

Humboldt Bay Municipal Water District
Framework for Industrial Water Supply Agreement
with Freshwater Tissue Company
March 30, 2010

I) Commercial Provisions

a) Service

- delivery of 15 million gallons of untreated water per day (MGD);
- water use for the production of pulp or tissue;
- delivery point at the existing meter at the Samoa pulp mill.

b) Term

- commencement assumed December 1, 2010
(Note - this may be changed based on FTC's schedule to resume operation);

- through June 30, 2019
(Note - this is consistent with term of current Municipal contracts)

c) Pricing

- Through June 30, 2015, \$108,330 per month, fixed, with the exception of the monthly charge for power to pump industrial water, which shall be a "pass through" of the actual costs incurred as determined by HBMWD;
(Note: the price above includes an initial estimate of the power costs. The actual power cost will be determined each month and the total monthly charge adjusted up or down accordingly)
- Effective July 1, 2015 and through June 30, 2019, new pricing terms shall take effect, without limitation, based on the outcomes of negotiation by the parties.
- Subject to water supply availability and approval by HBMWD (which shall not be unreasonably withheld), FTC may periodically take water at an effective rate which exceeds 15 MGD. If FTC's use exceeds an annual average of 15 MGD in any year, HBMWD shall assess a supplemental charge for the use in excess of 15 MGD. The unit price to establish this charge shall be specified in the contract.

II) Other Provisions

- a) Inclusion of customary terms and conditions, similar or identical to conditions in prior Industrial Water Contract and/or the current Municipal Water Contracts, including force Majeure, default, and customary limitations on District liability.

III) Conditions which Must be Satisfied

- a) Development of a contract, acceptable to both parties, and approved by the HBMWD Board of Directors
- b) Approval, by HBMWD's wholesale Municipal Customers, of an amendment to the pricing provisions of the current Ordinance 16 contracts
- c) Agreement by FTC to reimburse HBMWD for actual costs incurred (if any) to restart the industrial water system, after an estimate of such costs has been provided to FTC by HBMWD