

MEMORANDUM OF CO-OPERATION

This memorandum of co-operation (hereinafter - Memorandum) is concluded on 31st of January, 2014 by and between

RMK (State Forest Management Centre), registration code No 70004459, Toompuiestee 24, 10149 Tallinn (hereinafter – RMK), represented by Head of Timber Marketing Department Ulvar Kaubi, on the one side

and

OÜ Baltic Board Company, registration code No 12404435, Ussilaka tee 16/1, 11912 Tallinn (hereinafter – BBC), represented by Member of the Board of Directors Sergey Tarasov, on the other side,

together hereinafter referred to as the Parties agree on the following:

Preamble

1. BBC is interested to establish an industrial board factory and develop the production of ECOboard, hereinafter Mill, that is situated in Pärnu, Estonia;
2. An important factor in the board production process is the availability of the wood biomass, therefore the issue about the providing of wood resources is an important provision by the appraisal of the Mill development.
3. Parties would like to promote the processing of wood biomass in accordance with volume of available non-used wood in Estonia.
4. Parties would like to develop and stimulate the procurement of wood biomass, the economically justified usage of wood and manufacturing boards with higher value added.

Taking into account the mentioned above the Parties agree about the cooperation in accordance with following stages of cooperation:


1. Terms of co-operation in 1st stage:

- 1.1. The Parties agree, that within the time period from August 2015 until September 2015 RMK undertakes to sell and BBC undertakes to purchase from RMK wood chips made of forest residuals in trial amount of $5000 \pm 10\%$ loose m³.
- 1.2. The purpose of purchase of wood chips (as stated in Article 1.1) is:
 - 1) For BBC - to get acquainted with the quality conditions of wood chips sold by RMK and classification of assortment specification;
 - 2) For RMK - to get acquainted with the quality conditions and classification of assortment specification for wood chips most suitable for board manufacturing and to get acquainted with the measurement and quality assessment system of wood chips at the delivery destination of BBC.

- 3) For both Parties - to evaluate and develop the further co-operation on sale and purchase of wood chips.
- 1.3. Within the framework of co-operation in 1st stage the price of wood chips shall be the same as market price of similar wood chips fixed by RMK on date of delivery. Estimated price level 11 EUR/loose m3 (+VAT) at delivery location.
- 1.4. Delivery terms shall be stated in accordance with Incoterms® 2010 DAT Port of Pärnu in Estonia.
- 1.5. Schedule of delivery and payment conditions shall be mutually agreed by the both Parties in accordance with practise of RMK.
- 1.6. Measurement and quality assessment shall be made by ABCBoardcompany Laboratory in Wijster, Netherland and measurement cost shall be paid by BBC.
- 1.7. Quality requirements:
50% of the amount mentioned in Article 1.1. shall be delivered in accordance with RMK quality conditions of the wood chips for energy.
50% of the amount mentioned in Article 1.1. shall be delivered in accordance with BBC quality requirements for purchasing of the wood chips.
- 1.8. The conditions of co-operation 1st stage will become effective on date of signing of this Memorandum by the both Parties and shall be valid until fulfilling of respective obligations of the Parties.
- 1.9. Not later than 31st of October 2015 the Parties undertake to evaluate the performed deliveries and, if the Parties will have no objections, to agree in written form about continuation of co-operation, specifying conditions of co-operation in 2nd and 3rd stages.

2. Terms of co-operation in 2nd stage:

- 2.1. The conditions about cooperation in the 2nd stage become effective only when the both following preconditions are met and valid:
- 1) BBC has established the Mill; and
 - 2) The Parties have agreed about the continuation of the cooperation in accordance to the Article 1.9. of this Memorandum.
- 2.2. In Order to test the operation of the Mill, during the time period from November 2015 until December 2015 RMK undertakes to sell and BBC undertakes to purchase wood chips in trial amount varying from 3000 loose m3 to 5000 loose m3.
- 2.3. Within the framework of co-operation in 2nd stage the price of wood chips shall be the same as market price of similar wood chips fixed by RMK on date of delivery. Estimated price level 13 EUR/loose m3 (+VAT) at delivery location.
- 2.4. Delivery terms shall be stated in accordance with Incoterms® 2010 DAT Pärnu, Pärlimõisa tee 25.
- 2.5. Schedule of delivery and payment conditions shall be mutually agreed by the both Parties in accordance with practise and conditions of RMK.



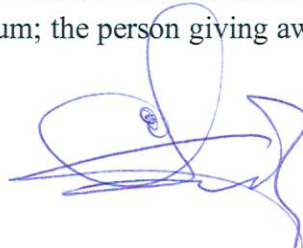
- 2.6. Measurement and quality assessment shall be made by BBC.
- 2.7. Quality requirements of the amount mentioned in Article 2.2. shall be in accordance with BBC quality requirements for purchasing of the wood chips it aiming to use in the Mill.
- 2.8. Not later than 31st of December, 2015 the Parties undertake to evaluate the performed deliveries and, if the Parties will have no objections, to specify conditions of co-operation in 3rd stage.

3. Terms of cooperation in the 3rd Stage.

- 3.1. The conditions about cooperation in the 3rd stage become effective only when the following precondition is met and valid:
 - 1) The Parties have agreed about the continuation of the cooperation in accordance to the Article 1.9. and 2.8. of this Memorandum.
- 3.2. In order to provide the operation of the Mill with scheduled board production capacity 70 000 solid m³ a year and to ensure the development of the Mill, RMK undertakes to sell wood chips to BBC.
 - 3.2.1. The period of co-operation in 3rd stage shall be 5 years from the 1st of January, 2016.
 - 3.2.2. The total estimated annual amount of wood chips from forest residuals deliveries to BBC shall be 70 000 loose m³ a year. Other assortments shall be a subject of additional negotiations.
 - 3.2.3. Exact annual amount of wood chips and delivery plan (division into months) shall be mutually agreed in written form by the both Parties every year.
 - 3.2.4. The price of wood chips shall be agreed between the Parties once in a half-year. In the process of coordination of the prices, BBC will send to RMK an offer of wood chips purchasing price for next half-year period and RMK will evaluate and respond this offer considering following conditions:
 - 1) Changes of energy wood prices in world market;
 - 2) Changes of fuelwood and wood chips market price in Estonia.
- 3.3. Specification of wood chips, quality requirements, terms of delivery, measurement, payment and guarantees shall be mutually agreed in written form by the both Parties.

4. **Other Conditions**

- 4.1. Neither Party without the written accept of the other Party is authorised to disclose to the third party any information it has gained from the other Party concerning Memorandum, unless this information has been available in public or except for the cases provided for in the laws, when it has to be disclosed to the governmental or municipal institutions.
- 4.2. The above mentioned Confidentiality clause does not concern the cases when the information is given away to the Parties' representatives or contractors, consulting the Party on the implementation of the Memorandum; the person giving away the information



to its representatives or contractors has to ensure that the person, which has gained the information, is considering the confidentiality conditions, enclosed in this Memorandum.

- 4.3. This Memorandum becomes effective on the date the both Parties have signed it and will be valid until fulfilling of respective obligations of the Parties.
- 4.4. This Memorandum can be terminated before the date by the mutual written agreement between the Parties.
- 4.5. All the disputes between the Parties, arising regarding to this Memorandum, are to be amicably negotiated; in case it is not possible, the dispute will be resolved in court according to the laws of the Republic of Estonia.
- 4.6. This Memorandum has been composed in English in two identical copies, one copy for each Party.
- 4.7. Neither Party without the written accept of the other Party is authorised to grant its rights or obligations arising from this Memorandum, to the third party.

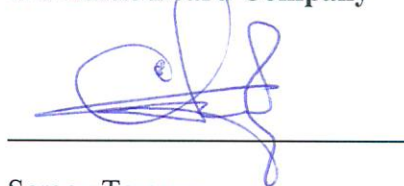
5. Signatures

RMK



Ulvar Kaubi

OÜ Baltic Board Company



Sergey Tarasov