

authority is requisite to the valid issue and delivery of such Note or Notes; and (iv) that the Note or Notes, when duly issued and delivered by the Mortgagor, will be valid and binding obligations of the Mortgagor entitled to the security of this Indenture.

The Mortgagee shall pay or deliver to or upon the Written Order of the Mortgagor the amount of each such additional borrowing against delivery to the Mortgagee of (1) a Note or Notes evidencing the amount of such borrowing, payable to or upon the order of the Mortgagee, as provided in Section 2.01 hereof, and (2) the other documents hereinabove mentioned.

SECTION 2.04. *Obligatory and Optional Prepayments.* The Notes shall be subject to prepayment under the conditions set forth in subparagraphs (a) and (b) of this Section 2.04. Prepayment under either subparagraph of this Section shall not preclude prepayment under the other such subparagraph. The amount of each partial prepayment shall be applied against the outstanding Notes in the order of priority in the time of issue thereof, unless the holder of all of the outstanding Notes specifies otherwise. Upon any partial prepayment of any Note, such Note shall, at the option of the holder thereof, be either (i) surrendered to the Mortgagor in exchange for a new Note in a principal amount equal to the principal amount remaining unpaid on the Note surrendered and otherwise having the same terms and provisions as the Note surrendered, or (ii) made available to the Mortgagor at the office of Crown Zellerbach Corporation, 343 Sansome Street, San Francisco, California, for a notation thereon of the portion of the principal so prepaid.

(a) On February 1, 1957 and on February 1 in each year thereafter until the Notes shall be paid in full, the Mortgagor covenants and agrees to apply to the prepayment of the Notes, without premium, the sum of Seven Hundred Thousand Dollars (\$700,000).

(b) The Notes shall be subject to prepayment, at the option of the Mortgagor, without premium, in whole, or in part, but only in multiples of One Hundred Thousand Dollars (\$100,000), at any time, or from time to time, upon written notice of each prepayment given by the Mortgagor to the Mortgagee not less than fifteen (15) days prior to the prepayment date, specifying such prepayment date and the principal amount to be prepaid.