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COMMONWEALTH OF KENTUCKY
OFFICE OF SECRETARY OF STATE
FRANKFORT, 40601

DREXELL R. DAVIS
SECRETARY OF STATE

CLINTON H. NEWMAN II
ASSISTANT SECRETARY OF STATE

SECRETARY OF STATE (502) 564-3490
CORPORATE FILINGS (502) 564-3848
CORPORATION RECORDS (502) 564-7330

MAY 20, 1987

ELLEN T. COFFEY
C T CORPORATION SYSTEM
208 SOUTH LA SALLE ST.
CHICAGO, ILLINOIS 60604

RE: SOUTHWEST FOREST INDUSTRIES, INC.

Dear Sir:

Receipt and filing of the following is hereby acknowledged.

1. ( ) Articles of Amendment

2. ( ) Restated Articles of Incorporation

3. (XX) Articles of Merger CRYSTAL MERGING CORPORATION (NOT QUAL.) INTO SOUTHWEST FOREST INDUSTRIES , INC. (QUAL.) WERE FILED IN KENTUCKY ON MAY 20, 1987.

478882

4. ( ) Other

If we may be of further assistance to you, please do not hesitate to call us.

Sincerely yours,

Drexell R. Davis

Drexell R. Davis
Secretary of State

ORIGINAL COPY
FILED
IN THE OFFICE OF THE SECRETARY OF STATE
MAY 20 1987

SECRETARY OF STATE

STATE OF NEVADA

DEPARTMENT OF STATE

I, FRANKIE SUE DEL PAPA, the duly qualified and elected Secretary of State of the State of Nevada, do hereby certify that there was filed in this office on April 16, 1987 an

AGREEMENT OF MERGER

MERGING

CRYSTAL MERGING CORPORATION
[A NEVADA CORPORATION]

INTO

SOUTHWEST FOREST INDUSTRIES, INC.
[A NEVADA CORPORATION]

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Great Seal of State, at my office, in Carson City, Nevada, this 16TH day of APRIL, A.D., 19 87.

Frankie Sue Del Papa
Secretary of State

By
Deputy

Form MC-1 (Rev. 11-86)

(O)-3257

IN THE OFFICE OF THE
SECRETARY OF STATE OF THE
STATE OF NEVADA

APR 16 1987

FRANKIE SUE DEL PAPA SECRETARY OF STATE

No. [illegible]

FILED

87 APR 16 A11:26

CERTIFICATE OF SECRETARY
OF
CRYSTAL MERGING CORPORATION

The undersigned, Leslie T. Lederer, Secretary of Crystal Merging Corporation, a Nevada corporation, one of the constituent corporations which is a party to the Agreement of Merger to which this certificate is attached, on behalf of said corporation, hereby certifies that said Agreement of Merger was duly submitted to the shareholders of said corporation and that said Agreement of Merger was approved by said shareholders by written consent dated April 15, 1987.

Witness my hand this 15th day of April, 1987.

Leslie T. Lederer, Secretary

CERTIFICATE OF SECRETARY
OF
SOUTHWEST FOREST INDUSTRIES, INC.

The undersigned, William J. Rainey, Secretary of Southwest Forest Industries, Inc., a Nevada corporation, one of the constituent corporations which is a party to the Agreement of Merger to which this certificate is attached, on behalf of said corporation, hereby certifies that said Agreement of Merger was duly submitted to the shareholders of said corporation at a meeting thereof duly called and held in accordance with the laws of the State of Nevada on April 15, 1987, and at said meeting said Agreement of Merger was approved by the holders of not less than a majority of the shares entitled to vote thereon.

Witness my hand this 15th day of April, 1987.

William J. Rainey, Secretary

The foregoing Agreement of Merger having been duly executed on behalf of each constituent corporation and having been adopted separately by each constituent corporation in accordance with the laws of the State of Nevada and that fact having been certified on said Agreement of Merger by the Secretary of each constituent corporation, a Vice President of Crystal Merging Corporation and the Executive Vice President and Chief Financial Officer of Southwest Forest Industries, Inc. do now sign the said Agreement of Merger, duly attested by the Secretary of each of said corporations, by authority of the directors and shareholders thereof, as the respective act, deed and agreement of each of said corporations on the 15th day of April, 1987.

CRYSTAL MERGING CORPORATION

By: _____
Name: Arnold F. Brookstone
Title: Vice President

ATTEST:

_____
Name: Leslie T. Lederer
Title: Secretary

SOUTHWEST FOREST INDUSTRIES, INC.

By: _____
Name: Raymond P. Elder
Title: Executive Vice President
and Chief Financial Officer

ATTEST:

_____
Name: William J. Rainey
Title: Secretary

STATE OF ILLINOIS)
) SS:
COUNTY OF Cook)

BE IT REMEMBERED that on this 15th day of April, 1987, personally came before me, a Notary Public in and for the State and County aforesaid, Arnold F. Brookstone, Vice President of CRYSTAL MERGING CORPORATION, a Nevada corporation, known by me personally to be such, and he duly executed the foregoing Agreement of Merger before me and acknowledged said instrument to be the act, deed and agreement of said corporation and that that the signature of said officer is in his handwriting.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

Frances E. Hanan
Notary Public
My commission expires: 2-28-89

STATE OF ARIZONA)
) SS:
COUNTY OF Maricopa)

BE IT REMEMBERED that on this 15th day of April, 1987, personally came before me, a Notary Public in and for the State and County aforesaid, Raymond P. Elder, the Executive Vice President and Chief Financial Officer of Southwest Forest Industries, Inc., a Nevada corporation, known by me personally to be such, and he duly executed the foregoing Agreement of Merger before me and acknowledged said instrument to be the act, deed and agreement of said corporation and that the signature of said officer is in his handwriting.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

Deborah Jorgelson
Notary Public
My commission expires: 7/31/90

AGREEMENT OF MERGER

AMONG

STONE CONTAINER CORPORATION,

CRYSTAL MERGING CORPORATION

AND

SOUTHWEST FOREST INDUSTRIES, INC.

Dated as of January 27, 1987

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AGREEMENT OF MERGER

This Agreement of Merger (this "Agreement"), dated as of January 27, 1987, is made among Stone Container Corporation, an Illinois corporation ("Stone"), Crystal Merging Corporation, a Nevada corporation (the "Purchaser"), and Southwest Forest Industries, Inc., a Nevada corporation (the "Company").

WHEREAS, the respective Boards of Directors of Stone, the Purchaser (an indirect wholly-owned subsidiary of Stone) and the Company have each approved the acquisition of the Company by the Purchaser pursuant to a merger of the Purchaser into the Company on the terms hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, Stone, the Purchaser and the Company hereby agree as follows:

1. THE MERGER

1.1. The Merger. At the Effective Time (as hereinafter defined), in accordance with this Agreement and the General Corporation Law of Nevada (the "Nevada Law"), the Purchaser shall be merged with and into the Company (the "Merger"), the separate existence of the Purchaser (except as may be continued by operation of law) shall cease, and the Company shall continue as the surviving corporation under the corporate name of Southwest Forest Industries, Inc. The Company, as it exists from and after the Effective Time, sometimes is referred to hereinafter as the "Surviving Corporation."

1.2. Effect of the Merger. The Surviving Corporation shall possess all the rights, privileges, powers and franchises as well of a public as of a private nature, and be subject to all the restrictions, disabilities and duties of each of the Purchaser and the Company (the "Constituent Corporations"), shall be vested with all property, real, personal and mixed, and all debts due to any of the Constituent Corporations on whatever account, as well as for stock subscriptions as all other things in action belonging to each of the Constituent Corporations, all with the effect set forth in the Nevada Law.

1.3. Consummation of the Merger. As soon as practicable after the satisfaction or waiver of the conditions to the Merger herein set forth, provided that this Agreement has not been terminated previously, the parties hereto will cause the Merger to be consummated by filing with the Secretary of State of Nevada a copy of this Agreement,

executed, certified and acknowledged in accordance with the provisions of the Nevada Law (the time of such filing being the "Effective Time").

1.4. Articles of Incorporation; By-laws; Directors. Except as provided in Section 8.7, the Articles of Incorporation of the Company and the By-laws of the Purchaser, as in effect immediately prior to the Effective Time, shall be the Articles of Incorporation and By-laws of the Surviving Corporation and thereafter shall continue to be its Articles of Incorporation and By-laws until amended as provided therein and under the Nevada Law. The directors of the Purchaser immediately prior to the Effective Time will be the initial directors of the Surviving Corporation until their successors are elected and qualified.

1.5. Status and Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of the Purchaser, the Company or any holder of any of the following securities:

(a) Each share of Common Stock, $1.00 par value per share, of the Company (the "Common Stock") that is held in the treasury of the Company or owned by Stone or any subsidiary of Stone shall be cancelled and retired and no capital stock of the Surviving Corporation, cash or other consideration shall be paid or delivered in exchange therefor.

(b) Except for Dissenting Shares (as defined in Section 1.7(d)), each remaining outstanding share of Common Stock shall be converted into the right to receive $32.25 in cash, without interest (the "Merger Price").

(c) Each share of Common Stock, par value $1.00 per share, of the Purchaser outstanding immediately prior to the Effective Time shall be converted into and become one validly issued, fully paid and nonassessable share of Common Stock, $1.00 par value per share, of the Surviving Corporation.

(d) Each share of 9% Cumulative Non-voting Preferred Stock, $1.00 par value per share (the "Preferred Stock"), of the Company outstanding immediately prior to the Effective Time shall not be affected by the Merger.

(e) All notes and other debt instruments of the Company (including, but not limited to, the Company's 12-1/8% Subordinated Debentures due September 15, 2001) outstanding at the Effective

Time shall, subject to their respective terms and covenants, not be affected by the Merger.

1.6. Stock Options and Other Rights to Acquire Common Stock. At the Effective Time, each holder of an outstanding option to purchase shares of Common Stock (a "Stock Option") granted under the Executive Plan (as defined in Section 3.3), whether or not exercisable, will be entitled, subject to Section 6.3(c) hereof, to receive in settlement thereof a cash payment from the Surviving Corporation in an amount equal to the excess, if any, of the Merger Price over the per share exercise price of the Stock Option multiplied by the number of shares of Common Stock covered by such Stock Option. The Common Stock Purchase Rights issued under the Rights Agreement (as defined in Section 3.3) shall be redeemed prior to the Effective Time as contemplated by Section 6.3(e) and, accordingly, shall not be affected by the Merger.

1.7. Merger Payment Procedure. (a) Stone, the Purchaser and the Company agree that Bankers Trust Company or another bank or trust company reasonably acceptable to the Company shall be designated by the Purchaser as the paying agent for the Merger (the "Paying Agent"). The Surviving Corporation shall make available to the Paying Agent at the Effective Time such funds as are required for the conversion of shares of Common Stock into cash as contemplated by Section 1.5(b) (the "Payment Fund"). As soon as practicable after the Effective Time, the Paying Agent shall distribute to holders of shares of Common Stock so converted, upon surrender to the Paying Agent of one or more certificates for such shares of Common Stock for cancellation, a bank check for the cash being paid in respect of the aggregate number of shares of Common Stock previously represented by the stock certificates surrendered. The Payment Fund shall not be expended or disbursed for any other purpose, except as provided herein. The Payment Fund may be invested by the Paying Agent, as directed by the Surviving Corporation, in (i) obligations of or guaranteed by the United States, (ii) commercial paper rated A-1, P-1 or A-2, P-2, and (iii) time deposits with, including certificates of deposit issued by, any office located in the United States of any bank or trust company organized under federal law or under the law of any state of the United States or of the District of Columbia and that has capital, surplus and undivided profits of at least $500 million, and any net earnings with respect thereto shall be paid to the Purchaser as and when requested by the Purchaser. If for any reason (including losses) the Payment Fund is inadequate to pay the amounts to which holders of the Common Stock shall be entitled under Section 1.5(b), the Purchaser shall be liable for the payment thereof.

(b) In no event shall the holder of any surrendered certificates for shares of Common Stock be entitled to

receive interest on any of the funds to be received in the Merger. If a check is to be sent to a person other than the person in whose name the certificates for shares of Common Stock surrendered for conversion are registered, it shall be a condition of the conversion that the person requesting such conversion shall pay to the Paying Agent any transfer or other taxes required by reason of the delivery of such check to a person other than the registered holder of the certificate surrendered, or shall establish to the satisfaction of the Paying Agent that such tax has been paid or is not applicable. Notwithstanding the foregoing, neither the Paying Agent nor any party hereto shall be liable to a holder of shares of Common Stock for any amount paid to a public official pursuant to any applicable abandoned property, escheat or similar law.

(c) The cash paid upon the surrender of certificates representing Common Stock in accordance with the terms hereof shall be deemed to have been paid in full satisfaction of all rights pertaining to such shares of Common Stock.

(d) If the provisions of the Nevada Law providing for the purchase by a surviving corporation of the shares of a dissenting stockholder apply in respect of the Merger to shares of Common Stock, then any shares of Common Stock with respect to which the right to have such shares so purchased is exercised in accordance with the Nevada Law ("Dissenting Shares") shall not be converted into the right to receive cash pursuant to Section 1.5(b) at or after the Effective Time unless and until the holder thereof shall have effectively under the Nevada Law withdrawn his right to have such shares so purchased.

1.8. Return of Cash by Paying Agent. Any cash delivered or made available to the Paying Agent pursuant to Section 1.7 hereof and not exchanged for certificates representing Common Stock within six months after the Effective Time pursuant to Section 1.7 shall be returned by the Paying Agent to the Surviving Corporation which shall thereafter act as paying agent subject to the rights of holders of unsurrendered certificates representing Common Stock under this Article 1.

1.9. Closing of Company Transfer Books. At the Effective Time, the stock transfer books of the Company shall be closed and no transfer of Common Stock shall thereafter be made.

2. REPRESENTATIONS AND WARRANTIES OF STONE AND THE PURCHASER

Stone and the Purchaser, jointly and severally, represent and warrant as follows:

2.1. Organization and Qualification. Stone and the Purchaser are corporations duly organized, validly existing and in good standing under the laws of the States of Illinois and Nevada, respectively, and have the requisite power and authority to carry on their respective businesses as now conducted. Stone and the Purchaser are duly qualified as foreign corporations to do business and are in good standing in each jurisdiction where the character of their respective properties owned or leased or the nature of their activities makes such qualification necessary, except where the failure to be so qualified will not have a material adverse effect on Stone and the Purchaser, taken as a whole.

2.2. Authority Relative to this Agreement. Stone and the Purchaser have the requisite corporate power and authority to enter into this Agreement and to perform their respective obligations hereunder. The execution and delivery of this Agreement by Stone and the Purchaser and the consummation by Stone and the Purchaser of the transactions contemplated hereby have been duly authorized by the Boards of Directors of Stone and the Purchaser and, except for the approval of this Agreement by the stockholders of the Purchaser (which approval Stone shall cause to be made), no other corporate proceedings on the part of Stone and the Purchaser are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Stone and the Purchaser and constitutes a valid and binding obligation of such corporations. Except as may be provided in agreements and instruments relating to indebtedness of or letters of credit relating to Stone or its subsidiaries, which agreements and instruments shall be terminated or appropriately modified prior to the Effective Time, the execution and delivery of this Agreement by Stone and the Purchaser and the consummation by them of the transactions contemplated hereby will not violate or conflict with, result in the acceleration or termination of, or constitute a default under, any term or provision of any charter or by-law, indenture, license, approval, agreement, understanding or other instrument, or any statute, rule, regulation, judgment, order or other restriction binding upon or applicable to Stone or the Purchaser other than any such term, provision, statute, rule, regulation, judgment, order or other restriction the violation of or conflict with which would not have a material adverse effect on Stone and the Purchaser, taken as a whole. Assuming due authorization, execution and delivery by the other parties thereto, when

executed and delivered by Stone and the Purchaser, the Definitive Loan Agreements (as defined in Section 4(d)) will constitute valid and binding agreements of such parties.

2.3. Financing. Stone has supplied the Company with true and complete copies of three letters from major money center banks, each dated on or prior to January 27, 1987 (the "Bank Letters"), which have been accepted by Stone and have not been withdrawn or terminated. Concurrently with the execution hereof, Stone has paid to such banks the fees required to be paid upon its acceptance of the Bank Letters. The Bank Letters describe credit facilities which would be satisfactory and sufficient in amount to enable the Purchaser to consummate the Merger and Stone and the Purchaser to perform their obligations as herein contemplated. Stone and the Purchaser have no reason to believe that such credit facilities will not be in full force and effect at the Effective Time to fully fund and provide for the financing required by the Purchaser to consummate the Merger at the Effective Time. Stone will promptly advise the Company in writing if the Bank Letters are withdrawn or terminated or if Stone becomes aware of the occurrence of any event which Stone believes may have a materially adverse effect on the ability of Stone or the Purchaser to satisfy the condition set forth in Section 6.3(d) hereof at or before the Effective Time or otherwise to consummate the Merger.

2.4. No Prior Activities. The Purchaser was formed by Stone for the sole purpose of effecting the Merger and the Purchaser has not engaged, directly or indirectly, in any business or activities of any type or kind, or entered into any agreements or arrangements or is subject to or bound by any obligation or undertaking which is not contemplated by this Agreement.

2.5. Stock of the Purchaser. Stone is, and at all times prior to the Effective Time will be, the beneficial owner, either directly or indirectly through one or more wholly-owned subsidiaries of Stone, of all the issued and outstanding capital stock of the Purchaser, free and clear of any liens, claims, charges, voting agreements, proxies or encumbrances, except those arising or granted in connection with the financing required by the Purchaser to effect the Merger.

2.6. Company Stock. Neither Stone nor any of its affiliates owns or controls, or has the right to acquire, vote or control, directly or indirectly, any shares of voting stock of the Company.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants as follows:

3.1. Organization and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and has the requisite power and authority to carry on its business as it is now being conducted. The Company is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned or leased or the nature of its activities makes such qualification necessary, except where the failure to be so qualified will not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

3.2. Subsidiaries. Each of the Company's subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has the requisite corporate power to carry on its business as it is now being conducted. Each of the Company's subsidiaries is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned or leased or the nature of its activities makes such qualification necessary, except where the failure to be so qualified will not have a material adverse effect on the Company and its subsidiaries, taken as a whole. Except as set forth in the letter of even date herewith from the Company to the Purchaser (the "Disclosure Letter"), all of the outstanding shares of capital stock of each of the Company's subsidiaries are validly issued, fully paid and nonassessable, and are owned by the Company or by a wholly owned subsidiary of the Company, free and clear of any liens, claims, charges or encumbrances, and there are no irrevocable proxies with respect to such shares.

3.3. Capitalization. The authorized capital stock of the Company consists of 35,000,000 shares of Common Stock, 10,000 shares of Preferred Stock, par value $100 per share, and 2,000,000 shares of Preferred Stock, par value $1.00 per share. As of the date hereof, (i) 12,503,662 shares of Common Stock and 284,375 shares of Preferred Stock were outstanding, all of which were validly issued, and are fully paid and nonassessable, (ii) no shares of capital stock of the Company were held in the treasury of the Company, (iii) 386,100 shares of Common Stock were reserved for issuance upon exercises of options issued pursuant to the Company's Executive Long-Term Incentive Plan (the "Executive Plan"), a copy of which has heretofore been furnished to Stone, (iv) 841,723 shares of Common Stock were reserved for issuance upon conversion of outstanding convertible

debentures of the Company, (v) additional shares of Common Stock were reserved for issuance upon exercise of Common Stock Purchase Rights issued pursuant to the Rights Agreement dated as of October 22, 1984 between the Company and The Valley National Bank of Arizona (the "Rights Agreement") and the Rights Agreement dated as of the date hereof between the Company and The Valley National Bank of Arizona (the "Second Rights Agreement") which provides for the distribution of Common Stock Purchase Rights and (vi) 2,313,175 shares of Common Stock were reserved for issuance pursuant to the Stock Option Agreement (as defined in Section 5.3 hereof). Assuming the conversion of all outstanding convertible debentures of the Company and the exercise of all outstanding options or rights (other than the Stock Option Agreement and the Common Stock Purchase Rights issued under the Rights Agreement and the Second Rights Agreement) to purchase Common Stock, as of the date hereof there would be 13,731,485 shares of Common Stock outstanding. No options have been granted since January 27, 1986 under the Executive Plan. Except as contemplated by the foregoing clauses (iii), (iv), (v) and (vi), there are no options, warrants or other rights, agreements, arrangements or commitments obligating the Company or any of its subsidiaries to issue or sell any shares of capital stock of the Company or any of the Company's subsidiaries. Except for shares of Common Stock issued in the manner contemplated by clauses (iii) and (iv) above, no shares of the capital stock of the Company have been issued since August 29, 1986. On January 26, 1987, the Company announced its election to redeem, in accordance with the terms of Section 23 of the Rights Agreement, all Common Stock Purchase Rights issued pursuant to the Rights Agreement. From and after February 5, 1987, the right to exercise such Common Stock Purchase Rights will terminate and the only right thereafter of such Common Stock Purchase Rights shall, in accordance with the terms of such Section 23, be to receive the redemption price of $.25 per Common Stock Purchase Right. A true and correct copy of the Second Rights Agreement has been furnished to Stone. The Common Stock Purchase Rights to be distributed pursuant to the Second Rights Agreement shall not become exercisable by reason of the execution and delivery of this Agreement or the consummation prior to May 31, 1987 of the Merger or the transactions contemplated hereby and such distribution shall be in accordance with applicable law.

3.4. Authority Relative to this Agreement. The Company has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly authorized by the Board of Directors of the Company and, except for the approval of this Agreement by its stockholders as contemplated

by Section 5.1 of this Agreement, no other corporate proceedings on the part of the Company are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Company and, subject to the requisite approval by its stockholders, constitutes a valid and binding obligation of the Company. Except as set forth in the Disclosure Letter, the execution and delivery of this Agreement by the Company and the consummation by it of the transactions contemplated hereby will not violate or conflict with, result in the acceleration or termination of, or constitute a default under, any term or provision of any charter or by-law, indenture, license, approval, agreement, understanding or other instrument, or any statute, rule, regulation, judgment, order or other restriction binding upon or applicable to the Company or any of its subsidiaries or any of their respective properties or assets other than any such term, provision, statute, rule, regulation, judgment, order or other restriction the violation of or conflict with which would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

3.5. Financial Statements and Reports. The Company has previously furnished Stone with true and complete copies (with exhibits) of its (i) Annual Report on Form 10-K for the fiscal year ended December 31, 1985 (the "1985 Annual Report"), as filed with the Securities and Exchange Commission (the "Commission"), (ii) Quarterly Reports on Form 10-Q for the three months ended March 31, 1986, the three months ended June 30, 1986 and the three months ended September 30, 1986 (the "Quarterly Reports"), (iii) all of its Current Reports on Form 8-K filed subsequent to December 31, 1985, (iv) proxy statements relating to all meetings of its stockholders (whether annual or special) since December 31, 1985, (v) all other reports or registration statements filed by the Company with the Commission since December 31, 1985, (vi) the Company's audited consolidated financial statements for the fiscal years ended and as of December 31, 1983, December 31, 1984, and December 31, 1985 and (viii) the Company's preliminary consolidated financial statements as of and for the year ending December 31, 1986 (the "Preliminary 1986 Financials"). As of their respective dates, the SEC Filings (as hereinafter defined) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading except, in the case of any SEC Filing, any statement or omission therein which has been corrected or otherwise disclosed in a subsequent SEC Filing. The audited consolidated financial statements and unaudited interim financial statements of the Company included or incorporated by reference in the 1985 Annual Report and the Quarterly Reports, respectively, and the Preliminary 1986 Financials have been

prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as may be indicated therein or in the notes thereto) and fairly present the financial position of the Company and its subsidiaries as at the dates thereof and the results of their operations, and changes in financial position for the periods then ended, subject, in the case of the unaudited interim financial statements, to normal year-end and audit adjustments and any other adjustments described therein, and subject, in the case of the Preliminary 1986 Financials, to the absence of complete footnotes and a statement of sources and application of funds. The financial information supplied by the Company to Stone with respect to this Agreement (including, without limitation, the operating statements of the mill facilities and other facilities of the Company) is drawn from the books and records maintained by the Company in the ordinary course consistent with past practices. As used in this Agreement, "SEC Filings" means the reports, registration statements and proxy statements of the Company referred to in clauses (i) through (v) of the first sentence of this Section 3.5.

3.6. Absence of Certain Changes or Events. Except as set forth in this Agreement, the SEC Filings or the Preliminary 1986 Financials, since December 31, 1985, there has not been any material adverse change in the consolidated financial condition, consolidated results of operations or business of the Company and its subsidiaries taken as a whole. Except as set forth in or contemplated by this Agreement or the 1986 Preliminary Financials, since December 31, 1986, the Company and its subsidiaries have not engaged in any material transaction of a kind that would be prohibited after execution and delivery hereof pursuant to Article 4 hereof.

3.7. Employees. The Company and its subsidiaries have complied with all applicable laws relating to the employment of labor, including provisions thereof relating to wages, hours, equal opportunity, occupational health and safety, collective bargaining and the payment of social security and other taxes, the violation of which will have a material adverse effect on the business or financial condition of the Company and its subsidiaries, taken as a whole.

3.8. No Default or Litigation; Permits. Except as set forth in the SEC Filings or the Preliminary 1986 Financials:

(a) neither the Company nor any of its subsidiaries is in default or violation in any material respect under any agreement, lease or other instrument to which it is a party, or under any law, rule, regulation, writ, injunction, order or decree of any court or any foreign, federal, state, muni-

cipal or other governmental department, commission, board, bureau, agency or instrumentality (including, without limitation, applicable laws, rules and regulations relating to environmental protection, anti-trust, civil rights and occupational health and safety) which default or violation would have a material adverse effect on the business or financial condition of the Company and its subsidiaries, taken as a whole;

(b) there are no actions at law, suits in equity or claims pending or, to the best of the Company's knowledge, threatened against or affecting the Company or any of its subsidiaries or their respective businesses or properties which might reasonably be expected to result in a judgment or decree having a material adverse effect on the business or financial condition of the Company and its subsidiaries, taken as a whole, and, to the best of the Company's knowledge, there is no reasonable basis therefor; and

(c) the Company and the its subsidiaries possess all franchises, licenses, permits, certificates, approvals and other authorizations necessary to own or lease and operate their properties and to conduct their businesses as now conducted, except for (i) licenses, permits and certificates the absence of which will not have a material adverse effect on the Company and its subsidiaries, taken as a whole, and (ii) incidental licenses, permits and certificates which would be readily obtainable by a qualified applicant without undue burden in the event of any lapse, termination, cancellation or forfeiture.

3.9. Taxes. The Company has heretofore delivered to Stone true and correct copies of the consolidated federal income tax returns filed by the Company and its subsidiaries, and all revenue agents' reports related thereto, for each of the Company's fiscal years ended December 31, 1983, 1984 and 1985, inclusive. The Company has filed, and each subsidiary of the Company has filed, all federal, state and local income, franchise, sales and other tax returns (including foreign tax returns) which were required to be filed by the Company or its subsidiaries. The Federal income tax returns for the Company and its subsidiaries have been examined by the Internal Revenue Service for all past years and periods through and including December 31, 1981. As of the date hereof, the Internal Revenue Service is not engaged in any audit relating to the Company's federal income tax returns for any period ending after December 31, 1981. The Company and its subsidiaries have paid, or made provisions

for the payment of, all federal, foreign, state and local income, franchise, property and sales taxes (including any corporate income tax payable on income apportioned to a unitary group) for periods covered by such returns or anticipated to be payable by them (together with applicable interest and penalties) in respect of all periods through the date hereof, to the extent such taxes have become due and are not being contested by the Company or its subsidiaries in good faith. Since December 31, 1986, no deficiencies have been asserted against the Company or any of its subsidiaries by federal, state or local tax authorities except for deficiencies which will not have a material adverse effect on the financial condition of the Company and its subsidiaries, taken as a whole.

3.10. Termination Payments. Except as contemplated hereby or as set forth in the Disclosure Letter, neither the Company nor any of its subsidiaries is party to any agreement requiring the Company or such subsidiary to make a payment or provide any other form of compensation or benefit to any person performing services for the Company or any of its subsidiaries upon termination of such services which would not be payable or provided in the absence of the consummation of the transactions contemplated by this Agreement.

3.11. Employee Benefit Plans; ERISA. (a) The Disclosure Letter lists each employee pension benefit plan (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) to which the Company or any of its subsidiaries contributes on behalf of its employees, setting forth the names of such plans and the trustees of such plans, and the basis of the Company's and each of its subsidiaries' contributions thereto. True, correct and complete copies of each of such plans and trusts (other than multi-employer plans to the extent such delivery is impracticable), including all amendments thereto, have been furnished to Stone. There has also been furnished to Stone with respect to each of such plans (other than multi-employer plans) the most recent annual report on Form 5500, actuarial valuation report and summary plan description. Except as set forth in the Disclosure Letter, none of such plans is (i) a multi-employer plan as defined in Section 414(f) of the Internal Revenue Code of 1986 (the "Code") or Section 4001(3) of ERISA, or (ii) a plan with respect to which more than one employer makes contributions within the meaning of Sections 4063 and 4064 of ERISA.

(b) With respect to each of such plans (other than multi-employer plans in the case of paragraph (i), (ii), (iii) or (iv) below):

(i) as of the Effective Time all contributions required for such plan for the plan year most recently ended and for all prior plan years will have been made or accrued on the Company's Preliminary 1986 Financials;

(ii) no reportable event, as such term is defined in Section 4043(b) of ERISA, has occurred with respect to any of such plans which are subject to Section 4043(b) of ERISA, other than those which will not have a material adverse effect on the Company and its subsidiaries, taken as a whole, which might arise as a result of the transactions contemplated by this Agreement or which pursuant to applicable regulations are not subject to the 30-day notice to the Pension Benefit Guaranty Corporation;

(iii) the total assets of such plans are sufficient to discharge all liabilities of the plans on a termination basis (other than the Riegel and SFI-LSW plans, as to which the amount of any deficiency shall not exceed $4,600,000);

(iv) the 1986 annual costs for funding each defined benefit pension plan (within the meaning of Section 414(j) of the Code) in accordance with the minimum funding requirements of Section 412 of the Code, based on the actuarial assumptions used by the current enrolled actuary for such plan, which assumptions have been certified by such actuary to be reasonable, are not more than the amounts specified in the Disclosure Letter; and

(v) as of the Effective Time, no event will have occurred which will result in the imposition of liability on the Company under Section 4063 or 4201 of ERISA.

(c) The Disclosure Letter lists all deferred compensation plans, all supplemental death, disability, and retirement plans, all medical reimbursement plans, all employee welfare benefit plans (within the meaning of Section 3(1) of ERISA), all severance plans, all material bonus plans and all other material employee benefit plans or arrangements of any kind or character, whether written or oral, maintained by the Company or any of its subsidiaries. Except as set forth in the Disclosure Letter, none of such plans or arrangements provides benefits to employees or their dependents after retirement. True, correct and complete copies or descriptions of all such plans and arrangements have been furnished to Stone (other than multi-employer and hourly plans to the extent such delivery is impracticable).

3.12. Physical Condition of Facilities. The Company's physical facilities have been maintained in accordance with the Company's customary maintenance practices and are in a state of repair (normal wear and tear excepted) which the Company believes to be adequate for the normal use of such facilities in the ordinary conduct of the business of the Company. Without limiting the foregoing, but subject to ordinary wear and tear, such facilities are not in need of maintenance or improvements (either for purposes of preserving existing capacity, maintaining quality of product, compliance with applicable environmental regulations or production at historical costs, in each case in all material respects) except for maintenance and improvements in the ordinary course not having a cost which will exceed the average of the Company's 1984, 1985 and 1986 costs.

3.13. Compliance with Environmental Laws. Neither the Company nor any of its subsidiaries has received any notification from any governmental authority or, to the best knowledge of any of the Company's executive officers (including, for this purpose, the Company official primarily responsible for environmental compliance matters), from any other person that there is any violation of any environmental laws, ordinances, or regulations with respect to the business or properties of the Company and its subsidiaries, which violation will have a material adverse effect on the business or financial condition of the Company and its subsidiaries, taken as a whole. Such business and the use of such properties conforms in all material respects to all applicable environmental laws, ordinances, regulations and rules. In particular, no waste materials, no hazardous materials and no hazardous substances have been disposed of or placed on the property in violation of law, except for violations which have and will have no material adverse effect on the business or financial condition of the Company and its subsidiaries, taken as a whole. All known underground tanks on the properties of the Company or any or its subsidiaries have been properly registered with the appropriate governmental agency or agencies as required by applicable law except where the failure to so register will not have a material adverse effect on the business or financial condition of the Company and its subsidiaries, taken as a whole.

3.14. Accuracy of Representations and Warranties. No representation or warranty by the Company in this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading; provided that the representation and warranty contained in this Section 3.14 is

subject to exception in respect of any matters set forth in the Disclosure Letter.

4. CONDUCT OF BUSINESS PENDING THE MERGER

(a) The Company covenants and agrees that, prior to the Effective Time, unless the Purchaser shall otherwise agree in writing or as otherwise set forth in this Agreement:

(i) the businesses of the Company and its subsidiaries shall be conducted only in, and the Company and its subsidiaries shall not take any action except in, the ordinary course of business and consistent with past practice;

(ii) the Company shall not directly or indirectly do any of the following: (A) issue, sell, pledge, dispose of or encumber (or permit any of its subsidiaries to issue, sell, pledge, dispose of or encumber) (1) any capital stock of any of its subsidiaries, or (2) except inventory and other minor assets in the ordinary course of business, any assets of the Company or any of its subsidiaries; (B) amend or propose to amend its Articles of Incorporation or By-laws; (C) split, combine or reclassify any outstanding shares of its capital stock, or declare, set aside or pay any dividend payable in cash, stock, property or otherwise with respect to such shares other than under the Second Rights Agreement and other than with respect to the Preferred Stock; (D) redeem, purchase, acquire or offer to acquire (or permit any of its subsidiaries to redeem, purchase, acquire or offer to acquire) any shares of its capital stock, other than mandatory redemption of the Preferred Stock; or (E) agree to do any of the foregoing;

(iii) neither the Company nor any of its subsidiaries shall (A) except for shares of Common Stock issuable as set forth in clauses (iii) and (iv) of Section 3.3 hereof or pursuant to the Stock Option Agreement (as hereinafter defined) or Common Stock Purchase Rights issued pursuant to the Second Rights Agreement, issue, sell, pledge or dispose of, or agree to issue, sell, pledge or dispose of, any additional shares of, or any options, warrants or rights of any kind to acquire any shares of, its capital stock of any class; (B) acquire (by merger, consolidation, or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof; (C) incur any

indebtedness for borrowed money or issue any debt securities except in the ordinary course of business and consistent with past practice; (D) enter into any computer lease; (E) agree to do any of the foregoing; or (F) release or relinquish any material contract rights or amend any material contract not in the ordinary course of business;

(iv) neither the Company nor any of its subsidiaries shall take any action other than in the ordinary course of business and consistent with past practice (none of which actions shall be unreasonable or unusual) with respect to the grant of any severance or termination pay (otherwise than pursuant to policies or consistent with practices of the Company or any of its subsidiaries generally in effect prior to the date hereof) or with respect to any increase of benefits payable under its severance or termination pay practices in effect on the date hereof;

(v) neither the Company nor any of its subsidiaries shall (except for salary increases in the ordinary course of business and consistent with past practices) adopt or amend, in any material respect, except as may be required by applicable law or regulation, any bonus, profit sharing, compensation, stock option, pension, retirement, deferred compensation, employment or other employee benefit plan, agreement, trust, fund, plan or arrangement for the benefit or welfare of any employee;

(vi) the Company shall not amend in any respect the Second Rights Agreement; and

(vii) the Company shall use its best efforts, to the extent not prohibited by the foregoing provisions of this paragraph (a), to maintain its relationships with its employees, suppliers and customers, and if and as requested by Stone or the Purchaser, (A) the Company shall make reasonable arrangements for representatives of Stone or the Company to meet with customers and suppliers of the Company and (B) the Company shall schedule, and the management of the Company shall participate in, meetings of representatives of Stone or the Purchaser with employees of the Company, provided that management of the Company shall have the right to be present at all meetings involving Stone or the Purchaser and any customers, suppliers or employees of the Company.

(b) Nothing in this Article 4 shall prohibit the actions contemplated by this Agreement or the following actions intended to be taken after the date hereof:

(i) the redemption of the Company's 10% Convertible Debentures due 2003; provided that prior to taking any such action the Company shall advise and consult with Stone with respect thereto;

(ii) the payoff of the outstanding loan from the Continental Illinois Bank and Trust Company of Chicago;

(iii) the making of capital expenditures related to the Panama City, Florida Pulp and Paper Mill Modernization Program and up to $15,000,000 of other special capital expenditures and the entering into capital leases in an aggregate amount of up to $5,000,000 covering transportation, material handling or office equipment; provided that prior to taking any such action the Company shall advise and consult with Stone with respect thereto;

(iv) the execution and delivery of Indemnification Agreements with directors and officers of the Company in the form approved by Stone prior to or concurrently with the execution and delivery hereof;

(v) the declaration and payment of dividends by subsidiaries to the Company consistent with past practices;

(vi) the sale of up to 74,000 acres of Company-owned timberland; provided that prior to taking any such action the Company shall advise and consult with Stone with respect thereto;

(vii) the sale in arms-length transactions and/or liquidation of the Company's trucking assets; provided that prior to taking any such action the Company shall advise and consult with Stone with respect thereto; and

(viii) the amendment of the Company's By-Laws with respect to the number and term of directors.

(c) The Purchaser covenants and agrees that, prior to the Effective Time, it will not engage in any business or take any action which is not contemplated by this Agreement.

(d) Each of Stone and the Purchaser covenants and agrees that it will use its best efforts to negotiate in good faith, and execute and deliver, definitive loan agreements providing for the financing referred to in Section 6.3(d) hereof and containing no conditions to funding other than those which are customary in transactions of the type contemplated hereby (the "Definitive Loan Agreements") and to take such other action as may be necessary or appropriate to satisfy as soon as practicable the condition described in such Section, provided that in no event shall the Purchaser be required to enter into definitive loan agreements containing terms and conditions more onerous than those specified in the Bank Letters. Each of Stone and the Purchaser agree to provide the Company with true and complete copies of the Definitive Loan Agreements promptly upon the execution and delivery thereof. Stone and the Purchaser shall each use its best efforts at its own expense to satisfy on the earlier of the date required by the Definitive Loan Agreements (if so required) or the Effective Time all requirements of the Definitive Loan Agreements to be satisfied or complied with by it thereunder which are conditions to funding. The obligations contained in the preceding sentence are not intended, nor shall they be construed, to benefit or confer rights upon any lending institution.

5. ADDITIONAL AGREEMENTS

5.1. Meeting of Stockholders of the Company.

(a) The Company shall take all action necessary in accordance with the laws of the State of Nevada and its Articles of Incorporation and By-laws to convene a meeting (the "Meeting") of its stockholders to consider and vote upon the Merger. The Board of Directors of the Company shall, subject to applicable law and the fiduciary duties of such Board of Directors, recommend that the stockholders of the Company vote to approve this Agreement. Subject as aforesaid, the Company shall use its best efforts to solicit and secure from stockholders of the Company proxies in favor of such approval.

(b) As promptly as practicable after the date hereof, the Company shall prepare and file with the Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), a preliminary proxy statement pertaining to the Merger. Stone and the Purchaser shall cooperate fully with the Company in the preparation and filing of such proxy statement and any amendments and supplements thereto. The Company will use its best efforts to have any review thereof conducted by the Commission completed promptly. The Company shall cause to be mailed a definitive proxy statement to its stockholders entitled to vote at the Meeting

promptly following completion of any review by, or the termination of any applicable waiting period of, the Commission provided that Stone shall have delivered to the Company executed copies of the Definitive Loan Agreements (as defined in Section 4(d)) and Merrill Lynch Capital Markets ("Merrill Lynch") or another nationally recognized investment banking firm selected by the Company's Board of Directors shall have furnished to the Board of Directors its opinion, dated the date of such mailing, to the effect that, from a financial point of view, the consideration to be paid to the Company's stockholders in the Merger is fair. The Company represents and warrants to Stone and the Purchaser that, on the date any such proxy statement is first mailed to the Company's stockholders, such information will not contain any untrue statement of a material fact or omit to state any material fact required or necessary to make such information, in light of the circumstances under which such information is presented, not misleading. The Company agrees to correct any information provided by it for use in any such proxy statement which shall have become false or misleading in any material respect and to comply promptly with applicable legal requirements regarding amendment of the proxy statement to the extent necessary to reflect any amendment to this Agreement prior to the Meeting.

5.2. Fees and Expenses. (a) If this Agreement is terminated by the Purchaser pursuant to Section 7.1(d) because the condition contained in Section 6.3(a), 6.3(c) or 6.3(e) shall not have been satisfied at or prior to the Effective Time pursuant to the terms of such Section (unless due to delay or default on the part of Stone or the Purchaser or any of their affiliates or associates), the Company will, within ten days after such termination of this Agreement, reimburse Stone for reasonable out-of-pocket expenses (not in excess of $7,000,000 in the aggregate) incurred by Stone and the Purchaser or on their behalf in connection with this Agreement, including, but not limited to, all financing, banking and break-up fees, including all out-of-pocket expenses, due diligence expenses and legal fees incurred by or on behalf of their investment banker and banks, any fees or expenses which Stone or the Purchaser has paid or become obligated to pay in connection with any of the transactions contemplated by this Agreement (including travel expenses), and all legal, accounting and other professional fees and printing costs incurred by or on behalf of Stone or the Purchaser.

(b) If both of the following conditions are satisfied:

(i) any of the following events shall occur within the nine-month period following the date of this Agreement.

(A) the Company is acquired by merger or otherwise by another party (other than any Excluded Person, as defined in Section 5.3(b));

(B) another entity, person or group of persons acting together (other than any Excluded Person) acquires more than 50% of the Company's total assets; or

(C) another entity, person or group of persons acting together (other than any Excluded Person) acquires or comes to hold beneficial ownership of more than 50% of the then outstanding shares of Common Stock; and

(ii) in the case of any transaction described in the preceding clauses (A), (B) or (C), such transaction or transactions (collectively the "Triggering Transaction") results in the Company or holders of Common Stock receiving, within such nine-month period, consideration with an average fair value per share of Common Stock in excess of the Merger Price,

then the Company will, within ten days after such termination of this Agreement, pay to Stone a fee equal to $8,000,000 less the aggregate amount paid or payable by the Company pursuant to paragraph (a) or (c) of this Section 5.2; provided that in no event shall the Company be required to pay such amount if the Triggering Transaction was commenced after the termination of this Agreement (i) by the Company pursuant to Section 7.1(c) because the condition contained in Section 6.2 shall not have been satisfied, (ii) by Stone pursuant to Section 7.1(d) because the condition contained in Section 6.3(d) shall not have been satisfied primarily on account of a reason other than the business, properties or financial condition of the Company or (iii) by the Company pursuant to Section 7.1(e) because either of the events referred to in such Section have occurred primarily on account of a reason other than the business, properties or financial condition of the Company.

(c) If this Agreement is terminated by the Company pursuant to Section 7.1(g), the Company will, within ten days after such termination of this Agreement, pay to Stone a fee equal to the amount by which $7,000,000 exceeds the aggregate amount paid or payable by the Company pursuant to paragraph (a) or (b) of this Section 5.2.

(d) If this Agreement is terminated by the Company pursuant to Section 7.1(c) because the condition contained in Section 6.2 shall not have been satisfied at or prior to the Effective Time pursuant to the terms of such Section (unless due to delay or default on the part of the Company

or its affiliates or associates), then Stone will, within ten days after such termination of this Agreement, reimburse the Company for all reasonable out-of-pocket expenses (not in excess of $2,000,000 in the aggregate) incurred by the Company or on its behalf in connection with this Agreement, including, but not limited to, all financing, banking and break-up fees, the fees and expenses (including travel expenses) of outside counsel in connection with the negotiation, preparation, execution and performance of this Agreement and the fees and expenses (including travel expenses) payable to Merrill Lynch or any other financial advisor engaged by the Company or its Board of Directors (or any committee thereof) and all filing fees and printing costs.

(e) Except as set forth above, all legal and other costs and expenses incurred in connection with this Agreement and the consummation of the transactions contemplated hereby shall be paid by the party incurring such expenses.

(f) There shall be deducted from the aggregate amount, if any, payable to Stone pursuant to Section 5.2(a), 5.2(b) or 5.2(c), as the case may be, any profits realized by Stone or any affiliate of Stone (other than the Company if at such time it is an affiliate of Stone) in connection with the exercise of its rights under the Stock Option Agreement. If, at the time such aggregate amount is due and payable, Stone has not exercised its rights under the Stock Option Agreement or has not realized any profits therefrom, such aggregate amount will be paid without any such deduction, provided that, promptly upon the subsequent exercise of any such rights and realization of such profits by Stone or any affiliate of Stone, Stone will remit to the Company the profits received by it or such affiliate in connection with such exercise, up to such aggregate amount.

(g) In no event shall the aggregate amount payable by the Company pursuant to this Section 5.2 exceed $8,000,000.

5.3 Restrictions on Transfer. (a) Stone agrees that, without the prior consent of the Company, prior to three years from the date of this Agreement, it will not, and will not permit any affiliate controlled by Stone to, sell, transfer or otherwise dispose of any of the Optioned Shares, as defined in the Stock Option Agreement, dated as of the date hereof, between Stone and the Company (the "Stock Option Agreement"), or any other shares of Common Stock held by or for the benefit of Stone or such affiliate (the Optioned Shares and such other shares being hereinafter collectively referred to as the "Restricted Shares") except:

(i) upon consummation of a merger or other business combination involving the Company;

(ii) pursuant to a public exchange or tender offer by a third party to purchase shares of Common Stock, provided, however, that in the case of a disposition permitted under this subparagraph (ii), Stone shall give the Company five business days' written notice of its intention to tender Restricted Shares pursuant to the offer and the Company, or a person or persons designated by the Company, shall have the right to purchase all of the Restricted Shares proposed to be tendered up to two business days prior to the initial expiration of withdrawal rights under the offer at the price specified in such offer;

(iii) pursuant to a bona fide third party offer (the "Third Party Offer") but only if Stone shall have first offered to sell the specified number of Restricted Shares to the Company or its designee at the same purchase price and subject to the same terms and conditions as the Third Party Offer and within 10 days of receipt of such notice the Company shall not have advised Stone of its acceptance of such Offer; provided that if the Company exercises its right of first refusal hereunder, the Company shall be required to deliver to Stone a sum equal to the purchase price specified in the Third Party Offer within three days after Stone's receipt of notice from the Company of exercise of its first refusal right and if the Company fails to deliver such sum at such time, Stone shall again be free to sell the specified number of Restricted Shares pursuant to the Third Party Offer; and provided further that any decrease in the price of the Third Party Offer shall be deemed to constitute a new offer which is subject to the Company's right of first refusal contained herein;

(iv) in compliance with the volume limitations of Rule 144 (or any successor to such Rule) under the Securities Act of 1933, as amended (the "Securities Act"); or

(v) in a widespread distribution registered under the Securities Act in which the Restricted Shares are offered and sold to the public.

(b) Stone agrees that until the third anniversary of the date hereof it will not, and will not permit any of its affiliates to, (i) acquire, offer or propose to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, any shares of Common Stock (through purchase, exchange, conversion or otherwise), other than in connection with a distribution made proportionately to all stockholders as part of a stock dividend, stock split or other similar event, (ii) make, or in any way participate, directly or indirectly, in any "solicitation" of "proxies" to vote (as such terms are used in the proxy rules of the Commission), or seek to advise, encourage or influence any person or entity with respect to shares of Common Stock or initiate, propose or otherwise solicit stockholders of the Company for the approval of one or more stockholder proposals at any time, or induce or attempt to induce any other person to initiate any stockholder proposal, (iii) form, join or in any way participate in a group with respect to any shares of Common Stock, (iv) deposit any shares of Common Stock into a voting trust or subject any shares of Common Stock to any arrangement or agreement with respect to the voting of such shares (other than an set forth in Section 5.4 hereof), or (v) except as contemplated by Article 4 hereof, otherwise act, alone or in concert with others, to seek to control or influence the management, Board of Directors or policies of the Company. Nothing contained in this Section 5.3 shall prohibit Stone from (x) consummating the Merger, (y) taking the action described in (ii) above in support of the Merger, or (z) alone or in concert with others, acquiring, offering or proposing to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, any shares of Common Stock (through purchase, exchange, conversion or otherwise) if one or more of the following events shall have occurred on or after the date hereof or Stone shall have become aware on or after the date hereof of the occurrence after November 13, 1986 of any of the following events: (1) any person, corporation, entity or group (such person, corporation, entity or group being referred to hereinafter, singularly or collectively, as a "Person"), other than Stone or its affiliates or any group in which Stone or any of its affiliates participates (collectively, "Excluded Persons"), acquires or becomes the beneficial owner of more than 20% of the outstanding shares of Common Stock (other than acquisitions for bona fide arbitrage purposes and acquisitions by Excluded Persons); (2) any new group (other than a group in which an Excluded Person participates) is formed which beneficially owns more than 20% of the outstanding shares of Common Stock; (3) any Person (other than any Excluded Person) shall have commenced a tender or exchange offer for at least 30% of the then outstanding shares of Common Stock pursuant to which common stockholders of the Company would be entitled to receive consideration having a fair value in excess of the consideration to be paid in the Merger; or (4) there is a public announcement by the Company of its intention to effect a

merger, consolidation, sale of all or substantially all the assets of the Company or other business combination involving the Company and any Person (other than any Excluded Person) pursuant to which common stockholders of the Company would be entitled to receive consideration per share of Common Stock having a fair value in excess of the Merger Price. For purposes of this Agreement, the terms "group" and "beneficial owner" shall be defined by reference to Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. Notwithstanding the foregoing, the term "group" shall not include any group that may be formed in support of the Merger.

5.4. Voting Restrictions. Until the third anniversary of the date hereof, unless otherwise requested by the Company in writing, Stone will cause all shares of Common Stock owned by Stone or any of its affiliates to be represented (in person or by proxy) at all meetings of the Company's stockholders so that all shares of Common Stock owned by Stone and its affiliates may be counted for the purpose of determining the presence of a quorum at such meetings. Until the third anniversary of the date hereof, Stone will vote or cause to be voted all shares of Common Stock owned by Stone or any of its affiliates in favor of the election as directors any and all individuals recommended for such election by the Board of Directors of the Company.

5.5. Other Agreements. (a) Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement, including, without limitation, using all reasonable efforts to obtain all necessary waivers, consents and approvals and to effect all necessary registrations and filings, including, but not limited to, filings which may be required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") and submissions of information requested by governmental authorities; provided that the foregoing shall not require any party to agree to make any divestiture of a significant asset in order to obtain any waiver, consent or approval.

(b) Each of Stone and the Purchaser represents and warrants that the information supplied and to be supplied by Stone and the Purchaser for use in any and all documents to be filed with the Commission and/or distributed to the Company's stockholders by any individual or entity pursuant to this Agreement shall, on the date any of such documents

are filed with the Commission, and on the date any of such documents are first published, sent or given to the Company's stockholders, as the case may be, and on the date of the Meeting not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and each of Stone and the Purchaser agrees promptly to furnish the Company with corrected information (which the Company shall cause to be filed with the Commission and disseminated to the Company's stockholders as and to the extent required by applicable law) if any of such information shall have become false or misleading in any material respect.

5.6. Inquiries and Negotiations. The Company and its subsidiaries shall not, and shall use their best efforts to cause their respective officers, employees, representatives or agents not to, directly or indirectly, (a) encourage, solicit or initiate or participate in discussions or negotiations with, or provide any non-public information to, any Person, other than an Excluded Person or an officer, partner, employee or other authorized representative of an Excluded Person) concerning any merger, sale of substantial assets (other than in the ordinary course of business) or other business combination involving the Company or any subsidiary or division of the Company (all such transactions being referred to herein as "Acquisition Transactions") or (b) otherwise solicit, initiate or encourage the submission of any proposal contemplating an Acquisition Transaction. Notwithstanding the foregoing, the Company may furnish any public or non-public information concerning its business, properties or assets to any Person or discuss with any Person an Acquisition Transaction if outside counsel to the Company advises the Company's Board of Directors that, in the exercise of their fiduciary responsibilities, such information should be provided to such other party. The Company will promptly communicate to the Purchaser the terms of any proposal which it may receive in respect of an Acquisition Transaction. The Company's notification under this Section 5.6 shall include the identity of the Person making such proposal or any other such information with respect thereto as Stone or the Purchaser may reasonably request. Nothing contained herein or in Section 5.1 shall be construed to prohibit the Company from taking and disclosing to its stockholders a position contemplated by Regulation 240.14e-2(a)(1), (2) or (3) promulgated under the Exchange Act or from making such other disclosure to stockholders which, in the judgment of the Company, on the advice of counsel, may be required by law.

5.7. Notification of Certain Matters. The Company shall give prompt notice to the Purchaser, and the Purchaser and Stone shall give prompt notice to the Company, of (a) the occurrence, or failure to occur, of any event which such

party believes would be likely to cause any of its representations or warranties contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date hereof to the Effective Time and (b) any material failure of the Company, the Purchaser or Stone, as the case may be, or any officer, director, employee or agent thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that failure to give such notice shall not constitute a waiver of any defense which may be validly asserted.

5.8. Access to Information. (a) The Company shall, and shall cause its subsidiaries, officers, directors, employees and agents, including attorneys and accountants, to afford the officers, employees and agents of Stone and the Purchaser access at all reasonable times to, from the date hereof to the Effective Time, its officers, employees, agents, properties, books and records, and shall furnish Stone and the Purchaser all financial, operating and other data and information as Stone or the Purchaser, through its officers, employees or agents, may reasonably request. In addition, if requested by Stone or the Purchaser, the Company shall cooperate with Stone and the Purchaser in making reasonable arrangements for representatives of Stone or the Purchaser to meet with regulatory authorities having jurisdiction over the Company or its properties.

(b) Each of Stone and the Purchaser shall, and shall cause its subsidiaries, officers, directors, employees and agents to, afford the officers, employees and agents of the Company with access to such information concerning the Purchaser as may be necessary for the Company to ascertain the accuracy and completeness of the information supplied by the Purchaser for inclusion in any pre-merger notification report filed under the HSR Act (and any additional information or documentary material supplied in response to any request pursuant to Section 7A(e) of the HSR Act and the regulations thereunder) or in the proxy statement referred to in Section 5.1(b) hereof and to verify the accuracy and performance of and compliance with their representations, warranties, covenants and conditions herein contained.

(c) No investigation pursuant to this Section 5.8 shall affect, add to or subtract from any representations or warranties or the conditions to the obligations of the parties hereto to consummate the Merger.

(d) If this Agreement is terminated, Stone and the Purchaser will, and will cause their officers, employees and agents to, deliver promptly to the Company all non-public documents, work papers and other materials, and all copies

thereof, obtained by Stone or the Purchaser or on their behalf from the Company as a result of this Agreement or in connection herewith, whether so obtained before or after the execution hereof. Stone, the Purchaser and their respective officers and employees will not disclose any information so obtained, except as required by applicable law or legal process, without the prior written consent of the Company; provided that any such information may be disclosed to Stone's accountants, counsel and other representatives as may be appropriate or required in connection with the transactions contemplated hereby but only if such Persons shall be specifically informed by Stone of the confidential nature of such information and the restrictions contained herein.

(e) If this Agreement is terminated, the Company will, and will cause its officers, employees and agents to, deliver promptly to Stone all non-public documents, work papers and other materials, and all copies thereof, obtained by the Company or on its behalf from Stone or the Purchaser as a result of this Agreement or in connection herewith, whether so obtained before or after the execution hereof. The Company and its officers and employees will not disclose any information so obtained, except as required by applicable law or legal process, without the prior written consent of Stone or the Purchaser; provided that any such information may be disclosed to the Company's accountants, counsel and other representatives as may be appropriate or required in connection with the transactions contemplated hereby but only if such Persons shall be specifically informed by the Company of the confidential nature of such information and the restrictions contained herein.

5.9. Defaulted Securities. If the Merger would constitute an event of default or an event which with the giving of notice or passage of time would constitute an event of default under the terms of any securities issued by the Company or any of its subsidiaries outstanding at the Effective Time, or if the Merger would result in a breach, violation, right of termination or acceleration of performance or encumbrance pursuant to the terms of any such securities, the Company and the Purchaser shall use their best efforts to obtain prior to the Effective Time an amendment or waiver thereof. If the Company is unable to obtain any such waiver or amendment with respect to any such securities (the "Defaulted Securities"), it shall redeem or repay immediately prior to or at the Effective Time such Defaulted Securities; provided that that Company shall not be obligated to give any prepayment or redemption notice or otherwise become obligated to effect any redemption or prepayment unless and until the Company (at the direction of Stone) shall have offered the holders of such Defaulted Securities, as an inducement for such holders to waive any applicable prepay-

ment or redemption notice (or the consequences thereof) called for under the terms of the relevant instrument, the prepayment premium or penalty, if any, payable in connection with the prepayment or redemption of such Defaulted Securities as of the Effective Time. If any such holder shall refuse to give such a waiver and if an irrevocable notice shall be given and this Agreement is terminated (other than pursuant to Section 7.1(g) or pursuant to Section 7.1(d) because the conditions contained in Section 6.3(a), 6.3(c) or 6.3(d) shall not have been satisfied), then Stone and the Company shall equally bear the net expense of (a) the prepayment premium or penalty and (b) the incremental cost or benefit of the Company's replacement refinancing.

5.10. Further Action. If at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and possession of all assets, property, rights, privileges, powers and franchises of either of the Constituent Corporations, the officers and directors of the Surviving Corporation are fully authorized, in the name of a Constituent Corporation or otherwise, to take, and shall take, all such lawful and necessary action.

5.11. Severance Payments. Upon the involuntary termination (other than any termination by the Surviving Corporation for good cause or gross insubordination) within six months of the Effective Time of any salaried employee located at the Company's headquarters not entitled to the benefits of an agreement providing for the payment of termination benefits, the Surviving Corporation shall pay to such employee, at the time of such termination, an amount equal to the greater of (i) six weeks' salary or (ii) one week's salary for each year of employment with the Company.

5.12. Employee Benefit Plans. Stone intends to conduct a review of the employee benefit plans and programs of the Company, and agrees that after the Effective Time the Surviving Corporation shall sponsor employee benefit plans and programs that, in the judgment of the board of directors of the Surviving Corporation, are appropriate for the Surviving Corporation taking into consideration the employee benefit plans and programs currently in effect at Stone. In any event, the Surviving Corporation will maintain employee benefit plans consistent with those available to Stone's comparable employees generally.

6. CONDITIONS TO THE MERGER

6.1. Conditions to the Company's and the Purchaser's Obligations to Effect the Merger. The respective

obligations of the Company and the Purchaser to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) The approval of the stockholders of the Company shall have been obtained in accordance with the laws of the State of Nevada and the Company's Articles of Incorporation.

(b) All waiting periods applicable to the Merger under the HSR Act shall have expired or been terminated.

(c) At the Effective Time, there shall be no effective injunction, writ or preliminary restraining order or any order of any nature issued by a court or governmental agency of competent jurisdiction directing that the Merger not be consummated as herein provided.

6.2. Condition to the Company's Obligation to Effect the Merger. The obligation of the Company to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the additional condition that Stone and the Purchaser shall have performed in all material respects their agreements contained in this Agreement required to be performed on or prior to the Effective Time and the representations and warranties of Stone and the Purchaser contained in this Agreement shall be true in all material respects at and as of the Effective Time as if made on and as of the Effective Time, except as contemplated or permitted by this Agreement, and the Company shall have received a certificate of Stone and the Purchaser, signed by the Chairman, the President or a Vice President of each, to that effect.

6.3. Conditions to the Purchaser's Obligation to Effect the Merger. The obligations of the Purchaser to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) The Company shall have performed in all material respects its agreements contained in this Agreement required to be performed on or prior to the Effective Time and the representations and warranties of the Company contained in this Agreement shall be true in all material respects on and as of the Effective Time as if made at and as of the Effective Time, except as contemplated by this Agreement, and the Purchaser shall have received a

certificate of the Company signed by the Chairman, the President or a Vice President of the Company, to that effect. For purposes of this clause (a), the representations and warranties of the Company contained in this Agreement shall be deemed to be true in all material respects unless the adverse effect on the financial condition of the Company and its subsidiaries, taken as a whole, of all untrue representations and warranties would, with reasonable probability, exceed $30,000,000 in the aggregate. For purposes of such calculation, there shall be excluded any item the adverse effect of which is less than $50,000. Notwithstanding anything to the contrary in this Agreement, neither the reference in this paragraph (a) to $30,000,000 nor the reference to $50,000 shall in any way be deemed to be an agreement or understanding between the parties as to meaning of the term material as used in this Agreement (other than in this paragraph (a)).

(b) The Purchaser shall have received an opinion from Andrews & Kurth, counsel to the Company, dated the date of the Merger, to the effect that:

(i) The Company is a corporation duly incorporated and validly existing under the laws of the State of Nevada.

(ii) The Company has the corporate power to enter into this Agreement and to consummate the transactions contemplated thereby; and the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by requisite corporate action taken on the part of the Company.

(iii) This Agreement has been executed and delivered by the Company.

(iv) Neither the execution, delivery nor performance of this Agreement by the Company, nor the consummation of the Merger, will violate the Articles of Incorporation or By-laws of the Company, and, to the knowledge of such counsel and except as disclosed in the Disclosure Letter or in such opinion, will not constitute a violation of or a default under

any of the contracts, agreements or instruments to which the Company or any of its subsidiaries are a party and which have been identified as material (as defined in Item 601 of Regulation S-K of the Commission) in a certificate of the Company furnished to such counsel.

(v) All issued and outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid and non-assessable and free of preemptive rights.

As to any matter in such opinion which involves matters of fact or matters relating to laws other than the laws of the State of Texas or Delaware corporate law, Andrews & Kurth may rely upon the certificates of officers and directors of the Company and of public officials and an opinion of local counsel, reasonably acceptable to Stone and the Purchaser, provided that a copy of any such reliance opinion is attached as an exhibit to the opinion of Andrews & Kurth and Andrews & Kurth states in their opinion that they have no reason to believe that reliance on such attached opinion of local counsel is not justified. Such opinion of Andrews & Kurth may also contain such exceptions, qualifications and explanations as shall be approved by counsel to Stone, which approval shall not be unreasonably withheld.

(c) Each holder of a then-outstanding Stock Option (whether or not then presently exercisable) shall have entered into an agreement requiring such holder to surrender such Stock Option and causing the cancellation of such Stock Option upon consummation of the Merger solely in consideration of the payment to the holder of a cash amount equal to the number of shares subject to such Stock Option (whether or not presently exercisable) multiplied by the excess of the Merger Price over the exercise price per share of such Stock Option, and such agreement shall be reasonably satisfactory in form and substance to the Purchaser and in full force and effect.

(d) Stone and the Purchaser shall have obtained financing that will enable the consummation of the Merger, which financing shall be on terms and conditions reasonably satisfactory to Stone and the Purchaser. For purposes hereof, Stone and the Purchaser agree that the terms and conditions of the financing described in the Bank Letters are satisfactory.

(e) The Company shall have redeemed the Common Stock Purchase Rights issued under the Rights Agreement.

(f) The report of Price Waterhouse on the financial statements of the Company and its subsidiaries as of and for the year ending December 31, 1986 shall have been unqualified (other than with respect to a consistency qualification resulting from the adoption of FAS 87 relating to accounting for pensions) and the financial statements with respect to which such report is issued shall not be inconsistent in any material adverse respect with the Preliminary 1986 Financials.

7. TERMINATION, AMENDMENT AND WAIVER

7.1. Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of this Agreement by the stockholders of the Company:

(a) by mutual written consent of the Boards of Directors of the Purchaser and the Company; or

(b) by either the Purchaser or the Company if the Merger shall not have been consummated on or before May 31, 1987; or

(c) by the Company if any of the conditions specified in Sections 6.1 and 6.2 has not been met or waived by the Company at such time as such condition can no longer be satisfied; or

(d) by the Purchaser if any of the conditions specified in Sections 6.1 and 6.3 has not been met or waived by the Purchaser at such time as such condition can no longer be satisfied; or

(e) by the Company if (i) the Definitive Loan Agreements shall not have been executed and delivered on or prior to April 15, 1987, or (ii) any of the Definitive Loan Agreements so executed and delivered on or prior to April 15, 1987 shall cease to be in full force and effect at any point in time after April 15, 1987 (unless, prior to such date, definitive loan agreements in substitution therefor or in replacement thereof shall have been executed in accordance with Section 4(d)); or

(f) by either the Purchaser or the Company if any court of competent jurisdiction in the United

States or other United States governmental body shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action shall have become final and nonappealable; or

(g) by the Company if a written proposal to effect an Acquisition Transaction is received by the Company's Board of Directors from any person other than an Excluded Person which, based on the advice of the Company's independent financial advisor, the Company's Board of Directors in good faith determines to be a financial consideration in excess of the Merger Price.

7.2. Effect of Termination. In the event of the termination of this Agreement as provided in Section 7.1, this Agreement shall forthwith become void and there shall be no liability on the part of Stone, the Purchaser or the Company, and each shall be responsible for its own expenses, except the parties shall continue to be responsible for all obligations undertaken pursuant to Sections 5.2, 5.3, 5.4, 5.8(d), 5.8(e), 5.9, 8.6 and 8.7.

7.3. Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. After the approval of this Agreement by the stockholders of the Company, no amendment may be made which decreases the amount of cash to which the stockholders of the Company are entitled pursuant to Section 1.5.

7.4. Waiver. At any time prior to the Effective Time, whether before or after the Meeting, any party hereto, by action taken or authorized by its Board of Directors, may (a) in the case of the Purchaser or Stone, extend the time for the performance of any of the obligations or other acts of the Company or, subject to the anti-amendment provision contained in Section 7.3, waive compliance with any of the agreements of the Company or with any conditions to the respective obligations of the Purchaser or Stone, or (b) in the case of the Company, extend the time for the performance of any of the obligations or other acts of the Purchaser and/or Stone, or, subject to the anti-amendment provisions contained in Section 7.3, waive compliance with any of the agreements of the Purchaser and/or Stone, or with any conditions to its own obligations. Any agreement on the part of a party hereto to any such extension or waiver shall be valid

if set forth in an instrument in writing signed on behalf of such party by a duly authorized officer.

8. GENERAL PROVISIONS

8.1. Fees. (a) The Company represents and warrants that no broker, finder or investment banker other than Merrill Lynch is entitled to any brokerage, finder's or other fee or commission in connection with the Merger based upon arrangements made by or on behalf of the Company. The Company's fee arrangement with Merrill Lynch with respect to the Merger, in the form delivered previously to Purchaser, shall not be modified or amended prior to the Effective Time without the consent of the Purchaser; provided, that such arrangement may be modified or amended without such consent in the event that there is an offer by a third party to acquire substantially all the assets or the securities of the Company or to effect any other business combination involving the Company for an aggregate consideration having a value in excess of the aggregate amount to be paid to the Company's stockholders and optionholders by reason of the Merger. The Company represents and warrants that no potential purchaser other than Stone or the Purchaser is entitled to receive from the Company any payment of expenses or "break-up," "topping" or other similar fee as a result of the execution and delivery of this Agreement or the transactions contemplated hereby.

(b) The Purchaser and Stone represent and warrant that no broker, finder or investment banker other than Drexel Burnham Lambert Incorporated is entitled to any brokerage, finder's or other fee or commission in connection with the Merger based upon arrangements made by or on behalf of the Purchaser or Stone.

8.2. Public Disclosure. None of the parties hereto shall issue any press release or otherwise make any public statement with respect to the transactions contemplated hereby except upon the consent of each of the other parties hereto (except that in the case of any such release or statement by Stone or the Purchaser, only the consent of the Company shall be required); provided that such approval is not required for any reporting obligations of any party to the extent required by applicable law or regulations or stock exchange rules, but if practicable in any such case Stone and the Company shall consult with each other in advance.

8.3. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally to, or received

by cable, telegram, telecopier or telex by, the respective parties at the following addresses or at such other addresses as shall be specified by the parties by like notice:

(a) if to the Purchaser:

Crystal Merging Corporation
c/o Stone Container Corporation
150 North Michigan Avenue
Chicago, Illinois 60601
Attn: Arnold F. Brookstone

with a copy to:

Sidley & Austin
One First National Plaza
Suite 4200
Chicago, Illinois 60603
Attn: Thomas A. Cole, Esq.

(b) if to Stone:

Stone Container Corporation
150 North Michigan Avenue
Chicago, Illinois 60601
Attn: Arnold F. Brookstone

with a copy to:

Sidley & Austin
One First National Plaza
Suite 4200
Chicago, Illinois 60603
Attn: Thomas A. Cole, Esq.

(c) if to the Company:

Southwest Forest Industries, Inc.
6225 N. 24th Street
Phoenix, Arizona 85016
Attn: William A. Franke

with a copy to:

Andrews & Kurth
4200 Texas Commerce Tower
Houston, Texas 77002
Attn: David G. Elkins, Esq.

8.4. Interpretation. When a reference is made in this Agreement to subsidiaries of a party hereto, the word "subsidiaries" means any corporation more than 50 per cent of whose outstanding voting securities are directly or indirectly owned by such party. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

8.5. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns, provided that this Agreement may not be assigned by any party without the consent of the other parties.

8.6. Guarantee by Stone. Stone hereby unconditionally guarantees the full and complete performance of all covenants and obligations of the Purchaser (including, without limitation, the obligations of the Purchaser under Section 1.7) and the Surviving Corporation contained in this Agreement.

8.7 Indemnification of Directors and Officers. Stone agrees, without being obligated by reason of this Section 8.7 to financially guarantee any obligations of the Surviving Corporation, (a) subject to availability and the aggregate premiums and other costs not exceeding $504,000 annually, to cause the Surviving Corporation to maintain the Company's current insurance policies for directors' and officers' liabilities or an equivalent policy or policies having terms and conditions no less advantageous for all present and former officers and directors of the Company than those in effect on the date of this Agreement for six years from and after the Effective Time to cover acts and omissions of directors and officers of the Company occurring prior to the Effective Time and (b) to cause the Surviving Corporation to maintain in effect for six years any provision of the By-Laws or Articles of Incorporation of the Company and any successor corporation thereof relating to the rights to indemnification of officers and directors of the Company with respect to acts and omissions occurring prior to the Effective Time, which provisions shall not be less favorable than the indemnification provisions currently contained in the Company's Articles of Incorporation and By-Laws. After the Effective Time, Stone will refrain from taking any action which would render the Surviving Corporation incapable of performing its obligations under this Section 8.7 or the Indemnification Agreements referred to in Section 4(b)(iv) hereof. Stone agrees that, at all times from and after the Effective Time, it shall be deemed as the sole stockholder of the Surviving Corporation to have unconditionally ratified such Indemnification Agreements. Stone agrees that it will promptly notify the individual who is the chief executive officer of the

Company as of the date hereof in the event that, at any time after the Effective Time, the insurance policies hereinabove referred to shall either become unavailable or require the payment of premiums or other costs in excess of $504,000.

8.8. No Survival of Representations, Warranties and Agreements. All representations, warranties and agreements contained in this Agreement or in any instrument delivered pursuant to this Agreement shall terminate and be extinguished at the Effective Time or the earlier date of the termination and abandonment of this Agreement, as the case may be, except as provided in Section 7.2.

8.9. Miscellaneous. This Agreement (including the documents and instruments referred to herein) (a) constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof, and no representation or warranty is made by any party hereto except as provided herein, (b) is not intended to confer upon any other person any rights or remedies hereunder except as provided in Section 8.7, and (c) shall be governed in all respects, including validity, interpretation and effect, by the internal laws of the State of Nevada, without giving effect to the principles of conflict of law thereof. This Agreement may be executed in one or more counterparts which together shall constitute a single agreement.

IN WITNESS WHEREOF, Stone, the Purchaser and the Company have caused this Agreement to be executed as of the date first written above by their respective officers duly authorized.

STONE CONTAINER CORPORATION

By: _____
Arnold F. Brookstone,
Senior Vice President -
Chief Financial and
Planning Officer

ATTEST:

_____
Leslie T. Lederer,
Secretary

CRYSTAL MERGING CORPORATION

By: _____
Roger W. Stone, Chairman
of the Board

By: _____
Alan Stone, Vice President
and Director

By: _____
Arnold F. Brookstone, Vice
President and Director

ATTEST:

_____
Leslie T. Lederer, Secretary

SOUTHWEST FOREST INDUSTRIES, INC.

By: _____
William A. Franke, Chairman of the Board, President and Chief Executive Officer

By: _____
Edward L. Addison, Director

By: _____
Frank A. Bennack, Jr., Director

By: _____
Karl Eller, Director

By: _____
George R. Hearst, Jr., Director

By: _____
P. Scott Linder, Director

By: _____
Winslow M. Lovejoy, Director

By: _____
Charles J. Meyers, Director

By: _____
Raymond J. Peterson, Director

By: _____
A. Jack Prister, Director

By: _____
George E. Stoddard, Director

By: _____
Curtis Vaughan, Jr., Director

ATTEST:

_____
William J. Rainey, Secretary

C T CORPORATION SYSTEM

Associated with The Corporation Trust Company
208 SOUTH LA SALLE STREET, CHICAGO, ILL 60604 [illegible]

RECEIVED
MAY 20 1987
SECRETARY OF STATE
COMMONWEALTH OF KY

May 18, 1987

RE: SOUTHWEST FOREST INDUSTRIES, INC. (NEV. DOM.)
Merging: CRYSTAL MERGING CORPORATION (NEV. DOM.)
GB 06290-2

COUNSEL: Sidley & Austin
Att: Kimberly Wojcik
One First National Plaza
Chicago, Illinois 60603

Secretary of State
Corporation Department
State Capitol Building
Frankfort, Kentucky 40601

Dear Sir/Madam:

Pursuant to instructions of Counsel, we enclose for filing the documents identified below:

____	Incorporation	__x__	Merger
		____	A. Domestic
____	Qualification	__x__	B. Foreign
____	Change of Agent/Office	____	Dissolution
____	A. Domestic	____	A. Statement of Intent
____	B. Foreign	____	B. Certificate of Dissolution
____	Amendment	____	Withdrawal
____	A. Domestic		
____	B. Foreign	____	Other

Kindly send evidence to the undersigned. If there are any problems, please call at this toll free number: 800-621-1112.

Very truly yours,

C T CORPORATION SYSTEM

Ellen T. Coffey
Service Representative

ETC/jr

SPECIAL INSTRUCTIONS:

C T CORPORATION SYSTEM

Associated with The Corporation Trust Company
208 SOUTH LA SALLE STREET CHICAGO IL 60604 (312) 263-1414

June 18, 1987

RECEIVED
JUN 22 1987
SECRETARY OF STATE
COMMONWEALTH OF KY

RE: STONE CONTAINER CORPORATION (NEVADA DOMESTIC)
Fmly: SOUTHWEST FOREST INDUSTRIES, INC.

COUNSEL:
SIDLEY & AUSTIN
Attn: Kimberly Wojcik
One First National Plaza
Chicago, Illinois 60603

Secretary of State
Corporation Department
State Capitol Building
Frankfort, Kentucky 40601

Dear Sir/Madam:

Pursuant to instructions of Counsel, we enclose for filing the documents identified below:

____ Incorporation

____ Qualification

____ Change of Agent/Office
____ A. Domestic
____ B. Foreign

__X__ Amendment
____ A. Domestic
__X__ B. Foreign

____ Merger
____ A. Domestic
____ B. Foreign

____ Dissolution
____ A. Statement of Intent
____ B. Certificate of Dissolution

____ Withdrawal

____ Other _____

Kindly send evidence to the undersigned. If there are any problems, please call at this toll free number: 800-621-1112.

Very truly yours,

C T CORPORATION SYSTEM

Ellen T. Coffey
Service Representative

ETC/dk
SPECIAL INSTRUCTIONS: