SETTLEMENT FRAMEWORK AGREEMENT

This Settlement Framework Agreement ("SFA") dated the 14th day of June, 2007, is entered into by and between the S.D. Warren Company (including S.D. Warren Company and its parent company and affiliates and successors and assigns, jointly referred to herein as "S.D. Warren"), the United States Department of the Interior through the Fish and Wildlife Service ("DOI/FWS"), the Maine Department of Marine Resources ("Maine DMR"), American Rivers, Inc. ("AR"), and the Friends of the Presumpscot River ("FOPR") (all referred to herein individually as "Party" and collectively as "the Parties") for the purpose of reflecting herein the principal terms to be included in a subsequent final Settlement Agreement ("SA") regarding upstream and downstream anadromous fish passage on the Presumpscot River in Maine at the Cumberland Mills dam, the Saccarappa dam/hydroelectric project, the Mallison Falls dam/hydroelectric project, the Little Falls dam/hydroelectric project, the Gambo dam/hydroelectric project, and the Dundee dam/hydroelectric project.

WHEREAS, on October 2, 2003, the Federal Energy Regulatory Commission ("FERC") issued orders granting a 40-year license under the Federal Power Act ("FPA") for each of the following FERC-jurisdictional hydroelectric projects: the Saccarappa Project (FERC Project No. 2897, 105 FERC ¶ 61,013), the Mallison Falls Project (FERC Project No. 2932, 105 FERC ¶ 61,011), the Little Falls Project (FERC Project No. 2941, 105 FERC ¶ 61,012), the Gambo Project (FERC Project No. 2931, 105 FERC ¶ 61,010), and the Dundee Project (FERC Project No. 2942, 105 FERC ¶ 61,009) (with the FERC license orders referred to herein individually as "License" and collectively as "Licenses," and with each project referred to herein individually as "Project" or by its respective name and all projects referred to collectively herein as "Projects"); and
WHEREAS, prior to issuance of the Licenses by the FERC, the DOI/FWS issued its “Prescription for Fishways Pursuant to Section 18 of the Federal Power Act” on February 5, 2002 (referred to herein as “Original Prescription”) covering the Projects which, *inter alia*, specified a schedule for the construction and operation of anadromous fish passage at each Project after anadromous fish passage is available at the Cumberland Mills dam located in Westbrook, Maine; and

WHEREAS, also prior to issuance of the Licenses by the FERC, the State of Maine Department of Environmental Protection (“Maine DEP”) issued a “Water Quality Certification” on April 30, 2003 (referred to herein as “WQC”) covering the Projects which, *inter alia*, also specified a schedule for the construction and operation of anadromous fish passage at each Project after anadromous fish passage is available at the Cumberland Mills dam; and

WHEREAS, in each License the FERC incorporated the provisions of the Maine DEP’s WQC as Appendix A to the License, and the DOI/FWS Original Prescription as Appendix B to the License; and

WHEREAS, S.D. Warren owns and operates the Cumberland Mills dam and the associated mill which are not subject to the provisions of the FPA or the jurisdiction of the FERC, and there is no current schedule for installation of fish passage at the Cumberland Mills dam; and

WHEREAS, on October 19, 2006, AR and FOPR filed a petition with the Commissioner of the Maine Department of Inland Fisheries and Wildlife (“Maine IF&W”) requesting that a proceeding be initiated under Maine law, 12 MRSA § 12760(4), for the purposes of requiring S.D. Warren to construct, operate and maintain fishways at the
Cumberland Mills dam; and

WHEREAS, by letter dated January 10, 2007, the Commissioner announced that Maine IF&W was initiating a fishway proceeding under Maine law, with a public hearing to be scheduled, to evaluate the request by AR and FOPR, noting that all parties to that proceeding were free to continue to pursue a negotiated settlement of the issues presented; and

WHEREAS, by letter dated March 22, 2007, the Maine DMR intervened in the Cumberland fishway proceeding before the Maine IF&W; and

WHEREAS, in this SFA the Parties have set forth their agreement in principle on all key terms to form the basis of the SA that, if implemented, would resolve to the Parties’ satisfaction all pending anadromous fish passage issues associated with the Cumberland Mills dam, and the Saccarappa, Mallison Falls, Little Falls, Gambo and Dundee Projects, and would significantly enhance fishery restoration efforts on the Presumpscot River; and

WHEREAS, DOI/FWS and Maine DMR believe (without pre-determining the outcome of notice and comment procedures) that the terms contained in this SFA are consistent with the missions, goals, and where applicable, the statutory obligations of DOI/FWS and Maine DMR; and

WHEREAS, the Parties desire to execute a binding, final SA based on the terms contained in this SFA; and

WHEREAS, the Maine IF&W has indicated its intention to proceed with a fishway proceeding in the near future; and

WHEREAS, the Parties believe that said fishway proceeding will be unnecessary upon execution of the SA, but the Parties require several additional months in which to
provide, where applicable, public notice and comment opportunities and to then complete
final negotiation and drafting of the SA; and

WHEREAS, agreement by each Party with the terms contained in this SFA is subject
to the execution by all Parties of an SA consistent with the provisions of this SFA;

ACCORDINGLY, in consideration of the mutual obligations contained herein, the
Parties hereby agree to proceed as promptly as possible to negotiate toward an SA on the
basis of the terms and provisions set forth below.

I. Process Provisions of Settlement

1. Following execution of this SFA, the respective Parties will take the following actions:
   a. The Parties will jointly release to the public copies of this SFA on or before June 30,
      2007, unless another date is agreed upon by all Parties.
   b. The Parties that are also parties to the Maine IF&W Cumberland Mills proceeding
      will file a copy of this SFA with the Commissioner of Maine IF&W, along with a
      request that the Commissioner immediately issue a stay of the Cumberland Mills
      fishway proceeding until December 1, 2007, to allow the Parties to negotiate and
      execute the SA.

2. In the event that the Commissioner declines to issue the stay of the Cumberland Mills
   fishway proceeding, as requested by the requesting Parties, this SFA shall terminate.

3. After issuance by the Commissioner of Maine IF&W of a stay as referred to in paragraph
   1.b above, the respective Parties will do the following:
   a. The Parties agree to commence immediately good faith negotiations and to undertake
      necessary related actions, all for the purpose of executing a final SA by no later than
December 1, 2007. In the event that the Parties do not execute a final SA by December 1, 2007 (absent an agreement by all Parties on a different date), this SFA shall terminate. In the event that the Parties agree to a later date than December 1, 2007, for execution of the SA, the Parties shall jointly request an extension of the stay from the Commissioner of IF&W to that agreed-upon later date.

b. By no later than September 30, 2007, S.D. Warren will provide to the Parties its proposed Preliminary Design Drawings showing the work to be performed at the Cumberland Mills dam and documents and other materials used by S.D. Warren and its consultants to arrive at its proposed Preliminary Design Drawings in order for the non-S.D. Warren Parties to evaluate those Drawings. Such documents and materials shall include, but not be limited to, hydraulic modeling results, contour maps, channel bathymetry profiles, and structural opinion(s) of the existing piers and buildings.

“Preliminary Design Drawings” is defined, consistent with general engineering practice, to be drawings which are sufficient for permitting based on field surveys. Non-S.D. Warren Parties will provide comments to S.D. Warren on these proposed Preliminary Design Drawings within 30 days. S.D. Warren agrees to provide reasonable access to the Cumberland Mills site to the non-S.D. Warren Parties as necessary and appropriate under this SFA and the SA.

4. Following execution by the Parties of the SA, the respective Parties will do the following:

a. The Parties agree to take actions, including the filing of regulatory applications or requests and the filings of statements in support of regulatory approvals, or issuance of revisions to the Original Prescription, as appropriate and required to implement the SA.
b. Immediately upon execution of the SA (absent an agreement by all Parties on a different date), the Parties that are also parties to the Maine IF&W Cumberland Mills proceeding will submit the SA to the Maine IF&W with a joint request that the stay of the Cumberland Mills proceeding be extended to the earlier of: (i) the completion of removal of the Cumberland Mills dam as specified in Section II.1 below; (ii) actions triggering Section IV.1 below; or (iii) actions triggering Section IV.2 below.

c. As soon as practicable upon execution of the SA, but no later than 30 days after such execution, the respective Parties will do the following:

i) The DOI/FWS will issue preliminary modifications to the Original Prescription to reflect the terms of the SA ("Revised Prescription"), to be finalized immediately following the conclusion of all applicable administrative procedures before the DOI.

ii) The Parties will file the SA with the FERC and the Maine DEP (with such filings to include the Revised Prescription) and will seek FERC approval of the SA and amendments to the Licenses and Maine DEP amendment to the WQC, consistent with the SA, all by a date certain.

d. The Parties agree to support the following:

i) Approval of the SA by the FERC and the related amendments to the Licenses for the Sacarappa, Mallison Falls, Little Falls, Gambo and Dundee Projects to reflect the terms of the SA, without material addition, deletion, or modification.

ii) Amendment of the WQC for the Sacarappa, Mallison Falls, Little Falls, Gambo and Dundee Projects by the Maine DEP to reflect the terms of the SA, without material addition, deletion, or modification.
iii) Issuance of all Federal, State and local permits necessary to implement the provisions of the SA, on a timely basis, following agreement on final design/drawings and operational plans by the Parties.

5. By a date to be established in the SA, S.D. Warren will execute and provide to the Parties financial assurances (in the form to be attached to the SA), containing terms sufficient to ensure the complete removal of the Cumberland Mills dam and the associated channel reopening/regrading by the State of Maine or some other entity (agreed to by the Parties), based on the Preliminary Design Drawings agreed upon by the Parties and contained in the SA. The method for providing such assurances tentatively agreed to by the Parties, subject to confirmation during the negotiation of the SA, would consist of a letter of credit to the benefit of a State of Maine agency or another entity (to be determined prior to execution of the SA). As defined in the SA, S.D. Warren will provide to the State of Maine (or specified agency or agencies thereof), or the agreed-upon other entity, access to the Cumberland Mills site as necessary to undertake and complete the work covered by the financial assurance document, if that assurance is drawn on by the State or the other entity.

6. The SA will contain provisions that will specify: (a) how any disputes among the Parties concerning interpretation and implementation of the SA will be resolved; and (b) that the Parties will work together to defend the SA and its implementing actions, including permit requests, against challenge from third parties.

II. Provisions of Settlement Applicable to Specific Projects or Dams

1. Cumberland Mills dam: S.D. Warren will be responsible for performing and paying for
the entire cost of the following: (i) removal of all components of the Cumberland Mills dam in the original and freshet channels; (ii) repair or stabilization of existing public infrastructure necessitated by removal of the Cumberland Mills dam; (iii) reopening/regrading of the river channel upstream and two river channels downstream at the Cumberland Mills dam site, as necessary to achieve safe, timely (i.e., not imposing significant migratory delay), and effective fish passage; (iv) S.D. Warren plant infrastructure changes as determined necessary by S.D. Warren; and (v) maintenance of the channels.

a. All work described in this Section is to be performed as provided for in specified Preliminary Design Drawings with attendant hydraulic modeling agreed upon by the Parties and contained in the final SA, and with all work to be completed and operational by May 1, 2011.

b. After removal of the Cumberland Mills spillways under this settlement, S.D. Warren will not construct a new dam at the Cumberland Mills dam site during the term of the extended licenses for the FERC-jurisdictional Projects.

2. **Saccarappa Project:** S.D. Warren will construct Phase II upstream passage facilities with design and preliminary work and permanent downstream passage facilities as described in the Original Prescription and the WQC, to be constructed and in operation by May 1, 2016.

3. **Trap and truck operations:** Based on engineering designs approved by Maine DMR and DOI/FWS, S.D. Warren will install the civil components and will design the mechanical components of trap and truck facilities to be located at the Saccarappa fishway, when that fishway is constructed (i.e., before May 1, 2016).
a. Trap and truck operations will commence at the direction of the Maine DMR upon
18-months notice, but no earlier than November 1, 2017. During the period between
receiving notice from the Maine DMR and the stated commencement date of trap and
truck operations, S.D. Warren will install the mechanical components of the trap and
truck facilities. This obligation to provide and operate trap and truck facilities will be
incorporated, along with the other fish passage requirements, in the Saccarappa
License.

b. Under a separate, off-License agreement with Maine DMR, S.D. Warren will provide
one-time funds to the Maine DMR to acquire a truck to implement trap and truck
operations under this settlement within 12 months of receipt by S.D. Warren from the
Maine DMR of its notice of intent to commence trap and truck operations. Following
commencement of trap and truck operations, S.D. Warren will provide to the Maine
DMR annual funds, as mutually agreed by the State and S.D. Warren, to cover the
costs of trap and truck operations and maintenance (including direct personnel costs)
as detailed in the SA for so long as the State conducts such operations. Alternatively,
at the direction of the State, S.D. Warren will provide these operation and
maintenance funds to a third-party to operate the trap and truck operations under the
direction of the Maine DMR. The Maine DMR will conduct trap and truck
operations, with S.D. Warren providing access to facilities at the Projects as
necessary to conduct such operations, but with S.D. Warren bearing no responsibility
to conduct the trap and truck operations or for the success of such operations other
than financial contribution as stated herein.

4. **Downstream fish passage:** S.D. Warren will provide interim and permanent downstream
fish passage at the Mallison Falls, Little Falls and Gambo Projects as follows:

a. S.D. Warren will commence operating interim downstream fish passage at the Mallison Falls, Little Falls and Gambo Projects, upon commencement of trap and truck operations by the State, for the Projects which are below trap and truck release sites. Such interim downstream fish passage at each Project will be provided by trashracks or overlays with 1-inch or less clear opening at the powerhouse turbine intake; a surface flow control structure located adjacent to the turbine intake that discharges four percent of the rated turbine flow (unless a lesser discharge is determined by DOI/FWS and Maine DMR to be sufficient); and suitable plunge pool depths as determined by the Parties and incorporated into the SA.

b. S.D. Warren will provide permanent downstream fish passage at the Mallison Falls, Little Falls and Gambo Projects, to be operational when upstream fish passage facilities are operational at each such Project. Permanent downstream fish passage at each Project will be provided as specified in the Original Prescription.

c. S.D. Warren will conduct effectiveness testing for each Project’s downstream fish passage when permanent downstream fish passage is provided at that Project.

5. **Mallison Falls Project:** S.D. Warren will construct Phase II upstream fish passage facilities (with design and preliminary work as described in the Original Prescription and the WQC) based on biological triggers for Phase I being met at Saccarappa dam/fishway (as stated in the Original Prescription and WQC), constructed and in operation no earlier than May 1, 2026.

6. **Little Falls Project:** S.D. Warren will construct Phase II upstream passage facilities (with design and preliminary work as described in the Original Prescription and WQC) so as to
be operational five years after upstream passage facilities at the Mallison Falls Project are operational, unless DOI/FWS and Maine DMR find that fish are not using the Mallison Falls Project upstream fish passage facilities and that delay is appropriate to address passage at the Mallison Falls.

7. **Gambo Project**: S.D. Warren will construct Phase II upstream passage facilities (with design and preliminary work as described in the Original Prescription and WQC) based on biological triggers for Phase II being met at Little Falls dam/fishway (as stated in the Original Prescription and WQC), constructed and in operation no earlier than May 1, 2036.

8. **Dundee Project**: S.D. Warren will not be required to construct a fishway (upstream or downstream) during the term of the FERC License (as extended).

9. **All Projects**: FERC License terms for all Projects to be extended to 50 years.

### III. Provisions of Settlement Applicable to All Projects and Dams

1. **Existing Licenses, Prescription and WQC**: The Licenses, the Original Prescription and the WQC shall remain unchanged except as modified under the SA.

2. **Consultation**: The approval process between the Parties for the final design and drawings and operational plans relative to fishways and fish passage facilities under the SA will be described in detail in the SA. To be further amplified in the SA, in preparing such draft designs/drawings and operational plans, S.D. Warren will consult with the Parties; and before making such filings as required at the FERC and the Maine DEP, or implementing construction work related to removal of, or potential fishways at, the Cumberland Mills dam, S.D. Warren will obtain concurrence from DOI/FWS and the Maine DMR, with
such concurrences not to be unreasonably withheld.

IV. Provisions of Settlement Applicable to Occurrence of Certain Events

The Parties believe that the provisions of this SFA are reasonable and appropriate and, when the SA is executed based on these provisions, the proposed settlement will be supported by the record before the FERC, the Maine DEP and the Maine IF&W. However, the Parties agree that there is a possibility that certain events might occur that would prevent implementation of the SA, and on that basis the Parties agree to include the following default provisions in the SA:

1. If the FERC does not approve amendments to the Licenses or if the Maine DEP does not approve the amendment to the WQC, as provided for in the SA and by a date certain as agreed upon by the Parties in the SA, then the Parties agree to the following:
   a. The stay of the Maine IF&W Cumberland Mills proceeding will be lifted.
   b. S.D. Warren will withdraw the requests before the FERC and the Maine DEP to incorporate specified settlement provisions into amended Licenses. The provisions of the SA necessary to implement this default provision shall remain in effect.
   c. S.D. Warren and the other Parties will seek issuance of an order (in a form to be attached to the SA) by the Maine IF&W affirming S.D. Warren's obligation to construct, maintain and operate two fishways at the Cumberland Mills dam, as provided in conceptual design drawings agreed upon by the Parties and contained in the SA, to be operational by May 1, 2011.
   d. Following completion of construction of the Cumberland Mills fishways, S.D. Warren will operate and maintain those fishways as long as it owns the fishway
properties. Any sale of the real estate on which the fishways are constructed will include, as a legally binding condition to the sale, the requirement that the new owner continue operation and maintenance of the Cumberland Mills fishway facilities until ordered to not do so by the authorized State of Maine agency.

e. The Original Prescription and the WQC shall apply.

2. If Federal, State or local permits/authorizations needed to remove the Cumberland Mills dam, replace mill infrastructure, and reopen/regrade the river channels as provided for under the SA (excluding amendments to the Licenses and the Maine DEP’s WQC) are not granted, or are granted and become final in a form that materially changes S.D. Warren’s obligations under the SA, then the Parties agree to the following:

a. S.D. Warren agrees to construct two fishways at the Cumberland Mills dam, as provided in conceptual design drawings agreed upon by the parties and contained in the SA, to be operational by May 1, 2011.

b. S.D. Warren and the other Parties will seek issuance of an order (in a form to be attached to the SA) by the Maine IF&W affirming S.D. Warren’s obligation to construct, maintain and operate two fishways at the Cumberland Mills dam, as provided in conceptual design drawings agreed upon by the parties and contained in the SA, to be operational by May 1, 2011.

c. Following completion of construction of the Cumberland Mills fishways, S.D. Warren will operate and maintain those fishways as long as it owns the fishway properties. Any sale of the real estate on which the fishways are constructed will include, as a legally binding condition to the sale, the requirement that the new owner continue operation and maintenance of the Cumberland Mills fishway facilities until
ordered to not do so by the authorized State of Maine agency.

d. The Parties will continue to support the request to the FERC to extend the term of the Licenses to 50 years.

e. S.D. Warren will construct Phase II upstream passage facilities and permanent downstream passage facilities at the Saccarappa Project (with design and preliminary work as described in the Original Prescription and the WQC), to be constructed and in operation by May 1, 2016.

f. The existing terms in the Original Prescription and the WQC applicable to the Mallison Falls, Little Falls, Gambo and Dundee Projects shall remain unchanged.

g. The Letter of Credit or other financial assurance document, established as described in Section 1.5 above, will be terminated.

3. In the event that all Federal, State and local permits needed to implement the SA are granted in a final form that does not materially change S.D. Warren's obligations under the SA, but the Cumberland Mills dam is not removed and the associated channel regrading is not completed as provided in the SA, all by May 1, 2011, then the Parties agree that:

a. The financial assurance provisions, set forth in Section 1.5 above, as carried forward and contained in the SA and as set forth in the document attached to the SA, shall be triggered.

b. Section II.1.b through Section II.9 above, as carried forward and contained in the SA, will be in effect.

c. S.D. Warren will be in breach of the SA.
V. **General Provisions of Settlement**

1. The Parties agree to negotiate in good faith to achieve an SA consistent with this SFA. The Parties further agree that the provisions of this SFA, and the SA based on this SFA, shall bind the successors and assigns of all Parties.

2. Communications and documentation, including settlement discussions, of the Parties regarding the provisions of this SFA, and preparation and execution of the SA based on this SFA, shall be considered confidential to the extent permissible under applicable law.

3. The performance by the Parties of the obligations contained in the SA will be subject to all applicable legal requirements, rights and remedies.

4. The Parties acknowledge that nothing in this SFA shall be construed to require the State of Maine or any of its agencies to expend any monies beyond those appropriated and allocated for the purpose for which they are to be expended, as determined in the sole discretion of the commissioner or other department head of the agency involved, or to take actions beyond the legal authority of an agency of the State of Maine, as determined in the sole discretion of the agency.

5. The Parties acknowledge that nothing in this SFA shall be construed as obligating any federal agency to expend in any fiscal year any sum in excess of appropriations made by Congress or administratively allocated for the purpose of this SFA for the fiscal year, or as involving any federal agency in any contract or obligations for the future expenditure of money in excess of such appropriations or allocations.

6. The Parties agree that this SFA establishes no precedent(s) with regard to any issue addressed herein, or with regard to any Party's participation in other federal or state
proceedings, and that none of the Parties to this SFA will cite the SFA as establishing any principles except with respect to the matters to which the Parties have herein agreed.

7. Provisions similar to paragraphs 3 through 6 of this Section shall be included in the SA.

8. This SFA may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by counsel or other authorized representative for each of the Parties and delivered to counsel or other authorized representative for the other Parties hereto.

9. This SFA will remain in effect until the SA is executed by all Parties, until this SFA otherwise terminates pursuant to the provisions contained in this SFA, or until one or more Parties notifies all other Parties in writing of its/their unwillingness to continue to participate in SA negotiations.

Agreed to by:

S.D. Warren Company
By: ________________
Title: VP - RELEASE AND TECHNICAL SPECIALTIES BUSINESS
Date: June 15, 2007

United States Department of the Interior
Fish and Wildlife Service
By: ______________________________
Title: ______________________________
Date: ______________________________

Maine Department of Marine Resources
By: ______________________________
Title: ______________________________
Date: ______________________________
proceedings, and that none of the Parties to this SFA will cite the SFA as establishing any principles except with respect to the matters to which the Parties have herein agreed.

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Agreed to by:

S.D. Warren Company
By: ____________________________
Title: __________________________
Date: __________________________

United States Department of the Interior
Fish and Wildlife Service
By: ____________________________
Title: [illegible]
Date: 07/07/07

Maine Department of Marine Resources
By: ____________________________
Title: __________________________
Date: __________________________
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Agreed to by:

S.D. Warren Company
By: ____________________________
Title: ___________________________
Date: __________________________

United States Department of the Interior
Fish and Wildlife Service
By: ____________________________
Title: ___________________________
Date: __________________________

Maine Department of Marine Resources
By: ____________________________
Title: Commissioner
Date: 18 June 2007
American Rivers, Inc.
By: ____________________________
Title: ____________________________
Date: ____________________________

Friends of the Presumpscot River
By: Wolfa B. Faucher
Title: President
Date: 06/14/04