

RELEASE AND SETTLEMENT AGREEMENT

This Settlement Agreement is entered into on this ____ day of _____, 2010 by and among the City of Menasha (the "City") and the Menasha Utilities Commission (the "Commission") (the City and Commission are collectively referred to as "Menasha") and U.S. Paper Mills Corp. ("U.S. Mills") (collectively the "Parties").

Recitals

A. U.S. Paper Mills Corp. (fka Sonoco-U.S. Mills, Inc.) and the City, acting through Menasha Utilities, entered into a Steam Supply Agreement executed as of October 24, 2004. This agreement and all amendments to the agreement are hereinafter referred to as the "Agreement."

B. Disputes between U.S. Mills and the City have arisen under the Agreement and an arbitration proceeding had been scheduled for January 19 and 20, 2010 to resolve these claims (the "Arbitration").

C. U.S. Mills and the City, on behalf of themselves and their related parties, as defined below, have agreed to settle and dismiss the Arbitration in order to avoid further litigation and expenses, without admission of liability by any party and to provide for the mutual release and discharge of any and all claims, demands, obligations or liabilities, whether known or unknown, that exist or may arise that are in any way related to the Agreement, the conversion of Menasha's existing utility to its Steam Supply Facility, the supply of steam by Menasha to U.S. Mills, the cessation of supplying steam by Menasha to U.S. Mills, the creation of a physical separation between U.S. Mills' facility and the Steam Supply Facility or the payment of any outstanding or disputed invoices by U.S. Mills for that steam (the "Claims").

Menasha and U.S. Mills, in consideration of these Recitals and the mutual covenants set forth below, agree as follows:

Mutual Covenants

1. Settlement Payment. The City shall pay U.S. Mills as follows:
 - (a) \$250,000 cash on or before February 15, 2010; and
 - (b) \$1 million cash (plus interest calculated at the simple interest rate of 0.5% per month (the "Non-Default Rate of Interest")) on the first to occur of

(i) The closing date of the transaction between WPPI and the City for the sale of electric distribution assets to WPPI or

(ii) on or before September 15, 2010.

Effective immediately, the outstanding invoices for steam that Menasha submitted to U.S. Mills for steam acquired by U.S. Mills from Menasha during the months of September and October, 2009 shall be deemed credited and satisfied.. The City hereby agrees to forever waive any right to collect any payment with respect to those invoices.

2. City Default in Payment Obligations.

(a) Failure to pay \$250,000 on or before February 15, 2010:

(i) If the City defaults on the payment of \$250,000 on or before February 15, 2010, it may cure the default by payment of the \$250,000, plus simple interest at the rate of 1% per month, on or before March 17, 2010.

(ii) If the City defaults on payment of the \$250,000 to U.S. Mills and fails to cure the default on or before March 17, 2010, then the entire outstanding cash payment of \$1,250,000 will become immediately due and payable and will begin to accrue simple interest at the rate of 1% per month (the "Default Rate of Interest") commencing as of February 15, 2010 until paid. In addition, U.S. Mills shall be entitled to entry of a judgment (in the form attached as Exhibit A to this Settlement Agreement) in the amount of \$1,250,000, plus interest, immediately upon the City's failure to cure the default by March 17, 2010, and the City agrees that it shall not contest entry of the judgment.

(b) Failure to pay \$1,000,000 as specified in Section 1 above:

(i) If the City timely pays the \$250,000 portion of the settlement, but fails to timely pay the \$1 million portion of the settlement (plus accrued interest at the Non-Default Interest Rate)), then upon the occurrence of the default, U.S. Mills shall be entitled to entry of a judgment in the amount of the outstanding balance (\$1 million plus simple interest calculated at the Default Rate of Interest from February 15, 2010 through the date of judgment, less any payments made with respect to this \$1 million and accrued interest) and the judgment shall thereafter accrue simple interest at the Default Rate of Interest of 1% interest per month until paid. The Parties agree to the form in Exhibit A. The City also agrees that it shall not contest entry of the judgment.

(c) The Parties agree that time is of the essence with respect to the payment of \$250,000, \$1,000,000 and all accrued interest, and the City

acknowledges that it is not entitled to any cure period with respect to the \$1,000,000 payment.

(d) The following are examples of the calculation of interest:

(i) Assume \$250,000 is timely paid and \$1,000,000 is timely paid.

[a] No interest is payable on the \$250,000 that was paid on February 15, 2010.

[b] Simple interest on the \$1,000,000 at 0.5% per month is due and payable when the \$1,000,000 payment is made. For example, if the WPPI transaction does not close and the \$1,000,000 payment is made on September 15, 2010, the City shall also pay interest of \$35,000, or \$5,000 per month, on September 15, 2010.

(ii) Assume \$250,000 is not timely paid on February 15, 2010. This default may be cured by the City's payment of \$250,000, plus interest commencing on February 15, 2010 at the rate of 1% per month, on or before March 17, 2010. If this default is cured on or before March 17, 2010, interest would accrue at the Non-Default Rate of Interest of 0.5% simple interest on the \$1 million payment from February 15, 2010 until it is timely paid. If this \$1 million amount is not timely paid, interest on the \$1 million amount will then accrue at the Default Rate of Interest of 1% simple interest from February 15, 2010 until paid.

(iii) Assume a default on the \$250,000 payment that is not cured on or before March 17, 2010. The entire outstanding balance (\$1,250,000 less any amount paid) is immediately due and payable on March 17, 2010 and accrues interest at the Default Rate of Interest of 1% simple interest per month from February 15, 2010 until paid.

(iv) Assume \$250,000 is timely paid or default cured on or before March 17, 2010, but \$1,000,000 is not timely paid.

[a] No interest is payable on the \$250,000 if paid on February 15, 2010, but simple interest at the Default Rate of Interest of 1% per month is payable if the \$250,000 is paid after February 15, 2010 but on or before March 17, 2010.

[b] Interest on the \$1,000,000 would accrue at the Default Rate of Interest of 1% simple interest per month from February 15, 2010 until paid. The interest accrued would be \$10,000 per month.

3. City Authorization of Funds for Payment of \$250,000. The City agrees to present this Settlement Agreement to the Common Council of the City on January 18, 2010 in order for the Common Council to appropriate the funds necessary to make the \$250,000 payment referenced in Section 1 above. In the event the Common Council fails to appropriate such funds on January 18, 2010, this Settlement Agreement shall be null and void and the Parties agree that:

(a) The arbitration before Judge Eich will be held on March 3 and 4, 2010;

(b) The Parties will submit prehearing briefs to Judge Eich on or before February 23, 2010;

(c) The City's motion regarding the payment of September and October 2009 invoices will be deemed withdrawn and any issues raised in that motion will be heard at the arbitration hearing;

(d) Counsel for both Parties have reserved the dates of February 2, 3 and 4, 2010 for the depositions of Carl Verhagen, Doug Young and Gary Price. Menasha's counsel will contact the witnesses promptly to determine their availability. If any of them are not available on these dates, counsel will continue to work in good faith to secure other acceptable dates within the same time frame. The Parties contemplate that alternate dates, if required, will be established prior to January 18, 2010;

(e) Counsel for both Parties have reserved the dates of February 11 and 12, 2010, for the depositions of U.S. Mills' witnesses. U.S. Mills' counsel will contact the witnesses promptly to determine their availability. If any of them are not available on these dates, counsel will continue to work in good faith to secure other acceptable dates within the same time frame. The Parties contemplate that alternate dates, if required, will be established prior to January 18, 2010; and

(f) U.S. Mills will produce its responses to Menasha's discovery requests on or before January 28, 2010.

4. U.S. Mills Release. U.S. Mills, for itself and its parent company, subsidiaries, affiliated entities, predecessors, successors, assigns, officers, directors, shareholders, employees, attorneys and agents (hereinafter collectively "U.S. Mills' Related Parties"), releases and discharges the following parties from any and all Claims, as defined in Recital C above: (a) Commission and the City and its departments, its presently elected or formerly elected or appointed officials, including without limitation the members of the Common Council, the members of the Menasha Utilities Commission, the Mayor, the former Mayor, and all

employees, former employees or agents of the City or its departments (hereinafter collectively the "City's Related Parties"), and (b) WPPI Energy and its respective members, officers, directors, employees, agents, representatives, insurers, attorneys, predecessors, successors and assigns.

5. City Release. The City, for itself, the Commission and its Related Parties, hereby releases and discharges U.S. Mills and U.S. Mills' Related Parties from any and all Claims, as defined in Recital C above.

6. Opportunity to Consult with Counsel. The Parties acknowledge that they have had a reasonable opportunity to consult with counsel concerning this Settlement Agreement.

7. No Acknowledgment of Fault. Nothing herein shall be deemed an admission of any liability or wrongdoing on the part of either Menasha or U.S. Mills with respect to any Claim. The Parties expressly understand and agree that this is a settlement and compromise intended in part to avoid the cost and expense of any further litigation or court action.

8. Entire Agreement. This Settlement Agreement represents the entire agreement between the Parties and supersedes all prior negotiations, representations or agreements between the Parties, either written or oral. The Parties are not relying on any statements or promises other than what is said in this Settlement Agreement.

9. Amendment to Agreement. This Settlement Agreement may be amended only by written instrument designated as an amendment to this Agreement and executed by the Parties to this Agreement (or their successors).

10. Cooperation/Dismissal of the Arbitration. Subject to Section 3 above, the Parties, through their attorneys, shall promptly dismiss the Arbitration with prejudice and without costs or fees to any party, except for the payment of the fees and expenses of the arbitrator, with Menasha and U.S. Mills each paying one-half of such fees and expenses. The Parties further agree to cooperate fully and execute any supplementary documents and to take all additional actions that may be necessary or appropriate to give full force and effect to the basic terms and intent of this Settlement Agreement.

11. Attorney's Fees and Enforcement of Agreement. If the City defaults in any of its payment obligations under this Agreement and thereafter contests the entry of the judgment provided for in Section 2 above, U.S. Mills shall be entitled to recover from the City the reasonable, actual costs, expenses and attorney's fees incurred by U.S. Mills in connection with the entering of any judgment described in Section 2.

12. Choice of Law. All disputes arising under or relating to this Settlement Agreement shall be governed by, and the terms of this Settlement Agreement shall be construed and interpreted in accordance with, the laws of the State of Wisconsin.

13. Construction. This Settlement Agreement has been drafted with the assistance of counsel for each party and shall not be construed in favor of, or against, any party.

14. Signatures and Counterparts. The Parties agree that facsimile or electronic signature shall be deemed original for all purposes. This Settlement Agreement may be signed in counterparts, which taken together shall constitute a fully executed Settlement Agreement for all purposes.

15. Warranty of Capacity. Each of the undersigned warrants and represents that he has full authority to execute this Settlement Agreement on behalf of the entity for which he is signing and that he has full authority to bind that entity. Execution of this Settlement Agreement by the entity's representative shall constitute a warranty and representation by that entity that it has taken all necessary and appropriate action to make this Settlement Agreement a binding document on the entity.

16. Separation of Facilities. Menasha has established a physical separation between U.S. Mills' facility and the Steam Supply Facility at the vault located on U.S. Mills' property. U.S. Mills owns and is responsible for the operation and maintenance of all steam-related equipment that is located on U.S. Mills' property. Menasha shall not remove any equipment located on U.S. Mills' property without U.S. Mills' consent.

This Settlement Agreement is effective as of the date first above written.

CITY OF MENASHA

U.S. PAPER MILLS CORP.

By: _____

By: _____

MENASHA UTILITIES COMMISSION

By: _____

EXHIBIT A

STATE OF WISCONSIN

CIRCUIT COURT
CIVIL DIVISION

WINNEBAGO COUNTY

U.S. PAPER MILLS CORP.,

Plaintiff,

vs.

Case No. _____

Case Code _____

CITY OF MENASHA, WISCONSIN,
by and through,
MENASHA UTILITIES,

Defendant.

STIPULATED JUDGMENT

On _____, the Court ordered, pursuant to stipulation of the parties, that judgment be entered in favor of plaintiff U.S. Paper Mills, Inc. and against defendant City of Menasha, Wisconsin by and through Menasha Utilities.

THEREFORE, IT IS ADJUDGED that judgment is entered pursuant to the terms of that Order in favor of plaintiff U.S. Paper Mills Corp. of 824 Fort Howard Avenue, De Pere, Wisconsin 53717 and against defendant City of Menasha, Wisconsin by and through Menasha Utilities of 140 Main Street, Menasha, Wisconsin 54952 in the amount of \$_____.

Dated this ____ day of _____, 2010.

BY THE COURT:
CLERK OF CIRCUIT COURT

BY _____
JUDGMENT CLERK

DOCKETED ON _____