

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 28, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-36285



RAYONIER ADVANCED MATERIALS INC.
Incorporated in the State of Delaware
I.R.S. Employer Identification No. 46-4559529
1301 RIVERPLACE BOULEVARD, SUITE 2300
JACKSONVILLE, FL 32207
(Principal Executive Office)
Telephone Number: (904) 357-4600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	RYAM	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
	Emerging growth company <input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No
The registrant had 63,210,809 shares of common stock, \$0.01 par value per share, outstanding as of November 4, 2019.

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Part I. Financial Information
Item 1. Financial Statements

Rayonier Advanced Materials Inc.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Unaudited)

(Dollars in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net Sales	\$ 416,129	\$ 501,298	\$ 1,307,422	\$ 1,475,649
Cost of Sales	(399,510)	(419,001)	(1,265,217)	(1,236,761)
Gross Margin	16,619	82,297	42,205	238,888
Selling, general and administrative expenses	(23,416)	(30,596)	(72,026)	(77,669)
Duties	(4,542)	(816)	(16,062)	(20,680)
Other operating income (expense), net	2,775	(7,945)	(5,600)	(9,507)
Operating Income (Loss)	(8,564)	42,940	(51,483)	131,032
Interest expense	(14,580)	(13,831)	(42,598)	(41,839)
Interest income and other, net	3,439	(394)	3,341	5,013
Other components of pension and OPEB, excluding service costs	846	2,066	3,313	6,270
Adjustment to gain on bargain purchase	—	6,175	—	20,836
Income (Loss) From Continuing Operations Before Income Taxes	(18,859)	36,956	(87,427)	121,312
Income tax (expense) benefit (Note 16)	4,506	(6,989)	25,813	(28,960)
Income (Loss) from Continuing Operations	(14,353)	29,967	(61,614)	92,352
Income (loss) from discontinued operations, net of taxes (Note 2)	137	7,969	10,431	23,429
Net Income (Loss) Attributable to the Company	(14,216)	37,936	(51,183)	115,781
Mandatory convertible stock dividends	(1,777)	(3,441)	(8,582)	(10,284)
Net Income (Loss) Available to Common Stockholders	\$ (15,993)	\$ 34,495	\$ (59,765)	\$ 105,497
Basic Earnings Per Common Share (Note 13)				
Income (loss) from continuing operations	\$ (0.29)	\$ 0.52	\$ (1.36)	\$ 1.61
Income from discontinued operations	—	0.16	0.20	0.46
Net income per common share-basic	\$ (0.29)	\$ 0.68	\$ (1.16)	\$ 2.07
Diluted Earnings Per Common Share (Note 13)				
Income (loss) from continuing operations	\$ (0.29)	\$ 0.47	\$ (1.36)	\$ 1.45
Income from discontinued operations	—	0.13	0.20	0.37
Net income per common share-diluted	\$ (0.29)	\$ 0.60	\$ (1.16)	\$ 1.82

See Notes to Consolidated Financial Statements.

Rayonier Advanced Materials Inc.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

(Dollars in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net Income (Loss)	\$ (14,216)	\$ 37,936	\$ (51,183)	\$ 115,781
Other Comprehensive Income (Loss), net of tax (Note 11):				
Foreign currency translation adjustments	(11,210)	(2,014)	(12,905)	(10,265)
Unrealized gain (loss) on derivative instruments	(3,283)	6,126	7,982	(936)
Net gain from pension and postretirement plans	2,365	2,398	6,122	7,193
Total other comprehensive income	(12,128)	6,510	1,199	(4,008)
Comprehensive Income (Loss)	<u>\$ (26,344)</u>	<u>\$ 44,446</u>	<u>\$ (49,984)</u>	<u>\$ 111,773</u>

See Notes to Consolidated Financial Statements.

Rayonier Advanced Materials Inc.
Consolidated Balance Sheets
(Unaudited)
(Dollars in thousands)

	<u>September 28, 2019</u>	<u>December 31, 2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 62,762	\$ 108,966
Accounts receivable, net (Note 3)	162,107	199,284
Inventory (Note 4)	291,425	304,028
Prepaid and other current assets	71,828	61,314
Assets of discontinued operations-held for sale (Note 2)	84,298	42,500
Total current assets	672,420	716,092
Property, Plant and Equipment (net of accumulated depreciation of \$1,470,506 at September 28, 2019 and \$1,385,837 at December 31, 2018)	1,327,052	1,363,557
Deferred Tax Assets	393,224	375,471
Intangible Assets, net	47,203	52,460
Other Assets	156,795	120,299
Assets of discontinued operations-held for sale (Note 2)	—	51,207
Total Assets	\$ 2,596,694	\$ 2,679,086
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 144,677	\$ 181,705
Accrued and other current liabilities (Note 6)	116,718	146,155
Current maturities of long-term debt (Note 7)	21,357	15,012
Current environmental liabilities (Note 8)	11,445	11,310
Liabilities of discontinued operations-held for sale (Note 2)	18,774	16,236
Total current liabilities	312,971	370,418
Long-Term Debt (Note 7)	1,212,432	1,173,157
Long-Term Environmental Liabilities (Note 8)	148,054	149,344
Pension and Other Postretirement Benefits	231,388	233,658
Deferred Tax Liabilities	23,842	28,016
Other Long-Term Liabilities	28,999	12,074
Liabilities of discontinued operations-held for sale (Note 2)	—	5,548
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, 0 and 10,000,000 shares authorized at \$0.00 and \$0.01 par value, 0 and 1,725,000 issued and outstanding as of September 28, 2019 and December 31, 2018, respectively, aggregate liquidation preference \$0 and \$172,500	—	17
Common stock, 140,000,000 shares authorized at \$0.01 par value, 63,210,811 and 49,291,130 issued and outstanding, as of September 28, 2019 and December 31, 2018, respectively	632	493
Additional paid-in capital	399,234	399,490
Retained earnings	393,640	462,568
Accumulated other comprehensive income (loss) (Note 11)	(154,498)	(155,697)
Total Stockholders' Equity	639,008	706,871
Total Liabilities and Stockholders' Equity	\$ 2,596,694	\$ 2,679,086

See Notes to Consolidated Financial Statements.

Rayonier Advanced Materials Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

	Nine Months Ended	
	September 28, 2019	September 29, 2018
Operating Activities		
Net income (loss)	\$ (51,183)	\$ 115,781
Loss (income) from discontinued operations	(10,431)	(23,429)
Adjustments to reconcile income (loss) from continuing operations to cash provided by operating activities:		
Depreciation and amortization	111,695	105,703
Stock-based incentive compensation expense	5,696	10,146
Amortization of capitalized debt costs, discount and premium	429	942
Deferred income tax	(22,847)	30,748
Gain on bargain purchase	—	(19,458)
Net periodic benefit cost of pension and postretirement plans	5,412	4,313
Loss (gain) from foreign currency	4,180	(6,341)
Other	(31)	5,318
Changes in operating assets and liabilities:		
Receivables	35,232	(9,921)
Inventories	11,308	(34,189)
Accounts payable	(35,217)	(4,887)
Accrued liabilities	(8,612)	5,582
All other operating activities	(32,459)	(25,730)
Contributions to pension and other postretirement benefit plans	(6,004)	(8,000)
Expenditures for environmental liabilities	(2,547)	(5,549)
Cash provided by operating activities-continuing operations	4,621	141,029
Cash provided by operating activities-discontinued operations	19,437	19,333
Cash Provided by Operating Activities	24,058	160,362
Investing Activities		
Proceeds from sale of resin operations	—	16,143
Capital expenditures	(80,806)	(90,094)
Cash used for investing activities-continuing operations	(80,806)	(73,951)
Cash used for investing activities-discontinued operations	(2,606)	(2,492)
Cash Used for Investing Activities	(83,412)	(76,443)
Financing Activities		
Revolving credit facility and other borrowings	88,627	—
Repayments of revolving credit facility	(36,000)	—
Repayment of debt	(9,929)	(34,141)
Dividends paid on common stock	(8,569)	(11,030)
Dividends paid on preferred stock	(10,350)	(10,350)
Proceeds from the issuance of common stock	—	452
Common stock repurchased	(5,830)	(17,784)
Cash provided by (used for) financing activities-continuing operations	17,949	(72,853)
Cash provided by (used for) financing activities-discontinued operations	—	—
Cash Provided by (Used for) Financing Activities	17,949	(72,853)
Cash and Cash Equivalents		
Change in cash and cash equivalents	(41,405)	11,066
Net effect of foreign exchange on cash and cash equivalents	(4,799)	(1,325)
Balance, beginning of year	108,966	96,235
Balance, end of period	\$ 62,762	\$ 105,976

See Notes to Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands unless otherwise stated)

1. Basis of Presentation and New Accounting Pronouncements

Basis of Presentation

The unaudited consolidated financial statements and notes thereto of Rayonier Advanced Materials Inc. (the “Company”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, these financial statements and notes reflect all adjustments (all of which are normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. These statements and notes should be read in conjunction with the financial statements and supplementary data included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC on March 1, 2019.

The Company has reclassified certain prior year amounts to conform to the current year’s presentation for discontinued operations to reflect the sale of its Matane high-yield pulp operations. Unless otherwise stated, information in these notes to consolidated financial statements relates to continuing operations. Certain of our operations have been presented as discontinued operations. The Company presents businesses that represent components as discontinued operations when they meet the criteria for held for sale or are sold, and their disposal represents a strategic shift that has, or will have, a major effect on our operations and financial results. See Note 2 — *Discontinued Operations* for additional information.

Liquidity

Cash flows from operations, primarily driven by operating results, have historically been the Company’s primary source of liquidity and capital resources. As a result of the significant decreases in the market prices for commodity products, primarily viscose, fluff, high-yield pulp, lumber, paperboard and newsprint, over the last nine months, the financial results of the Company have declined requiring it to amend the financial covenants under its Senior Secured Credit Facilities. On September 30, 2019, the Company entered into an amendment of its Senior Secured Credit Facilities reducing the restrictions of its first lien secured net leverage ratio and the interest coverage ratio tests through the year ended December 31, 2021. Under the amended agreement, the Company is in compliance with the financial covenants as of September 28, 2019 and, as such, management believes that there is no longer substantial doubt of the Company’s ability to continue as a going concern. See Note 7 — *Debt and Finance Leases* for additional information.

Recently Adopted Accounting Pronouncements

Leases

The Company adopted Accounting Standards Update 2016-02, *Leases*, as amended, as of January 1, 2019. The standard requires the recognition of right of use (“ROU”) assets and lease liabilities to be reported on the balance sheet but did not change the manner in which expenses are recorded in the income statement. The Company has adopted the lease guidance using the cumulative effect adjustment approach, which requires prospective application at the adoption date and elected certain practical expedients permitted under the transition guidance. The practical expedients allow for the carry forward of the historical lease classification of existing leases and eliminates the need to reassess any lease classification of expired leases and initial direct costs. The Company also elected the short-term lease practical expedient. The Company does not record ROU assets or lease liabilities for short-term leases. In addition, the Company utilized the portfolio approach to group leases with similar characteristics and did not use hindsight to determine the lease term. For leases that include other costs, such as maintenance and other services, in addition to lease cost, the Company is separating lease and non-lease components when determining the ROU assets and lease liabilities.

Adoption of the new standard resulted in the recording of a ROU lease assets and lease liability of \$10 million and \$11 million, respectively, and the reversal of deferred rent liability balances. See Note 5 — *Leases* for additional information.

Subsequent Events

Events and transactions subsequent to the balance sheet date have been evaluated for potential recognition and disclosure through November 7, 2019, the date these financial statements were available to be issued. The following subsequent events warranting disclosure were identified:

Rayonier Advanced Materials Inc.
Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

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In October 2019, the Company entered into an agreement to settle certain pension liabilities. The settlement is estimated to result in a non-cash loss of approximately \$15 to \$20 million in the fourth quarter.

On November 4, 2019, the Company completed the sale of its Matane plant and received net proceeds of approximately \$150 million, subject to working capital adjustments. Approximately \$100 million of the proceeds will be used to pay down the Company's debt as required by its September 30, 2019 amendment to its Senior Secured Credit Facilities.

2. Discontinued Operations

On August 1, 2019, the Company announced it entered into an agreement to sell its Matane, Quebec pulp mill to Sappi Limited, a global diversified wood fiber company, for a gross purchase price of approximately \$175 million. The mill produces approximately 270,000 metric tons of high-yield pulp and sells the product globally for use in manufacturing paperboard, packaging, and printing and writing paper. The Matane mill was acquired by the Company as part of its acquisition of Tembec Inc. in November 2017 and was previously reported as part of the Company's Pulp segment.

As of September 28, 2019, the assets and liabilities are classified as current in the Company's consolidated balance sheet as the transaction is expected to close within one year.

The following table presents the major classes of assets and liabilities of discontinued operations that are classified as held for sale:

	September 28, 2019	December 31, 2018
Accounts receivable, net	\$ 15,355	\$ 23,093
Inventory	15,770	17,349
Prepaid and other current assets	811	2,058
Total current assets	31,936	42,500
Property, plant and equipment, net	18,437	17,482
Deferred tax assets	31,486	31,486
Other assets	2,439	2,239
Total assets	\$ 84,298	\$ 93,707
Accounts payable	\$ 6,415	\$ 11,035
Accrued and other current liabilities	5,946	3,786
Other current liabilities	752	1,415
Total current liabilities	13,113	16,236
Other long-term liabilities	5,661	5,548
Total liabilities	\$ 18,774	\$ 21,784

Rayonier Advanced Materials Inc.
Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

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Income (loss) from discontinued operations is comprised of the following:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Revenues	\$ 34,781	\$ 43,041	\$ 114,085	\$ 132,401
Cost of sales	(31,271)	(29,425)	(93,567)	(93,546)
Gross margin	3,510	13,616	20,518	38,855
Selling, general and administrative expenses and other	(2,001)	(406)	(2,855)	(1,258)
Operating income (loss)	1,509	13,210	17,663	37,597
Interest expense (a)	(1,160)	(1,142)	(3,516)	(3,298)
Other non-operating income	87	93	262	284
Income (Loss) Before Income Taxes	436	12,161	14,409	34,583
Income tax benefit (expense)	(299)	(4,192)	(3,978)	(11,154)
Net Income (loss)	\$ 137	\$ 7,969	\$ 10,431	\$ 23,429

(a) The Company is required to pay \$100 million of debt from proceeds received from the sale of Matane. Interest expense has been allocated to discontinued operations using the weighted-average interest rates in effect for each period presented based on the proportionate amounts required to be repaid.

Other discontinued operations information is as follows:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Depreciation and amortization	\$ 230	\$ 630	\$ 1,590	\$ 1,818
Capital expenditures	\$ 1,531	\$ 712	\$ 2,606	\$ 2,492

3. Accounts Receivable, Net

The Company's accounts receivable included the following:

	September 28, 2019	December 31, 2018
Accounts receivable, trade	\$ 124,958	\$ 146,056
Accounts receivable, other (a)	37,796	53,787
Allowance for doubtful accounts	(647)	(559)
Total accounts receivable, net	\$ 162,107	\$ 199,284

(a) Accounts receivable, other consists primarily of value added/consumption taxes, grants receivable and accrued billings due from government agencies.

Rayonier Advanced Materials Inc.
Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

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4. Inventory

The Company's inventory included the following:

	September 28, 2019	December 31, 2018
Finished goods	\$ 184,771	\$ 203,350
Work-in-progress	19,837	21,478
Raw materials	77,057	68,656
Manufacturing and maintenance supplies	9,760	10,544
Total inventory	\$ 291,425	\$ 304,028

5. Leases

The Company accounts for leases in accordance with ASC Topic 842, Leases, which was adopted on January 1, 2019. See Note 1 — *Basis of Presentation and New Accounting Pronouncements*, for additional information on the adoption. The Company's operating and finance leases are primarily for corporate offices, warehouse space, rail cars and equipment. As of September 28, 2019, the Company's leases have remaining lease terms of 1 year to 9 years with standard renewal and termination options available at the Company's discretion. Certain equipment leases have purchase options at the end of the term of the lease, which are not included in the ROU assets as it is not reasonably certain that the Company will exercise such options. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company uses its incremental borrowing rate in determining the present value of lease payments unless the lease provides an implicit or explicit interest rate. The weighted average discount rate used in determining the operating lease ROU assets and liabilities as of September 28, 2019 was 6.0 percent. The weighted average discount rate used in determining the finance lease ROU assets and liabilities as of September 28, 2019 was 7.0 percent.

The Company's operating and finance lease cost is as follows:

	Three Months Ended September 28, 2019	Nine Months Ended September 28, 2019
Operating Leases		
Operating lease expense	\$ 1,715	\$ 4,322
Finance Leases		
Amortization of ROU assets	77	228
Interest	52	159
Total	\$ 1,844	\$ 4,709

As of September 28, 2019, the weighted average remaining lease term is 4.6 years and 7.2 years for operating leases and financing leases, respectively. Cash provided by operating activities includes approximately \$4 million from operating lease payments made during the nine months ended September 28, 2019. Finance lease cash flows were immaterial during the nine months ended September 28, 2019.

The Company's finance leases are included as debt and the maturities for the remainder of 2019 and the next four years and thereafter are included in Note 7 — *Debt and Finance Leases*. The Company's balance sheet includes the following operating lease assets and liabilities:

	Balance Sheet Classification	September 28, 2019
Right-of-use assets	Other assets	\$ 22,516
Lease liabilities, current	Accrued and other current liabilities	\$ 5,276
Lease liabilities, non-current	Other non-current liabilities	\$ 17,935

Rayonier Advanced Materials Inc.
Notes to Consolidated Financial Statements (Continued)

(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

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As of September 28, 2019, operating lease maturities for the remainder of 2019 through 2023 and thereafter are as follows:

	September 28, 2019	
Remainder of 2019	\$	1,664
	2020	6,323
	2021	5,639
	2022	5,414
	2023	4,605
Thereafter		3,056
Total minimum lease payments	\$	26,701
Less: imputed interest		(3,490)
Present value of future minimum lease payments	\$	23,211

6. Accrued and Other Current Liabilities

The Company's accrued and other current liabilities included the following:

	September 28, 2019		December 31, 2018	
Accrued customer incentives and prepayments	\$	34,556	\$	41,734
Accrued payroll and benefits		24,461		29,567
Accrued interest		9,775		3,170
Derivative instruments		2,930		16,767
Accrued property and other taxes		14,814		10,663
Other current liabilities		30,182		44,254
Total accrued and other current liabilities	\$	116,718	\$	146,155

Rayonier Advanced Materials Inc.
Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

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7. Debt and Finance Leases

The Company's debt and finance leases included the following:

	September 28, 2019	December 31, 2018
U.S. Revolver of \$100 million maturing in November 2022, \$41 available, bearing interest at LIBOR plus 2.25%, interest of 4.30% at September 28, 2019	\$ 50,000	\$ —
Multi-currency Revolver of \$150 million maturing in November 2022, \$126 available, bearing interest at LIBOR plus 2.00% at September 28, 2019	—	—
Term A-1 Loan Facility borrowings maturing through November 2022 bearing interest at LIBOR plus 2.25%, interest rate of 4.30% at September 28, 2019	160,000	160,000
Term A-2 Loan Facility borrowings maturing through November 2024 bearing interest at LIBOR plus 2.50% (after consideration of 0.60% patronage benefit), interest rate of 4.55% at September 28, 2019	438,875	438,875
Senior Notes due 2024 at a fixed interest rate of 5.50%	495,647	495,647
Canadian dollar, fixed interest rate term loans with rates ranging from 5.50% to 6.86% and maturity dates ranging from March 2020 through April 2028, secured by certain assets of the Temiscaming plant	85,501	91,304
Other loans	4,891	3,777
Finance lease obligation	2,896	3,124
Total debt principal payments due	1,237,810	1,192,727
Less: Debt premium, original issue discount and issuance costs, net	(4,021)	(4,558)
Total debt	1,233,789	1,188,169
Less: Current maturities of long-term debt	(21,357)	(15,012)
Long-term debt	\$ 1,212,432	\$ 1,173,157

As of September 28, 2019, debt and finance lease payments due during the remainder of 2019 and the next four years and thereafter are as follows:

	Finance Lease Payments	Debt Principal Payments
Remaining 2019	\$ 129	\$ 3,342
2020	515	23,124
2021	515	12,568
2022	515	239,779
2023	515	10,674
Thereafter	1,502	945,427
Total principal payments	\$ 3,691	\$ 1,234,914
Less: Imputed interest	(795)	
Present value minimum finance lease payments	\$ 2,896	

On September 30, 2019, the Company entered into an amendment (the "Amendment") of its Senior Secured Credit Agreement under which, the lenders have agreed to make the Total Net Senior First Lien Secured Leverage Ratio and Interest Coverage Ratio tests less restrictive through the year ended December 31, 2021. The Amendment also increases the interest rate margin by a maximum of 1.25 percent, subject to the operation of a pricing grid which conversely provides for reduced rate margins when the Company's leverage ratios improve. In addition, the Amendment has additional collateral requirements on certain Company assets as well as the maintenance of available amounts on its revolving credit facility to reflect the seasonality of the business.

Rayonier Advanced Materials Inc.
Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

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8.Environmental Liabilities

An analysis of liabilities for the nine months ended September 28, 2019 is as follows:

Balance, December 31, 2018	\$	160,654
Increase in liabilities		928
Payments		(2,547)
Foreign currency adjustments		464
Balance, September 28, 2019		159,499
Less: Current portion		(11,445)
Long-term environmental liabilities	\$	148,054

In addition to the estimated liabilities, the Company is subject to the risk of reasonably possible additional liabilities in excess of the established reserves due to potential changes in circumstances and future events, including, without limitation, changes to current laws and regulations; changes in governmental agency personnel, direction, philosophy and/or enforcement policies; developments in remediation technologies; increases in the cost of remediation, operation, maintenance and monitoring of its environmental liability sites; changes in the volume, nature or extent of contamination to be remediated or monitoring to be undertaken; the outcome of negotiations with governmental agencies and non-governmental parties; and changes in accounting rules or interpretations. Based on information available as of September 28, 2019, the Company estimates this exposure could range up to approximately \$69 million, although no assurances can be given that this amount will not be exceeded given the factors described above. These potential additional costs are attributable to several sites and other applicable liabilities. Further, this estimate excludes reasonably possible liabilities which are not currently estimable primarily due to the factors discussed above.

Subject to the previous paragraph, the Company believes established liabilities are sufficient for probable costs expected to be incurred over the next 20 years with respect to its environmental liabilities. However, no assurances are given they will be sufficient for the reasons described above, and additional liabilities could have a material adverse effect on the Company's financial position, results of operations and cash flows.

9.Derivative Instruments

The Company's earnings and cash flows are subject to fluctuations due to changes in interest rates and foreign currency exchange rates. The Company allows for the use of derivative financial instruments to manage interest rate and foreign currency exchange rate exposure but does not allow derivatives to be used for speculative purposes.

All derivative instruments are recognized on the consolidated balance sheets at their fair value and are either designated as a hedge of a forecasted transaction or undesignated. Changes in the fair value of a derivative designated as a hedge are recorded in other comprehensive income until earnings are affected by the hedged transaction and are then reported in current earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in current earnings.

Interest Rate Risk

The Company's primary debt obligations utilize variable-rate LIBOR, exposing the Company to variability in interest payments due to changes in interest rates. The Company entered into interest rate swap agreements to reduce the volatility of financing costs, achieve a desired proportion of fixed-rate versus floating-rate debt and to hedge the variability in cash flows attributable to interest rate risks caused by changes in the LIBOR benchmark.

The Company designated the swaps as cash flow hedges and is assessing their effectiveness using the hypothetical derivative method in conjunction with regression. Effective gains and losses, deferred to accumulated other comprehensive income (loss) ("AOCI"), are reclassified into earnings over the life of the associated hedge.

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Foreign Currency Exchange Rate Risk

Foreign currency fluctuations affect investments in foreign subsidiaries and foreign currency cash flows related to third party purchases, product shipments, and foreign-denominated debt. The Company is also exposed to the translation of foreign currency earnings to the U.S. dollar. Management uses foreign currency forward contracts to selectively hedge its foreign currency cash flow exposure and manage risk associated with changes in currency exchange rates. The Company's principal foreign currency exposure is to the Canadian dollar, and to a lesser extent, the euro.

The notional amounts of outstanding derivative instruments as of September 28, 2019 and December 31, 2018 are presented below.

	September 28, 2019	December 31, 2018
Interest rate swaps (a)	\$ 200,000	\$ 200,000
Foreign exchange forward contracts (b)	\$ 359,648	\$ 388,930
Foreign exchange forward contracts (c)	\$ 95,051	\$ 125,979

(a) Maturity date of December 2020

(b) Various maturity dates through September 2020

(c) Various maturity dates in 2020, 2022 and 2028

The fair values of derivative instruments included in the consolidated balance sheet as of September 28, 2019 and December 31, 2018 are provided in the below table. See Note 10 — *Fair Value Measurements* for additional information related to the Company's derivatives.

	Balance Sheet Location	September 28, 2019	December 31, 2018
Assets			
Derivatives designated as hedging instruments:			
Interest rate swaps	Other current assets	\$ —	\$ 1,194
Interest rate swaps	Other assets	—	937
Foreign exchange forward contracts	Other current assets	914	—
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts	Other current assets	35	7
Liabilities			
Derivatives designated as hedging instruments:			
Interest rate swaps	Other current liabilities	(557)	—
Interest rate swaps	Other non-current liabilities	(277)	—
Foreign exchange forward contracts	Other current liabilities	(2,373)	(16,408)
Foreign exchange forward contracts	Other non-current liabilities	(2,044)	(3,105)
Derivatives not designated as hedging instruments:			
Foreign exchange forward contracts	Other current liabilities	—	(360)
Total derivatives		\$ (4,302)	\$ (17,735)

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The effects of derivatives designated as hedging instruments, the related changes in AOCI and the gains and losses in income are presented below.

Derivatives Designated as Hedging Instruments	Three Months Ended September 28, 2019		Location on Statement of Income
	Gain (Loss) Recognized in OCI on Derivative	Gain (Loss) Reclassified from AOCI into Income	
Interest rate swaps	\$ (64)	\$ 172	Interest expense
Foreign exchange forward contracts	\$ (5,940)	\$ (76)	Other operating expense, net
Foreign exchange forward contracts	\$ 1,256	\$ (1,256)	Cost of sales
Foreign exchange forward contracts	\$ (2,000)	\$ (1,290)	Interest income and other, net

Derivatives Designated as Hedging Instruments	Three Months Ended September 29, 2018		Location on Statement of Income
	Gain (Loss) Recognized in OCI on Derivative	Gain (Loss) Reclassified from AOCI into Income	
Interest rate swaps	\$ 530	\$ 74	Interest expense
Foreign exchange forward contracts	\$ 5,002	\$ 60	Other operating expense, net
Foreign exchange forward contracts	\$ 1,399	\$ (1,399)	Cost of sales
Foreign exchange forward contracts	\$ 1,570	\$ 1,529	Interest income and other, net

Derivatives Designated as Hedging Instruments	Nine Months Ended September 28, 2019		Location on Statement of Income
	Gain (Loss) Recognized in OCI on Derivative	Gain (Loss) Reclassified from AOCI into Income	
Interest rate swaps	\$ (2,237)	\$ 728	Interest expense
Foreign exchange forward contracts	\$ (1,903)	\$ 600	Other operating expense, net
Foreign exchange forward contracts	\$ 8,822	\$ (8,822)	Cost of sales
Foreign exchange forward contracts	\$ 1,031	\$ 2,077	Interest income and other, net

Derivatives Designated as Hedging Instruments	Nine Months Ended September 29, 2018		Location on Statement of Income
	Gain (Loss) Recognized in OCI on Derivative	Gain (Loss) Reclassified from AOCI into Income	
Interest rate swaps	\$ 3,095	\$ (112)	Interest expense
Foreign exchange forward contracts	\$ (5,406)	\$ 1,188	Other operating expense, net
Foreign exchange forward contracts	\$ 1,466	\$ (1,466)	Cost of sales
Foreign exchange forward contracts	\$ 181	\$ 973	Interest income and other, net

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The effects of derivative instruments not designated as hedging instruments on the statement of income were as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months Ended		Nine Months Ended	
		September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Foreign exchange forward contracts	Other operating income (expense), net	\$ (137)	\$ (250)	\$ 193	\$ (3,791)

The after-tax amounts of unrealized gains (losses) in AOCI related to hedge derivatives are presented below:

	September 28, 2019	December 31, 2018
Interest rate cash flow hedges	\$ (650)	\$ 1,663
Foreign exchange cash flow hedges	\$ (2,990)	\$ (13,285)

The amount of future reclassifications from AOCI will fluctuate with movements in the underlying markets.

10. Fair Value Measurements

The following table presents the carrying amount, estimated fair values and categorization under the fair value hierarchy for financial instruments held by the Company at September 28, 2019 and December 31, 2018, using market information and what management believes to be appropriate valuation methodologies:

	September 28, 2019			December 31, 2018		
	Carrying Amount	Fair Value		Carrying Amount	Fair Value	
		Level 1	Level 2		Level 1	Level 2
Assets:						
Cash and cash equivalents	\$ 62,762	\$ 62,762	\$ —	\$ 108,966	\$ 108,966	\$ —
Interest rate swaps (a)	—	—	—	2,131	—	2,131
Foreign currency forward contracts (a)	949	—	949	7	—	7
Liabilities (b):						
Interest rate swaps (a)	834	—	834	—	—	—
Foreign currency forward contracts (a)	4,417	—	4,417	19,873	—	19,873
Fixed-rate long-term debt	580,068	—	448,325	585,824	—	541,267
Variable-rate long-term debt	650,824	—	653,766	599,221	—	602,652

(a) These items represent derivative instruments.

(b) Liabilities exclude finance lease obligation.

The Company uses the following methods and assumptions in estimating the fair value of its financial instruments:

Cash and cash equivalents — The carrying amount is equal to fair market value.

Derivative instruments — The fair value is calculated based on standard valuation models using quoted prices and market observable data of similar instruments. The interest rate derivatives are based on the LIBOR swap rate, which is observable at commonly quoted intervals for the full term of the

swap and therefore is considered Level 2. The foreign currency derivatives are contracts to buy foreign currency at a fixed rate on a specified future date. The foreign exchange rate is observable for the full term of the swap and is therefore considered Level 2. See Note 9 — *Derivative Instruments* for additional information related to the derivative instruments.

Debt — The fair value of fixed rate debt is based upon quoted market prices for debt with similar terms and maturities. The variable rate debt adjusts with changes in the market rate, therefore the carrying value approximates fair value.

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11. Accumulated Other Comprehensive Income (Loss)

The components of AOCI are as follows:

	Nine Months Ended	
	September 28, 2019	September 29, 2018
Unrecognized components of employee benefit plans, net of tax:		
Balance, beginning of year	\$ (135,590)	\$ (81,638)
Reclassifications to earnings: (a)		
Amortization of losses	7,829	8,907
Amortization of prior service costs	311	429
Amortization of negative plan amendment	—	(115)
Income tax on reclassifications	(1,804)	(2,028)
Foreign currency adjustments, net of tax of \$75	(214)	—
Net comprehensive gain (loss) on employee benefit plans, net of tax	6,122	7,193
Balance, end of quarter	(129,468)	(74,445)
Unrealized gain (loss) on derivative instruments, net of tax:		
Balance, beginning of year	(11,622)	619
Other comprehensive income before reclassifications	5,713	(664)
Income tax on other comprehensive income	(1,446)	281
Reclassifications to earnings: (b)		
Interest rate contracts	(728)	112
Foreign exchange contracts	6,145	(695)
Income tax on reclassifications	(1,702)	30
Net comprehensive gain (loss) on derivative instruments, net of tax	7,982	(936)
Balance, end of quarter	(3,640)	(317)
Foreign currency translation adjustments:		
Balance, beginning of year	(8,485)	4,868
Foreign currency translation adjustment, net of tax of \$0 and \$0	(12,905)	(10,265)
Balance, end of quarter	(21,390)	(5,397)
Accumulated other comprehensive income (loss), end of quarter	\$ (154,498)	\$ (80,159)

(a) The AOCI components for defined benefit pension and post-retirement plans are included in the computation of net periodic benefit cost. See Note 15—*Employee Benefit Plans* for additional information.

(b) Reclassifications of interest rate contracts are recorded in interest expense. Reclassifications of foreign currency exchange contracts are recorded in cost of sales, other operating income or non-operating income as appropriate. See Note 9—*Derivative Instruments* for additional information.

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12. Stockholders' Equity

An analysis of stockholders' equity is shown below (share amounts not in thousands):

	Common Stock		Preferred Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value				
For the nine months ended September 28, 2019								
Balance, December 31, 2018	49,291,130	\$ 493	1,725,000	\$ 17	\$ 399,490	\$ 462,568	\$ (155,697)	\$ 706,871
Net income (loss)	—	—	—	—	—	(51,183)	—	(51,183)
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	1,199	1,199
Preferred stock converted to common stock	13,361,678	133	(1,725,000)	(17)	(116)	—	—	—
Issuance of common stock under incentive stock plans	980,968	10	—	—	(10)	—	—	—
Stock-based compensation	—	—	—	—	5,696	—	—	5,696
Repurchase of common stock	(422,965)	(4)	—	—	(5,826)	—	—	(5,830)
Common stock dividends (\$0.14 per share)	—	—	—	—	—	(7,395)	—	(7,395)
Preferred stock dividends (\$6.00 per share)	—	—	—	—	—	(10,350)	—	(10,350)
Balance, September 28, 2019	<u>63,210,811</u>	<u>\$ 632</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 399,234</u>	<u>\$ 393,640</u>	<u>\$ (154,498)</u>	<u>\$ 639,008</u>
For the three months ended September 28, 2019								
Balance, June 29, 2019	49,848,087	\$ 498	1,725,000	\$ 17	\$ 397,115	\$ 411,306	\$ (142,370)	\$ 666,566
Net income (loss)	—	—	—	—	—	(14,216)	—	(14,216)
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(12,128)	(12,128)
Preferred stock converted to common stock	13,361,678	133	(1,725,000)	(17)	(116)	—	—	—
Issuance of common stock under incentive stock plans	953	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	2,240	—	—	2,240
Repurchase of common shares	93	1	—	—	(5)	—	—	(4)
Common stock dividends	—	—	—	—	—	—	—	—
Preferred stock dividends (\$2.00 per share)	—	—	—	—	—	(3,450)	—	(3,450)
Balance, September 28, 2019	<u>63,210,811</u>	<u>\$ 632</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 399,234</u>	<u>\$ 393,640</u>	<u>\$ (154,498)</u>	<u>\$ 639,008</u>

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	Common Stock		Preferred Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value				
For the nine months ended September 29, 2018								
Balance, December 31, 2017	51,717,142	\$ 517	1,725,000	\$ 17	\$ 392,353	\$ 377,020	\$ (76,151)	\$ 693,756
Net income (loss)	—	—	—	—	—	115,781	—	115,781
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(4,008)	(4,008)
Issuance of common stock under incentive stock plans	302,976	3	—	—	449	—	—	452
Stock-based compensation	—	—	—	—	10,146	—	—	10,146
Repurchase of common stock	(959,163)	(9)	—	—	(4,089)	(13,686)	—	(17,784)
Common stock dividends (\$0.21 per share)	—	—	—	—	—	(11,137)	—	(11,137)
Preferred stock dividends (\$6.00 per share)	—	—	—	—	—	(10,350)	—	(10,350)
Balance, September 29, 2018	<u>51,060,955</u>	<u>\$ 511</u>	<u>1,725,000</u>	<u>\$ 17</u>	<u>\$ 398,859</u>	<u>\$ 457,628</u>	<u>\$ (80,159)</u>	<u>\$ 776,856</u>
For the three months ended September 29, 2018								
Balance, June 30, 2018	51,217,595	\$ 512	1,725,000	\$ 17	\$ 395,326	\$ 429,753	\$ (86,669)	\$ 738,939
Net income (loss)	—	—	—	—	—	37,936	—	37,936
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	6,510	6,510
Issuance of common stock under incentive stock plans	414	—	—	—	109	—	—	109
Stock-based compensation	—	—	—	—	3,647	—	—	3,647
Repurchase of common shares	(157,054)	(1)	—	—	(223)	(3,031)	—	(3,255)
Common stock dividends (\$0.07 per share)	—	—	—	—	—	(3,580)	—	(3,580)
Preferred stock dividends (\$2.00 per share)	—	—	—	—	—	(3,450)	—	(3,450)
Balance, September 29, 2018	<u>51,060,955</u>	<u>\$ 511</u>	<u>1,725,000</u>	<u>\$ 17</u>	<u>\$ 398,859</u>	<u>\$ 457,628</u>	<u>\$ (80,159)</u>	<u>\$ 776,856</u>

Series A Mandatory Convertible Preferred Stock

On August 4, 2016, the Company completed a registered public offering of 1,725,000 shares of the Company's 8.00% Series A Mandatory Convertible Preferred Stock (the "Preferred Stock"), at a public offering price of \$100.00 per share. Net proceeds were \$167 million after deducting underwriting discounts, commissions and expenses.

Each share of the Preferred Stock automatically converted into shares of common stock on August 15, 2019. The number of shares of common stock issuable at conversion was determined based on the volume-weighted average price of the Company's common stock over a 20 trading day period immediately prior to the mandatory conversion date ("Applicable Market Value"). The Applicable Market Value for our common stock was less than \$12.91, resulting in a conversion rate per share of 7.7459. On August 15, 2019, the Company issued approximately 13.4 million shares of common stock at conversion.

Dividends on the Preferred Stock were payable on a cumulative basis when declared by our Board of Directors. Preferred Stock dividends were paid at an annual rate of 8.00% of the liquidation preference of \$100 per share. The final dividend was paid in cash on August 15, 2019.

Common Stock Buyback

On January 29, 2018, the Board of Directors authorized a share buyback program pursuant to which the Company may, from time to time, purchase shares of its common stock with an aggregate purchase price of up to \$100 million. During the nine months ended September 28, 2019, the Company did not

repurchase any common shares under this buyback program. During the nine months ended September 29, 2018, the Company repurchased and retired 802,040 shares of common stock at an average price of

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\$18.32 totaling approximately \$15 million. As of September 28, 2019, there was approximately \$60 million of share repurchase authorization remaining under the program. The Company does not expect to utilize any further authorization in the near future.

13. Earnings Per Share of Common Stock

The following table provides details of the calculations of basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Income (loss) from continuing operations	\$ (14,353)	\$ 29,967	\$ (61,614)	\$ 92,352
Preferred Stock dividends	(1,777)	(3,441)	(8,582)	(10,284)
Income (loss) from continuing operations attributable to common stockholders	(16,130)	26,526	(70,196)	82,068
Income (loss) from discontinued operations	137	7,969	10,431	23,429
Net income (loss) available for common stockholders	<u>\$ (15,993)</u>	<u>\$ 34,495</u>	<u>\$ (59,765)</u>	<u>\$ 105,497</u>
Shares used for determining basic earnings per share of common stock	56,089,839	50,603,498	51,576,123	51,005,206
Dilutive effect of:				
Stock options	—	3,620	—	4,127
Performance and restricted stock	—	1,266,588	—	1,297,024
Preferred stock	—	11,371,718	—	11,371,718
Shares used for determining diluted earnings per share of common stock	<u>56,089,839</u>	<u>63,245,424</u>	<u>51,576,123</u>	<u>63,678,075</u>
Basic per share amounts				
Income (loss) from continuing operations	\$ (0.29)	\$ 0.52	\$ (1.36)	\$ 1.61
Income (loss) from discontinued operations	—	0.16	0.20	0.46
Net income (loss)	<u>\$ (0.29)</u>	<u>\$ 0.68</u>	<u>\$ (1.16)</u>	<u>\$ 2.07</u>
Diluted per share amounts				
Income (loss) from continuing operations	\$ (0.29)	\$ 0.47	\$ (1.36)	\$ 1.45
Income (loss) from discontinued operations	—	0.13	0.20	0.37
Net income (loss)	<u>\$ (0.29)</u>	<u>\$ 0.60</u>	<u>\$ (1.16)</u>	<u>\$ 1.82</u>

Anti-dilutive instruments excluded from the computation of diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Stock options	225,934	263,184	225,934	263,184
Performance and restricted stock	688,029	11,687	502,888	398,576
Total anti-dilutive instruments	<u>913,963</u>	<u>274,871</u>	<u>728,822</u>	<u>661,760</u>

14. Incentive Stock Plans

The Company's total stock-based compensation cost for the nine months ended September 28, 2019 and September 29, 2018 was \$6 million and \$10 million, respectively.

The Company made new grants of restricted stock units and performance-based stock units to certain employees during the first nine months of 2019. The 2019 restricted stock unit awards vest over three years. The 2019 performance-based stock unit

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awards are measured against an internal return on invested capital target. Depending on performance against the target, the awards will pay out in common stock amounts between 0 and 200 percent of the performance-based stock units awarded. The total number of common stock awards granted will be adjusted up or down 25 percent, for certain participants, based on stock price performance relative to a peer group over the term of the plan, which could result in a final common stock issuance of 0 to 250 percent of the performance-based stock units awarded.

In March 2019, the performance-based share units granted in 2016 were settled at an average of 246 percent of the performance-based stock units awarded, resulting in the issuance of 923,211 shares of common stock.

The following table summarizes the activity on the Company's incentive stock awards for the nine months ended September 28, 2019:

	Stock Options		Restricted Stock and Stock Units		Performance-Based Stock Units	
	Options	Weighted Average Exercise Price	Awards	Weighted Average Grant Date Fair Value	Awards	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2019	286,613	\$ 34.23	917,098	\$ 13.71	1,325,894	\$ 14.69
Granted	—	—	395,777	11.99	400,921	14.98
Forfeited	—	—	(9,533)	15.22	(7,501)	16.92
Exercised or settled	—	—	(458,748)	10.64	(520,167)	7.80
Expired or cancelled	(60,679)	26.82	—	—	—	—
Outstanding at September 28, 2019	<u>225,934</u>	<u>\$ 36.22</u>	<u>844,594</u>	<u>\$ 14.56</u>	<u>1,199,147</u>	<u>\$ 17.76</u>

15. Employee Benefit Plans

The Company has defined benefit pension and other postretirement plans covering certain union and non-union employees, primarily in the U.S., Canada and France. The defined benefit pension plans are closed to new participants. Employee defined benefit plan liabilities are calculated using actuarial estimates and management assumptions. These estimates are based on historical information, along with certain assumptions about future events.

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The components of net periodic benefit costs from defined benefit plans that have been recorded are shown in the following table:

Components of Net Periodic Benefit Cost	Pension		Postretirement	
	Three Months Ended		Three Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Service cost	\$ 2,411	\$ 2,845	\$ 456	\$ 521
Interest cost	9,199	7,907	352	217
Expected return on plan assets	(13,110)	(13,302)	—	—
Amortization of prior service cost	142	143	(38)	—
Amortization of losses	2,590	2,912	20	57
Amortization of negative plan amendment	—	—	—	—
Total net periodic benefit cost	\$ 1,232	\$ 505	\$ 790	\$ 795

Components of Net Periodic Benefit Cost	Pension		Postretirement	
	Nine Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Service cost	\$ 7,339	\$ 8,605	\$ 1,387	\$ 1,978
Interest cost	27,949	23,885	1,072	675
Expected return on plan assets	(40,475)	(40,166)	—	—
Amortization of prior service cost	426	429	(115)	—
Amortization of losses	7,768	8,735	61	172
Amortization of negative plan amendment	—	—	—	—
Total net periodic benefit cost	\$ 3,007	\$ 1,488	\$ 2,405	\$ 2,825

Service cost is included in cost of sales and selling, general and administrative expenses in the statements of income, as appropriate. Interest cost, expected return on plan assets, amortization of prior service cost, amortization of losses and amortization of negative plan amendment are included in Other components of pension and OPEB on the consolidated statement of income.

16. Income Taxes

The Company's effective tax rate for the three and nine months ended September 28, 2019 was a benefit of 24 percent and 30 percent, respectively, compared to an expense of 19 percent and 24 percent for the three and nine months ended September 29, 2018, respectively.

The current quarter and year-to-date September 28, 2019 effective rate differs from the federal statutory rate of 21 percent primarily due to different statutory rates on foreign operations. The effective tax rate benefit for the nine months ended September 28, 2019 is also impacted by excess tax deduction on vested stock compensation and tax credits recognized in the first and second quarters.

There have been no material changes to the balance of unrecognized tax benefits reported at December 31, 2018.

17. Segment Information

The Company has currently divided its operations into five reportable segments: High Purity Cellulose, Forest Products, Pulp, Paper and Corporate. The Corporate operations consist primarily of senior management, accounting, information systems, human resources, treasury, tax and legal administrative functions that provide support services to the operating business units. The Company does not currently allocate the cost of maintaining these support functions to its operating units.

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The Company evaluates the performance of its segments based on operating income. Intersegment sales consist primarily of wood chips sales from Forest Products to High Purity Cellulose, Pulp and Paper segments and high-yield pulp sales from Pulp to Paper. Intersegment sales prices are at rates that approximate market.

Net sales, disaggregated by product-line, was comprised of the following:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
High Purity Cellulose				
Cellulose Specialties	\$ 180,718	\$ 217,538	\$ 563,604	\$ 625,864
Commodity Products	67,348	56,448	197,492	153,220
Other sales (a)	19,675	34,001	61,445	96,535
Total High Purity Cellulose	267,741	307,987	822,541	875,619
Forest Products				
Lumber	49,195	68,713	170,855	228,686
Other sales (b)	16,265	17,242	50,982	53,551
Total Forest Products	65,460	85,955	221,837	282,237
Pulp				
High-yield pulp	26,159	46,399	94,746	133,093
Paper				
Paperboard	53,818	50,675	151,161	149,100
Newsprint	19,948	27,698	66,613	88,958
Total Paper	73,766	78,373	217,774	238,058
Eliminations	(16,997)	(17,416)	(49,476)	(53,358)
Total net sales	\$ 416,129	\$ 501,298	\$ 1,307,422	\$ 1,475,649

(a) Other sales include sales of electricity, resins, lignin and other by-products to third-parties

(b) Other sales include sales of logs, wood chips and other by-products to other segments and third-parties

Operating income (loss) by segment was comprised of the following:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
High Purity Cellulose	\$ 6,745	\$ 33,922	\$ 10,665	\$ 83,288
Forest Products	(5,076)	7,986	(26,664)	35,158
Pulp	(2,061)	12,825	2,700	37,373
Paper	165	13,648	1,136	23,465
Corporate	(8,337)	(25,441)	(39,320)	(48,252)
Total operating income (loss)	\$ (8,564)	\$ 42,940	\$ (51,483)	\$ 131,032

Rayonier Advanced Materials Inc.
Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(Dollar amounts in thousands unless otherwise stated)

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Identifiable assets by segment were as follows:

	September 28, 2019	December 31, 2018
High Purity Cellulose	\$ 1,585,594	\$ 1,643,092
Forest Products	169,365	166,801
Pulp	33,284	41,087
Paper	223,302	240,427
Corporate	500,851	493,972
Assets Held for Sale	84,298	93,707
Total identifiable assets	<u>\$ 2,596,694</u>	<u>\$ 2,679,086</u>

18. Commitments and Contingencies

Commitments

The following table includes the material changes to the contractual financial obligations presented in Note 20 — *Commitments and Contingencies* in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC. The changes in the future minimum payments under these purchase obligations are presented as of September 28, 2019. The amounts primarily consist of commitments for the purchase of natural gas, steam energy and electricity contracts. The payment amounts are estimates and may vary based on changes in actual price and volumes terms.

Subsequent to the sale of the Company's Matane operations that closed on November 4, 2019, we are no longer required to pay approximately \$117 million of the contractual financial obligations that were presented in Note 20 — *Commitments and Contingencies* in the Annual Report on Form 10-K for the year ended December 31, 2018.

	Purchase Obligations
Remainder of 2019	\$ 2,818
2020	17,342
2021	11,399
2022	7,606
2023	2,524
Thereafter	5,225
Total	<u>\$ 46,914</u>

Contingencies

The Company is engaged in various legal and regulatory actions and proceedings, and has been named as a defendant in various lawsuits and claims arising in the ordinary course of its business. While the Company has procured reasonable and customary insurance covering risks normally occurring in connection with its businesses, the Company has in certain cases retained some risk through the operation of self-insurance, primarily in the areas of workers' compensation, property insurance and general liability. These other lawsuits and claims, either individually or in aggregate, are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

As of September 28, 2019, all of the Company's collective bargaining agreements covering its unionized employees are current.

Guarantees and Other

The Company provides financial guarantees as required by creditors, insurance programs and various governmental agencies. As of September 28, 2019, the Company had net exposure of \$36 million from various standby letters of credit, primarily for financial assurance relating to environmental remediation, credit support for natural gas and electricity purchases, and guarantees related to foreign retirement plan obligations. These standby letters of credit represent a contingent liability. The Company would

Rayonier Advanced Materials Inc.
Notes to Consolidated Financial Statements (Continued)

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only be liable upon its default on the related payment obligations. The letters of credit have various expiration dates and will be renewed as required.

The Company had surety bonds of \$86 million as of September 28, 2019, primarily to comply with financial assurance requirements relating to environmental remediation and post closure care, to provide collateral for the Company's workers' compensation program, and to guarantee taxes and duties for products shipped internationally. These surety bonds expire at various dates and are expected to be renewed annually as required.

LignoTech Florida, a venture in which the Company owns 45 percent and its venture partner Borregaard ASA owns 55 percent, entered into a construction contract to build its lignin manufacturing facility and financing agreements to fund the construction of the facility, which was completed in the second quarter of 2018. The Company is a guarantor under both the construction and financing agreements. In the event of default, the Company expects it would only be liable for its proportional share as a result of an agreement with its venture partner. The remaining guarantee related to LignoTech Florida at September 28, 2019 was \$33 million.

The Company has not recorded any liabilities for these financial guarantees in its consolidated balance sheets, either because the Company has recorded the underlying liability associated with the guarantee or the guarantee is dependent on the Company's own performance and, therefore, is not subject to the measurement requirements or because the Company has calculated the estimated fair value of the guarantee and determined it to be immaterial based upon the current facts and circumstances that would trigger a payment obligation.

It is not possible to determine the maximum potential amount of the liability under these potential obligations due to the unique set of facts and circumstances likely to be involved with each provision.

19. Supplemental Disclosures of Cash Flows Information

Supplemental disclosures of cash flows information were comprised of the following for the nine months ended:

	September 28, 2019	September 29, 2018
Cash paid (received) during the period:		
Interest	\$ 37,126	\$ 35,000
Income taxes	\$ 1,858	\$ 12,834
Non-cash investing and financing activities:		
Capital assets purchased on account	\$ 15,732	\$ 8,221

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

When we refer to “we,” “us,” “our” or “the Company,” we mean Rayonier Advanced Materials Inc. and its consolidated subsidiaries. References herein to “Notes to Financial Statements” refer to the Notes to the Consolidated Financial Statements of Rayonier Advanced Materials Inc. included in Item 1 of this Quarterly Report on Form 10-Q (the “Report.”)

The Management's Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity and certain other factors which may affect future results. Our MD&A should be read in conjunction with our 2018 Annual Report on Form 10-K and information contained in our subsequent Forms 10-Q, 8-K and other reports to the U.S. Securities and Exchange Commission (the “SEC”).

On August 1, 2019, the Company announced it entered into an agreement to sell its Matane, Quebec pulp mill and related assets to Sappi Limited, a global diversified wood fiber company, for a purchase price of \$175 million. The sale closed on November 4, 2019. The Company received approximately \$150 million, net of fees, expenses, working capital and other adjustments related to the sale. The mill annually produces approximately 270,000 metric tons of high-yield pulp and sells the product globally for use in manufacturing paperboard, packaging, and printing and writing paper. As a result of the sale, we have reclassified prior year amounts to conform to the current year's presentation for discontinued operations. See Note 2 —*Discontinued Operations* for additional information.

Note About Forward-Looking Statements

Certain statements in this Report regarding anticipated financial, business, legal or other outcomes including business and market conditions, outlook and other similar statements relating to the Company's future events, developments, or financial or operational performance or results, are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements are identified by the use of words such as “may,” “will,” “should,” “expect,” “estimate,” “believe,” “intend,” “forecast,” “anticipate” “guidance” and other similar language. However, the absence of these or similar words or expressions does not mean a statement is not forward-looking. While we believe these forward-looking statements are reasonable when made, forward-looking statements are not guarantees of future performance or events and undue reliance should not be placed on these statements. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance these expectations will be attained and it is possible actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. The following risk factors and those contained in Item 1A — *Risk Factors*, among others, could cause actual results or events to differ materially from the Company's historical experience and those expressed in forward-looking statements made in this document.

Amounts contained in this Report may not always add due to rounding.

Our operations are subject to a number of risks and uncertainties including, but not limited to, those listed below. When considering an investment in our securities, you should carefully read and consider these risks, together with all other information in our Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the SEC and our other filings and submissions to the SEC, which provide much more information and detail on the risks described below. If any of the events described in the following risk factors actually occur, our business, financial condition or operating results, as well as the market price of our securities, could be materially adversely affected. These risks and events include, without limitation:

- The businesses we operate are highly competitive and many of them are cyclical, which may result in fluctuations in pricing and volume that can adversely impact our business, financial condition and results of operations.
- Our ten largest customers represent approximately 35 percent of our 2018 sales, and the loss of all or a substantial portion of our revenue from these large customers could have a material adverse effect on our business.
- A material disruption at one of our major manufacturing facilities could prevent us from meeting customer demand, reduce our sales and profitability, increase our cost of production and capital needs, or otherwise adversely affect our business, financial condition and results of operation.
- Changes in raw material and energy availability and prices could affect our business, financial condition and results of operations.
- The availability of, and prices for, wood fiber could materially impact our business, results of operations and financial condition.

- We are subject to risks associated with doing business outside of the United States.
- Our operations require substantial capital.
- Currency fluctuations may have a negative impact on our business, financial condition and results of operations.
- Restrictions on trade through tariffs, countervailing and anti-dumping duties, quotas and other trade barriers, in the United States and internationally, especially with respect to China, Canada and as a result of “Brexit”, could adversely affect our ability to access certain markets and otherwise impact our results of operations.
- We depend on third parties for transportation services and increases in costs and the availability of transportation could adversely affect our business.
- Our business is subject to extensive environmental laws, regulations and permits that may restrict or adversely affect our financial results and how we conduct business.
- The potential impacts of climate change and climate-related initiatives, remain uncertain at this time.
- Our failure to maintain satisfactory labor relations could have a material adverse effect on our business.
- We are dependent upon attracting and retaining key personnel, the loss of whom could adversely affect our business.
- Failure to develop new products or discover new applications for our existing products, or our inability to protect the intellectual property underlying such new products or applications, could have a negative impact on our business.
- The risk of loss of the Company’s intellectual property and sensitive business information, or disruption of its manufacturing operations, in each case due to cyberattacks or cybersecurity breaches, could adversely impact the Company.
- We may need to make significant additional cash contributions to our retirement benefit plans if investment returns on pension assets are lower than expected or interest rates decline, and/or due to changes to regulatory, accounting and actuarial requirements.
- We have significant debt obligations that could adversely affect our business and our ability to meet our obligations.
- The phase-out of the London Inter Bank Office Rate (“LIBOR”) as an interest rate benchmark could result in an increase to our borrowing costs.
- Challenges in the commercial and credit environments may materially adversely affect our future access to capital.
- We may need additional financing in the future to meet our capital needs or to make acquisitions, and such financing may not be available on favorable terms, if at all, and may be dilutive to existing stockholders.
- The inability to effectively integrate the Tembec Inc. (“Tembec”) acquisition and meet our financial objectives therefrom, and any future acquisitions we may make, may affect our results.
- While the Company has entered into an amendment (the “Amendment”) to its Senior Secured Credit Facilities (as amended by the Amendment, the “Credit Agreement”) to address the risk of potential non-compliance with certain covenants at the end of the third quarter of 2019, there can be no assurances that the Company will continue in full compliance with the amended covenants provided in the Credit Amendment through December 31, 2021, which is the date covenant relief granted under the Amendment expires.

Forward-looking statements are only as of the date they are made, and the Company undertakes no duty to update its forward-looking statements except as required by law. You are advised, however, to review any further disclosures we have made or may make in our filings and other submissions to the SEC, including those on Forms 10-Q, 10-K, 8-K and other reports.

Note About Non-GAAP Financial Measures

A “non-GAAP financial measure” is generally defined as a numerical measure of a company’s historical or future performance that excludes or includes amounts, or is subject to adjustments, so as to be different from the most directly comparable measure calculated and presented in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). This Report contains certain non-GAAP financial measures, including Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”), adjusted EBITDA, and adjusted free cash flows. These non-GAAP measures are reconciled to each of their respective most directly comparable GAAP financial measures in Item 2 — *Management’s Discussion and Analysis of Financial Condition and Results of Operations*.

We believe these non-GAAP measures provide useful information to our Board of Directors, management and investors regarding certain trends relating to our financial condition and results of operations. Our management uses these non-GAAP measures to compare our performance to that of prior periods for trend analyses, purposes of determining management incentive compensation and budgeting, forecasting and planning purposes.

We do not consider non-GAAP measures an alternative to financial measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is they may exclude significant expense and income items that are required by GAAP to be recognized in our consolidated financial statements. In addition, they reflect the exercise of management’s judgment about which expense and income items are excluded or included in determining these non-GAAP financial measures. In order to compensate for these limitations, reconciliations of the non-GAAP financial measures we use to their most directly comparable GAAP measures are provided. Non-GAAP financial measures should not be relied upon, in whole or part, in evaluating the financial condition, results of operations or future prospects of the Company.

Business

Rayonier Advanced Materials Inc. is a global leader of cellulose-based technologies, including high purity cellulose specialties, a natural polymer commonly found in cell phone and computer screens, filters and pharmaceuticals. In 2017, we acquired Tembec which was engaged in the manufacture of cellulose specialties, commodity products, forest products pulp and paper (the “Acquisition”). The Acquisition created a combined company with leading positions in acetate and ethers high purity cellulose end-use markets, as well as, a more diversified earnings stream given the addition of the forest products, pulp and paper businesses. We now operate in the following business segments: High Purity Cellulose, Forest Products, Pulp and Paper.

On August 1, 2019, the Company announced it entered into an agreement to sell its Matane, Quebec pulp mill and related assets to Sappi Limited, a global diversified wood fiber company, for a purchase price of approximately \$175 million and net proceeds of approximately \$150 million, net of fees, expenses and other adjustments. The mill produces approximately 270,000 metric tons of high-yield pulp and sells the product globally for use in manufacturing paperboard, packaging, and printing and writing paper. The sale closed on November 4, 2019.

As a result of the sale, we have reclassified prior year amounts to conform to the current year’s presentation for discontinued operations. Unless otherwise stated, information in management’s discussion and analysis relates to continuing operations. We present businesses that represent components as discontinued operations when they meet the criteria for held for sale or are sold, and their disposal represents a strategic shift that has, or will have, a major effect on our operations and financial results. See Note 2 —*Discontinued Operations* for additional information.

Our plan is to grow EBITDA, reduce debt and drive long-term value for our stockholders. The plan focuses on the following:

- Go-to-Market Strategy - designed to improve cellulose specialties price and margin and align assets to market needs and sales mix to drive long term High Purity Cellulose segment EBITDA growth
- Improve our competitive positioning through the following Four Strategic Pillars
 - Cost Transformation - driving sustainable cost reductions by fostering a culture of continuous improvement.
 - New Products - expanding our business by developing next generation cellulose fibers and other value-added products utilizing our cellulose processing technology, expertise and co-products. We have made significant progress in developing and applying proprietary technologies to new products in many of the end-market segments we serve.
 - Market Optimization - maximizing the profitability of our existing products and assets by optimizing the intersection of our customers’ needs, our manufacturing capabilities and transportation costs to drive higher value for our customers and our Company.
 - Investments - delivering a capital allocation strategy that maximizes our risk adjusted returns. We intend to de-lever our balance sheet through EBITDA growth and repayment of indebtedness with a target net leverage ratio of 2.5 times EBITDA.

Outlook

High Purity Cellulose

For full year 2019, we continue to expect cellulose specialties prices to be lower by approximately 1 to 2 percent, as previously guided, excluding the impact on sales prices of any Chinese duties we incur. Cellulose specialties volumes are expected to be down approximately 6 percent versus 2018 due to demand weakness in acetate, automotive and construction markets, as customers aggressively manage inventory levels. Commodity product (primarily viscose and fluff pulp) sales prices are expected to be significantly lower in the fourth quarter due to weakness in the broad paper pulp markets as global trade issues persist. For the full year, we anticipate High Purity Cellulose EBITDA of approximately \$140 million.

Forest Products

U.S. housing starts and remodeling activity are the key drivers for lumber demand and have remained relatively flat in 2019; Low interest rates provide positive market environment. Announced production curtailments should positively impact future pricing once inventories have been reduced. Duties on lumber sales from Canada into the U.S. will continue to impact financial results. To date, we have paid approximately \$53 million of lumber duties.

Pulp

High-yield pulp prices continued to weaken in the third quarter due to lower demand for paper pulp products. However, we believe Chinese high-yield pulp markets have stabilized resulting in modest increases in regional pricing from September levels. European market prices continue to decline as they come into closer alignment with the Chinese pricing. The weaker demand has held inventory levels relatively high and continue to pressure global pulp prices.

Paper

North American paperboard prices will remain under pressure primarily due to increased competition. In newsprint, demand continues to decline as industry production capacity remains stable, resulting in continued pricing pressure.

Capital Allocation and Investment

Due to market conditions and increased leverage, we are reducing capital spending across all segments. We currently expect capital spending to be \$120 million for the full year 2019, down \$10 million from our original \$130 million estimate, and continue to evaluate further actions.

On September 6, 2019, we announced our Board of Directors determined to suspend the quarterly common stock dividend to improve cash flow.

On November 4, 2019, we sold our Matane facility for \$175 million. We received approximately \$150 million, net of fees, expenses, working capital and other adjustments related to the sale. Proceeds from the sale will be used to repay \$100 million of debt with the remainder for general corporate purposes, including enhancing liquidity.

Amendment

On September 30, 2019, we amended our Senior Secured Credit Agreement. The amendment relaxes financial covenants through 2021. We believe we now have the runway to manage the business through these challenging economic conditions enabling us to emerge financially stronger and able to realize the earnings potential of the business.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements requires us to make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. We base these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information we believe are reasonable. Actual results may differ from these estimates.

For a full description of our critical accounting policies, see Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2018 Annual Report on Form 10-K. For recent accounting pronouncements see Item 1 of Part I, Financial Statements — Note 1 — *Basis of Presentation and New Accounting Pronouncements*.

Results of Operations

Financial Information	Three Months Ended		%	Nine Months Ended		%
	September 28, 2019	September 29, 2018		September 28, 2019	September 29, 2018	
(in millions, except percentages)			Change			Change
Net Sales	\$ 416	\$ 501	(17)%	\$ 1,307	\$ 1,476	(11)%
Cost of Sales	(399)	(419)		(1,265)	(1,237)	
Gross Margin	17	82	(79)%	42	239	(82)%
Selling, general and administrative expenses	(23)	(30)		(72)	(78)	
Duties	(5)	(1)		(16)	(21)	
Other operating income (expense), net	3	(8)		(5)	(9)	
Operating Income (Loss)	(8)	43	(119)%	(51)	131	(139)%
Interest expense	(15)	(14)		(43)	(42)	
Interest income and other, net	3	—		3	5	
Adjustment to gain on bargain purchase	—	6		—	21	
Net periodic pension and OPEB income (expense), excluding service costs	1	2		3	6	
Income (Loss) From Continuing Operations Before Income Taxes	(19)	37	(151)%	(88)	122	(172)%
Income tax benefit (expense)	5	(7)		26	(29)	
Income (Loss) from Continuing Operations	\$ (14)	\$ 30	(147)%	\$ (62)	\$ 93	(167)%
Income (loss) from discontinued operations, net of taxes	—	8		10	23	
Net Income (Loss)	\$ (14)	\$ 38		\$ (52)	\$ 116	
Gross Margin %	4 %	16%		3 %	16%	
Operating Margin %	(2)%	9%		(4)%	9%	
Effective Tax Rate %	24 %	19%		30 %	24%	

Net sales by segment were as follows:

Net sales (in millions)	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
High Purity Cellulose	\$ 268	\$ 308	\$ 822	\$ 876
Forest Products	65	86	222	282
Pulp	26	46	95	133
Paper	74	78	218	238
Eliminations	(17)	(17)	(50)	(53)
Total net sales	\$ 416	\$ 501	\$ 1,307	\$ 1,476

Net sales decreased \$85 million and \$169 million, during the three and nine months ended September 28, 2019, down approximately 17 percent and 11 percent, respectively, when compared to the same prior year periods. The decrease was primarily driven by lower cellulose specialties, lumber, high-yield pulp and newsprint sales prices. For further discussion, see Operating Results by Segment.

Operating income (loss) by segment was as follows:

Operating income (loss) (in millions)	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
High Purity Cellulose	\$ 7	\$ 34	\$ 11	\$ 83
Forest Products	(5)	8	(27)	35
Pulp	(2)	13	3	37
Paper	—	13	1	24
Corporate	(8)	(25)	(39)	(48)
Total operating income (loss)	\$ (8)	\$ 43	\$ (51)	\$ 131

Operating results for the three and nine month periods ended September 28, 2019 decreased \$51 million and \$182 million compared to the same 2018 period. These declines were primarily driven by lower sales prices and higher costs. For further discussion, see Operating Results by Segment.

Non-operating Expenses

Interest expense increased slightly from \$14 million and \$42 million to \$15 million and \$43 million for the third quarter and year to date periods September 29, 2018 and September 28, 2019, respectively. Overall debt levels were higher during the periods ended September 28, 2019 and our increased interest margin more than offset the lower LIBOR rate, resulting in slightly higher rates on variable debt. See Note 7 — *Debt and Finance Leases*.

Income Tax Benefit (Expense)

The Company's effective tax rate for the three and nine months ended September 28, 2019 was a benefit of 24 percent and 30 percent, respectively, compared to an expense of 19 percent and 24 percent for the three and nine months ended September 29, 2018, respectively.

The effective tax rate for the three months ended September 28, 2019 differs from the federal statutory rate of 21 percent primarily due to different statutory rates on foreign operations. The effective tax rate benefit for the nine months ended September 28, 2019 is also impacted by excess tax deduction on vested stock compensation and tax credits recognized in the first and second quarters. See Note 16 — *Income Taxes* for additional information.

Discontinued Operations

The Company has presented the operating results for its Matane operations as discontinued operations for the three and nine months ended September 28, 2019 and September 29, 2018. The decline in discontinued operations is principally driven from lower sales prices during the three and nine months ended September 28, 2019 when compared to the same prior year periods. Included in discontinued operations is allocated interest expense for debt that is required to be repaid upon completion of the sale. The three and nine months ended September 28, 2019 also include legal and administrative costs to sell the operation.

Operating Results by Segment
High Purity Cellulose

(in millions)	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net Sales	\$ 268	\$ 308	\$ 822	\$ 876
Operating income (loss)	\$ 7	\$ 34	\$ 11	\$ 83
Average Sales Prices (\$ per metric ton):				
Cellulose Specialties	\$ 1,317	\$ 1,333	\$ 1,303	\$ 1,344
Commodity Products	\$ 768	\$ 807	\$ 803	\$ 813
Sales Volumes (thousands of metric tons):				
Cellulose Specialties	137	163	432	466
Commodity Products	88	70	246	188

Changes in High Purity Cellulose net sales are as follows:

Three Months Ended Net Sales (in millions)	September 29, 2018	Changes Attributable to:		September 28, 2019
		Price	Volume/Mix/Other	
Cellulose Specialties	\$ 218	\$ (2)	\$ (35)	\$ 181
Commodity Products	56	(5)	16	67
Other sales (a)	34	—	(14)	20
Total Net Sales	\$ 308	\$ (7)	\$ (33)	\$ 268

(a) Other sales consist of electricity, resins, lignin and other by-products to third-parties.

Total net sales for the three months ended September 28, 2019 declined \$40 million, or 13 percent, to \$268 million. This decline was driven by a 1 percent decline in cellulose specialties sales prices due to duties on products sold in China and a 16 percent decline in cellulose specialties sales volumes, due to weaknesses in the acetate and automotive markets. Commodity product sales prices declined 5 percent due to weaker markets. This decline was more than offset by a 26 percent increase in commodity sales volumes due to lower demand for cellulose specialties and improved commodity production. Other sales declined by \$14 million as a result of the sale of the resin business in September 2018.

Nine Months Ended Net Sales (in millions)	September 29, 2018	Changes Attributable to:		September 28, 2019
		Price	Volume/Mix/Other	
Cellulose Specialties	\$ 626	\$ (18)	\$ (44)	\$ 564
Commodity Products	153	(5)	49	197
Other sales (a)	97	—	(36)	61
Total Net Sales	\$ 876	\$ (23)	\$ (31)	\$ 822

(a) Other sales consist of electricity, resins, lignin and other by-products to third-parties

Total net sales for the nine months ended September 28, 2019 declined \$54 million, or 6 percent, to \$822 million. Cellulose specialties sales prices were down by approximately 3 percent in 2019 due to duties on products sold in China and higher average prices in the 2018 comparable year-to-date period due to 2017 higher priced shipments which were recognized as sales in 2018. Cellulose specialties volumes decreased 7 percent during the nine months ended September 28, 2019 due to weaknesses in the acetate and automotive markets. Commodity product sales volumes increased by approximately 31 percent primarily due to lower demand for cellulose specialties and improved production. Other sales declined by \$36 million principally as a result of the sale of the resin business in September 2018.

Changes in High Purity Cellulose operating income are as follows:

Three Months Ended (in millions)	September 29, 2018	Gross Margin Changes Attributable to (a):				September 28, 2019
		Sales Price	Sales Volume/Mix/Other	Cost	SG&A and other	
Operating income (loss)	\$ 34	\$ (7)	\$ (25)	\$ 4	\$ 1	\$ 7
Operating margin %	11.0%	(2.1)%	(8.2)%	1.5%	0.4%	2.6%

(a) Sales Volume computed based on contribution margin.

Operating income decreased \$27 million for the three months ended September 28, 2019 to \$7 million. The decrease was driven by lower cellulose specialties sales prices and volumes, commodity product sale prices and a decline in other sales, partially offset by higher commodity sales volumes, as previously discussed. Costs decreased \$4 million mostly driven by lower chemical prices, primarily caustic.

Nine Months Ended (in millions)	September 29, 2018	Gross Margin Changes Attributable to (a):				September 28, 2019
		Sales Price	Sales Volume/Mix/Other	Cost	SG&A and other	
Operating income (loss)	\$ 83	\$ (23)	\$ (35)	\$ (17)	\$ 3	\$ 11
Operating margin %	9.5%	(2.4)%	(4.0)%	(2.1)%	0.4%	1.4%

(a) Sales Volume computed based on contribution margin.

Operating income decreased \$72 million for the nine months ended September 28, 2019 to \$11 million. The decrease was driven by lower cellulose specialties sales prices and volumes and a decline in other sales volume, partially offset by higher commodity sales volumes, as previously discussed. Costs increased \$17 million during the nine months ended September 28, 2019 compared to the prior year period as wood and maintenance costs were only partially offset by lower chemical prices, primarily caustic. SG&A and other costs include a \$4 million and \$3 million loss during the nine months ended September 28, 2019 and September 29, 2018, respectively, associated with the lignin joint venture that began operations in the second half of 2018. The increase in the joint venture loss in 2019 was more than offset by favorable SG&A costs and foreign exchange gains.

The three and nine month periods ended September 29, 2018 include operating income of \$2 million and \$5 million, respectively from the resins business which was sold in September 2018.

Forest Products

(in millions)	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net Sales	\$ 65	\$ 86	\$ 222	\$ 282
Operating income (loss)	(5)	8	(27)	35
Average Sales Prices (\$ per thousand board feet):				
Lumber	\$ 366	\$ 487	\$ 370	\$ 500
Sales Volumes (millions of board feet):				
Lumber	134	141	462	457

Changes in Forest Products net sales are as follows:

Three Months Ended Net Sales (in millions)	September 29, 2018	Changes Attributable to:		September 28, 2019
		Price	Volume/Mix/Other	
Lumber	\$ 69	\$ (16)	\$ (4)	\$ 49
Other sales (a)	17	—	(1)	16
Total Net Sales	\$ 86	\$ (16)	\$ (5)	\$ 65

(a) Other sales consist of sales of logs, wood chips, and other by-products to other segments and third-parties

Total net sales for the three months ended September 28, 2019 declined \$21 million, or 24 percent, to \$65 million. Average lumber sales prices declined 25 percent due to weak demand while lumber sales volumes decreased approximately 5 percent also from weak market conditions.

Nine Months Ended Net Sales (in millions)	September 29, 2018	Changes Attributable to:		September 28, 2019
		Price	Volume/Mix/Other	
Lumber	\$ 229	\$ (60)	\$ 2	\$ 171
Other sales (a)	53	—	(2)	51
Total Net Sales	\$ 282	\$ (60)	\$ —	\$ 222

(a) Other sales consist of sales of logs, wood chips, and other by-products to other segments and third-parties

Total net sales for the nine months ended September 28, 2019 declined \$60 million, or 21 percent, to \$222 million. Average lumber sales prices declined 26 percent due primarily to weak demand while lumber sales volumes increased approximately 1 percent as a result of efforts to reduce inventory levels, partially offset by market downtime taken at the production facilities.

Changes in Forest Products operating income are as follows:

Three Months Ended (in millions)	September 29, 2018	Gross Margin Changes Attributable to (a)			SG&A and other	September 28, 2019
		Sales Price	Sales Volume/Mix/Other	Cost		
Operating income (loss)	\$ 8	\$ (16)	\$ (3)	\$ 5	\$ 1	\$ (5)
Operating margin %	9.3%	(22.3)%	(3.9)%	7.7%	1.5%	(7.7)%

(a) Sales Volume computed based on contribution margin.

Operating income decreased \$13 million for the three months ended September 28, 2019 to an operating loss of \$5 million. The decline was primarily driven by lower lumber sales prices and volumes, as previously discussed. Cost declined primarily driven by a \$5 million reversal of the net realizable inventory reserve as a result of price increases in the period.

Nine Months Ended (in millions)	September 29, 2018	Gross Margin Changes Attributable to (a)			SG&A and other	September 28, 2019
		Sales Price	Sales Volume/Mix/Other	Cost		
Operating income (loss)	\$ 35	\$ (60)	\$ (1)	\$ (4)	\$ 3	\$ (27)
Operating margin %	12.4%	(23.7)%	(0.5)%	(1.8)%	1.4%	(12.2)%

(a) Sales Volume computed based on contribution margin.

Operating income decreased \$62 million for the nine months ended September 28, 2019 to an operating loss of \$27 million. The decline was primarily driven by lower lumber sales prices partially offset by higher lumber sales volumes, as previously discussed. Higher costs were driven by increased maintenance and depreciation expense, partially offset by the impact of favorable incentive compensation and lower wood and energy costs. SG&A and other costs improved primarily due to lower softwood

lumber duties driven by lower lumber prices partially offset by higher lumber sales volumes. The nine months ended September 28, 2019 and September 29, 2018 included \$16 million and \$21 million in softwood lumber duties, respectively.

Pulp

(in millions)	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net Sales	\$ 26	\$ 46	\$ 95	\$ 133
Operating income	\$ (2)	\$ 13	\$ 3	\$ 37
Average Sales Prices (\$ per metric tons) (a):				
High-yield pulp	\$ 455	\$ 673	\$ 524	\$ 671
Sales Volumes (in thousands of metric tons) (a):				
High-yield pulp	45	59	145	168

(a) Average sales prices and volumes for external sales only. For the three month period ended September 28, 2019 and September 29, 2018, the Pulp segment sold approximately 16,000 MT and 17,000 MT of high-yield pulp for \$6 million and \$7 million, respectively, to the Paper segment for the production of paperboard. For the nine months ended September 28, 2019 and September 29, 2018, 48,000 MT and 50,000 MT of high-yield pulp was sold to the Paper segment for \$19 million and \$20 million, respectively.

Changes in Pulp net sales are as follows:

Three Months Ended Net Sales (in millions)	Changes Attributable to:			
	September 29, 2018	Price	Volume/Mix	September 28, 2019
High-yield pulp	\$ 46	\$ (10)	\$ (10)	\$ 26

Total net sales for the three months ended September 28, 2019 declined \$20 million, or 44 percent, to \$26 million. Average pulp sales prices declined 32 percent due to weak demand which also contributed to a decline in pulp sales volumes of approximately 24 percent.

Nine Months Ended Net Sales (in millions)	Changes Attributable to:			
	September 29, 2018	Price	Volume/Mix	September 28, 2019
High-yield pulp	\$ 133	\$ (22)	\$ (16)	\$ 95

Total net sales for the nine months ended September 28, 2019 declined \$38 million, or (29) percent, to \$95 million. Average pulp sales prices declined 22 percent due to weak demand while pulp sales volumes decreased approximately 14 percent as a result of lower production from market downtime and production reliability issues at the Temiscaming plant during the first quarter of 2019.

Changes in Pulp operating income are as follows:

Three Months Ended (in millions)	Gross Margin Changes Attributable to (a):					September 28, 2019
	September 29, 2018	Sales Price	Sales Volume/Mix	Cost	SG&A and other	
Operating income (loss)	\$ 13	\$ (10)	\$ (5)	\$ —	\$ —	\$ (2)
Operating margin %	28.3%	(19.9)%	(16.0)%	—%	—%	(7.6)%

(a) Sales Volume computed based on contribution margin.

Operating income decreased \$15 million for the three months ended September 28, 2019 to operating loss of \$2 million. The decline was primarily driven by lower pulp sales prices and volumes, as previously discussed.

Nine Months Ended

(in millions)	September 29, 2018	Gross Margin Changes Attributable to (a):				September 28, 2019
		Sales Price	Sales Volume/Mix	Cost	SG&A and other	
Operating income	\$ 37	\$ (22)	\$ (8)	\$ (5)	\$ 1	\$ 3
Operating margin %	27.8%	(14.3)%	(6.1)%	(5.3)%	1.1%	3.2%

(a) Sales Volume computed based on contribution margin.

Operating income decreased \$34 million for the nine months ended September 28, 2019 to operating income of \$3 million. The decline was primarily driven by lower pulp sales prices in addition to lower pulp sales volumes, as previously discussed.

Paper

(in millions)	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net Sales	\$ 74	\$ 78	\$ 218	\$ 238
Operating income (loss)	\$ —	\$ 13	\$ 1	\$ 24
Average Sales Prices (\$ per metric ton):				
Paperboard	\$ 1,097	\$ 1,120	\$ 1,105	\$ 1,136
Newsprint	\$ 532	\$ 633	\$ 542	\$ 590
Sales Volumes (in metric tons):				
Paperboard	49	45	137	131
Newsprint	38	44	123	151

Changes in Paper net sales are as follows:

Three Months Ended	September 29, 2018	Changes Attributable to:			September 28, 2019
		Price	Volume/Mix		
Net Sales					
(in millions)					
Paperboard	\$ 51	\$ (1)	\$ 4	\$ 54	
Newsprint	28	(4)	(4)	20	
Total Net Sales	\$ 79	\$ (5)	\$ —	\$ 74	

Total net sales for the three months ended September 28, 2019 declined \$5 million, or 6 percent, to \$74 million. Paperboard sales volumes increased during the quarter ended September 28, 2019 due to efforts to reduce inventories. Newsprint sales price declined 16 percent primarily due to the affects of the removal of duties on newsprint imported into the U.S and the continued decline in demand. Newsprint sales volumes declined 14 percent primarily as a result of reliability issues.

Nine Months Ended	September 29, 2018	Changes Attributable to:			September 28, 2019
		Price	Volume/Mix		
Net Sales					
(in millions)					
Paperboard	\$ 149	\$ (4)	\$ 6	\$ 151	
Newsprint	89	(6)	(16)	67	
Total Net Sales	\$ 238	\$ (10)	\$ (10)	\$ 218	

Net sales for the nine months ended September 28, 2019 declined \$20 million, or 9 percent, to \$218 million. Paperboard sales prices declined 3 percent due to increased competition and weaker markets. Paperboard sales volumes increased 5 percent primarily due to efforts to reduce inventories. Newsprint sales prices declined 8 percent primarily due to the affects of the removal of duties on newsprint imported into the U.S and the continued decline in demand. Newsprint sales volumes declined 19 percent due to production reliability issues and an energy curtailment that required production downtime at the Kapuskasing plant.

Changes in Paper operating income are as follows:

Three Months Ended (in millions)	September 29, 2018	Gross Margin Changes Attributable to (a):				September 28, 2019
		Sales Price	Sales Volume/Mix	Cost	SG&A and other	
Operating income (loss)	\$ 13	\$ (5)	\$ (1)	\$ (2)	\$ (5)	\$ —
Operating margin %	16.5%	(5.6)%	(1.4)%	(2.7)%	(6.8)%	—%

(a) Sales Volume computed based on contribution margin.

Operating income decreased \$13 million for the three months ended September 28, 2019 to \$0 million. The decline was primarily driven by lower newsprint sales prices and volumes, partially offset by higher paperboard volumes, as previously discussed. Costs increased during the third quarter of 2019 due to lower newsprint production levels, partially offset by lower pulp prices for the production of paperboard. SG&A costs increased as the 2018 three month period was favorably impacted by the reversal of \$5 million of duties on newsprint exported to the U.S.

Nine Months Ended (in millions)	September 29, 2018	Gross Margin Changes Attributable to (a):				September 28, 2019
		Sales Price	Sales Volume/Mix	Cost	SG&A and other	
Operating income	\$ 24	\$ (10)	\$ (8)	\$ (3)	\$ (2)	\$ 1
Operating margin %	10.1%	(3.9)%	(3.4)%	(1.4)%	(0.9)%	0.5%

(a) Sales Volume computed based on contribution margin.

Operating income decreased by \$23 million for the nine month period ended September 28, 2019 to \$1 million. The decline was primarily driven by lower paperboard prices and newsprint sales prices and volumes, partially offset by higher paperboard sales volumes, as previously discussed. Costs increased due to lower newsprint production levels, higher maintenance and transportation costs, partially offset by lower pulp costs for the production of paperboard and lower energy costs due to electrical credits received associated with provincial energy curtailment.

Corporate

Operating Income (Loss) (in millions)	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Operating loss	\$ (8)	\$ (25)	\$ (39)	\$ (48)

The operating loss for the three and nine months ended September 28, 2019 decreased from than the comparable 2018 periods due to lower incentive compensation expense, as a result of company performance, favorable foreign exchange impacts, an insurance recovery and the absence of severance expense that was recorded in 2018. The decreases were partially offset by higher legal and administrative costs incurred from the loan amendment that was finalized after the quarter ended.

Liquidity and Capital Resources

Cash flows from operations, primarily driven by operating results, have historically been our primary source of liquidity and capital resources. As a result of the significant decreases in the market prices for commodity products, primarily viscose, fluff, high-yield pulp, lumber, paperboard and newsprint, over the last nine months, our financial results have declined requiring us to amend the financial covenants under our Senior Secured Credit Facilities. On September 30, 2019, we entered into an Amendment of our Senior Secured Credit Facilities reducing the restrictions of the first lien secured net leverage ratio and the interest coverage ratio tests through the year ended December 31, 2021. Under the new Credit Agreement, we are in compliance with the financial covenants as of September 28, 2019 and, as such, management believes that there is no longer substantial doubt of the Company's ability to continue as a going concern. See Note 7 — *Debt and Finance Leases* of our financial statements for additional information.

Our Board of Directors has declared, and we have paid, cash dividends on our preferred stock of approximately \$10 million in 2019. The final cash dividend on our preferred shares of approximately \$3 million was paid on August 15, 2019 and we issued approximately 13.4 million shares of common stock at conversion.

Our Board of Directors has declared, and we have paid, cash dividends of \$0.07 per share on our common stock for the first and second quarters of 2019 for a total of approximately \$9 million. On September 6, 2019, our Board of Directors suspended

our quarterly common stock dividend to use the cash flow to pay down debt and fund capital investments as well as working capital needs. The declaration and payment of future common stock dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements and other factors the Board of Directors deems relevant. In addition, our debt facilities restrict the declaration and payment of future dividends.

On January 29, 2018, the Board of Directors authorized a \$100 million common stock share buyback, which we believe provides another option to maximize long-term shareholder value as we execute on a disciplined and balanced capital allocation strategy. For the nine months ended September 28, 2019, we did not repurchase any common shares under this buyback program. We do not expect to utilize any further authorization in the near future.

Our debt agreements contain various customary covenants. At September 28, 2019, we were in compliance with all covenants. Our financial statements include assets of \$1,537 million, year-to-date revenue of \$730 million, covenant EBITDA for the last twelve months of \$64 million and liabilities of \$858 million for non-guarantors of our debt as of September 28, 2019.

A summary of liquidity and capital resources is shown below (in millions of dollars):

	September 28, 2019	December 31, 2018
Cash and cash equivalents (a)	\$ 63	\$ 109
Availability under the Revolving Credit Facility (b)	167	217
Total debt (c)	1,234	1,188
Stockholders' equity	639	707
Total capitalization (total debt plus equity)	\$ 1,873	\$ 1,895
Debt to capital ratio	66%	63%

(a) Cash and cash equivalents consisted of cash, money market deposits and time deposits with original maturities of 90 days or less.

(b) Availability under the revolving credit facility is reduced by standby letters of credit of approximately \$33 million at September 28, 2019 and December 31, 2018.

(c) See Note 7 — *Debt and Finance Leases* of our financial statements for additional information.

During the nine months ended September 28, 2019, we did not have any required principal repayments on the Term A-1 or Term A-2 Loan Facility.

Cash Flows (in millions of dollars)

The following table summarizes our cash flows from operating, investing and financing activities for the nine months ended:

Cash Provided by (Used for):	September 28, 2019	September 29, 2018
Operating activities	\$ 24	\$ 160
Investing activities	\$ (83)	\$ (76)
Financing activities	\$ 18	\$ (73)

Cash provided by operating activities decreased \$136 million during the nine months ended of September 28, 2019 to \$24 million when compared to the same prior year period. Operating cash flows from continuing operations decreased primarily due to a decline in our operating results due mostly from lower prices across all segments, partially offset by a decrease in working capital requirements as lower inventories and accounts receivable were partially offset by lower accounts payable and accrued liabilities, from the timing of payments. Included in operating cash flows for the nine months ended September 28, 2019 and September 29, 2018 was cash provided by operating activities of discontinued operations of \$19 million and \$19 million, respectively.

Cash used for investing activities increased \$7 million during the first nine months of 2019 to \$83 million. Investing cash flows from continuing operations increased due to the absence of proceeds from the sale of the resin operation from September 2018, partially offset by lower capital spending. Included in cash used for investing activities in the nine months ended September 28, 2019 and September 29, 2018 was cash used for investing activities of discontinued operations of \$2 million and \$2 million, respectively.

Cash provided by financing activities increased \$91 million primarily due to a \$53 million increase in net borrowings on our revolving credit facility and \$24 million lower principal payments on our term loans. Common stock dividends paid decreased from \$11 million to \$9 million primarily as a result of the suspension of the quarterly dividend which was effective for the third quarter of 2019. Common shares repurchased decreased \$12 million primarily due to the absence of common stock repurchases of \$15 million under the share buyback program. See Note 7 — *Debt and Finance Leases*, Note 13 — *Earnings Per Share of Common Stock* and Note 14 — *Incentive Stock Plans* to our financial statements for additional information.

Performance and Liquidity Indicators

The discussion below is presented to enhance the reader’s understanding of our operating performance, liquidity, ability to generate cash and satisfy rating agency and creditor requirements. This information includes the following measures of financial results: EBITDA and adjusted free cash flows. These measures are not defined by U.S. Generally Accepted Accounting Principles (“GAAP”) and the discussion of EBITDA and adjusted free cash flows is not intended to conflict with or change any of the GAAP disclosures described above. Management considers these measures, in addition to operating income, to be important to estimate the enterprise and stockholder values of the Company, and for making strategic and operating decisions. In addition, analysts, investors and creditors use these measures when analyzing our operating performance, financial condition and cash generating ability. Management uses EBITDA as a performance measure and adjusted free cash flows as a liquidity measure. See Item 2 — *Note about Non-GAAP Financial Measures* for limitations associated with non-GAAP measures.

EBITDA is defined by SEC rules as earnings before interest, taxes, depreciation and amortization. EBITDA is not necessarily indicative of results that may be generated in future periods.

Below is a reconciliation of Income (Loss) from Continuing Operations to EBITDA and Adjusted EBITDA by segment (in millions of dollars):

Three Months Ended:	<u>Forest Products</u>	<u>Pulp</u>	<u>Paper</u>	<u>High Purity Cellulose</u>	<u>Corporate & Other</u>	<u>Total</u>
September 28, 2019						
Income (loss) from continuing operations	\$ (5)	\$ (2)	\$ 3	\$ 8	\$ (18)	\$ (14)
Depreciation and amortization	2	1	4	33	—	40
Interest expense, net	—	—	—	—	15	15
Income tax expense (benefit)	—	—	—	—	(5)	(5)
EBITDA	\$ (3)	\$ (1)	\$ 7	\$ 41	\$ (8)	\$ 36
Loan Amendment Costs	—	—	—	—	3	3
Insurance Recovery	—	—	—	—	(4)	(4)
Adjusted EBITDA	\$ (3)	\$ (1)	\$ 7	\$ 41	\$ (9)	\$ 35
September 29, 2018						
Income (loss) from continuing operations	\$ 8	\$ 13	\$ 16	\$ 40	\$ (47)	\$ 30
Depreciation and amortization	2	1	4	30	—	37
Interest expense, net	—	—	—	—	14	14
Income tax expense (benefit)	—	—	—	—	7	7
EBITDA	\$ 10	\$ 14	\$ 20	\$ 70	\$ (26)	\$ 88
Gain on bargain purchase	—	—	—	(7)	1	(6)
Severance expense	—	—	—	—	4	4
Adjusted EBITDA	\$ 10	\$ 14	\$ 20	\$ 63	\$ (21)	\$ 86

Nine Months Ended:

	<u>Forest Products</u>	<u>Pulp</u>	<u>Paper</u>	<u>High Purity Cellulose</u>	<u>Corporate & Other</u>	<u>Total</u>
September 28, 2019						
Income (loss) from continuing operations	\$ (27)	\$ 3	\$ 8	\$ 10	\$ (56)	\$ (62)
Depreciation and amortization	7	2	13	90	—	112
Interest expense, net	—	—	—	—	43	43
Income tax expense (benefit)	—	—	—	—	(26)	(26)
EBITDA	\$ (20)	\$ 5	\$ 21	\$ 100	\$ (39)	\$ 67
Insurance recovery	—	—	—	—	(4)	(4)
Loan amendment costs	—	—	—	—	3	3
Non-recurring expense (a)	—	—	—	—	1	1
Adjusted EBITDA	\$ (20)	\$ 5	\$ 21	\$ 100	\$ (39)	\$ 67

September 29, 2018

Income (loss) from continuing operations	\$ 35	\$ 37	\$ 31	\$ 97	\$ (107)	\$ 93
Depreciation and amortization	5	2	13	86	—	106
Interest expense, net	—	—	—	—	41	41
Income tax expense (benefit)	—	—	—	—	28	28
EBITDA	\$ 40	\$ 39	\$ 44	\$ 183	\$ (38)	\$ 268
Severance expense	—	—	—	—	4	\$ 4
Gain on bargain purchase	—	—	—	(10)	(11)	\$ (21)
Adjusted EBITDA	\$ 40	\$ 39	\$ 44	\$ 173	\$ (45)	\$ 251

(a) Non-recurring expenses are related to the Company's review of its commodity asset portfolio.

EBITDA and Adjusted EBITDA for the three and nine month periods ended September 28, 2019 decreased primarily due to lower operating income, primarily from lower prices across all segments. For the full discussion of changes to operating income, see *Management's Discussion of Results of Operations*.

We define adjusted free cash flows as cash provided by (used for) operating activities from continuing operations adjusted for capital expenditures excluding strategic capital. Adjusted free cash flows is a non-GAAP measure of cash generated during a period which is available for dividend distribution, debt reduction, strategic acquisitions and repurchase of our common stock. Adjusted free cash flows is not necessarily indicative of the adjusted free cash flows that may be generated in future periods.

Below is a reconciliation of cash flows from operations to adjusted free cash flows for the respective periods (in millions of dollars):

Cash Flows from Operations to Adjusted Free Cash Flows Reconciliation	Nine Months Ended	
	September 28, 2019	September 29, 2018
Cash provided by operating activities of continuing operations	\$ 5	\$ 141
Capital expenditures (a)	(63)	(58)
Adjusted Free Cash Flows	\$ (58)	\$ 83

(a) Capital expenditures exclude strategic capital expenditures which are deemed discretionary by management. Strategic expenditures for the first nine months of 2019 were approximately \$18 million. Strategic capital expenditures for the same period of 2018 were approximately \$29 million.

Adjusted free cash flows decreased primarily due to unfavorable earnings as well as increased capital expenditure requirements.

Contractual Financial Obligations and Off-Balance Sheet Arrangements

We have no material changes outside the ordinary course of business to the Contractual Financial Obligations table as presented in Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2018 Annual Report on Form 10-K.

See Note 18 — *Commitments and Contingencies* for details on our letters of credit and surety bonds as of September 28, 2019.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market and Other Economic Risks

We are exposed to various market risks, primarily changes in interest rates, currency and commodity prices. Our objective is to minimize the economic impact of these market risks. We use derivatives in accordance with policies and procedures approved by the Audit Committee of our Board of Directors. Derivatives are managed by a senior executive committee whose responsibilities include initiating, managing and monitoring resulting exposures. See Note 9 — *Derivative Instruments* for additional information.

We manage our foreign currency exposures by balancing certain assets and liabilities denominated in foreign currencies and through the use of foreign currency forward contracts. The principal objective of such contracts is to minimize the potential volatility and financial impact of changes in foreign currency exchange rates. The counterparties to these contractual agreements are major financial institutions with which we generally have other financial relationships. We are exposed to credit loss in the event of nonperformance by these counterparties. However, given their size and financial strength, we do not anticipate nonperformance by the counterparties. We do not utilize financial instruments for trading or other speculative purposes.

The prices, sales volumes and margins of the commodity products of our High Purity Cellulose segment and all the products of the Forest Products, Pulp and Paper segments have historically been cyclically affected by economic and market shifts, fluctuations in capacity, and changes in foreign currency exchange rates. In general, these products are commodities that are widely available from other producers; because these products have few distinguishing qualities from producer to producer, competition is based primarily on price, which is determined by supply relative to demand. The overall levels of demand for the products we manufacture, and consequently our sales and profitability, reflect fluctuations in end user demand. Our cellulose specialties product prices are impacted by market supply and demand, raw material and processing costs, changes in global currencies and other factors. They are not directly correlated to commodity paper pulp prices. In addition, a majority of our cellulose specialties products are under long-term contracts that expire between 2019 and 2021.

As of September 28, 2019, we had \$654 million principal amount variable rate debt, which is subject to interest rate risk. At this borrowing level, a hypothetical one-percentage point increase/decrease in interest rates would result in a corresponding increase/decrease of approximately \$7 million in interest payments and expense over a 12 month period. Our primary interest rate exposure on variable rate debt results from changes in the London interbank offered rate ("LIBOR").

The fair market value of our long-term fixed interest rate debt is also subject to interest rate risk. However, we intend to hold most of our debt until maturity. The estimated fair value of our fixed-rate debt at September 28, 2019 was \$448 million compared to the \$581 million principal amount. We use quoted market prices to estimate the fair value of our fixed-rate debt. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise.

We may periodically enter into commodity forward contracts to fix some of our energy costs that are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. Such forward contracts partially mitigate the risk of changes to our gross margins resulting from an increase or decrease in these costs. Forward contracts which are derivative instruments are reported in the consolidated balance sheets at their fair values, unless they qualify for the normal purchase normal sale ("NPNS") exception and such exception has been elected. If the NPNS exception is elected, the fair values of such contracts are not recognized on the balance sheet.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), are designed with the objective of ensuring that information required to be disclosed in reports filed under the Exchange Act, such as this quarterly report on Form 10-Q, is (1) recorded, processed, summarized and reported within the time periods specified in the

SEC's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Because of the inherent limitations in all control systems, no control evaluation can provide absolute assurance that all control exceptions and instances of fraud have been prevented or detected on a timely basis. Even systems determined to be effective can provide only reasonable assurance their objectives are achieved.

Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q, our management, including the Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were effective as of September 28, 2019.

During the quarter ended September 28, 2019, based upon the evaluation required by paragraph (d) of SEC Rule 13a-15, there were no changes in our internal control over financial reporting that would materially affect or are reasonably likely to materially affect our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

The Company is engaged in various legal and regulatory actions and proceedings, and has been named as a defendant in various lawsuits and claims arising in the ordinary course of its business. While the Company has procured reasonable and customary insurance covering risks normally occurring in connection with its businesses, the Company has in certain cases retained some risk through the operation of self-insurance, primarily in the areas of workers' compensation, property insurance, business interruption and general liability. While there can be no assurance, the ultimate outcome of these actions, either individually or in the aggregate, is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows, except as may be noted below.

Jesup Plant Permit

On January 27, 2016, the Altamaha Riverkeeper ("ARK") filed a Petition for Hearing in the Office of Administrative Hearings for the State of Georgia, captioned Altamaha Riverkeeper, Inc. v. Environmental Protection Division (the "EPD"), Georgia Department of Natural Resources, in which ARK appealed the issuance by the EPD to the Company of a new permit for the treatment and discharge of waste water from the Jesup mill, which was to go into effect March 1, 2016. In the petition, ARK claims, among other things, that the issuance of the permit by the EPD would violate Georgia's narrative water quality standard, a rule promulgated by the Georgia Department of Natural Resources Board pursuant to certain provisions of the Clean Water Act and the Georgia Water Quality Control Act. The petition seeks to have the permit invalidated and modified as demanded by ARK. On February 16, 2016, the Company moved to legally intervene, as a party-in-interest, in this matter (because the EPD, as the permit issuer, is the named defendant) and its petition was granted by the administrative law judge ("ALJ"). The trial was held in June of 2016, and on September 30, 2016 the ALJ issued her decision. While the ALJ rejected many of ARK's claims, she held there existed a reasonable potential for the Company's treated effluent discharged to the Altamaha River to cause a violation of Georgia's narrative water quality standard, but only under low (rather than "normal") river flow conditions. As such, the ALJ reversed the issuance of the new permit by EPD and remanded the matter back to the EPD for consideration and issuance of a permit that comports with this ruling.

The Company strongly disagreed with the decision and appealed it, as did the EPD. The appeal was heard in the Superior Court of Wayne County, Georgia and on March 17, 2017 the Superior Court Judge issued an order reversing ALJ's decision and ordering the permit affirmed as issued by the EPD. ARK appealed this decision to the Georgia Court of Appeals. Before the Court of Appeals ruled, on March 27, 2018 the Georgia Department of Natural Resources Board (the "Board") voted to clarify the language of the narrative water quality standard at issue in this litigation. The language clarification adopted by the Board confirmed and essentially ratified the Superior Court's decision. On June 13, 2018, the Court of Appeals issued its opinion affirming the Superior Court's decision, and remanded the case to the ALJ to apply the standard advocated by the Company and articulated by the Superior Court, as affirmed by the Court of Appeals, to the issuance of the Permit. To provide certainty to the Company while this matter is on remand to the ALJ, the Company and the EPD have entered into a consent order requiring the Company to continue to operate under the conditions of the Permit.

ARK filed a petition asking the Georgia Supreme Court to hear its appeal of the Court of Appeals decision, and the Company and EPD have filed papers opposing the petition. Granting of certiorari in this case is discretionary on the part of the Georgia Supreme Court and, on August 5, 2019, the Court declined ARK's certiorari petition, which left in place the decisions of both the Superior Court and Court of Appeals. As such, this matter has now been remanded back to the ALJ for action consistent with the legal standard and instructions articulated in the Court of Appeals decision.

Stockholder Lawsuit

On August 17, 2017, the City of Warren General Employees' Retirement System filed a putative class action complaint against the Company, Paul Boynton, our CEO, and Frank Ruperto, our CFO, in the United States District Court, Middle District of Tennessee, Nashville Division. The plaintiffs allege the Company made false statements in filings with the U.S. Securities and Exchange Commission ("SEC") and other public statements related to certain litigation with Eastman Chemical, a customer of the Company, in third quarter and fourth quarter 2015, in violation of §§10(b) and 20(a) of the Securities Exchange Act of 1934, causing unspecified damages to stockholders of the Company who purchased stock in the Company between October 29, 2014 and August 19, 2015. The applicable Eastman litigation was resolved via settlement in 2015. The Company was served with the complaint on August 28, 2017. On November 13, 2017, the Court appointed the Michigan Carpenters' Pension Fund and Local 295 IBT Employer Group Pension Trust Fund as lead plaintiff, and a law firm to act as lead counsel. On January 10, 2018, the Company and the individual defendants filed a motion to dismiss the case for improper venue or, in the alternative, asked the court to transfer it to the U. S. District Court for the Middle District of Florida. Per the court scheduling order, the lead plaintiff filed a

consolidated amended complaint (the “CAC”) on January 12, 2018. The CAC added Benson Woo, former CFO of the Company, as an additional defendant.

On June 15, 2018, the U.S. District Court for the Middle District of Tennessee granted the Company’s motion to transfer the case to the Middle District of Florida, and on July 16, 2018 the Company filed a motion to dismiss the case. On March 29, 2019, the Court issued an order of judgment and dismissal, with prejudice, of the plaintiffs’ complaint. Plaintiffs and their counsel have elected not to appeal the dismissal and this matter is now concluded.

In a related matter, on August 16, 2018, the Company received a derivative demand letter on behalf of Russell K. Carlisle, a purported stockholder, demanding that the Company’s Board of Directors investigate and take action on behalf of the Company against the individual defendants named in the City of Warren lawsuit and certain current and former members of the Board of Directors of the Company. The demand alleges substantially similar facts as those set forth in the City of Warren action, and claims them to be breaches of fiduciary duties owed to the Company by the individual defendants in City of Warren and members of the Company’s Board of Directors during the alleged class period described in the case. The Company, the individuals named and Mr. Carlisle have agreed to toll any action on the derivative claim pending the decision of the U.S. District Court on the Company’s motion to dismiss the City of Warren suit. Given the March 29, 2019 order of judgment and dismissal of the City of Warren lawsuit by the U.S. District Court for the Middle District of Florida, it is anticipated that Mr. Carlisle and his counsel will no longer pursue this derivative claim.

Item 1A. Risk Factors

In addition to the risk factors previously disclosed in our 2018 Annual Report on Form 10-K and 2019 Quarterly Reports on Form 10-Q, the following risk factor is hereby added:

While the Company has entered into an amendment (the “Amendment”) to its Senior Secured Credit Facilities (as amended by the Amendment, the “Credit Agreement”) to address the risk of potential non-compliance with certain covenants at the end of the third quarter of 2019, there can be no assurances that the Company will continue in full compliance with the amended covenants provided in the Credit Amendment through December 31, 2021, which is the date covenant relief granted under the Amendment expires.

Cash flows from operations, primarily driven by operating results, have historically been our primary source of liquidity and capital resources. As a result of the significant decreases in the market prices for commodity products, primarily viscose, fluff, high-yield pulp, lumber, paperboard and newsprint, over the last nine months, our financial results have declined requiring us to amend the financial covenants under our Senior Secured Credit Facilities. On September 30, 2019, the Company entered into an Amendment of its Senior Secured Credit Facilities reducing the restrictions of its first lien secured net leverage ratio and the interest coverage ratio tests through the year ended December 31, 2021. Under the new Credit Agreement the Company is in compliance with the financial covenants as of September 28, 2019 and, as such, management believes that there is no longer substantial doubt of the Company’s ability to continue as a going concern.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds***Issuer Purchases of Equity Securities***

The following table provides information regarding our purchases of Rayonier Advanced Materials common stock during the quarter ended September 28, 2019:

Period	Total Number of Shares Purchased (b)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (a)
June 30 to August 3	727	\$ 5.97	—	\$ 60,294,000
August 3 to August 31	250	2.53	—	\$ 60,294,000
September 1 to September 28	50	3.51	—	\$ 60,294,000
Total	<u>1,027</u>		<u>—</u>	

(a) As of September 28, 2019, approximately \$60 million of share repurchase authorization remains under the authorization declared by the Board of Directors on January 29, 2018.

(b) Repurchased to satisfy the tax withholding requirements related to the issuance of stock under the Rayonier Advanced Materials Incentive Stock Plan.

Item 6. Exhibits

10.1	First Amendment to Amended and Restated Credit Agreement, dated as of September 30, 2019, among Rayonier Advanced Materials Inc., as Holdings, Rayonier A.M. Products Inc. and Rayonier Performance Fibers, LLC, as Borrowers, certain subsidiaries of Rayonier Advanced Materials Inc. party thereto, the lenders and L/C issuers party thereto and Bank of America, N.A., as Administrative Agent	Incorporated herein by reference to Exhibit 10.1 to the Registrant's 8-K filed on October 2, 2019
10.2	First Amendment to the Rayonier Advanced Materials Inc. 2017 Incentive Stock Plan, effective May 22, 2017*	Filed herewith
10.3	Rayonier Advanced Materials Inc. Amended and Restated Executive Severance Pay Plan, effective October 21, 2019*	Filed herewith
10.4	First Amendment to the Rayonier Advanced Materials Inc. Non Change In Control Executive Severance Plan*	Filed herewith
10.5	Rayonier Advanced Materials Inc. Retirement Plan, Amended and Restated October 21, 2019*	Filed herewith
31.1	Chief Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Chief Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32	Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	The following financial information from our Quarterly Report on Form 10-Q for the three and nine months ended September 28, 2019 formatted in Extensible Business Reporting Language ("XBRL"), includes: (i) the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the Three and Nine Months Ended September 28, 2019 and September 29, 2018; (ii) the Consolidated Balance Sheets as of September 28, 2019 and December 31, 2018; (iii) the Consolidated Statements of Cash Flows for the Nine Months Ended September 28, 2019 and September 29, 2018; and (iv) the Notes to Consolidated Financial Statements	Filed herewith
104	Cover Page Interactive Data File - formatted as Inline XBRL and contained in Exhibit 101	

*Management contract or compensatory plan. The Company conducted a management plan inventory and review and identified some inconsistencies in language between plans. As a result of this review Exhibits 10.2, 10.3, 10.4 and 10.5 to this filing were amended to be consistent, remove administrative ambiguities, modernized and made comparable to current market trends and data.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Rayonier Advanced Materials Inc.

(Registrant)

By: /s/ MARCUS J. MOELTNER

Marcus J. Moeltner

Chief Financial Officer and

Senior Vice President, Finance

(Duly Authorized Officer and Principal Financial Officer)

Date: November 7, 2019

FIRST AMENDMENT TO THE RAYONIER ADVANCED MATERIALS INC. 2017 INCENTIVE STOCK PLAN

This First Amendment (this "Amendment") to the Rayonier Advanced Materials Inc. 2017 Incentive Stock Plan (the "2017 Plan") is adopted as of October 21, 2019 by the Board of Directors of Rayonier Advanced Materials Inc. (the "Company").

1. The definition of Change in Control in Section 2 of the 2017 Plan is hereby amended and restated in its entirety to read as follows:
 "Change in Control" has the meaning set forth in the Executive Severance Plan.
2. Section 10(c)(iii) of the 2017 Plan is hereby deleted in its entirety.
3. Except as expressly amended hereby, the terms and conditions of the 2017 Plan shall remain in full force and effect.

Rayonier Advanced Materials Inc.

Amended and Restated Executive Severance Pay Plan

1. Purpose

The Compensation and Management Development Committee of the Board of Directors of Rayonier Advanced Materials Inc. recognizes that, as with many publicly held corporations, there exists the possibility of a Change in Control of the Company. This possibility and the uncertainty it creates may result in the loss or distraction of senior executives of the Company, to the detriment of the Company and its shareholders.

Accordingly, the Committee has determined that appropriate steps should be taken to assure the Company of the continued employment, attention and dedication to duty of its senior executives-including maintaining professionalism, indifference and objectivity in negotiating with a potential acquirer and to seek to ensure the availability of their continued service, notwithstanding the possibility, threat, or occurrence of a Change in Control.

Therefore, in order to fulfill the above purposes, this Amended and Restated Executive Severance Pay Plan is adopted effective as of October 21, 2019 (the "Plan Effective Date") for any Change in Control that occurs on or after the Plan Effective Date.

The definitions of capitalized terms are located in Section 8.

2. Covered Employees

Covered employees under this Plan are those full-time, regular executive salaried employees of the Company, who are identified and designated as Tier I or Tier II on Appendix A attached hereto (each, an "Executive"), as such Appendix A may, subject to Section 13, be amended by the Committee from time to time prior to a Change in Control.

An Executive shall cease to be a participant in this Plan only as a result of termination or amendment of this Plan complying with Section 13, or when he or she ceases to be a full time employee of the Company, unless, at the time he or she ceases to be an employee, such Executive is entitled to payment of Separation Benefits as provided in this Plan or there has been an event or occurrence that constitutes Good Reason after a Change in Control that would enable such Executive to terminate his or her employment and receive Separation Benefits. An Executive entitled to payment of Separation Benefits under the Plan shall remain a participant in the Plan until the full amount of the Separation Benefits has been paid to such Executive.

3. Upon a Qualifying Termination

A. Qualifying Termination. If, within two years following a Change in Control, (a) an Executive terminates his or her full time employment for Good Reason, or (b) the Company terminates an Executive's full time employment, the Executive shall be provided Scheduled Severance Pay and Additional Severance (collectively, "Separation Benefits") in accordance with the terms of this Plan, except that Separation Benefits shall not be payable where the Executive:

- is terminated for Cause;
 - voluntarily resigns (including normal retirement), other than for Good Reason;
- or
- terminates employment as a result of the Executive's death or Disability.

Any non-expected termination is a "Qualifying Termination."

B. Definitions Related to Qualifying Termination. For purposes of this Section 3, the following terms have the indicated definitions:

"Cause" shall mean with respect to any Executive: (i) the willful and continued failure of the Executive for a period of ninety (90) days to perform substantially the Executive's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board that specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the engaging by the Executive in illegal conduct or gross misconduct that is demonstrably injurious to the Company. For purposes of this definition, no act or failure to act on the part of an Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of

counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by an Executive in good faith and, in the best interests of the Company. An Executive shall be deemed to have engaged in illegal conduct and shall be subject to termination for Cause if the Executive has been indicted or charged by any prosecuting agency with the commission of a felony.

“Disability” shall mean an illness or injury that has prevented the applicable Executive from performing his or her duties (as they existed immediately prior to the illness or injury) on a full-time basis for 180 consecutive business days.

“Good Reason” shall mean, with respect to any Executive: (i) the assignment to the Executive of any duties inconsistent in any respect with the Executive’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately before the Change in Control, or any other action by the Company that results in a significant diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive; (ii) any material reduction in the Executive’s Base Pay, opportunity to earn annual bonuses or other compensation or employee benefits, other than as a result of an isolated and inadvertent action not taken in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by the Executive; (iii) the Company’s requiring the Executive to relocate his or her principal place of business to a place which is more than fifty (50) miles from his or her previous principal place of business; or (iv) any purported termination of this Plan (or of the Executive’s participation therein) otherwise than as expressly permitted by this Plan. Notwithstanding the foregoing, no termination shall be deemed to be for Good Reason unless (1) the applicable Executive gives written notice to the Company of the event or condition claimed to constitute Good Reason within ninety (90) days of the first occurrence of such event or condition, (2) the Company fails to cure such event or condition within thirty (30) days of such notice, and (3) the Executive gives a notice of termination specifying a date of termination not later than one hundred and twenty (120) days after delivery by the Executive of the written notice to the Company of the event or condition claimed to constitute Good Reason.

4. **Plan Benefits**

For purposes of this Plan, “Plan Benefits” consist of (i) Scheduled Severance Pay calculated as provided in Section 4A, (ii) Additional Severance calculated as provided in Section 4B and Section 4C, and (iii) the Equity Benefits as provided in Section 4D. The Company shall pay the Scheduled Severance Pay and Additional Severance to the applicable Executive in a lump sum not later than ten (10) days after the Effective Date of the Qualifying Termination; provided that, no portion of the Scheduled Severance Pay or Additional Severance that is payable on account of an Executive’s Separation from Service shall be paid earlier than the end of the Separation Delay Period if the payment is on account of such Separation from Service and at that date the Executive is a Specified Employee; provided that, such delay in payment shall not apply to any portion of the Scheduled Severance Pay or Additional Severance that is excepted from such delay under the Code Section 409A Rules as a Short-Term Deferral or Separation Pay. The Company shall implement the Equity Benefits in accordance with the terms of the Applicable Equity Plan.

A. An Executive’s “Scheduled Severance Pay” is the product of the Executive’s Base Pay times the Executive’s Applicable Tier Multiplier.

B. An Executive’s “Additional Severance” is the sum of the Executive’s Benefits Continuation Amount, calculated as provided in Section 4C below, and the Executive’s Bonus Severance, calculated as provided in this Section 4B.

(i) An Executive’s “Bonus Severance” is the product of the Executive’s Applicable Bonus times the Executive’s Applicable Tier Multiplier, together with an additional amount equal to the Executive’s Current Pro-rata Bonus.

(1) An Executive’s “Applicable Bonus” is the greatest of (A) the highest bonus amount actually paid to the Executive under the Rayonier Advanced Materials annual incentive bonus plan (the “Bonus Plan”) in the three year period comprised of the year of the Qualifying Termination and the two immediately preceding calendar years, (B) the Executive’s Target Bonus Award under the Bonus Plan for the year in which the Change in Control takes place or (C) the Executive’s Target Bonus Award under the Bonus Plan in the year of Qualifying Termination. An Executive’s Applicable Bonus shall be determined without regard to any election the Executive may have made to defer receipt of all or any portion thereof as if there had been no deferral election in effect.

(2) An Executive’s “Current Pro-rata Bonus” is equal to the product of the Executive’s Applicable Bonus times a fraction the numerator of which is the number of months or portion thereof lapsed in the then current year prior to the Qualifying Termination and the denominator of which is twelve.

C. Benefits Continuation Amounts. An Executive’s Benefits Continuation Amount is the sum of the Executive’s Retirement Plans Adjustment and Other Benefits Adjustment. An Executive’s Retirement Plans Adjustment shall be in addition to amounts to which the Executive is entitled under the Retirement Plan for Salaried Employees of Rayonier Advanced Materials Inc. (the “Qualified Pension Plan,” and, together with the Company’s Excess Benefit Plan (the “Supplemental Pension Plan”), the “Pension Plans”), the Retirement Plan for Salaried Employees of ITT Corporation, the Rayonier Advanced Materials Investment and Savings Plan for Salaried Employees (the “Savings Plan”) and the Supplemental Plans (collectively, the “Retirement Plans”), in effect on the Effective Date of the Qualifying Termination. (Capitalized terms in this Section 4C that are not otherwise defined here or elsewhere in this Plan shall have the meaning ascribed to them in the applicable Retirement Plans.)

(i) An Executive's "Retirement Plans Adjustment" shall equal the sum of (i) the Executive's Savings Plan Adjustment plus (ii) for Executives who participate in the Pension Plans, the Pension Adjustment. The Pension Adjustment is an amount equal to the excess of (X) over (Y), where (X) is the "Equivalent Actuarial Value" of the benefit to which the applicable Executive would have been entitled under the terms of the Pension Plans, without regard to "vesting" thereunder, had the Executive accumulated an additional 3 years of eligibility service as a fully vested participant in the Pension Plans and an additional 3 years of benefit service in the Pension Plans and as if the Executive were 3 years older, solely for purposes of benefit eligibility and determining the amount of reduction in benefit on account of payment commencing prior to the Executive's normal retirement date (which for this purpose shall mean the first of the month that coincides with or follows the applicable Executive's 65th birthday), and by defining the Executive's "Final Average Compensation" as equal to the greater of the Executive's Base Pay and target bonus on the Effective Date of the Qualifying Termination or the Executive's Final Average Compensation as determined under the terms of the Qualified Pension Plan, and (Y) is the Equivalent Actuarial Value of the amounts otherwise actually payable to the Executive under the Pension Plans. The Equivalent Actuarial Value shall be determined using the same assumptions utilized under the Qualified Pension Plan upon the date of payment of the Benefits Continuation Amount and based on the applicable Executive's age on such date. For clarity, to the extent that an Executive participates in a Pension Plan as of immediately prior to a Change in Control (without regard to whether participation in such plan continues after the Change in Control) but has received (or will receive) a lump sum distribution of such Executive's benefit thereunder in connection with such Change in Control, the amount payable under this paragraph in respect of such Pension Plan shall represent the excess of (1) the amount that would have been payable to the Executive in such distribution had the age, service, and compensation credits contemplated by clause (X) above been applied immediately prior to the date used for determination of the amount actually distributed over (2) the amount actually so distributed (or to be distributed).

An Executive's Savings Plan Adjustment shall equal the Company contributions (including, for the avoidance of doubt, Enhanced Retirement Contributions) that would have been made under the Qualified Savings Plan and the Rayonier Advanced Materials Inc. Excess Savings and Deferred Compensation Plan (the "Supplemental Savings Plan," and together with the Qualified Savings Plan, the "Savings Plans") during the three-year period immediately following the Effective Date of the Qualifying Termination, had the applicable Executive remained employed and continued to participate in those plans at the level of compensation and rate of contribution in effect as of the pay date immediately preceding the Effective Date of the Qualifying Termination; provided, for clarity, that to the extent an Executive participated in a Savings Plan prior to a Change in Control and such participation terminated prior to the Effective Date of the Qualifying Termination or will terminate thereafter due to a lump sum distribution of such Executive's benefit thereunder in connection with such Change in Control, the Savings Plan Adjustment in respect of such Savings Plan shall be determined based on the Company contributions that would have been made during the three-year period immediately following the Change in Control had such Savings Plan remained in effect through such period on the terms in effect as of immediately prior to such Change in Control. For clarity, for purposes of calculating the Savings Plan Adjustment, an Executive shall not be required to contribute to the Savings Plans nor shall the Company be required to include in the Savings Plan Adjustment amounts attributable to contributions an Executive would have made under the Savings Plans had the Executive continued to participate in those plans. The Company shall only be obligated to include in the Savings Plan Adjustment the Company contributions that would have been made under the Savings Plans based upon the assumptions set forth in the first sentence of this paragraph (including the proviso thereto), without allocating any deemed earnings to said Company contributions.

(ii) Other Benefits Adjustment. The "Other Benefits Adjustment" is an amount equal to the sum of the Medical Benefits Payment, the Executive Tax Services Payment and the Outplacement Services, determined as provided in subsections (1) - (3) below.

(1) An Executive's "Medical Benefits Payment" is the product of the annual employer contribution component of the health and welfare plans maintained for the applicable Executive as of the Change in Control under the applicable employee welfare benefit plan (within the meaning of Section 3(1) of ERISA) maintained by the Company for the benefit of the Company's employees at such date, times the Executive's Applicable Tier Multiplier, discounted for present value applying a 4% discount rate.

(2) An Executive's "Executive Tax Services Payment" means \$10,000 in the case of a Tier II Executive and, in the case of a Tier I Executive, the amount that otherwise would be payable for one year under the Company's Senior Executive Tax Plan (or any successor thereto), as applicable to the Executive immediately prior to the Change in Control, together with an amount equal to any Senior Executive Tax Plan benefits accrued but unpaid as of the Effective Date of the Qualifying Termination.

(3) "Outplacement Services" means the cost of outplacement services, the scope and provider of which shall be selected by the applicable Executive in his or her sole discretion, for a period not to extend beyond twelve (12) months after the Effective Date of the Qualifying Termination, in an amount not to exceed \$30,000 in the aggregate.

D. Equity Benefits. Company shall provide to the applicable Executive the benefits due under the Applicable Incentive Stock Plans of the Company upon a Qualifying Termination hereunder (collectively, the "Equity Benefits").

5. **Dispute Resolution**

A. In the event any dispute arises between an Executive and the Company as to the validity, enforceability and/or interpretation of any right or benefit afforded by this Plan, at the Executive's option such dispute shall be resolved by binding arbitration proceedings in accordance with the rules of the American Arbitration Association. The arbitrators shall presume that the rights and/or benefits afforded by this Plan which are in dispute are valid and enforceable and that the Executive is entitled to such rights and/or benefits. The Company shall be precluded from asserting that such rights and/or benefits are not valid, binding and enforceable and shall stipulate before such arbitrators that the Company is bound by all the provisions of this Plan. The burden of overcoming by clear and convincing evidence the presumption that an Executive is entitled to such rights and/or benefits shall be on the Company. The results of any arbitration shall be conclusive on both parties and shall not be subject to judicial interference or review on any ground whatsoever, including without limitation any claim that the Company was wrongfully induced to enter into this agreement to arbitrate such a dispute.

The Company shall pay the cost of any arbitration proceedings under this Plan. The applicable Executive shall be entitled (within two (2) business days of requesting such advance) to an advance of the actual legal fees and expenses incurred by such Executive in connection with such proceedings and such Executive shall be obligated to reimburse the Company for such fees and expenses in connection with such arbitration proceedings only if it is finally and specifically determined by the arbitrators that such Executive's position in initiating the arbitration was frivolous and completely without merit.

B. In the event an Executive is required to defend in any legal action or other proceeding the validity or enforceability of any right or benefit afforded by this Plan, the Company will pay any and all actual legal fees and expenses incurred by such Executive regardless of the outcome of such action and, if requested by such Executive, shall (within two business days of such request) advance such expenses to such Executive. The Company shall be precluded from asserting in any judicial or other proceeding commenced with respect to any right or benefit afforded by this Plan that such rights and benefits are not valid, binding and enforceable and shall stipulate in any such proceeding that the Company is bound by all the provisions of this Plan.

C. Amounts payable by the Company under this Section 5 shall in the first instance be paid by the trustee under the trust established by that certain Trust Agreement, known as the "Legal Resources Trust", to the extent such amounts were previously transferred by the Company to the trustee of the Legal Resources Trust.

6. **Covenants of Executive**

A. As a condition to the receipt of a designated portion of the Plan Benefits otherwise payable hereunder in cash (such portion, the "Covenant Amount") and in consideration thereof, the applicable Executive shall be deemed to have made and be bound by the "Change in Control Covenants" (defined below), which at the request of the Company shall be acknowledged by the Executive in a simple declarative statement "I hereby confirm that I am bound by the Change in Control Covenants" attested to in writing by the Executive. The Covenant Amount shall be equal to so much of the identified amount payable in cash as the Company shall designate in a written notice to the applicable Executive given within thirty (30) days of the Qualifying Termination; provided that, the Covenant Amount shall not exceed an amount equal to the Base Pay of such Executive immediately before the Qualifying Termination multiplied by such Executive's Applicable Tier Multiplier and determined by the Company in good faith to be reasonable compensation for the Change in Control Covenants. For the sake of clarity, the Covenant Amount shall not be an additional payment beyond the Plan Benefits provided for under this Plan; rather, a portion of the Plan Benefits that the applicable Executive is otherwise entitled to receive hereunder shall be allocated as the Covenant Amount; and provided further that, an Executive who receives any Plan Benefit under this Plan shall make, and will be bound by, the Change in Control Covenants.

B. An Executive's "Change in Control Covenants" are the Non-compete Covenants and the Confidentiality Covenants as set forth in this Section 6B.

(i) Non-compete Covenants. For a period equal to one year following a Qualifying Termination (the "Covenant Period"), the applicable Executive covenants that such Executive shall not, without the prior authorization of the Company (which shall not be unreasonably withheld):

- (1) accept or maintain employment with, or act as a principal of, or advisor or consultant to, or otherwise act as an agent of, any person, firm, corporation or other entity that competes directly with Company immediately before the Qualifying Termination; or
- (2) solicit any client having a relationship with the Company to terminate or reduce in a way materially adverse to the Company any relationship such client has with the Company; or
- (3) solicit for employment any individual that was employed by the Company within sixty (60) days preceding the Qualifying Termination and who was employed by the Company during the Covenant Period and within sixty (60) days prior to such solicitation; or
- (4) except as permitted or compelled by law, orally or in writing, disparage, demean or deprecate the Company or any products of the Company.

(ii) Confidentiality Covenants. While employed by the Company following the Change in Control, and for a period of two (2) years following a Qualifying Termination (the "Confidential Information Period"), the applicable Executive covenants that he or she shall not disclose or make available to any person or entity any "Confidential Information" (as defined below) and shall not use or cause to be used any Confidential Information for any purpose other than fulfilling such Executive's

employment obligations to the Company, without the express prior written authorization of the Company. For this purpose, “Confidential Information” means all information about the Company relating to any of its products or services or any phase of operations, including, without limitation, Trade Secrets (as defined below), business plans and strategies, know-how, contracts, financial statements, pricing strategies, costs, customers and potential customers, vendors and potential vendors, marketing and distribution information, business results, software, hardware, databases, processes, procedures, technologies, designs, inventions, concepts, ideas, and methods not generally known through legitimate means to any of its competitors with which the applicable Executive became acquainted during the term of employment by the Company. “Trade Secrets” are all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing.

Pursuant to the Defend Trade Secrets Act of 2016, the applicable Executive understands that he or she cannot be held criminally or civilly liable under any federal or state trade secret law for the disclosure of Trade Secrets that (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. The applicable Executive also understands that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer’s Trade Secrets to the attorney and the Trade Secret information in the court proceeding, if the individual: (a) files any document containing the Trade Secret under seal, and (b) does not disclose the Trade Secret, except pursuant to a court order.

Moreover, the covenants set forth in Sections 6B(i)(4) and 6B(ii), are not intended to, and do not prevent any Executive from voluntarily providing information to a government agency nor require Executive to obtain express prior written authorization of the Company before doing so.

Confidential Information also includes confidential information of third parties made available to the Company on a confidential basis, but does not include (a) information which is generally known to the public without breach by the applicable Executive, (b) was given to the applicable Executive by a third party without any obligation of confidentiality, or (c) was obtained or independently developed by the applicable Executive prior to or following employment by the Company without the use of information that is otherwise Confidential Information.

(iii) Certain Public Company Employment. An Executive will not be considered to have violated the covenant in Section 6B(i)(1) above by employment with a public company that competes with the Company as long as (1) the Executive does not work in a competing division of the public company and (2) no competing division of the public company reports to the Executive.

C. Remedies Limited to Equitable Relief. By accepting payment of the Covenant Amount, the applicable Executive shall be deemed (a) to have acknowledged that in the event such Executive breaches any of the Change in Control Covenants, the damages to the Company would be irreparable and that the Company shall have the right to seek injunctive and/or other equitable relief in any court of competent jurisdiction to enforce the Change in Control Covenants and (b) to have consented to the issuance of a temporary restraining order to maintain the status quo pending the outcome of any proceeding. The foregoing shall be the exclusive remedy of the Company for a breach of the Change in Control Covenants and under no circumstances shall the Company be entitled to seek return of all or any portion of the Covenant Amount or of any other amount payable hereunder, nor shall the Company be awarded or accept monetary damages for any such breach.

7. **Section 280G Cutback**

A. Notwithstanding any provision of this Plan to the contrary, in the event that the payments and other benefits payable under this Plan or otherwise payable to an Executive under any other plan, program, arrangement, or agreement maintained by the Company or one of its affiliates (i) would constitute an “excess parachute payment” (as defined under Code Section 280G) and (ii) would be subject to the excise tax imposed by Section 4999 of the Code, then such payments and other benefits shall be payable either (x) in full or (y) in a reduced amount that would result in no portion of such payments and other benefits being subject to the excise tax imposed under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state, and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by such Executive on an after-tax basis, of the greatest amount of severance benefits under this Plan or otherwise, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code.

B. The determination of whether it is necessary to decrease a payment or benefit to be paid under this Plan must be made in good faith by a nationally recognized certified public accounting firm (the “Accounting Firm”) selected by the Company. In connection with making any such determination, the Accounting Firm shall take into account the value of any reasonable compensation for services to be rendered by the applicable Executive before or after the Change in Control, including any noncompetition provisions that may apply to such Executive (whether set forth herein or otherwise), and the Company shall cooperate in the valuation of any such services, including any noncompetition provisions. This determination will be conclusive and binding upon the applicable Executive and the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity, or group effecting the Change in Control, the Company shall appoint another nationally recognized

accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). The Company shall bear all fees of the Accounting Firm. If a reduction is necessary, the applicable Executive will have the right to designate the particular payment or benefit to be reduced or eliminated so that no portion of the payment or benefit to be paid to such Executive will be an excess parachute payment subject to the deduction limits under Section 280G of the Code and the excise tax under Section 4999. However, no payment of “deferred compensation” (as defined under Treasury Regulation Section 1.409-1(b)(1) after giving effect to the exemptions in Treasury Regulation Sections 1.409-1(b)(3) through (b)(12)) may be reduced to the extent that a reduction can be made to any payment or benefit that is not “deferred compensation.”

8. **Definitions**

The following terms used in this Plan have the indicated meaning:

“Accounting Firm” has the meaning set forth in Section 7.

“Additional Severance” with respect to an Executive means the sum of the Executive’s Benefits Continuation Amount and the Executive’s Bonus Severance as set forth in Section 4B.

“Applicable Bonus” has the definition set forth in Section 4B(i)(1).

“Applicable Incentive Stock Plan” means the Rayonier Advanced Materials Incentive Stock and Management Bonus Plan, as amended, as the context dictates, as in effect immediately prior to a Change in Control.

“Applicable Tier Multiplier” means three (3) for Tier I Executives and two (2) for Tier II Executives.

“Award” has the meaning set forth in the Applicable Incentive Stock Plan, as the context requires.

“Base Pay” means the annual base salary rate payable to the applicable Executive at the Effective Date of the Qualifying Termination, including compensation converted to other benefits under a flexible pay arrangement maintained by the Company or deferred pursuant to a written plan or agreement with the Company, provided that, such annual base salary rate shall in no event be less than the highest annual base salary rate paid to such Executive at any time during the twenty-four (24) month period immediately preceding the Change in Control.

“Benefits Continuation Amount” with respect to an Executive means the amount calculated as provided in Section 4C and payable upon a Qualifying Termination.

“Board” means the Board of Directors of the Company.

“Bonus Plan” has the definition set forth in Section 4B(i)(1).

“Bonus Severance” with respect to an Executive means the sum of the amount calculated under Section 4B(i)(1) and the Current Pro-rata Bonus calculated under Section 4B(i)(2), and payable upon a Qualifying Termination.

“Business Combination” has the definition provided in paragraph 3 of the definition of Change in Control.

“Businesses” has the definition set forth in Section 6B(i)(1).

“Cause” has the definition provided in Section 3B.

“Change in Control” means the occurrence of any of the following:

(1) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (A) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that, for purposes of this paragraph, the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliated Company or (iv) any acquisition pursuant to a transaction that complies with paragraphs (3)(A), (3)(B) and (3)(C) of this definition;

(2) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(3) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or securities of another entity by the Company or any of its subsidiaries (each, a “Business Combination”), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(4) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, in the event that a payment of deferred compensation within the meaning of Section 409A of the Code is to be made upon a Change in Control, or in the event that it is otherwise necessary for purposes of Section 409A that the definition of Change in Control comply with the requirements of Section 409A(a)(2)(A)(v) of the Code, an event shall constitute a Change in Control only if it satisfies the requirements of Section 409A(a)(2)(A)(v) of the Code and the regulations thereunder.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time, and “Code Section 409A Rules” shall mean Section 409A of the Code and the final regulations and other IRS guidance promulgated thereunder, as in effect from time to time.

“Committee” means the Compensation and Management Development Committee of the Board.

“Company” means Rayonier Advanced Materials Inc. and any successor to, or assignee of, the business or assets thereof that becomes bound by this Plan as provided in Section 10.

“Confidentiality Covenants” with respect to an Executive are the covenants set forth in Section 6B(ii) and for which purpose “Confidential Information” has the definition set forth in Section 6B(ii).

“Covenant Amount” with respect to an Executive is the cash portion of Plan Benefits designated as provided in Section 6A.

“Covenant Period” is the period determined under Section 6B(i) during which an Executive is bound by the Non-compete Covenants.

“Current Pro-rata Bonus” has the definition set forth in Section 4B(i)(2).

“Disability” has the definition provided in Section 3B.

“Effective Date of the Qualifying Termination” is the date the Company selects as the applicable Executive’s last day of active full-time employment.

“Equity Benefits” means the Plan Benefits payable upon a Qualifying Termination as provided in Section 4D.

“Equivalent Actuarial Value” has the definition applicable under the Retirement Plans.

“Executive Tax Services Payment” means the amount calculated in accordance with Section 4C(ii)(2).

“Exchange Act” has the definition provided in paragraph 1 of the definition of Change in Control.

“Executive” means a person identified on Appendix A, as amended from time to time by the Committee prior to a Change in Control.

“Final Average Compensation” has the meaning applicable under the Retirement Plans.

“Good Reason” has the definition provided in Section 3B.

“Incumbent Board” has the definition provided in paragraph 2 of the definition of Change in Control.

“ITT Supplemental Plans” means the Supplemental Plans maintained by ITT Corporation.

“Legal Resources Trust” has the definition provided in Section 5C.

“Medical Benefits Payment” means the amount calculated in accordance with Section 4C(ii)(1).

“Non-compete Covenants” with respect to an Executive are the covenants set forth in Section 6(B)(i).

“Other Benefits Adjustment” has the definition in Section 4C(ii).

“Outplacement Services” has the definition set forth in Section 4C(ii)(3).

“Outstanding Company Common Stock” has the definition provided in paragraph 1 of the definition of Change in Control.

“Outstanding Company Voting Securities” has the definition provided in paragraph 1 of the definition of Change in Control.

“Pension Plan Adjustment” has the definition provided in Section 4C(i).

“Pension Plan” has the definition provided in Section 4C.

“Performance Shares” and “Performance Share Award Programs” mean the right to receive contingent performance shares or performance shares (or other Awards) to be made at the end of a performance period under programs adopted by the Committee under Section 6 of the Applicable Incentive Stock Plan under which such program was authorized, upon attainment of the comparative performance measures provided for in such program.

“Person” has the definition provided in paragraph 1 of the definition of Change in Control.

“Plan Benefits” has the definition provided in Section 4.

“Plan Change” has the definition set forth in Section 13.

“Plan Effective Date” has the definition provided in Section 1.

“Plan” means this Executive Severance Pay Plan.

“Qualified Pension Plan” has the definition provided in Section 4C.

“Qualified Savings Plan” has the definition provided in Section 4C.

“Qualifying Termination” has the definition provided in Section 3A.

“Retirement Plans” has the definition provided in Section 4C.

“Retirement Plans Adjustment” has the definition provided in Section 4C.

“Savings Plans” has the definition set forth in Section 4C(i).

“Savings Plan Adjustment” has the definition provided in Section 4C(i).

“Scheduled Severance Pay” with respect to an Executive means the amount calculated as provided in Section 4A and payable upon a Qualifying Termination.

“Separation Benefits” as provided in Section 3A means with respect to an Executive means the sum of the Executive’s Scheduled Severance Pay and Additional Severance payable in respect of a Qualifying Termination.

“Separation Delay Period” shall mean the six month period following the date of an Executive’s Separation from Service (or such other applicable period as may be provided for by Section 409A(a)(2)(B)(i) of the Code as in effect at the time), or earlier upon the death of the Executive, such that any payment delayed during the Separation Delay Period is to be paid on the first business day of the seventh month following the Separation from Service or, if earlier, such Executive’s death.

“Separation from Service” and “Separation Pay” and “Short-Term Deferral” and “Specified Employee” shall have the respective meanings assigned such terms under the Code Section 409A Rules.

“Severance Trust” has the definition provided in Section 11.

“Supplemental Pension Plan” has the definition provided in Section 4C.

“Supplemental Plans” means any excess benefit plan, within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder (“ERISA”), or any supplemental executive retirement plan or other employee pension benefit plan, within the meaning of Section 3(2) of ERISA, not intended to be qualified under Section 401(a) of the Code, maintained by the Company or by ITT Corporation, subject to the terms and conditions of such plans, in which the applicable Executive is entitled to benefits by virtue of his employment with the Company or prior employment by ITT Corporation.

“Supplemental Savings Plan” has the definition provided in Section 4C(i).

“Target Bonus Award” means the standard bonus target percentages of base salaries, as defined under the Bonus Plan for the respective executive salary grades as determined pursuant to Company base salary compensation schedules in effect for eligible executives at a 100 percent performance factor as of December 31 of the year in which the Change in Control takes place.

“Tier I” or “Tier II” means the designation assigned to an Executive on Appendix A as adopted and in effect immediately prior to a Change in Control.

9. Release

No Separation Benefits will be provided under this Plan unless the applicable Executive executes and delivers to the Company a mutual release, in substantially the form attached hereto as Exhibit A.

10. Successor to Company

This Plan shall bind any successor of the Company, its assets, or its businesses (whether direct or indirect, by purchase, merger, consolidation, or otherwise), in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place.

In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Plan, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company’s obligations under this Plan, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

11. Administration of Plan/Coordination with Severance Trust

The Company is the Named Fiduciary for the Plan under ERISA. The Committee is the Plan Administrator, which shall have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and, except as otherwise provided in this Plan, decide any and all matters arising under this Plan, provided that (x) following a Change in Control all determinations of the Plan Administrator shall be subject to *de novo* review in any arbitration or proceeding and (y) nothing in this Section 11 shall be construed as a limitation on the provisions of Section 5.

Amounts payable by the Company under this Plan (except under Section 5) may be made by direction of the Company to the trustee under the trust established by that certain Trust Agreement for the Rayonier Advanced Materials Inc. Supplemental Senior Executive Pay Plan (the "Severance Trust"), to the extent such amounts were previously transferred by the Company to the trustee of the Severance Trust, but shall be deemed to have been paid only upon receipt by the applicable Executive.

12. Claims Procedure

If an employee or former employee makes a written request alleging a right to receive benefits under this Plan or alleging a right to receive an adjustment in benefits being paid under the Plan, the Company shall treat it as a claim for benefit. All claims for benefit under the Plan shall be sent to the Company's Senior Vice President, Human Resources, or such other officer as may be designated by the Committee, and must be received within thirty (30) days after termination of employment. If the Company determines that any individual who has claimed a right to receive benefits, or different benefits, under the Plan is not entitled to receive all or any part of the benefits claimed, it will inform the claimant in writing of its determination and the reasons therefor in terms calculated to be understood by the claimant. The notice will be sent within ninety (90) days of the claim unless the Company determines additional time, not exceeding ninety (90) days, is needed. The notice shall make specific reference to the pertinent Plan provisions on which the denial is based, and describe any additional material or information as necessary. Such notice shall, in addition, inform the claimant what procedure the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may within ninety (90) days thereafter submit in writing to the Company a notice that the claimant contests the denial of his or her claim by the Company and desires a further review. The Company shall within sixty (60) days thereafter review the claim and authorize the claimant to appear personally and review pertinent documents and submit issues and comments relating to the claim to the persons responsible for making the determination on behalf of the Company. The Company will render its final decision with specific reasons therefor in writing and will transmit it to the claimant within sixty (60) days of the written request for review, unless the Company determines additional time, not exceeding sixty (60) days, is needed, and so notifies the employee. If the Company fails to respond to a claim filed in accordance with the foregoing within sixty (60) days or any such extended period, the Company shall be deemed to have denied the claim. If the appeal is denied, the Committee's written notification to the claimant shall set forth: (1) the specific reason for the adverse determination; (2) specific reference to pertinent provisions on which the Committee based its adverse determination; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies, of, all documents, records and other information relevant to the claimant's claim for benefits; and (4) a statement that the claimant has a right to bring a civil action under Section 502(a) of ERISA. Notwithstanding the foregoing, (x) following a Change in Control all determinations of the Plan Administrator shall be subject to *de novo* review in any arbitration or proceeding and (y) nothing in this Section 12 shall be construed as a limitation on the provisions of Section 5.

13. Termination or Amendment

The Committee or the Board may amend or terminate this Plan (a "Plan Change") at any time, except that no such Plan Change may reduce or adversely affect Separation Benefits for any Executive who has a Qualifying Termination within two years of the effective date of such Plan Change provided that such Executive was a Covered Employee under this Plan on the date of the Plan Change; provided that a change in Appendix A prior to a Change in Control (other than a change made in anticipation of a specific Change in Control or at the direction of a party attempting to facilitate a Change in Control) shall not be deemed to be a Plan Change. Notwithstanding the foregoing, for two years after the occurrence of a Change in Control event, this Plan may not be terminated or amended until after all Executives who become entitled to any payments hereunder shall have received such payments in full. Any extension, amendment, or termination of this Plan in accordance with the foregoing shall be made in accordance with the Company's charter and bylaws and applicable law, and shall be evidenced by a written instrument signed by a duly authorized officer of the Company, certifying that such action has been taken.

14. Plan Supersedes Prior Plans

This Plan supersedes and replaces all prior severance policies, plans, or practices maintained by the Company with respect to all Covered Employees other than individualized written agreements executed by the Company and the applicable Executive.

15. Unfunded Plan Status

This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Section 401 of ERISA. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or

other segregation of assets made to assure payment. No Executive or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may but shall not be obligated to create one or more grantor trusts, such as the Legal Resources Trust and the Severance Trust, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

16. **Miscellaneous**

Except as provided in this Plan, no Executive shall be entitled to any notice of termination or pay in lieu thereof.

In cases where Severance Pay is provided under this Plan, pay in lieu of any unused current year vacation entitlement will be paid to the applicable Executive in a lump sum.

This Plan is not a contract of employment, does not guarantee any Executive employment for any specified period and does not limit the right of the Company to terminate the employment of any Executive at any time.

The section headings contained in this Plan are included solely for convenience of reference and shall not in any way affect the meaning of any provision of this Plan.

If, for any reason, any one or more of the provisions or part of a provision contained in this Plan shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Plan not held so invalid, illegal or unenforceable, and each other provision or part of a provision shall to the full extent consistent with law remain in full force and effect.

Exhibit A

WAIVER AND RELEASE OF CLAIMS

[Date]

[Name]

Dear [Name]:

This Agreement sets forth the understanding between Rayonier Advanced Materials (the "Company") and you in connection with your separation from employment with the Company effective *[insert date]* (the "Separation Date"). This Agreement shall become effective within seven days after your signing this Agreement as provided in Section 15 below.

1. Your signing of this Agreement shall constitute acknowledgment by you of your separation from employment with the Company on the Separation Date.
2. Contingent upon your execution and non-revocation of this Agreement, the Company will provide you with the severance benefits contemplated by the Company's Amended and Restated Executive Severance Pay Plan (the "Plan"). You would not be entitled to payment of the foregoing amount absent this Agreement between you and the Company.
3. This Agreement is entered into in accordance with and subject to the Plan, the terms of which are incorporated herein. Please review the Plan to understand all of the terms of your severance.
4. The Company is providing you with the benefits set forth in the Plan in consideration for your signing this Agreement. By signing, you acknowledge your acceptance of this consideration and its sufficiency. You warrant and represent that your decision to accept this Agreement is (i) entirely voluntary on your part; (ii) not made in reliance on any inducement, promise or representation whether express or implied, other than the inducements, representations and promises expressly set forth in this Agreement; and (iii) not the result of any threats or other coercive action to induce acceptance of this Agreement.
5. You agree that you will continue to be bound by the restrictive covenants set forth in the Plan, as well as in any other applicable agreement you may have entered into with the Company prior to or during the course of your employment with the Company.

6. Regardless of whether you sign this Agreement, the Company will pay you the compensation that you have earned through the date of your separation. Similarly, even if you do not sign this Agreement, you will be offered benefits to which you are entitled under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), and you will retain all vested benefits under the Rayonier Inc. Investment and Savings Plan for Salaried Employees. You will also retain any rights to vested benefits earned under the Retirement Plan for Salaried Employees of Rayonier Inc., if applicable.
7. In consideration of the additional payments and benefits outlined in this Agreement, you agree irrevocably and unconditionally to release, acquit and forever discharge the Company (including its predecessors, successors, parent company, and any subsidiaries or affiliates and their respective employees, directors, officers, shareholders, agents, representatives, subsidiaries, parents, affiliates, predecessors, successors or assigns) on behalf of yourself, your spouse, your heirs and legal representatives, and all persons claiming through you, from all claims, suits, liabilities, demands or causes of action of any nature whatsoever (whether known or unknown) which you ever had, may have, or now have arising from or related to your employment with the Company, the termination of your employment or other events occurring prior to the execution of this Agreement, including but not limited to:
- (A) violations of Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Equal Pay Act, the Civil Rights Act of 1866, 42 U.S.C. § 1981, the Family and Medical Leave Act, the Labor Management Relations Act, the National Labor Relations Act, Executive Order 11246, the Rehabilitation Act, the Vietnam Era Veterans' Readjustment Assistance Act of 1974, the Employee Retirement Income Security Act, the Pregnancy Discrimination Act; the National Labor Relations Act; the Uniformed Services Employment and Reemployment Act; the Sarbanes-Oxley Act of 2002; the Genetic Information Nondiscrimination Act of 2008; the Lily Ledbetter Fair Pay Act of 2009;
 - (B) violations of any other federal or state statute or regulation or local ordinance;
 - (C) claims for lost or unpaid wages, compensation, or other benefits claims under state law, defamation, intentional infliction of emotional distress, negligent infliction of emotional distress, bad faith action, slander, assault, battery, wrongful or constructive discharge, negligent hiring, retention and/or supervision, fraud, misrepresentation, conversion, tortious interference with property, negligent investigation, breach of contract, or breach of fiduciary duty;
 - (D) any claims to benefits under any and all bonus, severance, workforce reduction, early retirement, outplacement, or any other similar plan sponsored by the Company which you ever had or now have or may in the future have; or
 - (E) any other claims under state law arising in tort or contract.

By referencing the laws above, the Releases do not admit coverage or liability under any of these laws. Additionally, you acknowledge that this Agreement constitutes a full SETTLEMENT, ACCORD AND SATISFACTION of all claims covered by the release provisions of this Section 7. You also covenant not to sue or file any complaint or claim against the Company or any of the Releases with any court based on any act or omission arising or occurring prior to the date of the execution of this Agreement, whether known or unknown at the time of execution. You also waive any right to recover in a civil suit or proceeding brought by any governmental agency or any other individual on your behalf.

Notwithstanding the foregoing, it is understood by all parties that you do not release any claims that may not be waived as a matter of law or that arise under the terms of this Agreement or after the effective date of this Agreement. You also do not release claims (i) under the Plan, (ii) to your accrued but unused vacation and any vested benefits that you are already entitled to receive under the Company's employee benefit plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) or any right you have to benefits under COBRA, (iii) for indemnification or insurance coverage under the applicable officer and director indemnification and insurance programs of the Company and its affiliates, or (iv) in your capacity as a shareholder of the Company.

8. By signing this Agreement, you acknowledge that you have been informed pursuant to the Federal Older Workers Benefit Protection Act of 1990 that you do not herein waive rights or claims under the Federal Age Discrimination in Employment Act that may arise after the date this Agreement is executed.
9. This Agreement waives rights to which you may be legally entitled. Accordingly, you should consult with an attorney prior to signing this Agreement.

10. You have twenty-one (21) days from the date you receive this Agreement within which to consider whether to sign this Agreement and accept the Company's offer. You should not, however, in any event execute this Agreement prior to your last day of active employment with the Company.
11. After you sign this Agreement, you will have seven (7) days in which to revoke this Agreement by delivering a written notice of revocation to me not later than 5:00 p.m. on the seventh (7th) day after you sign this Agreement at the address contained herein, and this Agreement shall not become effective or enforceable until the seven (7) day period has expired (the "Revocation Period").
12. To the extent not otherwise governed by federal law, this Agreement shall be interpreted by the governing law and choice of forum provisions of the Plan.
13. This Agreement shall not in any way be construed as an admission by the Company that it has acted wrongfully with respect to you or any other person, or that the Company is liable to you in any way. You agree not to assert otherwise.
14. The provisions of this Agreement are severable. If any provision is held to be invalid or unenforceable, it shall not affect the validity or enforceability of any other provision.
15. This Agreement constitutes the entire Agreement between the Company and you with respect to the subject matters governed herein, and it supersedes any and all other agreements, whether written or oral, between the Company and you with respect to your separation and the events leading thereto, excluding those agreements referenced within this Agreement.
16. You acknowledge that you have carefully reviewed and understand this Agreement and that you have had sufficient time to consult with an attorney regarding this Agreement. Your signature will indicate that you accept and agree to its terms voluntarily and knowingly and with full understanding of its consequences.

[signatures on following page]
RAYONIER advanced materials

BY:
PRINTED NAME:
ITS:

I have read and agree to the foregoing Waiver and Release of All Claims between Rayonier advanced materials and [name]. I have been given twenty-one (21) days to sign this Agreement. I have been advised to consult with an attorney prior to signing this Agreement and I understand that I have seven (7) days from the date indicated below in which to revoke this Agreement.

SIGNED:

PRINTED NAME:
DATE:

**FIRST AMENDMENT TO THE RAYONIER
ADVANCED MATERIALS INC. NON CHANGE IN
CONTROL EXECUTIVE SEVERANCE PLAN**

This First Amendment (this "Amendment") to the Rayonier Advanced Materials Inc. Non Change in Control Severance Plan (the "Plan") is adopted as of October 21, 2019 by the Compensation and Management Development Committee of the Board of Directors of Rayonier Advanced Materials Inc. (the "Company").

1. The reference to "seventy-five miles" in Section 1.1(n)(ii) of the Plan is hereby amended to refer to "fifty miles."
2. Except as expressly amended hereby, the terms and conditions of the Plan shall remain in full force and effect.

RAYONIER ADVANCED MATERIALS INC. RETIREMENT PLAN

Effective December 31, 2014

Amended and Restated as of October 21, 2019

FOREWORD

Effective June 27, 2014, Rayonier Advanced Materials Inc. (the “Company”) established this pension plan, originally known as the Retirement Plan for Salaried Employees of Rayonier Advanced Materials Inc. (herein referred to as the “Plan”).

The Plan is a continuation of a portion of the qualified retirement plan known as Retirement Plan for Salaried Employees of Rayonier Inc. (the “Prior Salaried Plan”), and was established in connection with the spinoff of the Company from Rayonier Inc. This Plan is intended to benefit certain participants in the Prior Salaried Plan associated with any Performance Fibers business of Rayonier Inc. The assets and liabilities attributable to such participants’ accrued benefits were generally transferred to this Plan from the Prior Salaried Plan effective as of June 27, 2014. All beneficiary designations and elections made by participants whose accrued benefits under the Prior Salaried Plan were transferred to the Plan shall be treated as if such designations and elections had been made under this Plan.

Effective as of the close of business on December 31, 2014, the Company merged the Employees Retirement Income Plan for Rayonier Advanced Materials Inc. Bargaining Unit Employees at the Jesup Mill (the “Jesup Plan”); and the Employees Retirement Income Plan for Rayonier Advanced Materials Inc. Bargaining Unit Employees at the Fernandina Mill (the “Fernandina Plan”) with and into the Plan. The assets and liabilities attributable to the participants’ accrued benefits in the Jesup Plan and the Fernandina Plan were transferred to this Plan effective as of the close of business on December 31, 2014. All beneficiary designations and elections made by participants under the Jesup Plan and Fernandina Plan shall be treated as if such designations and elections had been made under this Plan.

As a result of the merger of the Jesup Plan and the Fernandina Plan with and into the Plan, the Company amended and restated the Plan to add, among other things, special provisions applicable to the Jesup Plan and the Fernandina Plan as Appendix F and G, respectively, and to rename the Plan as the Rayonier Advanced Materials Inc. Retirement Plan. The Tembec USA LLC Retirement Plan was merged into the Plan, effective December 31, 2018, and is included as Appendix H.

The Plan is a “Cycle D” plan, as explained in Rev. Proc. 2007-44 of the Internal Revenue Service. The Plan’s current remedial amendment period expired January 31, 2015. The Plan is intended to comply with applicable changes in the law (and various regulations and other guidance) as set forth in the 2013 Cumulative List issued by the Internal Revenue Service in Notice 2013-84 for Cycle D plans, including, but not limited to changes under the Pension Protection Act of 2006 (PPA), the U.S. Troop Readiness, Veterans’ Care, Katrina Recovery and Iraq Accountability Appropriations Act of 2007, the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act), the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA), the Small Business Jobs Act of 2010 (SBJA), the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (PRA 2010), the Moving Ahead for Progress in the 21st Century Act (MAP-21), and the American Taxpayer Relief Act of 2012 (ATRA).

This Plan is intended to be a tax-qualified plan and comply with all requirements of Code Section 401(a) and related treasury regulations. The trust which is being employed as a funding vehicle for plan benefits is intended to comply with Code Section 501(a).

Unless otherwise expressly provided in this Plan and consistent with applicable law, (i) the rights and benefits of any Member who retires or whose employment is terminated, whichever first occurs, are determined in accordance with the provisions of the Plan in effect at the time of such retirement or termination, and (ii) no revision to the Plan shall deprive any Member who retires or whose employment

is terminated prior to such revisions, of any rights and benefits which theretofore had accrued under the Plan or the Prior Salaried Plan.

For purposes of the Plan, applicable law means (i) the Code, (ii) ERISA (as defined in Section 1.17 hereof), (iii) such regulations, rulings, notices and other written guidance issued by federal agencies under the authority of the Code, ERISA or other federal legislation, and (iv) case law and any other applicable federal, state or local law affecting and binding on the Plan, the Company, the Plan Administration Committee, the Trustee and other Plan fiduciaries. Subject to the preceding sentence, the Plan shall be construed, regulated and administered under the laws of the State of Florida, to the extent such laws are not superseded by applicable federal law.

This plan document is generally effective December 31, 2014, unless the context indicates otherwise.

RETIREMENT PLAN FOR SALARIED EMPLOYEES OF RAYONIER ADVANCED MATERIALS, INC.

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ARTICLE 1 – DEFINITIONS

- 1.01 **Accrued Benefit** shall mean, as of any date of determination, the retirement allowance computed under Section 4.01(b) on the basis of the Member's Benefit Service and applicable components of the Plan formula as of the determination date and, with respect to the amount determined under Section 4.01(b)(i)(4), the applicable components of the Prior Salaried Plan as of the determination date.
- 1.02 **Annuity Starting Date** shall mean the first day of the first period for which an amount is due on behalf of a Member or former Member as an annuity or any other form of payment under the Plan.
- 1.03 **Appendix** shall mean one, some or all of the appendices attached to this restated Plan document (as the context may indicate) and any additional appendix which may be added to the Plan from time to time. The Appendices are used to record (i) the tables of factors which are used in determining the amount of the various forms of benefits payable under the Plan, and (ii) the benefits, rights, features, terms and conditions applicable to Members who participated in plans that have been merged into this Plan. Each Appendix is incorporated into the Plan by reference and shall be considered part of the Plan. As of the date of this restatement, the Plan includes Appendices A through G, as identified in the table of contents hereto. Notwithstanding the other provisions of the Plan, the terms of an Appendix shall apply to the affected participants.
- 1.04 **Associated Company** shall mean any subsidiary or affiliated company of Rayonier Advanced Materials Inc. not participating in the Plan which is (i) a component member of a controlled group of corporations (as defined in Code Section 414(b)), which controlled group of corporations includes as a component member Rayonier Advanced Materials Inc., (ii) any trade or business under common control (as defined in Code Section 414(c)) with Rayonier Advanced Materials Inc., (iii) any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Code Section 414(m)) which includes Rayonier Advanced Materials Inc. or (iv) any other entity required to be aggregated with Rayonier Advanced Materials Inc. pursuant to regulations under Code Section 414(o), during the period such entity is described in clause (i), (ii), (iii), or (iv). Notwithstanding the foregoing, for purposes of the preceding sentence and Section 4.08 of the Plan, the definitions of Code Section 414(b) and (c) shall be modified as provided in Code Section 415(h).
- 1.05 **Beneficiary** shall mean any person or entity named by a Member by written designation to receive certain benefits payable in the event of his or her death as provided under Section 4.07.
- 1.06 **Benefit Service** shall mean employment recognized as such for the purposes of computing a benefit under the Plan as provided under Article 2.
- 1.07 **Board of Directors** shall mean the Board of Directors of Rayonier Advanced Materials Inc. or of any successor to Rayonier Advanced Materials Inc. by merger, purchase or otherwise.

1.08 **Change in Control** means the occurrence of any of the following, with references to the Company in this Section 1.08 to refer specifically to Rayonier Advanced Materials Inc:

- (a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (a “Person”) becomes the beneficial owner (within the meaning of Rule 13d 3 promulgated under the Exchange Act) of 30% or more of either (i) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that, for purposes of this paragraph, the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliated Company or (4) any acquisition pursuant to a transaction that complies with paragraphs (c)(i), (c)(ii) and (c)(iii) of this definition;
- (b) Individuals who, as of the date hereof, constitute the Board of Directors (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors;
- (c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or securities of another entity by the Company or any of its subsidiaries (each, a “Business Combination”), in each case unless, following such Business Combination, (i) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) of the entity resulting from such Business Combination or the combined voting

power of the then-outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board of Directors providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

1.09 **Code** shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.10 **Company** shall mean Rayonier Advanced Materials Inc., and any Participating Unit with respect to its Employees. Unless otherwise noted, when used herein, the term Company shall collectively include Rayonier Advanced Materials Inc. and any Participating Unit.

1.11 **Compensation** shall mean, except as provided otherwise in Article 3,

- (a) the total remuneration paid to a Member (whether before or after membership in the Plan) for services rendered on and after the March 1, 1994, but prior to June 27, 2014 (or such later date as determined by the Company in its sole discretion for any Member whose Accrued Benefits under the Prior Salaried Plan transfer to this Plan after June 27, 2014), for Rayonier Inc., including annual base salary, overtime, leadman's pay, shift differential, and bonuses paid under the Rayonier Inc. local bonus and gain share plans (determined prior to any pre-tax contributions under a "qualified cash or deferred arrangement," as defined under Code Section 401(k) and its applicable regulations, under a "cafeteria plan," as defined under Code Section 125 and its applicable regulations, or under a "qualified transportation fringe," as defined under Code Section 132(f) and its applicable regulations), and for Members who receive no other source of remuneration from Rayonier Inc. during said period, commissions; but excluding, except to the extent specifically included above, foreign service pay, automobile allowance, separation pay, incentive pay or other special pay or allowances of similar nature, commissions for any Member who received during said period any other form of remuneration from Rayonier Inc., bonuses, and the cost of any public or private employee benefit plans, including the Prior Salaried Plan; and
- (b) the total remuneration paid to a Member (whether before or after membership in the Plan) for services rendered to the Company on and after June 27, 2014, including annual base salary, overtime, leadman's pay, shift differential, and bonuses paid under the Company's local bonus and gain share plans (determined prior to any pre-tax contributions under a "qualified cash or deferred arrangement," as defined under Code Section 401(k) and its applicable regulations, under a "cafeteria plan," as defined under Code Section 125 and its applicable regulations, or under a "qualified transportation fringe," as defined under Code Section 132(f) and its applicable regulations), and for Members who receive no other source of remuneration from the Company, commissions; but excluding, except to the extent specifically included above, foreign service pay, automobile allowance, separation pay, incentive pay or other special pay or allowances of similar nature, commissions for any Member who receives any other form of remuneration from the Company, bonuses, and the cost of any public or private employee benefit plans, including the Plan.

Compensation taken into account for any purpose under the Plan, including the determination of Final Average Compensation, shall not exceed \$260,000 (as adjusted from time to time by the Secretary of the Treasury in accordance with Code Section 401(a)(17)(B)).

In accordance with Code Section 414(u)(12), Compensation shall include any differential wage payment (within the meaning of Code Section 3401(h)(2)) made by the Company to an individual who does not currently perform services for the Company by reason of qualified military service (within the meaning of Code Section 414(u)(5)) to the extent those payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the Company.

As of January 1, 2009, in accordance with Code Section 414(u)(12), Compensation included any differential wage payment (within the meaning of Code Section 3401(h)(2)) made by Rayonier Inc., to an individual who did not perform services for Rayonier Inc., by reason of qualified military service (within the meaning of Code Section 414(u)(5)) to the extent those payments did not exceed the amounts the individual would have received if the individual had continued to perform services for Rayonier Inc.

- 1.12 **Early Retirement Date** shall mean the date as determined in the manner set forth in Section 4.03.
- 1.13 **Effective Date** shall mean December 31, 2014, which is the effective date of this amended and restated plan document. The initial effective date of the Plan was June 27, 2014, which was the date the Plan was established as a spinoff of the Prior Salaried Plan. The initial effective date of the Prior Salaried Plan was March 1, 1994. Prior to June 27, 2014, the terms of the Prior Salaried Plan apply to this Plan.
- 1.14 **Eligibility Service** shall mean any employment recognized as such for the purposes of meeting the eligibility requirements for membership in the Plan and for eligibility for benefits under the Plan as provided under Article 2.
- 1.15 **Employee** shall mean any person regularly employed by the Company who is paid from a payroll maintained in the continental United States, Hawaii, Puerto Rico or the U.S. Virgin Islands and who receives regular and stated compensation other than a pension or retainer; provided, however, that except as the Board of Directors or the Plan Administration Committee, pursuant to the authority delegated to it by the Board of Directors, may otherwise provide on a basis uniformly applicable to all persons similarly situated, no person shall be an Employee for purposes of the Plan who is (i) engaged as a consultant, (ii) a non-resident alien, (iii) paid on an hourly basis and who, under the Company's employment classification practices, is considered as an hourly-rated employee for purposes of the Company's employee benefit plans, (iv) accruing benefits in respect of current service under any other pension, retirement, qualified profit-sharing or other similar plan of the Company (other than the Rayonier Advanced Materials Inc. Investment and Savings Plan for Salaried Employees,) or of any Associated Company, (v) a Leased Employee, or (vi) a Non-Benefits Worker. Except as otherwise provided under an Appendix, no person shall be an Employee for purposes of the Plan whose terms and conditions of employment are determined by a collective bargaining agreement with the Company which does not make this Plan applicable to such person. Any person considered to be an independent contractor by the Company shall not be considered an Employee even if he is reclassified as an

employee by any taxing authority such as the Internal Revenue Service or any other authority or agency.

- 1.16 **Equivalent Actuarial Value** shall mean equivalent value of a benefit under the Plan determined on the basis of the applicable factors set forth in Appendix A, except as otherwise specified in the Plan. In any other event, Equivalent Actuarial Value shall be determined on the same actuarial basis utilized to compute the factors set forth in Appendix A.
- 1.17 **ERISA** shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.18 **Final Average Compensation** shall mean the sum of:
- (a) The average of a Member's annual base salary recognized as Compensation received in any five calendar years of Eligibility Service in which such annual base salary was highest, plus
 - (b) The average of a Member's annual Compensation in excess of annual base salary received in any five calendar years of Eligibility Service in which such Compensation was highest; provided, however, that the calendar years on which such averages are based shall be any five calendar years during the last 120 calendar months of a Member's Eligibility Service, or if the Member has less than five calendar years of Eligibility Service, all of his or her calendar years of Eligibility Service; provided, further, however, that (i) the annual base salary earned in any calendar year and taken into account for purposes of "Final Average Compensation," and (ii) the amount in excess of base annual salary earned in any calendar year and taken into account for purposes of "Final Average Compensation," and (iii) the sum of (i) and (ii) taken into account for any calendar year, each shall be subject to the provisions of Code Section 401(a)(17). If the Member terminates employment before the last day of the calendar year or otherwise experiences an interruption in Eligibility Service, the Plan Administration Committee shall, in accordance with rules uniformly applicable to all persons similarly situated, determine the amount of the Member's Final Average Compensation. The limitation of Code Section 401(a)(17) shall be applied to the sum of (i) and (ii) before determining the years in which base salary and amounts in excess of base salary are highest. If the Member terminates employment before the last day of the calendar year or otherwise experiences an interruption in Eligibility Service, the limitation under Code Section 401(a)(17) shall be applied to base salary, amounts in excess of base salary, and the sum of the two amounts that are taken into account for Final Average Compensation for the year of termination or other interruption on a month-by-month basis whether or not consecutive. The term Eligibility Service as used in this Section shall include all service recognized as Eligibility Service for purposes of eligibility requirements under Article 2.
- 1.19 **Hour of Service** shall mean hours of employment as defined pursuant to the provisions of Section 2.01(b).
- 1.20 **IRS Interest Rate** shall mean the applicable interest rate described in Code Section 417(e) after its amendment by PPA. Specifically, the applicable interest rate shall be the adjusted first, second, and third segment rates applied under the rules similar to the rules of Code Section 430(h)(2)(C) for second full calendar month (known as the lookback month) preceding the Stability Period. For this purpose, the first, second, and third segment rates are the first, second, and third segment rates which would be determined under Code Section 430(h)(2)(C) if:

- (a) Code Section 430(h)(2)(D) were applied by substituting the average yields for the month described in the preceding paragraph for the average yields for the 24-month period described in such section, and
- (b) Code Section 430(h)(2)(G)(i)(II) were applied by substituting “Section 417(e)(3)(A)(ii)(II)” for “Section 412(b)(5)(B)(ii)(II).”
- 1.21 **IRS Mortality Table** shall mean the applicable annual mortality table within the meaning of Code Section 417(e)(3)(B), as initially described in Revenue Ruling 2007-67 as in effect on the first day of the applicable Stability Period.
- 1.22 **Leased Employee** shall mean any person as so defined in Code Section 414(n) by virtue of his or her performance of services for the Company or an Associated Company.
- 1.23 **Member** shall mean any person included in the membership of the Plan as provided in Article 3 and any former employee of Rayonier Inc. or an Associated Company who was a Member of the Prior Salaried Plan associated with any Performance Fibers business, or a Beneficiary or Alternate Payee with respect to such former employee, whose Accrued Benefit was transferred to this Plan effective as of June 27, 2014, in connection with the spinoff of the Company. Notwithstanding the foregoing, a Member shall also include any former employee of Rayonier Inc. or an Associated Company who was a Member of the Prior Salaried Plan associated with any Performance Fibers business whose transfer of employment to the Company is directly related to the spinoff from Rayonier, Inc., but whose Accrued Benefit is transferred to this Plan after June 27, 2014, solely because such Member was working for Rayonier Inc. in the United States pursuant to a visa, the conditions of which would not permit such Member’s employment to transfer to the Company until after June 27, 2014.
- 1.24 **Non-Benefits Worker** shall mean any individual designated by the Company as ineligible to participate in any Company-sponsored employee benefit program and any individual who the Company considers to be an independent contractor. The designation of an individual as a Non-Benefits Worker by the Company shall be final and not subject to any redetermination of employment classification by any taxing authority such as the Internal Revenue Service or any other governmental authority or agency.
- 1.25 **Normal Retirement Date** shall mean the first day of the calendar month coincident with or next following the date the Employee attains age 65, which is his or her Normal Retirement Age.
- 1.26 **Parental Leave** shall mean a period in which a person is absent from work because of the person’s pregnancy, the birth of a person’s child, the adoption by a person of a child, or for purposes of caring for that child, for a period beginning immediately following such birth or adoption.
- 1.27 **Participating Unit** shall mean, in addition to Rayonier Advanced Materials Inc., any subsidiary or affiliated company of Rayonier Advanced Materials Inc., any designated location(s) only of such subsidiary or affiliated company or any designated unit(s) only of such subsidiary, or affiliated company which has by appropriate action of the Board of Directors been designated as a Participating Unit and the board of directors of any such subsidiary or affiliated company shall have taken appropriate action to adopt the Plan. The Board of Directors shall take action (i) to designate such entity as a Participating Unit, (ii) to determine that such persons are Employees,

and (iii) to establish, by written amendment of the Plan, the terms and conditions under which such Employees are to be included in the Plan.

If a group of persons is transferred to or assigned to a Participating Unit or is hired by a Participating Unit as the result of the opening or purchase of a plant or the merger of one unit into another, such persons shall not be deemed to be Employees for purposes of the Plan until further action by the Board of Directors, by written amendment of the Plan, including the determination that such persons are Employees for purposes of the Plan, and the establishment of the terms and conditions under which such Employees are to be included in the Plan.

To the extent that the Board of Directors shall have authorized and established the basis for recognition under the Plan of service with a predecessor corporation(s), if any, reference in this Plan to service with a Participating Unit shall include service with the predecessor corporation(s) of such Participating Unit, provided that all or part of the business and assets of any such corporation shall have been acquired by Rayonier Advanced Materials Inc. or by a Participating Unit.

- 1.28 **Pension and Savings Plan Committee** shall mean the committee established by Rayonier Advanced Materials Inc. for the purposes of managing the assets of the Plan as provided in Article 5.
- 1.29 **Plan** shall mean the Rayonier Advanced Materials Inc. Retirement Plan as set forth herein or as hereafter amended.
- 1.30 **Plan Administration Committee** shall mean the committee established for the purposes of administering the Plan as provided in Article 5.
- 1.31 **Plan Year** shall mean the calendar year.
- 1.32 **Postponed Retirement Date** shall mean, with respect to an Employee who does not retire at Normal Retirement Date but who works after such date, the first day of the calendar month coincident with or next following the date on which such Employee retires from active service. No retirement allowance shall be paid to the Employee until his or her Postponed Retirement Date, except as otherwise provided in Article 4.
- 1.33 **Prior Salaried Plan** shall mean the Retirement Plan for Salaried Employees of Rayonier Inc., as in effect on June 27, 2014.
- 1.34 **Qualified Joint and Survivor Annuity** shall mean an annuity described in Section 4.06(a)(i).
- 1.35 **Regulation** shall mean the regulations promulgated pursuant to and under the Code, by the Secretary of the Treasury or a delegate of the Secretary of the Treasury, and as amended from time to time.
- 1.36 **Severance Date** shall mean the date an Employee is considered to have severed his or her employment as defined pursuant to the provisions of Section 2.01(a).
- 1.37 **Social Security Benefit** shall mean the amount of annual old age or disability insurance benefit under Title II of the Federal Social Security Act as determined by the Plan Administration Committee under reasonable rules uniformly applied, on the basis of such Act as in effect at the

time of retirement or termination to which a Member or former Member is or would upon application be entitled, even though the Member does not receive such benefit because of his or her failure to apply therefor or he or she is ineligible therefor by reason of earnings he or she may be receiving in excess of any limit on earnings for full entitlement to such benefit. In computing the Member's Social Security Benefit, no wage index adjustment or cost of living adjustment shall be assumed with respect to any period after the end of the calendar year in which the Member retires or terminates service. For all years prior to retirement or other termination of employment with the Company where actual earnings are not available, the Member's Social Security Benefit shall be determined on the basis of the Member's actual earnings in conjunction with a salary increase assumption based on the actual yearly change in national average wages as determined by the Social Security Administration. If, within a reasonable time after the later of (i) the date of retirement or other termination of employment or (ii) the date on which a Member is notified of the retirement allowance or vested benefit to which he or she is entitled, the Member provides documentation from the Social Security Administration as to his or her actual earnings history with respect to those prior years, his or her Social Security Benefit shall be redetermined using the actual earnings history. If this recalculation results in a different Social Security Benefit, his or her retirement allowance or vested benefit shall be adjusted to reflect this change. Any adjustment to his or her retirement allowance or vested benefit shall be made retroactive to the date his or her payments commenced. The Plan Administration Committee shall resolve any questions arising under this Section on a basis uniformly applicable to all Employees similarly situated.

1.38 **Special Early Retirement Date** shall mean the date as determined in the manner set forth in Section 4.04.

1.39 **Spousal Consent** shall mean written consent given by a Member's or former Member's spouse to an election made by the Member or former Member which specifies the form of retirement allowance, vested benefit, Beneficiary, or contingent annuitant designated by the Member or former Member. The specified form or specified Beneficiary or contingent annuitant shall not be changed unless further Spousal Consent is given. Spousal Consent shall be duly witnessed by a notary public, or in accordance with uniform rules of the Plan Administration Committee, by a Plan representative and shall acknowledge the effect on the spouse of the Member's or former Member's election. The requirement for Spousal Consent may be waived by the Plan Administration Committee in accordance with applicable law. Spousal Consent shall be applicable only to the particular spouse who provides such consent.

1.40 **Stability Period** shall mean the Plan Year in which occurs the Annuity Starting Date for the distribution.

1.41 **Trustee** shall mean the trustee or trustees by which the funds of the Plan are held as provided in Article 7.

ARTICLE 2 – SERVICE

2.01 Eligibility Service

- (a) **Plan Closed to New Participants.** Notwithstanding any provision of the Plan to the contrary, the following Employees are not eligible to participate in the Plan and shall not be credited with Eligibility Service:
- (i) any Employee who is first hired by the Company on or after June 27, 2014, except as otherwise described in Section 3.01(a) of this Plan; and
 - (ii) any employee (as defined in the Prior Salaried Plan) who was first hired by Rayonier Inc. on or after January 1, 2006, except as may otherwise be provided in an Appendix for a merged plan.

Effective February 13, 2017, a participant in an Appendix to the Plan who becomes a salaried employee with the Company on or after February 13, 2017, shall not be credited with Eligibility Service under this Plan as an Employee and shall not accrue benefit under this Plan as an Employee, other than as provided in the applicable Appendix. Such a participant shall continue as a Member in this Plan to the extent necessary to obtain the benefits and preserve the rights provided under the applicable Appendix.

- (b) **Certain Absences to be Recognized as Eligibility Service.** Except as otherwise indicated in this Article 2, the following periods of approved absence rendered on and after the Effective Date shall be recognized as Eligibility Service under the Plan and shall not be considered as breaks in Eligibility Service:

(i) The period of any leave of absence granted in respect of service with the armed forces of the United States on or after the Effective Date provided the Employee shall have returned to the service of the Company or an Associated Company in accordance with reemployment rights under applicable law and shall have complied with all of the requirements of such law as to reemployment.

(ii) Except as provided by law, the period on or after the Effective Date of any leave of absence granted in respect of service, not exceeding two years, with any other agency or department of the United States Government.

(iii) The period on and after the Effective Date of any total and permanent disability during which an Employee becomes entitled to a disability benefit under Title II of the Federal Social Security Act, as amended from time to time, or the period on and after the Effective Date of total and permanent disability as determined by the Plan Administration Committee on the basis of such medical information as it shall require.

(iv) The period of any leave of absence on and after the Effective Date during which Company sickness or accident benefits are payable.

(v) The period on and after the Effective Date of any leave of absence approved by the Company during which an Employee is paid Compensation at a rate which is at least

one-half of the Employee's basic rate of Compensation in effect immediately prior to such leave.

(vi) In any event, Eligibility Service shall include the period, with or without Compensation, immediately preceding the Employee's Severance Date but not in excess of 12 consecutive months inclusive of those periods of approved absences already included in Subparagraphs (i) through (v) above, during which an Employee is continuously absent from service.

(vii) The period between an Employee's Severance Date and his or her reemployment if he or she returns to the employ of the Company or an Associated Company before the first anniversary date of his or her Severance Date; provided, however, that the combined periods recognized under Subparagraph (vi) above and under this Subparagraph (vii) shall not exceed 12 consecutive months.

(viii) The period of any periodic salary continuation payments an Employee receives under any severance pay plan of the Company other than the Rayonier Advanced Materials Inc. Executive Severance Pay Plan. (the "Executive Severance Plan").

Except to the extent provided under Subparagraph (vi), and if applicable, under Subparagraph (vii) above, if an Employee fails to return to active employment upon expiration of the approved absences specified in Subparagraphs (i), (ii), (iv) and (v) above, such periods of approved absence shall not be considered as Eligibility Service under the Plan.

(c) **Breaks in Service.** All absences from the Company or from an Associated Company, other than the absences specified in Paragraph (b) above, shall be considered as breaks in Eligibility Service; provided, however, that in no event shall there be a break in Eligibility Service if an Employee (i) is continuously absent from service with the Company or with an Associated Company and returns to the employ of the Company or an Associated Company before the first anniversary of his or her Severance Date or (ii) is absent from work because of a Parental Leave and returns to the employ of the Company or an Associated Company within two years of his or her Severance Date. If the provisions of clause (ii) above are applicable, the first year of such absence for Parental Leave, measured from an Employee's Severance Date, shall not be considered in determining the Employee's period of break in service for purposes of Section 2.01(d) below.

(d) **Bridging Breaks in Service.**

(i) If an Employee has a break in service and such Employee was eligible for a vested benefit under Section 4.05 at the time of his or her break in service, then, except as otherwise provided in Section 4.11, employment both before and after the Employee's absence shall be immediately recognized as Eligibility Service, subject to the provisions of this Section 2.01, upon his or her return to the employ of the Company or an Associated Company.

(ii) If an Employee has a break in service and such Employee was not eligible for a vested benefit under Section 4.05 at the time of his or her break in service, Eligibility Service shall begin from the date of his or her return to the employ of the Company or an Associated Company. If such Employee returns to the employ of the Company or an

Associated Company and the period of the Employee's break is less than the greater of (1) five years or (2) the service rendered prior to such break, the service prior to such break shall be included as Eligibility Service, subject to the provisions of this Section 2.01, only upon completion of at least 12 months of Eligibility Service following his or her break in service. However, if the period of the Employee's break in service equals or exceeds the greater of (1) five years or (2) the service rendered prior to such break, the service rendered prior to such break shall be included as Eligibility Service, subject to the provisions of this Section 2.01, only upon completion of a period of Eligibility Service equal to the lesser of the period of his or her break in service or ten years.

Notwithstanding the last sentence of the preceding paragraph, if a Member has a break in service that commences on or after June 27, 2014 (or, if under the Prior Salaried Plan, on or after January 1, 2006), and the Member returns to the employ of the Company or an Associated Company (or, if prior to June 27, 2014, to the employ of Rayonier Inc., or an Associated Company under the Prior Salaried Plan), the service prior to such break shall be included as Eligibility Service only if the Member's break is less than the greater of (1) five years or (2) the service prior to such break..

(e) **Eligibility Service Prior to June 27, 2014.**

Subject to subparagraph (a) above, Eligibility Service shall include, with respect to any person who becomes a Member of the Plan on June 27, 2014, or such later date, pursuant to the provisions of Section 3.01(a) or (b), any "eligibility service" as that term is defined in the Prior Salaried Plan. Notwithstanding the preceding sentence or any other provision of this Plan, no employee who first completed an hour of service with Rayonier Inc., on or after January 1, 2006, shall be eligible to become a Member.

Notwithstanding the preceding paragraph of this subsection, an employee paid on an hourly basis and considered an hourly-rated employee by Rayonier, Inc., its predecessor or affiliates, or by the Company, and who becomes a salaried employee with the Company on or after February 13, 2017, shall not be credited with Eligibility Service under the Plan for service credited under the Prior Salaried Plan.

2.02 Benefit Service

- (a) **Benefit Service On and After the Effective Date.** Except as hereinafter otherwise provided, all uninterrupted employment with the Company rendered by a Member as an Employee on and after the Effective Date and prior to his or her Severance Date shall be recognized as Benefit Service under the Plan. Benefit Service for any period of employment rendered prior to the Effective Date shall be determined as set forth in Section 2.02(f).
- (b) **Employment with an Associated Company.** Except as otherwise provided in an Appendix to the Plan, no employment with an Associated Company rendered by a Member shall be recognized as Benefit Service under the Plan; except if a Member completes 36 months of Eligibility Service as an Employee, any employment rendered on and after the Member's date of hire with an Associated Company before classification as an Employee shall be recognized as Benefit Service subject to any limitations for the Associated Company at which the Member was employed set forth in writing by the Plan Administration Committee. If a Member ceases to be an Employee and is again employed at an Associated

Company, such further employment will not be recognized as Benefit Service unless and until the Member again (i) becomes an Employee and (ii) completes 36 months of Eligibility Service as an Employee. Notwithstanding any provision of the Plan to the contrary, if an employee is hired by an Associated Company on or after the June 27, 2014 and subsequently becomes an Employee, no period of service with the Associated Company or as an Employee will be recognized as Benefit Service. In addition, if an employee, as defined in the Prior Salaried Plan, is hired by an associated company under the Prior Salaried Plan on or after January 1, 2006, and subsequently becomes an employee under the Prior Salaried Plan or an Employee under the Plan, no period of service with such associated company or as an Employee will be recognized as Benefit Service.

- (c) **Employment with the Company but not as an Employee.** With respect to (i) any person who on or after the Effective Date and immediately prior to the date on which he or she becomes an Employee, is in the employ of the Company but not as an Employee and (ii) any Member who completes an Hour of Service on and after the Effective Date, and who thereafter ceases to be an Employee but remains in the employ of the Company, and on or after the Effective Date again becomes an Employee, uninterrupted employment with the Company otherwise than as an Employee rendered on and after the Effective Date shall be recognized as Benefit Service in accordance with the terms of this Section 2.02, provided such person is a Member of the Plan, upon completion of 36 months of Eligibility Service as an Employee, subject to the limitations set forth in writing by the Board of Directors or the Plan Administration Committee for the Participating Unit at which such person was first employed.

Notwithstanding the preceding paragraph of this subsection, an employee paid on an hourly basis and considered an hourly-rated employee by Rayonier, Inc., its predecessor or affiliates, or by the Company, and who becomes a salaried employee with the Company on or after February 13, 2017, shall not be credited with Eligibility Service under the Plan for service credited under the Prior Salaried Plan.

- be considered an Employee for purposes of the Plan and shall not be eligible to become a Member in the Plan, unless otherwise permitted pursuant to Section 4.14.
- under any circumstances, be credited with Benefit Service for service rendered while an hourly employee with Rayonier, Inc., its predecessor or affiliates, or the Company.

Effective February 13, 2017, a participant in an Appendix to the Plan who becomes a salaried employee with the Company on or after February 13, 2017, shall not be credited with Benefit Service under this Plan and shall not accrue benefit under this Plan, other than as provided in the applicable Appendix. Such a participant shall be a Member in this Plan to the extent necessary to obtain the benefits and preserve the rights provided under the applicable Appendix.

- (d) **Certain Absences to be Recognized as Benefit Service.** Except as otherwise indicated below, the following periods of approved absence rendered on and after the Effective Date shall be recognized as Benefit Service and shall not be considered as breaks in Benefit Service:

(i) The period of any leave of absence granted in respect of service with the armed forces of the United States on and after the Effective Date provided the Employee shall have returned to the service of the Company or an Associated Company in accordance with reemployment rights under applicable law and shall have complied with all of the requirements of such law as to reemployment.

(ii) Except as provided by law, the period on and after the Effective Date of any leave of absence granted in respect of service, not exceeding two years, with any other agency or department of the United States Government.

(iii) The period on and after the Effective Date of any total and permanent disability during which an Employee becomes entitled to a disability benefit under Title II of the Federal Social Security Act as amended from time to time; provided, however, that, if such disability benefit ceases to be paid solely due to the Employee's age, Benefit Service shall include the period of total and permanent disability during which the Employee is entitled or would have been entitled if he or she had participated in the Company's applicable long term disability plan to receive disability benefit under such long term disability plan.

(iv) The period on and after the Effective Date of any leave of absence during which Company sickness or accident benefits are payable.

(v) The period on and after the Effective Date of any leave of absence approved by the Company during which an Employee is paid Compensation at a rate which is at least one-half of the Employee's basic rate of Compensation in effect immediately prior to such leave.

(vi) In any event, Benefit Service shall include the period, with or without Compensation, immediately preceding the Employee's Severance Date not in excess of 12 consecutive months inclusive of those periods of approved absences already included in Subparagraphs (i) through (v) above, during which an Employee is continuously absent from service.

(vii) The period of any periodic salary continuation payments an Employee receives under any severance pay plan of the Company other than the Rayonier Advanced Materials Inc. Executive Severance Pay Plan (the "Executive Severance Plan").

Except to the extent provided under Subparagraph (vi) above, if an Employee fails to return to active employment upon expiration of the approved absences specified in Subparagraphs (i), (ii), (iv) and (v) above, such periods of approved absence shall not be considered as Benefit Service under the Plan.

The Compensation of a Member during the periods of absence covered by clause (i), (ii), (iv) or (vi) above shall be the Compensation the Member actually receives during such period. The Compensation of a Member during the period of absence covered by clause (iii) above shall be deemed to be the Member's Final Average Compensation based on his or her Eligibility Service up to such absence. Unless the Plan Administration Committee determines otherwise on a basis uniformly applicable to all persons similarly situated, the Social Security Benefit of a Member covered by clause (iii) above shall be based on the

benefit awarded by the Social Security Administration at the date of his or her total and permanent disability.

The Compensation of a Member during the period of absence covered by clause (vii) above shall be the amount of periodic salary continuation payments that the Member actually receives during such period. Salary continuation payments paid in the form of a lump sum shall be excluded from the Compensation of a Member. Any period of absence for which salary continuation payments are paid in the form of a lump sum shall not be considered when determining Benefit Service pursuant to the provisions of this Section 2.02.

(e) **All Other Absences for Employees.**

(i) No period of absence approved by the Company other than those specified in Section 2.02(d) above shall be recognized as Benefit Service.

(ii) No other absence, other than the absence covered by the exception in clause (i) above, shall be recognized as Benefit Service and any such absence shall be considered as a break in Benefit Service; provided, however, that in no event shall there be a break in Benefit Service if an Employee is continuously absent from service with the Company or with an Associated Company for a period not in excess of 12 months and returns as an Employee to the employ of the Company before the first anniversary date of his or her Severance Date. However, any period between a Severance Date and a reemployment date which is counted as Eligibility Service under Section 2.01(d)(vii) shall not be counted as Benefit Service.

If the Employee was eligible for a vested benefit under Section 4.05 at the time of a break in service, Benefit Service both before and after the Employee's absence shall be immediately recognized as Benefit Service under the Plan upon his or her return to service.

If the Employee was not eligible for a vested benefit under Section 4.05 at the time of a break in service, Benefit Service shall begin from the date of the Employee's return to the employ of the Company. However, any Benefit Service rendered prior to such break in service shall be included, subject to the provisions of this Section 2.02, as Benefit Service only at the time that he or she bridges his or her Eligibility Service in accordance with the provisions of Section 2.01(f).

(f) **Benefit Service Under the Prior Salaried Plan.** Notwithstanding any foregoing provisions of the Plan to the contrary, Benefit Service shall include, with respect to any person who became a Member of the Plan on June 27, 2014, or such later date, pursuant to the provisions of Section 3.01(a) or (b), any benefit service credited to the Member under the Prior Salaried Plan.

Notwithstanding the preceding paragraph of this subsection, an employee paid on an hourly basis and considered an hourly-rated employee by Rayonier, Inc., its predecessor or affiliates, or by the Company, and who became a salaried employee with the Company on or after February 13, 2017, shall not be credited with Benefit Service under the Plan for service credited under the Prior Salaried Plan.

(g) **Members of Merged Plans.** A Member entitled to benefits from a merged plan pursuant to an Appendix to this Plan document, as provided by Section 3.06, shall not be credited with

Benefit Service under this Section 2.02 or this Article 2, unless such Member is otherwise entitled to benefits under this Plan.

2.03 Questions Relating to Service Under the Plan

If any question shall arise hereunder as to an Employee's Eligibility Service or Benefit Service, such question shall be resolved in writing by the Plan Administration Committee on a basis uniformly applicable to all Employee(s) similarly situated. The Plan Administration Committee may, with respect to any person or any group of persons which it considers to be not substantial in number, determine whether the employment of such person(s), the Company or any Associated Company shall be recognized under the Plan as Eligibility Service or Benefit Service. If, in the judgment of the Plan Administration Committee, a group of persons is considered to be substantial in number, the employment of such persons with the Company or any Associated Company shall not be recognized under the Plan as Eligibility Service or Benefit Service until further action by the Board of Directors. Such further documentation is hereby incorporated into the Plan by reference.

ARTICLE 3 – MEMBERSHIP

3.01 Persons Employed on or after June 27, 2014

- (a) Except as otherwise provided in Section 3.06, any person who was an Employee as defined in Section 1.15 on June 27, 2014, who was a Member of the Prior Salaried Plan associated with any Performance Fibers business as of June 27, 2014, whose Accrued Benefit was transferred to this Plan effective as of June 27, 2014, in connection with the spinoff of the Company, shall become a Member of the Plan on June 27, 2014. In addition, any person who becomes an Employee after June 27, 2014, whose Accrued Benefit under the Prior Salaried Plan was transferred to this Plan in connection with the spinoff of the Company after June 27, 2014, but solely because such person was working for Rayonier Inc. in the United States pursuant to a visa, the conditions of which would not permit such Member's employment to transfer to the Company until after June 27, 2014, shall become a Member of the Plan on such transfer date.
- (b) Except as otherwise provided in Section 3.06, any person who was classified as an Employee as defined in Section 1.15 on June 27, 2014, but was absent from work at the Company by reason of layoff, leave of absence, short term disability or long term disability, who was a Member of the Prior Salaried Plan associated with any Performance Fibers business as of June 27, 2014, whose Accrued Benefit was transferred to this Plan effective as of June 27, 2014, in connection with the spinoff of the Company, shall become a Member of the Plan on June 27, 2014.
- (c)

3.02 Membership Requirements Under the Prior Salaried Plan

Under the Prior Salaried Plan, every person who was first employed as an employee (as defined in the Prior Salaried Plan, on or after March 1, 1994, became a member in the Prior Salaried Plan as of the first day of the calendar month coincident with or next following the later of:

- (a) the date on which he or she attained the 21st anniversary of his or her birth, or
- (b) the date on which he or she completed one year of eligibility service as defined in the Prior Salaried Plan.

Notwithstanding any provision of the Prior Salaried Plan to the contrary, no employee who first completed an Hour of Service on or after January 1, 2006, was eligible to become a member in the Prior Salaried Plan.

3.03 Reemployment After January 1, 2006, of Rayonier Inc. Salaried Employees

If a Member of this Plan who had terminated employment with Rayonier Inc. and all of its Associated Companies (as defined in the Prior Salaried Plan), has a period of absence that includes January 1, 2006, or any day thereafter, and is subsequently restored to service, either with the Company or, prior to June 27, 2014, with Rayonier Inc., such Member shall not receive

any Benefit Service for his subsequent period of employment. In addition, amounts paid to the Member during the subsequent period of employment shall not be considered Compensation.

3.04 Reemployment of Former Employees, Former Members and Retired Members

Except as provided in Section 3.03, any person reemployed by the Company as an Employee shall be considered a new Employee and not eligible for membership in the Plan if such Employee was not previously a Member of the Plan.

Subject to Section 3.03, the membership of any person reemployed by the Company as an Employee shall be immediately resumed if such Employee was previously a Member of the Plan.

If a retired Member or a former Member is reemployed by the Company or by an Associated Company in a capacity other than as a Non-Benefits Worker, his or her membership in the Plan shall be immediately resumed and any payment of a retirement allowance with respect to his or her original retirement or any payment of a vested benefit with respect to his or her original employment shall cease in accordance with the provisions of Section 4.11.

Notwithstanding any provision of the Plan to the contrary, if an Employee is reemployed by the Company on or after the Effective Date or terminates employment on or after that date and is subsequently rehired, the Employee shall not receive any Benefit Service for his subsequent period of employment. In addition, amounts paid to the Employee during the subsequent period of employment shall not be considered Compensation.

3.05 Termination of Membership

Unless otherwise determined by the Plan Administration Committee in writing under rules uniformly applicable to all person(s) or Employee(s) similarly situated, an Employee's membership in the Plan shall terminate if he or she ceases to be an Employee and he or she is not entitled to either a retirement allowance or vested benefit under Sections 4.01, 4.02, 4.03, 4.04 or 4.05, except that an Employee's membership shall continue (a) during any period while on leave of absence approved by the Company, (b) while absent by reason of temporary disability, (c) during the period of any total and permanent disability which continues to be recognized as Eligibility Service and Benefit Service as provided in Article 2, (d) while he or she is not an Employee as herein defined but is in the employ of the Company or an Associated Company, or (e) during the period of any periodic salary continuation payments an Employee receives under any severance pay plan of the Company. Employees covered by the Plan may not waive such coverage.

3.06 Merged Plans

The Company may assume sponsorship of the retirement plans of predecessor, affiliated or acquired entities. Those plans may be merged into this Plan. Certain benefits rights and features of those merged plans, including but not limited to service credit and eligibility, will be protected or preserved by this Plan, and shall be set forth in an Appendix to this Plan document. Such Appendix shall be incorporated herein by reference and shall take precedent over contrary provisions of Article 2, Article 3, Article 4, and other provisions of the Plan as applicable to the participants and former employees identified in such Appendix. Such participants and former employees shall be considered Members of this Plan, and subject to the terms and conditions of the Plan except as otherwise provided in the applicable Appendix.

3.07 Questions Relating to Membership in the Plan

If any question shall arise hereunder as to the commencement, duration or termination of the membership of any person(s) or Employee(s) employed by the Company or by an Associated Company, such question shall be resolved by the Plan Administration Committee in writing under rules uniformly applicable to all person(s) or Employee(s) similarly situated. Such further documentation is hereby incorporated into the Plan by reference.

3.08 Change in Hourly Employee's Classification

Effective February 13, 2017, an individual who does not qualify as an Employee (as defined in Section 1.15) because the individual is paid on an hourly basis and is considered as an hourly-rated employee for purposes of the Company's employee benefit plans, shall continue as a Member of this Plan solely with respect to accrued benefits earned under an Appendix to this Plan. Such Member shall not be eligible to join the Plan as an Employee in the event such employee's classification changes from hourly-rated employee to another classification which satisfies the definition of Employee under Section 1.15, and such individual shall not accrue any benefits under this Plan as an Employee.

3.09 Merger of Tembec Plan into the Plan

As permitted under Section 3.06 of the Plan, effective close of business on December 31, 2018, the Tembec USA LLC Retirement Plan (the "Tembec Plan") is merged into and made a part of the Plan. In connection with the merger, the following shall apply:

- (a) All assets and liabilities of the Tembec Plan are transferred to and made a part of the Plan.
- (b) Each individual who was a participant in the Tembec Plan as of December 31, 2018 shall become a Participant in the Plan on and after January 1, 2019.
- (c) Except as otherwise specifically provided in this Section 3.09 the terms of the Tembec Plan as in effect immediately prior to the merger and as subsequently amended (the "prior Tembec Plan documentation"), rather than the terms of the Plan, shall continue to apply on and after January 1, 2019 to former Employees who were covered by the terms of the Tembec Plan and to current Employees of any Employer that participated in the Tembec Plan. The prior Tembec Plan documentation shall continue in effect until such time as the Plan is amended and restated to reflect the benefits, rights, and features applicable to such Employees.
- (d) Notwithstanding the provisions of paragraph (c), the administrative provisions of the Plan shall control to the extent there is any conflict between the Plan provisions and the prior Tembec Plan documentation.
- (e) In no event shall the accrued benefit of any Employee be reduced as a result of the merger. In addition, no Employee who was a participant in the Tembec Plan on December 31, 2018 shall incur a break in crediting of service or earnings as a result of the merger.

ARTICLE 4 – BENEFITS

4.01 Normal Retirement Allowance

(a) The right of a Member to his or her normal retirement allowance shall be nonforfeitable as of his or her Normal Retirement Age. A Member may retire from active service on a normal retirement allowance upon reaching his or her Normal Retirement Date. If a Member postpones his or her retirement and continues in active service after his or her Normal Retirement Date or returns to service after his or her Normal Retirement Date, the provisions of Section 4.02 shall be applicable.

(b) **Benefit.** Prior to adjustment in accordance with Sections 4.06(a) and 4.07(c), the annual normal retirement allowance payable on a lifetime basis upon retirement at a Member's Normal Retirement Date shall be equal to the sum of (i), (ii) and (iii) where:

(i) equals:

- (1) 2% of the Member's Final Average Compensation multiplied by the portion of the first 25 years of his or her Benefit Service rendered prior to March 1, 1994;
- (2) plus 1½% of the Member's Final Average Compensation multiplied by the next 15 years of his or her Benefit Service rendered prior to March 1, 1994, to a combined maximum of 40 years of Benefit Service;
- (3) reduced by 1¼% of the Social Security Benefit multiplied by the portion of his or her years of Benefit Service rendered prior to March 1, 1994, and not in excess of 40 years;
- (4) reduced, but not below zero, by the annual normal retirement allowance determined under the provisions of Section 4.01(b) of the Retirement Plan for Salaried Employees of ITT Incorporated (the "ITT Salaried Plan") prior to the imposition of any limitations under Code Section 415 and the application of any offset provisions of the ITT Salaried Plan, with respect to the Member's period of employment rendered prior to March 1, 1994, which has been credited as Benefit Service pursuant to the provisions of Section 2.02(f); and

(ii) equals:

- (1) 2% of the Member's Final Average Compensation multiplied by the portion of the first 25 years of his or her Benefit Service rendered on and after March 1, 1994, but not later than December 31, 2003;
- (2) plus 1½% of the Member's Final Average Compensation multiplied by the portion of the next 15 years of his or her Benefit Service rendered on or after March 1, 1994, but not later than December 31, 2003, to a combined maximum of 40 years of Benefit Service minus the total number of years of Benefit Service rendered prior to March 1, 1994;

- (3) reduced by $1\frac{1}{4}\%$ of the Social Security Benefit multiplied by the portion of the number of years of his or her Benefit Service rendered on or after March 1, 1994, but no later than December 31, 2003, not in excess of 40 years minus the total number of years of Benefit Service rendered prior to March 1, 1994; and

(iii) equals:

- (1) $1\frac{1}{2}\%$ of the Member's Final Average Compensation multiplied by his or her Benefit Service rendered on and after January 1, 2004, to a combined maximum of 40 years of Benefit Service minus the total number of years of Benefit Service rendered prior to January 1, 2004;
- (2) reduced by $1\frac{1}{4}\%$ of the Social Security Benefit multiplied by the portion of the number of years of his or her Benefit Service rendered on or after January 1, 2004, not in excess of 40 years minus the total number of years of Benefit Service rendered prior to January 1, 2004.

The combined maximum years of Benefit Service used to compute the amounts under clauses (i) and (ii) above shall not exceed 40 years.

The annual normal retirement allowance determined prior to reduction to be made on account of the Social Security Benefit shall be an amount not less than the greatest annual early retirement allowance which would have been payable to a Member had he or she retired under Section 4.03 or Section 4.04 at any time before his or her Normal Retirement Date and as such early retirement allowance would have been reduced to commence at such earlier date but without reduction on account of the Social Security Benefit. The reduction to be made on account of the Social Security Benefit shall in any event be based on the Federal Social Security Act in effect at the time of the Member's actual retirement.

- (c) **Members of Merged Plans.** Notwithstanding any provisions of this Section 4.01 or this Article 4 to the contrary, a Member whose benefits are set forth in an Appendix to this Plan document as provided by Section 3.06, shall receive the benefit(s) set forth in the applicable Appendix, at such time and in such manner as provided in the Appendix.

4.02 Postponed Retirement Allowance

- (a) A Member who continues in active service after his or her Normal Retirement Date or returns to active service on or after his or her Normal Retirement Date shall be retired from active service on a postponed retirement allowance on the first day of the month following his or her termination of employment, which date shall be the Member's Postponed Retirement Date.
- (b) **Benefit.** Except as hereinafter provided and prior to adjustment in accordance with Sections 4.06(a) and 4.07(c), the annual postponed retirement allowance payable on a lifetime basis upon retirement at a Member's Postponed Retirement Date shall be equal to the greater of:
 - (i) an amount determined in accordance with Section 4.01(b) but based on the Member's Benefit Service, Social Security Benefit and Final Average Compensation, and with respect to the amount determined under Section 4.01(b)(i)(4), any applicable

components under the Prior Salaried Plan as of his or her Postponed Retirement Date, or

(ii) the annual normal retirement allowance to which the Member would have been entitled under Section 4.01(b) had he or she retired on his or her Normal Retirement Date, increased by an amount which is the Equivalent Actuarial Value of the monthly payments which would have been payable with respect to each month in which he or she worked fewer than eight days. Any monthly payment determined under this Subparagraph (ii) with respect to any such month in which he or she worked fewer than eight days shall be computed as if the Member had retired on his or her Normal Retirement Date and shall reflect additional benefit accruals, if any, recomputed as of the first day of each subsequent Plan Year during which payment would have been made on the basis of his or her Final Average Compensation and Benefit Service accrued to such recomputation date.

(c) **Benefit for Member in Active Service After He or She Attains Age 70½.** In the event a Member's retirement allowance is required to begin under Section 4.10 while the Member is in active service, the January 1 immediately following the calendar year in which the Member attained age 70½ shall be the Member's Annuity Starting Date for purposes of this Article 4 and the Member shall receive a postponed retirement allowance commencing on that January 1 in an amount determined as if he or she had retired on such date. As of each succeeding January 1 prior to the Member's actual Postponed Retirement Date and as of his or her actual Postponed Retirement Date, the Member's retirement allowance shall be:

(i) recomputed to reflect any additional retirement allowance attributable to his or her Compensation and Benefit Service earned during the immediately preceding calendar year and based on his or her age at each succeeding January 1 or actual Postponed Retirement Date, and

(ii) reduced by the Equivalent Actuarial Value of the total payments of his or her postponed retirement allowance made with respect to each month of continued employment in which he or she was credited with at least eight days of service and which were paid prior to each such recomputation;

provided that no such reduction shall reduce the Member's postponed retirement allowance below the amount of postponed retirement allowance payable to the Member immediately prior to the recomputation of such retirement allowance.

4.03 Standard Early Retirement Allowance

(a) **Voluntary Termination Eligibility.** A Member who has not reached his or her Normal Retirement Date but has reached, prior to his or her voluntary termination of employment, the 55th anniversary of his or her birth and completed 10 years of Eligibility Service, is eligible to retire on a standard early retirement allowance on the first day of the calendar month coincident with or next following termination of employment, which date shall be the Member's Early Retirement Date.

Involuntary Termination Without Cause Eligibility. A Member who has not reached his or her Normal Retirement Date but has reached, prior to this or her involuntary termination of employment without cause by the Company, the 54th anniversary of his or her birth and

completed nine years of Eligibility Service, is eligible to retire on a standard early retirement allowance on the first day of the calendar month coincident with or next following termination of employment, which date shall be the Member's Early Retirement Date.

- (b) **Benefit.** Except as hereinafter provided and prior to adjustment in accordance with Sections 4.06(a) and 4.07(c) the standard early retirement allowance shall be an allowance deferred to commence on the Member's Normal Retirement Date and shall be equal to the Member's Accrued Benefit earned up to his or her Early Retirement Date, computed on the basis of his or her Benefit Service, Final Average Compensation, Social Security Benefit and any applicable components of the Prior Salaried Plan as of his or her Early Retirement Date, with the Social Security Benefit determined on the assumption that the Member had no earnings after his or her Early Retirement Date.

The Member may, however, elect to receive an early retirement allowance commencing on his or her Early Retirement Date or the first day of any calendar month before his or her Normal Retirement Date specified in his or her later request therefor in a reduced amount which, prior to adjustment in accordance with Sections 4.06(a) and 4.07(c) shall be equal to his or her Accrued Benefit earned up to his or her Early Retirement Date prior to the reduction for the Social Security Benefit, reduced by 1/4 of 1% per month for each month by which the commencement date of his or her retirement allowance precedes his or her Normal Retirement Date.

The reduction to be made on account of the Social Security Benefit, with respect to the retirement allowance payable to a Member retiring prior to his or her 62nd birthday, shall not be made until such time as the Member is or would upon proper application first be entitled to receive said Social Security Benefit. With respect to a Member who retires on and after said date and prior to attaining age 62, the reduction to be made to the retirement allowance payable to such Member or any benefit payable after his or her death to his or her spouse or to a contingent annuitant pursuant to the provisions of Section 4.06 on account of the Social Security Benefit shall not be made until such time as the Member is or would have, had he or she survived, upon proper application first been entitled to receive said Social Security Benefit.

4.04 Special Early Retirement Allowance

- (a) **Voluntary Termination Eligibility.** A Member who has not reached his or her Normal Retirement Date but who prior to his or her voluntary termination of employment (i) has reached the 55th anniversary of his or her birth and completed 15 years of Eligibility Service, or (ii) has reached the 50th anniversary of his or her birth but not the 55th anniversary of his or her birth and whose age plus years of Eligibility Service equals 80 or more, is eligible, in either case, to retire on a special early retirement allowance on the first day of the calendar month coincident with or next following termination of employment, which date shall be the Member's Special Early Retirement Date.

Involuntary Termination Without Cause Eligibility. A Member who has not reached his or her Normal Retirement Date but who prior to his or her involuntary termination of employment without cause by the Company (i) has reached the 54th anniversary of his or her birth and completed 14 years of Eligibility Service, or (ii) has reached the 49th anniversary of his or her birth but not the 54th anniversary of his or her birth and whose age

plus years of Eligibility Service equals 78 or more, is eligible, in either case, to retire on a special early retirement allowance on the first day of the calendar month coincident with or next following termination of employment, which date shall be the Member's Special Early Retirement Date.

- (b) **Benefit.** Except as hereinafter otherwise provided and prior to adjustment in accordance with Sections 4.06(a) and 4.07(c) the special early retirement allowance shall be an allowance deferred to commence on the Member's Normal Retirement Date and shall be equal to his or her Accrued Benefit earned up to the Member's Special Early Retirement Date, computed on the basis of his or her Benefit Service, Final Average Compensation, Social Security Benefit and any applicable components of the Prior Salaried Plan as of his or her Special Early Retirement Date, with the Social Security Benefit determined on the assumption that the Member had no earnings after his or her Special Early Retirement Date.

At or after his or her Special Early Retirement Date, however, the Member may elect to receive early payment of his or her Accrued Benefit commencing on the later of his or her Special Early Retirement Date or the first day of any later calendar month prior to his or her Normal Retirement Date as specified in his or her request therefor.

In the event of early payment commencing on the first day of the month coincident with or following the 60th anniversary of a Member's birth, the special early retirement allowance, prior to any adjustment in accordance with Sections 4.06(a) and 4.07(c), payable prior to age 62 shall be equal to his or her Accrued Benefit earned up to the Member's Special Early Retirement Date prior to the reduction for the Social Security Benefit; such retirement allowance shall not be increased to reflect a commencement date later than the 60th anniversary of the Member's birth.

In the event of early payment commencing prior to the 60th anniversary of a Member's birth, the special early retirement allowance, prior to any adjustment in accordance with Sections 4.06(a) and 4.07(c), payable prior to age 62 shall be equal to his or her Accrued Benefit earned up to the Member's Special Early Retirement Date prior to the reduction for the Social Security Benefit but reduced by 5/12 of 1% per month for each month up to 60 months by which the commencement date of his or her special early retirement allowance precedes the first day of the calendar month coinciding with or next following the 60th anniversary of his or her birth.

The reduction to be made on account of the Social Security Benefit, with respect to the retirement allowance payable to a Member retiring prior to his or her 62nd birthday, shall be made at such time as the Member is or would upon proper application first be entitled to receive said Social Security Benefit. With respect to a Member who retires prior to attaining age 62, the reduction to be made to the retirement allowance payable to such Member or any benefit payable after his or her death to his or her spouse or to a contingent annuitant pursuant to the provisions of Section 4.06 on account of the Social Security Benefit shall not be made until such time as the Member is or would have, if he or she had survived, upon proper application first been entitled to receive said Social Security Benefit.

4.05 Vested Benefit

- (a) **Eligibility.** Except as provided in the second paragraph of this Subsection 4.05(a), a Member shall be vested in, and have a nonforfeitable right to his or her Accrued Benefit upon

completion of five years of Eligibility Service. If such Member's services are subsequently terminated for reasons other than death or early retirement prior to his or her Normal Retirement Date, he or she shall be entitled to a vested benefit under the provisions of this Section 4.05.

Notwithstanding the foregoing, a Member whose services were terminated solely as a result of the asset sale of the Wood Products business of Rayonier Inc. that was effective March 1, 2013, shall be automatically 100% vested as of such date.

- (b) **Benefit.** Prior to adjustment in accordance with Sections 4.06(a) and 4.07(a), the vested benefit payable to a Member shall be a benefit deferred to commence on the former Member's Normal Retirement Date and shall be equal to his or her Accrued Benefit earned up to the date the Member's employment is terminated, computed on the basis of his or her Benefit Service, Final Average Compensation, Social Security Benefit and any applicable component of the Prior Salaried Plan as of his or her date of termination, with the Social Security Benefit determined on the assumption that the Member continued in service to his or her Normal Retirement Date at his or her rate of Compensation in effect as of his or her date of termination. On or after the date on which the former Member shall have reached the 55th anniversary of his or her birth he or she may elect to receive a benefit commencing on the first day of any calendar month coincident with or next following the 55th anniversary of his or her birth and prior to his or her Normal Retirement Date as specified in his or her request therefor, after receipt by the Plan Administration Committee of written application therefor made by the former Member and filed with the Plan Administration Committee. Upon such earlier payment, the vested benefit otherwise payable at the former Member's Normal Retirement Date will be reduced by 1/180th for each month up to 60 months by which the commencement date of such payments precedes his or her Normal Retirement Date and further reduced by 1/360th for each such month in excess of 60 months.

4.06 Forms of Benefit Payment After Retirement

(a) **Automatic Forms of Payment**

- (i) Automatic Joint and Survivor Annuity. If a Member or former Member who is married on his or her Annuity Starting Date has not made an election of an optional form of payment as provided in Section 4.06(b), the retirement allowance or vested benefit payable to such Member or former Member shall automatically be adjusted as follows in order to provide that, after his or her death, a lifetime benefit as described below shall be payable to the spouse to whom he or she is married on his or her Annuity Starting Date:
- (1) 90/50 Spouse's Annuity. If such Member retires from active service under Section 4.01, Section 4.02, Section 4.03 or Section 4.04, the automatic joint and survivor annuity payable to the Member shall provide (A) a reduced retirement allowance payable to the Member during his or her life equal to 90% of the retirement allowance otherwise payable without optional modification to the Member under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, further adjusted, if necessary, as provided in the following sentence and (B) a benefit payable after his or her death to his or her surviving spouse equal to 50% of the retirement allowance otherwise payable without optional modification to the

Member under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, and without further adjustment as provided in the following sentence. If such spouse is more than five years older than the Member, the reduced retirement allowance payable to the Member shall be increased for each such additional full year in excess of five years, but for not more than 20 years, by one-half of 1% of the retirement allowance payable to the Member prior to optional modification. If such spouse is more than five years younger than the Member, the reduced retirement allowance payable to the Member shall be further reduced for each such additional full year in excess of five years by one-half of 1% of the retirement allowance payable to the Member prior to optional modification.

Notwithstanding the foregoing, the retirement allowance payable to the Member shall not be less than the retirement allowance otherwise payable without optional modification to the Member at retirement under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, multiplied by the appropriate factor contained in Table 3 of Appendix A.

- (2) Vested Spouse's Annuity. If such Member terminates service and is entitled to a vested benefit under Section 4.05, the joint and survivor annuity payable to the former Member shall provide (A) a reduced vested benefit payable to the former Member during his or her life equal to his or her vested benefit computed in accordance with Section 4.05 multiplied by the appropriate factor contained in Table 1 of Appendix A and (B) a benefit payable after his or her death to his or her surviving spouse equal to 50% of the reduced vested benefit payable to the former Member.
- (ii) Automatic Life Annuity. If a Member or former Member is not married on his or her Annuity Starting Date, the retirement allowance or vested benefit computed in accordance with Section 4.01, 4.02, 4.03, 4.04 or 4.05, as the case may be, shall be paid to the Member or former Member in the form of a lifetime benefit payable during his or her own lifetime with no further benefit payable to anyone after his or her death, unless the Member or former Member is eligible for and makes an election of an optional form of payment under Section 4.06(b).

(b) Optional Forms of Payment

- (i) ***Life Annuity Option***. Any Member or former Member who retires or terminates employment with the right to a retirement allowance or vested benefit may elect, in accordance with the provisions of Section 4.06(d), to provide that the retirement allowance payable to him or her under Section 4.01, 4.02, 4.03 or 4.04 or the vested benefit payable to him or her under Section 4.05 shall be in the form of a lifetime benefit payable during his or her own lifetime with no further benefit payable to anyone after his or her death.
- (ii) ***80/80 Spouse's Annuity Option***. Any Member who retires from active service under Section 4.01, 4.02, 4.03 or 4.04, who is married on his or her Annuity Starting Date, may elect, in accordance with the provisions of Section 4.06(d), to convert the retirement allowance otherwise payable to him or her without optional modification under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, into the following

alternative benefit in order to provide that, after his or her death, a lifetime benefit shall be payable to the spouse to whom the Member is married on his or her Annuity Starting Date.

The Member shall receive a reduced retirement allowance payable during his or her life equal to 80% of the retirement allowance otherwise payable without optional modification to the Member at retirement under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, further adjusted, if necessary, as provided below. The Member's surviving spouse shall receive a benefit payable after the Member's death equal to the Member's retirement allowance as reduced in this Section 4.06(b)(ii).

If such spouse is more than five years older than the Member, the reduced retirement allowance payable to the Member shall be increased for each such additional full year in excess of five years, but for not more than 20 years, by 1% of the retirement allowance payable to the Member prior to optional modification. If such spouse is more than five years younger than the Member, the reduced retirement allowance payable to the Member shall be further reduced for each such additional full year in excess of five years by 1% of the retirement allowance payable to the Member prior to optional modification.

Notwithstanding the foregoing, the retirement allowance payable to the Member and his or her surviving spouse shall not be less than the retirement allowance that would have been payable if the Member had elected Option 1 under Section 4.06(b)(iii).

- (iii) ***Contingent Annuity Option.*** Any Member who retires from active service under Section 4.01, 4.02, 4.03 or 4.04 may elect, in accordance with the provisions of Section 4.06(d), to convert the retirement allowance otherwise payable to him or her without optional modification under Section 4.01, 4.02, 4.03 or 4.04, as the case may be, into Option 1 or Option 2 below in order to provide that after his or her death, a lifetime benefit shall be payable to the person who, when the option became effective, was designated by him or her to be his or her contingent annuitant. The optional benefit elected shall be the Equivalent Actuarial Value of the retirement allowance otherwise payable without optional modification under Section 4.01, 4.02, 4.03 or 4.04.

Any Member or former Member who retires or terminates employment with the right to a retirement allowance or vested benefit and whose Annuity Starting Date is on or after January 1, 2008, may elect, in accordance with the provisions of Section 4.06(d), to convert the retirement allowance or vested benefit otherwise payable to him or her without optional modification into Option 3 below in order to provide that after his or her death, a lifetime benefit shall be payable to the person who, when the option became effective, was designated by him or her to be his or her contingent annuitant. The optional benefit elected shall be the Equivalent Actuarial Value of the retirement allowance or vested benefit otherwise payable without optional modification.

Option 1 A reduced retirement allowance payable during the Member's life with the provisions that after his or her death a benefit equal to 100% of his or her reduced retirement allowance shall be paid during the life of, and to, his or her surviving contingent annuitant.

Option 2 A reduced retirement allowance payable during the Member's life with the provision that after his or her death a benefit equal to 50% of his or her reduced retirement allowance shall be paid during the life of, and to, his or her surviving contingent annuitant.

Option 3 A reduced retirement allowance payable during the Member's life with the provision that after his or her death a benefit equal to 75% of his or her reduced retirement allowance shall be paid during the life of, and to, his or her surviving contingent annuitant.

- (c) **Required Notice.** No less than 30 days and no more than 180 days before his or her Annuity Starting Date, the Plan Administration Committee shall furnish to each Member or former Member a written explanation in non-technical language of the terms and conditions of the Automatic Joint and Survivor Annuity and the Automatic Life Annuity as described in Section 4.06(a) and the optional forms of benefits described in Section 4.06(b). Such explanation shall include (i) a general description of the eligibility conditions for the material features of and the relative values of the optional forms of payment under the Plan, (ii) any rights the Member or former Member may have to defer commencement of his or her retirement allowance or vested benefit, which will include a description of how much larger benefits will be if the commencement of benefits is deferred, (iii) the requirement for Spousal Consent as provided in Section 4.06(d), and (iv) the right of the Member or former Member, prior to his or her Annuity Starting Date, to make and to revoke elections under Section 4.06. Such notification shall satisfy the notice requirements of Code Section 417(a)(3) and Regulation 1.417(a)(3)-1.
- (d) **Election of Options.** Subject to the provisions of this Section 4.06(d) and in lieu of the automatic forms of payment described in Section 4.06(a):
- (i) a Member may elect to receive his or her retirement allowance or vested benefit in the optional form of payment described in Section 4.06(b)(i);
 - (ii) a Member who retires under the provisions of Section 4.01, 4.02, 4.03 or 4.04 may elect to receive his or her retirement allowance in one of the optional forms of payment described in Section 4.06(b)(ii) or in the form of Option 1, Option 2 or Option 3 under 4.06(b)(iii); and
 - (iii) a Member who terminates service and is entitled to vested benefit under Section 4.05 may elect to receive his or her retirement allowance or vested benefit in the form of Option 3 under Section 4.06(b)(iii), provided his or her spouse is the only contingent annuitant.

A married Member's or a married former Member's election of a Life Annuity form of payment under Section 4.06(b)(i) or any optional form of payment under Section 4.06(b)(ii) and Section 4.06(b)(iii), which does not provide for monthly payments to his or her spouse for life after the Member's or former Member's death, in an amount equal to at least 50% but not more than 100% of the monthly amount payable under that form of payment to the Member or former Member and which is not of Equivalent Actuarial Value to the Automatic Joint and Survivor Annuity described in Section 4.06(a)(i), shall be effective only with Spousal Consent; provided such Spousal Consent to the election has been received by the Plan Administration Committee.

Any election made under Section 4.06(a) or Section 4.06(b) shall be made on a form approved by the Plan Administration Committee and may be made during the 180-day period ending on the Member's Annuity Starting Date, but not prior to the date the Member or former Member receives the written explanation described in Section 4.06(c). Any such election shall become effective on the Member's or former Member's Annuity Starting Date, provided the appropriate form is filed with and received by the Plan Administration Committee and may not be modified or revoked after his or her Annuity Starting Date. Any election made under Section 4.06(a) or Section 4.06(b) after having been filed, may be revoked or changed by the Member or former Member only by written notice received by the Plan Administration Committee before his or her election becomes effective on his or her Annuity Starting Date. Any subsequent elections and revocations may be made at any time and from time to time during the 180-day period ending on the Member's or former Member's Annuity Starting Date. A revocation shall be effective when the completed notice is received by the Plan Administration Committee. A re-election shall be effective on the Member's or former Member's Annuity Starting Date. If, however, the Member or the spouse or the contingent annuitant designated in the election dies before the election has become effective, the election shall thereby be revoked.

Notwithstanding the provisions of Paragraph (c) above, a Member may, after having received the notice, affirmatively elect to have his or her retirement allowance or vested benefit commence sooner than 30 days following his or her receipt of the notice, provided all of the following requirements are met:

(i) the Plan Administration Committee clearly informs the Member that he or she has a period of at least 30 days after receiving the notice to decide when to have his or her retirement allowance or vested benefit begin, and if applicable, to choose a particular optional form of payment;

(ii) the Member affirmatively elects a date for his or her retirement allowance or vested benefit to begin, and if applicable, an optional form of payment, after receiving the notice;

(iii) the Member is permitted to revoke his or her election until the later of his or her Annuity Starting Date or seven days following the day he or she received the notice;

(iv) payment does not commence less than seven days following the day after the notice is received by the Member; and

(v) in the event a Member who is scheduled to commence receipt of a retirement allowance prior to his or her Normal Retirement Date or who retires on a Normal or Postponed Retirement Date elects an Annuity Starting Date that precedes the date he or she received the notice (the "retroactive Annuity Starting Date"), the following requirements are met:

(A) the Member's benefit must satisfy the provisions of Code Sections 415 and 417(e)(3), both at the retroactive Annuity Starting Date and at the actual commencement date;

(B) a payment equal in amount to the payments that would have been received by the Member had his or her benefit actually commenced on his retroactive Annuity

Starting Date, plus interest at the annual rate of interest on 30-year Treasury Securities published by the Commissioner of Internal Revenue in the calendar month preceding the applicable Stability Period applicable for each Plan Year in which interest is paid, compounded annually, shall be paid to the Member on his or her actual commencement date; and

(C) the Member elects within the 120 day period following the Member's termination of employment with the Company and all Associated Companies to receive benefits as of a retroactive Annuity Starting Date.

(D) Spousal Consent to the retroactive Annuity Starting Date is required for such election to be effective unless:

(I) the amount of the survivor annuity payable to the spouse determined as of the retroactive Annuity Starting Date under the form elected by the Member is no less than the amount the spouse would have received under the Qualified Joint and Survivor Annuity if the date payments commence were substituted for the retroactive Annuity Starting Date; or

(II) the Member is not married on the actual commencement date and the Member's spouse is not treated as his spouse under a qualified domestic relations order on the Retroactive Annuity Starting Date.

(e) Delayed Commencement of Normal Retirement Allowance

(i) In the event a Member who has retired or otherwise terminated employment with the Company and all Associated Companies prior to his Normal Retirement Date has not filed an election designating an Annuity Starting Date prior to the 91st day preceding his Normal Retirement Date, the Plan Administration Committee shall mail the notice described in Section 4.06(c) to the Member's last known address as indicated on Plan records at least 30 days prior to the Member's Normal Retirement Date. The Member's Normal Retirement Date shall be deemed to be the Member's Annuity Starting Date. In the absence of a benefit election filed by the Member prior to his Normal Retirement Date in accordance with the provisions of Section 4.06(d), distribution of the Member's retirement allowance shall be deemed to commence to the Member on his Normal Retirement Date in the normal form applicable to the Member as determined on the basis of Plan records. Such payments shall be held in the Plan's trust and deemed forfeited until claim has been made by the Member.

(ii) In the event the Member subsequently files a claim for payment, payment shall commence to the Member as soon as practicable in the amount that would have been payable to the Member if payments had commenced on the Member's Normal Retirement Date. In addition, one lump sum payment shall be paid to the Member equal to the sum of the monthly payments that the Member would have received during the period beginning on his Normal Retirement Date and ending with the month preceding his actual commencement date, together with interest at the annual rate of interest on 30-year Treasury Securities published by the Commissioner of Internal Revenue in the calendar month preceding the applicable Stability Period applicable for each Plan Year in which interest is paid, compounded annually. The amount of the monthly payments shall be determined as of the Member's Normal

Retirement Date on the basis of the actual form of payment in which the Member's retirement allowance is payable under Section 4.06(a) or Section 4.06(b). The lump sum shall be paid on or as soon as practicable following the date the Member's retirement allowance commences.

In the event a Member's marital status used to compute the Member's retirement allowance under Section 4.06(a) was not accurate, the amount of the Member's retirement allowance payable under this Section 4.06(e) shall be adjusted to reflect the Member's correct marital status.

(iii) In the event a Member entitled to a retirement allowance under the provisions of Section 4.06(e)(i) above dies prior to the commencement of his retirement allowance, upon claim by the Member's personal representative, or if none, his estate, one lump sum payment shall be paid to the claimant equal to the lump sum amount calculated under Section 4.06(e)(ii) above that would have been paid to the Member for the period commencing on the Member's Normal Retirement Date and ending with the month prior to his death, plus interest on that amount at the annual rate of interest on 30-year Treasury Securities published by the Commissioner of Internal Revenue in the calendar month preceding the applicable Stability Period applicable for each Plan year in which interest is paid, compounded annually, from the Member's Normal Retirement Date to the date of payment of the lump sum amount to the Member's personal representative, or if none, to his estate.

(iv) In the event a Member who is entitled to a retirement allowance under the provisions of Section 4.06(e)(i) above dies prior to commencement of his retirement allowance and is survived by a spouse to whom he was married on his Normal Retirement Date, the Member's surviving spouse shall be entitled to the survivor portion of the Member's retirement allowance under the provisions of Section 4.06(a)(i), assuming the Member commenced payment under Section 4.06(a)(i) effective on his Normal Retirement Date. Such survivor retirement allowance shall commence as soon as practicable following the surviving spouse's claim for the retirement allowance. In addition, one lump sum payment shall be paid to the surviving spouse equal to the sum of the monthly payments the surviving spouse would have received for the month of the Member's date of death through the month preceding the month in which the survivor retirement allowance commences, together with interest at the annual rate of interest on 30-year Treasury Securities published by the Commissioner of Internal Revenue in the calendar month preceding the applicable Stability Period for each Plan Year in which interest is paid, compounded annually.

(v) In the event a Member's retirement allowance otherwise scheduled to commence on his Normal Retirement Date is delayed because the Plan Administration Committee is unable to locate the Member and the Plan Administration Committee does not mail the notice described in Section 4.06(c) at least 30 days prior to the Member's Normal Retirement Date, the Plan Administration Committee shall commence payment within 60 days after the date the Member is located. Unless the Member elects an optional form of payment in accordance with the provisions of Section 4.06(b), payment shall commence in the normal form applicable to the Member on his or her Annuity Starting Date. The retirement allowance payable to the Member shall be of Equivalent

Actuarial Value to the retirement allowance otherwise payable to the Member on his Normal Retirement Date.

In the event a Member whose retirement allowance is delayed beyond his or her Normal Retirement Date as described above dies prior to his or her Annuity Starting Date, and is survived by a spouse, the spouse shall be entitled to receive a survivor annuity under the provisions of Section 4.07(a)(ii) or Section 4.07(b)(ii), whichever is applicable, computed on the basis of the Equivalent Actuarial Value of the retirement allowance payable to the Member on his Normal Retirement Date.

(vi) Notwithstanding the provisions of Section 4.06(e)(v) above, a Member described in the preceding subparagraph whose retirement allowance will be paid in the form of an annuity may elect, in lieu of the retirement allowance otherwise payable under Section 4.06(e)(v) above, to receive:

- (A) a lump sum payment equal to the sum of the monthly payments the Member would have received from his Normal Retirement Date to his Annuity Starting Date, together with interest at the annual rate of interest on 30-year Treasury Securities published by the Commissioner of Internal Revenue in the calendar month preceding the applicable Stability Period applicable for each Plan Year in which interest is paid, compounded annually. The amount of the monthly payments shall be determined on the basis of the form of payment in which the Member's retirement allowance is payable under Section 4.06(a), as applicable; and
- (B) a retirement allowance in the amount that would have been payable to the Member if payments had commenced on the Member's Normal Retirement Date in the form elected by the Member.

An election under this Section 4.06(e)(vi) shall be subject to the notice and Spousal Consent requirements set forth in Section 4.06(d) applicable to the election of an optional form of payment.

- (f) With respect to a Member who retires under the provisions of Section 4.03 or Section 4.04, the reduction on account of the Social Security Benefit to be made to the benefit, if any, payable in accordance with Section 4.06(a) or Section 4.06(b) to his or her designated spouse or to his or her contingent annuitant shall not be made until such time as the Member would have, had he or she survived, upon proper application first been entitled to receive said Social Security Benefit.

If a Member dies after his or her Annuity Starting Date, any payment continuing on to his or her spouse or contingent annuitant shall be distributed at least as rapidly as under the method of distribution being used as of the Member's date of death.

4.07 Survivor's Benefit Applicable Before Retirement

The term "Beneficiary" for purposes of this Section 4.07 shall mean any person or any trust established by the Member or the Member's estate, named by the Member by written designation to receive benefits payable under the automatic Pre-Retirement Survivor's Benefit and under the optional Supplemental Pre-Retirement Survivor's Benefit; provided, however, that, for any

married Member the term “Beneficiary” shall automatically mean the Member’s spouse and any prior designation to the contrary will be canceled, unless the Member, with Spousal Consent, designates otherwise. An election of a non-spouse Beneficiary by a married Member shall be effective only if accompanied by Spousal Consent and such Spousal Consent has been received by the Plan Administration Committee. If the Member dies without an effective designation of Beneficiary, the Member’s Beneficiary for purposes of this Section 4.07 shall automatically be the Member’s spouse, if any, or his or her estate. If the Member elects the additional optional protection of the Supplemental Pre-Retirement Survivor’s Benefit, the Member’s Beneficiary thereunder shall be the same as the Beneficiary under the Automatic Pre-Retirement Survivor’s Benefit. The Plan Administration Committee shall resolve any questions arising hereunder as to the meaning of “Beneficiary” on a basis uniformly applicable to all Members similarly situated.

(a) Automatic Vested Spouse’s Benefit

(i) *Automatic Vested Spouse’s Benefit Applicable Before Termination of Employment.* The surviving spouse of a Member who has completed five years of Eligibility Service but who has not yet completed ten years of Eligibility Service and attained age 55 shall automatically receive a benefit payable under the Automatic Vested Spouse’s Benefit of this Section 4.07(a)(i) in the event said Member should die after the effective date of coverage hereunder and before termination of employment. The benefit payable to the Member’s spouse shall be equal to 50% of the benefit the Member would have received if he or she had terminated his or her employment on his or her date of death, survived to Normal Retirement Date, and on the day before he or she would have reached Normal Retirement Date had elected to begin receiving his or her vested benefit in the form of the Automatic Joint and Survivor Annuity under Section 4.06(a)(i)(2). However, notwithstanding the preceding sentence with respect to a Member who had met the eligibility requirements set forth in Section 4.04(a)(ii) and who died in active employment prior to the 55th anniversary of his or her birth, the benefit payable to the Member’s spouse shall be the survivor portion of the Automatic Joint and Survivor Annuity under Section 4.06(a)(i)(1). Such benefit shall be payable for the life of the spouse commencing on what would have been the Member’s Normal Retirement Date. However, the Member’s spouse may elect, by written application filed with the Plan Administration Committee, to have payments begin as of the first day of any calendar month on or after the date the former Member would have reached the 55th anniversary of his or her birth provided, however, if the Member dies after having met the requirements set forth in Section 4.04(a)(ii) for a special early retirement allowance, the Member’s spouse may elect to have payments begin under this Automatic Vested Spouse’s Benefit as of the first day of any month following the Member’s death.

If the Member’s spouse elects to commence payment of the Automatic Vested Spouse’s Benefit prior to what would have been the Member’s Normal Retirement Date, the amount of such benefit payable to the spouse shall be based on (i) the reduced vested benefit to which the Member would have been entitled, had the Member elected to have payments commence to himself on such earlier date in accordance with the provisions of Section 4.05(b) or (ii) in the case of a Member who dies after having met the requirements for a special early retirement allowance as set forth Section 4.04(a)(ii), the reduced early retirement allowance to which the Member

would have been entitled had he or she elected to have payments commence to himself on such earlier date in accordance with the provisions of Section 4.04(b).

Coverage hereunder shall be applicable to a married Member in active service who has satisfied the eligibility requirements for a vested benefit under Section 4.05 and shall become effective on the date the Member marries and shall cease on the earlier of (i) the date such active Member reaches the 55th anniversary of his or her birth and completes ten years of Eligibility Service, (ii) the date such active Member reaches the 65th anniversary of his or her birth, (iii) the date such active Member's marriage is legally dissolved by a divorce decree, or (iv) the date such active Member's spouse dies. Coverage under Section 4.07(b)(i) shall commence on the date a Member in active service reaches the earlier of (i) the 55th anniversary of his or her birth, or if later, the date he or she completes ten years of Eligibility Service or (ii) the 65th anniversary of his or her birth.

(ii) ***Automatic Vested Spouse's Benefit Applicable Upon Termination of Employment.*** In the case of a former Member who is married and entitled to a vested benefit under Section 4.05, the provisions of this Section 4.07(a)(ii) shall apply to the period between the date his or her services are terminated or the date, if later, the former Member is married and his or her Annuity Starting Date, or other cessation of coverage as later specified in this Section 4.07(a)(ii).

In the event of a married former Member's death during any period in which these provisions have not been waived or revoked by the former Member and his or her spouse, the benefit payable to the former Member's spouse shall be equal to 50% of the vested benefit the former Member would have received on his or her Normal Retirement Date if he or she had elected to receive such benefit in the form of the Automatic Joint and Survivor Annuity under Section 4.06(a)(i).

The spouse's benefit shall be payable for the life of the spouse commencing on what would have been the former Member's Normal Retirement Date. However, the former Member's spouse may elect, by written application filed with the Plan Administration Committee, to have payments begin as of the first day of any calendar month on or after the date the former Member would have reached the 55th anniversary of his or her birth. If the former Member's spouse elects to commence payment of this Automatic Vested Spouse's Benefit prior to what would have been the former Member's Normal Retirement Date, the amount of such benefit payable to the spouse shall be based on the reduced vested benefit to which the former Member would have been entitled, had the former Member elected to have payments commence to himself on such earlier date in accordance with the provisions of Section 4.05(b).

The vested benefit payable to a former Member whose spouse is covered under this Section 4.07(a)(ii), or if applicable, the benefit payable to his or her spouse upon his or her death shall be reduced by the applicable percentages shown below. Such reduction shall commence on and after the first of the month coincident with or following the effective date of coverage hereunder and cease when coverage ceases; provided, however, no reduction shall be made with respect to any period before the later of (1) the date the Plan Administration Committee furnishes the Member the notice of his or her right to waive the

Automatic Vested Spouse's Benefit or (2) the commencement of the election period specified below.

ANNUAL REDUCTION FOR SPOUSE'S COVERAGE AFTER TERMINATION OF EMPLOYMENT

Age Reduction

Less than 40	1/10 of 1% per year
40 but prior to 50	2/10 of 1% per year
50 but prior to 55	3/10 of 1% per year
55 but prior to 60	5/10 of 1% per year
60 but less than 65	1% per year

The Plan Administration Committee shall furnish to each former Member a written explanation which describes (1) the terms and conditions of the Automatic Vested Spouse's Benefit, (2) the former Member's right to make, and the effect of, an election to waive the Automatic Vested Spouse's Benefit, (3) the rights of the former Member's spouse, and (4) the right to make, and the effect of, a revocation of such a waiver. Such written explanation shall be furnished to each former Member before the first anniversary of the date he or she terminated service and shall be furnished to such former Member even though he or she is not married.

The period during which the former Member may make an election to waive the Automatic Vested Spouse's Benefit provided under this Section 4.07(a)(ii) shall begin no later than the date his or her employment terminates and end on his or her Annuity Starting Date, or if earlier, his or her date of death. Any waiver, revocation or re-election of the Automatic Vested Spouse's Benefit shall be made on a form provided by the Plan Administration Committee and any waiver or revocation shall require Spousal Consent. If, upon termination of employment, the former Member waives coverage hereunder in accordance with administrative procedures established by the Plan Administration Committee for all Members similarly situated, such waiver shall be effective as of the Member's Severance Date. Any later re-election or revocation shall be effective on the first day of the month coincident with or next following the date the completed form is received by the Plan Administration Committee. If a former Member dies during the period after a waiver or revocation is in effect there shall be no benefits payable under the provisions of this Section 4.07.

Except as described above in the event of a waiver or revocation, coverage under this Section 4.07(a)(ii) shall cease to be effective upon a former Member's Annuity Starting Date, or upon the date a former Member's marriage is legally dissolved by a divorce decree, or upon the death of the spouse, whichever event shall first occur.

Notwithstanding any other provision of this Section 4.07(a) to the contrary, effective January 1, 2018, no further reduction shall apply to the vested benefit payable to a Member whose spouse is covered under Section 4.02(a)(ii) or, if applicable, to the benefit payable to his or her spouse upon the Member's death. If a Member's or spouse's Annuity Starting Date is on or after January 1, 2018, any prior reduction for months in which coverage was in effect shall be cancelled and the Member's or spouse's benefit will be determined without

regard to any reduction for automatic Pre-Retirement Spouse Benefit coverage. Effective January 1, 2018, a Member will no longer be permitted to waive the automatic Pre-Retirement Spouse's Benefit provided under Section 4.07(a)(ii). If a Member had previously elected to waive the automatic Pre-Retirement Spouse's Benefit provided under Section 4.07(a)(ii), such waiver shall be null and void effective January 1, 2018, and automatic Pre-Retirement Spouse's Benefit coverage shall be re-instated with respect to such Member as of that date.

(b) **Automatic Pre-Retirement Survivor's Benefit**

(i) ***Automatic Pre-Retirement Survivor's Benefit Applicable Before a Member Retires.*** Under the Provisions of Section 4.01, Section 4.02, Section 4.03 or Section 4.04, the Beneficiary of a Member who has reached the 65th anniversary of his or her birth or who has reached the 55th anniversary of his or her birth and completed ten years of Eligibility Service, shall automatically receive a Pre-Retirement Survivor's Benefit payable under the provisions of this Section 4.07(b)(i) in the event said Member should die before he or she retires under the provisions of Section 4.01, 4.02, 4.03 or 4.04 or reaches his or her Annuity Starting Date pursuant to the provisions of Section 4.02(d), if earlier. The benefit payable during the life of, and to, the Beneficiary shall be equal to one-half of the Member's Accrued Benefit, without optional modification in accordance with the provisions of Section 4.06, accrued to the date of his or her death, adjusted to take into account the Member's Social Security Benefit. The Social Security Benefit shall be determined on the assumption that the Member had no earnings after his or her date of death, and if his or her death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. If the Beneficiary is more than five years younger than the Member, the benefit payable to the Beneficiary shall be reduced by one-half of 1% for each full year the Beneficiary is more than five years younger.

Coverage hereunder shall be effective on the first day of the calendar month coincident with or next following the date the Member reaches his or her 55th birthday and completes ten years of Eligibility Service, or if earlier, his or her Normal Retirement Date. In the case of a married Member coverage under Section 4.07(a)(i) shall cease on the date coverage under this Section 4.07(b)(i) is effective as set forth in the preceding sentence.

(ii) ***Automatic Pre-Retirement Survivor's Benefit Applicable Between Early Retirement Date or Special Early Retirement Date and the Member's Annuity Starting Date.*** In the case of a Member retired early under Section 4.03 or Section 4.04 of the Plan with the payment of the early retirement allowance deferred to commence at a date later than his or her Early Retirement Date or Special Early Retirement Date, whichever is applicable, the provisions of this Section 4.07(b)(ii) shall apply to the period between his or her Early Retirement Date or Special Early Retirement Date and his or her Annuity Starting Date. The Member shall, at his or her Early Retirement Date or Special Early Retirement Date, complete such forms as are required under this Section 4.07(b)(ii) and coverage hereunder shall be effective as of his or her Early Retirement Date or Special Early Retirement Date.

In the event of the Member's death during the period in which these provisions are in effect, the benefit payable during the life of, and to, the Beneficiary shall be equal to one-half of the Member's Accrued Benefit, without optional modification in accordance with the provisions of Section 4.06, accrued to the date of his or her Early Retirement Date or Special Early Retirement Date, whichever is applicable, adjusted to take into account the Member's Social Security Benefit. If the Member's death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. If the Beneficiary is more than five years younger than the Member, the benefit payable to the Beneficiary shall be reduced by one-half of 1% for each full year the Beneficiary is more than five years younger.

The Automatic Pre-Retirement Survivor's Benefit shall be payable for the life of the Beneficiary commencing on what would have been the Member's Normal Retirement Date or date of death, if later. However, if a Member dies prior to his or her Normal Retirement Date, the Beneficiary of the Member may elect, by written application filed with the Plan Administration Committee, to have such payments begin as of the first day of any calendar month following the Member's date of death and prior to what would have been the Member's Normal Retirement Date. If the Beneficiary elects to commence payment of the Automatic Pre-Retirement Survivor's Benefit prior to what would have been the Member's Normal Retirement Date the amount of such benefit shall be determined in accordance with Sections 4.07(b)(i) and (ii) above, as applicable, and without reduction for such early commencement.

Notwithstanding the foregoing, in the event the Member's Beneficiary is someone other than his or her spouse, payment of the automatic Pre-Retirement Survivor's Benefit shall commence within one year of the Member's date of death and in the event such commencement date is prior to the 55th anniversary of the Member's birth, the benefit payable to the Beneficiary shall be of Equivalent Actuarial Value to the benefit otherwise payable hereunder to the Beneficiary on the date the Member would have attained age 55.

(c) Optional Supplemental Pre-Retirement Survivor's Benefit

(i) *Optional Supplemental Pre-Retirement Survivor's Benefit Applicable Before a Member Retires Under the Provisions of Section 4.01, Section 4.02, Section 4.03 or Section 4.04.* A Member, who has reached the 65th anniversary of his or her birth or who has reached the 55th anniversary of his or her birth and completed ten years of Eligibility Service, may elect to receive a reduced retirement allowance upon his or her retirement in order to provide that, if he or she should die after his or her election becomes effective but before he or she retires under the provisions of Section 4.01, Section 4.02, 4.03 or 4.04 or reaches his or her Annuity Starting Date pursuant to the provisions of Section 4.02(d), a benefit shall be paid to the Beneficiary designated by him or her in accordance with the following terms and conditions.

The Member may elect to reduce the retirement allowance to which he or she would otherwise be entitled at retirement under Section 4.01, 4.02, 4.03 or 4.04 by one-half of 1% per year for each year between the date on which the election becomes effective and the earliest of the Member's Early Retirement Date, Special Early Retirement

Date, Annuity Starting Date, or the date the election is revoked as provided in Section 4.07(i).

If the Member makes such an election and dies before he or she retires under the provisions of Section 4.01, 4.02, 4.03 or 4.04, the benefit payable during the life of, and to, the Beneficiary shall be equal to 25% of the Member's Accrued Benefit without optional modification in accordance with the provisions of Section 4.06, accrued to the date of his or her death adjusted (1) to take into account the Member's Social Security Benefit and (2) as provided below. The Social Security Benefit shall be determined on the assumption that the Member had no earnings after his or her date of death, and if his or her death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. The benefit payable to the Beneficiary shall be reduced by one-half of 1% per year for each year between the date on which the election became effective and the date of the Member's death. If the Beneficiary is more than five years younger than the Member, the benefit payable to the Beneficiary shall be further reduced by one-half of 1% for each full year the Beneficiary is more than five years younger.

If the Member makes an election under this Section 4.07(c)(i) at or prior to the time he or she is first eligible to do so, it shall become effective on the first day of the calendar month coincident with or next following the date the Member reaches his or her 55th birthday and completes ten years of Eligibility Service, or if earlier, his or her Normal Retirement Date. A Member will be deemed to have waived coverage under this Section 4.07(c)(i) if he or she does not file the appropriate forms with the Plan Administration Committee when first eligible to do so. If the Member does not make such election until after he or she is first eligible to do so, it shall become effective one year after the first day of the calendar month coincident with or next following (1) the date the notice is received by the Plan Administration Committee or (2) the date specified in such notice, if later.

(ii) ***Optional Supplemental Pre-Retirement Survivor's Benefit Applicable Between Early Retirement Date or Special Early Retirement Date and the Member's Annuity Starting Date.*** In the case of a Member retired early under the provisions of Section 4.03 or Section 4.04 of the Plan with the payment of the early retirement allowance deferred to commence at a date later than his or her Early Retirement Date or Special Early Retirement Date, the provisions of this Section 4.07(c)(ii) shall apply to the period between his or her Early Retirement Date or Special Early Retirement Date and his or her Annuity Starting Date.

The Member may elect to reduce the early retirement allowance to which he or she would otherwise be entitled under Section 4.03 or Section 4.04 by one-half of 1% per year for each year between his or her Early Retirement Date or Special Early Retirement Date and the earlier of the date the election is revoked pursuant to Section 4.07(i) or his or her Annuity Starting Date.

If the Member makes such an election and dies during the period the election is in effect, the benefit payable during the life of, and to, his or her Beneficiary shall be equal to 25% of the Member's Accrued Benefit, without optional modification in

accordance with the provisions of Section 4.06, accrued to his or her Early Retirement Date or Special Early Retirement Date, adjusted (1) to take into account the Member's Social Security Benefit and (2) as provided below. If the Member's death occurs prior to the time the Member is or would upon proper application first be entitled to receive such Social Security Benefit, such adjustment shall nevertheless be made at the Member's date of death. The benefit payable to the Beneficiary shall be reduced by one-half of 1% per year for each year between the date on which the election became effective and the date of the Member's death. If the Beneficiary is more than five years younger than the Member, the benefit payable to the Beneficiary shall be further reduced by one-half of 1% for each full year the Beneficiary is more than five years younger.

The Member shall, at his or her Early Retirement Date or Special Early Retirement Date, complete such forms as are required under this Section 4.07(c)(ii), and if he or she so elects, coverage hereunder shall be effective as of his or her Early Retirement Date or Special Early Retirement Date. A Member will be deemed to have waived coverage under this Section 4.07(c)(ii) if he or she does not file the appropriate forms with the Plan Administration Committee at his or her Early Retirement Date or Special Early Retirement Date. If the Member subsequently makes an election hereunder, it shall become effective one year after the first day of the calendar month coincident with or next following (1) the date the notice is received by the Plan Administration Committee or (2) the date specified in such notice, if later.

The optional Supplemental Pre-Retirement Survivor's Benefit shall be payable for the life of the Beneficiary commencing on what would have been the Member's Normal Retirement Date or date of death, if later. However, if a Member dies prior to his or her Normal Retirement Date, the Beneficiary may elect, by written application filed with the Plan Administration Committee, to have such payments begin as of the first day of any calendar month coincident with or next following the Member's date of death and prior to what would have been the Member's Normal Retirement Date. If the Beneficiary elects to commence payment of the optional Supplemental Pre-Retirement Survivor's Benefit prior to what would have been the Member's Normal Retirement Date and after what would have been the 55th anniversary of the Member's birth, the amount of such benefit shall be determined in accordance with Section 4.07(c)(i) and (ii) above, as applicable and without reduction for such early commencement. If the Beneficiary elects to commence payment of the optional Supplemental Pre-Retirement Survivor's Benefit prior to what would have been the 55th anniversary of the Member's birth, the benefit payable to the Beneficiary shall be of Equivalent Actuarial Value to the benefit otherwise payable to Beneficiary on the date the Member would have attained age 55. Notwithstanding any foregoing provision to the contrary, payment of the optional Supplemental Pre-Retirement Survivor Benefit must commence as of the same date payment of the Automatic Pre-Retirement Survivor Benefit commences.

Notwithstanding the foregoing, in the event the Member's Beneficiary is someone other than his or her spouse, payment of the optional Supplemental Pre-Retirement Survivor's Benefit shall commence within one year of the Member's date of death and in the event such commencement date is prior to the 55th anniversary of the Member's birth, the benefit payment to the Beneficiary shall be of Equivalent Actuarial Value to the benefit otherwise payable hereunder to the Beneficiary on the date the Member would have attained age 55.

(iii) Notwithstanding any other provision of this Section 4.07(c) to the contrary, effective January 1, 2018, the following shall apply:

- (A) A Member may no longer elect optional Supplemental Pre-Retirement Survivor's Benefit coverage. If as of December 31, 2017, a Member had a valid election of optional Supplemental Pre-Retirement Survivor's Benefit coverage in effect, such election shall continue in effect after December 31, 2017. However, no changes or revisions may be made to such coverage after that date. Members whose elections are preserved after December 31, 2017 are: Don Ray; Mark G. Morash; Jimmy P. Harris; Bob Edwards; Melanie J. Williams; Ray E. Snedaker; Ray Smith; Greg Young; Peyton J. Bradley, Jr.; Brad Henslin; Mitch Walters; and Ron Krzywanski.
 - (B) No further reduction shall apply to the retirement allowance of a Member who elects optional Supplemental Pre-Retirement Survivor's Benefit coverage under this Section 4.07(c) or, if applicable, to the benefit payable to his or her Beneficiary upon the Member's death. If a Member's or Beneficiary's Annuity Starting Date is on or after January 1, 2018, any prior reduction for months in which coverage was in effect shall be cancelled and the Member's or spouse's benefit will be determined without regard to any reduction for optional Supplemental Pre-Retirement Survivor's Benefit coverage.
- (d) Notwithstanding any provision of Section 4.07(b) or Section 4.07(c) to the contrary, in no event shall the sum of the Automatic Pre-Retirement Survivor's Benefit payable under the provisions of Section 4.07(b) and the optional Supplemental Pre-Retirement Survivor's Benefit payable under the provisions of Section 4.07(c) to a Beneficiary be less than the amount of benefit the spouse would have received if the retirement allowance to which the Member was entitled at his or her date of death (i) had commenced on the date the spouse elects to have such Pre-Retirement Survivor's Benefit payments commence, (ii) in the form of an Automatic Joint and Survivor Annuity under Section 4.06(a)(i), and (iii) the Member had died immediately thereafter. However, if within the 180-day period prior to his or her Annuity Starting Date a Member has elected an optional form of payment which provides for monthly payments to his or her spouse for life in an amount equal to more than 50% but not more than 100% of the monthly amount payable under the option for the life of the Member and such option is of Equivalent Actuarial Value to the Automatic Joint and Survivor Annuity referred to in the preceding sentence, such optional form of payment shall be used to compute the amount payable to the spouse.
- (e) **Benefits Payable to an Estate or Trust.** If a Member's Beneficiary under this Section 4.07 is his or her estate or a trust, the benefits otherwise payable under Section 4.07(b), and if elected, under Section 4.07(c) shall be commuted into a single lump sum amount, which amount shall be determined by multiplying the benefits otherwise payable by the appropriate factor in Tables 4 or 5 of Appendix A and calculated by assuming the Beneficiary had been a person of the same age as the Member at the Member's date of death. In no event shall the amount of the lump sum be less than the amount required by applicable law. The payment of such single lump sum amount shall represent the full and total payment of all benefits due under the Plan. The Plan Administration Committee shall resolve any questions arising hereunder on a basis uniformly applicable to all Members similarly situated.

- (f) If the Member's Beneficiary dies during the period coverage is effective under Sections 4.07(b) and Section 4.07(c), the Beneficiary designation shall thereby be canceled. However, coverage under Section 4.07(b), and if elected, under Section 4.07(c) shall nevertheless continue in full effect. The Member's Beneficiary thereafter shall be in accordance with his or her subsequent designation of a new Beneficiary or in accordance with the term "Beneficiary" as defined herein.

If the Member's Beneficiary is his or her spouse and if the Member's marriage to said spouse is legally dissolved by a divorce decree, the Beneficiary designation under Sections 4.07(b) and 4.07(c) shall remain in effect until a subsequent Beneficiary designation is submitted by the Member to the Plan Administration Committee or until the Member remarries. Coverage under Section 4.07(b), and if elected, under Section 4.07(c) shall continue in full effect.

A Member may change his or her Beneficiary designation at any time after receiving the written explanation described in Section 4.07(g), subject to Spousal Consent. Any such change shall become effective on the first day of the calendar month coincident with or next following the (i) date the notice of change is received by the Plan Administration Committee or (ii) the date specified in such notice, if later, and the original designation shall remain in effect until such date.

- (g) The Plan Administration Committee shall furnish to each Member a written explanation in non-technical language which describes (i) the terms and conditions of the Automatic Pre-Retirement Survivor's Benefit and the Optional Supplemental Pre-Retirement Survivor's Benefit, (ii) the Member's right to make an election to designate a Beneficiary other than his or her spouse and the effect of such election, (iii) the right to revoke, prior to the Annuity Starting Date, such designation and the effect of such revocation, and (iv) the rights of the Member's spouse, if any. The Plan Administration Committee shall furnish this written explanation to each Member during the period beginning one year prior to the earlier of (i) the date the Member retires pursuant to the provision of Section 4.04(a)(ii), (ii) the date the Member reaches the 55th anniversary of his or her birth and completes ten years of Eligibility Service, or (iii) the Member's Normal Retirement Date, and ending within one year after such date.
- (h) A Member may revoke an election made under Section 4.07(c) at any time prior to his or her Annuity Starting Date. There shall be no further reduction to the Member's retirement allowance for any period during which an election under Section 4.07(c) is not in effect. The Member may make a new election at any time thereafter and any subsequent election shall become effective one year after the first day of the calendar month coincident with or next following the (i) date the notice is received by the Plan Administration Committee or (ii) the date specified in such notice, if later.

If the Member dies prior to the time an election under Section 4.07(c) becomes effective, the election shall thereby be canceled.

Any designation of a Beneficiary and any election made under Section 4.07 (including any waiver or revocation of either of them) shall be made on a form approved by and filed with the Plan Administration Committee and in accordance with the term "Beneficiary" as defined in this Section 4.07.

(i) **HEART Act Military Service Death Benefits**

Notwithstanding the other provisions of this Section 4.07 any contributions, benefits and service credit required to comply with the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act) shall be conferred upon an eligible Member or Beneficiary as follows:

- (a) For benefit accrual purposes, the Company will treat an Employee who dies while performing qualified military service as if the individual has resumed employment in accordance with the individual's reemployment rights under Chapter 43 of Title 38, United States Code, on the day preceding death or disability (as the case may be) and terminated employment on the actual date of death.
- (b) If a Member dies while performing qualified military service (as defined in Code Section 414(u)), the Beneficiaries of the Member are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as if the Member had resumed employment on the day immediately preceding the date of death and then terminated employment on the date of death. Moreover, the Plan will credit the Member's qualified military service as service for vesting purposes, as though the Member had resumed employment under the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended, immediately prior to the Member's death.

4.08 Maximum Benefits Under Code Section 415

(a) **Annual Benefit**

- (1) **Annual Benefit.** For purposes of this Section, "annual benefit" means a benefit that is payable annually in the form of a straight life annuity. Except as provided below, where a benefit is payable in a form other than a straight life annuity, the benefit shall be adjusted to an actuarially equivalent straight life annuity that begins at the same time as such other form of benefit and is payable on the first day of each month, before applying the limitations of this Section. For a Member who has or will have distributions commencing at more than one Annuity Starting Date, the "annual benefit" shall be determined as of each such Annuity Starting Date (and shall satisfy the limitations of this Section as of each such date), actuarially adjusting for past and future distributions of benefits commencing at the other Annuity Starting Dates. For this purpose, the determination of whether a new Annuity Starting Date has occurred shall be made without regard to Regulation 1.401(a)-20, Q&A 10(d), and with regard to Regulation 1.415(b)1(b)(1)(iii)(B) and (C). No actuarial adjustment to the benefit shall be made for (i) survivor benefits payable to a surviving spouse under a qualified joint and survivor annuity to the extent such benefits would not be payable if the Member's benefit were paid in another form; (ii) benefits that are not directly related to retirement benefits (such as a qualified disability benefit, preretirement incidental death benefits, and postretirement medical benefits); or (iii) the inclusion in the form of benefit of an automatic benefit increase feature, provided the form of benefit is not subject to Code Section 417(e)(3) and would otherwise satisfy the limitations of this Section, and the Plan provides that the amount payable under the form of benefit in any "limitation year" shall not exceed the limits of this Section applicable at the Annuity Starting Date, as increased in subsequent years pursuant to Code Section

415(d). For this purpose, an automatic benefit increase feature is included in a form of benefit if the form of benefit provides for automatic, periodic increases to the benefits paid in that form.

The determination of the “annual benefit” shall take into account social security supplements described in Code Section 411(a)(9) and benefits transferred from another defined benefit plan, other than transfers of distributable benefits pursuant Regulation 1.411(d)-4, Q&A-3(c), but shall disregard benefits attributable to Employee contributions or rollover contributions.

The “annual benefit” otherwise payable to a Member under the Plan at any time shall not exceed the “maximum permissible benefit” described by Section 4.08(b). If the benefit the Member would otherwise accrue in a “limitation year” would produce an “annual benefit” in excess of the “maximum permissible benefit,” then the benefit shall be limited (or the rate of accrual reduced) to the extent necessary so that the benefit does not exceed the “maximum permissible benefit.”

- (2) **Grandfather Provision.** The application of the provisions of this Section shall not cause the “maximum permissible benefit” for any Member to be less than the Member’s accrued benefit under all the defined benefit plans of an “employer” or a “predecessor employer” as of the end of the last “limitation year” beginning before July 1, 2007, under provisions of the plans that were both adopted and in effect before April 5, 2007. The preceding sentence applies only if the provisions of such defined benefit plans that were both adopted and in effect before April 5, 2007, satisfied the applicable requirements of statutory provisions, Regulations, and other published guidance relating to Code Section 415 in effect as of the end of the last “limitation year” beginning before July 1, 2007, as described in Regulation 1.415(a)-1(g)(4).
- (3) **High Three-Year Average Compensation.** For purposes of the Plan’s provisions reflecting Code Section 415(b)(3) (i.e., limiting the “annual benefit” payable to no more than 100% of the Member’s average annual compensation), a Member’s average compensation shall be the average compensation for the three consecutive years of service with the “employer” that produces the highest average, except that a Member’s compensation for a year of service shall not include compensation in excess of the limitation under Code Section 401(a)(17) that is in effect for the calendar year in which such year of service begins. If the Member has less than three consecutive years of service, compensation shall be averaged over the Member’s longest consecutive period of service, including fractions of years, but not less than one year. In the case of a Member who is rehired by the “employer” after a severance of employment, the Member’s high three-year average compensation shall be calculated by excluding all years for which the Member performs no services for and receives no compensation from the “employer” (the “break period”), and by treating the years immediately preceding and following the “break period” as consecutive.

(b) **Maximum Permissible Benefit**

- (1) **Maximum Benefit.** Notwithstanding the foregoing and subject to the exceptions and adjustments below, the “maximum permissible benefit” payable to a Member under this Plan in any “limitation year” shall equal the lesser of (A) and (B) below:

- (A) *Defined Benefit Dollar Limitation.* \$160,000, as adjusted, effective January 1 of each year, under Code Section 415(d) in such manner as the Secretary of the Treasury shall prescribe, and payable in the form of a straight life annuity. Such dollar limitation as adjusted under Code Section 415(d) will apply to “limitation years” ending with or within the calendar year for which the adjustment applies.

Post-Severance Adjustment to Dollar Limit. In the case of a Member who has had a severance from employment with the “employer,” the defined benefit dollar limitation applicable to the Member in any “limitation year” beginning after the date of severance shall not be automatically adjusted under Code Section 415(d).

OR

- (B) *Defined Benefit Compensation Limitation.* One hundred percent of the Member’s “415 compensation” averaged over the three consecutive “limitation years” (or actual number of “limitation years” for Employees who have been employed for less than three consecutive “limitation years”) during which the Employee had the greatest aggregate “415 compensation” from the “employer.”

Post-Severance Adjustment to Compensation Limit. In the case of a Member who has had a severance from employment with the “employer,” the defined benefit compensation limitation applicable to the Member in any “limitation year” beginning after the date of severance shall not be automatically adjusted under Code Section 415(d).

- (2) **Limitation Year.** For purposes of this Section and for applying the limitations of Code Section 415, the “limitation year” shall be the Plan Year. All qualified plans maintained by the “employer” must use the same “limitation year.” If the “limitation year” is amended to a different 12-consecutive month period, the new “limitation year” must begin on a date within the “limitation year” in which the amendment is made.

(c) **Adjustments to Annual Benefit and Limitations**

- (1) **Adjustment for Early Payment (Limitation Years beginning on or after July 1, 2007).**

- (A) If the Annuity Starting Date for the Member’s benefit is prior to age 62 and occurs in a “limitation year” beginning on or after July 1, 2007, and the Plan does not have an immediately commencing straight life annuity payable at both age 62 and the age of benefit commencement, the “defined benefit dollar limitation” for the Member’s Annuity Starting Date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the Member’s Annuity Starting Date that is the actuarial equivalent of the “defined benefit dollar limitation” (adjusted under Section 4.08(c)(6) for years of participation less than 10, if required) with actuarial equivalence computed using a 5% interest rate assumption and the “applicable mortality table” for the Annuity Starting Date (and expressing the Member’s age based on completed calendar months as of the Annuity Starting Date).

- (B) If the Annuity Starting Date for the Member's benefit is prior to age 62 and occurs in a "limitation year" beginning on or after July 1, 2007, and the Plan has an immediately commencing straight life annuity payable at both age 62 and the age of benefit commencement, the "defined benefit dollar limitation" for the Member's Annuity Starting Date is the lesser of the limitation determined under the preceding sentence and the "defined benefit dollar limitation" (adjusted under Section 4.08(c)(6) for years of participation less than 10, if required) multiplied by the ratio of the annual amount of the immediately commencing straight life annuity under the Plan at the Member's Annuity Starting Date to the annual amount of the immediately commencing straight life annuity under the Plan at age 62, both determined without applying the limitations of this Section and without applying the provisions of Section 4.08(c)(5).
- (C) Notwithstanding any other provisions of this Subsection (1) or Subsection (2) below, the age-adjusted dollar limit applicable to a Member shall not decrease on account of an increase in age or the performance of addition service.
- (2) ***Adjustment for Early Payment (Limitation Years beginning prior to July 1, 2007).*** If the "annual benefit" of a Member begins prior to age 62, and occurs in a "limitation year" beginning before July 1, 2007, the "defined benefit dollar limitation" of Section 4.08(b)(1)(A) applicable to the Member at the earlier age (adjusted under Section 4.08(c)(6) for years of participation less than 10, if required) is the actuarial equivalent of the dollar limitation under Code Section 415(b)(1)(A) (as adjusted under Code Section 415(d)), with actuarial equivalence computed using whichever of the following produces the smaller annual amount: (i) the interest rate and mortality table or other tabular factor specified in the Plan for determining Actuarial Equivalence for early retirement purposes, or (ii) a 5% interest rate assumption and the "applicable mortality table." Notwithstanding any other provisions of this Subsection (2) or Subsection (1) above, the age-adjusted dollar limit applicable to a Member shall not decrease on account of an increase in age or the performance of addition service.
- (3) ***Adjustment for Late Payment (Limitation Years beginning on or after July 1, 2007).***
- (A) If the Annuity Starting Date for the Member's benefit is after age 65 and occurs in a "limitation year" beginning on or after July 1, 2007, and the Plan does not have an immediately commencing straight life annuity payable at both age 65 and the age of benefit commencement, the "defined benefit dollar limitation" at the Member's Annuity Starting Date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the Member's Annuity Starting Date that is the actuarial equivalent of the "defined benefit dollar limitation" (adjusted under Plan Section 4.08(c)(6) for years of participation less than 10, if required), with actuarial equivalence computed using a 5% interest rate assumption and the applicable mortality table for that Annuity Starting Date as defined in Section 1.20 of the Plan (and expressing the Member's age based on completed calendar months as of the Annuity Starting Date).
- (B) If the Annuity Starting Date for the Member's benefit is after age 65 and occurs in a "limitation year" beginning on or after July 1, 2007, and the Plan has an immediately commencing straight life annuity payable at both age 65 and the age

of benefit commencement, the “defined benefit dollar limitation” at the Member’s Annuity Starting Date is the lesser of the limitation determined under the preceding sentence and the “defined benefit dollar limitation” (adjusted under Section 4.08(c)(6) for years of participation less than 10, if required) multiplied by the ratio of the annual amount of the adjusted immediately commencing straight life annuity under the Plan at the Member’s Annuity Starting Date to the annual amount of the adjusted immediately commencing straight life annuity under the Plan at age 65, both determined without applying the limitations of this Section and without applying the provisions of Section 4.08(c)(6). For this purpose, the adjusted immediately commencing straight life annuity under the Plan at the Member’s Annuity Starting Date is the annual amount of such annuity payable to the Member, computed disregarding the Member’s accruals after age 65 but including actuarial adjustments even if those actuarial adjustments are used to offset accruals; and the adjusted immediately commencing straight life annuity under the Plan at age 65 is the annual amount of such annuity that would be payable under the Plan to a hypothetical Member who is age 65 and has the same accrued benefit as the Member.

- (4) **Adjustment for Late Payment (Limitation Years beginning before July 1, 2007).** If the “annual benefit” of a Member begins after age 65, and occurs in a “limitation year” beginning before July 1, 2007, the “defined benefit dollar limitation” of Section 4.08(b)(1)(A) applicable to the Member at the later age (adjusted under Section 4.08(c)(6) for years of participation less than 10, if required) is the actuarial equivalent of the dollar limitation under Code Section 415(b)(1)(A) (as adjusted under Code Section 415(d)), with actuarial equivalence computed using whichever of the following produces the smaller annual amount: (i) the interest rate and mortality table or other tabular factor specified in the Plan for determining Actuarial Equivalence for early retirement purposes, or (ii) a 5% interest rate assumption and the “applicable mortality table.”
- (5) **No Mortality Adjustment for Certain Payments.** Notwithstanding the other requirements of Paragraphs (1), (2), (3) and (4) of this Subsection (c), in adjusting the “defined benefit dollar limitation” for the Member’s Annuity Starting Date under Paragraphs (1)(A), (2), (3)(A) and (4) of this Subsection (c), no adjustment shall be made to reflect the probability of a Member’s death between the Annuity Starting Date and age 62, or between age 65 and the Annuity Starting Date, as applicable, if benefits are not forfeited upon the death of the Member prior to the Annuity Starting Date. To the extent benefits are forfeited upon death before the Annuity Starting Date, such an adjustment shall be made. For this purpose, no forfeiture shall be treated as occurring upon the Member’s death if the Plan does not charge Members for providing a qualified preretirement survivor annuity, as defined in Code Section 417(c) upon the Member’s death.
- (6) **Adjustment for Less Than 10 Years of Participation or Service.** If a Member has fewer than 10 years of participation in the Plan, then the “defined benefit dollar limitation” of Section 4.08(b)(1)(A) shall be multiplied by a fraction, the numerator of which is the number of years (or part thereof) of participation in the Plan, and the denominator of which is 10. However, in no event shall such fraction be less than 1/10th.

Furthermore, if a Member has fewer than 10 years of service with the “employer,” then the “defined benefit compensation limitation” of Section 4.08(b)(1)(B) shall be multiplied by a fraction, the numerator of which is the number of years (or part thereof) of service with the “employer,” and the denominator of which is 10. However, in no event shall such fraction be less than 1/10th.

For purposes of this Subsection, “year of participation” means each accrual computation period for which the following conditions are met: (i) the Member is credited with at least the number of Hours of Service for benefit accrual purposes, required under the terms of the Plan to accrue a benefit for the accrual computation period, and (ii) the Member is included as a Member under the eligibility provisions of the Plan for at least one day of the accrual computation period. If these two conditions are met, the portion of a “year of participation” credited to the Member shall equal the amount of benefit accrual service credited to the Member for such accrual computation period. A Member who is permanently and totally disabled within the meaning of Code Section 415(c)(3)(C)(i) for an accrual computation period shall receive a “year of participation” with respect to the period. In addition, for a Member to receive a “year of participation” (or part thereof) for an accrual computation period, the Plan must be established no later than the last day of such accrual computation period. In no event will more than one “year of participation” be credited for any 12-month period.

- (7) **Actuarial Equivalence.** For purposes of adjusting the “annual benefit” to a straight life annuity, the equivalent “annual benefit” shall be (A) for “limitation years” beginning on or after July 1, 2007, the greater of the annual amount of the straight life annuity commencing at the same Annuity Starting Date, and the annual amount of a straight life annuity commencing at the same Annuity starting date that has the same actuarial present value as the Member’s form of benefit computed using a 5% interest rate assumption and the “applicable mortality table,” and (B) for “limitation years” beginning before July 1, 2007, the annual amount of a straight life annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Member’s form of benefit computed using whichever of the following produces the greater annual amount: (i) the interest rate and mortality table or other tabular factor specified in the Plan for adjusting benefits in the same form; and (ii) a 5% interest rate assumption and the “applicable mortality table.” If the “annual benefit” is paid in a form other than a nondecreasing life annuity payable for a period not less than the life of a Member or, in the case of a Pre-Retirement Survivor Annuity, the life of the surviving spouse, the “applicable interest rate” shall be substituted for “5% interest rate” in the preceding sentence.

For Annuity Starting Dates which occur during a Plan Year beginning December 31, 2003, but not after December 31, 2005, for purposes of adjusting the “annual benefit” to a straight life annuity, if the “annual benefit” is paid in any form other than a nondecreasing life annuity payable for a period not less than the life of a Member or, in the case of a Pre-Retirement Survivor Annuity, the life of the surviving spouse, then the equivalent “annual benefit” shall be the greater of (i) the equivalent “annual benefit” computed using the Plan interest rate and Plan mortality table (or other tabular factor) in effect as of the date of the distribution, or (ii) the equivalent “annual benefit” computed using 5.5% and the “applicable mortality table.”

For Annuity Starting Dates which occur during a Plan Year beginning after December 31, 2005, for purposes of adjusting the “annual benefit” to a straight life annuity, if the “annual benefit” is paid in any form other than a nondecreasing life annuity payable for a period not less than the life of a Member or, in the case of a Pre-Retirement Survivor Annuity, the life of the surviving spouse, then the equivalent “annual benefit” shall be the greatest of (i) the equivalent “annual benefit” computed using the Plan interest rate and Plan mortality table (or other tabular factor), (ii) the equivalent “annual benefit” computed using 5.5% and the “applicable mortality table,” or (iii) 105% of the equivalent “annual benefit” computed using the “applicable interest rate” and the “applicable mortality table.”

For Annuity Starting Dates which occur during a Plan Year beginning in or after December 31, 2008, clause (iii) of the preceding paragraph does not apply if the Plan is maintained by an eligible employer defined in Code Section 408(p)(2)(C) (i).

Notwithstanding the last sentence of the previous paragraph, in the case of any Member or Beneficiary receiving a distribution after December 31, 2003, and before January 1, 2005, the amount payable in any form other than a nondecreasing life annuity payable for a period not less than the life of a Member or, in the case of a Pre-Retirement Survivor Annuity, the life of the surviving spouse, shall not be less than the amount that would have been so payable had the amount payable been determined using the “applicable interest rate” in effect as of the last day of the last Plan Year beginning before January 1, 2004.

For purposes of this Subsection (7), the “applicable mortality table” for Plan Years prior to January 1, 2009, is described by IRS Revenue Ruling 2001-62, and for subsequent years, the “applicable mortality table” is described by IRS Revenue Ruling 2007-67. For purposes of this Subsection (7), the “applicable interest rate” means the interest rate set forth in Section 1.20 of the Plan.

- (8) **Time of Adjustment.** For purposes of Sections 4.08(a), 4.08(c)(1) and 4.08(c)(3), no adjustments under Code Section 415(d) shall be taken into account before the “limitation year” for which such adjustment first takes effect.
- (9) **Benefits Not Subject to Adjustment.** For purposes of Section 4.08(a), no actuarial adjustment to the benefit is required for (i) the value of a qualified joint and survivor annuity, (ii) benefits that are not directly related to retirement benefits (such as a qualified disability benefit, pre-retirement death benefits, and post-retirement medical benefits), and (C) the value of post-retirement cost-of-living increases made in accordance with Code Section 415(d) and Regulation 1.415-3(c)(2)(iii). The “annual benefit” does not include any benefits attributable to after-tax voluntary Employee contributions or rollover contributions, or the assets transferred from a qualified plan that was not maintained by the “employer.”

(d) **Annual Benefit Not in Excess of \$10,000**

This Plan may pay an “annual benefit” to any Member in excess of the Member’s “maximum permissible benefit” if the “annual benefit” under this Plan and all other defined benefit plans maintained by the “employer” does not in the aggregate exceed \$10,000 for the “limitation year” or for any prior “limitation year” and the “employer” has not at any time

maintained a defined contribution plan, a welfare benefit fund under which amounts attributable to post-retirement medical benefits are allocated to separate accounts of key employees (as defined in Code Section 419(A)(d)(3)), or an individual medical account in which the Member participated. For purposes of this paragraph, if this Plan provides for voluntary or mandatory Employee contributions, such contributions will not be considered a separate defined contribution plan maintained by the “employer.”

However, if a Member has fewer than 10 years of service with the “employer,” then the \$10,000 threshold of the previous paragraph shall be multiplied by a fraction, the numerator of which is the number of years (or part thereof) of service with the “employer,” and the denominator of which is 10. However, in no event shall such fraction be less than 1/10th.

(e) **Other Rules**

- (1) ***Benefits Under Terminated Plans.*** If a defined benefit plan maintained by the “employer” has terminated with sufficient assets for the payment of benefit liabilities of all terminated plan participants and a Member in the plan has not yet commenced benefits under the plan, the benefits provided pursuant to the annuities purchased to provide the Member’s benefits under the terminated plan at each possible Annuity Starting Date shall be taken into account in applying the limitations of this Section. If there are not sufficient assets for the payment of all Members’ benefit liabilities, the benefits taken into account shall be the benefits that are actually provided to the Member under the terminated plan.
- (2) ***Benefits Transferred From the Plan.*** If a Member’s benefits under a defined benefit plan maintained by the “employer” are transferred to another defined benefit plan maintained by the “employer” and the transfer is not a transfer of distributable benefits pursuant to Regulation 1.411(d)-4, Q&A-3(c), the transferred benefits are not treated as being provided under the transferor plan (but are taken into account as benefits provided under the transferee plan). If a Member’s benefits under a defined benefit plan maintained by the “employer” are transferred to another defined benefit plan that is not maintained by the “employer” and the transfer is not a transfer of distributable benefits pursuant to Regulation 1.411(d)-4, Q&A-3(c), then the transferred benefits are treated by the “employer’s” plan as if such benefits were provided under annuities purchased to provide benefits under a plan maintained by the “employer” that terminated immediately prior to the transfer with sufficient assets to pay all Members’ benefit liabilities under the plan. If a Member’s benefits under a defined benefit plan maintained by the “employer” are transferred to another defined benefit plan in a transfer of distributable benefits pursuant to Regulation 1.411(d)-4, Q&A-3(c), the amount transferred is treated as a benefit paid from the transferor plan.
- (3) ***Formerly Affiliated Plans of the Employer.*** A “formerly affiliated plan of an employer” shall be treated as a plan maintained by the “employer,” but the formerly affiliated plan shall be treated as if it had terminated immediately prior to the cessation of affiliation with sufficient assets to pay Members’ benefit liabilities under the Plan and had purchased annuities to provide benefits. A “formerly affiliated plan of the employer” means a plan that, immediately prior to the cessation of affiliation, was actually maintained by the “employer” and, immediately after the cessation of affiliation, is not actually maintained by the “employer.” For this purpose, cessation of

affiliation means the event that causes an entity to no longer be considered the “employer,” such as the sale of a member controlled group of corporations, as defined in Code Section 414(b), as modified by Code Section 415(h), to an unrelated corporation, or that causes a plan to not actually be maintained by the “employer,” such as transfer of plan sponsorship outside a controlled group.

- (4) **Plans of a “Predecessor Employer”.** If the “employer” maintains a defined benefit plan that provides benefits accrued by a Member while performing services for a “predecessor employer,” then the Member’s benefits under a plan maintained by the “predecessor employer” shall be treated as provided under a plan maintained by the “employer.” However, for this purpose, the plan of the “predecessor employer” shall be treated as if it had terminated immediately prior to the event giving rise to the “predecessor employer” relationship with sufficient assets to pay participants’ benefit liabilities under the plan, and had purchased annuities to provide benefits; the “employer” and the “predecessor employer” shall be treated as if they were a single employer immediately prior to such event and as unrelated employers immediately after the event; and if the event giving rise to the predecessor relationship is a benefit transfer, the transferred benefits shall be excluded in determining the benefits provided under the plan of the “predecessor employer”. A former entity that antedates the “employer” is also a “predecessor employer” with respect to a Member if, under the facts and circumstances, the “employer” constitutes a continuation of all or a portion of the trade or business of the former entity.
- (5) **Employer.** For purposes of this Section, “employer” means any employer that adopts the Plan, and all members of a controlled group of corporations of such employer, as defined in Code Section 414(b), as modified by Code Section 415(h), all commonly controlled trades or businesses or such employer (as defined in Code Section 414(c), as modified, except in the case of a brother-sister group of trades or businesses under common control, by Code Section 415(h)), or affiliated service groups (as defined in Code Section 414(m)) of which the adopting employer is a part, and any other entity required to be aggregated with the employer pursuant to Code Section 414(o).
- (6) **Adjustment if in Two Defined Benefit Plans.** If the Member is, or has ever been, a participant in another qualified defined benefit plan (without regard to whether the plan has been terminated) maintained by the “employer” or a “predecessor employer”, the sum of the Member’s “annual benefits” from all such plans may not exceed the “maximum permissible benefit.” Where the Member’s employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the “maximum permissible benefit” applicable at that age, the rate of accrual in this Plan will be reduced to the extent necessary so that the total “annual benefits” payable at any time under all such plans will not exceed the “maximum permissible benefit.”
- (7) **Special Rules.** The limitations of this Section shall be determined and applied taking into account the rules in Regulation 1.415(f)-1(d), (e) and (h).
- (8) **Compensation.** For purposes of this Section 4.08, “compensation” and “415 compensation” shall mean, with respect to any Member, the wages, salaries, and other amounts paid in respect of such Member by the Company or an Associated Company for personal services actually rendered and including any elective amounts that are not

includible in gross income of the Member by reason of Section 125, 132(f), 402(g), or 457(b) of the Code and shall exclude other deferred compensation, stock options, and other distributions which receive special tax benefits under the Code. In addition, "compensation" shall also include compensation paid by the later of: (a) 2½ months after severance from employment, or (b) the end of the limitation year that includes the date of severance from employment if:

- (a) absent a severance from employment, such payments would have been paid to the Employee while the Employee continued in employment with the Company and was for regular compensation for services rendered during the Employee's regular working hours; or
- (b) compensation was paid for services outside the Employee's regular working hours (such as overtime or shift differential), commissions, bonuses or other similar compensation.

4.09 No Duplication

Except as hereinafter provided, there shall be deducted from any retirement allowance or vested benefit payable under this Plan the part of any pension or comparable benefit, including any lump sum payment, provided by employer contributions which Rayonier Inc., any Participating Unit, (including any former Participating Unit divested by Rayonier Inc.), any Associated Company or any affiliate of the Company is obligated to pay or has paid to or under any defined benefit plan or other agreement which provides for benefits comparable to those benefits paid under a defined benefit plan (except for any pension plan or other agreement which provides for the payment of that portion of any benefits accrued under the Plan but not payable from the Plan on account of Code Sections 401(a)(17) (B) or 4.08) with respect to any service rendered on or after March 1, 1994, which is Benefit Service for purposes of computation of benefits under this Plan.

4.10 Payment of Benefits

- (a) Unless otherwise provided under an optional benefit elected pursuant to Section 4.06, the survivor's benefits available under Section 4.07, or the provisions of Section 4.10(e)(ii), all retirement allowances, vested benefits or other benefits payable under the Plan will be paid in monthly installments as of the end of each month beginning with (i) the month in which a Member has reached his or her Normal Retirement Date and has retired from active service, (ii) the month in which a Member has reached his or her Postponed Retirement Date and has retired from active service, (iii) the month in which a Member, upon proper application, has requested commencement of his or her vested benefit or early retirement allowance, or (iv) the month in which benefits under an optional benefit under Section 4.06 or the survivor's benefits under Section 4.07 become payable, whichever is applicable. Such monthly installments shall cease with the payment for the month in which the recipient dies. In no event shall a retirement allowance or vested benefit be payable to a Member who continues in or resumes active service with the Company or an Associated Company for any period between his or her Normal Retirement Date and Postponed Retirement Date, except as provided in Sections 4.02(d), and 4.10(e).
- (b) Effective January 1, 1998, through March 27, 2005, in any case, a lump sum payment equal to the vested benefit payable under Section 4.05 or the vested spouse's benefit payable under Section 4.07(a) multiplied by the appropriate factor contained in Table 4, 5, or 6 of

Appendix A shall be made in lieu of any vested benefit payable to a former Member or any vested spouse's benefit payable to a spouse of a Member or a former Member, if the lump sum present value of such benefit amounts to \$5,000 or less. In no event, however, with respect to any Member who terminates employment prior to September 1, 1995, shall that adjustment factor produce a lump sum that is less than the amount determined by using the interest rate assumption used by the Pension Benefit Guaranty Corporation for valuing benefits for determining lump sum payments under single employer plans that terminate on January 1 of the Plan Year in which the annuity Starting Date occurs. With respect to any Member who terminates employment on or after September 1, 1995, the lump sum present value shall be based on the IRS Mortality Table and the IRS Interest Rate. The lump sum payment may be made at any time on or after the date the Member has terminated employment or died, but in any event prior to the date his or her benefit payment would have otherwise commenced.

Effective March 28, 2005, a lump sum payment shall be made in lieu of the vested benefit payable under Section 4.05 in the event:

- (i) the Member's Annuity Starting Date occurs on or after his Normal Retirement Date and the present value of his benefit determined as of his Annuity Starting Date amounts to \$5,000 or less, or
- (ii) the Member's Annuity Starting Date occurs prior to his Normal Retirement Date and the present value of his benefit determined as of his Annuity Starting Date amounts to \$1,000 or less.

In determining the amount of a lump sum payment payable under this paragraph, the lump sum present value shall mean a benefit, in the case of a lump sum benefit payable prior to the first day of the calendar month coincident with or next following the 55th anniversary of the Member's birth, of equivalent value to the benefit which would otherwise have been provided commencing at the first day of the calendar month coincident with or next following the 55th anniversary of the Member's birth. The determination as to whether a lump sum payment is due shall be made as soon as practicable following the Member's termination of service. Any lump sum benefit payable shall be made as soon as practicable following the determination that the amount qualifies for distribution under the provisions of this Section 4.10. In no event shall a lump sum payment be made following the date retirement benefit payments have commenced as an annuity.

Effective March 28, 2005, in the event the lump sum present value of a Member's vested benefit exceeds \$1,000 but does not exceed \$5,000, the Member may elect to receive a lump sum payment of such benefit. The election shall be made in accordance with such administrative rules as the Plan Administration Committee shall prescribe. The Member may elect to receive the lump sum payment as soon as practicable following his termination of employment or as of the first day of any later month that precedes his Normal Retirement Date. Spousal Consent to the Member's election of the lump sum is not required. A Member who is entitled to elect a distribution under this paragraph shall not be entitled to receive payment in any other form of payment offered under the Plan.

Notwithstanding the provisions of Section 4.07, a lump sum payment shall be paid to the spouse in lieu of the monthly vested spouse's benefit payable under Section 4.07(a) if the

lump sum present value of the benefit amounts to \$5,000 or less. The lump sum payment shall be made as soon as practicable following the determination that the amount qualifies for distribution under this Section. In no event shall a lump sum payment be made following the date payments have commenced to the surviving spouse as an annuity.

For purposes of this Section 4.10(b), the lump sum present value shall be based on the IRS Interest Rate and the IRS Mortality Table.

In the event a Member is not entitled to any retirement allowance or vested benefit upon his termination of employment, he shall be deemed "cashed-out" under the provisions of this Section 4.10(b) as of the date he terminated service. However, if a Member described in the preceding sentence is subsequently restored to service, the provisions of Sections 3.04 and 4.11 shall apply to him without regard to such sentence.

- (c) In the event that the Plan Administration Committee shall find that a person to whom benefits are payable is unable to care for his or her affairs because of illness or accident or is a minor or has died, then, unless claim shall have been made therefor by a legal representative, duly appointed by a court of competent jurisdiction, the Plan Administration Committee may direct that any benefit payment due him or her be paid to his or her spouse, a child, a parent or other blood relative, or to a person with whom he or she resides, and any such payment made shall be a complete discharge of the liabilities of the Plan therefor.
- (d) Before any benefit shall be payable to a Member, a former Member, or other person who is or may become entitled to a benefit hereunder, such Member, former Member, or other person shall file with the Plan Administration Committee such information as it shall require to establish his or her rights and benefits under the Plan.
- (e) (i) Except as otherwise provided in this Article 4, payment of a Member's retirement allowance or a former Member's vested benefit shall begin as soon as administratively practicable following the latest of (1) the Member's Normal Retirement Age or (2) the date he or she terminates service with the Company and all Associated Companies (but not more than 60 days after the close of the Plan Year in which the latest of (1) or (2) occurs).

(ii) Notwithstanding anything contained in the Plan to the contrary, in the case of a Member who owns either (1) more than 5% of the outstanding stock of the Company or (2) stock possessing more than 5% of the total combined voting power of all stock of the Company, the Member's retirement allowance shall begin no later than the April 1 following the calendar year in which he or she attains age 70½.

Effective January 1, 2000, payment of any other Member's retirement allowance or vested benefit shall begin no later than April 1 of the calendar year following the calendar year in which the later of the Member's retirement or attainment of age 70½ occurs. Before January 1, 2000, the payment of a retirement allowance or vested benefit for a Member in active service who is not a 5-percent owner as described above shall begin no later than April 1 of the calendar year following the calendar year in which he or she attains age 70½. A Member who attained age 70½ prior to January 1, 1988 and who is not a 5-percent owner as described above shall not receive payment while in active service under the provisions of this paragraph.

4.11 Reemployment of Former Member or Retired Member

(a) **Cessation of Benefit Payments.** If a former Member or a retired Member entitled to or in receipt of a vested benefit or retirement allowance is reemployed by the Company or by an Associated Company in a capacity other than as a Non-Benefits Worker, any benefit payments he or she is receiving shall cease, except as otherwise provided in Section 4.02(c) and Section 4.10(e). If a former Member or a retired Member returns to the Company or an Associated Company as a Non-Benefits Worker, benefit payments shall continue and Paragraphs (b) and (c) shall not apply.

(b) **Optional Forms of Pension Benefits**

(i) If the Member is reemployed in a capacity other than as a Non-Benefits Worker any previous election of an optional benefit under Section 4.06 or a survivor's benefit under Section 4.07 shall be revoked and the terms and conditions of Paragraph (ii) below shall apply.

(ii) Any Member who is at least age 55 with ten or more years of Eligibility Service when he or she is reemployed in a capacity other than as a Non-Benefits Worker shall, with respect to the vested benefit or retirement allowance earned prior to his or her reemployment and with respect to any additional benefits earned during reemployment, be covered by the provisions of Section 4.07(b) – Pre-Retirement Survivor's Benefit – and be eligible to elect coverage under Section 4.07(c) Supplemental Pre-Retirement Survivor's Benefit. Coverage under Section 4.07(b) shall be effective on the first day of the calendar month coincident with or next following the date of his or her reemployment and any previous election shall remain in effect until such date. If, within 30 days after reemployment, the Member elects coverage under Section 4.07(c), such coverage shall be effective as of the first day of the calendar month coincident with or next following the date of his or her reemployment. If the Member does not make an election under Section 4.07(c) within 30 days after his or her reemployment or he or she waives such coverage, any later election shall become effective one year after the first day of the calendar month coincident with or next following the date notice is received by the Plan Administration Committee or on the date specified in such notice, if later.

Any Member or former Member with five or more years of Eligibility Service who is less than age 55 when he or she is reemployed shall be covered by the provisions of Section 4.07(a)(i) – Automatic Vested Spouse's Benefit – until he or she attains age 55 and such coverage shall be effective on the first day of the calendar month coincident with or next following the date of his or her reemployment and any previous election shall remain in effect until such date. Such former Member and any other Member or former Member shall be covered by the provisions of Section 4.07(b) – Pre-Retirement Survivor's Benefit – and shall be eligible to elect coverage under Section 4.07(c) Supplemental Pre-Retirement Survivor's Benefit upon the later of the date he or she attains age 55, the date he or she completes ten years of Eligibility Service, or his or her Normal Retirement Date, and such coverage shall be in accordance with the provisions of such Sections and shall apply with respect to his or her retirement allowance or vested benefit earned prior to his or her reemployment, as well as any additional benefits earned during reemployment.

(c) Benefit Payments at Subsequent Termination or Retirement

(i) In accordance with the procedure established by the Plan Administration Committee on a basis uniformly applicable to all Members similarly situated, upon the subsequent retirement of a Member in service after his or her Normal Retirement Date, payment of such Member's retirement allowance shall resume no later than the third month after the final month during the reemployment period in which he or she is credited with at least eight days of service.

(ii) Upon the subsequent retirement or termination of employment of a retired or former Member, the Plan Administration Committee shall, in accordance with rules uniformly applicable to all Members similarly situated, determine the amount of vested benefit or retirement allowance which shall be payable to such Member at such subsequent retirement or termination. Such vested benefit or retirement allowance shall not be less than the sum of (1) the original amount of vested benefit or retirement allowance previously earned by such Member in accordance with the terms of the Plan in effect during such previous employment adjusted to reflect the election of any survivor's benefits pursuant to Section 4.07(a)(ii) or 4.07(c) and reduced by an amount of equivalent value to the benefits, if any, he or she received before the earlier of the date of his or her restoration to service or his or her Normal Retirement Date and (2) any additional vested benefit or retirement allowance earned during his or her period of reemployment, such amounts to be adjusted to reflect the election during reemployment of any survivor's benefits pursuant to Section 4.07(a)(ii) or 4.07(c). Notwithstanding anything to the contrary contained in this Plan, with respect to an Employee who has incurred a break in service, the vested benefit or retirement allowance for Benefit Service credited prior to the date of reemployment shall not be recalculated or increased until the Member, regardless of his or her vested status, has completed at least 12 months of Eligibility Service following his or her reemployment, and in such event, the recalculated vested benefit or retirement allowance, prior to any optional modification in accordance with the provisions of Section 4.06, shall be reduced by an amount of equivalent value to any payments previously received by the former Member or retired Member before the earlier of his or her restoration to service or his or her Normal Retirement Date; provided that no such reduction shall reduce such retirement allowance or vested benefit below the amount determined pursuant to clause (1) of the preceding sentence.

(d) **Questions Relating to Reemployment of Former Members or Retired Members.** If, at subsequent termination of employment or retirement, any question shall arise under this Section 4.11 as to the calculation or recalculation of a reemployed former Member's or retired Member's vested benefit or retirement allowance or election of an optional form of benefit under the Plan, such question shall be resolved by the Plan Administration Committee on a basis uniformly applicable to all Members similarly situated.

4.12 Top-heavy Provisions

(a) The following definitions apply to the terms used in this Section:

(i) "applicable determination date" means the last day of the preceding Plan Year;

(ii) “top-heavy ratio” means the ratio of (A) the present value of the cumulative Accrued Benefits under the Plan for key employees to (B) the present value of the cumulative Accrued Benefits under the Plan for all key employees and non-key employees; provided, however, that if an individual has not performed services for the Company at any time during the one-year period ending on the applicable determination date, any accrued benefit for such individual (and the account of such individual) shall not be taken into account; and provided further, that the present values of Accrued Benefits under the Plan for an employee as of the applicable determination date shall be increased by the distributions made with respect to the employee under the Plan and any plan aggregated with the Plan under Code Section 416(g)(2) during the one-year period (five-year period in the case of a distribution made for a reason other than severance from employment, death, or disability) ending on the applicable determination date and any distributions made with respect to the employee under a terminated plan which, had it not been terminated, would have been in the required aggregation group;

(iii) “applicable valuation date” means the date within the preceding Plan Year as of which annual Plan costs are or would be computed for minimum funding purposes;

(iv) “key employee” means any employee or former employee (including any deceased employee) who at any time during the Plan Year that includes the applicable determination date was an officer of the Company or an Associated Company having remuneration greater than \$130,000 (as adjusted under Code Section 416(i)(1) for Plan Years beginning after December 31, 2002), a 5-percent owner (as defined in Code Section 416(i)(1)(B)(i) of the Company or an Associated Company, or a 1-percent owner (as defined in Code Section 416(i)(1)(B)(ii) of the Company or an Associated Company having remuneration greater than \$150,000. The determination of who is a key employee shall be made in accordance with Code Section 416(i) and the applicable regulations and other guidance of general applicability issued thereunder;

(v) “non-key employee” means any employee who is not a key employee;

(vi) “average remuneration” means the average annual remuneration of a Member for the five consecutive years of his Eligibility Service after December 31, 1983, during which he received the greatest aggregate remuneration, as limited by Code Section 401(a)(17), from the Company or an Associated Company, excluding any remuneration for service after the last Plan Year with respect to which the Plan is top-heavy;

(vii) “required aggregation group” means each other qualified plan of the Company or an Associated Company (including plans that terminated within the five-year period ending on the applicable determination date) in which there are members who are key employees or which enables the Plan to meet the requirements of Code Sections 401(a)(4) or 410; and

(viii) “permissive aggregation group” means each plan in the required aggregation group and any other qualified plan(s) of the Company or an Associated Company in which

all members are non-key employees, if the resulting aggregation group continues to meet the requirements of Code Sections 401(a)(4) and 410.

- (b) For purposes of this Section, the Plan shall be “top-heavy” with respect to any Plan Year if as of the applicable determination date the top-heavy ratio exceeds 60%. The top-heavy ratio shall be determined as of the applicable valuation date in accordance with Code Sections 416(g)(3) and (4)(B) on the basis of the same mortality and interest rate assumptions used to value the Plan. For purposes of determining whether the Plan is top-heavy, the present value of Accrued Benefits under the Plan will be combined with the present value of accrued benefits or account balances under each other plan in the required aggregation group, and, in the Company’s discretion, may be combined with the present value of accrued benefits or account balances under any other qualified plan(s) in the permissive aggregation group. The accrued benefit of a non-key employee under the Plan or any other defined benefit plan in the aggregation group shall be determined (i) under the method, if any, that uniformly applies for accrual purposes under all plans maintained by the Company or an Associated Company, or (ii) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule described in Code Section 411(b)(1)(C).
- (c) The following provisions shall be applicable to Members for any Plan Year with respect to which the Plan is top-heavy:

(i) In lieu of the vesting requirements specified in Section 4.05, a Member shall be vested in, and have a nonforfeitable right to, a percentage of his Accrued Benefit determined, as set forth in the following vesting schedule:

<u>Years of Eligibility Service</u>	<u>Percentage Vested</u>
Less than 2 years	0%
2 years	20
3 years	40
4 years	60
5 or more years	100

(ii) The Accrued Benefit of a Member who is a non-key employee shall not be less than 2% of his average remuneration multiplied by the number of years of his Eligibility Service, not in excess of 10, during the Plan Years for which the Plan is top-heavy. For purposes of the preceding sentence, years of Eligibility Service shall be disregarded to the extent that such years of Eligibility Service occur during a Plan Year when the Plan benefits (within the meaning of Code Section 410(b)) no key employee or former key employee. That minimum benefit shall be payable at a Member’s Normal Retirement Date. If payments commence at a time other than the Member’s Normal Retirement Date, the minimum accrued benefit shall be of equivalent actuarial value to that minimum benefit.

- (d) If the Plan is top-heavy with respect to a Plan Year and ceases to be top-heavy for a subsequent Plan Year, the following provisions shall be applicable:

(i) The Accrued Benefit in any such subsequent Plan Year shall not be less than the minimum Accrued Benefit provided in Paragraph (c)(ii) above, computed as of the end of the most recent Plan Year for which the Plan was top-heavy.

(ii) If a Member has completed three years of Eligibility Service on or before the last day of the most recent Plan Year for which the Plan was top-heavy, the vesting schedule set forth in Paragraph (c)(i) above shall continue to be applicable.

(iii) If a Member has completed at least two, but less than three, years of Eligibility Service on or before the last day of the most recent Plan Year for which the Plan was top-heavy, the vesting provisions of Section 4.04 shall again be applicable; provided, however, that in no event shall the vested percentage of a Member's Accrued Benefit be less than the percentage determined under Paragraph (c)(i) above as of the last day of the most recent Plan Year for which the Plan was top-heavy.

4.13 Payment of Medical Benefits for Benefits for Certain Members Who Retire Under the Plan

This Section 4.13 defines the basis of providing medical benefits to eligible Members or their eligible dependents as defined below for those expenses incurred by such Members or their eligible dependents on or after the date specified by the Board of Directors.

- (a) In order to be eligible for the benefits provided hereunder, a person must be a Plan Member who retired under the Plan provisions during the period designated by the Plan Administration Committee and be currently eligible for post-retirement medical benefits under a plan maintained by the Company and hereinafter referred to as the "Medical Plan" or be an eligible dependent of such a Member. To the extent they are not otherwise reimbursed from Company assets, covered medical expenses incurred during the applicable period shown below by such a Member or his or her eligible dependents shall be reimbursed hereunder.
- (b) The level of medical benefits covered under the provisions of this Section 4.13 shall be the medical coverage in effect under the terms of the Medical Plan. Except as provided in Article 10, such medical coverage or benefit plan may be withdrawn or amended from time to time as the Company shall determine.
- (c) Except as provided in Section 4.13(e), all contributions made to the trust to provide medical benefits under this Section 4.13 shall be maintained in a separate account and such assets may not be used for or diverted to any purpose other than to provide said medical benefits; provided, however, none of the assets so set aside may be used to provide medical benefits for a Member, former Member or their dependents if the Member or former Member is a "key employee" as determined in accordance with the provisions of Code Sections 416(i)(1) and (5). Similarly, none of the assets accumulated to provide the retirement allowances or vested benefits set forth in the foregoing provisions of this Article 4 may, prior to the termination of the Plan and satisfaction of all the liabilities for such retirement allowances or vested benefits, be used or diverted to provide medical benefits under this Section 4.13. The assets, if any, accumulated to provide medical benefits under this Section 4.13 may be invested pursuant to the provisions of Article 7.
- (d) It is the intention of the Company to continue providing medical benefits under this Section 4.13 and to make contributions to the Trustee to fund such medical benefits in such

amounts as the Company shall deem necessary or appropriate. The aggregate contributions made to fund the medical benefits provided under this Section, when added to the actual contributions for any life insurance protection provided under the Plan, shall not exceed 25% of the total actual contributions made to the Plan (other than contributions to fund past service credits) after the later of the adoption or effective date of this Section. Any forfeitures of a Member's interest in the medical benefit accounts as provided hereunder prior to any discontinuance of medical benefits by the Board of Directors shall be applied to reduce any subsequent Company contributions made pursuant to this Section 4.13.

- (e) Except as provided in Article 10, the Board of Directors may discontinue providing medical benefits under this Section 4.13 for any reason at any time, in which event the assets allocated to provide medical benefits hereunder, if any remain, shall, to the extent they are not otherwise reimbursed from Company assets, be used to continue medical benefits to Members who are eligible for them prior to the discontinuance date as long as any assets remain. However, if, after the satisfaction of all medical benefits provided hereunder, there remain any assets, the program shall be deemed to be terminated and such remainder shall be returned to the Company, in accordance with Code Section 401(h)(5).

4.14 Transfers From Hourly Plans Maintained by the Company or an Associated Company

At the discretion and direction of the Plan Administration Committee, the Plan may accept from a hourly pension plan maintained by the Company or an Associated Company which is qualified under Code Section 401(a) a transfer of (i) liabilities with respect to the accrued benefit under such hourly plan of a Member who has employment with the Company rendered otherwise than as an Employee recognized as Benefit Service pursuant to the provisions of Section 2.02(c) of the Plan and (ii) with respect to such liabilities, any assets determined by the Company to be applicable.

All such transfers shall be made in accordance with the provisions of the Code and ERISA.

Notwithstanding the other provisions of this section, effective February 13, 2017, an individual whose benefits and/or assets are transferred to the Plan in accordance with this section shall not be credited with Eligibility Service or Benefit Service under the Plan for service earned under the plan from which such benefits or assets are transferred.

4.15 Direct Rollover of Certain Distributions

Notwithstanding any other provision of this Plan, with respect to any distribution from this Plan which is (i) payable to a "distributee" and (ii) determined by the Plan Administration Committee to be an "eligible rollover distribution," such distributee may elect, at the time and in the manner prescribed by the Plan Administration Committee, to have the Plan make a "direct rollover" of all or part of such distribution to an "eligible retirement plan" specified by the distributee which accepts such rollover. The following definitions apply to the terms used in this Section:

- (a) A "distributee" means a Member or former Member. In addition, the Member's or former Member's surviving spouse and the Member's or former Member's spouse or former spouse who is the alternate payee under a qualified domestic relations order as defined in Code Section 414(p), are distributees with regard to the interest of the spouse or former spouse. With regard to eligible rollover distributions paid directly to an eligible retirement plan described in Code Sections 408(a) or 408(b), effective for Plan Years beginning on or after

January 1, 2010, a distributee also includes the Member's or former Member's designated non-spouse Beneficiary.

- (b) An "eligible rollover distribution" is any distribution of all or any portion of the retirement allowance or vested benefit owing to the credit of a distributee, except that the following distributions shall not be eligible rollover distributions: (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life or life expectancy of the distributee or the joint lives or joint life expectancies of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more, (ii) any distribution to the extent such distribution is required under Code Section 401(a)(9), (iii) the portion of a distribution not includible in gross income, and (iv) any distribution where all otherwise eligible distributions are expected to total less than \$200 during a year.

A portion of a distribution shall not fail to be an "eligible rollover distribution" merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to (i) an traditional individual retirement account or annuity described in Code Section 408(a) or (b) (a "**traditional IRA**") or a Roth individual retirement account or annuity described in Code Section 408(A) (a "**Roth IRA**"), or (ii) to a qualified defined contribution, defined benefit, or annuity plan described in Code section 401(a) or 403(a) or to an annuity contract described in Code section 403(b), if such plan or contract provides for separate accounting for amounts so transferred (including interest thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.;

- (c) An "eligible retirement plan" is an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan, a traditional IRA, a Roth IRA, an annuity plan described in Code Section 403(a), an annuity contract described in Code Section 403(b), or a qualified defined benefit or defined contribution plan described in Code Section 401(a), that accepts the distributee's eligible rollover distribution. The foregoing definition of an eligible retirement plan also applies in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code section 414(p).

- (d) A "direct rollover" is a payment by the Plan directly to the eligible retirement plan specified by the distributee.

In the event that the provisions of this Section 4.15 or any part thereof cease to be required by law as a result of subsequent legislation or otherwise, this Section 4.15 or applicable part thereof shall be ineffective without necessity of further amendment of the Plan.

4.16 Mandatory Distributions

(a) **General Rules.**

- (1) **Effective Date.** The provisions of this Section are effective January 1, 2004; however, except as otherwise provided herein, the provisions of this Section will first apply for

purposes of determining required minimum distributions for calendar years beginning on and after January 1, 2006.

- (2) ***Requirements of Treasury Regulations Incorporated.*** All distributions required under this Section shall be determined and made in accordance with Code Section 401(a)(9), including the incidental death benefit requirement in Code Section 401(a)(9)(G), and the Regulations thereunder.
- (3) ***Precedence.*** Subject to the joint and survivor annuity requirements of the Plan, the requirements of this Section shall take precedence over any inconsistent provisions of the Plan.
- (4) ***TEFRA Section 242(b)(2) Elections.***

(i) Notwithstanding the other provisions of this Section, other than Section 4.16(a)(2), distributions may be made on behalf of any Member, including a five-percent owner, who has made a designation in accordance with Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and in accordance with all of the following requirements (regardless of when such distributions commence):

- (A) The distribution by the Plan is one which would not have disqualified such plan under Code Section 401(a)(9) as in effect prior to amendment by the Deficit Reduction Act of 1984.
- (B) The distribution is in accordance with a method of distribution designated by the Member whose interest in the plan is being distributed or, if the Member is deceased, by a Beneficiary of such Member.
- (C) Such designation was in writing, was signed by the Member or Beneficiary, and was made before January 1, 1984.
- (D) The Member had accrued a benefit under the Plan as of December 31, 1983.
- (E) The method of distribution designated by the Member or the Beneficiary specifies the time at which distribution will commence, the period over which distributions will be made, and in the case of any distribution upon the Member's death, the Beneficiaries of the Member listed in order of priority.

(ii) A distribution upon death will not be covered by the transitional rule of this Subsection unless the information in the designation contains the required information described above with respect to the distributions to be made upon the death of the Member.

(iii) For any distribution which commences before January 1, 1984, but continues after December 31, 1983, the Member, or the Beneficiary, to whom such distribution is being made, will be presumed to have designated the method of distribution under which the distribution is being made if the method of distribution was specified in writing and the distribution satisfies the requirements in (i)(A) and (i)(E) of this Subsection.

(iv) If a designation is revoked, any subsequent distribution must satisfy the requirements of Code Section 401(a)(9) and the Regulations thereunder. If a designation is revoked subsequent to the date distributions are required to begin, the Plan must distribute by the end of the calendar year following the calendar year in which the revocation occurs the total amount not yet distributed which would have been required to have been distributed to satisfy Code Section 401(a)(9) and the Regulations thereunder, but for the Code Section 242(b)(2) election. For calendar years beginning after December 31, 1988, such distributions must meet the minimum distribution incidental benefit requirements. Any changes in the designation will be considered to be a revocation of the designation. However, the mere substitution or addition of another Beneficiary (one not named in the designation) under the designation will not be considered to be a revocation of the designation, so long as such substitution or addition does not alter the period over which distributions are to be made under the designation, directly or indirectly (for example, by altering the relevant measuring life).

(v) In the case in which an amount is transferred or rolled over from one plan to another plan, the rules in Regulation 1.401(a)(9)-8, Q&A-14 and Q&A-15, shall apply.

(b) Time and Manner of Distribution.

- (1) **Required Beginning Date.** The Member's entire interest will be distributed, or begin to be distributed, to the Member no later than the Member's "Required Beginning Date."
- (2) **Death of Member Before Distributions Begin.** If the Member dies before distributions begin, the Member's entire interest will be distributed, or begin to be distributed, no later than as follows:

(i) Life Expectancy Rule, Spouse is Beneficiary. If the Member's surviving spouse is the Member's sole "Designated Beneficiary," then distributions to the surviving spouse will begin by December 31st of the calendar year immediately following the calendar year in which the Member died, or by December 31st of the calendar year in which the Member would have attained age 70 1/2, if later.

For purposes of this Section 4.16(b) and Section 4.16(e), distributions are considered to begin on the Member's "Required Beginning Date". If annuity payments irrevocably commence to the Member before the Member's "Required Beginning Date" (or to the Member's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 4.16(b)(2)(i)), the date distributions are considered to begin is the date distributions actually commence.

- (3) **Form of Distribution.** Unless the Member's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the "Required Beginning Date," as of the first "Distribution Calendar Year" distributions will be made in accordance with Sections 4.16(c), 4.16(d), and 4.16(e). If the Member's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code Section 401(a)(9) and the Regulations thereunder. Any part of the Member's

interest which is in the form of an individual account described in Code Section 414(k) will be distributed in a manner satisfying the requirements of Code Section 401(a)(9) and the Regulations thereunder applicable to individual accounts.

(c) **Determination of Amount to be Distributed Each Year.**

- (1) **General Annuity Requirements.** A Member who is required to begin payments as a result of attaining his or her “Required Beginning Date,” whose interest has not been distributed in the form of an annuity purchased from an insurance company or in a single sum before such date, may receive such payments in the form of annuity payments under the Plan. Payments under such annuity must satisfy the following requirements:

(i) The annuity distributions will be paid in periodic payments made at intervals not longer than one year;

(ii) The distribution period will be over a life (or lives) or over a period certain not longer than the period described in Section 4.16(d) or 4.16(e);

(iii) Once payments have begun over a period certain, a Member may elect a change in the period certain with associated modifications in the annuity payments provided the following conditions are satisfied:

(A) If, in a stream of annuity payments that otherwise satisfies Code Section 401(a)(9), a Member elects to change the annuity payment period and the annuity payments are modified in association with that change, this modification will not cause the distributions to fail to satisfy Code Section 401(a)(9) provided the conditions set forth in Subsection (B) below are satisfied, and one of the following applies:

(1) The modification occurs at the time that the Member retires or in connection with a Plan termination;

(2) The annuity payments prior to modification are annuity payments paid over a period certain without life contingencies; or

(3) The annuity payments after modification are paid under a qualified joint and survivor annuity over the joint lives of the Member and a “Designated Beneficiary,” the Member’s spouse is the sole “Designated Beneficiary,” and the modification occurs in connection with the Member becoming married to such spouse.

(B) In order to modify a stream of annuity payments in accordance with this Subsection, all of the following conditions must be satisfied:

(1) The future payments under the modified stream satisfy Code Section 401(a)(9) and this Section (determined by treating the date of the change as a new Annuity Starting Date and the actuarial present value of the remaining payments prior to modification as the entire interest of the Member);

- (2) For purposes of Code Sections 415 and 417, the modification is treated as a new Annuity Starting Date;
- (3) After taking into account the modification, the annuity stream satisfies Code Section 415 (determined at the original Annuity Starting Date, using the interest rates and mortality tables applicable to such date); and
- (4) The end point of the period certain, if any, for any modified payment period is not later than the end point available under Code Section 401(a)(9) to the Member at the original Annuity Starting Date.

(iv) Payments will either be nonincreasing or increase only to the extent permitted by one of the following conditions:

- (A) By an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that for a 12-month period ending in the year during which the increase occurs or the prior year;
- (B) By a percentage increase that occurs at specified times (e.g., at specified ages) and does not exceed the cumulative total of annual percentage increases in an "Eligible Cost-of-Living Index" since the Annuity Starting Date, or if later, the date of the most recent percentage increase. In cases providing such a cumulative increase, an actuarial increase may not be provided to reflect the fact that increases were not provided in the interim years;
- (C) To the extent of the reduction in the amount of the Member's payments to provide for a survivor benefit upon death, but only if the Beneficiary whose life was being used to determine the distribution period described in Section 4.16(d) dies or is no longer the Member's Beneficiary pursuant to a qualified domestic relations order within the meaning of Section 414(p);
- (D) To allow a Beneficiary to convert the survivor portion of a joint and survivor annuity into a single sum distribution upon the Member's death;
- (E) To pay increased benefits that result from a Plan amendment or other increase in the Member's Accrued Benefit under the Plan;
- (F) By a constant percentage, applied not less frequently than annually, at a rate that is less than 5% per year;
- (G) To provide a final payment upon the death of the Member that does not exceed the excess of the actuarial present value of the Member's accrued benefit (within the meaning of Code Section 411(a)(7)) calculated as of the Annuity Starting Date using the applicable interest rate and the applicable mortality table under Code Section 417(e) over the total of payments before the death of the Member; or

(H) As a result of dividend or other payments that result from “Actuarial Gains,” provided:

(i) Actuarial gain is measured not less frequently than annually;

(ii) The resulting dividend or other payments are either paid no later than the year following the year for which the actuarial experience is measured or paid in the same form as the payment of the annuity over the remaining period of the annuity (beginning no later than the year following the year for which the actuarial experience is measured);

(iii) The “Actuarial Gain” taken into account is limited to “Actuarial Gain” from investment experience;

(iv) The assumed interest rate used to calculate such “Actuarial Gains” is not less than 3%; and

(v) The annuity payments are not also being increased by a constant percentage as described in Subsection (F) above.

(2) ***Amount Required to be Distributed by Required Beginning Date.***

(i) In the case of a Member whose interest in the Plan is being distributed as an annuity pursuant to Subsection (1) above, the amount that must be distributed on or before the Member’s “Required Beginning Date” (or, if the Member dies before distributions begin, the date distributions are required to begin under Section 4.16(b)(2)(i)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Member’s benefit accruals as of the last day of the first “Distribution Calendar Year” will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Member’s “Required Beginning Date.”

(ii) In the case of a single sum distribution of a Member’s entire accrued benefit during a “Distribution Calendar Year,” the amount that is the required minimum distribution for the “Distribution Calendar Year” (and thus not eligible for rollover under Code Section 402(c)) is determined under this paragraph. The portion of the single sum distribution that is a required minimum distribution is determined by treating the single sum distribution as a distribution from an individual account Plan and treating the amount of the single sum distribution as the Member’s account balance as of the end of the relevant valuation calendar year. If the single sum distribution is being made in the calendar year containing the “Required Beginning Date” and the required minimum distribution for the Member’s first “Distribution Calendar Year” has not been distributed, the portion of the single sum distribution that represents the required minimum distribution for the Member’s first and second “Distribution Calendar Year” is not eligible for rollover.

- (3) ***Additional Accruals After First Distribution Calendar Year.*** Any additional benefits accruing to the Member in a calendar year after the first “Distribution Calendar Year” will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues. Notwithstanding the preceding, the Plan will not fail to satisfy the requirements of this paragraph and Code Section 401(a)(9) merely because there is an administrative delay in the commencement of the distribution of the additional benefits accrued in a calendar year, provided that the actual payment of such amount commences as soon as practicable. However, payment must commence no later than the end of the first calendar year following the calendar year in which the additional benefit accrues, and the total amount paid during such first calendar year must be no less than the total amount that was required to be paid during that year under this paragraph.
- (4) ***Death after distributions begin.*** If a Member dies after distribution of the Member’s interest begins in the form of an annuity meeting the requirements of this Section, then the remaining portion of the Member’s interest will continue to be distributed over the remaining period over which distributions commenced.

(d) **Requirements For Annuity Distributions That Commence During Member’s Lifetime.**

- (1) ***Joint Life Annuities Where the Beneficiary Is Not the Member’s Spouse.*** If distributions commence under a distribution option that is in the form of a joint and survivor annuity for the joint lives of the Member and the Member’s spouse, the minimum distribution incidental benefit requirement will not be satisfied as of the date distributions commence unless, under the distribution option, the periodic annuity payment payable to the survivor does not at any time on and after the Member’s “Required Beginning Date” exceed the annuity payable to the Member. In the case of an annuity that provides for increasing payments, the requirement of this paragraph will not be violated merely because benefit payments to the Beneficiary increase, provided the increase is determined in the same manner for the Member and the Beneficiary. If the form of distribution combines a joint and survivor annuity for the joint lives of the Member and the Member’s spouse and a period certain annuity, the preceding requirements will apply to annuity payments to be made to the “Designated Beneficiary” after the expiration of the period certain.
- (2) ***Joint Life Annuities Where the Beneficiary Is Not the Member’s Spouse.*** If the Member’s interest is being distributed in the form of a joint and survivor annuity for the joint lives of the Member and a Beneficiary other than the Member’s spouse, the minimum distribution incidental benefit requirement will not be satisfied as of the date distributions commence unless under the distribution option, the annuity payments to be made on and after the Member’s “Required Beginning Date” will satisfy the conditions of this paragraph. The periodic annuity payment payable to the survivor must not at any time on and after the Member’s “Required Beginning Date” exceed the applicable percentage of the annuity payment payable to the Member using the table set forth in Regulations Section 1.401(a)(9)-6 Q&A-2. The applicable percentage is based on the adjusted Member/Beneficiary age difference. The adjusted Member/Beneficiary age difference is determined by first calculating the excess of the age of the Member over the age of the Beneficiary based on their ages on their birthdays in a calendar year. If the Member is younger than age 70, the age difference determined in

the previous sentence is reduced by the number of years that the Member is younger than age 70 on the Member's birthday in the calendar year that contains the Annuity Starting Date. In the case of an annuity that provides for increasing payments, the requirement of this paragraph will not be violated merely because benefit payments to the Beneficiary increase, provided the increase is determined in the same manner for the Member and the Beneficiary. If the form of distribution combines a joint and survivor annuity for the joint lives of the Member and a nonspouse Beneficiary and a period certain annuity, the preceding requirements will apply to annuity payments to be made to the "Designated Beneficiary" after the expiration of the period certain.

- (3) ***Period Certain Annuities.*** Unless the Member's spouse is the sole "Designated Beneficiary" and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the Member's lifetime may not exceed the applicable distribution period for the Member under the Uniform Lifetime Table set forth in Regulation 1.401(a)(9)-9 for the calendar year that contains the Annuity Starting Date. If the Annuity Starting Date precedes the year in which the Member reaches age 70, the applicable distribution period for the Member is the distribution period for age 70 under the Uniform Lifetime Table set forth in Regulation 1.401(a)(9)-9 plus the excess of 70 over the age of the Member as of the Member's birthday in the year that contains the Annuity Starting Date. If the Member's spouse is the Member's sole "Designated Beneficiary" and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the Member's applicable distribution period, as determined under this Section 4.16(d)(3), or the joint life and last survivor expectancy of the Member and the Member's spouse as determined under the Joint and Last Survivor Table set forth in Regulation 1.401(a)(9)-9, using the Member's and spouse's attained ages as of the Member's and spouse's birthdays in the calendar year that contains the Annuity Starting Date.

(e) **Requirements For Minimum Distributions Where Member Dies Before Date Distributions Begin.**

- (1) ***Member Survived by Designated Beneficiary and Life Expectancy Rule.*** If the Member dies before the date distribution of his or her interest begins and there is a "Designated Beneficiary," the Member's entire interest will be distributed, beginning no later than the time described in Section 4.16(b)(2)(i), over the life of the "Designated Beneficiary" or over a period certain not exceeding:

(i) Unless the Annuity Starting Date is before the first "Distribution Calendar Year," the "Life Expectancy" of the "Designated Beneficiary" determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year immediately following the calendar year of the Member's death; or

(ii) If the Annuity Starting Date is before the first Distribution Calendar Year, the "Life Expectancy" of the "Designated Beneficiary" determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year that contains the Annuity Starting Date.

(f) **Definitions.**

- (1) **Actuarial Gain.** “Actuarial Gain” means the difference between an amount determined using the actuarial assumptions (i.e., investment return, mortality, expense, and other similar assumptions) used to calculate the initial payments before adjustment for any increases and the amount determined under the actual experience with respect to those factors. Actuarial Gain also includes differences between the amount determined using actuarial assumptions when an annuity was purchased or commenced and such amount determined using actuarial assumptions used in calculating payments at the time the Actuarial Gain is determined.
- (2) **Designated Beneficiary.** “Designated Beneficiary” means the individual who is designated as the Beneficiary under Section 5.5 of the Plan and is the designated beneficiary under Code Section 401(a)(9) and Regulation 1.401(a)(9)-4.
- (3) **Distribution Calendar Year.** “Distribution Calendar Year” means a calendar year for which a minimum distribution is required. For distributions beginning before the Member’s death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year which contains the Member’s “Required Beginning Date.” For distributions beginning after the Member’s death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin pursuant to Section 4.16(b).
- (4) **Eligible Cost-of-Living Index.** An “Eligible Cost-of-Living Index” means an index described below:
 - (i) A consumer price index that is based on prices of all items (or all items excluding food and energy) and issued by the Bureau of Labor Statistics, including an index for a specific population (such as urban consumers or urban wage earners and clerical workers) and an index for a geographic area or areas (such as a given metropolitan area or state); or
 - (ii) A percentage adjustment based on a cost-of-living index described in Subsection (i) above, or a fixed percentage, if less. In any year when the cost-of-living index is lower than the fixed percentage, the fixed percentage may be treated as an increase in an Eligible Cost-of-Living Index, provided it does not exceed the sum of:
 - (A) The cost-of-living index for that year, and
 - (B) The accumulated excess of the annual cost-of-living index from each prior year over the fixed annual percentage used in that year (reduced by any amount previously utilized under this Subsection (ii)).
- (5) **Life Expectancy.** “Life Expectancy” means the life expectancy as computed by use of the Single Life Table in Regulation 1.401(a)(9)-9.
- (6) **Required Beginning Date.** “Required Beginning Date” means the April 1st of the calendar year following the later of:
 - (i) the calendar year in which the Member attains age 70 1/2, or

(ii) if the Member is not a “five-percent owner” at any time during the Plan Year ending with or within the calendar year in which the Member attains age 70 1/2, then the calendar year in which the Member retires. “5-percent owner” means a Member who is a 5-percent owner as defined in Code Section 416 at any time during the Plan Year ending with or within the calendar year in which such owner attains age 70 1/2. Once required minimum distributions have begun to a “5-percent owner,” they must continue to be distributed, even if the Member ceases to be a “5-percent owner” in a subsequent year.

(g) Effective Date of Application of Regulations and Transitional Rules.

- (1) The provisions of this Section will apply with respect to distributions under the Plan made for calendar years beginning on or after January 1, 2006.
- (2) With respect to distributions under the Plan for calendar years beginning on or after January 1, 2002, and prior to January 1, 2006, the Plan will use the provisions of the 1987 proposed Regulations except that the parallel provisions of the 2002 temporary and proposed regulations are effective for “Distribution Calendar Years” that are on or after January 1, 2003, and prior to January 1, 2006.

(h) Applicability Across the Plan.

The mandatory distribution rules found in this Section 4.16 shall apply to all Members (anyone participating) in this Plan, including Members receiving benefits under Appendices B, C and D.

4.17 Benefit Restrictions Under Code Section 436

(a) Effective Date and Application of Section.

- (1) The provisions of this Section 4.17 apply to Plan Years beginning after December 31, 2007. However, the effective date of the provisions relating to Regulation 1.436-1 are applicable to the Plan Years beginning on or after January 1, 2010.
- (2) Notwithstanding anything in this Section to the contrary, the provision of Code Section 436 and the Regulations thereunder are incorporated herein by reference.
- (3) For Plans that have a valuation date other than the first day of the Plan Year, the provisions of Code Section 436 and this Article will applied in accordance with Regulations.

(b) Funding-Based Limitation on Shutdown Benefits and Other Unpredictable Contingent Event Benefits

- (1) In general. If a Member is entitled to an “unpredictable contingent event benefit” payable with respect to any event occurring during any Plan Year, then such benefit shall not be paid if the “adjusted funding target attainment percentage” for such Plan Year (A) is less than 60%, or (B) is 60% or more, but would be less than 60% if the “adjusted funding target attainment percentage” were redetermined applying an

actuarial assumption that the likelihood of occurrence of the “unpredictable contingent event” during the Plan Year is 100%.

- (2) **Exemption.** Paragraph (1) shall cease to apply with respect to any Plan Year, effective as of the first day of the Plan Year, upon payment by the Company of the contribution described in Regulation 1.436-1(f)(2)(iii).

(c) **Limitations on Plan Amendments Increasing Liability for Benefits**

- (1) **In general.** No amendment which has the effect of increasing liabilities of the Plan by reason of increases in benefits, establishment of new benefits, changing the rate of benefit accrual, or changing the rate at which benefits become nonforfeitable shall take in a Plan Year if the “adjusted funding target attainment percentage” for such Plan Year is:
 - (A) less than 80%, or
 - (B) 80% or more, but would be less than 80% if the benefits attributable to the amendment were taken into account in determining the “adjusted funding target attainment percentage.”
- (2) **Exemption if contribution made.** Paragraph (c)(1) above shall cease to apply with respect to a Plan amendment upon payment by the Employer of a contribution described in Regulation 1.436-1(f)(2)(iv).
- (3) **Exception for certain benefit increases.** The limitation set forth in Paragraph (c)(1) does not apply to any amendment to the Plan that provides for a benefit increase under a plan formula which is not based on a Compensation, provided that the rate of such increase is not in excess of the contemporaneous rate of increase in average wages of Members covered by the amendment. Paragraph (c)(1) shall not apply to any other amendment permitted under Regulation 1.436-1(c)(4).

(d) **Limitations on Accelerated Benefit Distributions**

- (1) **Funding percentage less than 60%.** Notwithstanding any other provisions of the Plan, if the Plan’s “adjusted funding target attainment percentage” for a Plan Year is less than 60%, then a Member or Beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a “prohibited payment” with an Annuity Starting Date on or after applicable “Section 436 measurement date,” and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a “prohibited payment.” The limitation set forth in this Paragraph (d)(1) does not apply to any payment of a benefit which under Code Section 411(a)(11) may be immediately distributed without the consent of the Member.
- (2) **Bankruptcy.** Notwithstanding any other provisions of the Plan, a Member or Beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a “prohibited payment” with an Annuity Starting Date that occurs during any period in which the Company is a debtor in a case under Title 11, United States Code, or similar federal or state law. The preceding

sentence shall not apply to payments made within a Plan Year with an Annuity Starting Date that occurs on or after the date on which the enrolled actuary of the Plan certifies that the “adjusted funding target attainment percentage” of the Plan is not less than 100%. In addition, during such period in which the Company is a debtor, the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a “prohibited payment,” except for payments that occur on a date within a Plan Year that is on or after the date on which the Plan’s enrolled actuary certifies that the Plan’s “adjusted funding target attainment percentage” for that Plan Year is not less than 100%. The limitation set forth in this Paragraph (2) does not apply to any payment of a benefit which under Code Section 411(a)(11) may be immediately distributed without the consent of the Member.

(3) ***Limited payment if percentage at least 60% but less than 80%.***

(A) In general. Notwithstanding any other provision of the Plan, if the Plan’s “adjusted funding target attainment percentage” for a Plan Year is 60% or greater but less than 80%, then a Member or Beneficiary is not permitted to elect, and the Plan shall not pay any “prohibited payment” with an Annuity Starting Date on or after the Applicable “Section 436 measurement date,” and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a “prohibited payment.” The preceding sentence shall not apply if the present value (determined in accordance with Code Section 417(e)(3)) of the portion of the benefit that is being paid in a “prohibited payment” (which portion is determined under Paragraph (B)(ii) below) does not exceed the lesser of:

(i) 50% of the present value (determined in accordance with Code Section 417(e)(3)) of the benefit payable in the optional form of benefit that includes the prohibited payment; or

(ii) 100% of the PBGC maximum benefit guarantee amount (as defined in Regulation 1.436-1(d)(3)(iii)(C)).

The limitation set forth in this Subsection (3) does not apply to any payment of a benefit which under Code Section 411(a)(11) may be immediately distributed without the consent of the Member.

(B) Bifurcation if optional form unavailable.

(i) Requirement to offer bifurcation. If an optional form of benefit that is otherwise available under the terms of the Plan is not available as of the Annuity Starting Date because of the application of Regulation 1.436-1(d)(3)(i), then the Member or Beneficiary may elect to:

(1) Receive the unrestricted portion of that optional form of benefit (determined under the rules of Regulation 1.436-1(d)(3)(iii)(D)) at that Annuity Starting Date, determined by treating the unrestricted portion of the benefit as if it were the Member’s or Beneficiary’s entire benefit under the Plan;

- (2) Commence benefits with respect to the Member or Beneficiary's entire benefit under the Plan in any other optional form of benefit available under the Plan at the same Annuity Starting Date that satisfies Subsection (A)(i) or (ii) above; or
- (3) Defer commencement of the payments in accordance with any general right to defer commencement of benefits under the Plan.
- (ii) Rules relating to bifurcation. If the Member or Beneficiary elects payment of the unrestricted portion of the benefit as described in Regulation 1.436-1(d)(3)(ii)(A)(1), then the Member or Beneficiary may elect payment of the remainder of the Member's or Beneficiary's benefits under the Plan in any optional form of benefit at that Annuity Starting Date otherwise available under the Plan that would not have included a "prohibited payment" if that optional form applied to the entire benefit of the Member or Beneficiary. The rules of Regulation 1.417(e)-1 are applied separately to the separate optional forms for the "unrestricted portion of the benefit" and the remainder of the benefit (the "restricted portion").
- (iii) Plan alternative that anticipates election of payment that includes a prohibited payment. With respect to every optional form of benefit that includes a "prohibited payment" and that is not permitted to be paid under Regulation 1.436-1(d)(3)(i), for which no additional information from the Member or Beneficiary (such as information regarding a Social Security leveling optional form of benefit) is needed to make that determination, rather than wait for the Member or Beneficiary to elect such optional form of benefit, the Plan will provide for separate elections with respect to the restricted and unrestricted portions of that optional form of benefit.
- (C) Other Rules.
- (i) One time application. Only one "prohibited payment" meeting the requirements of Subsection (3)(a) above may be made with respect to any Member during any period of consecutive Plan Years to which the limitations under Regulation 1.436-1(d) apply.
- (ii) Treatment of Beneficiaries. For purposes of this Section 4.17(d)(3), benefits provided with respect to a Member and any Beneficiary of the Member (including an alternate payee, as defined in Code Section 414(p)(8)) are aggregated. If the only benefits paid under the Plan with respect to the Member are death benefits payable to the Beneficiary, then the determination of the "prohibited payment" is applied by substituting the lifetime of the Beneficiary for the lifetime of the Member. If the Accrued Benefit of a Member is allocated to such an alternate payee and one or more other persons, then the "unrestricted amount" is allocated among such persons in the same manner as the accrued benefit is allocated, unless a qualified domestic relations order (as defined in Code Section 414(p)(1)(A)) with respect to the Member or the alternate payee provides otherwise.

(iii) Treatment of annuity purchases and plan transfers. This Paragraph (iii) applies for purposes of applying Subsection (d)(3)(A) above and determining the unrestricted portion of a payment. In the case of a prohibited payment described in Regulation 1.436-1(j)(6)(i)(B) (relating to purchase from an insurer), the present value of the portion of the benefit that is being paid in a prohibited payment is the cost to the plan of the irrevocable commitment and, in the case of a prohibited payment described in Regulation 1.436-1(j)(6)(i)(C) (relating to certain plan transfers), the present value of the portion of the benefit that is being paid in a prohibited payment is the present value of the liabilities transferred (determined in accordance with Code Section 414(l)). In addition, the present value of the accrued benefit is substituted for the present value of the benefit payable in the optional form of benefit that includes the prohibited payment in Regulation 1.436-1(d)(3)(i)(A).

- (4) **Exception.** This Subsection (d) shall not apply for any Plan Year if the terms of the Plan (as in effect for the period beginning on September 1, 2005, and ending with such Plan Year) provide for no benefit accruals with respect to any Member during such period.
- (5) **Right to delay commencement.** If a Member or Beneficiary requests a distribution in an optional form of benefit that includes a “prohibited payment” that is not permitted to be paid under Section 4.17(d)(1), (2) or (3), then the Member retains the right to delay commencement of benefits in accordance with the terms of the Plan and applicable qualification requirements (such as Code Sections 411(a)(11) and 401(a)(9)).

(e) **Limitation on Benefit Accruals for Plans with Severe Funding Shortfalls**

- (1) **In general.** If the Plan’s “adjusted funding target attainment percentage” for a Plan Year is less than 60%, benefit accruals under the Plan shall cease as of the “Section 436 measurement date.” In addition, if the Plan is required to cease benefit accruals under this Section 4.17(e), then the Plan is not permitted to be amended in a manner that would increase the liabilities of the Plan by reason of an increase in benefits or establishment of new benefits.
- (2) **Exemption.** Paragraph (1) above shall cease to apply with respect to any Plan Year, effective as of the first day of the Plan Year, upon payment by the Company of a contribution described in Regulation 1.436-1(f)(2)(v).
- (3) **Temporary modification of limitation.** In the case of the first Plan Year beginning during the period beginning on October 1, 2008, and ending on September 30, 2009, the provisions of Paragraph (e)(1) above shall be applied by substituting the Plan’s “adjusted funding target attainment percentage” for the preceding Plan Year for such percentage for such Plan Year, but only if the “adjusted funding target attainment percentage” for the preceding year is greater.

(f) **Methods to Avoid or Terminate Benefit Limitations**

See Code Sections 436(b)(2), (c)(2), (e)(2), and (f) and Regulation 1.436-1(f) for rules relating to Company contributions and other methods to avoid or terminate the application of the limitations set forth in Sections 4.17(b), (c) and (d) for a Plan Year. In general, the methods the Company may use to avoid or terminate one or more of the benefit limitations under Sections 4.17 (b), (c) and (d) for a Plan Year include Company contributions and elections to increase the amount of plan assets which are taken into account in determining the “adjusted funding target attainment percentage,” making a Company contribution that is specifically designated as a current year contribution that is made to avoid or terminate application of certain of the benefit limitations, or providing security to the Plan.

(g) **Special Rules**

(1) ***Rules of operation for periods prior to and after certification of Plan’s “adjusted funding target attainment percentage.”***

- (A) In general. Code Section 436(h) and Regulation 1.436 1(h) set forth a series of presumptions that apply (i) before the Plan’s enrolled actuary issues a certification of the Plan’s “adjusted funding target attainment percentage” for the Plan Year and (ii) if the Plan’s enrolled actuary does not issue a certification of the Plan’s “adjusted funding target attainment percentage” for the Plan Year before the first day of the 10th month of the Plan Year (or if the Plan’s enrolled actuary issues a range certification for the Plan Year pursuant to Regulation 1.436 1(h)(4)(ii) but does not issue a certification of the specific “adjusted funding target attainment percentage” for the Plan by the last day of the Plan Year). For any period during which a presumption under Code Section 436(h) and Regulation 1.436 1(h) applies to the Plan, the limitations under Sections 4.17(b), (c), (d) and (e) are applied to the Plan as if the “adjusted funding target attainment percentage” for the Plan Year were the presumed “adjusted funding target attainment percentage” determined under the rules of Code Section 436(h) and Regulation 1.436 1(h)(1), (2), or (3). These presumptions are set forth in the following subsections.
- (B) Presumption of continued underfunding beginning first day of Plan Year. If a limitation under Subsection (b), (c), (d), or (e) of this Section 4.17 applied to the Plan on the last day of the preceding Plan Year, then commencing on the first day of the current Plan Year and continuing until the Plan’s enrolled actuary issues a certification of the “adjusted funding target attainment percentage” for the Plan for the current Plan Year, or, if earlier, the date Subsections (C) and (D) below applies to the Plan:
- (i) The “adjusted funding target attainment percentage” of the Plan for the current Plan Year is presumed to be the “adjusted funding target attainment percentage” in effect on the last day of the preceding Plan Year; and
- (ii) The first day of the current Plan Year is a “Section 436 measurement date.”
- (C) Presumption of underfunding beginning first day of fourth month. If the Plan’s enrolled actuary has not issued a certification of the “adjusted funding target attainment percentage” for the Plan Year before the first day of the fourth month of the Plan Year and the Plan’s “adjusted funding target attainment percentage”

for the preceding Plan Year was either at least 60% but less than 70% or at least 80% but less than 90%, or is described in Regulation 1.436-1(h)(2)(ii), then, commencing on the first day of the fourth month of the current Plan Year and continuing until the Plan's enrolled actuary issues a certification of the "adjusted funding target attainment percentage" for the Plan for the current Plan Year, or, if earlier, the date Subsection (D) below applies to the Plan:

(i) The "adjusted funding target attainment percentage" of the Plan for the current Plan Year is presumed to be the Plan's "adjusted funding target attainment percentage" for the preceding Plan Year reduced by 10 percentage points; and

(ii) The first day of the fourth month of the current Plan Year is a "Section 436 measurement date."

(D) **Presumption of Underfunding On and After First Day of 10th Month.** If the Plan's enrolled actuary has not issued a certification of the "adjusted funding target attainment percentage" for the Plan Year before the first day of the 10th month of the Plan Year (or if the Plan's enrolled actuary has issued a range certification for the Plan Year pursuant to Regulation 1.436-1(h)(4)(ii) but has not issued a certification of the specific "adjusted funding target attainment percentage" for the Plan by the last day of the Plan Year), then, commencing on the first day of the 10th month of the current Plan Year and continuing through the end of the Plan Year:

(i) The "adjusted funding target attainment percentage" of the Plan for the current Plan Year is presumed to be less than 60%; and

(ii) The first day of the 10th month of the current Plan Year is a "Section 436 measurement date."

(2) ***New plans, plan termination, certain frozen plans, and other special rules.***

(A) **New plan exception.** The limitations in Subsections (b), (c) and (e) of this Section 4.17 do not apply to a new Plan for the first five Plan Years of the Plan, determined under the rules of Code Section 436(i) and Regulation 1.436-1(a)(3)(i).

(B) **Plan termination exception.** The limitations on "prohibited payments" in Subsections (b) and (d) of this Section 4.17 do not apply to prohibited payments that are made to carry out the termination of the Plan in accordance with applicable law. Any other limitations under this Section 4.17 do not cease to apply as a result of termination of the Plan.

(C) **Exception to limitations on prohibited payments under certain frozen plans.** The limitations on prohibited payments set forth in Subsections (b) and (d) of this Section 4.17 do not apply for a Plan Year if the terms of the Plan, as in effect for the period beginning on September 1, 2005, and continuing through the end of the Plan Year, provide for no benefit accruals with respect to any Members. This

Paragraph (C) shall cease to apply as of the date any benefits accrue under the Plan or the date on which a Plan amendment that increases benefits takes effect.

(4) Special rules relating to unpredictable contingent event benefits and plan amendments increasing benefit liability. During any period in which none of the presumptions under this Section 4.17(g) apply to the Plan and the Plan's enrolled actuary has not yet issued a certification of the Plan's "adjusted funding target attainment percentage" for the Plan Year, the limitations under Subsection (b) and (c) of this Section 4.17 shall be based on the inclusive presumed "adjusted funding target attainment percentage" for the Plan, calculated in accordance Regulation 1.436-1(g)(2)(iii).

(3) ***Special rules under PRA 2010.***

(A) Payments under Social Security leveling options. For purposes of determining whether the limitations under Subsection (d) of this Section 4.17 apply to payments under a Social Security leveling option, within the meaning of Code Section 436(j)(3)(C)(i), the "adjusted funding target attainment percentage" for a Plan Year shall be determined in accordance with the "Special Rule for Certain Years" under Code Section 436(j)(3) and any Regulation or other published guidance thereunder issued by the Internal Revenue Service.

(B) Limitation on benefit accruals. For purposes of determining whether the accrual limitation under Subsection (e) of this Section 4.17 applies to the Plan, the "adjusted funding target attainment percentage" for a Plan Year shall be determined in accordance with the "Special Rule for Certain Years" under Code Section 436(j)(3) (except as provided under Section 203(b) of the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (PRA 2010), if applicable).

(4) ***Special rules under MAP-21.*** The Plan may use the special rules relating to pension funding stabilization as set forth in the provisions of the Moving Ahead for Progress in the 21st Century Act (MAP-21) and as provided by guidance issued in Regulations or other guidance from the Internal Revenue Service, such as Notice 2012-61.

(5) ***Notice requirement.*** See ERISA Section 101(j) for rules requiring the plan administrator of a single employer defined benefit pension plan to provide a written notice to Members and Beneficiaries within 30 days after certain specified dates if the Plan has become subject to a limitation described in Section 4.17(b)(1), (d)(1), (d)(2) or (d)(3).

(h) **Treatment of Plan as of Close of Prohibited or Cessation Period.**

(1) ***Application to prohibited payments and accruals.***

(A) Resumption of prohibited payments. If a limitation on prohibited payments under Subsection (d) of this Section 4.17 applied to a Plan as of a "Section 436 measurement date," but that limit no longer applies to the Plan as of a later "Section 436 measurement date," then the limitation does not apply to benefits

with “annuity starting dates” that are on or after that later “Section 436 measurement date.”

After the Code “Section 436 measurement date” on which the limitation on “prohibited payments” under Sections 4.17(d)(1) and (3) cease to apply to the Plan, Members or Beneficiaries who had an “annuity starting date” within the period during which that limitation applied to the Plan shall not be permitted to modify the form of benefit previously elected to a single sum payment at a new “annuity starting date” for the remaining value of the Member or Beneficiary’s benefit under the Plan.

- (B) Resumption of benefit accruals. If a limitation on benefit accruals under Subsection (e) of this Section 4.17 applied to a Plan as of a “Section 436 measurement date,” but that limit no longer applies to the Plan as of a later “Section 436 measurement date,” then benefit accruals shall resume prospectively and that limitation does not apply to benefit accruals that are based on service on or after that later “Section 436 measurement date,” except to the extent that the Plan provides that benefit accruals will not resume when the limitation ceases to apply. The Plan will comply with the rules relating to partial years of participation and the prohibition on double proration under Department of Labor Regulation 29 CFR Section 2530.204-2(c) and (d).

In addition, benefit accruals that were not permitted to accrue because of the application of Subsection (e) of this Section 4.17 shall be restored when that limitation ceases to apply if the continuous period of the limitation was 12 months or less and the Plan’s enrolled actuary certifies that the “adjusted funding target attainment percentage” for the Plan Year would not be less than 60% taking into account any restored benefit accruals for the prior Plan Year.

- (2) ***Shutdown and other “unpredictable contingent event benefits.”*** If an “unpredictable contingent event benefits” with respect to an unpredictable contingent event that occurs during the Plan Year are not permitted to be paid after the occurrence of the event because of the limitations of Subsection (b) of this Section 4.17, but are permitted to be paid later in the same Plan Year (as a result of additional contributions or pursuant to the enrolled actuary’s certification of the “adjusted funding target attainment percentage” for the Plan Year that meets the requirements of Regulation 1.436-1(g)(5)(ii)(B)), then that unpredictable contingent event benefits shall be paid, retroactive to the period that benefit would have been payable under the terms of the Plan (determined without regard to Subsection (b) of this Section 4.17). If the “unpredictable contingent event benefit” does not become payable during the same Plan Year in accordance with the preceding sentence, then the Plan is treated as if it does not provide that benefit.
- (3) ***Treatment of Plan amendments that do not take effect.*** If a Plan amendment does not take effect as of the effective date of the amendment because of the limitations of Subsection (c) or (e) of this Section 4.17, but is permitted to take effect later in the Plan Year (as a result of additional contributions or pursuant to the enrolled actuary’s certification of the “adjusted funding target attainment percentage” for the Plan Year that meets the requirements of Regulation 1.436-1(g)(5)(ii)(C)), then the Plan

amendment must automatically take effect as of the first day of the Plan Year (or, if later, the original effective date of the amendment). If the Plan amendment cannot take effect during the Plan Year, then it must be treated as if it were never adopted, unless the Plan amendment provides otherwise.

(i) **Definitions**

For purposes of this Section 4.17, the following terms shall have the meanings ascribed to them in this Section 4.17(i). Terms not defined in this Section have the meaning assigned to them in the “Definitions” section of the Plan.

- (a) **Adjusted funding target attainment percentage.** The term “adjusted funding target attainment percentage” means the adjusted funding target attainment percentage as defined in Regulation 1.436-1(j)(1).
- (b) **Prohibited payment.** The term “prohibited payment” means a prohibited payment as defined in Regulation 1.436-1(j)(6).
- (c) **Section 436 measurement date.** A “Section 436 measurement date” means the section 436 date as defined in Regulation 1.436-1(j)(8).
- (d) **Unpredictable contingent event benefit.** The term “unpredictable contingent event benefit” means an unpredictable contingent event as defined in Regulation 1.436-1(j)(9).

ARTICLE 5 – ADMINISTRATION OF PLAN

5.01 Appointment of Plan Administration Committee

The responsibility for carrying out all phases of the administration of the Plan except those phases connected with the management of assets, shall be placed in a Plan Administration Committee of not less than three persons appointed from time to time by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors may also designate alternate members to act in the absence of the regular members. The Board of Directors shall designate a Chairman of the Plan Administration Committee from among the regular members and a Secretary who may be, but need not be, one of its members. Any member of the Plan Administration Committee may resign by delivering his or her written resignation to the Board of Directors and the Secretary of the Plan Administration Committee.

5.02 Pension and Savings Plan Committee

The responsibility for the management of the assets of the Plan shall be placed in a Pension and Savings Plan Committee of not less than three persons appointed from time to time by the Board of Directors to serve at the pleasure of the Board of Directors. The Board of Directors may also designate alternate members to act in the absence of the regular members. The Board of Directors shall designate a Chairman of the Pension and Savings Plan Committee from among the regular members and a Secretary who may be, but need not be, one of the members of the Pension and Savings Plan Committee. Any member of the Pension and Savings Plan Committee may resign by delivering his or her written resignation to the Board of Directors and the Secretary of the Pension and Savings Plan Committee.

5.03 Named Fiduciaries

The Plan Administration Committee and the Pension and Savings Plan Committee (hereinafter collectively referred to as the “Committees”) are designated as named fiduciaries within the meaning of Section 402(a) of ERISA. In addition, the Company and any officer of the Company appointed as a named fiduciary by the Plan Administration Committee shall also be “named fiduciaries” within the meaning of Section 402(a) of ERISA.

5.04 Meetings and Action of Majority

The Committees shall hold meetings upon such notice, at such place or places, and at such time or times as each may respectively determine. The action of at least a majority of the members, or alternate members, of a Committee expressed from time to time by a vote at a meeting or in writing without a meeting shall constitute the action of that Committee and shall have the same effect for all purposes as if assented to by all members of such Committee at the time in office. No member of either Committee shall receive any compensation for his or her service as such.

5.05 Duties of Committees

Each Committee may authorize one or more of its number or any agent to execute or deliver any instrument or make any payment on its behalf; may retain counsel, employ agents and such clerical, accounting and actuarial services as it may require in carrying out the provisions of the

Plan for which it has responsibility; may allocate among its members or to other persons all or such portion of its duties hereunder as it, in its sole discretion, shall decide.

5.06 Management of Plan Assets

The Pension and Savings Plan Committee shall be responsible for managing the assets under the Plan. If it deems such action to be advisable, the Committee, subject to the provisions of the trust instrument(s) adopted for use in implementing the Plan pursuant to Section 7.01 hereof, may:

- (a) provide direction to the trustee(s) thereunder, including, but not by way of limitation, the direction of investment of all or part of the Plan assets and the establishment of investment criteria, and
- (b) appoint and provide for use of investment advisors and investment managers.

In discharging its responsibility, the Committee shall evaluate and monitor the investment performance of the trustee(s) and investment manager, if any.

5.07 Establishment of Rules and Rights of Plan Administration Committee

Subject to the limitations of the Plan, the Plan Administration Committee from time to time shall establish rules or regulations for the administration of the Plan and the transaction of its business. The Plan Administration Committee shall have full discretionary authority, except as to matters which the Board of Directors from time to time may reserve to itself, to interpret the Plan and to make factual determinations regarding any and all matters arising hereunder, including but not limited to, the right to determine eligibility for benefits and to construe the terms of the Plan including the right to remedy possible ambiguities, inequities, inconsistencies or omissions. The Plan Administration Committee shall also have the right to exercise powers otherwise exercisable by the Board of Directors hereunder to the extent that the exercise of such powers does not involve the management of Plan assets. In addition, the Plan Administration Committee shall have the further right to exercise such powers as may be delegated to the Plan Administration Committee by the Board of Directors. The Plan Administration Committee may delegate to any duly authorized officer, in writing, any or all of its authority and its right to exercise powers otherwise exercised or delegated by the Board of Directors.

Subject to applicable Federal and State Law, all interpretations, determinations and decisions of a duly authorized officer, the Plan Administration Committee or the Board of Directors in respect of any matter hereunder shall be final, conclusive and binding on all parties affected thereby.

5.08 Prudent Conduct and Limitation of Liability

The members of the Committees and any officer appointed pursuant to Section 5.03 shall use that degree of care, skill, prudence and diligence in carrying out their duties that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims. A member of either Committee and any officer appointed pursuant to Section 5.03 shall not be liable for the breach of fiduciary responsibility of another fiduciary unless:

- (a) the person participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach; or

- (b) by the person's failure to discharge such person's duties solely in the interest of the Members and other persons entitled to benefits under the Plan, for the exclusive purpose of providing benefits and defraying reasonable expenses of administering the Plan not met by the Company, the person has enabled such other fiduciary to commit a breach; or
- (c) the person has knowledge of a breach by such other fiduciary and does not make reasonable efforts to remedy the breach; or
- (d) in the case of a member of either Committee, if the Committee of which the person is a member improperly allocates responsibilities among its members or to others and the person fails to review prudently such allocation.

5.09 Claims and Review Procedure

- (a) Applications for benefits and inquiries concerning the Plan (or concerning present or future rights to benefits under the Plan) shall be submitted to the Company in writing. An application for benefits shall be submitted on the prescribed form and shall be signed by the Member, or in the case of a benefit payable after his death, by his Beneficiary.
- (b) In the event that an application for benefits is denied in whole or in part, the Company shall notify the applicant in writing of the denial and of the right to review of the denial. The written notice shall set forth, in a manner calculated to be understood by the applicant, specific reasons for the denial, specific references to the provisions of the Plan on which the denial is based, a description of any information or material necessary for the applicant to perfect the application, an explanation of why the material is necessary, and an explanation of the review procedure under the Plan.

The written notice shall be given to the applicant within a reasonable period of time (not more than 90 days) after the Company received the application, unless special circumstances require further time for processing and the applicant is advised of the extension. In no event shall the notice be given more than 180 days after the Company received the application.

- (c) An applicant whose application for benefits was denied in whole or in part, or the applicant's duly authorized representative, may appeal the denial by submitting to the Plan Administration Committee a request for a review of the application within 60 days after receiving written notice of the denial from the Company. The Company shall give the applicant or his representative an opportunity to review pertinent materials, other than legally privileged documents, in preparing the request for review. The request for a review shall be in writing and addressed to the Plan Administration Committee. The request for a review shall set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the applicant deems pertinent. The Plan Administration Committee may require the applicant to submit such additional facts, documents, or other materials as it may deem necessary or appropriate in making its review.
- (d) The Plan Administration Committee shall act on each request for a review within 60 days after receipt, unless special circumstances require further time for processing and the applicant is advised of the extension. In no event shall the decision on review be rendered more than 120 days after the Plan Administration Committee received the request for a review. The Plan Administration Committee shall give prompt written notice of its decision to the applicant and or the Company. In the event that the Plan Administration Committee

confirms the denial of the application for benefits in whole or in part, the notice shall set forth, in a manner calculated to be understood by the applicant, the specific reasons for the decision and specific references to the provisions of the Plan on which the decision is based.

- (e) The Plan Administration Committee shall adopt such rules, procedures, and interpretations of the Plan as it deems necessary or appropriate in carrying out its responsibilities under this Section 5.09.
- (f) No legal action for benefits under the Plan shall be brought unless and until the claimant (i) has submitted a written application for benefits in accordance with Paragraph (a), (ii) has been notified by the Company that the application is denied, (iii) has filed a written request for a review of the application in accordance with Paragraph (c), and (iv) has been notified in writing that the Plan Administration Committee has affirmed the denial of the application; provided, however, that legal action may be brought after the Company or the Plan Administration Committee has failed to take any action on the claim within the time by Paragraphs (b) and (d) above.

ARTICLE 6 – CONTRIBUTIONS

6.01 Company Contributions

It is the intention of the Company to continue the Plan and make regular contributions to the Trustee each year in such amounts as are necessary to maintain the Plan on a sound actuarial basis and to meet minimum funding standards as prescribed by any applicable law. However, subject to the provisions of Article 8, the Company may reduce or suspend its contributions for any reason at any time. Any forfeitures shall be used to reduce the Company contributions otherwise payable, and will not be applied to increase the benefits any Member or other person would otherwise receive under the Plan.

6.02 Return of Contributions

- (a) The Company's contributions to the Plan are conditioned upon their deductibility under Code Section 404. In the event that all or part of the Company's deductions under Code Section 404 for contributions to the Plan are disallowed by the Internal Revenue Service, the portion of the contributions to which such disallowance applies shall be returned to the Company without interest, but reduced by any investment loss attributable to those contributions. Such return shall be made within one year after the disallowance of deduction.
- (b) The Company may recover without interest the amount of its contributions to the Plan made on account of a mistake in fact, reduced by any investment loss attributable to those contributions if recovery is made within one year after the date of those contributions.

ARTICLE 7 – MANAGEMENT OF FUNDS

7.01 Trustee

All the funds of the Plan shall be held by a Trustee or Trustees, which may include any member(s) of the Pension and Savings Plan Committee, appointed from time to time by said Committee or the Company, in one or more trusts under a trust instrument or instruments approved or authorized by said Committee or the Company, for use in providing the benefits of the Plan and paying any expenses of the Plan not paid directly by the Company; provided, however, that the Pension and Savings Plan Committee may, in its discretion, also enter into any type of contract with any insurance company or companies selected by it for providing benefits under the Plan.

Notwithstanding any other provision contained in this Plan, the Trustee at the direction of the Plan Administration Committee shall transfer the interest, if any, of a Member's Accrued Benefit to another trust forming part of a pension, profit sharing, or stock bonus plan that meets the requirements of Code Section 401(a), provided that the trust to which such transfers are made permits the transfer to be made. However, the transfer of amounts from this Plan to a nonqualified foreign trust will be treated as a distribution from this Plan. Likewise, a transfer of assets and liabilities from this Plan to a plan that satisfies Section 1165 of the Puerto Rico Code will also be treated as distribution from this Plan.

7.02 Exclusive Benefit Rule

Prior to the satisfaction of all liabilities with respect to persons entitled to benefits, except for the payment of expenses, no part of the corpus or income of the funds shall be used for, or diverted to, purposes other than for the exclusive benefit of Members and other persons who are or may become entitled to benefits hereunder, under the Prior Salaried Plan, or under any trust instrument or under any insurance contract made pursuant to this Plan. Subject to applicable Federal and State law, no person shall have any interest in or right to any part of the corpus or income of the funds, except as and to the extent expressly provided in the Plan and in any trust instrument or under any insurance contract made pursuant to this Plan. Subject to applicable Federal and State law, the Company shall have no liability for the payment of benefits under the Plan nor for the administration of the funds paid over to the Trustee(s) or insurer(s) except as expressly provided under this Plan.

The Company may not transfer sponsorship of this Plan to any unrelated entity unless such transfer is in connection with the transfer of business assets or operations from the Company to the unrelated entity.

7.03 Investment in Company Securities or Real Property

Except as permitted by applicable Federal law, no part of the corpus or income of the trust shall be invested in securities of the Company or of any Associated Company or in real property and related personal property which is leased to the Company or any Associated Company or in the securities of the Trust or Trustees or their subsidiary companies, if any.

7.04 Appointment of Investment Managers

The Pension and Savings Plan Committee may, in its discretion, appoint one or more investment managers (within the meaning of Section 3(38) of ERISA) to manage (including the power to acquire and dispose of) all or part of the assets of the Plan, as the Committee shall designate. In that event, authority over and responsibility for the management of the assets so designated shall be the sole responsibility of that investment manager.

ARTICLE 8 – CERTAIN RIGHTS AND LIMITATIONS

The following provisions shall apply in all cases whenever a Member or any other person is affected thereby.

8.01 Termination of the Plan

- (a) The Board of Directors may terminate the Plan for any reason at any time. In case of termination of the Plan, the rights of Members to the benefits accrued under the Plan to the date of the termination, to the extent then funded or protected by law, if greater, shall be nonforfeitable. The funds of the Plan shall be used for the exclusive benefit of persons entitled to benefits under the Plan as of the date of termination, except as provided in Section 6.02. However, any funds not required to satisfy all liabilities of the Plan for benefits because of erroneous actuarial computation shall be returned to the Company except as otherwise provided in Section 8.06. The Plan Administration Committee shall determine on the basis of an actuarial valuation the share of the funds of the Plan allocable to each person entitled to benefits under the Plan in accordance with Section 4044 of ERISA or corresponding provision of any applicable law in effect at the time. In the event of a partial termination of the Plan, the provisions of this Section shall be applicable only to the Members affected by that partial termination.
- (b) Plan Merger or Consolidation. The Board of Directors may, in its sole discretion, merge this Plan with another qualified plan, subject to any applicable legal requirements. However, the Plan may not be merged or consolidated with, nor may its assets or liabilities be transferred to, any other plan unless each Member or other person entitled to a benefit under the Plan would, if the resulting plan were then terminated, receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation, or transfer, if the Plan had then terminated; provided that, subject to the provisions of Article 10 on or after the date of the first occurrence of a Change in Control (i) no transfer of assets or liabilities, except as specifically permitted under Section 8.01(a), between the Plan and any Employee Benefit Plan, as hereinafter defined, (ii) no spin-off of Plan assets or Plan liabilities to any Employee Benefit Plan, (iii) no withdrawal of Plan assets, in the event such withdrawal is permitted under applicable law or (iv) no merger or consolidation of the Plan with any Employee Benefit Plan shall be permitted.

For purposes of this Section 8.01(b), Employee Benefit Plan has the same meaning as the term “employee benefit plan” has under Section 3(3) of ERISA.

8.02 Limitation Concerning Highly Compensated Employees or Highly Compensated Former Employees

- (a) The provisions of this Section shall apply (i) in the event the Plan is terminated, to any Member who is a highly compensated employee or highly compensated former employee (as those terms are defined in Code Section 414(q)) of the Company or an Associated Company and (ii) in any other event, to any Member or former Member who is one of the 25 highly compensated employees or highly compensated former employees of the Company or

Associated Company with the greatest compensation in any Plan Year. The amount of the annual payments to any one of the Members or former Member to whom this Section applies shall not be greater than an amount equal to the payments that would be made on behalf of the Member or former Member under a single life annuity that is of Equivalent Actuarial Value to the sum of the Member's or former Member's Accrued Benefit and any other benefits payable to the Member and former Member under the Plan.

- (b) If, (i) after payment of an Accrued Benefit or other benefits to any one of the Members or to whom this Section applies, the value of Plan assets equals or exceeds 110% of the value of current liabilities (as that term is defined in Code Section 412(1)(7)) of the Plan, (ii) the value of the Accrued Benefit and other benefits of any one of the Members or former Members to whom this Section applies is less than 1% of the value of current liabilities of the Plan, or (iii) the value of the Accrued Benefit and other benefits of any one of the Members or former Members to whom this Section applies does not exceed \$3,500 (\$5,000 effective January 1, 1998), the provisions of Paragraph (a) above will not be applicable to the payment of benefits to the Member or former Member.
- (c) Notwithstanding Paragraph (a) of this Section, in the event the Plan is terminated, the restriction of this Section shall not be applicable if the benefits payable to any highly compensated employee and any highly compensated former employee is limited to a benefit that is nondiscriminatory under Code Section 401(a)(4).
- (d) If it should subsequently be determined by statute, court decision acquiesced in by the Commissioner of Internal Revenue, or ruling by the Commissioner of Internal Revenue, that the provisions of this Section are no longer necessary to qualify the Plan under the Code, this Section shall be ineffective without the necessity of further amendment to the Plan.

8.03 Conditions of Employment Not Affected by Plan

The establishment of the Plan shall not be construed as conferring any legal rights upon any Employee or other person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any Employee or other person and to treat him or her without regard to the effect which such treatment might have upon him or her under the Plan.

8.04 Offsets

Unless the Board of Directors otherwise provides under written rules uniformly applicable to all Employees similarly situated, the Plan Administration Committee shall deduct from the amount of any retirement allowance or vested benefit under the Plan, any amount paid or payable to or on account of any Member under the provisions of any present or future law, pension or benefit scheme of any sovereign government, or any political subdivision thereof or any fund or organization or government agency or department on account of which contributions have been made or premiums or taxes paid by the Company, any Participating Unit, or any Associated Company with respect to any service which is Benefit Service for purposes of computation of benefits under the Plan; provided, however, that pensions payable for government service or benefits under Title II of the Social Security Act are not to be used to reduce the benefits otherwise provided under this Plan except as specifically provided herein.

8.05 Denial of Benefits

The Plan Administration Committee may prescribe rules on a basis uniformly applicable to all Employees similarly situated under which an Employee whose employment is terminated because of dishonesty, conviction of a felony or other conduct prejudicial to the Company may be denied any benefit or benefits for which he or she would otherwise be eligible under the Plan, except his or her retirement allowance pursuant to Section 4.01 or his or her vested benefit pursuant to Section 4.05; provided, however, that such denial is not contrary to applicable law.

8.06 Change in Control

In the event of a Change in Control the following restrictions shall apply:

- (a) Notwithstanding any other provision of the plan, in the event of a Change in Control, neither the Board of Directors, its designee, the Plan Administration Committee nor the Trustee may merge or consolidate the Plan with any other plan, transfer any Plan assets to any other retirement or welfare benefit plan, transfer any other welfare or retirement benefit plan's liabilities to the Plan, spin-off or split-off any part of the Plan or group of Members in the Plan, or reduce future Plan benefits, or cause or permit the Plan to acquire any security or real or personal property of the Company or any Associated Company, during the five-year period commencing on the date on which the Change in Control occurs.
- (b) Notwithstanding any other provision of the Plan, in the event of a Change in Control, neither the Board of Directors nor its designee may, during the five-year period commencing on the date on which the Change in Control occurs, designate any new Participating Units or designate any new groups of Employees as eligible to participate in the Plan.
- (c) Notwithstanding any other provision of the Plan, if at any time during the five-year period commencing on the date on which a Change in Control occurs, the Plan is terminated, any Member who was an Employee on the date of the Change in Control shall, if not previously vested, become fully vested in all Plan benefits. If the Plan has surplus assets, all of the surplus assets shall be allocated to Plan Members who were Members as of the date on which a Change in Control occurs (including Members who terminated employment with entitlement to a retirement allowance and Members who are, on the date on which a Change in Control occurs, receiving a retirement allowance) on pro rata basis, in relation to the benefits accrued prior to the date of Change in Control and none of this surplus may be recovered by the Company, any successor or any Associated Company. For purposes of this Section 8.06(c) the amount of surplus assets will be determined as part of the process of purchasing non-participating group annuity contracts in connection with the termination of the Plan. In purchasing such annuities, the Plan shall seek competitive bids from at least three unrelated insurance companies. In no event shall the increase in the Retirement Allowance payable pursuant to this paragraph cause the retirement allowance to exceed the limitations in Section 4.08 of the Plan.
- (d) Notwithstanding any other provision of the Plan, if at any time during the five-year period commencing on the date on which a Change in Control occurs (i) a Substantial Reduction in Force (as hereinafter defined) occurs or (ii) any action prohibited by Paragraph (a) or (b) of this Section 8.06 is taken, then any Member who was an Employee on the date of the Change in Control shall, if not previously vested, become fully vested in all Plan benefits. Furthermore, if, as of the date either of the events described in (i) or (ii) above occurs, the fair market value of the Plan's assets exceeds the Plan's current liability pursuant to Code

Section 412(l)(7) (based on the Plan's actuarial assumptions on the date the Change in Control occurs except that the interest rate shall be the maximum rate permitted under Code Section 412) the amount of such excess assets shall be applied to increase, as described below, the Accrued Benefit of all Plan Members who were Members as of the date on which a Change in Control occurs. For purposes of determining the increase in Accrued Benefit under this Section 8.06(d), Plan Member includes both Members who are Employees as well as former Employees, or Beneficiaries of former Employees either entitled to future benefits or currently in receipt of Plan benefits. The Equivalent Actuarial Value of each Plan Member's Accrued Benefit shall be increased by the amount determined by multiplying (a) the Plan's excess assets as defined in this Section 8.06(d) by (b) the ratio that the Current Liability of each Plan Member bears to the sum of the Current Liability of all Plan Members. Such increased present value will be converted into an enhanced Accrued Benefit for each Plan Member. In no event, however, shall such increase cause a Plan Member's Accrued Benefit to exceed the limitation of Section 4.08 of the Plan.

For purposes of this Section 8.06,

(i) a "Substantial Reduction in Force" shall mean the Involuntary Separation from employment, following a Change in Control, of the percentage of Members set forth below who were Employees when the Change in Control occurred:

- (1) 10% or more within any consecutive 12-month period.
- (2) 15% or more within any consecutive 24-month period.
- (3) 20% or more within any consecutive 36-month period.
- (4) 25% or more within any consecutive 48-month period.
- (5) 30% or more within a 60-month period; and

(ii) "Involuntary Separation" shall mean the termination of a Member's employment with the Company as a result of Company action such as a discharge, a resignation after a reduction in pay, position or responsibilities, a retirement after the Company has requested such Member to resign or retire, a layoff, or any relocation of the work location of a Member to a place more than 35 miles from such Member's principal residence; provided, however, that an Involuntary Separation shall not be deemed to have occurred if a Member resigns or retires other than in response to a Company request, or is terminated for serious misconduct in connection with such Member's work.

- (e) In the event the Internal Revenue Service makes a final determination that the utilization of surplus assets of the Plan (or any portion thereof) in accordance with Paragraph (c) or (d) of this Section 8.06 cannot be accomplished in any manner without disqualifying the Plan, the Company shall utilize such assets which cannot be so utilized to provide benefits to those Members who were Employees on the date of the Change in Control in any manner that the Company deems to be in the best interests of such Members and which would not disqualify the Plan. Such utilization may include the transfer of such assets to another employee benefit plan of the Company, including a voluntary employees' beneficiary association as described in Code Section 501(c)(9); provided, however, that in no event shall any such assets be

transferred to any entity other than a trust devoted exclusively to providing benefits to employees and retirees who were Plan Members as of the date of the Change in Control.

8.07 Prevention of Escheat

If the Plan Administration Committee cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, the Plan Administration Committee may, no later than two years from the date such payment is due, mail a notice of such due and owing payment to the last known address of such person as shown on the records of the Plan Administration Committee or the Company. If such person has not made written claim therefor within three months of the date of the mailing, the Plan Administration Committee may, if it so elects and upon receiving advice from counsel to the Plan, direct that such payment and all remaining payments otherwise due such person be canceled on the records of the Plan and the amount thereof applied to reduce the contributions of the Company. Upon such cancellation, the Plan shall have no further liability therefor except that, in the event such person or his or her Beneficiary later notifies the Plan Administration Committee of his or her whereabouts and requests the payment or payments due to him or her under the Plan, the amount so applied shall be paid to him or her in accordance with the provisions of the Plan.

ARTICLE 9 – NONALIENATION OF BENEFITS

- (a) Except as required by any applicable law or by Paragraph (e), no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge except any election to make a contribution necessary to provide post-retirement medical benefits under any Plan maintained by the Company, and any attempt so to do shall be void, except as specifically provided in the Plan, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefit.
- (b) Subject to applicable Federal and State law, in the event that the Plan Administration Committee shall find that any Member or other person who is or may become entitled to benefits hereunder has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any of his or her benefits under the Plan, except as specifically provided in the Plan, or if any garnishment, attachment, execution, levy or court order for payment of money has been issued against any of his or her benefits under the Plan, then such benefit shall cease and terminate. In such event the Plan Administration Committee shall hold or apply the payments to or for the benefit of such Member or other person who is or may become entitled to benefits hereunder, his or her spouse, children, parents or other blood relatives, or any of them.
- (c) Notwithstanding the foregoing provisions of the Plan, payment shall be made in accordance with the provisions of any judgment, decree, or domestic relations order which:
- (i) creates for, or assigns to, a spouse, former spouse, child or other dependent of a Member the right to receive all or a portion of the Member's benefits under the Plan for the purpose of providing child support, alimony payments or marital property rights to that spouse, child or dependent,
 - (ii) is made pursuant to the domestic relations law of any State (as such term is defined in Section 3(10) of ERISA,
 - (iii) does not require the Plan to provide any type of benefit, or any option, not otherwise provided under the Plan, and
 - (iv) otherwise meets the requirements of Section 206(d) of ERISA to be a "qualified domestic relations order" as determined by the Plan Administration Committee.

If the lump sum present value of any series of payments made under the criteria set forth in Paragraphs (i) through (iv) above amounts to \$3,500 (\$5,000 effective January 1, 1998) or less, then a lump sum payment of Equivalent Actuarial Value (determined in the manner described in Section 4.10) shall be made in lieu of the series of payments.

- (d) The Plan Administration Committee shall resolve any questions arising under this Article 9 on a basis uniformly applicable to all persons similarly situated.

- (e) A Member's benefits under the Plan shall be offset by the amount the Member is required to pay to the Plan under the circumstances set forth in Code Section 401(a)(13).

ARTICLE 10 – AMENDMENTS

- 10.01** Subject to Section 10.02, the Board of Directors or its delegate reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan; provided that no such modification or amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of Members, spouses, or contingent annuitants or other persons who are or may become entitled to benefits hereunder prior to the satisfaction of all liabilities with respect to them; and that no modification or amendment shall be made which has the effect of decreasing the Accrued Benefit of any Member or of reducing the nonforfeitable percentage of the Accrued Benefit of a Member attributable to Company contributions below that nonforfeitable percentage thereof computed under the Plan as in effect on the later of the date on which the amendment is adopted or becomes effective. Any action to amend the Plan by the Board of Directors shall be taken in such manner as may be permitted under the by-laws of the Company and any action to amend the Plan by a delegate of the Board of Director shall be in writing.
- 10.02** Notwithstanding the above, on or after the date a Change in Control first occurs, Section 8.01, Section 8.06 and this Article 10, as they pertain to events occurring on or after the date such Change in Control occurs, may not be further amended by the Board of Directors without written consent of not less than three-quarters of the Members and other persons then receiving benefits under the Plan.

SIGNATURE PAGE

IN WITNESS WHEREOF, the Company has caused this Plan document to be executed this _____ day of _____, 2019, but effective December 31, 2014, unless the context indicates otherwise.

RAYONIER ADVANCED MATERIALS INC.

Signature

Print Name

Print Title

Certification

I, Paul G. Boynton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rayonier Advanced Materials Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ PAUL G. BOYNTON

Paul G. Boynton
Chairman, President and Chief Executive Officer
Rayonier Advanced Materials Inc.

Certification

I, Marcus J. Moeltner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rayonier Advanced Materials Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ MARCUS J. MOELTNER

Marcus J. Moeltner
*Chief Financial Officer and
Senior Vice President, Finance
Rayonier Advanced Materials Inc.*

Certification

The undersigned hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to our knowledge:

1. The quarterly report on Form 10-Q of Rayonier Advanced Materials Inc. (the "Company") for the quarterly period ended September 28, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 7, 2019

/s/ PAUL G. BOYNTON

Paul G. Boynton
Chairman, President and Chief Executive Officer
Rayonier Advanced Materials Inc.

/s/ MARCUS J. MOELTNER

Marcus J. Moeltner
Chief Financial Officer and
Senior Vice President, Finance
Rayonier Advanced Materials Inc.