

Final  
July 17, 2007

K# 1033

Memorandum of Agreement (the "Agreement")

By and Between

International Paper Company (the "Company")

And

United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and  
Services Workers International Union (the "Union" or the "United Steelworkers")

(together the "Parties")

This Agreement (the "Agreement") is entered into between the Company and its successors and assigns and the Union and its successors and assigns covering the employees represented by the Union and its Locals at the Covered Locations (as defined below).

## **I. SCOPE**

This Agreement is applicable to the following Company locations (the "Covered Locations"):

Georgetown Mill, SC  
Vicksburg Mill, MS  
Riverdale Mill, AL  
Texarkana Mill, TX  
Courtland Mill, AL  
Louisiana Mill, LA  
Pineville Mill, LA  
Prattville Mill, AL  
Savannah Mill, GA  
Ticonderoga Mill, NY  
Pensacola Mill, FL  
Augusta Mill, GA  
Franklin Mill, VA  
Riegelwood Mill, NC

## **II. LOCATION AND RENEWAL AGREEMENTS**

The Parties agree that the existing collective bargaining agreements at the Covered Locations (the "Location Agreements") shall be renewed for a four year period upon their currently scheduled expiration dates ("Renewal Agreements"). The Location Agreements shall remain in full force and effect and nothing in this Agreement shall modify the current Location Agreements or the Renewal Agreements except as provided in this paragraph II.

### **A. WAGES**

1. The provisions of existing Location Agreements concerning wage increases and lump sum payments shall remain in full force and effect.

2. The following shall apply to the Renewal Agreements:

Date	Wage Increase/Lump Sum
Existing Expiration Date	2% GWI
First Anniversary of Existing Expiration Date	\$1,000 Lump Sum
Second Anniversary of Existing Expiration Date	2% GWI
Third Anniversary of Existing Expiration Date	\$1,000 Lump Sum

The lump sum shall be paid as soon as administratively possible following the dates listed above to each employee actively employed by the Company on the date payment is made.

Employees who are actively employed on the Effective Date of this Agreement and who retire prior to the payment of either of the First Anniversary Lump Sum payment or the Third Anniversary Lump Sum payment shall receive the remaining Lump Sum payment(s).

3. New Hire Wage Schedule

- a. Employees hired on or after Effective Date of this Agreement at each Covered Location ("New Employees") will be paid in accordance with the new wage scale found in Attachment 1 hereto and as made applicable to each Covered Location.
- b. The wage rates determined in accordance with this Paragraph II.A.3. shall be increased by the amounts specified in Paragraph II.A.2. above for Renewal Agreements.
- c. New Employees shall also receive lump sum payments on the same basis as existing employees.

**B. ACTIVE MEDICAL**

1. Effective for the plan year starting January 1, 2008 and ending at the end of the 2011 plan year, the Company will only offer the current PPO Plan and will forego its right to make up to a 5% annual change in the PPO plan design. For that time period, any plan design changes must be agreed upon by both the Company and the Union other than as described in II.B.2.b.iii. below. It is recognized that the parties are equally committed to the continuation of the joint effort to control costs and improve quality of care, including making

plan design changes where appropriate.

2. In addition, the following items apply to the PPO starting in 2008:
  - a. During the term of this Agreement, the Company agrees to contribute a Cost Share Percentage of plan premiums as outlined in the following table. Designated Amounts listed were calculated by increasing the 2007 Hourly Union Mill Premium experience rated premiums 9.0% per year.

Effective	...the Company Cost Share Percentage will be...	...of premium up to the following Designated Premium Amounts...		...plus actual premium in excess of the Designated Premium Amounts shared...
		Single	Family	
Jan. 1, 2008	76.25%	\$353	\$971	50% / 50%
Jan. 1, 2009	77.50%	\$385	\$1,058	50% / 50%
Jan. 1, 2010	78.75%	\$420	\$1,153	50% / 50%
Jan. 1, 2011	80.00%	\$458	\$1,257	50% / 50%
See Attachments 2 and 3 for examples.				

Notwithstanding the above, if the actual 2008 premiums increase greater than 9.0% but less than or equal to 10.0%, the 2008 Designated Premium Amounts will be adjusted upward to reflect the actual 2008 premium increase. If the 2008 premiums increase greater than 10.0%, the 2008 Designated Premium Amounts will be calculated by increasing the 2007 Hourly Union Mill premiums by 10.0%. The Designated Premium Amounts after 2008 will be calculated by increasing the 2008 Designated Premium Amounts by 9.0% each year.

- b. After the expiration of this Agreement, in the event the Parties do not reach a successor agreement pursuant to paragraph VI.D. that includes health care provisions, or if the Parties do not reach a separate health care agreement at that time for all Covered Locations, the Company and Union agree as follows:
  - i. The Company will continue to offer only the PPO agreement as modified herein for the period of time remaining in a Renewal Agreement;
  - ii. The Company will continue to forego its right to make up to a 5% annual change in the PPO plan design for the period of time remaining in a Renewal Agreement;

- iii. Any plan design changes must be agreed to by both the Company and the Union except as follows effective January 1, 2012:
  - a) increase annual deductibles from \$350 single/\$700 family to \$450 single/\$900 family; and b) decrease company in-network co-insurance amount from 90% to 80%
- iv. It will contribute a Cost Share Percentage of plan premiums as outlined in the following table for the period of time remaining in a Renewal Agreement:

Effective	...the Company Cost Share Percentage will be...	...of premium up to the following Designated Premium Amounts...		...plus actual premium in excess of the Designated Premium Amounts shared...
		Single	Family	
Jan. 1, 2012	80.00%	\$499	\$1,370	50% / 50%
Jan. 1, 2013	80.00%	\$544	\$1,493	50% / 50%
Jan. 1, 2014	80.00%	\$593	\$1,627	50% / 50%

The Designated Premium Amounts after 2011 will be calculated by increasing 2011 Designated Premium Amounts by 9% each year for the years remaining in each Renewal Agreement. If the actual 2008 Designated Premium Amount increased more than 9% in accordance with paragraph II.B.2.a., then the Designated Premium Amounts in this chart (paragraph II.B.2.b.iv.) will be adjusted upward to reflect that additional increase and the resulting increases in subsequent years.

- c. The Company's methodology for establishing the PPO premiums will be consistent with the methodology used by the Company in the past except that the PPO will be rated on a stand alone basis.
- d. The Company and the Union will meet as a Joint Mill Health Care Committee (JMHCC) to review the mill medical plan design and operation, financial reports, claims data, annual rate renewals and other items necessary to review the performance of the PPO plan. Discussions shall also include reviewing possible opportunities to positively impact plan performance and costs.

The JMHCC shall meet at least every six (6) months and more often if circumstances necessitate and at the request of either party.

- 3. The Company continues to retain the right to select, change and use the services of third parties (e.g., plan vendors and /or administrators), provided

that there shall be no material change in the level of service, quality and breadth of networks, or access to care.

**C. RETIREE MEDICAL SAVINGS PROGRAM (RMSP)**

1. Employees eligible to contribute to the RMSP may continue to contribute up to \$160 per month. The RMSP Company match is currently made on a dollar for dollar basis up to \$160 per month. Effective January 1, 2008, the Company match will change as follows: the Company will match every one dollar contributed by an employee up to \$80 per month with a two dollar Company match.
2. As soon as administratively possible after the Effective Date of this Agreement, the company shall make the Year One Lump Sum contributions designated in the table below into the RMSP Company Account for each eligible employee as defined in Paragraph II.C.2.a. below. As soon as administratively possible twenty-four months after the Effective Date, the Company shall make the Year Three Lump Sum contributions designated below into the RMSP Company Account for each eligible employee as defined in Paragraph II.C.2.a. below.

<b>Age as of Agreement Effective Date</b>	<b>Year One Lump Sum 2007</b>	<b>Year Three Lump Sum 2009</b>
50 to 53	\$2,000	\$1,500
54 to 57	\$4,000	\$3,000
58 and Over	\$6,000	\$3,500

- a. To be eligible to receive the Year One and Year Three Lump Sum contributions described in this Paragraph II.C.2., an employee must be age 50 or greater on the Effective Date of this Agreement and must be actively employed on the date the Lump Sum contributions are made except as provided in Paragraph II.C.2.c. below. "Actively employed" includes individuals on company paid vacation and holidays, FMLA or company paid short term disability (S&A) leave.
- b. The amount of each Lump Sum Company contribution made as described in Paragraph II.C.2. above will be determined by the employee's age on the Effective Date of this Agreement.
- c. Eligible employees (as defined in Paragraph II.C.2.a. above) who are actively employed on the Effective Date of this Agreement, but who retire prior to one or both of the Lump Sum contribution dates, will receive any remaining Lump Sum contributions to the RMSP made under this

Agreement.

#### **D. DEPENDENT CARE**

The Company has established an IRS Section 125 Dependent Care Reimbursement Account (DCRA) for employees to set aside up to \$5,000 of their pre-tax earnings per year for dependent care expenses. In furtherance of their mutual commitment to the issue of dependent care, the Company and the Union shall establish a joint communication program on the benefits, tax effects and enrollment processes for the DCRA. The Company shall incur the administrative costs associated with the program.

#### **E. SUCCESSORSHIP**

Each Location Agreement and Renewal Agreement shall provide as follows:

1. The Company agrees that if a Covered Location is sold, leased, transferred or assigned, the Company shall inform the purchaser, lessee, transferee or assignee, of the exact terms of this Successorship Paragraph provision and shall make the sale, lease, transfer or assignment conditional upon the purchaser, lessee, transferee or assignee, assuming all the obligations of the applicable Collective Bargaining Agreement until its expiration date and treating the affected employees of the applicable Bargaining Unit in accordance with the terms of the applicable Collective Bargaining Agreement. The Union and/or its local and any other union representing covered employees will agree to such assumption.
2. Provided all contractual agreements are honored regarding seniority, including provisions for lay off and recall (it being understood that the applicable purchase agreement shall require the purchaser to make its hiring decisions with respect to Bargaining Unit positions according to the contractual rules that would apply as though such hiring were a decision to recall or layoff Bargaining Unit employees), it is understood and agreed (a) that the purchaser will not be required to have the same number of employees in the applicable bargaining unit as the Company does at the time of the transaction, and (b) that the applicable purchase agreement may permit the purchaser to make changes in the benefit programs required by the applicable agreement provided that the benefits in all events continue to be substantially equivalent in the aggregate to those provided under the applicable collective bargaining agreement.
3. It is agreed that the Company's obligations under this Successorship language will be satisfied if the applicable purchase and sale agreement: (i) contains the terms required by the above paragraphs; and (ii) either (x) makes the Union a third party beneficiary of those terms; or (y) is supplemented by a contemporaneous agreement between the Union and purchaser effectuating

those terms.

#### **F. MISCELLANEOUS**

1. Bargaining between the Company and the Union and/or the union(s) representing the employees at the Covered Location with respect to a Renewal Agreement will be limited to subjects not specifically provided for in this Agreement.
2. The Renewal Agreements shall consist of the terms of the Location Agreements as modified in Paragraph II.A.-F. and as modified by agreements reached pursuant to Paragraph II.F.1.
3. There will be no hiatus between current Location Agreements and the Renewal Agreements and Renewal Agreements will go into effect immediately upon the expiration of the respective Location Agreements even if the Union and/or the union(s) which are parties to those agreements have not reached agreement on all terms under discussion. If the Union and/or the union(s) and the Company do not reach agreement on an item, the original provision will remain in effect.
4. The duration of each Renewal Agreement will be four years commencing on the expiration date of the existing Location Agreement.
5. The Company agrees not to lock-out and the Union and/or unions agree(s) not to strike at a Covered Location during the terms of the respective Location and Renewal Agreements.
6. As of the Effective Date of this Agreement, all provisions of this Paragraph II.A-F. will be incorporated into the current Location Agreements and Renewal Agreements at every Covered Location and will be subject to the grievance and arbitration processes contained in those agreements.

#### **III. PENSION**

Contingent upon this Agreement becoming effective as provided in Paragraph VI.A-B, the Company agrees that it will offer the following with respect to Covered Locations to the Primary Mill Joint Pension Council (PMJPC) with the understanding that there will be no pension re-opener for a period of four years from the effective date of this new PMJPC Agreement. The provisions of this Paragraph III. will go into effect as ratified and executed in accordance with the procedures of the PMJPC.

- A. Other than as provided in Paragraph III.B., for retirements after the effective date of the new PMJPC agreement described above, the monthly pension multiplier shall be increased to \$50.00 for all years of service. An employee must be

actively at work (as defined in the Retirement Plan of International Paper Company) on or after the effective date of the new PMJPC agreement described above, in order for the \$50.00 pension multiplier to apply.

- B. For employees hired on or after the effective date of the new PMJPC agreement described above, the monthly multiplier shall be \$45.00 for all years of service.
- C. The pension multipliers described in Paragraphs III.A. and B. shall remain at the specified amount for all years of service through September 2014, unless modified as part of the discussions described in paragraph VI.D below or by the Primary Mill Joint Pension Council (PMJPC).

#### **IV. UNION / JOB SECURITY**

##### **A. ORGANIZING CAMPAIGNS**

In the interests of having a constructive relationship and maintaining it during an organizing campaign, the Parties agree that the following ground rules will apply.

- 1. The decision whether to be represented or not represented is the employees' to make.
  - a. Both Parties intend to take a position of fairness and honesty in the matter, providing accurate and timely information legitimately bearing on the employees' decision.
  - b. Both Parties will work to create an atmosphere free of coercion or intimidation. Neither Party will threaten, interrogate, retaliate against any employee, or make false or misleading statements.
  - c. Neither Party will engage in negative attacks towards each other.
- 2. Nothing in this Paragraph IV. is intended to limit the rights of employees or the Parties during organizing campaigns at Covered Locations to file charges with the National Labor Relations Board alleging violations of the National Labor Relations Act under the applicable statutory criteria; however no such charge shall allege as a separate theory that the alleged conduct violated this Agreement.

##### **B. SUCCESSORSHIP**

- 1. The Company agrees that it will not propose to delete the Successorship provisions in future bargaining for collective bargaining agreements at Covered Locations.

2. The Company agrees that a purchaser, lessee, transferee or assignee of the assets of the Company as an entity will be bound by this Agreement and the Union agrees to such assumption.
3. The Union agrees that it will make a condition of any merger it may make with another Union or any other type of combination, that the resulting entity will assume this Agreement and the Company will agree to such assumption.

### **C. EMPLOYMENT SECURITY**

The Company agrees that when exercising its rights under the current Location Agreements, it will undertake any reductions in force through voluntary severance and/or attrition except in situations involving temporary lay-offs or permanent reductions due to complete or partial closure. In situations involving temporary lay-offs, current labor agreement provisions will apply. In situations involving permanent reductions due to complete or partial closures, employees will be laid-off in accordance with the current labor agreements and effects bargaining will take place.

## **V. JOINT EFFORTS**

### **A. PUBLIC POLICY**

The Company and Union hereby agree to work jointly on public policy matters to which they mutually agree, meeting the following guidelines:

1. Purpose and Mission: The purpose of the public policy effort shall be to:
  - a. Support public policies promoting the mutual interests of the Company and the Union on such subjects as health care, energy costs, and other public policy issues of importance to the Parties;
  - b. Contribute to and promote greater cooperation between labor and management; and
  - c. Assist the Company and Union in solving problems of mutual concern that are not susceptible to resolution through collective bargaining.
2. On these issues, they will pursue the public policy effort through labor-management cooperative endeavors such as public and political education, issue advocacy, research, and the coordination of such activities with other like-minded groups.
3. The public policy effort will have a six-person Governing Committee. The Company representatives shall include its Senior Vice-President, Human Resources (or his/her designee), and two individuals chosen by him/her. The

Union representatives shall include the International President of the USW or his/her designee, the International Vice-President overseeing the Union's Paper Industry Conference and one additional individual chosen by the International President.

4. All activities of the public policy effort shall be subject to approval by the Governing Committee.
5. Nothing in this Paragraph V.A. shall preclude either Party from pursuing public policy issues separately or in opposition to each other as they deem appropriate.

#### **B. INDUSTRY-WIDE ACTIVITIES**

1. The Company agrees to join a Paper Industry-Wide Labor/Management Committee (IWC) effective on the agreement of at least one other major company in the paper industry to join such Committee.
2. The parties agree that the IWC will serve as a focal point for industry-wide joint activities such as health, safety, trade and issues of a similar nature of mutual interest to the Parties. Wages, hours or other terms and conditions of employment will not be discussed by the IWC. The Parties will continue to pursue other activities separately as they deem appropriate.
3. The IWC will have a Governing Board consisting of an equal number of Union and company representatives selected by the participating companies. The Board will be co-chaired by the President of the Union (or his/her designee) and a CEO (or his/her designee).
4. All activities conducted in the name of the IWC shall be approved by the Governing Board.

#### **C. HEALTH AND SAFETY**

1. The Company and Union hereby agree to hold two USW/IP Health and Safety Conferences at 18 month intervals.
2. The Conferences shall involve a review of a reasonable sample of health and safety records within the Company, ongoing health and safety projects and results, and other issues as developed jointly between the Union and the Company. Such review will not include personal individually identifiable information.
3. The Conferences will be preceded by a one-day pre conference meeting of the Union attendees.

4. The costs and expenses associated with the Conferences incurred by Company employees shall be pre-approved by the Company and borne by the Company to the extent permitted by law.

## **VI. EFFECTIVE DATE, EXPIRATION AND RENEWAL**

- A. In order to be effective, this Agreement (1) must be executed by the Union on behalf of itself and the USW locals at the Covered Locations, and (2) with respect to Covered Locations where employees are jointly represented by the Union and a different union, must be executed by the Union on behalf of itself and the USW Locals at the Covered Locations as well as by the different union..
- B. This Agreement shall have as its Effective Date the date on which it is executed by the Union after the provisions of Paragraph VI.A. are satisfied.
- C. This Agreement shall expire four years after its Effective Date although the Renewal Agreements established pursuant to this Agreement as provided in Paragraph II.A.-F, will remain in full force and effect through their individual respective expiration dates.
- D. Sixty days prior to the expiration date of this Agreement, the Parties shall meet and attempt to reach agreement on a successor agreement. Either Party may withdraw from such discussions at any time. This Agreement creates no obligation to continue bargaining in this format except as provided for in this Paragraph VI.D. and the existence of this Agreement in no way alters existing bargaining units. The Parties agree that such discussions will be voluntary and the legal requirements concerning collective bargaining will not apply.
- E. In the event the Parties are unsuccessful at reaching a successor agreement to this Agreement, the Renewal Agreements established pursuant to this Agreement as provided in Paragraph II.A.-F, will remain in full force and effect through their individual respective expiration dates and paragraphs IV.-V. of this Agreement other than paragraph IV.B. (the Successorship language), will be of no further force and effect, shall terminate and be null and void.

## **VII. ENFORCEMENT**

- A. This Agreement shall be enforced and any disputes resolved by the Joint Panel described below.
- B. The Company representatives on the Joint Panel shall include its Director of Labor Relations, Director of Manufacturing HR, and Manager of Manufacturing Labor Relations or alternates designated by the Company's Senior Vice President, Human Resources. The Union representatives shall include the International Vice-President overseeing the Union's Paper Industry Conference and two additional individuals designated by him/her. The Joint Panel will also

include one member who will be a mutually agreed upon neutral third party (currently John C. Wells) who will, if necessary, resolve any matters on which the Parties are unable to agree. Decisions of the Joint Panel will be final and binding on the Parties.

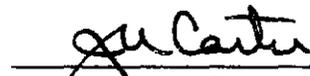
- C. The Joint Panel shall meet twice per year or more frequently at the request of either Party.
- D. This process does not alter the grievance/arbitration processes in the Location Agreements or in the Renewal Agreements as described in Paragraph II.F.6. which are the exclusive recourse for alleged breaches of the Location Agreements and the Renewal Agreements or any obligations contained in Paragraph II. of this Agreement.

Agreed to:

  
Richard LaCosse, Vice President  
United Steelworkers International Union

  
Paul J. Karre, Vice President  
Human Resources International Paper

  
Jon Geenen, Director USW District 2

  
Jerry N. Carter, Senior Vice President  
Human Resources International Paper

**Attachment 1**

New Rate Structure on a Straight Time Hourly Basis

Wage Grade	Wage Rate	Wage Grade	Wage Rate
1	\$13.00	24	\$20.66
2	\$13.33	25	\$21.00
3	\$13.66	26	\$21.33
4	\$14.00	27	\$21.66
5	\$14.33	28	\$22.00
6	\$14.66	29	\$22.33
7	\$15.00	30	\$22.66
8	\$15.33	31	\$23.00
9	\$15.66	32	\$23.33
10	\$16.00	33	\$23.66
11	\$16.33	34	\$24.00
12	\$16.66	35	\$24.33
13	\$17.00	36	\$24.66
14	\$17.33	37	\$25.00
15	\$17.66	38	\$25.33
16	\$18.00	39	\$25.66
17	\$18.33	40	\$26.00
18	\$18.66	41	\$26.33
19	\$19.00	42	\$26.66
20	\$19.33	43	\$27.00
21	\$19.66	44	\$27.33
22	\$20.00	45	\$27.66
23	\$20.33	46	\$28.00

\*Maintenance will have three wage grade levels within Attachment 1.

Note: a "when used" wage grade can be established above wage grade 46 to meet mill specific needs. For example, if a mill needs a higher wage to attract specialized skills in maintenance, they can establish a "when used" wage grade. For example, wage grade 47 at \$29.00 for highly specialized skills.

July 17, 2007

**Attachment 2**

**Calculation of Company Cost Sharing – March to 80%**

	2007		2008		2009		2010		2011	
Total Premium at a Fixed 9% Rate Increase	\$324	\$891	\$353	\$971	\$385	\$1,056	\$420	\$1,153	\$458	\$1,257

**Cost share based on March to 80 percentages and up to Fixed 9% Rate Increase,  
50/50 Cost sharing of the difference between the Actual Premium and the Fixed 9% Rate Increase**

Rate Increase	2007		9% 2008		11% 2009		12% 2010		4% 2011	
	EE	Family	EE	Family	EE	Family	EE	Family	EE	Family
Actual Premium	\$324	\$891	\$353.00	\$971.00	\$392.00	\$1,078.00	\$439.00	\$1,207.00	\$458.00	\$1,257.00
Company Contribution	\$243	\$668	\$269.16	\$740.39	\$301.88	\$829.95	\$340.25	\$934.99	\$366.40	\$1,005.60
EE Contribution	\$81	\$223	\$83.84	\$230.61	\$90.12	\$248.05	\$98.75	\$272.01	\$91.60	\$251.40
Company Cost Share Percent	75%	75%	76.25%	76.25%	77.01%	76.99%	77.51%	77.46%	80.00%	80.00%
EE Cost Share	25%	25%	23.75%	23.75%	22.99%	23.01%	22.49%	22.54%	20.00%	20.00%

**Company Contribution Calculation**

March to 80%	76.25%		77.50%		78.75%		80.00%			
At 9%			\$269.16	\$740.39	\$298.38	\$819.95	\$330.75	\$907.99	\$366.40	\$1,005.60
50/50 Cost Sharing			50.00%	50.00%	50.00%	50.00%	50.00%	50.00%		
Above 9%			\$0.00	\$0.00	\$3.50	\$10.00	\$9.50	\$27.00	\$0.00	\$0.00
Total Company Contribution			\$269.16	\$740.39	\$301.88	\$829.95	\$340.25	\$934.99	\$366.40	\$1,005.60

Premium based on Hourly Union Mills Only (includes Riverdale)

**Attachment 3**

**Calculation of Company Cost Sharing – March to 80%**

	2007		2008		2009		2010		2011	
Total Premium Projected at a Fixed 9% Rate Increase	\$324	\$891	\$353	\$971	\$385	\$1,058	\$420	\$1,153	\$458	\$1,257

Cost share based on March to 80 percentages and up to Fixed 9% Rate Increase,  
50/50 Cost sharing of the difference between the Actual Premium and the Fixed 9% Rate Increase

Rate Increase	2007		2008		2009		2010		2011	
	EE	Family	EE	Family	EE	Family	EE	Family	EE	Family
Actual Premium	\$324	\$891	\$353.00	\$971.00	\$392.00	\$1,078.00	\$439.00	\$1,207.00	\$479.00	\$1,316.00
Company Contribution	\$243	\$668	\$269.16	\$740.39	\$301.88	\$829.05	\$340.25	\$934.99	\$376.90	\$1,036.10
EE Contribution	\$81	\$223	\$83.84	\$230.61	\$90.12	\$248.05	\$98.75	\$272.01	\$102.10	\$280.90
Company Cost Share Percent	75%	75%	76.25%	76.25%	77.01%	76.99%	77.51%	77.46%	78.68%	78.66%
EE Cost Share	25%	25%	23.75%	23.75%	22.99%	23.01%	22.49%	22.54%	21.32%	21.34%

**Company Contribution Calculation**

March to 80%	76.25%		77.50%		78.75%		80.00%	
At 9%	\$269.16	\$740.39	\$298.38	\$819.95	\$330.75	\$907.99	\$366.40	\$1,005.60
50/50 Cost Sharing	50.00%		50.00%		50.00%		50.00%	
Above 9%	\$0.00	\$0.00	\$3.50	\$10.00	\$9.50	\$27.00	\$10.50	\$29.50
Total Company Contribution	\$269.16	\$740.39	\$301.88	\$829.05	\$340.25	\$934.99	\$376.90	\$1,036.10

Premium based on Hourly Union Mills Only (includes Riverdale)

Final  
April 25, 2008

Memorandum of Agreement (the "Agreement") for Converting Locations

By and Between

International Paper Company (the "Company")

And

United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and  
Services Workers International Union (the "Union" or the "United Steelworkers")

(together the "Parties")

This Agreement (the "Agreement") is entered into between the Company and its successors and assigns and the Union and its successors and assigns covering the employees represented by the Union and its Locals at the Covered Locations (as defined below).

## **I. SCOPE**

This Agreement is applicable to the following Company locations (the "Covered Locations"):

Atlanta (Forest Park), GA - IPPkgSol-CTA  
Auburndale, FL - IPPkgSol-CTA  
Bay Minette, AL - IPPkgSol-CTA  
Chesapeake, VA - IPPkgSol-CTA  
Chicago, IL - IPPkgSol-CTA  
Cincinnati, OH - IPPkgSol-CTA  
Cleveland, OH (Solon) - IPPkgSol-CTA  
Dallas, TX - IPPkgSol-CTA  
Des Plaines, IL - IPPkgSol-CTA  
Edinburg, TX - IPPkgSol-CTA  
Fond du Lac, WI - IPPkgSol-CTA  
Ft. Wayne, IN - IPPkgSol-CTA  
Georgetown, SC - IPPkgSol-CTA  
Hartford City, IN - IPPkgSol-CTA  
Houston, MS - IPPkgSol-CTA  
Howell, MI (Detroit) - IPPkgSol-CTA  
Kalamazoo, MI - IPPkgSol-CTA  
Lake Wales, FL - IPPkgSol-CTA  
Minneapolis, MN - IPPkgSol-CTA  
Morristown, TN - IPPkgSol-CTA  
Mt. Carmel, PA - IPPkgSol-CTA  
Portland, IN - IPPkgSol-CTA  
Richmond, VA - IPPkgSol-CTA  
Savannah, GA - IPPkgSol-CTA  
Spartanburg, SC - IPPkgSol-CTA  
Springhill, LA - IPPkgSol-CTA  
Statesville, NC - IPPkgSol-CTA  
Wooster, OH - IPPkgSol-CTA  
Indianapolis, IN -- Cons Pkg-Shorewood  
Thorofare, NJ -- Cons Pkg-Shorewood  
Franklin, VA (CIC) - P & C Papers  
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## II. LOCATION AND RENEWAL AGREEMENTS

The Parties agree that the existing collective bargaining agreements at the Covered Locations (the "Location Agreements") shall be renewed for a four year period upon their currently scheduled expiration dates ("Renewal Agreements"). The Location Agreements shall remain in full force and effect and nothing in this Agreement shall modify the current Location Agreements or the Renewal Agreements except as provided in this paragraph II.

### A. WAGES

1. The provisions of existing Location Agreements concerning wage increases and lump sum payments shall remain in full force and effect.
2. The following shall apply to the Renewal Agreements:

Date	Wage Increase
Existing Expiration Date	2% GWI
First Anniversary of Existing Expiration Date	2% GWI
Second Anniversary of Existing Expiration Date	2% GWI
Third Anniversary of Existing Expiration Date	2% GWI

### B. ACTIVE MEDICAL

1. Effective for the plan year starting January 1, 2009 and ending at the end of the 2012 plan year, the Company will offer a PPO Plan as outlined in Attachment 1 (the "PPO Plan") and will forego its right to make up to a 5% annual change in this PPO Plan design. For that time period, any PPO Plan design changes must be agreed upon by both the Company and the Union. It is recognized that the parties are equally committed to the continuation of the joint effort to control costs and improve quality of care, including making plan design changes where appropriate.
  - a. Starting in January 2009, the Company agrees to contribute a Cost Share Percentage of PPO Plan premiums of 80% with the employee contributing 20%.

- b. With respect to the PPO Plan, the Company continues to retain the right to select, change and use the services of third parties (e.g., plan vendors and/or administrators), provided that there shall be no material change in the level of service, quality and breadth of networks, or access to care.
2. In addition to offering the PPO Plan at the covered locations, the Company also will offer employees the opportunity to select one of the International Paper Core Medical Plans (currently the Consumer Driven Health Plans and the Savannah area Exclusive Provider Plan). With respect to these other Core Medical Plans, it is agreed that the Company shall retain full control including the right to make plan design changes, eliminate or add to plan offerings and determine cost sharing.
3. After the expiration of this Agreement, in the event the Parties do not reach a successor agreement pursuant to paragraph VI.D. that includes health care provisions, or if the Parties do not reach a separate health care agreement at that time for all Covered Locations, the Company and Union agree as follows:
  - a. The Company will continue to offer the PPO Plan for the period of time remaining in a Renewal Agreement;
  - b. The Company agrees to contribute a Cost Share Percentage of the PPO Plan premiums of 80% for the period of time remaining in a Renewal Agreement;
  - c. Effective January 1, 2013, the Company will regain its right to make up to a 5% annual change in the PPO Plan design; and
  - d. The Company will continue to retain control of the Company Core Medical Plans as described in Paragraph II.B.2. above.
4. The Company's methodology for establishing the PPO Plan premiums will be consistent with the Core Medical Plan rating methodology used by the Company in the past. The USW Converting population will be included as part of the Core Medical Plans rating group.
5. The Company and the Union will meet periodically as a Joint Converting Health Care Committee (JCHCC) to review the PPO Plan design and operation, financial reports, claims data, annual rate renewals and other items necessary to review the performance of the PPO Plan. Discussions shall also include reviewing possible opportunities to positively impact PPO Plan performance and costs.

**C. OTHER BENEFITS**

Covered locations which are currently participating in the Benefits Architecture Program ("BA") will remain in BA as modified with respect to medical coverage as described in Paragraph II.B. above. Covered locations which are not yet participating in BA now agree to the BA provisions regarding Dental, EBRA, Vision, Retiree Medical Savings Program and access to retiree medical coverage. The following covered locations will become participants in BA effective January 1, 2009.

Chesapeake, VA  
Hartford City, IN  
Kalamazoo, MI  
Mt. Carmel, PA  
Portland, IN

**D. SUCCESSORSHIP**

Each Location Agreement and Renewal Agreement shall provide as follows:

1. The Company agrees that if a Covered Location is sold, leased, transferred or assigned, the Company shall inform the purchaser, lessee, transferee or assignee, of the exact terms of this Successorship Paragraph provision and shall make the sale, lease, transfer or assignment conditional upon the purchaser, lessee, transferee or assignee, assuming all the obligations of the applicable Collective Bargaining Agreement until its expiration date and treating the affected employees of the applicable Bargaining Unit in accordance with the terms of the applicable Collective Bargaining Agreement. The Union and/or its local and any other union representing covered employees will agree to such assumption.
2. Provided all contractual agreements are honored regarding seniority, including provisions for lay off and recall (it being understood that the applicable purchase agreement shall require the purchaser to make its hiring decisions with respect to Bargaining Unit positions according to the contractual rules that would apply as though such hiring were a decision to recall or layoff Bargaining Unit employees), it is understood and agreed (a) that the purchaser will not be required to have the same number of employees in the applicable bargaining unit as the Company does at the time of the transaction, and (b) that the applicable purchase agreement may permit the purchaser to make changes in the benefit programs required by the applicable agreement provided that the benefits in all events continue to be substantially equivalent in the aggregate to those provided under the applicable collective bargaining agreement.

3. It is agreed that the Company's obligations under this Successorship language will be satisfied if the applicable purchase and sale agreement: (i) contains the terms required by the above paragraphs; and (ii) either (x) makes the Union a third party beneficiary of those terms; or (y) is supplemented by a contemporaneous agreement between the Union and purchaser effectuating those terms.

#### **E. MISCELLANEOUS**

1. Bargaining between the Company and the Union and/or the union(s) representing the employees at the Covered Location with respect to a Renewal Agreement will be limited to subjects not specifically provided for in this Agreement.
2. The Renewal Agreements shall consist of the terms of the Location Agreements as outlined in Paragraph II.A.-E. and as by agreements reached pursuant to Paragraph II.E.1.
3. There will be no hiatus between current Location Agreements and the Renewal Agreements and Renewal Agreements will go into effect immediately upon the expiration of the respective Location Agreements even if the Union and/or the union(s) which are parties to those agreements have not reached agreement on all terms under discussion. If the Union and/or the union(s) and the Company do not reach agreement on an item, the original provision will remain in effect.
4. The duration of each Renewal Agreement will be four years commencing on the expiration date of the existing Location Agreement.
5. The Company agrees not to lock-out and the Union and/or unions agree(s) not to strike at a Covered Location during the terms of the respective Location and Renewal Agreements.
6. As of the Effective Date of this Agreement, all provisions of this Paragraph II.A-E. will be incorporated into the current Location Agreements and Renewal Agreements at every Covered Location and will be subject to the grievance and arbitration processes contained in those agreements.

#### **III. PENSION**

Contingent upon this Agreement becoming effective as provided in Paragraph VI.A.-B., the Company agrees that it will offer the following with respect to Covered Locations participating in the Converting Joint Pension Council (CJPC) with the understanding that there will be no pension re-opener for a period of four years from the effective date of this new CJPC Agreement. The provisions of this Paragraph III. will go into effect as ratified and executed in

accordance with the procedures of the CJPC.

- A. For retirements after the effective dates indicated in the Table below, the monthly pension multiplier shall be as described in that Table, effective for all years of service. An employee must be actively at work (as defined in the Retirement Plan of International Paper Company) on or after the effective date of each pension multiplier in order for the new pension multipliers to apply.

Effective Date	Monthly Pension Multiplier
First day of the month following sixty days from the CJPC Agreement Effective Date	\$32
First day of the month following the First Anniversary of CJPC Effective Date	\$33
First day of the month following the Second Anniversary of CJPC Effective Date	\$34

- B. The Second Anniversary pension multiplier described in paragraph III.A. shall remain at the specified amount for all years of service through September 2015, unless modified as part of the discussions described in paragraph VI.D. below or by the CJPC.

#### IV. UNION / JOB SECURITY

##### A. ORGANIZING CAMPAIGNS

In the interests of having a constructive relationship and maintaining it during an organizing campaign, the Parties agree that the following ground rules will apply.

1. The decision whether to be represented or not represented is the employees' to make.
  - a. Both Parties intend to take a position of fairness and honesty in the matter, providing accurate and timely information legitimately bearing on the employees' decision.
  - b. Both Parties will work to create an atmosphere free of coercion or intimidation. Neither Party will threaten, interrogate, retaliate against any employee, or make false or misleading statements.
  - c. Neither Party will engage in negative attacks towards each other.

2. Nothing in this paragraph IV. is intended to limit the rights of employees or the Parties during organizing campaigns at Covered Locations to file charges with the National Labor Relations Board alleging violations of the National Labor Relations Act under the applicable statutory criteria; however no such charge shall allege as a separate theory that the alleged conduct violated this Agreement.

## **B. SUCCESSORSHIP**

1. The Company agrees that it will not propose to delete the Successorship provisions in future bargaining for collective bargaining agreements at Covered Locations.
2. The Company agrees that a purchaser, lessee, transferee or assignee of the assets of the Company as an entity will be bound by this Agreement and the Union agrees to such assumption.
3. The Union agrees that it will make a condition of any merger it may make with another Union or any other type of combination, that the resulting entity will assume this Agreement and the Company will agree to such assumption.

## **C. EMPLOYMENT SECURITY**

The Company agrees that when exercising its rights under the current Location Agreements, it will undertake any reductions in force through voluntary severance and/or attrition except in situations involving temporary lay-offs or permanent reductions due to complete or partial closure. In situations involving temporary lay-offs, current labor agreement provisions will apply. In situations involving permanent reductions due to complete or partial closures, employees will be laid-off in accordance with the current labor agreements and effects bargaining will take place.

## **V. JOINT EFFORTS: PUBLIC POLICY, INDUSTRY-WIDE ACTIVITIES AND HEALTH AND SAFETY**

- A. The Company and the Union confirm their agreement to the joint efforts provided for in paragraphs V.A. and B. (concerning public policy and industry-wide activities) of the Memorandum of Agreement covering the Primary Mill locations.
- B. The Company and the Union hereby agree to appoint a Joint Safety Committee that will develop a Safety Training program that will be piloted at two locations selected by the Company. The training program that is developed will be used to train the union/management safety committee at the two selected locations. The Joint Safety Committee will evaluate the merits of the training based on its

impact on the facilities' overall safety performance and recommend its applicability to other locations.

## **VI. EFFECTIVE DATE, EXPIRATION AND RENEWAL**

- A.** In order to be effective, this Agreement (1) must be executed by the Union on behalf of itself and the USW locals at the Covered Locations and (2) with respect to Covered Locations where employees are jointly represented by the Union and a different union, must be executed by the Union on behalf of itself and the USW Locals at the Covered Locations as well as by the different union.
- B.** This Agreement shall have as its Effective Date the date on which it is executed by the Union after the provisions of Paragraph VI.A. are satisfied.
- C.** This Agreement shall expire four years after its Effective Date although the Renewal Agreements established pursuant to this Agreement as provided in Paragraph II.A.-E, will remain in full force and effect through their individual respective expiration dates.
- D.** Sixty days prior to the expiration date of this Agreement, the Parties shall meet and attempt to reach agreement on a successor agreement. Either Party may withdraw from such discussions at any time. This Agreement creates no obligation to continue bargaining in this format except as provided for in this Paragraph VI.D. and the existence of this Agreement in no way alters existing bargaining units. The Parties agree that such discussions will be voluntary and the legal requirements concerning collective bargaining will not apply.
- E.** In the event the Parties are unsuccessful at reaching a successor agreement to this Agreement, the Renewal Agreements established pursuant to this Agreement as provided in Paragraph II.A.-E, will remain in full force and effect through their individual respective expiration dates and paragraphs IV.-V. of this Agreement other than paragraph IV.B. (the Successorship language), will be of no further force and effect, shall terminate and be null and void.

## **VII. ENFORCEMENT**

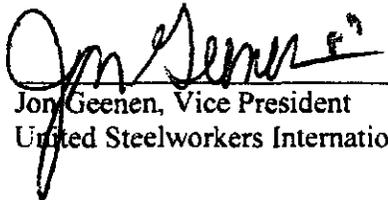
- A.** This Agreement shall be enforced and any disputes resolved by the Joint Panel described below.
- B.** The Company representatives on the Joint Panel shall include its Director of Labor Relations, Director of Paper and Packaging HR, and Manager of Converting Labor Relations or alternates designated by the Company's Senior Vice President, Human Resources. The Union representatives shall include the International Vice-President overseeing the Union's Paper Industry Conference and two additional individuals designated by him/her. The Joint Panel will also include one member who will be a mutually agreed upon neutral third party

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(currently John C. Wells) who will, if necessary, resolve any matters on which the Parties are unable to agree. Decisions of the Joint Panel will be final and binding on the Parties.

- C. The Joint Panel shall meet as needed.
- D. This process does not alter the grievance/arbitration processes in the Location Agreements or in the Renewal Agreements as described in Paragraph II.E.6. which are the exclusive recourse for alleged breaches of the Location Agreements and the Renewal Agreements or any obligations contained in Paragraph II. of this Agreement.

Agreed to:

  
Jon Geenen, Vice President  
United Steelworkers International Union

  
Ron A. Bridges  
Director Employee Relations  
International Paper

## Attachment 1

### International Paper PPO Plan

Plan Provisions	PPO
Deductible	\$500 per person \$1,000 family
Coinsurance In / Out Network	80% / 60%
Out of Pocket Maximum	\$2,000 single \$4,000 family
Office Visit	\$30
Preventive Care	\$30
Emergency Room	\$75
Prescription Drugs	Retail: Generic = \$5 Formulary = 20% to \$50 maximum Non-Formulary = 40% to \$50 maximum  Mail: Generic = \$12 Formulary = 20% to \$100 maximum Non-Formulary = 40% to \$100 maximum