event shall either Debtor, either itself or through any agent, employee, licensee or designee, file an application for any Patent, Trademark or Copyright (or for the registration of any Trademark or Copyright) material to the business of such Debtor and the respective subsidiaries taken as a whole with the Canadian Intellectual Property Office or any office or agency in Canada or in any other country or any political subdivision thereof, unless it promptly informs the Collateral Agent, and, upon request of the Collateral Agent, executes and delivers any and all agreements, instruments, documents and papers as the Collateral Agent may request to evidence the Collateral Agent's security interest in such Patent, Trademark or Copyright, and each Debtor hereby appoints the Collateral Agent as its attorney-in-fact to execute and file such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, is irrevocable.
- (f) Each Debtor will take all necessary steps that are consistent with the practice in any proceeding before the Canadian Intellectual Property Office or any office or agency in any political subdivision of Canada or in any other country or any political subdivision thereof, to maintain and pursue each material application relating to the Patents, Trademarks and/or Copyrights (and to obtain the relevant grant or registration) and to maintain each issued Patent and each registration of the Trademarks and Copyrights, in each case that is material to the conduct of the business of either Debtor and the respective subsidiaries taken as a whole, including timely filings of applications for renewal, affidavits or use, affidavits of incontestability and payment of maintenance fees, and, if consistent with good business judgment, to initiate opposition, interference and cancellation proceedings against third parties; provided that, to the extent permitted by the Credit Agreement, no Debtor shall be obliged to preserve or maintain any Patent, Trademark or Copyright in the event such Debtor determines, in its reasonable business judgement, that the preservation of such Patent, Trademark or Copyright is no longer desirable in the conduct of its business.
- (g) In the event that any Debtor has reason to believe that any Collateral consisting of a Patent, Trademark or Copyright material to the business of either Debtor and the respective subsidiaries taken as a whole has been or is about to be infringed, misappropriated or diluted by a third party, such Debtor promptly shall notify the Collateral Agent and shall, if consistent with good business judgement as determined by the Board of Directors of the applicable Debtor, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as are reasonably appropriate under the circumstances to protect such Collateral.

- (h) Upon and during the continuance of an Event of Default, each Debtor shall, if requested by the Collateral Agent, use commercially reasonable efforts to obtain all requisite consents or approvals by the licensor of each Copyright License, Patent License or Trademark License material to the business of such Debtor and its subsidiaries taken as a whole to effect the assignment of all of such Debtor's right, title and interest thereunder to the Collateral Agent or its designee.

ARTICLE 3 REMEDIES UPON OCCURRENCE OF EVENT OF DEFAULT

3.1 Remedies; Obtaining the Collateral Upon Event of Default.

Each Debtor agrees that, if any Event of Default shall have occurred and be continuing, then and in every such case, subject to any mandatory requirements of applicable law then in effect, the Collateral Agent may:

- (a) Rights under PPSA, etc. Exercise all of the rights and remedies granted to secured parties under the PPSA and any other applicable statute, or otherwise available to the Collateral Agent at law or in equity.
- (b) Demand Possession. Demand possession of any or all of the Collateral, in which event the applicable Debtor will, at the expense of such Debtor, immediately cause the Collateral designated by the Collateral Agent to be assembled and made available and/or delivered to the Collateral Agent at any place designated by the Collateral Agent.
- (c) Take Possession. Enter on any premises where any Collateral is located and take possession of, disable or remove such Collateral.
- (d) Deal with Collateral. Hold, store and keep idle, or operate, lease or otherwise use or permit the use of, any or all of the Collateral for such time and on such terms as the Collateral Agent may determine, and demand, collect and retain all earnings and other sums due or to become due from any Person in respect of any of the Collateral.
- (e) Carry on Business. Carry on, or concur in the carrying on of, any or all of the business or undertaking of the applicable Debtor and enter on, occupy and use (without charge by such Debtor) any of the premises, buildings, plant and undertaking of, or occupied or used by, the Debtor.
- (f) Enforce Collateral. Seize, collect, receive, enforce or otherwise deal with any Collateral in such manner, on such terms and conditions and at such times as the Collateral Agent deems advisable.
- (g) Dispose of Collateral. Realize on any or all of the Collateral and sell, lease, assign, give options to purchase, or otherwise dispose of and deliver any or all of the Collateral (or contract to do any of the above), in one or more parcels at any public or private sale, at any exchange, broker's board or office of the Collateral Agent or

elsewhere, on such terms and conditions as the Collateral Agent may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery.

- (h) Court-Approved Disposition of Collateral. Apply to a court of competent jurisdiction for the sale or foreclosure of any or all of the Collateral.
- (i) Purchase by Collateral Agent. At any public sale, and to the extent permitted by law on any private sale, bid for and purchase any or all of the Collateral offered for sale and, upon compliance with the terms of such sale, hold, retain and dispose of such Collateral without any further accountability to either Debtor or any other Person with respect to such holding, retention or disposition, except as required by law. In any such sale to the Collateral Agent, the Collateral Agent may, for the purpose of making payment for all or any part of the Collateral so purchased, use any claim for Obligations then due and payable to it as a credit against the purchase price.
- (j) Collect Accounts. Notify the account debtors or obligors under any Accounts of the assignment of such Accounts to the Collateral Agent and direct such account debtors or obligors to make payment of all amounts due or to become due to the applicable Debtor in respect of such Accounts directly to the Collateral Agent and, upon such notification and at the expense of such Debtor, enforce collection of any such Accounts, and adjust, settle or compromise the amount or payment of such Accounts, in such manner and to such extent as the Collateral Agent deems appropriate in the circumstances.
- (k) Transfer of Securities. Transfer any Securities forming part of the Collateral into the name of the Collateral Agent and/or its nominee and/or any third parties, with or without disclosing that the Securities are subject to the Liens arising under this Agreement.
- (l) Exercise of Rights. Exercise any and all rights, privileges, entitlements and options pertaining to any Securities forming part of the Collateral as if the Collateral Agent were the absolute owner of such Securities.
- (m) Payment of Obligations. Pay any liability secured by any security interest against any Collateral. Each Debtor will immediately on demand reimburse the Collateral Agent for all such payments.
- (n) Borrow and Grant Security Interests. Borrow money for the maintenance, preservation or protection of any Collateral or for carrying on any of the business or undertaking of the Debtor and grant Liens on any Collateral (in priority to the Liens created by this Agreement or otherwise) as security for the money so borrowed. Each Debtor will immediately on demand reimburse the Collateral Agent for all such borrowings.
- (o) Appoint Receiver. Appoint by instrument in writing one or more receivers (which term includes a receiver and manager) of a Debtor or any or all of the Collateral with such rights, powers and authority (including any or all of the rights, powers and authority of the Collateral Agent under this Agreement) as may be provided for in the

instrument of appointment or any supplemental instrument, and remove and replace any such receiver from time to time. Any receiver appointed by the Collateral Agent will (for purposes relating to responsibility for the receiver's acts or omissions) be considered to be the agent of the relevant Debtor and not of the Collateral Agent.

- (p) Court-Appointed Receiver. Apply to a court of competent jurisdiction for the appointment of a receiver of the Debtor or of any or all of the Collateral.

3.2 Waiver of Claims.

Except as otherwise provided in this Agreement, EACH DEBTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE OR JUDICIAL HEARING IN CONNECTION WITH THE COLLATERAL AGENT'S TAKING POSSESSION OR THE COLLATERAL 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 SUCH DEBTOR WOULD OTHERWISE HAVE UNDER APPLICABLE LAW, and each Debtor hereby further waives:

- (a) all damages occasioned by such taking of possession except any damages which are the direct result of the Collateral Agent's violation of law, gross negligence or willful misconduct;
- (b) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Collateral Agent's rights hereunder; and
- (c) all rights of redemption, appraisalment, valuation, 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, and each Debtor, for itself and all persons who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of each Debtor therein and thereto, and shall be a perpetual bar both at law and in equity against such Debtor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under such Debtor.

3.3 Application of Proceeds.

The proceeds of any Collateral obtained pursuant to Section 3.1 shall be applied as follows:

First: to the ratable payment of the costs and expenses of such sale, including reasonable compensation to the Collateral Agent, its agents and attorneys, and of any judicial or private proceedings in which such sale may be made, and of all other expenses, liabilities and advances made or incurred by the Collateral Agent and its agents and attorneys under this Agreement, the Credit Agreement and the other Loan Documents, together with interest at the Default Rate on such costs, expenses and

liabilities and on all advances made by the Collateral Agent from the date any such cost, expense or liability is due, owing or unpaid or any such advance is made, in each case until paid in full.

Second: to the ratable payment of all amounts then due and owing by the Debtors under the Credit Agreement and the other Loan Documents or otherwise other than (i) interest and principal in respect of any Revolving (Canadian) Loans, Tranche C Loans or any Incremental Term Loan borrowed by SSC Canada and any reimbursement obligations with respect to Revolving (Canadian) Facility Letters of Credit under the Credit Agreement, (ii) any Other Obligations and (iii) amounts payable under subparagraph "First" above.

Third: to the ratable payment of amounts due in respect of (i) the interest then due and owing in respect of the Revolving (Canadian) Loans, Tranche C Loans or any Incremental Term Loan borrowed by SSC Canada (including reimbursement obligations with respect to Revolving (Canadian) Facility Letters of Credit) under the Credit Agreement and (ii) with respect to any Hedging Agreement, the interest due and owing in respect of any amounts payable thereunder, in each case together with, to the maximum extent permitted by law, interest thereon at the Default Rate from the date due and owing until paid in full.

Fourth: to the ratable payment of amounts due in respect of (i) the whole amount of principal then due and owing in respect of any Revolving (Canadian) Loans, Tranche C Loans or any Incremental Term Loan borrowed by SSC Canada (including reimbursement obligations with respect to Revolving (Canadian) Facility Letters of Credit) under the Credit Agreement and (ii) any Other Obligations (other than interest payable pursuant to subparagraph "Third" above) due and owing in respect of any Hedging Agreement, in each case together with interest on such unpaid principal at the Default Rate from the date due and owing until paid in full.

Fifth: the surplus, if any, to be paid to whomever may be lawfully entitled to receive such surplus.

3.4 Remedies Cumulative.

Each and every right, power and remedy hereby specifically given to the Agent, for the benefit of the Beneficiaries, shall be in addition to every other right, power and remedy specifically given under this Agreement or under the other Loan Documents or now or hereafter existing at law or in equity, or by statute and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Collateral Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of exercise of one shall not be deemed a waiver of the right to exercise any of the others. No delay or omission of the Collateral Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any default or Event of Default or an acquiescence therein. In the event that the Collateral Agent shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Collateral

Agent may recover reasonable expenses, including fees and out-of-pocket expenses and legal counsel, and the amounts thereof shall be included in such judgment.

3.5 Discontinuance of Proceedings.

In case the Collateral Agent shall have instituted any proceeding to enforce any right, power or remedy under this Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then and in every such case each Debtor, the Collateral Agent and each holder of any of the obligations shall be restored to their respective former positions and rights hereunder with respect to the Collateral, and all rights, remedies and powers of the Collateral Agent shall continue as if no such proceeding had been instituted.

3.6 Notice.

Except as otherwise provided in this Agreement, each Debtor agrees that any notice delivered 48 hours prior to any action to be taken hereunder, including without notice of the time and place of any public sale or the time after which a private sale or other intended disposition is to take place, shall conclusively be deemed reasonable for all purposes hereunder.

3.7 Agent May Perform.

If the Debtor fails to perform any agreement contained herein or in any contract, the Collateral Agent may itself perform, or cause the performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall be payable by each Debtor in accordance with Section 6.5 hereof.

**ARTICLE 4
INDEMNITY**

4.1 Indemnity.

- (a) The Debtor will indemnify and hold harmless each Beneficiary and its respective successors, assigns, directors, officers, employees, attorneys, agents and Affiliates (hereinafter referred to individually as "Indemnitee" and collectively as "Indemnitees") from and against all losses, claims, damages, expenses or liabilities to which such Indemnitee may become subject, insofar as such losses, claims, damages, expenses or liabilities (or actions, suits or proceedings including any inquiry or investigation or claims in respect thereof) arise out of, in any way relate to, or result from the transactions contemplated by this Agreement and to reimburse each Indemnitee, upon their demand, for any reasonable legal or other expenses (or (but not as well as) the reasonable allocated costs of staff counsel) incurred in connection with investigating, preparing to defend or defending any such loss, claim, damage, liability, action or claim; provided, however, that no Indemnitee shall have the right to be so indemnified for a violation of law or for its gross negligence or willful misconduct as finally determined by a court of competent jurisdiction after the expiration of all appeals and the time to appeal. If any action, suit or proceeding arising from any of the foregoing is brought against any Indemnitee, each Debtor

will, if requested by such Indemnitee, resist and defend such action, suit or proceeding or cause the same to be resisted and defended by counsel reasonably satisfactory to the Person or Persons indemnified or intended to be indemnified. Each Indemnitee shall, unless such Indemnitee has made the request described in the preceding sentence and such request has been compiled with, have the right to employ its own counsel (or (but not as well as) staff counsel) to investigate and control the defense of any matter covered by such indemnity and the reasonable fees and expenses of such counsel shall be at the expense of the indemnifying party. If a Debtor shall fail to do any act or thing which its has part of such Debtor contained herein shall be breached, the Agent may (but shall not be obligated to) do the same or cause it to be done or remedy any such breach, and may expend its funds for such purpose, and will use its best efforts and give prompt written notice to such Debtor that it proposes to take such action. Any and all amounts so expended by the Collateral Agent shall be repayable to it by such Debtor promptly upon the Collateral Agent's demand therefor.

- (b) Without limiting the application of Section 4.1(a), each Debtor agrees to pay, or reimburse the Collateral Agent for (if the Collateral Agent shall have incurred fees, costs or expenses, including reasonable fees and expenses of legal counsel (or (but not as well as) staff counsel fees)) any and all fees, costs and expenses of whatever kind or nature incurred in connection with the creation, preservation or protection of the Collateral Agent's Liens on, and security interest in, the Collateral, including, without limitation, all fees and taxes in connection with the recording or filing of instruments and documents in public offices, payment or discharge of any taxes (excluding income or similar taxes) or Liens upon or in respect of the Collateral, premiums for insurance with respect to the Collateral and all other fees, costs and expenses in connection with protecting, maintaining or preserving the Collateral and the Collateral Agent's interest therein, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions, suits or proceedings arising out of or relating to the Collateral.
- (c) Without limiting the application of Sections 4.1(a) or 4.1(b), each Debtor agrees to pay, indemnify and hold each Indemnitee harmless from and against any loss, costs, damages and expenses which such Indemnitee may suffer, expend or incur in consequence of or growing out of any misrepresentation by each Debtor in this Agreement or in any statement or writing contemplated by or made or delivered pursuant to or in connection with this Agreement.
- (d) If and to the extent that the obligations of a Debtor under this Section 4.1 are unenforceable for any reason, such Debtor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.
- (e) The obligations of each Debtor contained in this Section 4.1 shall survive the termination of this Agreement and the discharge of each Debtor's other obligations hereunder and the full payment of all the Obligations and notwithstanding the discharge thereof.

4.2 Indemnity Obligation Secured by Collateral; Survival.

Any amounts paid by any Indemnitee as to which such Indemnitee has the right to reimbursement shall constitute obligations secured by the Collateral. The indemnity Obligations of each Debtor contained in this Article IV shall continue in full force and effect notwithstanding the full payment of the Obligations, and notwithstanding the discharge thereof.

ARTICLE 5 DEFINITIONS

5.1 Definitions.

The following terms shall have the meanings specified in this Section unless the context otherwise requires. Such definitions shall be equally applicable to the singular and plural forms of the terms defined.

“Accounts” means, with respect to a Debtor, any and all right, title and interest of the Debtor to payment for goods and services sold or leased, including any such right evidenced by chattel paper, whether due or to become due, whether or not it has been earned or performed, and whether now or hereafter acquired or arising in the future, including, without limitation, accounts receivable from Affiliates of such person.

“Accounts Receivable” means, with respect to a Debtor, all right, title and interest of such Debtor to Accounts and all of its right, title and interest in any returned goods, together with all rights, titles, securities and guarantees with respect thereto, including any rights to stoppage in transit, replevin, reclamation and resales, and all related security interests, liens and pledges, whether voluntary or involuntary in each case whether due or becoming due, whether now or hereafter arising in the future.

“Affiliate” has the meaning given to it in the Credit Agreement.

“Agreement” has the meaning assigned thereto in the introduction.

“Beneficiaries” means, at any time the determination thereof is to be made, the Tranche C Lenders, the Revolving (Canadian) Lenders, any Incremental Term Lenders providing Incremental Term Loans to SSC Canada, the Agents, the Canadian Administrative Agent, the Collateral Agent, the Revolving (Canadian) Facility Facing Agent and any holder of any Obligation (other than a Debtor or any Subsidiary or Affiliate of a Debtor) with respect to the Revolving (Canadian) Loans, the Tranche C Loans, the Revolving (Canadian) Facility Letters of Credit or any portion of the Incremental Term Loans borrowed by SSC Canada.

“Canadian Administrative Agent” has the meaning assigned thereto in the Recitals to this Agreement.

“Collateral” has the meaning specified in Section 1.1(a) of this Agreement.

“Collateral Agent” has the meaning assigned thereto in the introduction to this Agreement.

“Contracts” means, with respect to either Debtor, all rights of such Debtor under contracts and agreements to which such Debtor is a party or under which such Debtor has any right, from time to time be amended, restated, supplemented or otherwise modified, including, without limitation, (a) all rights of such Debtor to receive moneys due and to become due to it thereunder or in connection therewith, (b) all rights of such Debtor to damages arising out of, or for, breach or default in respect thereof and (c) all rights of such Debtor to exercise all remedies thereunder, in each case to the extent the grant by such Debtor of a security interest pursuant to this Agreement in its rights under such contract or agreement is not prohibited without the consent of any other person, or is permitted with consent if all necessary consents to such grant of a security interest have been obtained from all such other persons (it being understood that the foregoing shall not be deemed to obligate such Debtor to obtain such consents), provided, that the foregoing limitation shall not affect, limit, restrict or impair the grant by such Debtor of a security interest pursuant to this Agreement in any Account or any money or other amounts due or to become due under any such contract or agreement to the extent provided in the PPSA as in effect on the date hereof.

“Copyright License” means any written agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned by a Debtor or which such Debtor otherwise has the right to license, or granting any right to such Debtor under any Copyright now or hereafter owned by any third party, and all rights of such Debtor under any such agreement.

“Copyrights” means all of the following now owned or hereafter acquired by a Debtor: (a) all copyright rights in any work subject to the copyright laws of Canada or any other country, whether as author, assignee, transferee or otherwise, and (b) all registrations and applications for registration of any such copyright in Canada or any other country, including registrations, recordings, supplemental registrations and pending applications for registration in the Canadian Intellectual Property Office, including those listed on Schedule A hereto.

“Credit Agreement” has the meaning assigned thereto in the Recitals to this Agreement.

“Debtors” has the meaning assigned thereto to the introduction to this Agreement and any Canadian Subsidiaries which become parties to a Security Agreement (Canadian) in accordance with the provisions of the Credit Agreement.

“Documents” means, with respect to a Debtor, all documents or “documents of title” (as defined in the PPSA) or other instruments, files, records and ledger sheets covering or relating to any of the Collateral.

“Equipment” means, with respect to a Debtor, all “equipment” (as defined in the PPSA) now owned or hereafter acquired by such Debtor and used or bought for use primarily in the Debtor’s business including, without limitation, all tangible personal property (other than Inventory) and all parts thereof and all additions and accessions thereto and replacements therefor.

“Excluded Property” means:

1. All personal property (other than Intangibles) owned by SSC Canada, situated on or at its corrugating medium mill located in Bathurst, New Brunswick (the “**Excluded New Brunswick Real Property**”) and used in connection with or arising as a result of the business carried on at the Excluded New Brunswick

Real Property, including all Inventory (wherever situated) produced at such Excluded New Brunswick Real Property (the “**New Brunswick Inventory**”);

2. All personal or movable property (other than intangible or incorporeal property) owned by SSC Canada, situated on or at its liner board mill in New Richmond Quebec and its pulp mill located in Portage du Fort, Quebec (the “**Excluded Quebec Real Property**”) and used in connection with or arising as a result of the business carried on at the Excluded Quebec Real Property, including all Inventory (wherever situated) produced at such Excluded Quebec Real Property (the “**Quebec Inventory**” and together with the New Brunswick Inventory, the “**Excluded Inventory**”);
3. All Accounts Receivable of SSC Canada in respect of the sale or alienation of the Excluded Inventory (including all policies of insurance of every nature relating to the loss or destruction of such inventory or insuring such Accounts Receivable);
4. All Intangibles, chattel paper, or incorporeal property (as understood under the Civil Code of Quebec), other than Accounts Receivable, including, all Intellectual Property, owned by SSC Canada and directly relating to the operation of its business carried out at the Excluded New Brunswick Real Property or the Excluded Quebec Real Property; provided, that such Intangibles shall not have any application or value to any other property owned by SSC Canada or an Affiliate thereof or the business carried on by SSC Canada or an Affiliate thereof;
5. The trademark "Pontiac" as registered in Italy under number 789077, in Benelux under number 430870 and in France under number 1,409,014; and
6. All identifiable and traceable personal property in any form derived directly or indirectly from any dealing with the items listed in clauses 1 through 5, inclusive, of this definition of Excluded Property (“**Proceeds**”) or the Proceeds therefrom provided that such Proceeds are reinvested in property which constitutes Excluded Property.

“Fixtures” means, with respect to a Debtor, all fixtures (including trade fixtures), facilities and equipment, however affixed or attached to real property or buildings or other structures on real property, now owned or hereafter acquired by such Debtor.

“Indemnitee” has the meaning specified in Section 4.1 of this Agreement.

“Intangibles” means, with respect to a Debtor, all “intangibles” (as defined in the PPSA on the date hereof including limited partnership or limited liability company interests) now owned or hereafter acquired by such Debtor to the extent, in the case of any Intangibles arising under any contract, limited partnership or limited liability company interest or agreement, that the grant by such Debtor of a security interest pursuant to this Agreement in its rights under such contract or agreement is not prohibited without the consent of any other person, or is permitted with consent if all necessary consents to such grant of a security interest have been obtained from all such other persons (it being

understood that the foregoing shall not be deemed to obligate such Debtor to obtain such consents), provided, that the foregoing limitation shall not affect, limit, restrict or impair the grant by such Debtor of a security interest pursuant to this Agreement in any Account or Intangible or any money or other amounts due or to become due under any such contract or agreement to the extent provided in the PPSA as in effect on the date hereof.

“Intellectual Property” means, with respect to each Debtor, all intellectual and similar property of such Debtor of every kind and nature now owned or hereafter acquired by such Debtor, including inventions, designs, Patents, Copyrights, Licenses, Trademarks, trade secrets, confidential or proprietary technical and business information, know-how, show-how or other data or information, software and databases and all embodiments or fixations thereof and related documentation, registrations and franchises, and all additions, improvements and accessions to, and books and records describing or used in connection with, any of the foregoing.

“Inventory” means, with respect to a Debtor, “inventory” (as defined in the PPSA), including all goods, merchandise and other personal property, now owned or hereafter acquired by the Debtor of every kind or description which are held for sale or lease or are furnished or to be furnished under a contract of services or are raw materials, work-in-process or materials used or consumed or are to be used or consumed in the business of such Debtor.

“Lenders” means those banks and other financial institutions which are or may become parties to the Credit Agreement as lenders.

“License” means any Patent License, Trademark License, Copyright License or other license or sublicense to which a Debtor is a party, including those listed on Schedule A hereto (other than those license agreements in existence on the date hereof and listed on Schedule A hereto and those license agreements entered into after the date hereof, which by their terms prohibit assignment or a grant of a security interest by such debtor as licensee thereunder).

“Obligations” means (i) all “Obligations” (as defined in the Credit Agreement) of each Debtor, (ii) all liabilities and obligations of a Debtor to any Lender or any Affiliate of a Lender under, or in respect of, any Rate Protection Agreement, Currency Agreement, Commodity Agreement, other hedging agreements or similar arrangements entered into in the ordinary course of business of such Debtor between the Debtor and any Lender or any Affiliate of a Lender (collectively, “Hedging Agreements”), whether any such Hedging Agreement is now in existence or hereafter arising, and the due performance and compliance by such Debtor with all of the terms, conditions and agreements contained therein (all such liabilities and obligations described in this clause (ii) being collectively referred to herein as “Other Obligations”), and (iii) the prompt and complete performance when due of the covenants and obligations to be performed by a Debtor under the Loan Documents and the Hedging Agreements.

“Patent License” means any written agreement, now or hereafter in effect, granting to any third party any right to make, use or sell any invention on which a Patent, now or hereafter owned by a Debtor or which such Debtor otherwise has the right to license, is in existence, or granting to such Debtor any right to make, use or sell any invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of such Debtor under any such agreement.

“Patents” means all of the following now owned or hereafter acquired by a Debtor: (a) all letters patent of Canada or any other country, including registrations recordings and pending application in Canadian Intellectual Property Office or any similar offices in any other country, including those listed on Schedule A hereto, and (b) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein.

“Perfection Certificate” means a certificate substantially in the form of Annex I hereto, completed and supplemented with the schedules and attachments contemplated thereby, and duly executed by a Financial Officer and the chief legal officer of Stone.

“PPSA” means the *Personal Property Security Act* as in effect on the date hereof in the Province of Nova Scotia, provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the security interest in any Collateral or the availability of any remedy hereunder is governed by the laws in effect on or after the date hereof in any other jurisdiction, “PPSA” means the applicable laws in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or nonperfection or availability of such remedy.

“Proceeds” means all “proceeds” (as defined in the PPSA), including without limitation (i) any and all proceeds of any insurance, indemnity, warranty or guarantee payable to the Collateral Agent or to a Debtor from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to such Debtor from time to time in connection with the requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any person acting under colour of governmental authority), (iii) any and all profits, rentals or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or realization upon, any Collateral and (iv) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

“Revolving (Canadian) Facility Facing Agent” means “Revolving (Canadian) Facility Facing Agent” as defined in the Credit Agreement.

“Revolving Facility Facing Agent” means “Revolving Facility Facing Agent” as defined in the Credit Agreement.

“Securities” means any obligations of an issuer or any shares, participations or other interests in an issuer or in property or an enterprise of an issuer that (a) are represented by a certificate representing a security in bearer or registered form, or the transfer of which may be registered upon books maintained for that purpose by or on behalf of the issuer, (b) are one of a class or series or by its terms is divisible into a class or series of shares, participations, interests or obligations and (c)(i) are, or are of a type, dealt with or trade on securities exchanges or securities markets or (ii) are a medium for investment and by their terms expressly provide that they are a security.

“SSC Canada” means Smurfit-Stone Container Canada Inc., a corporation continued under the Companies Act (Nova Scotia).

“Trademark License” means any written agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by a Debtor or which such Debtor otherwise has the right to license, or granting to such Debtor any right to use any Trademark now or hereafter owned by any third party, and all rights of such Debtor under any such agreement.

“Trademarks” means all of the following now owned or hereafter acquired by a debtor: (a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the Canadian Intellectual Property Office or any similar offices in any other country or any political subdivision thereof, and all extensions or renewals thereof, including those listed on Schedule A hereto, (b) all goodwill associated therewith or symbolized thereby and (c) all other assets, rights and interest that uniquely reflect or embody such goodwill.

Unless otherwise defined herein, all capitalized terms used as defined terms herein shall have the respective meanings given thereto in the Credit Agreement. Unless otherwise defined herein or in the Credit Agreement, all terms that are defined in the PPSA as enacted in the relevant jurisdiction shall have the same meanings herein as given to them in such PPSA.

ARTICLE 6 MISCELLANEOUS

6.1 No Waiver, Modifications in Writing.

No failure or deliver the part of the Collateral Agent or any Beneficiary in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the Collateral Agent or any Beneficiary at law or in equity or otherwise. No amendment, modification, supplement, termination or waiver of or to any provision of this Agreement, nor consent to any departure by either Debtor or any of the respective Subsidiaries therefrom, shall be effective unless the same shall be in writing and signed by or on behalf of the Collateral Agent and each Debtor; provided, however, that in no event shall any such amendment, modification, supplement, termination or waiver which is materially adverse to the interests of the Lenders or which releases any Collateral other than as permitted by Section 11.09 of the Credit Agreement be entered into without the consent of the Required Lenders. Any amendment, modification or supplement of or to any provision of this Agreement, any waiver of any provision of this Agreement, and any consent to any departure by a Debtor from the terms of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given. Except where notice is specifically required by this Agreement or any other Loan Document, no notice to or demand on a Debtor in any case shall entitle such Debtor to any other or further notice or demand in similar or other circumstances. This Agreement contains the entire transactions contemplated hereunder and supersedes all negotiations, representations, warranties, commitments, offers, contracts and writings prior to the date hereof with respect to the transactions contemplated hereunder.

6.2 Notices, etc.

All notices or other communications hereunder shall be given in the manner and to the addresses set forth in the Credit Agreement.

6.3 Further Assurances.

Each Debtor agrees to promptly and properly perform such further acts and things and to execute and deliver to the Collateral Agent such additional assignments, agreements, powers and instruments, as the Collateral Agent may in its reasonable judgment require or deem advisable to carry into effect the purposes of this Agreement or to better assume and confirm unto the Collateral Agent its rights, powers and remedies hereunder.

6.4 Payments.

The provisions of Section 2.13 of the Credit Agreement shall apply to each payment required to be made under this Agreement as if such provisions expressly referenced each such payment.

6.5 Costs, Expenses and Taxes.

The Debtor agrees to pay all reasonable costs and expenses in connection with the negotiation, preparation, reproduction, execution and delivery of this Agreement, any amendment or modifications of (or supplements to) this Agreement and any and all other documents furnished pursuant hereto or thereto or in connection herewith or therewith, including the reasonable fees and out-of-pocket expenses of Osler, Hoskin & Harcourt LLP, special Canadian counsel to the Collateral Agent, and any local counsel retained by the Collateral Agent relative hereto or thereto or (but not as well as) the reasonable allocated costs of staff counsel, as well as the reasonable fees and out-of-pocket expenses of counsel or (but not as well as) the reasonable allocated costs of staff counsel, independent public or chartered accountants and other outside experts retained by the Collateral Agent in connection with the administration of this Agreement, and all reasonable costs and expenses (including, without limitation, reasonable fees and expenses of legal counsel or (but not as well as) the reasonable allocated costs of staff counsel), if any, incurred by any Beneficiary in connection with the enforcement of this Agreement or any other agreement furnished pursuant hereto or in connection herewith. In addition, each Debtor shall pay any and all stamp, transfer and other similar taxes payable or determined to be payable in connection with the execution and delivery of this Agreement, and agrees to save and hold each Beneficiary harmless from and against any and all liabilities with respect to or resulting from any delay in paying, or omission to pay, such taxes.

6.6 Execution in Counterparts.

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

6.7 Binding Effect; Assignment.

This Agreement shall be binding upon, and inure to the benefit of, each Debtor and the Collateral Agent and the other Beneficiaries and their respective successors and assigns; provided, however, that a Debtor may not assign its rights or obligations hereunder or in connection herewith or any interest herein (voluntarily, by operation of law or otherwise) without the prior written consent of the Lenders.

6.8 Consent to Jurisdiction.

The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any court of the Province of Nova Scotia, in any action or proceeding arising out of or relating to this Agreement, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such Nova Scotia 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 shall affect any right that any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against any Loan Party or its properties in the courts of any jurisdiction.

6.9 Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE PROVINCE OF NOVA SCOTIA AND THE FEDERAL LAWS OF CANADA APPLICABLE THEREIN EXCEPT FOR THE PERFECTION AND ENFORCEMENT OF SECURITY INTERESTS AND LIENS IN OTHER JURISDICTIONS, WHICH SHALL BE GOVERNED BY THE LAWS OF THOSE JURISDICTIONS.

6.10 Severability of Provisions.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity of enforceability of such provision in any other jurisdiction.

6.11 Headings.

The Section headings used in this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

6.12 Obligations Absolute.

The obligations of each Debtor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of each Debtor; (b) any exercise or non-exercise, or any waiver of, any right, remedy, power or privilege under or in respect of this Agreement or any Loan Document except as specifically set forth in a waiver granted pursuant to the provisions of

Section 6.1 hereof; or (c) any amendment to or modification of any Loan Document or any security for any of the obligations, whether or not each Debtor shall have notice or knowledge of any of the foregoing.

6.13 Termination; Release.

This Agreement shall continue in effect (notwithstanding the fact that from time to time there may be no obligations or commitments therefor outstanding) until the earlier of (a) the time when (i) no Obligations (as defined in the Credit Agreement) or commitments of or by the Collateral Agent or any Lender which could give rise to any Obligation shall be outstanding, and (ii) the Collateral Agent shall have received written notice from each Debtor electing to terminate this Agreement and (b) the time when the Collateral is required to be released pursuant to Section 11.09 of the Credit Agreement. Collateral may be released in accordance with Section 11.09 of the Credit Agreement. Upon the termination of this Agreement, the Agent, at the request and expense of the Debtor, will execute and deliver to the Debtor the proper instruments (including financing change statements) acknowledging the termination of this Agreement, and will duly assign, transfer and deliver to the applicable Debtor (without recourse and without any representation or warranty) such of the Collateral as may be in possession of the Collateral Agent and has not theretofore been sold or otherwise applied or released pursuant to this Agreement. Prior to the exercise of its remedies by the Collateral Agent under Article III of this Agreement, Inventory may be sold or disposed of by each Debtor in the ordinary course of business free and clear of the security interests created hereby and immaterial portions of the Collateral may, for purposes of administrative practicality (such as obsolete equipment) or legal requirements, be released by the Collateral Agent.

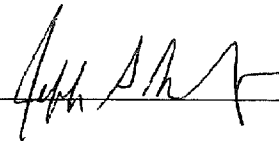
6.14 Conflicts with Credit Agreement.

Notwithstanding anything in this Agreement to the contrary, in the event of a conflict or inconsistency between this Agreement and the provisions of the Credit Agreement, the provisions of the Credit Agreement shall govern.

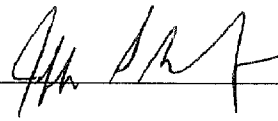
[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

**SMURFIT-STONE CONTAINER CANADA
INC.**

By: 
Name:
Title:

FRANCOBEC COMPANY

By: 
Name:
Title:

**DEUTSCHE BANK TRUST
COMPANYAMERICAS, as Collateral Agent**

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

**SMURFIT-STONE CONTAINER CANADA
INC.**

By: _____
Name:
Title:

FRANCOBEC COMPANY

By: _____
Name:
Title:

**DEUTSCHE BANK TRUST
COMPANYAMERICAS, as Collateral Agent**

By: *M. A. Ouellet*
Name: *MARCO OUELLET*
Title: *DIRECTOR*

SCHEDULE A

TO THE CANADIAN SECURITY AGREEMENT

Patents and Patent Applications

Canada

Patent

	<u>Registration or Application Number</u>
Multi-Layer Wrapper Construction	CA 2,139,082
Method of Making Coated or Impregnated Paper or Paperboard	CA 2,256,744

United States of America

Patent

	<u>Registration or Application Number</u>
Multi-Layer Wrapper Construction (Ecowrap)	5,562,980
Method of Making Surface Coated or Impregnated Paper or Paperboard	08/660,513

Trademarks, Tradenames, Trade Dress, Service Marks, Trademark and Service Mark Registrations, Applications for Trademark or Service Mark Registration

Canada

<u>Trademark</u>	<u>Application Number</u>	<u>Registration</u>	<u>Number</u>
CHEMCOR	310,214	158,488	
ECOWRAP	730,490	443,919	
FEATHERWEIGHT	Abandoned		
GRAFEXFLÜT DESSIN	856,480	518,251	
HYDROCOR	323,156	171,951	
ICE-PAK	300,665	156,627	
KRAFTCOR	241,309	110,643	

LITE-WEIGHT	Abandoned	
PRINTERS' SELECT	856,481	508,325
RECALT	1,076,109	
SNOKOTE	328,498	178,628
SNO-TOP	281,956	138,119
SNO-TOP PLUS	808,744	473,599
STARTS FRESH...		
ENDS FRESH	363,990	196,373
ST. LAURENT		
DESIGN LOGO	878,695	535,710
TUKOTE & DESIGN	274,193	138,084

Address of the registered owner: Smurfit-Stone Container Canada Inc./Emballages
Smurfit-Stone Container Canada

1250 René-Lévesque Blvd. West
20th Floor
Montréal, Québec
H3B 4Y3

United States of America

<u>Trademark</u>	<u>Application Number</u>	<u>Registration</u>	<u>Number</u>
ST. LAURENT DESIGN LOGO	74/590725	1,989,230	
ECOWRAP	74/465118	2,036,325	
GRAFEXFLÛT DESSIN	75/373,513		
PRINTERS' SELECT	75/373,514	2,303,333	
SNO-TOP PLUS	75097997		
ST-LAURENT	74/527136		

France

<u>Trademark</u>	<u>Application Number</u> <u>Number</u>	<u>Registration</u>
CHEMCOR	172,249	1,563,720

ANNEX I TO THE
SECURITY AGREEMENT (CANADIAN)

PERFECTION CERTIFICATE

Reference is made to the Amended and Restated Credit Agreement dated as of July __, 2002 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Stone Container Corporation, a Delaware corporation, Smurfit-Stone Container Canada Inc., a corporation continued under the Companies Act (Nova Scotia), the Lenders party thereto, JPMorgan Chase Bank, as agent for such Lenders, and Deutsche Bank Trust Company Americas, as agent, collateral agent, and administrative agent for such Lenders, as swingline lender and as Revolving Facility Facing Agent, and Deutsche Bank AG, Canada Branch, as Canadian administrative agent for such Lenders and as Revolving (Canadian) Facility Facing Agent. Capitalized terms used but not defined herein have the meanings assigned in the Credit Agreement or the Security Agreements referred to therein, as applicable.

The undersigned, a duly authorized officer of [_____], a [_____] corporation (the "Company"), hereby certifies, in such capacity, as follows on behalf of the Company:

1. *Names.*

- (a) The exact legal name of the Company, as such name appears in its certificate of incorporation or other organization document, is as follows:
- (b) The following is a list of all other names (including trade names or similar appellations) used by the Company, or any other business or organization to which the Company became a successor by amalgamation, merger, consolidation, acquisition, change in form, nature or jurisdiction of organization or otherwise, now or at any time during the past five years:

2. *Current Locations.*

- (a) The chief executive office of the Company is located at the address set forth below:

<u>Mailing Address</u>	<u>City/Province</u>	<u>Postal Code</u>
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- (b) The principal place of business of the Company is located in [Province].
- (c) The domicile (as such term is used in the Quebec Civil Code) of the Company is located in [Province].
- (d) The company has assets located only in the following provinces

IN WITNESS WHEREOF, the undersigned has caused this Certificate to be executed and delivered by its duly authorized officer as of this _____ day of July, 2002.

[ENTITY NAME]

By: _____

Name: ●

Title: ●

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RECORDED: 08/16/2002

**TRADEMARK
REEL: 2563 FRAME: 0204**