

03-23-1999



100991122

3-18-99

RECORDATION FORM COVER SHEET
TRADEMARKS 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 License
 - Security Agreement Nunc Pro Tunc Assignment
 - Merger
 - Change of Name
 - Other
- Effective Date
Month Day Year

Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

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

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

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

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

03/22/1999 DNGUYEN 00000338 1354038

FOR OFFICE USE ONLY

01 FC:481
02 FC:482

40.00 00
450.00 00

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

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. #

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

Mark if additional numbers attached

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

Trademark Application Number(s)

Registration Number(s)

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

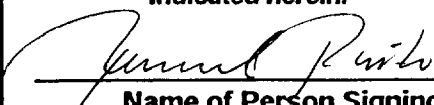
(Enter for payment by deposit account or if additional fees can be charged to the account.)

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.


Name of Person Signing

TRACHEL PINTO
Signature

3-15-99
Date Signed

**RECORDATION FORM COVER SHEET
CONTINUATION
TRADEMARKS ONLY**

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

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

Conveying Party

Enter Additional Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship State of Incorporation/Organization

Receiving Party

Enter Additional Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

City State/Country Zip Code

Individual General Partnership Limited Partnership

Corporation Association

Other

Citizenship/State of Incorporation/Organization

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

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

Mark if additional numbers attached

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

Trademark Application Number(s)

Registration Number(s)

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<input type="text" value="1,467, 320"/>	<input type="text" value="1,439, 136"/>	<input type="text"/>
<input type="text" value="1,821, 340"/>	<input type="text"/>	<input type="text"/>
<input type="text" value="1,850, 708"/>	<input type="text"/>	<input type="text"/>
<input type="text" value="2,038, 280"/>	<input type="text"/>	<input type="text"/>
<input type="text" value="2,036, 623"/>	<input type="text"/>	<input type="text"/>
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<input type="text" value="2,047, 138"/>	<input type="text"/>	<input type="text"/>

SECURITY AGREEMENT

This **SECURITY AGREEMENT** (as it may be amended, supplemented or otherwise modified from time to time, the "**Agreement**") is dated as of February 18, 1999 and made by **PANOLAM INDUSTRIES INTERNATIONAL, INC.**, a Delaware corporation with an office at 20 Progress Drive, Shelton, Connecticut 06484 (the "**Borrower**"), **PANOLAM INDUSTRIES HOLDINGS, INC.**, a Delaware corporation with an office at 20 Progress Drive, Shelton, Connecticut 06484 ("**Holdings**"), **PANOLAM GROUP, INC.**, a Delaware corporation with an office at 20 Progress Drive, Shelton, Connecticut 06484 ("**Group**"), **PII SECOND, INC.**, a Delaware corporation with an office at 20 Progress Drive, Shelton, Connecticut 06484 ("**PII Second**"), **PANOLAM INDUSTRIES, INC.**, a Delaware corporation with an office at 20 Progress Drive, Shelton, Connecticut 06484 ("**Panolam US**"), **PIONEER PLASTICS CORPORATION**, a Delaware corporation with an office at 20 Progress Drive, Shelton, Connecticut 06484 ("**Pioneer**"), and any future direct or indirect parent or subsidiary, if any, of the Borrower that becomes a party to this Agreement as an additional Grantor (as defined below), in favor of and for the benefit of (i) **CREDIT SUISSE FIRST BOSTON** ("**CSFB**"), as administrative agent (in such capacity, together with any successor in such capacity, the "**US Administrative Agent**") for the Lender Parties (as defined in the US Credit Agreement (as hereinafter defined), such Lender Parties being referred to herein as the "**US Lenders**") that are or may hereafter become party to the US Credit Agreement, and (ii) **CREDIT SUISSE FIRST BOSTON CANADA** ("**CSFB Canada**"), as administrative agent (in such capacity, together with any successor in such capacity, the "**Canadian Administrative Agent**") for the Lender Parties (as defined in the Canadian Credit Agreement (as hereinafter defined), such Lender Parties being referred to herein as the "**Canadian Lenders**") that are or may hereafter become party to the Canadian Credit Agreement. Holdings, Group and PII Second are each referred to herein as a "**Parent Grantor**" and collectively as the "**Parent Grantors**." Panolam US and Pioneer are each referred to herein as a "**Subsidiary Grantor**" and collectively as the "**Subsidiary Grantors**." The Borrower, the Parent Grantors, the Subsidiary Grantors and any other Person agreeing to be bound hereby as a Grantor are each individually referred to herein as a "**Grantor**" and collectively as the "**Grantors**." The US Administrative Agent, US Lenders, the Canadian Administrative Agent and the Canadian Lenders are each referred to herein as a "**Secured Party**" and are collectively referred to herein as the "**Secured Parties**."

PRELIMINARY STATEMENTS

(1) The Borrower is party to a Credit Agreement, dated as of the date hereof (said agreement, as it may hereafter be amended, supplemented, amended and restated or otherwise modified from time to time, being the "**US Credit Agreement**," the terms defined therein and not otherwise defined herein being used herein as therein defined) with the US Lenders from time to time party thereto, the US Administrative Agent, DLJ Capital Funding, Inc., as syndication agent, and Royal Bank of Canada, as documentation agent.

(2) Panolam Industries, Ltd. ("**Panolam Canada**") is party to a Credit Agreement, dated as of the date hereof (said agreement, as it may hereafter be amended, supplemented, amended and restated or otherwise modified from time to time, being the "**Canadian Credit Agreement**") with the Canadian Lenders from time to time party thereto, the Canadian Administrative Agent and Royal Bank of Canada, as documentation agent.

(3) Pursuant to that certain Guaranty (as it may be amended, supplemented or otherwise modified from time to time, the "**Guaranty**") of even date herewith, the Parent Grantors and the Subsidiary Grantors have guaranteed all obligations of the Borrower under the US Credit Agreement [and all obligations of Panolam Canada under the Canadian Credit Agreement].

(4) The US Administrative Agent, on behalf of itself and the US Lenders, and the Canadian Administrative Agent, on behalf of itself and the Canadian Lenders, have entered into an Intercreditor and Subordination Agreement, dated as of the date hereof (said agreement, as it may hereafter be amended, supplemented, amended and restated or otherwise modified from time to time, being the "**Intercreditor Agreement**"), setting forth, among other things, the relative rights of the US Administrative Agent, the US Lenders, the Canadian Administrative Agent and the Canadian Lenders with respect to the security interests provided for herein and in the other Collateral Documents.

(5) Each Grantor is the owner of the shares (the "**Pledged Shares**") of stock and other certificated securities described in Part I of Schedule I hereto and issued by the Persons named therein and of the indebtedness described in Part II of such Schedule I (the "**Pledged Debt**") and issued by the obligors named therein.

(6) It is a condition precedent to (i) the making of Loans by the US Lenders and the issuance of Letters of Credit by the Issuing Banks under the US Credit Agreement and (ii) and the making of Loans (as defined in the Canadian Credit Agreement) by the Canadian Lenders and the issuance of Letters of Credit by the Issuing Banks (each as defined in the Canadian Credit Agreement) under the Canadian Credit Agreement, that each Grantor shall have granted the assignment and security interest and made the pledge and assignment contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Grantors, and each of them, hereby agrees with (i) the US Administrative Agent for its benefit and the ratable benefit of the US Lenders, and (ii) the Canadian Administrative Agent for its benefit and the ratable benefit of the Canadian Lenders as follows:

Section 1. Definitions.

(a) **Certain Terms.** Capitalized terms defined in the preamble and the recitals to this Agreement have the meanings set forth therein. Capitalized terms defined in the US Credit Agreement and used and not otherwise defined herein have the meanings assigned to

such terms in the US Credit Agreement. As used in this Agreement, the following terms have the meanings specified below:

“Account Collateral” has the meaning set forth in Section 2(a)(viii).

“Acting Administrative Agent” means until such time as all Secured Obligations referred to in clause (i) of the definition thereof have been paid in full, the US Administrative Agent and, thereafter, shall mean the Canadian Administrative Agent.

“Amendment to Security Agreement” has the meaning set forth in Section 19(b).

“Bankruptcy Code” means Title 11 of the United States Code, as from time to time amended.

“Canadian Secured Obligations” has the meaning set forth in Section 2(b).

“Cash Collateral Account” means any account established by the Acting Administrative Agent for purposes of holding any cash proceeds of Collateral, insurance proceeds, amounts required to cash collateralize Letters of Credit or any other amounts deposited from time to time by any Credit Party for purposes of, or otherwise held by the Acting Administrative Agent for purposes of, securing the Secured Obligations.

“Claim” has the meaning set forth in the Bankruptcy Code.

“Collateral” has the meaning set forth in Section 2(a).

“Copyrights” has the meaning set forth in Section 2(a)(xii).

“Copyright Licenses” has the meaning set forth in Section 2(a)(xii).

“Credit Agreements” means the US Credit Agreement and the Canadian Credit Agreement.

“Equipment” means all “equipment,” as such term is defined in the NY Uniform Commercial Code, now owned or hereafter acquired by any Grantor, wherever located and, in any event, including all such Grantor’s machinery and equipment, including processing equipment, conveyors, machine tools, data processing and computer equipment with software and peripheral equipment (other than software constituting part of the Receivables or Intellectual Property), and all engineering, processing and manufacturing equipment, office machinery, furniture, materials handling equipment, tools, attachments, accessories, automotive equipment, trailers, trucks, forklifts, molds, dies, stamps, motor vehicles, rolling stock and other equipment of every kind and nature, trade fixtures and fixtures not forming a part of real property, all whether now owned or hereafter acquired, and wherever situated, together with (but excluding Inventory) all additions and accessions thereto, replacements therefor, all parts therefor, all substitutes for any of the foregoing, fuel therefor, and all manuals, drawings, instructions,

warranties and rights with respect thereto, and all products and proceeds thereof and condemnation awards and insurance proceeds with respect thereto.

“**Excluded Assets**” means rights, licenses and franchises granted by any governmental authority in which it is unlawful to create a Lien.

“**Intellectual Property**” means all Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks and Trademark Licenses, collectively.

“**Letter of Credit Cash Collateral Account**” means a Cash Collateral Account established for purposes of maintaining amounts deposited to cash collateralize Letters of Credit.

“**NY Uniform Commercial Code**” means, at any time of determination, the Uniform Commercial Code in effect in the State of New York at such time.

“**Patents**” has the meaning set forth in Section 2(a)(x).

“**Patent Licenses**” has the meaning set forth in Section 2(a)(x).

“**Related Contracts**” means all security agreements, leases and other contracts and agreements of every type included in the Collateral, whether relating to an Account or otherwise.

“**Secured Obligations**” is defined in Section 2(b).

“**Security Collateral**” has the meaning set forth in Section 2(a)(vii).

“**Trademarks**” has the meaning set forth in Section 2(a)(xi).

“**Trademark Licenses**” has the meaning set forth in Section 2(a)(xi).

“**US Secured Obligations**” has the meaning set forth in Section 2(b).

“**Work**” has the meaning set forth in Section 11(n).

(b) **Terms Defined in the Uniform Commercial Code.** When capitalized, the following terms used in this Agreement or any other Collateral Document have the meanings given to them in the NY Uniform Commercial Code: Accounts; Certificated Security; Chattel Paper; Commodity Account; Commodity Contract; Commodities Intermediary; Control; Documents; Equipment; Financial Asset; Fixtures; General Intangibles; Goods; Instruments; Inventory; Investment Property; Securities Account; Securities Intermediary; Security; Security Certificate; Security Entitlement; and Uncertificated Security. Unless otherwise defined herein or in the US Credit Agreement, terms used in Article 8 or Article 9 the NY Uniform Commercial Code are used herein as therein defined.

Section 2. Grant of Security; Secured Obligations.

(a) **Grant of Security Interests.** As security for the payment of the Secured Obligations, each Grantor hereby (I) assigns to the US Administrative Agent for the ratable benefit of the US Administrative Agent and the US Lenders, and grants to the US Administrative Agent for the ratable benefit of the US Administrative Agent and the US Lenders a continuing and first priority security interest (except as otherwise modified in the Intercreditor Agreement with respect to Designated Intercompany Indebtedness (as defined therein) and the capital stock of Panolam Canada) in, and (II) assigns to the Canadian Administrative Agent for the ratable benefit of the Canadian Administrative Agent and the Canadian Lenders, and grants to the Canadian Administrative Agent for the ratable benefit of the Canadian Administrative Agent and the Canadian Lenders a continuing and second priority security interest (except as otherwise modified in the Intercreditor Agreement with respect to Designated Intercompany Indebtedness (as defined therein) and the capital stock of Panolam Canada) in, all of such Grantor's right, title and interest in and to the following types or items of property, in each case whether now or hereafter existing or owned by such Grantor or in which such Grantor now owns or hereafter acquires an interest and wherever the same may be located (collectively, the "**Collateral**"):

(i) all Inventory, including specifically all raw materials, work-in-process, finished Goods, supplies, materials, spare parts, Goods held for sale or on lease or for lease or furnished or to be furnished under contracts of service, merchandise inventory, rental inventory, and returned or repossessed Goods and all rights to enforce return or repossession by reclamation, stoppage in transit or otherwise,

(ii) all Equipment, including specifically all manufacturing, printing, distribution, delivery, retailing, vending, computing, data processing, communications, office and other equipment in all of its forms, all vehicles, all tools, dies, and molds, all Fixtures, all other Goods used or bought for use primarily in a business and all other Goods except Inventory,

(iii) all Accounts,

(iv) all Chattel Paper,

(v) all Documents,

(vi) all Instruments and all other Claims that are in any respect evidenced or represented by any writing, including specifically the Pledged Debt described in Schedule I and all other Pledged Debt and all other writings evidencing or representing a Claim against any Credit Party or any other Person,

(vii) all of the following (the "**Security Collateral**"): all Securities, whether constituting Certificated Securities or Uncertificated Securities, all Financial Assets, all Security Entitlements, all Securities Accounts, all

Commodity Contracts, all Commodity Accounts, and all other Investment Property, including specifically the Pledged Shares described in Schedule I, and all other Equity Interests,

(viii) all of the following (the "Account Collateral"): (a) each Cash Collateral Account, the Letter of Credit Cash Collateral Account, all funds held therein and all certificates and instruments, if any, from time to time representing or evidencing any Cash Collateral Account or the Letter of Credit Cash Collateral Account, (b) all other deposit accounts of such Grantor, all funds held therein and all certificates and instruments, if any from time to time representing or evidencing such deposit accounts, (c) all notes, certificates of deposit, deposit accounts, checks and other instruments from time to time hereafter delivered to or otherwise possessed by the Acting Administrative Agent for or on behalf of such Grantor in substitution for or in addition to any or all of the then existing Account Collateral, and (d) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then existing Account Collateral,

(ix) all money, cash and cash equivalents,

(x) (A) all letters patent of the United States or any other country and all reissues and extensions thereof, including, without limitation, any thereof referred to in Part I of Schedule II hereto, and (B) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any thereof referred to in Part I of Schedule II hereto (collectively, the "Patents"), and (C) all agreements, whether written or oral, providing for the grant by or to such Grantor of any right to manufacture, use or sell any invention covered by a Patent, including, without limitation, any thereof referred to in Part II of Schedule II (collectively, the "Patent Licenses");

(xi) (A) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision thereof, or otherwise, including, without limitation, any thereof referred to in Part I of Schedule III, and (B) all renewals thereof (collectively, the "Trademarks"), and (C) all agreements, written or oral, providing for the grant by or to such Grantor of any right to use any trademark, including, without limitation, any thereof referred to in Part II of Schedule III (collectively, the "Trademark Licenses");

(xii) (A) all copyrights in all works, whether published or unpublished, registered or unregistered, including, without limitation, those listed on Part I of Schedule IV, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Copyright Office or in any other country, and (B) all renewals thereof (collectively, the "Copyrights"), and (C) all agreements, written or oral, providing for the grant by or to such Grantor of any right to reproduce, copy, publish or otherwise use any Copyright, including, without limitation, the agreements set forth on Part II of Schedule IV (collectively, the "Copyright Licenses");

(xiii) all other General Intangibles, including specifically (A) all customer lists and agreements, (B) all supplier lists and agreements, (C) all employee and consultant lists, rights, and agreements, (D) all computing, data and information processing and communications programs, discs, designs, and information and the data and other entries thereon, (E) all books, records, catalogs, back issues, library rights and all manifestations and embodiments thereof, (F) all contracts, contract rights and agreements and all rights and claims arising under or in respect of all contracts and agreements of every type and nature (including, without limitation, all stock and/or asset purchase agreements and all rights and claims arising under or in respect of the US Credit Agreement or any other Loan Document, including rights and claims against the US Administrative Agent, the Canadian Administrative Agent or any other Secured Party and each Hedge Agreement to which such Grantor is now or may hereafter become a party, in each case as such agreements may be amended, amended and restated, supplemented or otherwise modified from time to time), (G) all rights and claims arising in respect of the Transactions, (H) all Net Cash Proceeds, (I) all tax refunds, (J) all policies of insurance and condemnation awards of every type and description and the proceeds thereof, (K) all loans receivable, letters of credit, bonds and undertakings, deferred purchase price or deferred purchase consideration, consulting or non-competition payments and other indebtedness, liabilities and obligations receivable not constituting an Account and not evidenced or represented by any Instrument, Chattel Paper or Security, (L) all rights of recoupment, recourse, reimbursement, subrogation, indemnity or contribution (including those arising under any Loan Document, those arising in respect of any guarantee of the senior subordinated notes or any other guarantee or any payment thereon, and those arising on account of any other agreement, transaction or event), (M) all other causes of action and claims of every type and description, whether fixed or contingent, liquidated or not liquidated, accrued or not accrued, and all judgments, orders and recoveries thereon, (N) all other rights, privileges, benefits, entitlements, franchises, licenses and expectancies of every type and description, (O) all other intangible property of every type and description, and (P) all goodwill associated with any of the foregoing, and

(xiv) all property that is at any time delivered to, or that is at any time in the Control of, the Acting Administrative Agent,

together, in each case, with (1) all accessions thereto and products and replacements thereof, (2) all guaranties, Liens and other forms of collateral security therefor, and (3) all dividends, distributions, and payments received thereon or in exchange or substitution therefor or upon transfer thereof, and (4) all other proceeds thereof,

except and excluding, however, each item of property that is an Excluded Asset, for as long as it remains an Excluded Asset.

Notwithstanding anything to the contrary in this Agreement, no Grantor shall be required to pledge to the US Administrative Agent, in its capacity as such, more than 65% of the shares of the capital stock of any Foreign Subsidiary (as defined below) to secure the US Secured Obligations (it being understood and agreed that 100% of the shares of capital stock of any such Foreign Subsidiary shall be pledged hereunder to the Canadian Administrative Agent to secure the Canadian Secured Obligation, subject to the terms of the Intercreditor Agreement). For the purposes of this Section, "Foreign Subsidiary" means any "controlled foreign corporation" within the meaning of Section 957(a) of the Internal Revenue Code, as to which such Grantor is a "United States shareholder" as defined in Section 951(b) of the Internal Revenue Code.

(b) **Security for Obligations.** This Agreement secures with respect to each Grantor, and the Collateral of such Grantor is collateral security for, in each case subject to the terms of the Intercreditor Agreement, the prompt payment and performance in full when due, whether on a specified payment date, at stated maturity, by acceleration or otherwise (including, without limitation, the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code or any similar law) of (i) all Obligations of such Grantor now or hereafter existing under the Loan Documents, whether for principal, interest (including, without limitation, interest that, but for the filing of a petition in bankruptcy would accrue on such obligations), fees, expenses or otherwise (all such Obligations being the "**US Secured Obligations**"), and (ii) all Obligations of such Grantor now or hereafter existing under the Canadian Loan Documents, whether for principal, interest (including, without limitation, interest that, but for the filing of a petition in bankruptcy would accrue on such obligations), fees, expenses or otherwise (all such Obligations being the "**Canadian Secured Obligations**"); the US Secured Obligations and the Canadian Secured Obligations are collectively referred to herein as the "**Secured Obligations**"). Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts that constitute part of the Secured Obligations and would be owed by any Grantor to any Secured Party under the Loan Documents or the Canadian Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding. Notwithstanding anything to the contrary herein or in any other Loan Document, the pledge by Holdings of the Capital Stock of Group shall secure only the obligations of Panolam US under the Guaranty.

Section 3. Grantors Remain Liable.

Anything herein to the contrary notwithstanding, (a) each Grantor shall remain liable under the Related Contracts to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Acting Administrative Agent of any of the rights hereunder shall not release any Grantor from any of its duties or obligations under the Related Contracts and (c) neither the Acting Administrative Agent nor any other Secured Party shall have any obligation or liability under the Related Contracts by reason of this Agreement, nor shall the Acting Administrative Agent or any other Secured Party be obligated to perform any of the obligations or duties of any Grantor thereunder, to take any action to collect or enforce any claim for payment assigned hereunder, to make any payment or to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party in respect of any Account or any Related Contract.

Section 4. Delivery of Security Collateral and Account Collateral.

All certificates or instruments, if any, representing or evidencing Security Collateral or Account Collateral shall be delivered to and held by or on behalf of the Acting Administrative Agent pursuant hereto (a) on or prior to the Closing Date, with respect to such Collateral in existence on the Closing Date, and (b) within 3 Business Days of any Grantor obtaining rights thereto with respect to any other such Collateral. All such Collateral when so delivered shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank and, with respect to the Security Collateral of Panolam Canada, such irrevocable resolutions of the Borrower as the Canadian Administrative Agent may require to give effect to any transfer under this Agreement, all in form and substance satisfactory to the Acting Administrative Agent (provided, however, without limiting any of the other provisions herein, upon the board of directors of Panolam Canada obtaining the discretion or powers to manage or supervise the management of the business and affairs of Panolam Canada, in order to better perfect the Canadian Administrative Agent's security therein, all Pledged Shares of Panolam Canada required to be delivered hereunder shall be registered in the name of the Canadian Administrative Agent, or at the Canadian Administrative Agent's option, the name of its nominee, and delivered to the Canadian Administrative Agent with a certified copy of the share register of Panolam Canada showing the Canadian Administrative Agent, or its nominee, as applicable, as the registered owner of such Pledged Shares). The Acting Administrative Agent shall have the right, at any time in its discretion and without notice to any Grantor, to transfer to or to register in the name of the Acting Administrative Agent or any of its nominees any or all of the Security Collateral and Account Collateral, subject only to the revocable rights specified in Section 10(a). In addition, the Acting Administrative Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Security Collateral or Account Collateral for certificates or instruments of smaller or larger denominations.

Section 5. Representations and Warranties.

Each Grantor represents and warrants as follows:

(a) All of the Equipment and Inventory are located at the places specified in Schedule VI hereto. The chief place of business and chief executive office of such Grantor and the office where such Grantor keeps its records concerning the Accounts, and the original copies of the Related Contracts and all originals of all Chattel Paper, are located at the address first specified above for such Grantor or in the Amendment to Security Agreement pursuant to which it became a party hereto, and the original copies of each Related Contract and all originals of all Chattel Paper that evidence Accounts, are located at the address first specified above or in such Amendment to Security Agreement for such Grantor. None of the Accounts or the Account Collateral is evidenced by a promissory note or other instrument.

(b) Such Grantor is the legal and beneficial owner of the Collateral of such Grantor free and clear of any Lien, except for the security interests created by this Agreement and Permitted Liens. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the US Administrative Agent and the Canadian Administrative Agent relating to this Agreement and except as otherwise permitted under the US Credit Agreement and the Canadian Credit Agreement. Such Grantor has the trade names listed on Part I of Schedule III.

(c) Such Grantor has exclusive possession and control of the Equipment constituting Collateral and Inventory constituting Collateral.

(d) The Pledged Shares have been duly authorized and validly issued and are fully paid and non-assessable. The Pledged Debt has been duly authorized, authenticated or issued and delivered, is the legal, valid and binding obligation of the issuers thereof and is not in default.

(e) The Pledged Shares constitute the percentage of the issued and outstanding shares of stock of the issuers thereof indicated on Schedule I. The Pledged Debt is, as of the date hereof, outstanding in the principal amount indicated on Schedule I.

(f) This Agreement, the pledge of the Security Collateral pursuant hereto and the pledge and assignment of the certificates, if any, representing the Account Collateral pursuant hereto create a valid and perfected first priority security interest in such Collateral, securing the payment of the Secured Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interests have been duly taken. Upon the filing of financing statements under the Uniform Commercial Code in each of the filing offices listed on Schedule V with respect to each Grantor, which financing statements have been duly filed or executed in appropriate form for filing and

delivered to the US Administrative Agent, the security interest of each of the US Administrative Agent and the Canadian Administrative Agent in respect of all other Collateral will be perfected to the extent a security interest in such Collateral may be perfected by the filing of financing statements.

(g) No consent of any other Person and no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or other third party is required either (i) for the grant by such Grantor of the assignment and security interest granted or purported to be granted hereby, for the pledge by such Grantor of the Security Collateral pursuant hereto or for the execution, delivery or performance of this Agreement by such Grantor, (ii) for the perfection or maintenance of the pledge, assignment and security interest created or purported to be created hereby (including the first priority nature of such pledge, assignment or security interest), except for the filing of financing and continuation statements under the Uniform Commercial Code, which financing statements have been duly filed or executed in appropriate form for filing and delivered to the US Administrative Agent, and the recording of this Agreement in the United States Patent and Trademark Office, which Agreement has been duly filed or executed in appropriate form for filing and delivered to the US Administrative Agent, or (iii) for the exercise by the Acting Administrative Agent of its voting or other rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement, except as may be required in connection with the disposition of any portion of the Security Collateral by laws affecting the offering and sale of securities generally.

(h) The Inventory has been produced by such Grantor in compliance with all requirements of the Fair Labor Standards Act.

(i) None of the Collateral constitutes, or is the proceeds of, farm products.

Section 6. Further Assurances.

(a) Each Grantor agrees that from time to time, at the expense of such Grantor, such Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Acting Administrative Agent may request, in order to perfect and protect any pledge, assignment or security interest granted or purported to be granted hereby or to enable the Acting Administrative Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, such Grantor will: (i) mark conspicuously all Chattel Paper, each Related Contract, and, at the request of the Acting Administrative Agent, each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to the Acting Administrative Agent, indicating that such document, Chattel Paper, Related Contract or Collateral is subject to the security interest granted hereby; (ii) if any Collateral shall be evidenced by a promissory note or other instrument, deliver and pledge to the Acting Administrative Agent hereunder such note or instrument duly indorsed and accompanied by duly

executed instruments of transfer or assignment, all in form and substance satisfactory to the Acting Administrative Agent; and (iii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Acting Administrative Agent may request, in order to perfect and preserve the pledge, assignment and security interest granted or purported to be granted hereby.

(b) Each Grantor hereby authorizes the US Administrative Agent and the Canadian Administrative Agent to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without the signature of such Grantor where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) Each Grantor will furnish to the US Administrative Agent and the Canadian Administrative Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Acting Administrative Agent may reasonably request, all in reasonable detail.

Section 7. As to Equipment and Inventory.

(a) Each Grantor shall keep the Equipment and Inventory (other than Inventory sold in the ordinary course of business) at the places therefor specified in Section 5(a) or, upon 30 days' prior written notice to the US Administrative Agent and the Canadian Administrative Agent, at such other places in a jurisdiction where all action required by Section 6 shall have been taken with respect to the Equipment and Inventory.

(b) Each Grantor shall promptly furnish to the Acting Administrative Agent a statement respecting any material loss or damage to any Equipment.

Section 8. Insurance.

(a) Each Grantor (or the Borrower, on behalf of each Grantor) shall, at its own expense, maintain the insurance required pursuant to the Credit Agreements and with such insurers, as shall be reasonably satisfactory to the Acting Administrative Agent from time to time. Each policy for liability insurance shall provide for all losses to be paid on behalf of the Acting Administrative Agent and such Grantor as their interests may appear, and each policy for property damage insurance shall provide for all losses (except for losses of less than \$10,000,000 per occurrence) to be paid directly to the Acting Administrative Agent in accordance with Section 6.01(d) of each Credit Agreement. Each such policy shall be subject to such loss payee endorsements and additional insured provisions as the Acting Administrative Agent may reasonably require. Each Grantor shall, if so requested by the Acting Administrative Agent, deliver to the Acting Administrative Agent original or duplicate policies of such insurance and, as often as the Acting Administrative Agent may reasonably request, a report of a reputable insurance broker with respect to such insurance. Further, each Grantor shall, at the request of the Acting Administrative Agent, duly exercise and deliver instruments of assignment of such

insurance policies to comply with the requirements of Section 6 and cause the insurers to acknowledge notice of such assignment.

(b) Reimbursement under any liability insurance maintained by any Grantor pursuant to this Section 8 may be paid directly to the Person who shall have incurred liability covered by such insurance. In case of any loss involving damage to Equipment or Inventory when no Event of Default has occurred and is continuing, the applicable Grantor shall make or cause to be made the necessary repairs to or replacements of such Equipment or Inventory, and any proceeds of insurance maintained by such Grantor pursuant to this Section 8 shall be paid to such Grantor as reimbursement for the costs of such repairs or replacements in accordance with Section 6.01(d) of the US Credit Agreement or the Canadian Credit Agreement, as applicable.

(c) Upon the occurrence and during the continuance of any Event of Default under either Credit Agreement and the actual or constructive total loss of any Equipment or Inventory, all insurance payments in respect of such Equipment or Inventory shall be paid to and applied by the Acting Administrative Agent as specified in Section 16(b).

Section 9. Place of Perfection; Records; Collection of Accounts.

(a) Each Grantor shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Collateral, and the original copies of the Related Contracts and all originals of all Chattel Paper, at the location therefor specified in Section 5(a) or, upon 30 days' prior written notice to the US Administrative Agent and the Canadian Administrative Agent, at such other locations in a jurisdiction where all actions required by Section 6 shall have been taken with respect to the Collateral. Each Grantor will hold and preserve such records, Related Contracts and Chattel Paper and will permit representatives of the US Administrative Agent and the Canadian Administrative Agent at any time during normal business hours to inspect and make abstracts from such records, Related Contracts and Chattel Paper.

(b) Each Grantor will not change its name, identity or corporate structure to such an extent that any financing statement filed by the US Administrative Agent or the Canadian Administrative Agent in connection with this Agreement would become seriously misleading, unless it shall have given the US Administrative Agent and the Canadian Administrative Agent at least 30 days' prior written notice of such change and shall have taken any action required by the US Administrative Agent or the Canadian Administrative Agent in connection therewith.

(c) Except as otherwise provided in this subsection (c), each Grantor shall continue to collect, at its own expense, all amounts due or to become due such Grantor under the Accounts. In connection with such collections, each Grantor may take (and, at the Acting Administrative Agent's direction, shall take) such action as such Grantor or the Acting Administrative Agent may reasonably deem necessary or advisable to enforce collection of the Accounts; provided, however, that the Acting Administrative Agent shall have the right at any time after the occurrence and during the continuance of an Event of Default under either Credit

Agreement, upon written notice to such Grantor of its intention to do so, to notify the Obligors under any Accounts of the assignment of such Accounts to the Acting Administrative Agent and to direct such Obligors to make payment of all amounts due or to become due to such Grantor thereunder directly to the Acting Administrative Agent and, upon such notification and at the expense of such Grantor, to enforce collection of any such Accounts, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor might have done. After receipt by such Grantor of the notice from the Acting Administrative Agent referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including instruments) received by such Grantor in respect of the Accounts shall be received in trust for the benefit of the Acting Administrative Agent hereunder, shall be segregated from other funds of such Grantor and shall be forthwith paid over to the Acting Administrative Agent in the same form as so received (with any necessary or requested indorsement) and either (A) released to such Grantor so long as no Default or Event of Default shall have occurred and be continuing or (B) if any Default or Event of Default shall have occurred and be continuing, applied as provided by Section 16(b) and (ii) such Grantor shall not adjust, settle or compromise the amount or payment of any Account, release wholly or partly any obligor thereof, or allow any credit or discount thereon. At the Acting Administrative Agent's request such Grantor shall deliver to the Acting Administrative Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Accounts, including, without limitation, all original orders, invoices and shipping receipts.

Section 10. Voting Rights; Dividends; Etc.

(a) So long as no Event of Default shall have occurred and be continuing:

(i) Each Grantor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Security Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement, the other Loan Documents or the Canadian Loan Documents; provided, however, that no Grantor shall exercise or refrain from exercising any such right if could reasonably be expected to have a Material Adverse Effect on the value of the Security Collateral or any part thereof or adversely affect (A) the validity, perfection or priority of the security interest and pledge granted or purported to be granted by this Agreement or (B) the right and remedies of the Acting Administrative Agent or the Secured Parties hereunder;

(ii) Each Grantor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Security Collateral; provided, however, that any and all

(A) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Security Collateral,

(B) dividends and other distributions paid or payable in cash in respect of any Security Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus and

(C) cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for, any Security Collateral

shall be, and shall be forthwith delivered to the Acting Administrative Agent to hold as, Security Collateral and shall, if received by such Grantor, be received in trust for the benefit of the Acting Administrative Agent, be segregated from the other property or funds of such Grantor and be forthwith delivered to the Acting Administrative Agent as Security Collateral in the same form as so received (with any necessary or requested indorsement).

(iii) The Acting Administrative Agent shall execute and deliver (or cause to be executed and delivered) to any Grantor all such proxies and other instruments as such Grantor may reasonably request for the purpose of enabling such Grantor to exercise the voting and other rights that it is entitled to exercise pursuant to paragraph (i) above and to receive the dividends or interest payments that it is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuance of a Default or Event of

Default:

(i) All rights of each Grantor (x) to exercise or refrain from exercising the voting and other consensual rights that it would otherwise be entitled to exercise pursuant to Section 10(a)(i) shall, upon notice to such Grantor by the Acting Administrative Agent, cease and (y) to receive the dividends and interest payments that it would otherwise be authorized to receive and retain pursuant to Section 10(a)(ii) shall automatically cease, and all such rights shall thereupon become vested in the Acting Administrative Agent, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Security Collateral such dividends and interest payments.

(ii) All dividends and interest payments that are received by any Grantor contrary to the provisions of paragraph (i) of this Section 10(b) shall be received in trust for the benefit of the Acting Administrative Agent and the Secured Parties, shall be segregated from other funds of such Grantor and shall be forthwith paid over to the Acting Administrative Agent as Security Collateral in the same form as so received (with any necessary or requested indorsement).

Section 11. As to Patents, Trademarks and Copyrights.

- (a) Schedule II includes all Patents and Patent Licenses owned by each Grantor in its own name on the date hereof.
- (b) Schedule III includes all Trademarks and Trademark Licenses owned by each Grantor in its own name on the date hereof.
- (c) Schedule IV includes all Copyrights and Copyright Licenses owned by each Grantor in its own name on the date hereof.
- (d) Except as set forth on Schedule II, III or IV, to the best of each Grantor's knowledge, each Patent, Trademark and Copyright is on the date hereof valid, subsisting, unexpired, enforceable and has not been abandoned.
- (e) Except as set forth in Schedule II, III or IV, none of such Patents, Trademarks or Copyrights is on the date hereof the subject of any licensing or franchise agreement.
- (f) Except as set forth on Schedule II, III or IV, no holding, decision or judgment has been rendered by any governmental authority which would limit, cancel or question the validity of any Patent, Trademark or Copyright in any respect that could reasonably be expected to have a Material Adverse Effect.
- (g) Except as set forth on Schedule II, III or IV, no action or proceeding is pending on the date hereof (i) seeking to limit, cancel or question the validity of any Patent, Trademark or Copyright, or (ii) which, if adversely determined, would have a material adverse effect on the value of any material Patent, Trademark or Copyright.
- (h) Each Grantor (either itself or through licensees) will (i) continue to use each material Trademark of such Grantor on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under such material Trademark, (iii) employ such material Trademark with the appropriate notice of registration, (iv) not adopt or use any mark which is confusingly similar or a colorable imitation of such material Trademark unless the Acting Administrative Agent, for the ratable benefit of the Secured Parties (subject to the terms of the Intercreditor Agreement), shall obtain a perfected first priority security interest in such mark pursuant to this Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such material Trademark may become invalidated.
- (i) No Grantor will do any act, or omit to do any act, whereby any material Patent may become abandoned or dedicated.

(j) Each Grantor will notify the Acting Administrative Agent and the Secured Parties immediately if it knows, or has reason to know, that any application or registration relating to any material Patent or Trademark may become abandoned or dedicated, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court or tribunal in any country) regarding such Grantor's ownership of any material Patent or Trademark or its right to register the same or to keep and maintain the same.

(k) Whenever any Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Patent or Trademark with the United States Patent and Trademark Office or any similar office or agency in any other country or any political subdivision thereof, such Grantor shall report such filing to the Acting Administrative Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Acting Administrative Agent, such Grantor shall execute and deliver any and all agreements, instruments, documents, and papers as the Acting Administrative Agent may request to evidence the Acting Administrative Agent's and the Secured Parties' security interest in any Patent or Trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

(l) Each Grantor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the material Patents and Trademarks, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(m) In the event that any material Patent or Trademark included in the Collateral is infringed, misappropriated or diluted by a third party, each Grantor shall (i) take such actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Patent or Trademark and (ii) if such Patent or Trademark is of material economic value, promptly notify the Acting Administrative Agent after it learns thereof and sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution.

(n) Each Grantor (either itself or through licensees) will (i) employ the appropriate notice of copyright for each published work which is or may be subject to copyright protection under Title 17 of the U.S. Code (each such published work, a "**Work**") subject to copyright protection to the extent necessary to protect the Copyright relating to such Work and (ii) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any material Copyright may become invalidated, except where the failure to take any such action would not reasonably be expected to have a Material Adverse Effect.

(o) No Grantor will (either itself or through licensees) do any act, or omit to do any act, whereby any material Copyright may become injected into the public domain, except where such action or the failure to take any such action would not have a Material Adverse Effect.

(p) Each Grantor will notify the Acting Administrative Agent immediately if it knows, or has reason to know, that any material Copyright may become injected into the public domain or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in any court or tribunal in any country) regarding such Grantor's ownership of any such Copyright or its validity and of any action such Grantor is taking in respect of such event.

(q) Whenever any Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Copyright with the United States Copyright Office or any similar office in any other country or political subdivision thereof, such Grantor shall report such filing to the Acting Administrative Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Such Grantor shall execute and deliver any and all agreements, instruments, documents and papers as shall be necessary or appropriate or as the Acting Administrative Agent reasonably may request to evidence the security interest granted or purported to be granted to the Acting Administrative Agent for its benefit and the ratable benefit of the Secured Parties (subject to the Intercreditor Agreement) in such Copyright and shall deliver to the Acting Administrative Agent an officer's certificate of such Grantor, in form and substance satisfactory to the Acting Administrative Agent as to compliance with this Section 11(q).

(r) Each Grantor will take all reasonable and necessary steps, as it shall deem appropriate under the circumstances, in accordance with its reasonable business judgment, to maintain and pursue each application (and to obtain the relevant registration) and to maintain to the extent permitted by law each registration of each material Copyright owned by such Grantor including, without limitation, filing of applications for renewal, where necessary.

(s) Each Grantor will promptly notify the Acting Administrative Agent of any material infringement of any material Copyright owned by it of which it becomes aware and will take such actions as it shall reasonably deem appropriate under the circumstances to protect such Copyright, including, where appropriate in its reasonable business judgment, the bringing of suit or the settling of actual or potential suits for infringement, seeking injunctive relief and seeking to recover any and all damages for such infringement.

Section 12. Transfers and Other Liens; Additional Shares.

(a) Each Grantor shall not, except as otherwise permitted by the US Credit Agreement and the Canadian Credit Agreement (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, or (ii) create or suffer to exist any Lien upon or with respect to any of the Collateral except for the pledges, assignments and security interests created by this Agreement.

(b) Each Grantor shall (i) cause each issuer of the Pledged Shares not to issue any stock or other securities in addition to or in substitution for the Pledged Shares issued by such issuer, except to such Grantor, and (ii) pledge hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all additional shares of stock or other securities of each issuer of the Pledged Shares.

Section 13. Acting Administrative Agent Appointed Attorney-in-Fact.

Each Grantor hereby irrevocably appoints the Acting Administrative Agent and any officer or agent thereof, with full power of substitution, such Grantor's attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, from time to time in the Acting Administrative Agent's discretion, to take any action and to execute any instrument that the Acting Administrative Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(a) to obtain and adjust insurance required to be paid to the Acting Administrative Agent pursuant to Section 8,

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

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

(d) in the case of any Patent, Trademark or Copyright, execute and deliver any and all agreements, instruments, documents, and papers as the Acting Administrative Agent may request to evidence the Acting Administrative Agent's and the Secured Parties' security interest in such Patent, Trademark or Copyright and the goodwill and general intangibles of such Grantor relating thereto or represented thereby; and

(e) to file any claims or take any action or institute any proceedings that the Acting Administrative Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce compliance with the terms and conditions of any Related Contract or the rights of the Acting Administrative Agent with respect to any of the Collateral.

Anything in this Section 13 to the contrary notwithstanding, the Acting Administrative Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 13 unless an Event of Default shall have occurred and be continuing. Each Grantor hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

Section 14. Acting Administrative Agent May Perform.

If any Grantor fails to perform any agreement contained herein, the Acting Administrative Agent may itself perform, or cause performance of, such agreement, and the expenses of the Acting Administrative Agent incurred in connection therewith shall be payable by such Grantor and the Borrower under Section 17(b).

Section 15. The Acting Administrative Agent's Duties.

The powers conferred on the Acting Administrative Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Acting Administrative Agent shall have no duty, under Section 9-207 of the NY Uniform Commercial Code or otherwise, as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Security Collateral, whether or not the Acting Administrative Agent or any other Secured Party has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral. The Acting Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which the Acting Administrative Agent (in its individual capacity) accords its own property.

Section 16. Remedies.

If any Event of Default shall have occurred and be continuing:

(a) The Acting Administrative Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party upon default under the NY Uniform Commercial Code (whether or not the NY Uniform Commercial Code applies to the affected Collateral) and also may (i) require each Grantor to, and each Grantor hereby agrees that it will at its expense and upon request of the Acting Administrative Agent forthwith, assemble all or part of the Collateral as directed by the Acting Administrative Agent and make it available to the Acting Administrative Agent at a place to be designated by the Acting Administrative Agent that is reasonably convenient to both parties and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Acting Administrative Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Acting Administrative Agent may deem commercially reasonable. Each Grantor agrees that, to the extent notice of sale shall be required by law, ten days' notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Acting Administrative Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Acting Administrative Agent may adjourn any public or private sale from time to time by

announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) All cash proceeds received by the Acting Administrative Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Acting Administrative Agent, be held by the Acting Administrative Agent as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Acting Administrative Agent pursuant to Section 17) in whole or in part by the Acting Administrative Agent as set forth in the Intercreditor Agreement. Any surplus of such cash or cash proceeds held by the Acting Administrative Agent and remaining after payment in full of all the Secured Obligations shall be paid over to the Borrower or to whomsoever may be lawfully entitled to receive such surplus.

(c) The Acting Administrative Agent may exercise any and all rights and remedies of any Grantor under or in connection with the Related Contracts or otherwise in respect of the Collateral, including, without limitation, any and all rights of any Grantor to demand or otherwise require payment of any amount under, or performance of any provision of, any Related Contract.

(d) All payments received by any of the Grantors under or in connection with any Related Contract or otherwise in respect of the Collateral shall be received in trust for the benefit of the Acting Administrative Agent, shall be segregated from other funds of such Grantor and shall be forthwith paid over to the Acting Administrative Agent in the same form as so received (with any necessary or requested indorsement).

(e) The Acting Administrative Agent may, without notice to any Grantor except as required by law and at any time or from time to time, charge, set-off and otherwise apply all or any part of the Secured Obligations against the Letter of Credit Cash Collateral Account or any part thereof.

Section 17. Indemnity and Expenses.

(a) Each Grantor agrees, jointly and severally, to indemnify the Acting Administrative Agent and each other Secured Party from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except to the extent such claims, losses or liabilities result from the Acting Administrative Agent's or such Secured Party's gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction.

(b) Each Grantor agrees, jointly and severally, upon demand to pay to the US Administrative Agent and the Canadian Administrative Agent the amount of any and all reasonable expenses, including the reasonable fees and expenses of counsel and of any experts and agents, that the US Administrative Agent or the Canadian Administrative Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Collateral,

(iii) the exercise or enforcement of any of the rights of the Acting Administrative Agent or any Secured Party hereunder or (iv) the failure by such Grantor to perform or observe any of the provisions hereof.

Section 18. Waivers; Deficiency.

Each Grantor waives and agrees not to assert any rights or privileges which it may acquire under Section 9-112 of the NY Uniform Commercial Code. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorneys employed by the Acting Administrative Agent or any Secured Party to collect such deficiency.

Section 19. Amendments; Waivers; Etc.

(a) No amendment or waiver of any provision of this Agreement and no consent to any departure by any Grantor herefrom shall in any event be effective unless the same shall be in writing and signed by (i) the US Administrative Agent (with the consent or at the direction of the Required Lenders under the US Credit Agreement or, if required pursuant to the US Credit Agreement, all Lenders, in each case except as otherwise provided in this Section 19 and except as otherwise provided in the US Credit Agreement or the Intercreditor Agreement), and (ii) the Canadian Administrative Agent (with the consent or at the direction of the Required Lenders under the Canadian Credit Agreement or, if required pursuant to the Canadian Credit Agreement, all Lenders thereunder, in each case except as otherwise provided in this Section 19 and except as otherwise provided in the Canadian Credit Agreement or the Intercreditor Agreement), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Acting Administrative Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

(b) Upon the execution and delivery to the Acting Administrative Agent by any Person of an Amendment to Security Agreement in substantially the form of Exhibit XV to each Credit Agreement (each, an "Amendment to Security Agreement"), which Amendment to Security Agreement need not be executed by any other Grantor, and the acceptance thereof by the Acting Administrative Agent, such Person shall be and become a Grantor hereunder, and each reference in this Security Agreement to a "Grantor" shall include such Person and each reference in any other Loan Document to a "Grantor," "Credit Party" or a "Loan Party" shall include such Person.

Section 20. Addresses for Notices.

All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic, telex or cable communication) and, mailed, telegraphed, telecopied, telexed, cabled or delivered to each Grantor or to the US Administrative Agent or the Canadian Administrative Agent, as the case may be, in each case addressed to it at its address

specified in the US Credit Agreement or the Canadian Credit Agreement or, if not specified therein, set forth opposite such Grantor's name on the signature page hereto or to its Amendment to Security Agreement or, as to any party, at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section 20. All such notices and other communications shall, when mailed, telecopied, telegraphed, telexed or cabled, respectively, be effective when deposited in the mails, telecopied, delivered to the telegraph company, confirmed by telex answerback or delivered to the cable company, respectively, addressed as aforesaid.

Section 21. Continuing Security Interest; Assignments Under the Credit Agreements.

This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the last to occur of (i) the payment in full in cash of the Secured Obligations, (ii) the Revolving Commitment Termination Date (as defined in the US Credit Agreement and the Canadian Credit Agreement), (iii) the Term A Termination Date (as defined in the US Credit Agreement and the Canadian Credit Agreement), (iv) the Term B Termination Date (as defined in the US Credit Agreement and the Canadian Credit Agreement), and (v) the expiration or termination of all Bank Hedge Agreements (as defined in the US Credit Agreement and the Canadian Credit Agreement), (b) be binding upon each Grantor, its successors and assigns and (c) inure, together with the rights and remedies of the Acting Administrative Agent hereunder, to the benefit of the US Administrative Agent, the Canadian Administrative Agent, the other Secured Parties and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Secured Party may assign or otherwise transfer all or any portion of its rights and obligations under the US Credit Agreement or the Canadian Credit Agreement (including, without limitation, all or any portion of its Commitments (as defined in the US Credit Agreement and the Canadian Credit Agreement), the Loans (as defined in the US Credit Agreement and the Canadian Credit Agreement) owing to it and the Note or Notes (as defined in the US Credit Agreement and the Canadian Credit Agreement) (if any) held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise, in each case as provided in Section 9.07 of the US Credit Agreement or Section 9.07 of the Canadian Credit Agreement, as the case may be.

Section 22. Release and Termination.

(a) Upon any sale, lease, transfer or other disposition of any item of Collateral permitted in accordance with the terms of the Loan Documents and the Canadian Loan Documents (other than sales of Inventory in the ordinary course of business), the Acting Administrative Agent will, at the applicable Grantor's expense, execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted hereby; provided, however, that (i) at the time of such request and such release no Event of Default shall have occurred and be continuing, (ii) such Grantor shall have delivered to the Acting Administrative Agent, at least

ten Business Days prior to the date of the proposed release, a written request for release describing the item of Collateral and the terms of the sale, lease, transfer or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a form of release for execution by the Acting Administrative Agent and a certification by such Grantor to the effect that the transaction is permitted in compliance with the Loan Documents and the Canadian Loan Documents and as to such other matters as the Acting Administrative Agent may request, and (iii) the proceeds of any such sale, lease, transfer or other disposition required to be applied in accordance with Section 2.04 of the US Credit Agreement or Section 2.04 of the Canadian Credit Agreement shall be paid to, or in accordance with the instructions of the Acting Administrative Agent.

(b) Subject to Section 22(c) below, upon the last to occur of (i) the payment in full in cash of the Secured Obligations, (ii) the Revolving Commitment Termination Date (as defined in the US Credit Agreement and the Canadian Credit Agreement), (iii) the Term A Termination Date (as defined in the US Credit Agreement and the Canadian Credit Agreement), (iv) the Term B Termination Date (as defined in the US Credit Agreement and the Canadian Credit Agreement), and (v) the expiration or termination of all Bank Hedge Agreements (as defined in the US Credit Agreement and the Canadian Credit Agreement), the pledge, assignment and security interest granted hereby shall terminate and all rights to the Collateral shall revert to each applicable Grantor. Upon any such termination, the Acting Administrative Agent will, at the Borrower's or any Grantor's expense, execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(c) This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any amount received by the Acting Administrative Agent or any Secured Party in respect of the Secured Obligations is rescinded or must otherwise be restored or returned by the Acting Administrative Agent or any Secured Party upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Grantor or any other Person or upon the appointment of any receiver, intervenor, conservator, trustee or similar official for any Grantor or any other Person or any substantial part of its assets, or otherwise, all as though such payments had not been made.

(d) In the event the Canadian Administrative Agent shall become the Acting Administrative Agent hereunder, the US Administrative Agent shall, at the expense of the Borrower, take such action with respect to the delivery to the Canadian Administrative Agent of Collateral then in the possession of the US Administrative Agent, the execution and filing or recording of such financing statements, or amendments thereto or termination statements, and such amendments or supplements to the Mortgages, and such other instruments or notices, as may be necessary or desirable, or as the Canadian Administrative Agent may reasonably request, in order to continue the perfection of the Liens granted or purported to be granted hereunder and under the other Collateral Documents, and the Canadian Administrative Agent shall succeed to and become vested with all the rights, powers, discretion, privileges and duties of the Acting Administrative Agent, and the US Agent shall be discharged from its duties and obligations under this Agreement and the other Collateral Documents.

Section 23. Security Interest Absolute.

The obligations of each Grantor under this Agreement are independent of the Secured Obligations, and a separate action or actions may be brought and prosecuted against each Grantor to enforce this Agreement, irrespective of whether any action is brought against the Borrower or whether the Borrower is joined in any such action or actions. All rights of the Acting Administrative Agent and the other Secured Parties and the pledge, assignment and security interest hereunder, and all obligations of each Grantor hereunder, shall be absolute and unconditional, irrespective of:

(a) any lack of validity or enforceability of any Loan Document or Canadian Loan Document or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations or any other amendment or waiver of or any consent to any departure from any Loan Document or Canadian Loan Document, including, without limitation, any increase in the Secured Obligations resulting from the extension of additional credit to the Borrower or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any other collateral, or any taking, release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Secured Obligations;

(d) any manner of application of collateral, or proceeds thereof, to all or any of the Secured Obligations, or any manner of sale or other disposition of any collateral for all or any of the Secured Obligations or any other assets of the Borrower or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of the Borrower or any of its Subsidiaries; or

(f) any other circumstance that might otherwise constitute a defense available to, or a discharge of, such Grantor (unless the Grantor is the Borrower) or a third party grantor of a security interest.

Section 24. Mortgages.

In the event that any of the Collateral hereunder is also subject to a valid and enforceable Lien under the terms of any Mortgage and the terms of such Mortgage are inconsistent with the terms of this Agreement, then with respect to such Collateral, the terms of such Mortgage shall be controlling in the case of Fixtures and leases, letting and licenses of, and contracts and agreements relating to the lease of, real property, and the terms of this Agreement shall be controlling in the case of all other Collateral.

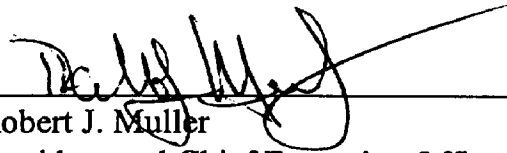
Section 25. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the State of New York.

[Remainder of page intentionally blank. Signature pages follow.]

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

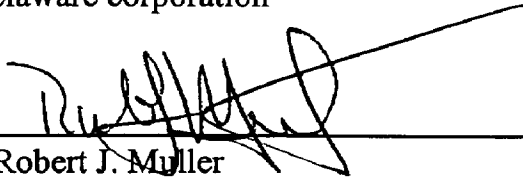
**PANOLAM INDUSTRIES
INTERNATIONAL, INC.,**
a Delaware corporation

By: 
Robert J. Muller
President and Chief Executive Officer

Address for Notice:

As set forth in the US Credit Agreement

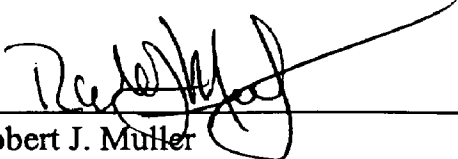
**PANOLAM INDUSTRIES HOLDINGS,
INC.,**
a Delaware corporation

By: 
Robert J. Muller
President and Chief Executive Officer

Address for Notice:

20 Progress Drive
Shelton, Connecticut 06484
Telecopier: (203) 225-0051
Telephone: (203) 925-1556
Attention: Robert J. Muller

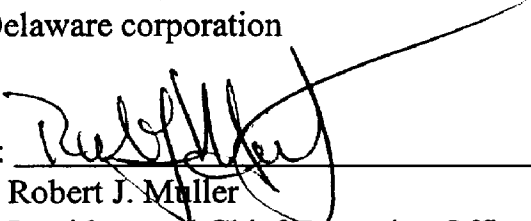
PANOLAM GROUP, INC.,
a Delaware corporation

By: 
Robert J. Muller
President and Chief Executive Officer

Address for Notice:

20 Progress Drive
Shelton, Connecticut 06484
Telecopier: (203) 225-0051
Telephone: (203) 925-1556
Attention: Robert J. Muller

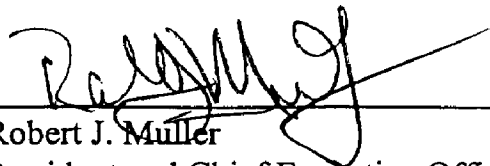
PII SECOND, INC.,
a Delaware corporation

By: 
Robert J. Muller
President and Chief Executive Officer

Address for Notice:

20 Progress Drive
Shelton, Connecticut 06484
Telecopier: (203) 225-0051
Telephone: (203) 925-1556
Attention: Robert J. Muller

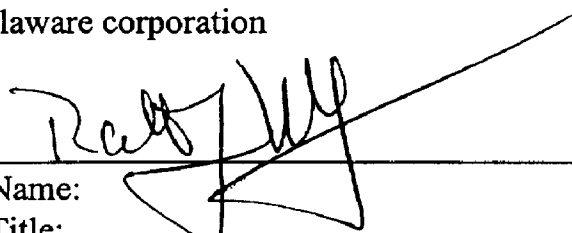
PANOLAM INDUSTRIES, INC.,
a Delaware corporation

By: 
Robert J. Muller
President and Chief Executive Officer

Address for Notice:

20 Progress Drive
Shelton, Connecticut 06484
Telecopier: (203) 225-0051
Telephone: (203) 925-1556
Attention: Robert J. Muller

PIONEER PLASTIC CORPORATION,
a Delaware corporation

By: 
Name:
Title:

Address for Notice:

20 Progress Drive
Shelton, Connecticut 06484
Telecopier: (203) 225-0051
Telephone: (203) 925-1556
Attention: Robert J. Muller

STATE OF Connecticut)
) SS Shelton
COUNTY OF Fairfield)

On the 16th day of February, 1999, before me,
Patricia A. Sullivan, a notary public, personally appeared
Robert G. Muller, personally known to me (or
proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s)
is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she~~/~~they~~
executed the same in his/~~her~~/~~their~~ authorized capacity(ies), and that by his/~~her~~/~~their~~
signature(s) on the instrument the person(s), or the entity upon which the person(s) acted,
executed this instrument.

WITNESS my hand and official seal.

Patricia A. Sullivan
Notary Public
My commission expires: 1/31/2004

STATE OF Connecticut)
COUNTY OF Fairfield) SS Shelton

On the 16th day of February, 1999, before me,
Patricia A. Sullivan a notary public, personally appeared
Robert J. Muller, personally known to me (or
proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s)
is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she~~/~~they~~
executed the same in his/~~her~~/~~their~~ authorized capacity(ies), and that by his/~~her~~/~~their~~
signature(s) on the instrument the person(s), or the entity upon which the person(s) acted,
executed this instrument.

WITNESS my hand and official seal.

Patricia A. Sullivan
Notary Public
My commission expires: 1/31/2004

SCHEDULE I

Pledged Shares and Pledged Debt

Part I

<u>Stock Issuer</u>	<u>Class of Stock</u>	<u>Par Value</u>	<u>Stock Certificate Numbers</u>	<u>Number of Shares</u>	<u>Percentage of Outstanding Shares</u>
Panolam Group, Inc.	Common Stock	\$0.01	2	1,000	100%
PII Second, Inc.	Common Stock	\$0.01	2	200	100%
Panolam Industries International, Inc.	Common Stock	\$0.01	2	200	100%
Panolam Industries, Inc.	Common Stock	\$0.01	4	1,000	100%
Panolam Industries Ltd.	Class A Common Stock	--	CA-4	65,000	65%
	Class A Common Stock	--	CA-5	35,000	35% ¹
Pioneer Plastics Corporation	Common Stock	\$1.00	2	1,000	100%

Part II

<u>Debt Issuer</u>	<u>Description of Debt</u>	<u>Note Number(s)</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>
Panolam Industries Ltd.	\$10,594,374.90 principal amount owed to Panolam Industries International, Inc., evidenced by the Intercompany Note	1	February 18, 2009	\$10,594,374.90
Panolam Industries Holdings, Inc. Panolam Industries Group, Inc. PII Second, Inc. Panolam Industries, Inc. Panolam Industries Ltd. Pioneer Plastics Corporation	Evidenced by the Intercompany Subordinated Demand Promissory Note, with payor, payee and principal amount to be noted on Exhibit A thereto	1	February 18, 2009	\$0

¹ Grantor is not required to pledge to the US Administrative Agent, in its capacity as such, the shares of Class A Common Stock represented by this certificate.

SCHEDULE II

Part 1- Patents

PANOLAM

Patents

Owner	Title of Patent	Registration Number	Application Number	Issue Date	Expiration Date	Country
Panolam Industries, Inc.	Postformable Laminates	Patent No. 1,169,750	386,784	6/26/84	6/26/01	CANADA
Panolam Industries, Inc.	Hardboard-like Panel and its Production	Patent No. 1,193,181	418,296	9/10/85	9/10/02	CANADA

PIONEER

Active Patents/Applications

“Heat and Pressure Consolidated Laminate” — Andrew N. Dion and John B. Jalbert;
Continuation filed on USSN 06/783,731 (1-5587)

<u>Country</u>	<u>Patent No.</u>	<u>Issued</u>	<u>Appln. No.</u>	<u>Filed</u>
U.S.	4,741,968	05/03/88	06/940,219	12/08/86
Canada	1,264,027	12/27/89	519,324	09/29/86
U.K.	2,182,887	03/14/90	8,623,749	10/03/85
Germany	3633611	01/29/96	P3633611.4	10/02/86
France	8613770	03/03/90	S613770	10/02/86
Japan	2528835	06/14/96	61-236033	10/03/86
Australia	601951	01/23/91	63458/86	10/01/86
Italy	1214722	01/18/90	58510-A/86	10/02/86
Sweden	8604160-5	06/10/93	8604160-5	10/01/86
Austria	398943	02/27/95	2631/86	10/03/86
Spain	2002203	06/08/88	8602362	10/02/86
Israel	80214	09/22/92	80214	10/02/86

“Method of Imparting Color Highlights or Shadows to a Textured Decorative Laminate” — Gilbert D. Endrizzi

<u>Country</u>	<u>Patent No.</u>	<u>Issued</u>	<u>Appln. No.</u>	<u>Filed</u>
Canada	1,214,097	11/18/86	—	—

“Decorative Laminate Incorporating Photoluminescent Material” — Daniel C. Nelson and Robert A. Dumond

<u>Country</u>	<u>Patent No.</u>	<u>Issued</u>	<u>Appln. No.</u>	<u>Filed</u>
U.S.	—	—	08/872,862	06/11/97
S. Africa	—	—	97/5688	06/27/97
Argentina	—	—	P970102874	06/27/97
Philippines	—	—	I57140	06/27/97
Taiwan	—	—	86109081	06/28/97
Venezuela	—	—	1255	06/27/97
Chile	—	—	1277/97	06/27/97
India	—	—	1195/CAL/97	06/23/97
PCT	—	—	PCT/US97/11046	06/25/97
	**favorable Preliminary Examination Report received			
Indonesia	—	—	P-972252	06/27/97
Malaysia	—	—	PI9702889	06/26/97
Canada	—	—	—	12/24/98
Japan	—	—	—	12/25/98
Australia	—	—	35036/97	12/22/98
Mexico	—	—	990360	01/07/99
N. Zealand	—	—	333538	12/23/98
Israel	—	—	127,766	12/28/98
S. Korea	—	—	1998-710687	12/26/98
Brazil	—	—	—	12/21/98
China	—	—	—	in process
European	—	—	97931400.2	10/05/98

Wilsonart Protest. Wilsonart has filed a protest against the U.S. patent application for the “Decorative Laminate Incorporating Photoluminescent Material”, citing a Japanese patent document.

Part II- Patent Licenses

None.

SCHEDULE III

Part 1- Trademarks

PANOLAM

Trademarks

Owner	Trademarks	Application Number	Reg. No.	Filing Date	Reg. Date	Due Date for Renewal	Country
Panolam Industries, Inc.	PANOLAM INDUSTRIES & Design	826,581	TMA495432	10/21/96	5/28/98	5/28/13	CANADA
Panolam Industries, Inc.	PI & Design	826,580	TMA495028	10/21/96	5/21/98	5/21/13	CANADA
Panolam Industries, Inc.	PANOLAM & Design	788,309	TMA476757	7/25/95	5/23/97	5/23/12	CANADA
Panolam Industries, Inc.	PANOLAM	761,093	TMA447431	8/10/94	9/8/95	9/8/10	CANADA
Panolam Industries, Inc.	CLADBAND	407,013	TMA239275	2/8/77	1/18/80	1/18/10	CANADA
Panolam Industries, Inc.	CLADBOARD	377,692	TMA209749	8/2/74	9/26/75	9/26/05	CANADA
Panolam Industries, Inc.	PI (Stylized Letters)	Serial No. 75-277,628 (Application)	(pending)	4/21/97	(pending)	n/a	UNITED STATES
Panolam Industries, Inc.	PANOLAM INDUSTRIES (Stylized Letters)	Serial No. 75-277,627 (Application)	(pending)	4/21/97	(pending)	n/a	UNITED STATES
Panolam Industries, Inc.	PANOLAM (Stylized Letters)	Serial No. 74-713,563	1,999,543	8/10/95	9/10/96	9/10/06	UNITED STATES
Panolam Industries, Inc.	PANOLAM	Serial No. 74-558,308	1,978,878	8/8/94	6/4/96	6/4/06	UNITED STATES
Panolam Industries, Inc.	CLADBOARD	Serial No. 73-714,549	1,505,933	3/3/88	9/27/88	9/27/08	UNITED STATES
Panolam Industries, Inc.	CLADBOARD	Unknown	418,109	1/25/91	7/8/92	1/25/01	MEXICO
Panolam Industries, Inc.	CLADBOARD	Unknown	A52,677	unknown	2/20/81	2/20/01	PAPAU NEW GUINEA

Active Trademark Registrations/Applications**P PIONEER & DESIGN (for decorative laminates)**

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	1,354,038	08/13/85	507,749	11/08/84

MELCOR II (Stylized)

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	1,354,066	05/20/86	564,753	10/24/85
Canada	475462	04/29/97	714,826	10/14/92
Germany	2,057,538	02/22/94	P43662/17Wz	10/15/92
Australia	A585351	09/03/94	585,351	08/28/92
Italy	644272	02/28/95	RM92C/003620	09/25/92
Mexico	459,092	05/02/94	151,623	10/06/92
N. Zealand	226,661	08/22/96	226,661	04/30/93
S. Korea	279,549	11/18/93	92-24833	09/05/92
China	664,868	11/07/93	92063223	09/24/92
Singapore	7294/92	09/24/92	7294/92	09/24/92

RESOPREG

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	800,838	12/28/65	220,401	06/04/65

STRATA II

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	1,526,898	02/28/89	712,581	02/22/88
Italy			92/3622	
Germany	2057540			

MELCOR

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	1,342,660	06/18/85	508,274	11/13/84
Canada	476948	05/29/97	714,827	10/14/92
Germany	2,057,539	02/22/94	P43663/17Wz	10/15/92
Italy	644273	02/02/95	RM92C/003621	09/25/92
Mexico	462,850	06/09/94	151,624	10/06/92
N. Zealand	226,660	08/02/96	226,660	04/30/93
S. Korea	279,548	11/18/93	92-24831	09/05/92
China	664,870	11/07/93	92063224	09/28/92
Hong Kong	5055/1994	08/25/94	9215711	09/11/92
Singapore	7293/92	09/24/92	7293/92	09/24/92

CONOLITE

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	553,791	01/22/52	586,959	10/28/49
Canada	133,029	10/11/63	273,220	12/31/62
U.K.	1507176	07/18/92	1507176	07/18/92
Germany	2,049,214	11/10/93	P43258/19Wz	07/20/92
France	92429885	08/06/92	92429885	08/06/92
Japan cl/19	3097729	11/30/95	4-142460	07/21/92
Japan cl/17	3158825	05/31/96	5-58886	06/17/93
Australia	A583149	07/27/92	A583149	07/27/92
Italy	643813	02/28/95	RM92C/003102	08/03/92
Sweden	265,451	03/31/95	92-06967	08/04/92
Mexico cl/19	431,189	02/17/93	152,009	10/13/92
Mexico cl/17	525,051	07/03/96	151,633	10/06/92
N. Zealand	226658	—	226,658	04/30/93
S. Korea	271772	08/16/93	92-20085	07/21/92
Hong Kong	4742/1996	05/24/96	92-13709	07/21/92
Singapore	5438/92	—	5438/92	07/21/92

PIONITE (Stylized)

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	1,439,136	05/12/86	609,707	07/16/86

PIONITE (Block type)

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	648,807	07/23/57	021/720	12/27/56
Canada	421,979	01/07/94`	714,854	10/14/92
U.K.	1,510,991	08/27/92	1,510,991	08/27/92
Germany	2057541	02/22/94	P43665/17Wz	10/15/92
Japan	3220032	11/29/96	4-197,267	09/17/92
Australia	A585353	08/28/92	A585353	08/28/92
Italy	644271	02/28/95	RM92C/003619	09/25/92
Mexico	—	—	151,626	10/06/92
N. Zealand	226,657	03/04/96	226,657	04/30/93
Argentina	1648454	10/22/97	2046752	08/29/96
Peru	35,562	05/09/97	28519	12/20/96
S. Korea	279547	11/18/93	92-24830	09/05/92
Brazil	—	—	819465607	09/05/96
Venezuela	Issue fee paid		19619	11/14/96
Chile	** Will file upon resolution of cancellation			
Haiti	215/112	10/15/97		02/18/97

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
Colombia	201298	9/18/97	96067665	12/24/96
Ecuador	2112-98	04/08/98	74355	12/20/96
Nicaragua	33814	04/27/97	96-03112	08/30/96
Uruguay	—	—	295916	06/04/97
China	664869	11/07/93	92063222	09/28/92
Bolivia	officially granted		7106/97	01/17/97
Costa Rica	104712	11/24/97	—	04/04/97
Surinam	15454	01/29/97	—	—
Guatemala	91,586	07/22/98	M-3982	05/19/97
Honduras	70,798	02/27/98	229/97	01/09/97
Hong Kong	5056/1994	08/25/94	9215714	09/11/92
Panama	—	—	085059	01/07/97
Paraguay	202.178	04/16/98	26123/96	12/23/96
Singapore	7295/92	09/24/92	7295/92	09/24/92
Trin/Tobago	—	—	—	03/21/97
Aruba	18474	04/07/97	18474	02/12/97
Belize	7652	03/05/97	—	—
Cayman Is.	1510991	—	—	02/06/97
El Salvador	—	—	197/97	01/03/97
St. Lucia	92	10/10/97	92	05/08/97
Bahamas c17	20,177	12/02/97	20,177	12/02/97
Bahamas c18	20,176	12/02/97	20,176	12/02/97
Argentina	1648454	10/22/97	2046752	08/29/96
Colombia	201298	09/18/97	96067665	12/24/96
Ecuador	2112-98	04/08/98	74355	12/20/96
Bolivia	officially granted	—	7106/97	01/17/97
Guatemala	91,586	07/22/98	M-3982	05/19/97
Honduras	70,798	02/27/98	229/97	01/09/97
Paraguay	202.178	04/16/98	26123/96	12/23/96
U.A.E.	—	—	25094	01/19/98
Cayman Is.	1510991	03/27/97	—	02/06/97
Bahamas c.17	20,177	12/02/97	20,177	12/02/97
Bahamas c.18	20,176	12/02/97	20,176	12/02/97

CONSOWELD

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	405,771	02/22/44	461,304	06/11/43
Canada	102,500	01/27/56	230,558	—

DURABEAUTY

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	747,986	04/16/63	133,453	12/06/61

DYNAMICS

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	1,467,320	12/01/87	659,181	05/06/87

CONOLAM

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	1,821,340	02/15/94	390,333	05/14/93

PIONEX

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	1,850,708	08/23/94	445,889	10/12/93

PIOREZ

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	2,038,280	02/18/97	712,450	08/08/95

PIOPHEN

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	2,036,623	02/11/97	715,855	08/15/95

PIOESTER

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	2,036,279	02/18/97	712,447	08/08/95

PIOTHANE

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	2,047,138	03/25/97	712,570	08/08/95

P PIONEER

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	—	—	75/149,601	08/13/96

PIONITE (for solid surfacing product)

<u>Country</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Serial No.</u>	<u>Filed</u>
U.S.	—	—	75/320,791	07/08/97

Part II- Trademark Licenses

None

SCHEDULE IV

Copyrights

Part I- Copyrights

HISS software program for manufacturing control used at Huntsville Facility (not registered)

Part II- Copyright Licenses

System Software Associates, Inc. license for computer software granted in Software License Agreement dated January 31, 1997 between Panolam Industries Ltd. and System Software Associates, Inc.

BASIS Product License for computer software granted in BASIS Product License and Training Services Agreement dated January 15, 1997 between Panolam Industries Ltd. and System Software Associates, Inc.

SCHEDULE V

Filing Offices

Arizona Secretary of State
California Secretary of State
Connecticut Secretary of State
Florida Secretary of State
Gwinnett County, Georgia (Central Filing)
Indiana Secretary of State
Maine Secretary of State
Oregon Secretary of State
Tennessee Secretary of State

SCHEDULE VI

Locations of Equipment and Inventory

The Company has both inventory and equipment in the following states:

1. Connecticut
2. Georgia
3. Oregon
4. Maine
5. Tennessee
6. Indiana
7. California