

FIXED PRICE ENGINEERING, PROCUREMENT,  
& CONSTRUCTION (EPC) AGREEMENT  
BETWEEN  
SPIRIT CONSTRUCTION SERVICES, INC.  
AND  
ST PAPER, LLC  
AT A  
PENNSYLVANIA SITE

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Docket Nos. 4756-15  
21583-15

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ST Paper

Spirit

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EXHIBIT DD

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**DEFINITION OF TERMS**

Unless this Agreement otherwise indicates, the following terms shall have the following meaning:

AGREEMENT shall mean this EPC Agreement.

CONFIDENTIAL INFORMATION shall have the meaning described in Article 12

ENGINEERED CHANGE REQUESTS OR ORDERS shall mean changes in WORK that result in a requested change in FIXED PRICE as described in Article 11.

FINAL ACCEPTANCE shall occur when OWNER signs a document supplied by CONTRACTOR stating a defined area or system of the PROJECT is FINALLY COMPLETE.

FINAL COMPLETION shall occur when CONTRACTOR informs OWNER that a defined area or system of the PROJECT has been successfully started up and Performance Tests and PUNCH LIST items have been completed.

FIXED PRICE means the lump sum price for which CONTRACTOR shall perform the SERVICES subject to adjustment as provided herein.

IRREVOCABLE LETTER OF CREDIT shall mean the financial security instrument obtained by CONTRACTOR to be used as payment for LIQUIDATED DAMAGES as described in Article 21.

LEGAL REQUIREMENTS means the substantive, procedural and formal requisites and permits prescribed by the laws of the location of the PROJECT for the full and complete accomplishment of the objectives set forth in this Agreement.

LENDER shall mean the financial institution or institutions responsible for funds loaned to OWNER for the funding of this Agreement.

LENDER'S REPRESENTATIVE means the person designated by LENDER to coordinate with the CONTRACTOR. LENDER'S REPRESENTATIVE may be an independent engineer that is not an employee of the LENDER.

LIQUIDATED DAMAGES shall mean the damages incurred by OWNER as described in Article 21 and Article 30.

MECHANICALLY COMPLETE shall mean a defined area or system of the PROJECT when equipment is installed, functional, and ready for initial inspection, and construction, process and engineering checkout procedures.

~~MILESTONE SCHEDULE means the prescribed time frame within which particular construction works shall be accomplished by CONTRACTOR pursuant to their respective construction contracts with the OWNER as shown in Exhibit A.~~

NOTICE TO PROCEED means the payment by OWNER to CONTRACTOR of the first

~~MILESTONE SCHEDULE MONTHLY FIXED PRICE percentage as defined in Article 6.~~



OWNER's REPRESENTATIVE means the person designated by OWNER to coordinate with the CONTRACTOR. OWNER'S REPRESENTATIVE may be an independent engineer that is not an employee of the OWNER.

PERFORMANCE TEST shall mean the test described in Exhibit B.

PRELIMINARY ACCEPTANCE shall occur after CONTRACTOR defines an area or system MECHANICALLY COMPLETE and OWNER's Representative and CONTRACTOR have completed a joint turnover inspection. OWNER then provides CONTRACTOR with a PRELIMINARY ACCEPTANCE letter with a PUNCH LIST.

PRELIMINARY ACCEPTANCE INCENTIVE shall mean the incentive paid to CONTRACTOR for early production of products as described in Article 21.

PROGRESS SCHEDULE has same definition as MILESTONE SCHEDULE.

PROJECT means the facilities and associated equipment to be built in and around OWNER's proposed manufacturing site in De Pere, Wisconsin.

PROJECT PROCEDURES MANUAL means the compilation of procedures for the project management and construction of the PROJECT as formulated by the CONTRACTOR and approved by the OWNER.

PUNCH LIST shall mean a list of items, made by OWNER and submitted to CONTRACTOR, that still need completion after PRELIMINARY ACCEPTANCE. PUNCH LIST items shall have a material effect on operation or prevent safe operations of the PROJECT.

PURCHASE LIST means the series or catalogue of materials, supplies, equipment, facilities and structural accessories approved by the OWNER for inquiry, purchase, storage, inventory and release by the CONTRACTOR.

SALEABLE LINERBOARD or SALEABLE TISSUE shall mean those products defined in off take agreements between OWNER and OWNER'S customers.

SERVICES means the work, equipment, and services to be performed by CONTRACTOR as set forth in this Agreement and related documents, or any part of such work and services, as this Agreement may require.

SUBSTANTIALLY COMPLETE shall mean a defined area or system of the PROJECT that OWNER has PRELIMINARILY ACCEPTED as ready for initial start up.

WORK or WORK PRODUCT has same definition as SERVICES.

#### ARTICLE 1 - OWNER

ST Paper, LLC (hereinafter referred to as "OWNER"), a Delaware corporation, with an address at 1555 Glory Road, Green Bay, WI. and such of its affiliates who elect to adopt the terms of this Agreement.

#### ARTICLE 2 - CONTRACTOR

Spirit Construction Services, Inc., a Delaware corporation with an address at 118 Coleman Blvd., Savannah, GA, 31408 (hereinafter referred to as the "CONTRACTOR")

#### ARTICLE 3 - CONTRACTOR'S SCOPE OF WORK

CONTRACTOR will supply a complete package of detail design, equipment, and construction services for OWNER's facility as specified in this Agreement for a Fixed Price as specified in ARTICLE 6.

##### A. GENERAL SERVICES

1. The CONTRACTOR shall draft all required projects, studies, plans and drawings, supply all technical know-how required to construct and maintain the PROJECT.
2. The CONTRACTOR, in conformity with this Agreement, shall provide all labor and materials and equipment and do all things necessary for the proper construction, check out, start up, certain training, and completion of the PROJECT authorized by the OWNER and shown and described in the project documents, excluding only any equipment or material OWNER chooses to purchase. The drawings and specifications shall be those supplied, including any electronic media, approved and suitably identified by the OWNER.
3. CONTRACTOR shall provide full time management and supervision of the design and construction of the PROJECT, using sound engineering, and design principles, and project management adhering to the standard of care employed by leading international project managers in the construction industry; provide and furnish competent personnel necessary in the management, engineering and supervision of the PROJECT, maintaining at all times close liaison and cooperation with the OWNER, with the objective that the construction of the PROJECT conforms to the plans and specifications thereof, and is within the work progress schedule/deadline.
4. The CONTRACTOR shall likewise, on behalf of the OWNER and in accordance with the technical plans and specifications and work progress schedule/deadline, place inquiries, purchase, store, inventory and release all the necessary materials, supplies, equipment, facilities and structural accessories for the PROJECT.
5. The CONTRACTOR shall enter into appropriate contracts for the PROJECT with the subcontractors and/or suppliers. The aforesaid contracts and/or suppliers' agreements shall comply with standard terms and conditions as presented to the OWNER for its review.
6. The CONTRACTOR shall be responsible for sales/value added taxes due on consumable materials purchased for the Project.



## B. SPECIFIC SCOPE OF SUPPLY AND SERVICES

## 1. BUILDING SECTIONS AND SIZES :

a. Waste Paper Storage (one story)	44,600 sf
b. De-ink (two stories)	22,900 sf
c. Tissue Machines (two stories)	81,000 sf
d. Parent Roll Storage & Winder (single story)	22,500 sf
e. Boiler Room	5,800 sf
f. Control, Operating, Training, Maintenance Areas (inside above buildings)	
g. Administration (two stories)-	3,200 sf
<b>TOTAL</b>	<b>180,000 sf</b>

## 2. DE-INK PULP PLANT SPECIFICATIONS:

- a. Design and build a de-ink facility to produce tissue quality pulp at a minimum capacity of 250 tpd using waste paper feed stocks, such as SOP-MWL-HSOP-Coated Book-Color Ledger-News.
- b. Allow de-ink plant to accept purchased recycle white or brown pulp, or virgin pulp, as a feed stock to the tissue machine. Purchased pulp will be able to be used individually, or blended with recycled pulp produced from the de-ink plant.
- c. De-ink will be of appropriate quality to meet OWNER's customer paper product specifications. Overall efficiency of the plants will be approved by OWNER through flow diagram review process.

## 3. TISSUE MACHINE SPECIFICATIONS:

## Wet/Dry (Swing) Crepe Machine (2 each)

Paper Grades	Tissue, Napkin, and Towel
Reel Trim Width	106"
Drive Speed Design	6,000 fpm
Balance Speed	6,500 fpm
Basis Weight Range	8.8# to 32#/3,000 sq. ft.
Crepe Ratio	2 to 20%
Type of Fiber	Virgin or 100% Secondary Fiber (Bleached & Unbleached)
Production Basis:	
Bath	9.2#/3,000 sq. ft., dry crepe mode, 92 t/d, 8% crepe, 106" trim
Napkin	13.0#/3,000 sq. ft., wet crepe mode, 117 t/d, 7% crepe, 106" trim
Towel	24.0#/3,000 sq. ft., wet crepe mode, 145 t/d, 5% crepe, 106" trim
Hand of Machine	Left hand (when looking in the direction of paper travel, the drive is on the left side)
Former Type	Crescent Former
Headbox Type	Adjustable lip designed for equivalent jet speed of 6,000fpm
Headbox Width	126" (based on 112" sheet width on reel) width to be verified by supplier
Press Section	Cantilevered frame felt change system, Pneumatic design if possible
Yankee Section	Design Pressure 1.5 psi
Yankee Drive	Electric drive and reamings
Dry Crepe Reel	Operation - pneumatic if possible. Reel to include automated spool storage and loading. Reel rails to have storage for two parent rolls (one in build-in position and one in storage position)
Sheet Threading	Yankee to Afterdryer section

After Dryer Section 6'-0" diameter, 125 psig rated, 9 installed (2 spares available from Contractor), stacked with double felt  
 Sheet Threading After dryer section to dry end reel  
 Wet Crepe Reel Operation – pneumatic if possible. Reel to include automated spool storage and loading. Reel rails to have storage for two parent rolls (one in build-up position and one in storage position)  
 Reel Spool Design 6,000 fpm base  
 Parent Roll Diameter (max.) 100" Parent Roll Diameter Base  
 Yankee Hood High velocity design. Supply and exhaust fans located on the mezzanine level. Yankee and after dryer section steam and condensate system.

#### 4. BOILER / GENERATOR SPECIFICATIONS:

One boiler capable of producing 150 psig saturated steam at a flow of 50,000 lbs/hr, burning wood, waste sludge and natural gas.  
 One boiler capable of producing 150 psig saturated steam at a flow of 50,000 lbs/hr, burning natural gas.

#### 5. WINDER SPECIFICATION

Drive Speed 6,000 - 8,000 fpm  
 Two Belt Driven Back stands Two 100" diameter parent rolls  
 Spreader Roll  
 Calander Skewing type  
 Slitter Station up to 10 cuts possible  
 Winder Drums two drum type weight relieving  
 Lowering cradle lowers parent roll to floor

#### 6. AUXILIARY EQUIPMENT

Parent Roll Shuttle to move parent rolls from tissue machines to/from winders to Downender  
 Downender to move parent rolls from tissue machine building to storage building and wrapper  
 Wrapper to wrap parent rolls in plastic w/ headers  
 Wastewater Provide effluent treatment capable of treating all facility process water with discharge to municipal sanitary sewer at levels approved by municipal discharge permit.



7. SUPERVISION AND MANAGEMENT

- (1). The CONTRACTOR shall prepare all construction documents (plans, specifications and shop drawings) for the purpose of coordination and consistency of requirements and conditions.
- (2). The CONTRACTOR shall review, inspect and evaluate the Work to confirm compliance with the drawings, plans and specifications.
- (3). The CONTRACTOR shall promote skillful coordination and integration of the Work of the various trades, crafts, contracts and/or workers.
- (4). The CONTRACTOR shall thoroughly inspect, investigate and satisfy itself with all the general and local conditions at the jobsite and familiarize itself with the plans, specifications and other documents appended to the subcontracts executed with the subcontractors for the PROJECT and confer with the OWNER'S REPRESENTATIVE on salient features of the construction.
- (5). The CONTRACTOR shall employ appropriate project controls procedures with the objective of compliance of the subcontractors with their prescribed MILESTONE SCHEDULES to operate and occupy certain completed portions and with the principal object being the accomplishment of the PROJECT without errors, delays, fraudulent practices, misunderstandings or conflicts with the subcontractors, laborers and the public.
- (6). If the CONTRACTOR believes that the Milestone or any part thereof may not be or have not been achieved by the date(s) required, it shall promptly give written notice thereof to the OWNER, specifying the reason therefore and what remedial action the CONTRACTOR proposes to take. The CONTRACTOR recognizes the importance to the OWNER of completion of the PROJECT in accordance with the MILESTONE SCHEDULE.
- (7). The CONTRACTOR shall submit to the OWNER monthly regular reports on progress for the PROJECT on forms prescribed or adopted pursuant to project procedure manual, embracing in said reports all relevant and attendant circumstances such as construction force, cause of delays or slow-downs, comparative progress, manpower distribution and schedule of works and its comments and recommendations thereon.
- (8). The CONTRACTOR shall itself, and cause the subcontractors to, give the construction of the PROJECT the highest priority, not to permit its/their other jobs to take precedence over the construction of the PROJECT, and not to permit the allocation of its/their respective resources that would have the effect of delaying the timely construction of the PROJECT.
- (9). The CONTRACTOR shall authorize each subcontractor to promptly submit drawings in the form of "red line" mark up for the preparation of all as-built drawings and/or operating manuals of all structures or utilities installed and the necessary analytical statement needed to guide and expedite construction and whatever may be appropriate for the maintenance and operation of the same; and after completion of the PROJECT, return and turn-over to the OWNER all drawings, specifications and other

documents remaining in all of its offices or on the jobsite and regard at all times as private and confidential all information acquired as to the details of work.

- (10). The CONTRACTOR shall submit to the OWNER for confirmation, any technical details or supervisory comments or recommendations covering any change in the plans or specifications or any clarification thereof, which any of the subcontractors may request from time to time, and reject material deviations from plans and specifications without the prior written consent of the OWNER.
- (11). During the course of the work, the CONTRACTOR shall collect guarantees, certificates, and maintenance operation manuals and at the Final Acceptance of the PROJECT, assemble all documents and deliver them to the OWNER. All guarantees will be titled in OWNER's name prior to delivery to OWNER.
- (12). The CONTRACTOR shall assist the OWNER in the financial planning for the PROJECT such as forecasting and managing the cash flow.
- (13). The CONTRACTOR shall advise the OWNER'S REPRESENTATIVE that a defined area or system is Mechanically Complete and ready for general inspection, Construction, Process and Engineering Check Out procedures. Owner will then Preliminarily Accept that an area or system is Substantially Complete and ready for start up. Upon successful completion of Performance Tests and Punch List items, CONTRACTOR shall advise OWNER that an area or system is Finally Complete and ready for Final Acceptance. See article 25 for additional information on this process..
- (14). The CONTRACTOR shall conduct conferences with the OWNER, subcontractors and suppliers on construction performance and progress.
- (15). The CONTRACTOR shall attend and prepare the agenda and minutes of all meetings and conferences called, whether at the jobsite or in the office of the OWNER.
- (16). The CONTRACTOR shall develop, update, and maintain a PROJECT PROCEDURES MANUAL, reviewed and concurred to in writing by the OWNER.
- (17). The CONTRACTOR shall keep and maintain project supervision records and files at the jobsite office such as:
  - (1). Pertinent correspondence;
  - (2). Minutes of and memoranda on job conferences;
  - (3). Plans and specifications including samples for the PROJECT, including shop drawings or change order and extra order drawings;
  - (4). Reproductions of original contract documents, addenda, change orders, extra work authorizations, memoranda of OWNER;
  - (5). Persons registry book;



- (6). Guarantee certificates, government permits, operational manuals and the like;
- (7). Record of the names, addresses and telephone numbers of all subcontractors and suppliers of materials, supplies, equipment, facilities and structural accessories to the PROJECT.
- (18). The CONTRACTOR shall be available for any consultation necessary for this PROJECT upon request of the OWNER.
- (19). The CONTRACTOR shall act promptly and properly on all communications pertaining to the PROJECT referred or addressed to CONTRACTOR, in accordance with procedures which the OWNER may prescribe or indicate.
- (20). The CONTRACTOR shall accompany all representatives of the OWNER and all government inspectors officially concerned with the PROJECT in their inspection visits to the jobsite and provide such facilities and conveniences as they may require for the purpose.
- (21). The CONTRACTOR shall assist OWNER to make due and proper application for and obtaining of all permits, licenses and registrations, including their renewals that are required in connection with the transactions contemplated by the contract documents, and ensure compliance by the Subcontractors with the provisions thereof. CONTRACTOR to provide all construction related permits.
- (22). The CONTRACTOR shall define Pre-Start up Inspection (PSI) requirements including OWNER's staffing support required. OWNER to review CONTRACTOR's PSI plans and reserves right to pre-approve or request modifications to the PSI plans.

C. QUALITY OF THE MATERIALS, SUPPLIES AND EQUIPMENT

- (1) The CONTRACTOR shall confirm that all materials, supplies, equipment, facilities, structural accessories and all systems, components and parts of the said equipment shall comply with specified codes and standards prescribed in the specifications.
- (2) The CONTRACTOR shall arrange for the conducting of all the necessary tests, evaluate results and prepare corresponding recommendations and ensure that test samples of all required tests are duly taken and properly kept, handled and delivered to the designated testing laboratory; observe, record and report to the OWNER, all details relative to and resulting from test procedures and implement such corrective actions as may be prescribed in the contract documents.
- (3) The CONTRACTOR shall obtain from the subcontractors providing the materials, supplies, equipment, fabrication, facilities and structural accessories warranties and guarantees with respect to quality and workmanship for the benefit of the OWNER. All such warranties and guarantees shall be so written as to survive all inspections, tests and approvals. The CONTRACTOR's obligations under this agreement shall not be diminished or superseded by the warranties and guarantees provided by the subcontractors.

- (4) The CONTRACTOR shall prevent use of unauthorized and unacceptable substitutions of materials and avoid extra construction costs beyond that specified in the approved construction contracts.

D. SAFETY:

At all times, the CONTRACTOR shall be responsible for the safety at the jobsite.

- (1) Protection for the Work as a Whole - The CONTRACTOR will provide and maintain safeguards and other facilities for the protection of the works, the property of the OWNER and of the well-being of the general public. Likewise, the CONTRACTOR will provide safeguards for the safety of OWNER's and subcontractors' employees and the members of the general public as are required by applicable laws, regulations, ordinances and pursuant to the standards dictated by the OWNER.

In case of storms or floods, CONTRACTOR shall exercise due diligence in protection of the work and/or prevention of further damage to the work. The CONTRACTOR is deemed to have prior notice of the occurrence of the same by virtue of the announcements and/or warnings from government agencies.

- (2) Removal of Protection - The CONTRACTOR will remove upon completion of work, or when no longer required, all items of temporary protection provided for above by the CONTRACTOR.
- (3) Safety - Construction safety on this PROJECT shall be the responsibility of the CONTRACTOR. Safety procedures and guidelines will be completely detailed in the PROJECT PROCEDURES MANUAL, and will include, but not necessarily be limited to, establishing and executing effective safety programs for OWNER's and subcontractors' employees, incorporating into such safety programs the best safety practices known to the industry.
- (4) Smoking and Fires - There is to be no smoking on the property at anytime, except in areas specifically approved by the OWNER'S REPRESENTATIVE. The CONTRACTOR will post prominent "No Smoking" signs. Any fires on the property for any purposes are subject to OWNER's approval.
- (5) Signs - No signs (except warnings) of any kind shall be placed on the premises without written consent of the OWNER.
- (6) Use of Premises - The subcontractors shall confine their respective apparatus, materials and operations of their workers to limits indicated by law, regulations, permits or directions of the OWNER and shall not unreasonably encumber the premises with their materials.

- (7) CONTRACTOR shall immediately inform OWNER of any credible threat made against any person or property on the project site by any of CONTRACTOR's employees. CONTRACTOR is required to communicate any such information of credible threat to OWNER's security contact for that site.



E. CLEANING

- (1) The CONTRACTOR shall keep the premises clean and free from unnecessary accumulation of waste material and rubbish resulting from the performance of its work or the carelessness of its employees.
- (2) Upon completion, the CONTRACTOR shall remove from and about the buildings all its tools, scaffolding, debris and surplus material, leaving the building "broom clean," or its equivalent, insofar as its work is concerned.

F. EXECUTION. By executing this Agreement, the CONTRACTOR represents that it has visited the site, familiarized itself with the local conditions under which the services are to be performed and correlated its observations with the requirements of the contract documents. The CONTRACTOR shall verify critical elevations and coordinates of site buildings and equipment as a basis for its bid. CONTRACTOR shall assume responsibility for all loss, damages, costs and expenses and delays associated with labor disputes, labor shortages, labor productivity, material shortages, late deliveries of materials, and all subcontractor related claims.

ARTICLE 4 – ITEMS BY OWNER AND NOTICES

A. ITEMS TO BE PROVIDED BY OWNER: All items listed below are required for successful completion of the Project, and are not included in the Fixed Price provided by CONTRACTOR. OWNER shall provide:

- 1) Land suitable for the proposed building and equipment.
- 2) Contracted effluent water treatment for process water. Some BOD reduction is included in EPC.
- 3) Sanitary Sewer discharge line to property boundary
- 4) Potable and Process water supply.
- 5) Back up fuel if required by OWNER.
- 6) Properly contracted and purchased electrical power and natural gas to site boundary.
- 7) Store Room supplies as required by OWNER.
- 8) Phone and internet service to site boundary.
- 9) Phone system, computer equipment and software, furniture and other office supplies
- 10) Start-up pulp, chemicals, fabrics, lubricants, and other operating supplies
- 11) Pre-Start-up labor, management and training personnel
- 12) Spare parts as defined in Exhibit C.
- 13) Laboratory testing equipment and supplies
- 14) Vehicles and fork lifts

Insurance

B. NOTICES to OWNER and CONTRACTOR shall be sent to the following individuals at the following addresses. Either party shall be entitled to modify the individual or address upon prior written notice to the other.

If to OWNER: ST Paper, LLC  
Attn: Mr. Sharad Tak  
1555 Glory Road  
Green Bay, WI 54304

If to CONTRACTOR: Sprit Construction Services  
Attn: Mr. Steve Van Den Heuvel  
118 Coleman Blvd.  
Savannah, GA, 31408

#### ARTICLE 5 - CONTRACT TERM

The CONTRACTOR shall commence the SERVICES detailed upon signing of this Agreement, and upon receiving Notice to Proceed as defined in Article 6.E., will complete the SERVICES twenty (20) months thereafter.

#### ARTICLE 6 - PRICE AND METHOD OF PAYMENT

A. FIXED PRICE. OWNER shall pay in accordance with the Milestone Payment Schedule set forth in this ARTICLE, and CONTRACTOR shall accept in full consideration for the Work, the FIXED PRICE of One hundred twenty eight million five hundred forty one thousand U.S. Dollars (\$128,541,000).

B. PRICE BREAKOUT BY MAJOR COMPONENT:

<u>Description</u>	<u>Amount</u>
Buildings, Power Distribution, Site Work	\$ 20,329,000
De-ink Plant	\$ 15,315,000
Swing (Wet/Dry) Crepe Tissue Machine	\$ 35,432,000
Swing (Wet/Dry) Crepe Tissue Machine	\$ 35,432,000
Fresh & Waste Water Treatment	\$ 5,432,000
Winder, Boilers, Auxiliary Equipment	\$ 12,251,000
Detailed Design, P&IDs, Software, Configurations	\$ 4,350,000
<b>TOTAL</b>	<b>\$128,541,000</b>

C. CHANGES

Change order or extra work shall be as described in Article 11.

D. MONTHLY MILESTONE PAYMENT SCHEDULE AND PAYMENT TERMS.

~~Invoices will be submitted by CONTRACTOR to OWNER on a monthly basis. Invoices will be Net 20 from date of invoice. If the invoice and any milestones associated in this payment schedule are completed early, CONTRACTOR may submit invoices for the payment as milestones are completed.~~



<u>MONTH</u>	<u>DESCRIPTION</u>	<u>AMOUNT of TOTAL CONTRACT</u>
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0	Contract signing and down payment, including: purchase of after dryers; digital control system (DCS) software; quality control system (QCS) software; programmable logic controller (PLC) software; process narratives; grade specifications & run data for over 350 tissue products; manuals for pre start up inspection (PSI), construction check out (CCO), engineering check out (ECO), training, and safety; site infrastructure for sewer, water, natural gas, electricity, rail, roads, parking, storm water, and surveying; applications for permits and incentives; contracts for utilities and services, RAR Water technology, Unicycle De Ink technology	18.9%
1	Sign subcontractor agreements/contracts Specify Tissue Machines (TM) Purchase Orders Specify Winder/Combiner Equipment (WCE) Specify Boiler and De-ink Equipment	8.1%
2	Provide project schedule - detailed Provide plant and building drawings for OWNER review Provide permit information to OWNER Provide Irrevocable Letter of Credit to OWNER Provide Tissue machine and de-ink fiber system purchase contracts that match EPC Production warranties Provide permit information to match equipment purchase contract emission estimates	5.1%
3	Specify Building Permit Specify equipment and building materials Start building and major equipment foundations	5.0%
4	Begin building erection Specify pipe fabrication Specify electrical and instrumentation equipment Begin install of sub-grade piping Start machine track foundations	5.9%
5	Begin MCC room construction Begin Boiler room construction Issue training manuals - draft	3.6%
6	Perform equipment foundation work Begin roof installation, poring of floors Begin building wall installation	4.1%

Begin spindle install

4.0%

Begin building electrical and lighting install

Begin building HVAC and plumbing install

Begin setting up ink plant

<u>MONTH</u>	<u>DESCRIPTION</u>	<u>AMOUNT of TOTAL CONTRACT</u>
8	Continue construction of building roof and walls Begin DIP process piping install Begin TM track install	4.2%
9	Begin Boiler installation Begin construction of MCC rooms Continue install of building plumbing and lighting	4.0%
10	Continue install building HVAC and electrical Continue install of TM tracks Begin TM and HVAC install	4.1%
11	Begin install of TM process piping Begin on-TM lubrication and hydraulic piping Begin on-TM instrumentation and wiring Continue install of Boilers	4.1%
12	Continue install on-TM HVAC, piping, hydraulic Continue install on-TM instrumentation, electrical Begin Operations Training	4.3%
13	Continue DIP construction and TM install Begin install TM access and walk platforms	3.1%
14	Start Boiler punch list and check out Continue TM install	3.0%
15	Start up Boilers Start DIP punch list and check out Continue TM install	3.1%
16	Start up DIP and Waste Water Plant Start TM #1 punch list and check out Start Winder #1 punch list	3.0%
17	Start up TM #1 and Winder #1 Make DIP fiber to one of OWNER's specifications	3.2%
18	Start TM #2 punch list and check out Start Winder #2 punch list Make saleable tissue on TM #1 to one of OWNER's customer specifications	3.1%
19	Start up TM #2 Make saleable tissue on TM #2 to one of OWNER's customer specifications Begin Performance Tests	3.1%
20	Performance Tests complete EPC TOTAL	3.0% \$ 128,541,000

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- E. Milestone Schedule and Final Completion. A preliminary Milestone Schedule, aligned with the above monthly payments, is shown in Exhibit A. Performance Tests are shown in Exhibit B. CONTRACTOR expects completion of Project twenty (20) months after a Notice to Proceed for this Agreement. Notice to Proceed is given with initial funding as defined in Month 0 above. If OWNER chooses to sign contract and delay funding of Month 0, then Milestone Schedule will be delayed the same amount of time. Milestone Schedule assumes 60 day approval of air and other permits (timely fashion) after submission of appropriate application documents to government agencies. If such permits are not received in a timely fashion, then Milestone Schedule will be delayed accordingly at no penalty to CONTRACTOR.
- F. Final Billing. Within 10 days of Acceptance of the SERVICES by OWNER, CONTRACTOR shall submit a statement summarizing previous billings rendered and payments received and remaining amounts due including for reimbursable work, if any, not included in the lump sum price.
- G. Shared Project Savings. CONTRACTOR shall submit to OWNER a complete summary of quantity, labor and equipment cost estimates, for the SERVICES within 60 days of Notice to Proceed. To the extent any savings in the detail cost summary are generated, due to mutually agreed upon improved project approaches, during the execution of the SERVICES, such savings will be shared on a 25% to CONTRACTOR, 75% to OWNER basis. Productivity based savings will be 100% to the CONTRACTOR. Scope and unit cost savings identified by OWNER will be 100% to the OWNER.

#### ARTICLE 7 - FORCE MAJEURE

- A. The parties to this Agreement (OWNER and CONTRACTOR) shall promptly notify the other in writing of the occurrence of any event of force majeure. As used herein, the term "force majeure" shall be events attributable to causes beyond reasonable control of the party claiming the delay whether similar to those specified hereunder, to the extent it is impossible or impracticable for the party to carry out, in whole or in part, its obligations under this Agreement, including but not limited to: acts of God or the public enemy; expropriation or confiscation of facilities; compliance with any order or request of any governmental authority; act of war; rebellion or sabotage or damage resulting there from; fires, floods, explosions, accidents; and riots or strikes or other concerted acts of workmen. Delays or failure of performance by either party due to force majeure shall not constitute default hereunder or give rise to claims for damages.
- B. If any event constituting force majeure occurs, the party claiming force majeure shall give written notice to the other within seven (7) days after the occurrence, including a statement describing the force majeure and its effect upon the performance of this Agreement and the construction of the PROJECT. The parties shall, within five (5) days after such notice, ~~consult each other regarding the action to be taken~~
- ~~C. In the event of force majeure, the CONTRACTOR unless otherwise directed by the OWNER in writing, shall continue to undertake and perform the duties set forth in the Agreement as far as reasonably practicable.~~

- D. In the event of force majeure resulting in a suspension of work, this Agreement may be extended by a period necessary to overcome the delay, as agreed to in writing by the OWNER.
- E. CONTRACTOR's scheduled completion date referred to in ARTICLE 5, and Milestones described in ARTICLE 6 and Exhibit A, will be adjusted to account for any force majeure delay, as agreed to in writing by the parties to this agreement.
- F. In the event of force majeure, OWNER may terminate this Agreement in accordance with Article 20 in this Agreement.
- G. In the event of termination related to a force majeure event, the CONTRACTOR shall within thirty (30) days, give the OWNER all data compiled, drawings and preliminary conclusions reached up to the date of termination.

#### ARTICLE 8- PATENT RIGHTS AND OBLIGATIONS

- A. OWNER and CONTRACTOR warrant to each other that any equipment, machinery, processes, software or other item created, assembled or built according to designs furnished by either OWNER or CONTRACTOR to the other hereunder do not violate or infringe upon other patent rights, copyrights or any proprietary rights.
- B. To the fullest extent permitted by law, each party agrees to defend, indemnify and hold harmless the other from and against any and all claims, damages, losses, and expenses (including but not limited to attorneys' fees and the costs of any experts retained in anticipation of and for litigation) arising out of or resulting from the violation of the warranty set forth in Section A of this Article.

#### ARTICLE 9 - INDEMNITY

- A. CONTRACTOR agrees to be responsible for, indemnify, and save harmless the OWNER, from and against all losses, expenses, judgments, court costs, attorneys' fees, demands, suits, actions, recoveries, decrees, executions, and claims of every nature and description (including, but not limited to, claims for bodily injuries or death resulting there from, or damage to property, whether by employees of CONTRACTOR, its Subcontractors, employees of OWNER, or by other persons) or damage to third parties growing out of or in any way connected with the prosecution of the Work covered by this Agreement, brought or recovered against CONTRACTOR or OWNER or incurred by CONTRACTOR or OWNER including, to the extent of insurance coverage provided for in this Agreement, losses, expenses, judgments, court costs, attorneys' fees, demands, suits, actions, recoveries, decrees, executions, and claims by, resulting from or alleged to be caused by or to result from any negligence, for any act of omission or commission, of OWNER, its Parent, its or their agents or employees. The general liability, automobile liability, and professional liability coverages required under this agreement will carry an endorsement naming OWNER as coinsured. The indemnity will not extend to the gross negligence or willful acts of OWNER, its or their agents or employees. CONTRACTOR agrees to indemnify OWNER of any losses caused by any subcontractors, including losses arising out of any disputes between CONTRACTOR and subcontractors.



- B. This provision shall not be construed in any circumstance to constitute an indemnity contrary to any governing law which shall prohibit indemnification against any loss, liability, cost, or expenses incident thereto caused by the negligence of such indemnities, and in any event shall not be interpreted so as to restrict the scope of the insurance coverage extended to OWNER and its Parent.
- C. In any and all claims against OWNER, or any of its agents or employees by any employee of CONTRACTOR, any Subcontractor, anyone directly or indirectly employed by any of them, or anyone for whose acts any of them may be liable, the indemnification obligation under this agreement, shall not be limited in any way by any limitation on the amount or type of damages, compensation, or benefits payable by or for CONTRACTOR or any Subcontractor under applicable social insurance programs, disability benefits, or other employee benefit acts.

#### ARTICLE 10 - INSURANCE

- A. The following insurance shall be maintained during the performance of this Agreement.
- The OWNER shall purchase and maintain builder's risk insurance for new construction only. This insurance shall include the interest of OWNER, CONTRACTOR and subcontractors. This insurance shall not extend to remodeling, upgrading or maintenance of existing structures. OWNER shall be responsible for any deductibles under the Builder's Risk coverage and OWNER shall provide CONTRACTOR a waiver of subrogation with respect to losses within the Builder's Risk coverage. The OWNER agrees to hold the CONTRACTOR and each Subcontractor harmless from all loss and damage which might accrue to them by reason of OWNER's non-compliance with this Article. Each contractor and subcontractor shall have the complete responsibility of insuring or self-insuring its own tools, supplies, and equipment.
  - CONTRACTOR shall provide and maintain throughout the course of the work the following insurance with insurance carriers acceptable to the OWNER in amounts not less than those specified below:

#### COVERAGE

#### MINIMUM LIMITS

- |   |  |
|---|--|
| 1. Worker's Compensation  | Statutory requirements;  |
| 2. Employer's Liability   | \$500,000 each accident;   |
| 3. Commercial Automobile Liability,<br>Bodily Injury Property Damage<br>Liability   | At least \$2,000,000 each person;  |
| 4. Commercial General Liability,<br>including completed operations<br>and Contractual Liability<br>Including liability assumed under<br>this contract, Bodily Injury and<br>Property Damage Liability | At least \$15,000,000 each<br>contractor, combined single limit<br>and \$15,000,000 aggregate,<br>combined single limit; |

5. Professional Liability Insurance

At least \$1,000,000 each occurrence.

- B. Other insurance, including any coverage above specified minimums, as may be mutually agreed upon.
- C. Before commencing work, the CONTRACTOR shall furnish the OWNER with certificates of insurance indicating the company or companies affording the insurance required hereunder, along with the effective dates and dates of expiration of said policies. Such certificates are to provide that the policies will not be changed or canceled during the term until 30 days written notice has been given to the OWNER or CONTRACTOR. If requested, the CONTRACTOR or subcontractor agrees to exhibit such policies to the OWNER at any time.
- D. The CONTRACTOR and each sub CONTRACTOR agrees to hold the OWNER harmless from all loss and damage which might accrue to them by reason of non-compliance with this Article.
- E. Should any portion of the work be sublet, CONTRACTOR shall require its subcontractors to carry worker's compensation, general liability and automobile liability with the same minimum limits as set forth in this agreement.
- F. Each policy shall remain in effect until thirty (30) days after completion of all services performed under this Agreement; however, with respect to any insurance coverage written on a claims-made basis, the policy shall remain in effect for at least two years after completion of all services hereunder. CONTRACTOR's completed operations liability coverage shall extend for a term of at least ten years after completion of the work. CONTRACTOR's professional liability coverage shall extend for a period of at least four years after completion of the work.
- G. CONTRACTOR hereby waives and shall cause its insurers to waive against OWNER, or their agents, employees, officers, directors any rights of subrogation for any and all losses and damages caused by the perils covered by any insurance required hereunder. The policies shall provide such waivers of subrogation by endorsements or otherwise.
- H. If CONTRACTOR will be providing any digging or excavating services which may involve a risk of collapse, its commercial general liability insurance shall include coverage for such hazards.

ARTICLE 11 - CHANGES

- A. The OWNER may, from time to time, by written instructions, drawings or specifications, including electronic media, issued to CONTRACTOR, make changes in drawings and specifications, require additional work or direct the omission of work previously ordered. ~~the CONTRACTOR agrees to effect any changes or additional work requested by the OWNER, provided that: (i) any request of the OWNER for changes and additional work shall be given to the CONTRACTOR in writing and in sufficient detail to enable the CONTRACTOR to prepare and direct the schedule for construction and installation of equipment and facilities and to implement the same; and (ii) before effecting any such change, the parties herein, and the subcontractors/suppliers shall have agreed on an equitable~~



adjustment of the MILESTONE SCHEDULE that may be required, as well as appropriate adjustment in the FIXED PRICE, taking into account any elimination or avoidance of work and additional cost of such change. The provisions of this Agreement shall apply to all such changes, modifications, omissions and additions with the same effect as if they were embodied in the original Agreement.

- B. Individual Engineered Change Requests (ECR) that are less than \$10,000 USD may be signed by designated OWNER's representative and CONTRACTOR's designated representative to authorize execution of work. Individual ECR's that are greater than \$10,000 USD require additional signature of the LENDERS representative prior to beginning work. Submission of the original signed ECR to the OWNER's representative to be kept on file with the contract and original quotations. Work may begin on completion of the ECR, when a copy of an ECR with all required signatures is received by the CONTRACTOR by any means, including facsimile. Changes may not be invoiced by the CONTRACTOR until after the signed ECR has been received from the OWNER. Alterations to the Fixed Price will occur upon the accumulation of no less than 5 ECR's.

#### ARTICLE 12 - OWNERSHIP OF WORK PRODUCT / CONFIDENTIALITY

- A. CONTRACTOR agrees, and will instruct its employees and agents, to disclose to OWNER all creative ideas, developments and inventions relating to services provided hereunder. All drawings (including any electronic media), specifications, parts, ideas, discoveries, developments, inventions or any other tangible or intangible item made in performance of this Agreement (hereinafter collectively referred to as "Inventions") shall become the property of OWNER upon Final Completion.
- B. CONTRACTOR will be provided access to certain proprietary, technical and business information and materials of OWNER and its affiliates, including information relative to the OWNER's interests in specific materials or areas of business (hereinafter collectively referred to as "Confidential Information"). All written and oral Confidential Information, including that contained, reflected or interpreted in documents prepared by CONTRACTOR under this Agreement, will be kept confidential by CONTRACTOR. CONTRACTOR agrees to take all reasonable precautions to prevent Confidential Information from being disclosed or disposed to any third party directly or indirectly without the prior written consent of the OWNER. CONTRACTOR's obligation to confidentiality shall extend beyond the term of this Agreement for a period of five (5) years from the date of disclosure but shall not extend to information, which:
1. at the time of disclosure, is or thereafter becomes a part of the public domain by publication or otherwise through no fault of CONTRACTOR;
  2. CONTRACTOR can show was in its possession at the time of disclosure;
  3. is subsequently disclosed as CONFIDENTIAL by a third party having a bona fide right to disclose and having no confidentiality obligation with CONTRACTOR;
  4. is disclosed in a patent or publication anywhere; or
  5. is independently developed by CONTRACTOR without the use of Confidential Information.

- C. Unless otherwise directed by OWNER, OWNER agrees that it will return to CONTRACTOR upon completion of services under this Agreement all Confidential Information in tangible form, for example, drawings, specifications and other documents (including any electronic media) in OWNER's possession. OWNER may retain a single archive copy for reference purposes. All drawings, specifications, and other instruments of professional service furnished on electronic media, disk, tape, or cartridge are part of the Work. CONTRACTOR shall archive a locked copy of any electronic media transferred to the OWNER, the contents of which it is expressly agreed shall be conclusive proof in all disputes over the content of electronic media furnished to the OWNER. The CONTRACTOR shall also provide to the OWNER hard paper copies of the information contained on the electronic media.
- D. OWNER agrees not to disclose to third parties (except to a limited and selected number of its employees and subcontractors who need to know) the existence of this Agreement or its contents. CONTRACTOR shall not, without prior written agreement of OWNER, advertise or publicly announce that it is undertaking work for OWNER. CONTRACTOR shall place the same obligation on its subcontractors. CONTRACTOR will ensure that such employees and subcontractors are aware of and comply with these obligations as to confidentiality.

#### ARTICLE 13 - GOVERNING LAW

This Agreement shall be deemed entered into in the state of Wisconsin and shall be construed and enforced in accordance with the laws of the state of Wisconsin.

#### ARTICLE 14 - ACCOUNTING PROCEDURES

CONTRACTOR agrees to make payment to all subcontractors, laborers, material men and all others who are entitled to payment when and if due on account of the services and to keep the services, the Project and all adjacent properties free and clear of any liens of subcontractors, laborers and material men, and all others who under law and otherwise are entitled to liens against any of the same with respect to the services. If any such liens shall be filed or recorded or if the CONTRACTOR fails to pay any subcontractor, laborer, material men or other person entitled to payment on account of services, OWNER may notify CONTRACTOR that it will withhold the amount of the lien from any payment due CONTRACTOR. Subject to being properly paid by OWNER, CONTRACTOR is responsible for discharging any liens filed by its subcontractors and material men and the costs associated therewith. If after 30 calendar days the CONTRACTOR has failed to discharge the lien or post the bond for the amount of the lien, the OWNER will have the right to deduct the amount from the next payment due CONTRACTOR. Upon completion of the Project and prior to final payment, the CONTRACTOR shall provide OWNER with a waiver of all lien rights by subcontractors, laborers, and material men. Any amount retained by OWNER under this Article shall be in addition to the final payment retained from the Fixed Price.

#### ARTICLE 15 - WARRANTIES

The CONTRACTOR warrants that:

- A. All personnel of the CONTRACTOR shall have the proper qualifications for the work assigned to them under this and their respective Agreements. In the event that any personnel are found by the OWNER to be incompetent or untrustworthy in discharging



- his assigned responsibilities, the OWNER shall require the CONTRACTOR to forthwith provide a replacement with qualifications and experience acceptable to the OWNER, without any additional cost or expense to the latter.
- B. The CONTRACTOR shall perform its obligations relative to this PROJECT in conformity with the standards of care employed by leading contractors in the construction industry for designing and construction projects of the kind and scope covered by this Agreement.
- C. CONTRACTOR shall properly perform, at the written request of OWNER at any time within one (1) year after OWNER's acceptance of the SERVICE in accordance with Article 25 or termination of the SERVICES, whichever is earlier, all corrective Services within the original scope of SERVICES incurred by CONTRACTOR and performance of such corrective Services shall be performed at CONTRACTOR's sole expense.
- D. If the CONTRACTOR fails to act promptly to rectify any defect in the Work, the OWNER at its discretion, may provide a remedy for the failure, at the expense of the CONTRACTOR.
- E. When the SERVICES involve the purchase of machinery, equipment or materials from others, then CONTRACTOR shall, for the benefit of OWNER, obtain from all vendors from which CONTRACTOR procures machinery, equipment or materials or services for the PROJECT, guarantees with respect to such machinery, equipment, materials, which shall be made available to OWNER to the full extent of the terms thereof. These guarantees do not reduce the CONTRACTOR's obligations under this agreement.
- F. The construction and installation by the CONTRACTOR and subcontractors of the equipment, facilities and buildings, and all Work associated with said installations for the PROJECT, shall be in accordance with the designs, drawings and specifications prepared under this Agreement and all workmanship by CONTRACTOR and subcontractors shall be free from defects and deficiencies.
- G. CONTRACTOR warrants that every part of the equipment quoted and furnished, including all equipment, machinery, facilities used by the CONTRACTOR and incorporated in the Project, will be as specified, and free from defects in material and workmanship, and guarantees to repair or replace at the point of origin any part or parts which may be proven defective in material or workmanship within twelve (12) months from Preliminary Acceptance or 12 months from equipment delivery, whichever is later. CONTRACTOR shall not be liable for any defects arising out of materials provided, or designs to the extent stipulated by the OWNER. The OWNER recognizes that erosion and corrosion are inherent in the process for which the equipment is used, and that neither erosion nor corrosion shall indicate defective equipment. Any replacement parts furnished pursuant to this warranty are warranted against defects in material and workmanship for a period of twelve (12) months from the date of installation, but such replacement does not extend CONTRACTOR's warranty on the rest of the parts and equipment, and in no event shall any replacement warranty extend more than 18 months from the initial startup. In order for the Warranty expressed in this paragraph to be effective, the OWNER shall operate and maintain the equipment in accordance with the instructions of the CONTRACTOR and standard industrial practice. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE AGREEMENT THE WARRANTY EXPRESSED IN THIS SECTION IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE.

- H. Guarantees and warranties provided by equipment vendors that extend beyond the periods defined above will not be limited by this Agreement and will be passed on to the OWNER.

#### ARTICLE 16 - DISPUTE RESOLUTION

- A. The OWNER and CONTRACTOR agree to work together to resolve any disputes arising out of or related to this Agreement, including the breach thereof, which may arise between them in a timely, professional and non-adversarial manner.
- B. If during the course of performance an issue arises which project personnel of the OWNER and CONTRACTOR are unable to resolve, the parties agree that the issue shall be submitted to the designated higher level managers within the organizations of the OWNER and CONTRACTOR for good faith discussion and negotiation. The designated higher level manager for each of the parties shall be identified promptly following execution of any work in connection with this Agreement, and shall have authority to settle disputes. The designated higher level managers shall use their best efforts to negotiate in good faith to find a mutually acceptable resolution to the issues that are brought to their attention.
- C. In the event that the designated higher level managers are unable to negotiate a resolution of such an issue, the matter shall be submitted for mediation in accordance with the American Arbitration Association's then-current Construction Industry Mediation Rules.
- D. If dispute cannot be resolved under the procedures outlined above, the parties may mutually agree that it shall be submitted for final decision by arbitration in accordance with the American Arbitration Association's then-current Construction Industry Arbitration Rules
- E. Such mediation and arbitration, if any, shall be conducted at or near Project location, or other mutually acceptable location, and shall be held in the English language.
- F. In no event may a demand for arbitration be made after the date on which institution of legal or equitable proceedings based upon the dispute would be barred under the applicable statute of limitations. No arbitration arising out of or relating to this Agreement may include by joinder, consolidation or in any manner any person or entity who is not a party to this Agreement.
- G. Any award rendered by the arbitrator(s) will be final, and judgment may be entered upon it in any court of competent jurisdiction.

#### ARTICLE 17 - INDEPENDENT CONTRACTOR

It is mutually understood that the CONTRACTOR is not an employee of the OWNER but is an independent contractor. Neither shall the employees, workers, laborers, agents or subcontractors of the CONTRACTOR be deemed employees of the OWNER. Hence, the OWNER shall not in any way be liable or responsible for any and all personal injuries or damages to third persons or their property, caused by any such employee, worker, laborer, agent or subcontractor. The CONTRACTOR shall, at all times, be directly responsible and liable for the enforcement of, and compliance with, all laws, rules and regulations particularly in respect of any and all claims brought by its personnel for the enforcement of the provisions of the labor code, Legal Requirements of PROJECT and other pertinent labor



and social legislation. The CONTRACTOR hereby holds the OWNER free and harmless from all such claims and liabilities thereto. The CONTRACTOR will also comply with all laws concerning qualification to do business and engage in the work involved under this Agreement and will file all returns and reports required of it and pay all taxes and contributions imposed upon it. The CONTRACTOR agrees to hold OWNER harmless from any claims arising out of its failure to comply with this ARTICLE.

#### ARTICLE 18 - OBLIGATIONS/RIGHTS OF THE OWNER

A. The responsibilities of the OWNER under this Agreement, shall include, but shall not be limited to the following:

1. Provide a site for the PROJECT, suitable access thereto and an adequate area or areas adjoining such site for CONTRACTOR's office, warehouse, craft change rooms, shop buildings, welding facilities, materials storage, employee parking, and furnish necessary construction utilities;
2. Provide CONTRACTOR with any necessary governmental allocations or priorities and obtain all permits and licenses required to be taken out in the name of OWNER which are necessary, if any, for the performance of the SERVICES;
3. Provide all personnel and supplies necessary for start-up, operation and maintenance of the Project;
4. Pay all property taxes assessed against the PROJECT;
5. Appoint the OWNER's REPRESENTATIVE.
6. OWNER responsibilities as described in Articles 18 and 21, and Exhibits G and H.

#### B. INSPECTION RIGHTS OF THE OWNER

1. The OWNER and its duly appointed representatives shall have the right to (i) inspect the materials, supplies, equipment, facilities and structural accessories procured/used for the CONTRACTOR at the jobsite; (ii) inspect all technical books and other records of the CONTRACTOR, wherever maintained; and (iii) interview the CONTRACTOR's key employees wherever stationed, regarding the implementation of any transaction contemplated in this Agreement.
2. The OWNER shall also have the right during normal business hours to observe the test conducted by the CONTRACTOR on the materials, supplies, equipment, facilities and structural accessories and to verify the progress of work. Such inspection and observation shall take place upon reasonable notice all locations at which such materials, supplies, equipment, facilities and structural accessories are designed, manufactured, assembled, delivered or tested.
3. Any inspection, observation or review by the OWNER under this Section shall:
  - a. Be conducted at the OWNER's sole expense and shall not be permitted to hinder or impede the prosecution, management and completion of the PROJECT.
  - b. Not release the CONTRACTOR of any obligations under this Agreement.

C. OWNER'S RIGHT OF SUSPENSION

1. The OWNER shall have the right to suspend work on the PROJECT or any portion thereof for a specified period by notice in writing to the CONTRACTOR. By subsequent notice, OWNER shall fix the date upon which work shall be resumed and the CONTRACTOR will resume work on the date so fixed. In the event that OWNER does not fix a date on which work shall be resumed within said specified period as provided for in the notice, or within any extension thereof agreed upon by the parties involved, the agreements (contractual or otherwise) between OWNER and the CONTRACTOR shall be deemed to be terminated at the end of the period of suspension and the provisions on termination in this Agreement shall apply. Upon resumption of the Work, CONTRACTOR shall submit a change order request to accommodate OWNER initiated suspension. In addition, the PROJECT SCHEDULE shall be extended for a reasonable period.
2. No review or approval by OWNER of the Agreement documents or any other agreement, document, instrument, drawing (including electronic media), specification or design proposed by the CONTRACTOR concerning the PROJECT shall relieve the CONTRACTOR from any liability that it would otherwise have had, with respect of, or under such agreement, document, instrument, drawing, specification or design or failure to comply with applicable law with respect thereto, nor shall the OWNER be liable to the CONTRACTOR or any other person by reason of its review or approval of an agreement, document, instrument, drawing, specification or design. Except as otherwise expressly provided herein, this Agreement shall not confer any right, benefit or cause of action whatsoever in favor of any third person.
3. The performance of the activities set forth in this Article shall not imply any obligation of the OWNER to perform any obligations of the CONTRACTOR hereunder or under any other contract documents or constitute as basis of any waiver by the OWNER of any rights hereunder. Furthermore, the CONTRACTOR agrees that any inspection/review conducted by the OWNER is solely for its own information and accordingly the OWNER makes no endorsement of the design/quality or represents and warrants the safety, durability or reliability of the materials, supplies, equipment, facilities and structural accessories. The CONTRACTOR further, shall in no way represent to any third party that, as a result of any inspection/review by the OWNER, the OWNER is responsible for the engineering and/or construction soundness of the PROJECT.

C. OWNER'S RIGHT TO AUDIT.

The CONTRACTOR shall arrange for and maintain accurate and complete estimating and accounting records, in accordance with Generally Accepted Accounting Principles, pertaining to the work done under this agreement, including but not limited to, receipts, deposits, payments, and discharge of qualified tax charges. The records will be kept at the Project site until final inspection and then retained for a period of seven years at CONTRACTOR's offices. OWNER shall be notified prior to destruction of such documents and shall have 10 days to advise the CONTRACTOR whether OWNER would like the documents destroyed or retained for a longer period. OWNER, or its authorized representative, shall have the right to audit all such records, to the extent necessary to adequately permit evaluation and verification of: (a.) CONTRACTOR compliance with the Agreement, (b.) compliance with provisions for pricing change orders, invoices or claims submitted by the CONTRACTOR or any of its subcontractors.



The CONTRACTOR shall permit the OWNER or its authorized representative, to have access at all reasonable times to all, drawings, plans, specifications, vouchers, invoices, labor (at a cost per craft level), quantities, memoranda, etc., relating to this Agreement and this job, and shall permit OWNER to have access at all times to the premises, construction and equipment work, and shall furnish forthwith such additional information as the OWNER may reasonably require.

The CONTRACTOR will insure OWNER's rights under this clause extend to all subcontractors used under this agreement. In the event of fixed price Subcontracts, OWNER's right to audit such records will be limited to the extent necessary to adequately permit evaluation and verification of: (a.) CONTRACTOR compliance with the Agreement requirements, and, (b.) compliance with provisions for pricing change orders, invoices or claims submitted by the CONTRACTOR or any of its subcontractors.

#### ARTICLE 19 - NON-ASSIGNMENT

The CONTRACTOR binds itself, its successors, assigns, and legal representatives to the OWNER and to all covenants of this Agreement. The CONTRACTOR shall not assign, sublet or transfer its interest in this Agreement without the prior written consent of the OWNER.

OWNER shall be able to collaterally assign this Agreement to secure its debt obligations to the LENDERS, and CONTRACTOR shall enter into a separate consent to assignment with the LENDERS.

#### ARTICLE 20 - TERMINATION

The OWNER may, at any time, terminate the SERVICES of the CONTRACTOR under this Agreement for reasons dictated by the best interest of the OWNER upon at least five (5) days notice in writing to the CONTRACTOR. Upon the giving of such notice of termination, the CONTRACTOR shall take immediate steps to bring the work to a close in a prompt and orderly manner and to reduce expenditure to a minimum.

A. Termination for Convenience. In the event of said cancellation and termination for OWNER'S convenience, the OWNER, within forty (40) days after the date of said cancellation and termination, shall pay in full satisfaction all its obligations to the CONTRACTOR and without any other liability whatsoever as follows: An amount to cover all reasonable expenditures made and obligations incurred up to the date of cancellation and termination, pursuant to the terms and conditions of this agreement, plus reasonable costs incurred incident thereto, and as a result of cancellation, plus any balances on previous invoices provided for in Article 6 which may still be pending and unpaid. CONTRACTOR shall not be entitled to claim any anticipated profits on

unperformed work.

B. Termination for Cause.

1. If CONTRACTOR is adjudged a bankrupt, or if it makes a general assignment for the benefit of its creditors, or if a receiver is appointed on account of CONTRACTOR's insolvency, or if it refuses or fails except in cases for which extension of time is provided, to supply enough properly skilled workmen or proper materials, or if it fails

to make prompt payment to Subcontractors for materials or labor, or disregards laws, ordinances, rules, regulations or orders of any public authority having jurisdiction, or otherwise is guilty of a substantial violation of a material provision of this agreement and after giving CONTRACTOR seven (7) days' written notice and CONTRACTOR has not commenced an acceptable cure, OWNER may terminate the employment of CONTRACTOR and take possession of the site and of all materials, equipment, tools, construction equipment and machinery thereon owned by CONTRACTOR and may finish the Work by whatever method OWNER may deem expedient. In such case CONTRACTOR shall not be entitled to receive any further payment until the Work is finished.

2. If the unpaid balance of the Fixed Price exceeds the costs of finishing the Work, such excess shall be paid to the CONTRACTOR. If such costs exceed such unpaid balance, CONTRACTOR shall pay the difference to OWNER. OWNER agrees to prosecute the completion of work in such a manner as to mitigate damages and the cost of completion.

C. Termination in event of Force Majeure. In the event that termination is related to a force majeure event of either party, expected to have a duration of more than 90 days, the parties to this agreement will negotiate in good faith to reach settlement on equitable adjustment of their obligations under this agreement.

#### ARTICLE 21- CONTRACTOR WARRANTED SERVICE PROVISIONS

##### A. AGREEMENT PRECEDENCE.

In the event of any conflict between ARTICLES 1,2,3,4,6,13,14,18,22, and 25, in this Agreement other agreements which may be negotiated between the parties that incorporate this agreement via reference, these Purchase Order or other project conditions shall take precedence. In the event of any conflict between all other ARTICLES in this Agreement and other agreements which may be negotiated between the parties that incorporate this agreement via reference, this agreement shall take precedence. In the event of any conflict between this agreement and any amendments or supplements thereof, the amendments or supplements shall take precedence.

##### B. PERMITS.

CONTRACTOR shall obtain the permits listed below:

- Building permit
- Electrical permit
- Boiler permit
- Gas burning dryer permit
- Gas burning hood permit
- Effluent discharge permit to municipal treatment facility

• Emission permit particulate PM 10

• Emission permit VOC's

##### C. CONTRACT SERVICE PROVISIONS & WARRANTIES:

1. Owner to contribute a clean "green field" site, including all items defined in Article 4.



2. CONTRACTOR understands all de-inking technology required for the Project.
  3. CONTRACTOR designs de-inking process and equipment to produce pulp to supply tissue machines at rated capacity, but at a minimum of 250 tpd.
  4. Project is to include design for two tissue machines, with potential building expansion for converting equipment
  5. Rail service to property will be provided by OWNER, if required.
  6. Water and waste water permits will be provided by CONTRACTOR. CONTRACTOR will provide appropriate equipment design and operation guidelines to meet permit allowances.
- 
7. Office space to meet "CLASS B" commercial real estate standards
  8. Stock prep system to be able to produce brown or white pulp. Pulp quality is further defined in Exhibit B.
  9. Swing tissue machine to be capable to run on a mix of brown, white or virgin pulp, or either pulp individually.
  10. Swing (Wet/Dry Crepe) tissue machine basis weights 8.8# to 32#/3000 sf. Ranges of other product qualities using various feed material to be defined by machine supplier in purchase order approved by OWNER.
  11. Performance guarantee per Exhibit B.
  12. EPC begins upon signing of this Agreement by both parties, and receipt by CONTRACTOR of first payment in Article 6.D., with Final Completion twenty (20) months later.
  13. All parent rolls are cocoon wrapped with headers
  14. Scales to be provided by CONTRACTOR.
- D. TIME IS OF THE ESSENCE. The parties agree that time is of the essence with respect to purchases made under this agreement. The OWNER's business anticipates unusually rapid and reliable deliveries as one of the principle considerations of this agreement. If the specified services are not completed by the completion of the maximum liquidated damages period, OWNER may treat such failure as breach.
- E. All warranties, indemnifications, and, as specifically indicated herein, requirements for insurance shall survive the termination of this Agreement and/or the termination or completion of work under any purchase order or engineering work order and shall continue as valid and enforceable obligations of the parties notwithstanding any such termination, cancellation, completion or expiration.
- F. No failure by either party to insist on performance of any duty, or this obligation, or to exercise any right or privilege included in this Agreement, and no waiver of any breach shall

constitute a waiver of any other or subsequent term, condition, instruction, breach, right or privilege.

#### G. INCENTIVE FOR EARLY COMPLETION

OWNER will pay to CONTRACTOR, as an incentive for early completion, the amount of \$25,000 per day for Preliminary Acceptance of a tissue machine or a linerboard machine. Preliminary Acceptance Incentives are available to CONTRACTOR for up to a maximum of 8 weeks. No incentives will be due for fractions of a day.

#### Preliminary Acceptance Incentive Definition

Three (3) consecutive break free 100" parents rolls, with all permanent systems operational, as described in this Agreement. Yankee speeds equal to or greater than 3,500 fpm for Towel and 5,000 fpm for Tissue. The paper has to meet specifications of, and be sold to, OWNER's customers.

#### H. LIQUIDATED DAMAGES

CONTRACTOR to pay OWNER \$25,000 per day for each tissue or linerboard machine if Performance Test is not met as defined in Exhibit B by the Final Completion date of this Agreement. If the Performance Test is not delivered as indicated below, CONTRACTOR will pay to OWNER, as damages, an amount of \$25,000 per day per machine until the Performance Test is achieved. Total damages are not to exceed the total amount defined below. Damages are to be applied to the extent they are caused by the CONTRACTOR.

Provided CONTRACTOR produces evidence that he has used his best efforts to achieve the Performance Test in Exhibit B, the amount due will not exceed the amount indicated below. Above mentioned liquidated damages will be due of right and without requiring any formal notice. These are in addition to any and all other rights or remedies OWNER may have for CONTRACTOR's default in failing to deliver Performance Test. After the Performance Test has been met, above damages will be taken into account by adjusting the Fixed Price or by accessing the CONTRACTOR's Letter of Credit described in Article 21.I.

The above mentioned agreed sum of Liquidated Damages for breach of this Agreement is to be understood not as a penalty, but as an attempt to avoid difficulties and delays of calculation by substituting an amount appropriate in the light of the loss likely to be caused by a breach. Such damages do not exceed the loss which the party in breach foresees or ought to have foreseen at the time of the conclusion of this Agreement in the light of facts and matters of which he knows or ought to have known, as a possible consequence of the breach of this Agreement.

Total damages due to OWNER from CONTRACTOR, generated from occurrences defined in Article 21 (H), or other liquidated damages identified in this Agreement such as warranties or lack of performance, shall not exceed \$10,000,000. This amount does not include any monthly payments described in Article 6.D that may be withheld by the OWNER due to lack of fulfillment by CONTRACTOR of risks described in the point.

#### I. SECURITY FOR LIQUIDATED DAMAGES

In order to provide CONTRACTOR with financial security in the event that Liquidated Damages are due to OWNER from CONTRACTOR, CONTRACTOR shall obtain an Irrevocable Letter of Credit (ILC). The ILC shall be in the amount of \$10,000,000 and shall



be obtained from a financial institution determined to be satisfactory to the OWNER. This ILC shall be released upon completion of the Performance Tests described in Exhibit B. In lieu of an ILC, CONTRACTOR may choose withhold of 7% of payments in Article 6.D., up to a maximum of \$10 million. Withheld payments will be released upon Final Completion.

#### ARTICLE 22 - REGIONAL PROVISIONS/LEGAL COMPLIANCE

The requirements in this Article apply only to work performed in the United States, unless otherwise noted in project specific purchase orders incorporating this agreement via reference. CONTRACTOR will ensure that all its suppliers of sub-contracted labor to OWNER's site adhere to the requirements of this ARTICLE.

##### I. LEGAL COMPLIANCE. During the performance of this AGREEMENT, CONTRACTOR agrees as follows:

###### A. CONTRACTOR will not discriminate. Non-Discrimination means:

1. Not discriminating against any employee because of race, color, religion, sex or national origin; taking affirmative action to ensure that employees are treated during employment without regard to their race, color, religion, sex or national origin, such action to include, but not be limited to, the following: upgrading, demotion or transfer, layoff or termination, rates of pay or other form of compensation and selection for training, including apprenticeship. CONTRACTOR as part of its affirmative action agrees to actively pursue use of apprentices and trainees by:

- a. Requesting, as employer, appropriate numbers of apprentices and trainees and to consider refusing to accept journeymen or permit people as substitutes, where agreement permits.
- b. Actively pursuing "Hometown" plans for skill, upgrading and training programs of apprentices and trainees on OWNER's jobs.
- c. Working with unions to increase enrollment. *(Only to be used on Union Shop job sites.)*

###### B. CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause or the notices required for certain federal contractors by the Office of Federal Contract Compliance (OFCC).

###### C. CONTRACTOR will, in all solicitations or advertisements for employees placed by or on behalf of CONTRACTOR, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, national origin, and use the phrase, "An Equal Opportunity Employer."

###### D. If applicable, CONTRACTOR will send to each labor union or representative of workers, with which it has a collective bargaining agreement or other contract or understanding, a notice advising the labor union or representative of CONTRACTOR's commitments, and shall post copies of the notice in conspicuous places available to employees and applicants for employment unless the notice provided by the OFCC is used.

- E. In the event of CONTRACTOR's noncompliance with the Equal Opportunity paragraphs (A, B, C, and D above), this Agreement may be canceled or suspended in whole or in part in accordance with provisions elsewhere in this Agreement.
- F. CONTRACTOR agrees that it will not assign any employee under the age of 18 years to any of OWNER's sites.
- G. CONTRACTOR certifies that it has complied with the Immigration Reform and Control Act of 1986, or any amendment thereto, and that none of its employees utilized by OWNER are unauthorized aliens.
- H. CONTRACTOR will acquire knowledge of and meet ( at its expense) all local codes, legal requirements, norms and regulations that affect or will affect the Agreement during performance and will make such independent investigations as are required to assure that all Items conform to such codes, requirements, norms, and regulations.

If the cost to CONTRACTOR of providing Services under the Agreement is increased or reduced as a result of new laws or amendments to existing laws, such laws and amendments being enacted after the date the Agreement is signed by OWNER but before the Final Completion date, the amount of such increase or reduction (to the extent that it arises directly in respect of the Items), shall be reviewed with the OWNER and unless OWNER elects to cancel, shall be added to or deducted from the Agreement price as the case may be.

OWNER will not reimburse CONTRACTOR for :

- any losses or additional costs to the project which are incurred as a result of jurisdictional or other disputes with or among labor,
- any compensation or working condition to be applied retroactively by CONTRACTOR or its Subcontractors as a condition of continuing work on the project,
- any wage or salary increase, even if confirmed by law.

## II. SPENDING WITH HUBS

CONTRACTOR is expected to develop procurement and contracting strategies aimed at meeting the goals of OWNER's minority business development program (Historically Underutilized Businesses - HUB). Such strategies shall include sourcing methods, goals, reporting, and efforts to encourage sub-contractors use of HUB vendors

## III. SPECIAL CONDITIONS FOR CONTRACTOR PERSONNEL ASSIGNED TO OWNER'S SITE, as their primary place of work for more than 10 consecutive work days or more than 30 work days in one calendar year.

- A. If the CONTRACTOR 's employees covered by this agreement are to have assignments in which chemicals will be handled and/or processed, CONTRACTOR acknowledges that OWNER requires CONTRACTOR to provide for safety training of such employees at

~~CONTRACTOR's expense under requirements for CONTRACTOR responsibility in Federal~~

~~OSHA regulations, 29 CFR 1910.120(a)(2)(ii).~~

- B. CONTRACTOR agrees that parcels, packages, briefcases, gym bags, and similar items carried by CONTRACTOR personnel shall be subject to inspection by security representatives of OWNER.



C. CONTRACTOR shall provide security training to all persons referred to OWNER, including review of OWNER's confidentiality leaflet "Information for the Temporary Agency Personnel and Contract Person". CONTRACTOR shall obtain their employee's signature on a copy of this leaflet both the first time they are sent to OWNER and after the final assignment with OWNER. It will not be necessary to obtain signatures for each assignment--only before the very first and after the very last. The leaflet with its signatures should be kept in CONTRACTOR employee's file and made available for audit.

D. CONTRACTOR shall perform conviction checks on its employees, and subcontractors. Conviction checks shall be performed for both felonies and misdemeanors. CONTRACTOR will re-perform conviction checks every two years for those individuals assigned to OWNER's Site who require conviction checks.

1. The CONTRACTOR must exclude an individual from OWNER's premises or from directly representing OWNER if he/she has ever been convicted of the following types of crime:

- Any type of Murder
- Voluntary Manslaughter
- Aggravated Assault
- Assault with a Deadly Weapon
- Kidnapping
- Rape
- Sexual Battery or Gross Sexual Imposition
- Arson
- Robbery
- Trafficking in Drugs

2. If the CONTRACTOR's employee will deal directly with cash on behalf of OWNER or with the authorization of any type of payment, the CONTRACTOR must exclude any individual who has ever received a misdemeanor or felony conviction for theft, embezzlement, and/or fraud of any kind

3. Other than the specific felonies listed in paragraph 1 above (which excludes an individual from OWNER's premises), the CONTRACTOR must exclude any individual convicted of a felony, e.g., burglary, unauthorized criminal access to computer systems, etc., within the last five years.

4. The CONTRACTOR must exclude any individual convicted of a misdemeanor within the last two years. Individuals with convictions for traffic violations do not fall into the exclusion category. Individuals with DUI convictions do not fall into the exclusion category unless he/she will be driving a Company vehicle, or multiple charges exist. The CONTRACTOR should contact the OWNER's Representative for clarification if uncertainties exist.

~~The CONTRACTOR must exclude any individual from OWNER's premises or from directly representing the OWNER if he/she has ever been convicted of the following types of crime:~~

~~Note: Different states may have different names for the above types of crime. For example, some states may refer to "assault with a deadly weapon" as "battery with a dangerous ordinance."~~

- E. CONTRACTOR shall check to see if the individual lives with, or is related to, anyone who works for a company that makes products similar to OWNER's products, such as household and industrial cleaning products, beauty care and personal care products, food and beverage products, paper and cellulose products, industrial chemicals and pharmaceuticals. If so, OWNER is to be made aware of this every time this person is referred to OWNER, and must agree before the person is sent to OWNER's facility.
- F. OWNER prohibits the use, possession, or distribution of any controlled substance or alcoholic beverage by a CONTRACTOR or an employee of the CONTRACTOR on any of OWNER's premises or by a CONTRACTOR or an employee of the CONTRACTOR representing OWNER on another's premises. A controlled substance is any drug or drug-like substance whose sale, use, or possession is unlawful, or any prescribed substance used without a prescription. Violators of this policy will be banned from OWNER's premises.

The CONTRACTOR shall not permit users of controlled substances to work on OWNER's premises or to represent OWNER on another's premises. Any employee who is assigned to work on OWNER's premises must be tested for the presence of amphetamines, barbiturates, benzodiazepines, cannabinoids (marijuana, THC, hashish), cocaine, opiates (Codeine, Morphine, Oxycodone, Hydromophone, Hydrocodone), methadone, methaqualone, and phencyclidine (PCP) by a qualified laboratory using initial screening and confirmation of any positive results. A qualified laboratory must follow the standards of the College of American Pathologists, meet any federal, state, and local laws and regulations, and use a cutoff limit within the detection ranges specified in this contract. Any individual who has been tested once but has not worked on OWNER's premises or represented OWNER on another's premises for more than six (6) previous months must be re-tested in accordance with this paragraph. Anyone who confirms positive for a controlled substance without a legitimate medical reason will not be assigned to work on OWNER's premises. Furthermore, the CONTRACTOR will control the work assignments of anyone taking a prescription drug for a legitimate medical reason so the person does not present a safety risk to himself/herself, other personnel, or OWNER's property.

A contractor must have a written policy on substance abuse to assure compliance with the above criteria. CONTRACTOR

A qualified laboratory must use a cutoff limit within the detection ranges specified in the table below:

#### DRUG DETECTION THRESHOLDS

Drug, Drug Group Typical Detection or Drug Metabolites	Threshold, ng/ml
Amphetamines	500-1000
Barbiturates	200-300
Benzodiazepines	300
Cannabinoids (marijuana)	15-50
Cocaine metabolites	500
Opiates (Codeine, Morphine, Oxycodone, Hydromophone, Hydrocodone)	300



Methadone	300
Methaqualone	300-1000
Phencyclidine	(PCP) 25-75

OWNER shall have the right to require confirmation that the conviction checks and drug tests above, respectively, have been and are being conducted pursuant to this Agreement. Said confirmation may take the form of an audit which OWNER may conduct of CONTRACTOR's records. However, any such audit shall be done at a reasonable time and place and shall not be unduly burdensome on the CONTRACTOR's business operations. Furthermore, any information regarding any of CONTRACTOR's employees or applicants which may be revealed during such audit shall remain confidential.

G. CONTRACTOR agrees that when on OWNER's premises, they will conform to the requirements of a OWNER'S work and safety rules.

#### ARTICLE 23 - LABOR AND JURISDICTIONAL DISPUTES

- A. The CONTRACTOR shall give to the OWNER'S REPRESENTATIVE prompt notice of every labor dispute or issue of which the CONTRACTOR has knowledge of, which may reasonably be expected to affect (i) performance of the work under this Agreement by the CONTRACTOR or subcontractors, or (ii) the final cost of this PROJECT to the OWNER.
- B. OWNER will not reimburse the CONTRACTOR for losses or additional costs to the PROJECT which are incurred as a result of disputes with or among labor, unless the CONTRACTOR submits promptly to OWNER evidence that it has exercised all rights, if any, to recover the same from the party or parties responsible for the interruption of the normal progress of work.

#### ARTICLE 24 - COVENANTS

- A. The CONTRACTOR recognizes that the OWNER will, from time to time engage subcontractors and consultants and use its own personnel to perform various services and activities at the job site, including without limitation, maintenance of the existing plants, equipment and facilities and the installation and construction of other structures for the OWNER's use.
- B. The OWNER and CONTRACTOR agree to structure this Agreement, all other contract documents and transactions for the implementation of the PROJECT in such a manner that minimizes the tax liability of the OWNER.

#### ~~ARTICLE 25 - ACCEPTANCE AND OWNER'S APPROVAL~~

- ~~A. The CONTRACTOR acknowledges that it has entered into this Agreement for the consideration set forth herein and represents that it has carefully examined and satisfied itself with respect to all pertinent matters that may bear upon its performance under this Agreement.~~

B. The Parties will work together to develop a mutually acceptable project turnover plan defining logical systems and/or geographic areas of the project to be turned over as they are completed, and defining the various check out procedures. When CONTRACTOR deems that an area/system is Mechanically Complete (equipment is installed, functional, ready for initial inspection and check out procedures) and ready for initial start-up operation, it shall so advise OWNER in writing. Within 5 days of such notice the parties will conduct a joint turnover inspection. Within 5 days of said joint turnover inspection OWNER will provide a written Preliminary Acceptance letter with Punch List of items still requiring completion, or notice of non-acceptance with the reasons therefore. The Parties agree that the CONTRACTOR will not include in Punch List any items that have a material effect on operation of the Project or prevent safe operations of the facility. The transfer of ownership for an area/system takes place as specified in the Preliminary Acceptance letter. Acceptance will not be delayed without reasonable cause. In any event, the care, custody, and control of the facilities or portion thereof shall pass to OWNER no later than the time when OWNER takes physical possession thereof. From and after the date of the transfer of the care, custody, and control of the facilities or portion thereof, OWNER shall assume all risks of physical loss or damage thereto and shall, and does hereby, release CONTRACTOR from and OWNER will and shall cause its insurers to waive rights of subrogation against CONTRACTOR and its vendors and subcontractors for loss or damage to the facilities which may thereafter occur due to casualties covered by property damage insurance. At this point, an area or system is defined as Substantially Complete.

C. Upon successful start up of a system, Performance Tests defined in Exhibit B, and completion of Punch List items, CONTRACTOR shall inform OWNER in writing that the system is Finally Complete. OWNER shall agree that a system is Finally Complete by the signing of such written document or certificate. System is then Finally Accepted.

D. DEFECT PRIOR TO TAKING OVER

If, in respect of any section or portion of the Project not yet taken over, OWNER may at any time:

- a) decide that any Work done or equipment installed or delivered, used by CONTRACTOR or any Subcontractor, contains a defect.
- b) as soon as practicable give to CONTRACTOR notice in writing of the said decision specifying particulars of the defect alleged and of where the same are alleged to exist or to have occurred, AND
- c) so far as may be necessary, place the Project at CONTRACTOR's disposal then CONTRACTOR shall with all speed and at his own expense make good any defect so specified. In case CONTRACTOR shall fail to do so, OWNER may, provided it does so without undue delay, take at the cost of CONTRACTOR, such steps as may in all the circumstances be required to make good any such defect. All Work provided by OWNER to replace Work containing a defect shall comply with the requirements of this Agreement. CONTRACTOR shall be entitled to remove and retain all Work that OWNER may have replaced at CONTRACTOR's cost.

If OWNER prefers to accept non-conforming work, or work containing a defect, OWNER may do so instead of requiring its removal and correction, in which case a credit will be issued to reflect a corresponding reduction in the Fixed Price, (see changes under the overall



agreement Article 11) or, if the amount is determined after final payment, it shall be refunded at once by CONTRACTOR.

#### E. INSPECTION, TESTING AND REJECTION OF WORK

- a) OWNER shall be entitled at all times during manufacture to inspect, examine, and test on CONTRACTOR's premises the materials and workmanship and performances of all Work to be installed or delivered under this Agreement, and if part of the said Work is being manufactured on other premises CONTRACTOR shall obtain permission to inspect, examine, and test as if the said Supply were being manufactured on CONTRACTOR's premises. Such inspection, examination, or testing, shall not release CONTRACTOR from any obligation under this Agreement.
- b) CONTRACTOR shall give OWNER 10 (ten) working days notice in writing of the date on and the place at which any Work will be ready for testing or inspections as provided in this Agreement and unless OWNER shall attend at the place so named on the date which CONTRACTOR has stated in his notice CONTRACTOR may proceed with the tests or inspections, which shall be deemed to have been made in OWNER's presence, and shall forthwith forward to OWNER duly certified copies of the test or inspection readings. OWNER shall give CONTRACTOR 24 hours notice in writing of his intention to attend the tests or inspections.
- d) Where this Agreement provides for tests or inspections on the premises of CONTRACTOR or of any subcontractor of CONTRACTOR, except where otherwise specified, CONTRACTOR shall provide free of charge such assistance, labor, materials, electricity, fuel, stores, apparatus, and instruments as may be requisite and as may be demanded to carry out such tests or inspections efficiently.
- e) As and when OWNER is satisfied that any such Work shall have passed the tests or inspections referred to in this clause, he shall forthwith notify CONTRACTOR in writing to that effect.
- f) If after inspecting, examining, or testing any Work, OWNER shall decide that such Work or any part thereof contains a defect or is not in accordance with this Agreement, he may reject the said Work or part thereof by giving to CONTRACTOR, without delay, notice in writing of such rejection, stating therein the grounds upon which the said decision is based.

#### F. FAILURE TO MEET PERFORMANCE TESTS

In the event that the Performance Tests are not able to be met with the equipment installed for the Project, CONTRACTOR shall be able to take remedial measures to modify the facilities, including replacing equipment, to satisfy the Performance Tests. OWNER must approve of such remedial measures before they are taken. OWNER may not unduly withhold approval of such measures.

#### ARTICLE 26 - OWNER'S REPRESENTATIVE

~~The OWNER will designate in writing one individual to act as the OWNER'S REPRESENTATIVE in connection with this Agreement. The OWNER may substitute the representative with such other person as the OWNER may from time to time desire, confirming such action in writing to the CONTRACTOR. OWNER'S REPRESENTATIVE may be an independent engineer that is not an employee of the OWNER.~~

- B. Under this Agreement, the OWNER'S REPRESENTATIVE shall act for and in behalf of the OWNER and shall ensure that the CONTRACTOR conforms with its obligations as prescribed herein. He/she shall have authority to sign Engineering Change Orders on behalf of the OWNER.
- C. The OWNER'S REPRESENTATIVE will convey OWNER'S position on any and all questions that arise affecting the performance of the work as raised by the CONTRACTOR. Consistent with the foregoing, the OWNER'S REPRESENTATIVE shall determine the quality, acceptability and fitness of the materials, supplies, equipment, facilities and structural accessories furnished, supplied and work performed by the CONTRACTOR. OWNER'S REPRESENTATIVE shall, on behalf of OWNER, decide all questions which may arise in the interpretation of the plans, specifications and other contract documents, except for changes in this Agreement.
- D. The OWNER's Representative's determinations and decisions on review, approval and questions with respect to technical documents referenced in Exhibit E shall be final and conclusive and he/she shall have executive authority to enforce and make effective such decisions and orders as the CONTRACTOR and subcontractor fail to carry out. The CONTRACTOR's and subcontractor's cooperation with and fulfillment of the orders shall be a condition precedent to its right to receive any payment under the Agreement.

#### ARTICLE 27 - PERSONNEL/PERMANENT STAFF AT JOBSITE

Should it become necessary, for reasons beyond the reasonable control of the CONTRACTOR to replace any of its key personnel, the CONTRACTOR shall forthwith arrange for such replacement with a person of comparable qualifications.

#### ARTICLE 28 - CONTRACT DOCUMENTS

- A. All contract documents and pertinent papers for the construction of the PROJECT shall be furnished to the CONTRACTOR for the proper implementation and execution of the stipulations and conditions set thereto.
- B. These documents, models and electronic files shall include the following:
1. All plans and specifications.
  2. General and special conditions.
  3. Statement of Work.
  4. Subsurface investigations, by OWNER, and laboratory test results.
  5. Other related documents including all addenda, etc., to the contract.



- C. The title of all work completed and in the course of construction and of materials, supplies, equipment, facilities, structural accessories and all other personal property on account of which any payment has been made, or on account of which any payment is to be made, shall be in the OWNER, except as otherwise covered by applicable law.

#### ARTICLE 29 - SUBCONTRACTING AND SUPPLIERS

- A. CONTRACTOR shall not be relieved of any obligations assumed under this agreement by reason of its subletting the work to any subcontractor.
- B. CONTRACTOR will inform OWNER of all subcontractors selected, who will be performing work on the Project site, prior to the subcontractor commencing work. OWNER has the right to bar any subcontractor from Project site but will not do so unreasonably. CONTRACTOR will make reasonable effort to allow OWNER to review bid lists in advance of any inquiry leading to work done on Project site.
- C. The CONTRACTOR shall limit the number of subcontracts for completion of any portion of SERVICES to no more than two levels, without prior written approval by OWNER.
- D. Upon notification by OWNER of a subcontractor's or individual's safety violation, legal violation, unethical behavior, or workmanship concern, the CONTRACTOR has 10 days after notification to address concerns or CONTRACTOR will remove subcontractor or individual from work site.
- E. OWNER reserves right to review subcontractor and equipment suppliers and mutually agree with CONTRACTOR for inclusion in bidding process.

#### ARTICLE 30 - ADDITIONAL MISCELLANEOUS PROVISIONS

- A. MISSING INFORMATION: CONTRACTOR shall consider all matters essential to the efficient execution of the Work. Whenever any data, supplied by OWNER as part of the Agreement, is not adequate, or not sufficiently complete to allow execution of the Agreement, it will then be CONTRACTOR's responsibility to request the missing data from OWNER.
- B. OFFICERS NOT TO BENEFIT: If CONTRACTOR or any of its subcontractors, agents, or employees shall offer or give, or agree to offer or give, to any employee of OWNER, consultants of OWNER, or any other person, any bribe, gift, gratuity, or commission as an inducement or reward for doing or forbearing to do any action in relation to the Agreement or any other contract with OWNER, or for showing or forbearing to show favor or disfavor to any person in relation to the Agreement or any other contract with OWNER, then OWNER may terminate the Agreement.
- C. SPARES FOR MACHINERY: To enable OWNER to purchase spare parts, CONTRACTOR will supply for any ordered equipment whenever or wherever he may desire to do so, CONTRACTOR will not remove or cause others to remove or fail to provide any

identification, brand name, catalogue and/or reference numbers, type and model indications or technical details or plates provided by the original CONTRACTOR or manufacturer of such equipment that would have been available on similar or identical equipment purchased directly from said CONTRACTOR or manufacturer. OWNER will be entitled to compensation for any cost or inconvenience suffered as a result of CONTRACTOR's failure to comply with the above.

- D. TAX: Unless furnished with written confirmation of exempt status such as an exemption certificate or a direct pay certificate, CONTRACTOR shall charge OWNER all sales, use or similar taxes required by law for jurisdictions in which the CONTRACTOR is registered. OWNER is responsible to pay any such taxes in addition to payments otherwise due under the Agreement. If the CONTRACTOR fails to bill such taxes, it is OWNER's responsibility to pay any applicable use tax directly to the governing jurisdiction. To the extent that value added tax is properly chargeable on any equipment or services provided by CONTRACTOR under the Agreement, OWNER shall pay such tax as an addition to payments otherwise due to CONTRACTOR under the Agreement. If any manufacturer's excise tax, value added tax or other tax measured by selling price is included in or added to the Agreement price paid by OWNER, in the event all or any part of that tax is refunded to CONTRACTOR, CONTRACTOR shall promptly remit such refund in full to OWNER.
- E. PROTECTION OF CONTRACTOR'S PROPRIETARY DESIGN: It may be necessary, during the course of this Agreement, for the CONTRACTOR to share with the OWNER its proprietary designs, or designs from other companies working with the OWNER. The OWNER agrees to not use or adapt these designs for its own purposes outside of this agreement without the CONTRACTOR's express written consent.
- F. IMPORTER OF RECORD: The CONTRACTOR will be the importer of record and will pay all duties and importation costs in the first instance, however, the OWNER shall reimburse to the CONTRACTOR in full the duties and importation costs paid by the CONTRACTOR. It is agreed that the CONTRACTOR will be liable for all U.S. Customs duties as set forth in this clause F. accruing at the time of importation or at any time thereafter and that the OWNER will not appear as importer nor as the "Account Party" on any documents submitted for the purposes of U.S. Customs procedures. No documents will be submitted to U.S. Customs that reflect that the merchandise in question is to be imported for the account of the OWNER without the prior consent of the OWNER.
- G. SUBSURFACE & CONCEALED CONDITIONS: CONTRACTOR and OWNER acknowledge and agree that as to subsurface or other concealed conditions CONTRACTOR is relying upon information provided by OWNER, and that provided CONTRACTOR conducts the investigation required under Article 3 B.1.(d), any costs or schedule extensions due to changes in subsurface or other concealed conditions from those indicated in the materials provided by OWNER or which would not be apparent upon reasonable investigation shall be to OWNER's account.

H. ENVIRONMENTAL REMEDIATION: OWNER acknowledges that CONTRACTOR is not an expert in environmental remediation and shall not be directed by change order or otherwise to perform any environmental remediation as part of the Work, including but not limited to asbestos and lead paint removal. If any environmental remediation is necessary, OWNER will contract directly with a qualified third party to perform such Work. Notwithstanding any other provision of the contract, the OWNER will be solely responsible



for any modification to or any extension of the construction/contract schedule or for any labor dispute attributable to the nonconformity of the site of the work to any environmental, health or safety requirement as prescribed by any law, ordinance, rule, regulation, code or order of any authority having jurisdiction, unless caused by CONTRACTOR.

- I. LIMITATION OF LIABILITY: Notwithstanding any other provision in this agreement, the following limitations of liability shall apply: (a) In no event, whether as a result of contract, tort, strict liability or otherwise, shall either party be liable for loss of use or increased expense of plant operations, but will not limit CONTRACTOR's responsibility for liquidated damages under Article 21 (H). (b) The liability of CONTRACTOR to OWNER arising out of this Agreement, whether based on warranty, contract, negligence, strict liability or otherwise, shall not exceed \$10,000,000 except for indemnity and liability clause in Article 9.

In witness hereof, the CONTRACTOR and the OWNER have hereunto set their hands.

	<b>Spirit Construction</b>		<b>ST Paper, LLC</b>
By	<u><i>Steve Van Den Heuvel</i></u>	By	<u><i>Sharad Tak</i></u>
Name Typed	<u>Steve Van Den Heuvel</u>	Name Typed	<u>Sharad Tak</u>
Title: as,	<u>President</u>	Title: as,	<u>President</u>
Date	<u></u>	Date	<u></u>

## INDEX OF EXHIBITS

- A. Milestone Schedule.
  - B. Performance Tests and Guarantees
  - C. Spare Parts List
  - D. Subcontractors
  - E. Drawings and Specifications
- 
- F. De-ink Flow Diagram.
  - G. Operating Manuals
  - H. Organizational Structure Matrix
  - I. Operations and Maintenance Personnel



**Exhibit A: Milestone Schedule**

The following table of milestones, start month and completion month are a succession of activities needed to complete the Work required to build the Project. Numerous milestones are connected to other milestones and must be completed sequentially. Month zero (0) represents the signing of this Agreement and OWNER's first payment to CONTRACTOR defined in month 0 of Article 6 Section D. and Notice to Proceed described in Article 6.E.

<u>Key Milestone</u>	<u>Start Month</u>	<u>Completion Month</u>
Environmental & Building Permits	0	1
Project Procedure Manuals	0	1
Detailed Project Schedule (200+ lines)	1	2
Purchase Tissue Machines and De-ink Equipment	1	2
Project Design Engineering, Owner Approvals	1	8
Construct Building	2	11
Order elect/instr/pipe/HVAC materials	2	3
Deliver De-ink equipment	4	10
Build De-ink plant	5	13
Deliver Tissue Machine Equipment	10	12
Install Tissue Machine Equipment	11	14
Install Tissue Machine civil/piping/elect/HVAC	6	17
Deliver vendor and operating manuals, approved	4	8
Train O&M personnel	14	16
Start up de-ink, waste water & boiler facilities	16	18
Start up Tissue Machines	18	19
Performance Tests	19	20
Final Completion of EPC		20

**First Paper – Best Scenario**

Assuming a signing date of 11/1/06:

- Swing tissue machine#1 will be available by 3/15/08.
- Swing tissue machine #2 will be available by 4/15/08.

**Customers:**

- Customer #1 will begin taking tissue delivery between 3/15/08 and 4/17/08
- Customer #2 will begin taking swing tissue delivery between 4/15/08 and 5/17/08

## #9 New Swing Machine

S = START F = FINISH

	Month	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1	Project Permits	SF																			
2	Process Engineering	S	X	X	X	X	X	X	F												
3	P&ID Drawing		S	X	X	F															
4	Piping Engineering			S	X	X	X	X	F												
5	Civil Engineering			S	X	X	F														
6	Structural Engineering			S	X	X	F														
7	Process Controls Design					S	X	X	X	F											
8	Controls Check-Out							S	F												
9	Electrical Design							S	X	X	X	F									
10	HVAC Design								S	X	X	X	F								
11	Order Paper Machine	S	F																		
12	Install Boiler											S	X	F							
13	Install Stock Prep Equipment										S	X	X	F							
14	Construct Building		S	X	X	X	X	X	X	X	F										
15	Paper Machine Install											S	X	X	F						
16	Power Distribution									S	X	X	F								
17	Stock Prep Start-Up														S	X	X	F			
18	Vacuum System															S	X	F			
19	Stock Approach Start-Up																S	X	F		
20	Paper Machine Start-Up																	S	X	X	F



## #10 New Swing Tissue PA

S = START F = FINISH

	Month	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1	Project Permits	SF																			
2	Process Engineering	S	X	X	X	X	X	X	F												
3	P&ID Drawing		S	X	X	F															
4	Piping Engineering		S	X	X	X	X	X	F												
5	Civil Engineering				S	X	F														
6	Structural Engineering				S	X	F														
7	Process Controls Design			S	X	X	X	F													
8	Controls Check-Out							S	F												
9	Electrical Design							S	X	X	X	F									
10	HVAC Design								S	X	X	X	F								
11	Order Paper Machine	S	F																		
12	Install Boiler											S	X	F							
13	Install Stock Prep Equipment										S	X	X	F							
14	Construct Building		S	X	X	X	X	X	X	X	F										
15	Paper Machine Install											S	X	X	F						
16	Power Distribution									S	X	X	F								
17	Stock Prep Start-Up													S	X	X	F				
18	Vacuum System														S	X	F				
19	Stock Approach Start-Up															S	X	F			
20	Paper Machine Start-Up																S	X	X	F	

**Exhibit B: Performance Tests and Guarantees**

CONTRACTOR guarantees that each tissue machine will meet Performance Tests described below prior to completion of the Project as defined in Article 6.E.

1. The Swing Tissue Machine will perform a seven day test with specifications and production rates as shown below. The Performance Test will be considered successful if the total product produced over the seven day test meets or exceeds the average rates shown below multiplied by the number of hours or days run on that product. Product will be made from 100% de-ink fiber produced in the de-ink facility on this site. Products produced during the Performance Tests will meet additional specifications, such as bulk, moisture, brightness, tensile, dirt, as defined by the customer for which the product is made for. Changes in basis weight, crepe or width from the specifications shown below will result in an adjustment in the Average Tons Produced per day in a manner consistent with the calculation methods used by the machine supplier.

Test	Product Type	Basis Weight (lbs/3,000sf)	Operating Mode	Crepe	Width	Average Tons Produced / day
1	Bath	9.2 or greater	Dry	8%	106"	92
2	Towel	24.0 or greater	Wet	5%	106"	145

During the Performance Tests, operating parameters of all facility equipment will be set by CONTRACTOR, with observation by OWNER's operating personnel. OWNER'S REPRESENTATIVE and LENDER'S REPRESENTATIVE shall verify and approve performance procedures prior to Performance Tests.



**Exhibit C: Spare Parts**

The following is a list of the spare parts that the Contractor will provide Owner as part of the fixed price of this Agreement.

1. Spare Paper Machine Components listed in Owner approved paper machine purchase agreements will be included in this Agreement and will be provided by Contractor. Any additional components will be purchased by Owner.
  2. Spare Parts - Contractor will provide a list of recommended spare parts prior to Project completion. Owner shall determine which spare parts to purchase and place in Owner's inventory. Owner shall be responsible for the cost associated with the purchase of any spare parts.
-

**Exhibit D: Subcontractors**

The following is a list of subcontractors that the Contractor expects to be performing Work at the Owner's Site, or performing Work at another site that will be used at the Owner's Site. Also listed is a general description of the scope of Work that the Contractor and each subcontractor is expected to perform.

<b>Contractor</b>	<b>Scope of Work</b>
Spirit Construction Services	General Project Management, building construction, equipment and piping installation, site work
<b>Subcontractor</b>	<b>Scope of Work</b>
Tissue Products Technology Company	Definition and purchase of equipment, engineering, operations and engineering check out, start up, operations and maintenance training and manuals, permit application
Spirit Fabrication	Pipe and structural steel fabrication
Pine Ridge Engineering	Engineering
Vos Electric	Installation of electrical, instrument, hydraulic, lubrication, control systems

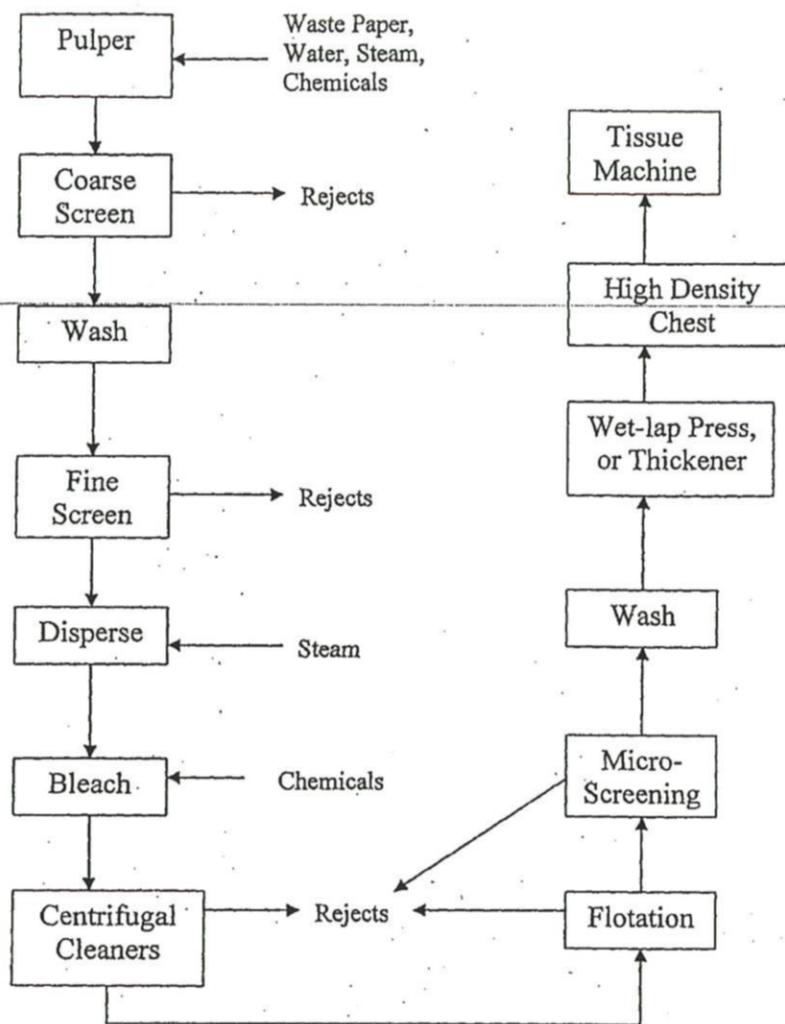


**Exhibit E: Drawings and Specifications**

The following is a list of the types of Drawings and Specifications expected to be provided by Contractor and/or Subcontractors as part of this Agreement. Appropriate drawings will be reviewed with OWNER prior to construction, and prior to Final Completion, updated to represent the as built facility.

- 1) Process Flow Diagrams with Fiber Mass Balance
- 2) Process and Instrument Diagrams
- 3) General Arrangement Drawings
- 4) Mechanical Layout and Section Drawings
- 5) Elevation Drawings
- 6) Architectural and Structural Drawings
- 7) Electrical One-Line and Control Diagrams
- 8) Piping Fabrication Drawings
- 9) Installation Drawings
- 10) Construction Specifications
- 11) Project Process Narratives
- 12) Equipment Lists (pumps, motors, tanks, vessels, instruments, etc)
- 13) Process Control Documents
- 14) Vendor Equipment Manuals and Drawings
- 15) DCS Configurations
- 16) Instrument Calibration Sheets
- 17) HVAC Specifications
- 18) Design Standards
- 19) Engineering Systems Descriptions for P&ID, One-line Electrical, Process Controls, Automation
- 20) Instrument Control Loop Sheets, Elementary Drawings, Logic Diagrams, Process Screens, Process Configurations, PLC Software, QCS Software, Product Production Software, Utility Usage Software and Reporting

Exhibit F: De-ink Flow Diagram





**Exhibit G: Operating Manuals**

The following is a complete list of Operations Manuals required for the Project. Manuals that will be supplied by Contractor under this Agreement are identified as EPC. Manuals to be provided under the Operations and Maintenance Agreement with Tissue Products Technology Corp are shown as TPTC. Manuals to be provided under the Sales and Marketing Agreement with Partners Concepts Development Inc are shown as PCDI. Manuals to be provided by Owner are identified as STP.

Name of Manual	Supplied by
1. Employee Handbook	TPTC
2. Benefit Manual	TPTC
3. Employee Operation Manuals	TPTC
A. Effluent Training Manuals	TPTC
1. Primary clarifier operations	
2. Secondary Treatment/Activated sludge operations	
3. NPDES permit provisions including BOD, TSS, Temperature, DO, Metals, pH, organics, flow limits, reporting, etc (if at facility)	
4. Sludge dewatering	
5. Control System Training Manuals	
B. Process De-ink Pulp Mill Manuals	TPTC
1. Waste paper batch training	
2. Yield techniques	
3. Bleaching techniques	
4. Waste paper inspection	
5. Consistency through tank transfer	
6. Water recycling	
7. Water heating and temperature regulation	
8. Overall waste paper pulp training	
9. Overall virgin pulp training	
10. Control System training	
11. Chemical optimization	
12. Screening optimization	
13. Counter current and fiber recovery	
14. Cleaning optimization	
15. Flotation optimization	
16. Recovery optimization	
17. Process Control	

Name of Manual	Supplied by
C. Process Papermaking Manuals	TPTC
1. High density chest operation	
2. Broke chest	
3. Machine chest	
4. Whitewater chest	
5. Clarified water chest	
6. Machine chest pump	
7. Broke chest pump	
8. Refiner training	
9. Deflaker training	
10. Center Screen training	
11. Headbox training	
12. Press training	
13. Felt removal training	
14. Wire removal training	
15. After dryer training	
16. Yankee variable frequency drive training	
17. Measurex training	
18. Control System training	
19. Reel training	
20. Parent roll handling and wrapping	
21. Water temperature regulation	
D. Warehouse Training Manuals	TPTC
1. Loading and unloading	
E. Water Intake Manuals	TPTC
1. River Water Clarifier Operations	
2. Sand Filter Operation	
3. Testing and control	
4. Permit limits	
F. Boiler Operation Training Manuals	TPTC
1. Testing and Control	
G. Overall Plant Safety Manuals	EPC
Safety Training for Construction, Operations and Maintenance Staff per OSHA Requirements	
1. Dust Control	
2. Spill Protection	
3. Ventilation	
4. MOC (lockout Capability)	
5. Guarding	
6. Lighting	
7. Emergency Lighting	
8. Safety Showers/Eye Washes	



Name of Manual	Supplied by
9. Local Safety Disconnects	EPC(continued)
10. General & Emergency Lighting	
11. Medical Equipment	
12. Wastewater Treatment	
13. Soil and Ground Water Contamination	
14. Hazardous Waste	
15. Overall Health, Safety, Environmental Standards	
16. Environmental (location and design of sampling ports)	
17. Technical safety includes pressure vessels, Yankee safety, combustion safety, hazardous process (steam, condensate, chemicals, etc.)	
18. Fire protection standards.	
19. Emergency Action Plan (29 CFR 1910.38)	
a) Emergency escape and rendezvous site	
b) Employee Alarm System	
c) Fire Prevention Plan, fire brigade, extinguisher training	
d) Extreme Weather Plan	
e) First Responders (First Aid, Accident, etc.)	
f) Spill Prevention and Containment (also covered in 29 CFR 1910.106)	
20. Powered Industrial Trucks (29 CFR 1910.178)	
21. Bloodborne Pathogens Protection (29 CFR 1910.1030)	
22. Hot Work Permits (29 CFR 1910.252)	
23. Confined Space Entry Procedure (29 CFR 1910.146, .21, & .120)	
24. Fall Protection (29 CFR 1910.25, .26, .28)	
25. Hazcom (29 CFR 1910.1200)	
26. Lockout/Tagout (29 CFR 1910.147 & .333)	
27. Personal Protective Equipment (29 CFR 1910.95, 133, .135, .136, .137, .138, .261, .333)	
28. Dust Exposure (29 CFR 1910.1000)	
29. Pulp pile, lighting, dust masks, chemical handling, nips, chest labels, tank and chest cleaning, steam lines, etc are covered under a special Pulp and Paper provision at 29 CFR 1910.261	
30. Storm Water Pollution Prevention Plan (SWPPP) Training Manual	
31. Hazardous Waste Shipping Policy	

4. Information Technology system Training Manual	TPTC
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5. Production Schedule Manual	RCB
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6. Data Entry Manual	STP
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Name of Manual	Supplied by
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7. Payroll Systems Manual	STP
8. Papermaking Quality Control Manual	TPTC
9. Converting Product Quality Control Manual	TPTC
10. Shipping & Warehouse Logistics Manual	TPTC
11. Maintenance Manual	TPTC

12. Fiber, Raw Material, Chemicals, & Supplies Procurement Manual	TPTC
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13. Storeroom Manual	STP
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14. Spare Parts Manual	EPC
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15. Procedure Manual	EPC
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18. Project Equipment List	EPC
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19. Project Instrumentation List	EPC
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20. Engineering Checkout System Manual (ECO)	EPC
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21. Pre-startup Inspection (PSI) Manual - By System	EPC
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22. Construction Checkout Manual - By System (CCO)	EPC
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23. Construction Safety Manual	EPC
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24. Refiner Manual	EPC
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25. Wet Crepe Tissue Machine Manual	EPC
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26. 505 PCMC Converting Manual	EPC
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27. Nash Vacuum Pump Manual	EPC
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28. Variable Frequency Drive Manual	EPC
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29. Honeywell Moisture Control Manual	EPC
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30. T.M. Yankee Hood Manual	EPC
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31. Cocoon Wrapper Manual	EPC
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**Exhibit H: Organizational Structure Matrix**

The following table describes a matrix of Organizational Structure issues that will be supported by the Contractor in the performance of Work as well as other issues that will need to be addressed by Owner. Those issues that will be supported by Contractor under this Agreement are identified as EPC. Issues to be supported under the Operations and Maintenance Agreement with Tissue Products Technology Corp are shown as TPTC. Issues to be supported under the Sales and Marketing Agreement with Partners Concepts Development Inc are shown as PCDI. Issues to be supported by Owner are identified as STP.

The issues described in this Exhibit are:

- Safety
- Permits
- Operation
- Sales and Marketing
- Finances
- Government Relations
- Human Resources

	Supported by:			
	EPC	TPTC	PCDI	STP
<b>Safety:</b>				
• Training Manuals	X	X		
• Training	X	X		
• Documentation/Reporting	X	X		
• Testing	X	X		
• Reviewing	X	X		
• Enforcing	X			
• Investigating near misses, incidents, accidents, etc.	X	X		
• Cost management (risk and rewards)				X
• Risk analyses				X
<b>Permits:</b>				
• Environmental Operating Procedures	X			
• Environmental Compliance		X		
• Environmental Reporting		X		
• Maintain Documentation	X	X		
• Testing		X		
• Monitoring		X		

	Supported by:			
	EPC	TPTC	PCDI	STP
<b>Operation</b>				
• Development of all operational procedures	X	X		
• Training	X	X		
• Management of all operational procedures	X	X		X
• Continues optimization/tuning of process and operational procedures		X		
• Maintenance		X		
• Engineering		X		
• Procurement		X		X
• Research and Development		X		
• Cost Management		X		
• Revenue optimization		X		X
• Secure the Facility				X
• Safety & Occupational Health		X		
• Human Resources		X		X
• Customer Service			X	
• Insurance Management		X		X
<b>Sales and Marketing:</b>				
• Develop and Maintain Customer Relations			X	
• Negotiate Long and Short Term Pricing			X	
• Negotiate Payment Terms			X	
• Develop Long and Short Term Contract			X	
• Billing and Collection			X	
• Market Research			X	
• Analyzing credits risk			X	
• Grade development			X	
• Production and shipment scheduling		X	X	
• Revenue optimization		X		
• Promotions			X	
<b>Finances:</b>				
• Develop and Maintain Accounting Procedures				X
• Accounting and Banking				X
• Billing and Collections			X	
• Preparing Budgets		X		X
• Payroll		X		X
• Taxes				X
• Revenue Optimization		X		X



• Prepare monthly, quarterly and annual reports:		X		X
o Financial statement				X
o Inventory levels		X		
o Sales volume, price and customer			X	
o Production cost		X		
o Capital investment		X		
o Safety and human resources matters		X		
o Environment compliance and complaints		X		
<b>Supported by:</b>				
<b>Government Relations:</b>	<b>EPC</b>	<b>TPTC</b>	<b>PCDI</b>	<b>STP</b>
• Keep prudent relationship with City, State and Federal entities		X		X
• Regulatory Reporting		X		
<b>Human Resources:</b>				
• Develop and Maintain Employee Handbooks	X	X		
• Training and Development of Employees	X	X		
• Payroll		X		X
• Health Insurances		X		X
• 401K plan		X		X
• Maintain Employee Files		X		X
• Reinforcement		X		X
• Hire and Fire		X		X

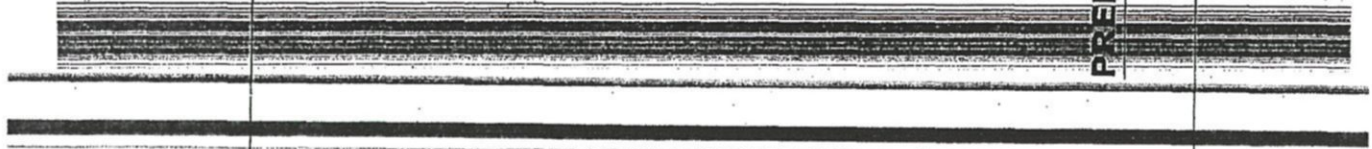
Administrative and Information systems	Supported by:			
	EPC	TPTC	PCDI	STP
• Monitoring customers, sales volume, pricing, quality, delivery time		X	X	
• Transportation scheduling			X	
• Freight costs			X	
• Production scheduling		X	X	
• Procurement and inventory monitoring of waste paper		X		X
• Procurement and inventory control of chemicals		X		X
• Procurement and inventor control/monitoring of spare parts		X		X
• Order entry		X		
• Accounts receivable			X	
• Accounts payable				X
• General ledger				X
• Payroll		X		X
• Human recourses issues (manuals and handbooks)		X		X
• Training records		X		
• Process control, controlling and monitoring consumption		X		
• Process cost control, ( cost per time, cost per unit)		X		X
• Revenue optimization		X		X
• Operation Manuals		X		
• Insurance		X		X



**Exhibit I: Operations and Maintenance Staffing**

The following is a list of O&M personnel that Contractor expects Owner to operate and maintain the Project after completion, and are required by Contractor to assist in the start up and testing of the Project during performance of the Work.

POSITION	NUMBER
Plant Manager	1
Paper Machines Manager	1
Data Entry	1
Technical Plant Engineer Planner	1
Production Schedule Interface	1
Safety/Quality Control	1
IT	1
Shipping Manager	1
Paper Machine Techs	24
De Ink Stock Prep & Boiler Operations	12
Utility Workers/Maintenance	12
Warehouse /Receiving/Loading	4
Maintenance	12
<b>TOTAL</b>	<b>72</b>



ST Paper Pennsylvania-EPC-11/14/06

SCS\_000174



## EPC CONTRACT EQUIPMENT AND OTHER STANDARDS:

EQUIPMENT	SUPPLIER	SIZING STANDARDS CATCHUP CAPACITY CONSISTENCY 100" WIDTH HEAVY SLATS LENGTH ATLEAST 30 FT	DESIGN CRITERIA
DEINK SYSTEMS	VOITH	+10%	MUST BE ABLE TO DEINK 100% SOP IF NEEDED IN THE FUTURE
AGITATORS	PROCHEM	+0.1%	SPIRAL TRAC --NO PACKING-- NO MORE THAN 3 SHAFT SIZES
CONVEYORS	NIELSEN		ONLY DIRECT VS DRIVE WITH SUMITOMO SPIRAL GEARBOXES
WALKING FLOORS FORKLIFTS AND BALE CLAMPS	KEITH		ALL WASTE PAPER TO WIRE CUTTERS MUST BE ROBUST AND CAPABLE OF 3 BALES AT A TIME
WIRE REMOVAL	VOITH		BOTH WAYS WIRE REMOVAL
OCC SYSTEMS	VOITH		
PLASTICS TRUMAG	VOITH	VARIABLE SPEED	
HIGH DENSITY CLEANERS	VOITH		
SCREW PRESSES	FKC	VARIABLE SPEED	NONE IF POSSIBLE -- USE PRE THICKENERS
BELT FILTERS			
DISK THICKENERS	VOITH WASTE MANAGEMENT		
COMPACTORS			
STOCK PUMPS	GOULDS	MUST MATCH FLOW UPSETS	PULPER PUMPS HI-CR ALL OTHERS SS- -REPELLER NO SEAL WATER MAXIMUM 7 CASING SIZES MAY BE VARIABLE SPEED
FANPUMPS	GOULDS	VARIABLE SPEED	
HP PUMPS	KOBE	VARIABLE SPEED	NO MULTISTAGE PUMPS-ONE SIZE ONLY
SUMP PUMPS	GORMAN	VARIABLE SPEED	
CRANES	KONE	ALL VARIABLE SPEEDS HIGHLY VARIABLE	MUST BE RECERTIFIED BY MANUFACTURER IF USED FOR ERECTION
CLARIFIERS	MERI	SOLIDS MUST INCLUDE	
COMPRESSORS	INGERSOL RAND	WINDER	NO RECIPROCATING-- ONLY SCREW COMPRESSORS MUST NOT BE MORE THAN 8 DIFFERENT SIZES
GEARBOXES	FENDER		
THICKENERS	ANDRITZ		
VACUUM PUMPS	NASH		MUST INCLUDE SEPARATORS FOR ALL POSITIONS FROM MACHINE
VACUUM DRIVE	SIEMENS		
VACUUM GLYCOL COOLING	EVAPCO	NO SUMP PITS	

CHEMICAL SYSTEMS	BUCKMAN	EVERYTHING FROM DCS	PORTABINS ALLOWED
PAPER MACHINES			ALL COMPONENTS TO MATCH ABOVE CRITERIA
TISSUE	METSO		ALL COMPONENTS TO MATCH ABOVE CRITERIA
PAPER MACHINES			ALL COMPONENTS TO MATCH ABOVE CRITERIA
TAD	TOSCO		ALL COMPONENTS TO MATCH ABOVE CRITERIA
PAPER MACHINES			ALL COMPONENTS TO MATCH ABOVE CRITERIA
LINER	PAPERCHINE		
PAPER MACHINE			
SHOWERS	AES		
QCS	HONEYWELL		
ALL ELECTRICAL			TOTAL MILL GUARANTEE FOR 3 YEARS
INCL	SIEMENS		
CONTROL VALVES	DEZURICK		VARIABLE SPEEDS ARE ALLOWED
			SINGLE SOURCE FOR ALL "INLINE DEVICES" EVEN STEAM SPARGERS
INSTRUMENTATION	ROSEMOUNT		MUST INCLUDE ASH AND FINES CONTROL AT FAN PUMPS
CONSISTENCY			
CONTROLS	DEZURICK		
CHESTS	CHEMI PULP		
MANUAL VALVES	DEZURICK		
MILL STEAM HEATING	HONEYWELL		
STEAM & CON.	TM VENDOR	REASONABLE	MUST BE INSTALLED AND WIRED INTO DCS
ALL VIBRATION	HONEYWELL		MUST BE ONE SUPPLIER FOR ALL EQUIPMENT
SENSORS	VENDOR		MINIMAL HUMAN INTERVENTION IN LABELLING ETC- NO PRINTER JAMMING
	PARKER		
HYDRAULICS	HANITIN		
ROLL HANDLING	NEILSON		
	L & W BY		
LAB EQUIPMENT	OWNER		MUST INCLUDE FIBER ANALYSIS ACTIVATED SLUDGE SIMPLE SYSTEM FULLY ENCLOSED-- CAN BE OUTSOURCED
WASTE WATER	SELF/US FILTER		
BOILER	NEBRASKA		
	PRE		ALL GALVANIZED EXCEPT WAREHOUSE
BUILDING	ENGINEERED		
			MUST BE SEAMLESS WITH SIEMENS AND ROLL HANDLING SYSTEMS
COMPUTERS MIS			
PLC'S	SIEMENS		
DOCTORS	KADANT		
MOTORS	SIEMENS		
DRIVES	SIEMENS		
DCS	SIEMENS		

## Note:

1. CONTRACTOR will be responsible to use vendors identified above as stated.

2. CONTRACTOR shall not mix or use different Vendor on similar equipment, including other facility sites. Example; motors will be the same manufacturer in all ST Paper facilities.