

MEMORANDUM OF AGREEMENT

COPY

This agreement is dated July 25, 2014,

BETWEEN:

TWIN RIVERS PAPER COMPANY INC. ("Twin Rivers"),

-and-

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF NEW BRUNSWICK
as represented by the MINISTER OF NATURAL RESOURCES (the "*Minister*")

(each a "*Party*", collectively the "*Parties*")

WHEREAS the spirit and intent of this agreement is to ensure the ongoing global competitiveness and sustainability of Twin Rivers' operations in the Province of New Brunswick (the "*Province*"), by accomplishing the following:

- (i) growing the wood supply in an environmentally sustainable manner;
- (ii) working together to improve efficiencies and reduce costs;
- (iii) sustaining and attracting investment and economic activity to the Province; and
- (iv) creating employment and security for the Provincial supply chain.

AND WHEREAS Twin Rivers has and will continue to make strategic investments and improvements in wood processing and manufacturing operations in New Brunswick as a result of the commitments by the Province of New Brunswick, as represented by the Minister, outlined in this agreement;

AND WHEREAS the Parties acknowledge that the commitments made under this agreement will benefit the Province, and contribute to economic growth;

The Parties therefore agree as follows:

1. Investment and Commitment

- 1.1. Twin Rivers has undertaken to revive operations and successfully restructure the company, thereby sustaining significant employment and contributing to the Province's GDP.
- 1.2. To date, Twin Rivers has made a series of investments in human resources and employee training, facility operational changes, capital investments and other improvements across its facilities to ensure a future-oriented, sustainable operation that provides a basis to sustain and grow employment within the Twin Rivers' operations, including:
 - a) Plaster Rock sawmill:
 - Investment of \$2.5 million in new kiln for lumber drying; and,
 - Addition of third shift, including hiring of approximately 50 employees.
 - b) Edmundston pulp mill & co-generation facility:
 - Pulp mill process improvements, 2014-2015: \$3 million; and,
 - Emissions and odour control capital investment: \$5 million.
- 1.3. Through its commitment to continuous improvement, operational excellence and industry competitiveness, Twin Rivers has and will continue to make annual capital and associated investments in the range of \$6-8 million annually.
- 1.4. As a result of the previous owners' bankruptcy proceedings, existing and future pensioners experienced reductions in benefits from the Pension Plan for New Brunswick Hourly Paid Employee of Fraser Papers Inc. and the Pension Plan for New Brunswick Salaried Employee of Fraser Papers Inc. (the "Pension Plans"). Twin Rivers has committed to supporting the conversion of the Pension Plans to Shared Risk Pension Plans ("SRP Plans") to help restore pension benefits to employees to the target level, as per

actuarial estimates and in close cooperation with the provincial Superintendent of Pensions. The creation of the SRP Plan will be enabled by changes the government is to put before the Legislature within 21 days of the July 14, 2014 trustee vote.

- 1.5. Twin Rivers has committed to making contributions to the Pension Deficit Funding Trusts for the Pension Plans for the benefit of the SRP Plans pursuant to the Conversion Agreement (forecast to be between \$12.5 million and \$52.9 million over the next 4-15 years)
- 1.6. Upon request by the Minister, Twin Rivers will deliver evidence of the investments made pursuant to this agreement, to the satisfaction of the Minister, acting reasonably.
- 1.7. The parties acknowledge and agree that:
 - a) Twin Rivers' investments to date, and ongoing commitments, are (i) predicated on certainty of increased wood supply, and competitive wood costs, and (ii) made in reliance on the terms set out in this agreement; and
 - b) the Minister's commitments herein are made in recognition of and reliance upon Twin Rivers' investments and commitments to date and those outlined herein.

2. **Forest Management**

- 2.1. Twin Rivers and the Minister will negotiate in good faith and use best efforts to renew and revise the existing forest management agreement ("FMA") by April 1, 2015, covering Crown Timber Licenses #9 and #10 (collectively, "**License 9**"). The FMA will continue to include the following terms and conditions:
 - a) the term will be 25 years, and at the end of each fifth anniversary, the Minister shall, provided Twin Rivers satisfies the key performance indicators set out in the FMA, recommend to the Lieutenant-Governor in Council to approve an extension of the term for a further five years; and
 - b) the FMA will apply to the present area of License 9;
- 2.2. Licensees and sub-licensees who satisfactorily demonstrate their compliance with the requirements under their operating plan, management plan and industrial plan, will be given their proportionate share of future volume changes resulting from forest growth, policy changes and/or management practices.
3. **Wood supply** – The Minister increased Twin Rivers' annual allocation of timber from 302,050 m³ of spruce/fir/jack pine tree-length (SFJP) to 502,050 m³, by permanently assigning an additional allocation of 200,000 m³ of SFJP on or about April 1, 2014. The Minister will:
 - a) assign these new annual allocations in Twin Rivers' traditional operating areas; and
 - b) not reduce Twin Rivers' annual allocations except as expressly permitted in the FMA;
 - c) not increase the softwood veneer grade allocation on Licenses # 1 from the current 2,429 m³, # 3 from the current 22,077 m³, # 8 from the current 827 m³ and # 9 from the current 5,557 m³

4. **Private Wood**

- 4.1. Access to, and the purchase of, wood from private woodlot owners in the Province is of critical importance to Twin Rivers and the Minister. Accordingly, Twin Rivers agrees that:
 - a) it will not displace current private wood supply with the additional 200,000 m³ allocation of Crown wood referenced in Section 3 above (the "**Additional Crown Wood**"); and
 - b) Twin Rivers estimates that it will still have additional sawmill production capacity and that this additional capacity will provide new market opportunities for approximately 70,000 m³ of saw material in Northern New Brunswick for third party suppliers including New Brunswick private wood owners and producers, upon completion of investments and full ramp up of operations at their Plaster Rock mill.

- 4.2. Twin Rivers' ability to increase its saw material consumption (as noted in Section 4.1(b) above) is conditional upon market conditions and unfettered market access.
5. **Innovation** – The Minister will work with Twin Rivers to identify projects which will ensure New Brunswick remains at the forefront of forest-based renewable energy innovation and development, and increase its New Brunswick-based intellectual property development and economic benefit.
6. **Ongoing Efficiencies**- In the event that any Crown timber licenses become available, Twin Rivers will be given equal consideration to provide the license management services for that license, under terms similar to the FMA. Twin Rivers and the Minister agree to work together to ensure alignment and cost efficiencies for both license management and operations.
7. **Confidentiality** -The Parties agree that the existence and terms of this agreement and any and all discussions between the Parties relating to or arising from this agreement are confidential information {the "**Confidential Information**") and each Party agrees to hold the Confidential Information in confidence. No Party will divulge any of the Confidential Information to any third party except as required by applicable laws without the prior written consent of the other Parties. The Parties agree to cooperate in the organizing of any public announcements with respect to the subject matter discussed herein.
8. **Force Majeure**
 - 8.1. For the purposes of this agreement, "Force Majeure" means any circumstance, act or event beyond the reasonable control of a Party, including, without limitation, (i) war, acts of terrorism, civil demonstrations, acts of government or agencies under government authority (including changes in laws), acts of public enemy, riots, lightning, fires, explosions, storms, floods, infestation, power failures, other acts of God or nature, labor strikes or lockouts by employees; and (ii) a suspension or reduction of Twin Rivers' operations wholly or partially as a result of market conditions for its products or other similar circumstances, which, despite the reasonable efforts of the Party claiming Force Majeure {the "Affected Party") to prevent its occurrence or mitigate its effects, causes a delay or disruption in the performance of any obligation under this agreement.
 - 8.2. Notwithstanding any other provision of this agreement, if by reason of Force Majeure, the Affected Party is wholly or partly unable to perform its obligations under this agreement, it shall be relieved of those obligations to the extent, and for the period, that it is affected by Force Majeure provided that the Affected Party gives the other Party written notice of such inability in accordance with Section 16.2.
 - 8.3. An Affected Party shall, within ten (10) Business Days of the Party becoming aware of the Force Majeure, give written notice to the other Party setting out the nature and expected duration of the Force Majeure.
 - 8.4. An Affected Party shall take commercially reasonable steps to mitigate the consequences of a Force Majeure upon the performance of its obligations under this agreement, shall continue to perform its obligations under this agreement to the extent possible notwithstanding the Force Majeure and shall use commercially reasonable efforts to resume performance of its obligations affected by the Force Majeure as soon as practical.
9. **Limitation of Liability**-Notwithstanding any other provision hereof, no Party shall be liable to the other under this agreement for any losses of an indirect, incidental, contingent, special, consequential or punitive nature.
10. **Term**- This agreement will commence on the Execution Date and will remain in effect for the duration of the FMA unless earlier terminated in accordance with the provisions hereof.
11. **Termination**
 - 11.1. If either Party is in breach of any of its material obligations under this agreement, the other Party may give notice in writing of the breach to the defaulting party and request the latter to remedy it. If the party in breach fails to remedy the breach within thirty (30) days after the date of delivery of such written notice, then this agreement may be terminated immediately by further written notice of termination given by the complaining party. Notwithstanding the foregoing, if a breach by its nature requires more than 30

days to cure and the defaulting party is using reasonable efforts to cure that breach promptly, that breach will not constitute a default if the defaulting party continues to use reasonable efforts to cure it and cures it no later than 180 days (or such longer period as may be agreed to by the Parties) after the defaulting party is notified of that breach.

- 11.2. The Parties acknowledge that in the event of breach of the terms of this agreement, the non-breaching Party could suffer significant and irreparable harm that may not be satisfactorily compensated in monetary terms, and that the remedies at law available to such party may otherwise be inadequate and the non-breaching Party will be entitled, in addition to any other remedies to which it may be entitled to under law or in equity, to specific performance of this agreement by the breaching Party.
12. **Dispute Resolution.** In the event of any dispute or difference under or arising out of this agreement between the Parties which cannot be settled by the Parties themselves, the Parties shall, unless otherwise agreed to between the Parties, subject the matter in dispute to arbitration by three arbitrators, one of the arbitrators to be chosen by each of the Parties and the third arbitrator by the two chosen arbitrators. The arbitration will be seated in the City of Fredericton, New Brunswick under the laws of New Brunswick in accordance with the *Arbitration Act* (New Brunswick). The language of the arbitration will be English. The Party desiring arbitration shall serve upon the other Party written notice of its desire, specifying the question(s) to be arbitrated and naming the arbitrator chosen by it. The Party so notified shall in turn notify the same way the name of its arbitrator and its own question(s), if any. In the event that one of the Parties fails to choose its arbitrator after having been duly notified in writing by the other Party to do so, within twenty (20) days after such notice, or in the event that the two arbitrators chosen by both Parties with a period of twenty (20) days after the appointment of the second arbitrator fail to select the third arbitrator then respectively each Party or the other Party shall have the right to request the court to nominate the arbitrator(s) for the open place(s). The arbitrators will determine which Party or the proper proportion which each Party shall assume of the expenses of the arbitration, and the arbitration expenses so allocated will be paid directly by the Party or Parties by which such expenses are directed to be paid.

13. **Miscellaneous**

- 13.1. This agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes and replaces all previous discussions and negotiations. Except as noted otherwise in this agreement, any amendment of this agreement must be in writing and signed by each Party.
- 13.2. Any demand, notice or other communication ("Notice") to be given in connection with this agreement shall be in writing and shall be given by personal delivery, by commercial courier service, by registered mail (postage prepaid) or by facsimile transmission addressed to the applicable Party as follows:

If to the Minister:

New Brunswick Department of Natural Resources
Hugh John Flemming Forestry Centre
P. O. Box 6000
1350 Regent Street
Room 310, 3rd Floor
Fredericton, NB
E3B 5H1

Facsimile: (506) 453-2930

If to Twin Rivers:

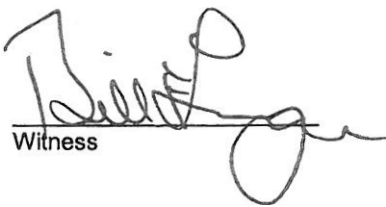
Twin Rivers Paper Company Inc.
27 Rice Street,
Edmundston, NB E3V 1S9

Attention: Tim Lowe
Facsimile: (207) 728-8701

or to such other address, individual or facsimile number as may be designated by Notice given by either Party to the other.

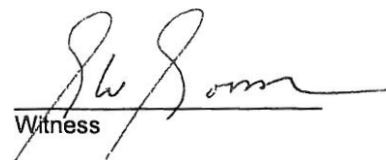
- 13.3. Each Party represents that (i) it has the capacity to agree to the terms in this agreement, and this agreement constitutes a binding obligation, enforceable against each of them in accordance with its terms, and (ii) its obligations under this agreement will not violate any agreement or laws to which either Party is a party or subject to or by which either Party is bound.
- 13.4. Neither this agreement nor any rights or obligations hereunder, in whole or in part, may be assigned by a Party without the prior written consent of the other Party, which consent will not be unreasonably withheld or delayed.
- 13.5. This agreement may not be modified or amended except by an instrument in writing signed by the Parties.
- 13.6. Nothing in this agreement shall be deemed or construed to create a joint venture, agency or partnership relationship between the Parties with respect to the matters set out herein.
- 13.7. Subject to Section 13.8, the Parties agree that this agreement is intended to operate in accordance with applicable laws and within the parameters of trade agreements.
- 13.8. If any provision, or part of a provision, of this agreement is held to be invalid or unenforceable under any applicable law or trade agreement, then the Parties will use all commercially reasonable efforts to replace the invalid or unenforceable provision by a provision that, to the extent permitted by applicable law, achieves the purposes intended under the original provision and to allow the Parties to have the intended benefit of their bargain. If it cannot be so reformed, it will be omitted. The balance of this agreement shall remain valid and unchanged and in full force and effect.
- 13.9. This agreement may be executed simultaneously in any number of counterparts, each of which will be deemed an original, and all of which together will constitute one and the same instrument. A Party's transmission by facsimile or electronic mail of the agreement signed by that Party will constitute effective delivery by that Party of a signed copy of this agreement.
- 13.10. The provisions of this agreement are binding upon and will enure to the benefit of and be binding upon the Parties' heirs, successors and assigns.
- 13.11. The provisions of this agreement are governed by and enforced in accordance with the laws of the Province of New Brunswick.

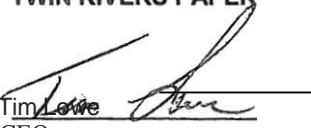
IN WITNESS WHEREOF the Parties have executed and delivered this agreement.


Witness

**HER MAJESTY THE QUEEN IN RIGHT
OF THE PROVINCE OF NEW BRUNSWICK**


Paul Bodin
Minister of Natural Resources


Witness

**COMPANY INC.
TWIN RIVERS PAPER**

Tim Lowe
CEO