

Memorandum of Agreement made as of June ^{20th}20, 2016

BETWEEN:

Domtar Inc.

("Domtar")

- and -

The City of Dryden

("City")

PREAMBLE

The purpose of this Memorandum of Agreement ("Agreement") is to formalize the intentions and commitments of both the City of Dryden (hereafter referred to as "the City" or "the Municipality") and Domtar Inc. (hereafter referred to as "the Taxpayer" or "Domtar") as expressed at a meeting held in Dryden on May 21, 2016 and further re-iterated in subsequent conversations and correspondence.

The City recognizes the need for Domtar to have predictable and equitable tax obligations for the Dryden Mill and Domtar recognizes the need for the City to have a predictable revenue stream and its current need to deal with its debt load issues.

Both parties also agree to settle the outstanding assessment appeals. The parties agree that an additional intent of this agreement is to avoid any further assessment appeals or "Requests for Reconsideration" during the term of this agreement.

Whereas the parties wish to have the resolution reduced to writing;

And whereas the City of Dryden and Domtar Inc. have been engaged in discussions to address the Assessment Review Board (ARB) appeals for the 2009-2016 tax years related to Domtar's mill property in Dryden known municipally as 1 Duke St. and identified by assessment roll number 60-26-260-005-14800-0000 ("Subject Property" or "Mill");

And whereas the City is concerned that it must have sustainable revenue to support its community and service its current debt load and interest payments;

And whereas Domtar seeks to have predictable and equitable property tax obligations for the Subject Property;

And whereas Domtar has agreed to withdraw all outstanding assessment appeals before the ARB;

And whereas the Domtar has agreed to waive certain portions of refund arising from the resolution of the 2009-2012 ARB Appeals;

And whereas the City has agreed to amend its tax rate as necessary in order to ensure that the property tax liability of Domtar attributable to the City's share of taxes, will not exceed the 2016 City's share of taxes for the Mill for the 2017 and 2018 taxation years;

And whereas the City has agreed to pass and publicize a broad, direction-setting resolution outlining the City's long-term goal to reduce the industrial taxes per ton to the average among Domtar's competitors, to support the competitiveness of the Dryden Mill;

And whereas the parties will issue a joint press release on the agreement recognizing Domtar's support, by making major concessions, to help the City turn its financial situation around, and highlighting the City's long-term commitment to reduce Domtar's taxes to the competitive average;

And whereas the parties seek an agreement that is transparent and, insofar as existing laws allow, enforceable;

The Parties agree as follows:

A. Term of the Agreement

1. This Agreement shall come into effect upon execution by all Parties.
2. In the event of a transfer of Domtar's interest in the Subject Property to a non related entity, the City may, at its sole discretion, terminate this Agreement within 60 days of such transfer of interest. In the event that the City elects to terminate this Agreement, it is no longer subject to the Agreement in setting its large industrial tax rate, and it shall be deemed to have fulfilled its obligations with regards to the municipal tax refund for the 2009-2016 tax years.
3. Domtar undertakes to advise in writing the City upon execution of an agreement of purchase and sale involving the Subject Property and to provide documentation that the sale is to a non-related entity.

B. Resolution of Appeals

4. Domtar shall withdraw its appeals before the ARB in relation to the Subject Property within 30 days of execution of this agreement. The draft Letter of Withdrawal is attached at Schedule A.

C. Agreed-to Tax Adjustments for the Taxation Years 2009 to 2016, Inclusive

5. Domtar and the City confirm the amount of the municipal and education portion of the tax refund for each year between 2009 and 2016 totals as follows:
 - a) Domtar agrees to accept \$6,650,000 ("Agreed to Amount") as full and final payment of the tax refund for taxation years 2009 to 2016, including:
 - i. Outstanding vacancy rebates;
 - ii. Penalties and interest on City withholding payment of tax refunds due pursuant to the 2009-2012 ARB decisions;
 - iii. Penalties and interest on Domtar's non-payment of 2013 municipal taxes.

D. Payment of Tax Refunds

6. The City will make payment of the Agreed to Amount to Domtar within 30 days of the Agreement coming into effect.
7. Domtar irrevocably waives claim to any amount for the 2009 to 2016 taxation years, over and above the Agreed to Amount.

E. Taxation Years 2017 to 2018

8. For 2017 and 2018 taxation years, the City will adjust its tax rate and tax ratio for the large industrial class for the year so that the level of annual tax liability attributable to the City's portion of taxes for the Subject Property is equal to the 2016 City's portion of taxes.
 - a) For reference, the tax liability of the Subject Property to be paid by Domtar for 2016 for the City's portion of taxes for the Large Industrial portion of the Subject Property is \$2,216,339.
9. For 2017 and 2018 taxation years, no legal proceedings will be undertaken in any forum if the municipal portion of the Mill's Large Industrial tax liability remains at or under the amount indicated in Article 8. Otherwise, Domtar will undertake proceedings as required.
10. The parties agree they will jointly approach MPAC before November of 2016 to discuss and seek consensus on the 2016 CVA assessment, with a view to maintaining the value of the Subject Property so as to allow the parties to implement this Agreement for 2017 and subsequent taxation years.

F. Future Taxation Years

11. Within 90 days of execution of this agreement, Dryden Council will pass and publicize a broad, direction-setting resolution outlining the City's long-term goal to reduce the industrial taxes per ton to the average among Domtar's competitors to support the competitiveness of the Dryden Mill.

G. Other

12. The parties acknowledge that this Agreement is subject to the Municipal Freedom of Information and Protection of Privacy Act.
13. This agreement may be signed in counterparts and all accepts transmission by email.
14. The public statement contemplated above and with respect to the Agreement may be made subject to agreement between the parties.
15. The parties agree to act in good faith.
16. Each party has received independent legal advice with respect to this agreement, or has expressly waived the right to same, and through execution of this document confirms sufficient understanding of the terms and conditions contained herein.
17. The parties agree that any notices required by this agreement shall be effectively served, or delivered to:

The City of Dryden at:

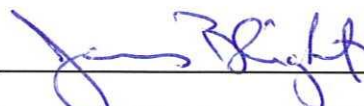
City of Dryden
CAO's Office
30 Van Horne Avenue
Dryden, ON P8N 2A7

and Domtar Inc. at:

Domtar Inc.
Dryden Mill
Attn: Jim Blight, Manager
1 Duke Street
Dryden, ON P8N 3J7

Dated at Dryden this 20th day of June, 2016

DOMTAR INC.



Per: Jim Blight, General Manager

I have authority to bind the Corporation

Dated at City of Dryden this 20 day of June, 2016

CITY OF DRYDEN



Per: Greg Wilson, Mayor

I have authority to bind the City of Dryden
In accordance with bylaw 4419-2016

Dated at City of Dryden this 20 day of June, 2016

CITY OF DRYDEN



Per: Debra Kincaid, City Clerk

I have authority to bind the City of Dryden
In accordance with bylaw 4419-2016



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June 16, 2016

Via Email

Schedule "A"

Registrar
655 Bay Street
Suite 1500
Toronto, ON M5G 1E5

Attention: Kelly Triantafilou

Dear Madam:

**Re: Domtar Inc.
Van Horne, Dryden
Roll #: 6026-260-005-14800-0000**

We act for the Appellant Domtar Inc. with respect to the following matters.

Please withdraw the following Appeals related to the above referenced property:

Appeal Number	Section	Tax Year
3166472	364(15)	2011
3160771	40	2016
3151551	357(7)	2015
3095053	357(7)	2014
3093964	40	2015
3057629	357(8)	2013
3030671	40	2014
2964457	40	2013
2936157	357(8)	2011
2932776	364(14)	2011
2889643	357(8)	2010
2533015	357(8)	2009
2533014	357(8)	2009

We look forward to receipt of the Withdrawal Orders.

Should you have any questions or concerns, please do not hesitate to contact us.

Yours very truly,

Walker West Longo LLP

Kenneth R. West
KRW/na

