



Tier 2 Participation Contract for Superior Environmental Performance with Appleton Coated LLC

This Participation Contract (Contract) for Superior Environmental Performance is entered into by the State of Wisconsin through its Department of Natural Resources (“WDNR”) and Appleton Coated LLC (Appleton Coated), Combined Locks, Wisconsin.

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I. Introduction

- A. The State of Wisconsin is committed to providing a healthy and sustainable environment, and to protecting and enhancing the resources of the state for this generation and for generations that follow.
- B. There is a growing consensus that continuing to interact with businesses using traditional approaches is not producing the greatest environmental benefit for the investment of resources.
- C. Section 299.83 of the Wisconsin Statutes (“Section 299.83”) authorizes the WDNR to enter into a Participation Contract, including this Tier Two Participation Contract (“Contract”), to assist entities like Appleton Coated in achieving superior environmental performance.
- D. Appleton Coated has implemented an Environmental Management System (EMS) certified to ISO 14001, and the EMS is appropriate to the nature, scale, and environmental impacts of its

operations. A copy of the Appleton Coated EMS ISO 14001 certification is attached as Appendix 1.

E. Appleton Coated has demonstrated a history of superior environmental performance. This demonstration is attached as Appendix 2, "Past and Current Environmental Performance"

F. The WDNR has reviewed the proposal for superior environmental performance and has determined that the co-benefits identified in this Contract are proportional to the benefits of the superior environmental performance.

Therefore, in order to produce continuous improvement in the state's environment, economy and quality of life, the WDNR and Appleton Coated agree to this Contract and its terms as set forth below.

II. Overview of Work to Be Done

A.) Environmental Management System

- 1.) Appleton Coated agrees to annually provide a copy of its ISO 14000 certification as evidence of a third party audit or provide documentation from a DNR recognized third party auditor that the EMS is functionally equivalent to ISO 14001. If the third party auditor provisionally certifies the system, Appleton Coated will supply information on the non-conformance and evidence of satisfaction of those non-conformances.
- 2.) Appleton Coated agrees to provide a summary of the results of each management review of the EMS to the WDNR as a part of their Green Tier annual report.
- 3.) Appleton Coated agrees to maintain its EMS for the life of this Contract and, beginning August 01, 2013, shall annually provide evidence of the certification of its EMS under ISO 14001 as a result of the annual EMS audit, conducted by an independent 3rd party, of the system. In the event that Appleton Coated chooses not to maintain the ISO certification, Appleton Coated agrees to annually document that its system is functionally equivalent to ISO 14001.
- 4.) Appleton Coated agrees to review its EMS at least annually, and to provide to the WDNR any new objectives that are selected.
- 5.) If Appleton Coated identifies and discloses potential environmental violations as a part of the systems audit, all of the relevant notifications and timelines identified in Section 299.83 will be followed.

B.) Annual Compliance Audit (See Section VI, Definitions)

- 1.) Appleton Coated agrees to conduct a compliance audit on an annual basis with requirements that are applicable to the covered facilities and activities.
- 2.) If Appleton Coated identifies and discloses potential environmental violations as a part of the compliance audit, all of the relevant notifications and timelines identified in 299.83 will be followed.

C.) Superior Environmental Performance

Appleton Coated commits to implementing the measures described in Appendix 3 (“Future Commitments”) that are designed to produce superior environmental performance. Appleton Coated will provide an update to Appendix 3 on an annual basis beginning July 31, 2013

III. Developing an Interested Persons Group

- A. Appleton Coated commits to maintaining an interested persons group to provide a process to increase transparency and trust in this Tier 2 contract. The interested persons group will consist of persons who live, own a business or work within a reasonable proximity to the facilities which are participating under this Contract, or who otherwise have an interest in the workings of this Contract or the participant.
- B. Appleton Coated will meet with this group on a semi-annual basis to solicit comments and provide information. A representative from Appleton Coated will take notes during these meetings. These notes will be compiled into a summary of the information discussed at each meeting and shared as appropriate internally, externally and or with group members.
- C. The parties will review the Interested Persons Group after one year. The interested person group participation is voluntary for the participants and individuals participating in the group. This group is subject to change over the course of this contract. Appleton Coated shall make a concerted effort to maintain a viable Interested Persons Group. If Appleton Coated has taken reasonable steps to secure participation in the Interested Persons Group, but has been unable to generate interest in this group, then the parties shall consider other options, including suspending the Interested Persons Group.

IV. Specific Commitments

- A. Appleton Coated will submit an annual report to WDNR by July 31, 2013 of each year during the term of this contract which describes the adverse environmental impacts from Appleton Coated's operations which have been reduced due to its efforts, progress on meeting environmental goals and objectives, environmental performance assessment results and an estimate of the financial benefits of participating in the Contract and any developments in community relations.
- B. Prior to the beginning of each reporting year, the parties will jointly agree on the specifics for what will be tracked and reported in the following year. Appleton Coated commits in particular, to working towards those commitments outlined in Appendix 3.

V. Department of Natural Resources’ Commitments and Co-Benefits

The WDNR finds that this Contract will provide for greater environmental protection and enhancement than would be available absent this Contract and is, by virtue of these significant benefits, in the best interest of Wisconsin and its people. The WDNR accordingly agrees that:

- A.) Operational Flexibility and Co-Benefits. In order to support and further Appleton Coated’s commitment to superior environmental performance, and in exchange for the commitments to superior environmental performance the parties jointly agree on the following benefits:
 - Ongoing efforts that may include changes as Amendments to this Contract.
 - Support innovative approaches that intend to enhance superior environmental performance ideas offered by both parties, which may include but not limited to variances, waivers,

alternative permitting concepts, or other innovative ideas enabled as amendments to this contract.

- In addition the WDNR may become a party to any discussions, negotiations or legal proceedings with the United States Environmental Protection Agency (“USEPA”) or any other person or entity.
- Appleton Coated reserves the right to request reduced inspection frequencies.
- Federal inspection frequencies are not affected by any future decisions.

B.) In exchange for Appleton Coated’s fulfillment of their obligations under this Contract, the WDNR will not seek to bring any enforcement action, issue any order or seek any judgment related to the environmental responsibilities and areas (i.e. “air emissions,” etc.) covered under this Contract against Appleton Coated. Any violations of the terms of this Contract will be dealt with under Section VII of this contract.

C.) If Appleton Coated reports monitoring results (or other record-keeping results) that would trigger a notice of violation, or performs a performance assessment and discovers any violation, the WDNR shall not initiate a regulatory response to the alleged violation if the alleged violation is cured and the environmental management system is modified in such a way so that a future violation shall not occur. In order to receive the benefit of this section, Appleton Coated must notify the WDNR SPOC of the deviation which is the basis for the alleged violation, describe the actions that will be taken to correct the alleged violation, commit to correct the alleged violation within 90 days, or if compliance cannot be achieved within 90 days propose compliance schedules and propose stipulated penalties if the compliance schedule is not met. Additional time may be provided by agreement of the parties.

D.) If stipulated penalties are agreed to, under V. C. the parties agree to amend this contract to include the stipulated penalties. The amendment should specify the amount, what triggers payment, the method for collecting, and who the payment shall be made to.

E.) If the problem is not completely corrected, or similar violations occur in the future, the WDNR may issue a notice of violation with or without terminating this contract. In order to determine whether a second event that would trigger a notice of violation is a continuation of an uncorrected earlier event, the WDNR shall examine the corrective actions taken by the participant and determine whether they were reasonably designed and implemented.

F.) WDNR will provide a single point of contact from within the agency and acceptable to Appleton Coated during the life of this Contract.

G.) WDNR authorizes Appleton Coated’s use of the Green Tier Program logo on written materials promoting Appleton Coated or the covered facility(s) or activities.

H.) WDNR and Appleton Coated agree that no variances, modifications, or alterations to existing permit conditions applicable to the participating Appleton Coated facilities have been included as part of this Contract. Both parties agree that Appleton Coated may at any time during the term of this Contract, request to renegotiate such terms or conditions to be included as an amendment to this contract.

VI. Definitions

“Environmental Management System (EMS)” means an organized set of procedures to evaluate environmental performance and to achieve measurable or noticeable improvements in that environmental performance through planning and changes in operations.

"Compliance Audit" A term meaning a systematic, documented and objective review, conducted by or on behalf of the owner or operator of a facility, of the environmental performance of the facility, as it relates to evaluating compliance with applicable permit/regulatory requirements. Per requirements of Section II B.

“WDNR” means the Wisconsin Department of Natural Resources.

“WDNR Single Point of Contact (SPOC)” means an individual from the Department of Natural Resources accepted by and assigned to Appleton Coated during the life of this Contract.

“Appleton Coated (Appleton Coated)” means those company operations identified in and included as part of this contract.

VII. General Provisions

Enforcement. This contract is governed by Wisconsin law. The parties agree that it may be enforced as a contract by (a) the Attorney General (for Wisconsin) and (b) Appleton Coated, acting through its authorized representatives in the Circuit Court in Dane County, Wisconsin. The commitments made in this Contract may be specifically enforced and the court may also order any other appropriate remedy consistent with law. The parties acknowledge that they are subject to the personal jurisdiction of Dane County Circuit Court for the purposes of enforcing this Contract. The parties consent to the jurisdiction of Dane County Circuit Court for the purposes of enforcing the commitments under this Contract.

All agreements and covenants contained herein are severable, and in the event any of them shall be held invalid by any competent court, this Contract shall be interpreted as if such invalid agreements or covenants were not contained herein.

Amendment. This Contract may be amended only in writing by the principals to this agreement or their successors. An Amendment of this Contract may require an additional public notice requirement after the parties have negotiated the new language. If the Amendment is largely a technical amendment, no additional public notice will be required. If the Amendment contains substantive additions to, or changes to the Contract, the parties agree that the WDNR will provide an additional public notice and may provide an additional public information meeting.

Construction. This Contract will be binding on the parties and their respective successors and assigns, and is not intended to confer any rights or remedies upon any other persons. Except as otherwise provided in this Contract, nothing herein shall be construed to impose a duty of obligation on Appleton Coated to make any additional agreements with or concessions to any other governmental or regulatory body.

Activities Covered Under this Contract. Appleton Coated commits to abide by all current applicable environmental requirements. Any provisions of permits or approvals covered by this Contract that are not specifically superseded in Section V. shall remain in effect. The Company also commits to abide by all future applicable environmental requirements in accordance with applicable law including any and all exemptions, variances or deviations allowed by such law.

Access to Records. Subject to any legally recognized privilege and reasonable notice, the WDNR will be permitted access during office hours to inspect and copy all documents and other records that are in the possession or under the control of Appleton Coated which may be necessary to verify compliance with the contract.

Termination. If Appleton Coated fails to fulfill its obligations under this Contract in a timely or proper manner, or violates any of its provisions, the WDNR shall have the right to terminate this Contract by giving thirty (30) days written notice of termination, specifying the alleged violations, and the effective date of the termination. It shall not be terminated if, upon receipt of the notice, Appleton Coated promptly cures the alleged violation prior to the end of the thirty (30) day period, or undertakes diligently to cure same, and continues said efforts to completion, if such default is not of a type that may feasibly be completed within said time period. Appleton Coated reserves the right to appeal any decision of the WDNR pursuant to this paragraph as provided for under Ch. 227, Wis. Stats., or any other applicable law. Notwithstanding this provision, Appleton Coated may seek to directly enforce this contract in the Circuit Court for Dane County in accordance with this Section VII

If the State fails to fulfill its obligations under this Contract in a timely or proper manner, or violates any of its provisions, Appleton Coated shall have the right to terminate this Contract by giving thirty (30) days written notice of termination, specifying the alleged violations, and the effective date of the termination. It shall not be terminated if, upon receipt of the notice, the State promptly cures the alleged violation prior to the end of the thirty (30) day period or undertakes diligently to cure same, and continues said efforts to completion, if such default is not of a type that may feasibly be completed within said time period.

If this Contract is terminated by either party, the WDNR shall provide a reasonable time, not to exceed 180 days, for Appleton Coated to fill out the necessary paperwork and request any required permits, licenses or other approvals. However, during this time, Appleton Coated may not seek protection under the Contract or existing law for any activity that causes substantial harm to public health or the environment or that presents an imminent threat to public health or the environment.

Term of Contract and Action Period. Unless terminated earlier in accordance with the provisions of the above section entitled "Termination", this Contract will remain in effect for five (5) years. The Contract may be extended for periods of up to five (5) years with the approval of the parties.

Identifying Point of Contact. The parties agree to provide a point of contact within their respective organizations for this Contract. That point of contact shall be identified to the other party by letter, and if that point of contact changes, a new point of contact shall be identified by letter.

Warranty of Authority. Each of the persons signing below represents and warrants that he/she has the authority to execute this Contract on behalf of the party for which he/she signs.

Participation Contract for Superior Environmental Performance with Appleton Coated, Combined Locks, Wisconsin Facility

IN WITNESS WHEREOF, the parties by their signatures shall cause this contract to be in effect until **[Actual Signing Date]**.

Signed for and on behalf of: State of Wisconsin
Department of Natural Resources



By: _____ Date: _____
Cathy Stepp
Secretary

Signed for and on behalf of: Appleton Coated



By: _____ Date: _____
[Appleton Coated LLC Signatory]

789 North Dixboro Road, Ann Arbor, Michigan 48105
(888) NSF-9000

Certificate of Registration

This certifies that the Environmental Management System of
Appleton Coated, LLC

540 Prospect Street
Combined Locks, Wisconsin, 54113, United States

has been assessed by NSF-ISR and found to be in conformance to the following standard(s):

ISO 14001:2004

Scope of Registration:

All processes and facilities located at the Combined Locks, Wisconsin paper mill including the associated offsite landfill and Corporate office located in Kimberly, WI

Exclusions: None.

Industrial Classification:

SIC: 2672
IAF - EMS: 07
NACE: DE 21.1

Certificate Number: 6L461-EM2
Certificate Issue Date: 26-JAN-2010
Registration Date: 25-JAN-2010
Expiration Date *: 26-JAN-2013



Christian B. Lupio
Christian B. Lupio, General Manager
NSF-ISR, Ltd.

Authorized Registration and/or Accreditation Marks. This certificate is property of NSF-ISR and must be returned upon request. *Company is audited for conformance at regular intervals. To verify registrations call (888) NSF-9000 or visit our web site at www.nsf-iso.org

Appendix 1 ISO 14001 Certification

Appendix 3

Future Commitments as Part of this Contract

Appleton Coated LLC agrees to continually improve environmental performance. The company may identify other areas or aspects not identified in Appendix 3, that will result in environmental improvement. The objectives and targets for 2012 are as follows:

2012 Objectives and Targets

- Grow sales of Environmental Products –
- U2:XG- 146 T/wk, U1X:Green – 109 T/wk; FSC/SFI add-ons-1198 T/wk
- **Expand supplier survey to include top 5 non-pulp suppliers**
- **Reduce % of energy Boiler 10 uses that is coal – 42%**
- **Improve Green Masters Program score on 2012 application**
- **Reduce pounds of waste to landfill per paper mill ton (sludge, ash, garbage)-105 lb**
- **Achieve energy savings:**
 - **Paper mill (100 therms/ton) & CFS complex (17 therms/T)**
- **Grow use of non-fossil fuel power as a percent of total energy portfolio – 31%**
- **Monitor & Grow percent Post/Pre – Consumer Waste used. – 12%**

These will be amended/changed as needed in the annual report submitted to DNR.