

THIS AGREEMENT made as of the 1st day of November 2019.

BETWEEN:

Cariboo Pulp & Paper Company, a joint venture of **West Fraser Mills Ltd.** and **Mercer Peace River Pulp Ltd.**, and having an office at P.O. Box 7500, Quesnel, British Columbia, V2J 3J6

(“**Cariboo**”)

OF THE FIRST PART

AND:

Cariboo Regional District, a regional district incorporated pursuant to the *Municipal Act* and having its office at Suite D, 180 North Third Avenue, Williams Lake, British Columbia,

(“**CRD**”)

OF THE SECOND PART

WHEREAS:

A. Cariboo owns and operates on its premises effluent treatment facilities (the “**Effluent Treatment Facilities**”) for the treatment of its own industrial waste and sewage (“**Cariboo’s Effluent**”) pursuant to a permit under the *Waste Management Act* (now called the “*Environmental Management Act*”) numbered PE 1152 issued originally August 3, 1972 as amended April 3, 2018 and as amended from time to time (the “**Permit**”);

B. The CRD and Cariboo entered into an agreement dated the 31st day of October, 1984 (the “**Original CRD Agreement**”) wherein the CRD requested that Cariboo accept and treat in the Effluent Treatment Facilities the CRD’s pre-treated municipal sewage (the “**CRD Effluent**”) provided that the CRD Effluent met certain standards before it was admitted to the Effluent Treatment Facilities and Cariboo agreed to do so on the terms and conditions set out in the Original CRD Agreement;

C. For the purposes of the delivery of CRD Effluent to the Effluent Treatment Facilities the CRD, at its cost and with the consent of Cariboo, constructed a sewage pipeline across a portion of Cariboo’s lands (the “**Connector Pipeline**”) to connect with the lagoon forming part of the Effluent Treatment Facilities;

D. Cariboo entered into an agreement with the City of Quesnel (the “**City**”) dated January 13, 1986 (such agreement as amended or renewed or as superseded by a similar new agreement, being called the “**Quesnel Effluent Treatment Agreement**”) wherein the City and Cariboo agreed to accept and treat the City’s pre-treated municipal sewage (“**City Effluent**”); and

E. The term of the Original CRD Agreement having expired, CRD and Cariboo desire to enter into a new agreement for the treatment of the CRD Effluent on the terms and conditions set out below.

NOW THEREFORE this agreement witnesses that in consideration of the conditions, promises, covenants, agreements and payments hereinafter set out the parties agree as follows:

1. Subject to the terms and conditions of the Permit and the provisions of paragraphs 2, 8, 9, 15, 19 and 20 below, Cariboo will during the term of this agreement accept and treat such quantity of CRD Effluent that, combined with Cariboo's Effluent and the City Effluent, can be properly accepted and treated by the Effluent Treatment Facilities in compliance with the Permit and all other applicable permits, standards, approvals, by-laws, regulations and laws (collectively, the "**Applicable Standards**").
2. The CRD Effluent delivered to the Effluent Treatment Facilities shall:
 - (a) before it is delivered to the Effluent Treatment Facilities be pre-treated by the CRD at its expense by way of maceration, screening and grit removal such that all objects are dispersed or removed and the resulting effluent can be treated by the Effluent Treatment Facilities in compliance with the Permit and all Applicable Standards and is otherwise suitable for treatment in the Effluent Treatment Facilities as determined by Cariboo, acting reasonably;
 - (b) not contain any of the following:
 - (i) the prohibited substances set out in the "City of Quesnel Sewage Regulations Bylaw No. 1762" or in the "CRD Red Bluff Sewer Management By-Law 5059", as amended from time to time (jointly called the "**Sewer By-Laws**");
 - (ii) any substance or matter that (i) CRD knows or should reasonably be deemed to know, or (ii) Cariboo from time to time acting reasonably determines may be harmful to or will adversely affect the Effluent Treatment Facilities or reduce the Effluent Treatment Facilities' ability to treat Cariboo Effluent, or increase Cariboo's cost of operating or maintaining the Effluent Treatment Facilities; or
 - (iii) any substance or matter that would, when combined with the Cariboo Effluent and the City Effluent, cause Cariboo to be in contravention of the Permit or any of the Applicable Standards; and
 - (c) comply otherwise in all respects with the Sewer By-Laws and such reasonable requirements as may from time to time be made by Cariboo.

3.
 - (a) CRD shall deliver the CRD Effluent in compliance with the terms of paragraph 2 at its own cost to the inlet valve of Effluent Treatment Facilities (the “**Receipt Point**”) and CRD shall be responsible in all respects for the CRD Effluent before it is received into the Effluent Treatment Facilities at the Receipt Point.
 - (b) CRD hereby agrees that it shall not add to or make any industrial or commercial changes or additions to its sewage system without the prior written consent of Cariboo, such consent to be reasonably exercised taking into consideration the impact of any such change or addition on the Effluent Treatment Facilities.
 - (c) CRD will comply with all reasonable requests by Cariboo to restrict the total volume of the CRD Effluent delivered to the Effluent Treatment Facilities and to regulate the rate of flow of the CRD Effluent.
 - (d) The CRD shall avoid, to the greatest extent possible, storm waters from entering the CRD Effluent stream.
4. Subject to the terms and conditions of this agreement, including without limitation the provisions for any emergency actions contained herein, for purposes of delivering the CRD Effluent to the Effluent Treatment Facilities, Cariboo hereby grants to CRD the right and license to pass the CRD Effluent through the Connector Pipeline for so long as this agreement is in force.
5. Subject to the terms and conditions of this agreement, for so long as this agreement is in force Cariboo shall maintain and operate the Connector Pipeline at CRD’s expense and CRD shall not have the right to enter on Cariboo’s lands for any purpose connected with the operation and maintenance of the Connector Pipeline.
6. Title and property in and to the Connector Pipeline shall at all times be vested in Cariboo.
7.
 - (a) CRD shall monitor the CRD Effluent to ensure that it complies with paragraph 2 and the other applicable terms of this agreement and, without limiting the generality of the foregoing, at a minimum monitor effluent volumes on a regular enough basis to provide Cariboo a report regarding daily average flow in cubic meters/day on a monthly basis and conduct analysis of biological oxygen demand (BOD) and total suspended solids (TSS) on a quarterly basis. The results of these tests are to be forwarded to Cariboo at the end of each calendar quarter.
 - (b) Nothing contained in subparagraph 7(a) shall prevent the parties from agreeing to a schedule of monitoring different than that set out in subparagraph 7(a). If the parties fail to agree then monitoring shall be at such frequency as the

Regional Waste Manager (or his equivalent) appointed under the *Environmental Management Act* shall require.

8. (a) If the CRD detects the presence of any substance or matter prohibited under paragraph 2 or detects any other noncompliance or nonconformity with this agreement or the Permit, it shall immediately notify Cariboo specifying the details of such noncompliance or nonconformity and if requested by Cariboo shall notwithstanding paragraph 7 monitor the CRD Effluent at such frequency and for such period of time as Cariboo acting reasonably shall require.

(b) If the CRD is for any reason unable to perform the pre-treatment obligations set out in subparagraph 2(a), CRD will notify Cariboo as soon as possible and provide full particulars of the reasons for and expected duration of such failure.

- 9 If

(a) Cariboo receives notification under paragraph 8 of the detection of a prohibited substance or matter or other noncompliance or nonconformity or of a failure to comply with pre-treatment obligations;

(b) Cariboo otherwise determines that any matter or substance prohibited under paragraph 2 has been or will be delivered to the Effluent Treatment Facilities or there has been some other noncompliance or nonconformity; or

(c) Cariboo determines that the admission of the CRD Effluent has had or may have any detrimental effect on (i) the Effluent Treatment Facilities, (ii) Cariboo's ability or cost to treat Cariboo's Effluent, or (iii) Cariboo's ability to comply with the terms of the Permit or any Applicable Standards,

then Cariboo shall be entitled to take any such emergency actions that it deems necessary or desirable. The CRD shall develop and maintain an emergency response plan in place that addresses the response to such an event. This plan will be submitted to and reviewed by Cariboo. Cariboo will soon as practicable after the occurrence or an event under subsections 9(b) or 9(c) above notify the CRD thereof.

10. At the time of and during the term of the Original CRD Agreement, Cariboo purchased certain equipment (the "**Equipment**"), which included without limitation a higher capacity transformer, aerators, valves and pipe, and did do work and modifications to the Effluent Treatment Facilities as it deemed necessary to accept and treat the CRD Effluent and the City Effluent pursuant to the Quesnel Effluent Treatment Agreement. Pursuant to the Original CRD Agreement, the CRD paid Cariboo the purchase price of the Equipment and all the costs and expenses associated with installing the Equipment, including Cariboo's reasonable administrative and overhead expenses, and the CRD negotiated with the City for reimbursement by the City for a portion of the

expenses paid by it under the Original CRD Agreement and the City reimbursed the CRD for such portion of the said expenses.

11. Notwithstanding that the purchase price of the Equipment was paid for by CRD pursuant to the Original CRD Agreement, title thereto vested in Cariboo. The maintenance and repair of the Equipment during the term of this agreement shall be carried out by Cariboo subject to being reimbursed therefore pursuant to paragraph 12. At the end of the term (or sooner termination) of this agreement or the Quesnel Effluent Treatment Agreement, whichever is later, Cariboo shall have the right to elect whether to keep all or any part of the Equipment (and any replacement thereof) or to dispose of the same. If Cariboo elects to keep all or any part of the Equipment it shall pay to the CRD and City their respective proportionate shares of the then depreciated value of the Equipment it elects to retain as agreed between Cariboo, the CRD and the City or, failing such agreement, the then depreciated value determined by a single arbitrator appointed and acting pursuant to the terms of the *Arbitration Act* of British Columbia. If Cariboo elects not to retain all of the Equipment, Cariboo shall use commercially reasonable efforts to sell on behalf of the CRD and City the Equipment that it elects not to retain at the best price that is able to obtain using commercially reasonable efforts and if Cariboo is not able to sell the Equipment it shall deliver such Equipment to the CRD and City without payment having been made by them therefore. The amount paid by Cariboo or the proceeds of any sale less the costs of such sale, as the case may be, of the Equipment shall be distributed equally to the CRD and City. Cariboo shall have absolute discretion in determining whether the price offered for any Equipment sold is reasonable.

12. Cariboo shall invoice the CRD each calendar quarter during the term of this agreement based on the following schedule for effluent accepted and treated:

Jan 1, 2020 through Dec. 31, 2020	\$0.039 per 100 gallons
Jan 1, 2021 through Dec. 31, 2021	\$0.040 per 100 gallons
Jan 1, 2022 through Dec. 31, 2022	\$0.040 per 100 gallons
Jan 1, 2023 through Dec. 31, 2023	\$0.041 per 100 gallons
Jan 1, 2024 through Dec. 31, 2024	\$0.042 per 100 gallons

The monies payable pursuant to this paragraph 12 shall be paid by the 15th day of the month next following the month in which the invoice was mailed to the CRD and late payments under this paragraph or any other paragraph in this agreement shall bear interest at the rate per annum from time to time charged by the Royal Bank of Canada to its most favoured commercial customers.

13. Without limiting the generality of paragraph 11, if during the term of this agreement any equipment or facilities comprising the Effluent Treatment Facilities require capital replacement or major repair expenses exceeding in aggregate a total cost of \$50,000, the costs thereof will be borne by Cariboo, the City and CRD in the proportion that the respective quantities of each of their

effluent bears to the total amount of effluent processed to that point during the term of this agreement by the Effluent Treatment Facilities. The CRD's proportionate share of such costs shall be paid by the 15th day of the month next following the month in which the invoice was mailed to the CRD. Cariboo will share information regarding the anticipated future capital costs with the CRD and the City annually for budgeting purposes.

14. Cariboo will during the term of this agreement use commercially reasonable efforts to accept and treat the CRD Effluent. If for any reason whatsoever Cariboo is not able to accept and treat, or if Cariboo in its sole discretion refuses to accept and treat any or all of the CRD Effluent, Cariboo will not be liable in any manner whatsoever for any injury, loss, damage, fine, cost or inconvenience that may be incurred by or caused to the CRD or any of its citizens and the CRD shall defend, indemnify and hold harmless Cariboo, its employees and agents from any claim, suit, action, proceeding, damage, loss injury, fine, costs or expense whatsoever brought against or incurred by Cariboo in respect thereof.
15. Without limiting the generality of paragraphs 14 and 16,
 - (a) Cariboo will use commercially reasonable efforts to continue to operate the Effluent Treatment Facilities if there is a strike, lockout, slow down, work to rule action or other labour action, strife, or unrest ("**Labour Action**") on the part of and of Cariboo's employees; and
 - (b) Cariboo and CRD will each use commercially reasonable efforts to have the labour unions representing their respective employees agree to forego secondary picketing in the event of a Labour Action involving either or both of the CRD and Cariboo and to prevent their respective members from such picketing.
16. Without limiting the generality of any other provision in this agreement the CRD shall defend, indemnify and hold harmless and keep defended, indemnified and held harmless Cariboo from any and all actions, claims, suits, proceedings, damages, injuries (including death), costs and expenses (including loss of profits) of whatsoever kind or nature, including without limiting the generality of the foregoing, any fines or penalties sought or obtained by any level of any government or any agency or instrumentality thereof whether for breach of the Permit or any of the Applicable Standards or not, arising out of or in any way related directly or indirectly to the acceptance, treatment and discharge or the failure or refusal to accept, treat and discharge the CRD Effluent and whether or not due to Cariboo's negligence.
17. Subject to the provisions of this agreement for earlier termination or suspension of this agreement, this agreement shall be in force for a term of five years commencing on the date hereof and expiring on December 31, 2024.

18. Without limiting any other provision in this agreement, Cariboo may terminate this agreement upon giving to the CRD 12 months' written notice (a "**Termination Notice**") if
- (a) at any time in Cariboo's opinion reasonably exercised there is or may be any actual or apprehended detrimental effect (i) to the Effluent Treatment Facilities, (ii) on Cariboo's ability to accept and treat either or both Cariboo's Effluent and the CRD Effluent, or (iii) on Cariboo's ability to comply with the Permit or any Applicable Standards, caused directly or indirectly by the acceptance or treatment of CRD Effluent;
 - (b) the Permit expires or is terminated or there is any change to the terms of the Permit or Applicable Standards;
 - (c) Cariboo has exercised its remedy pursuant to paragraph 9 and is of the opinion reasonably exercised that to re-accept the CRD Effluent would detrimentally affect or prejudice the Effluent Treatment Facilities, the Permit, Cariboo's compliance with the Permit or any Applicable Standards or Cariboo's legal position in regard thereto, Cariboo's ability to treat Cariboo's Effluent, or Cariboo's operations at its plant;
 - (d) the acceptance and treatment of the CRD Effluent by Cariboo directly or indirectly causes any Labour Action by any of Cariboo's employees or causes other labour related problems which might adversely affect Cariboo's operations at its plant or its relationship with its employees; or
 - (e) Cariboo determines for any reason to cease the operation of its plant for a period not less than six months or for an indefinite time.
19. Without limiting any other provision in this agreement, Cariboo may suspend its obligations under this agreement upon giving to the CRD not less than two weeks' written notice (a "**Suspension Notice**") if Cariboo determines, in its sole discretion, to temporarily cease the operation of its plant for a period of not less than one month:
- (a) as a consequence of (i) market conditions, (ii) lack of fibre, (iii) increases in the cost of fibre, or (iv) changes in applicable laws or regulations;
 - (b) to accommodate extended maintenance or upgrades at the plant; or
 - (c) as a consequence of an Event of Force Majeure (as defined in paragraph 27)
20. (a) If Cariboo delivers a Termination Notice or a Suspension Notice, CRD shall have the option, upon notice in writing to Cariboo not later than one month following the date, as applicable, of the Termination Notice or Suspension Notice, to require that Cariboo to continue to operate the Effluent Treatment Facility and

to receive and treat CRD Effluent (“**Notice to Continue**”) as provided in subparagraph 20(b).

(b) If CRD delivers a Notice to Continue, this agreement will continue in effect for a period of up to 12 months or such longer period as the parties may agree (the “**Continuation Term**”) provided that during the Continuation Term, in addition to all other obligations of CRD hereunder, CRD will fully reimburse Cariboo for all costs and expenses reasonably incurred by Cariboo to operate and maintain the Effluent Treatment Facility for the purpose of treating and disposing of CRD Effluent, such costs and expenses to be invoiced monthly in addition to the charges provided for in paragraph 12 and paid as provided in paragraph 12.

(c) If the Termination Notice relates to a permanent closure of the plant, CRD may, acting alone or together with the CRD, give written notice of intent to purchase the Effluent Treatment Facility and the Connector Pipeline and the lands on which the Effluent Treatment Facility and the Connector Pipeline are situated (“**Notice to Purchase**”). Following delivery of the Notice to Purchase, Cariboo and CRD (and, if applicable, the City) will work diligently and in good faith to endeavour to agree upon the price and terms and conditions of an agreement of purchase and sale.

(d) If the parties fail to agree upon, execute and deliver an agreement of purchase sale within six months following the date of the Notice to Purchase, or having agreed upon, executed and delivered such an agreement, CRD (or, if applicable, the City) fails to complete the purchase for any reason other than a material breach thereof by Cariboo, this agreement and all obligations of Cariboo hereunder will be deemed to have terminated effective as of that date.

21. Without limiting any other provision in this agreement, Cariboo may terminate this agreement on 30 days written notice if the CRD defaults in the performance of any term, covenant or agreement contained herein and fails to rectify such default within 30 days of receiving from Cariboo written notice to rectify such default.
22. The CRD hereby represents and warrants that it has the full power, capacity, right and authority to enter into this agreement and subject as aforesaid that when this agreement is executed and delivered it will be valid, binding and enforceable in accordance with its terms in all respects against the CRD. The CRD will at the request of Cariboo instruct its solicitors to deliver their opinion in form and content satisfactory to Cariboo as to the matters referred to in the preceding sentence.
23. If any part of this agreement is held invalid in whole or in part by any court of competent jurisdiction such decision shall not invalidate or void the remainder of this agreement the parties hereby agreeing that the parts so held to be invalid or unenforceable shall be deemed to have been stricken herefrom with the same

force and effect if such part of parts had never been included herein or revised and reduced in scope so as to be valid and enforceable.

24. This agreement may not be assigned or transferred in whole or in part by the CRD without the written consent of Cariboo, such consent may be unreasonably withheld.
25. Where any notice, direction or other communication is required under this agreement such shall be given or made either by hand delivering it or sending it by registered mail addressed to the addresses first set out above or such other addresses as either party may have advised the other in writing. Any such notice or direction or other communication shall have been deemed to have been given if delivered when delivered or if sent by registered mail four business days after mailing. If there is a delay or interruption or threatened delay or interruption in postal service all notices, directions or communications shall be delivered.
26. The provisions of paragraphs 3(a), 6, 11, 16, 26 and 27 shall survive the termination of this agreement and the CRD shall continue to be obligated to indemnify Cariboo notwithstanding such termination.
27. Neither party will incur any liability to the other party on account of any loss or damage resulting from any delay or failure to perform all or any part of this agreement if such delay or failure is caused, in whole or in part, by events, occurrences or forces beyond the reasonable control and without the negligence of such party (an “**Event of Force Majeure**”).
28. This agreement shall enure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.

IN WITNESS WHEREOF the parties hereto have executed and delivered this agreement as of the date first above mentioned.

CARIBOO PULP & PAPER COMPANY
by its authorized signing officers:

(Authorized Signing Officer)

(Authorized Signing Officer)

The Corporate Seal of the **CARIBOO REGIONAL DISTRICT** was hereunto affixed in the presence of:

(Authorized Signing Officer)

(Authorized Signing Officer)