

CLEARWATER PAPER CORP

FORM 8-K (Current report filing)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): February 6, 2017

CLEARWATER PAPER CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34146
(Commission File Number)

20-3594554
(IRS Employer
Identification No.)

601 West Riverside Ave., Suite 1100
Spokane, WA
(Address of principal executive offices)

99201
(Zip Code)

Registrant's telephone number, including area code: (509) 344-5900

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e)

Long Term Incentive Plan Changes and Form Agreements

Clearwater Paper Corporation (the “Company”) is modifying its long-term incentive program for 2017. The Company’s named executive officers will receive their 2017 long-term incentive plan awards in the following proportions:

Named Executive Officers	Percentage of LTIP Award		
	RSUs	Options	Performance Shares
	25.0%	37.5%	37.5%

For named executive officers, the Company will use relative TSR performance for the performance shares granted for the 2017-2019 period measured against the S&P MidCap 400[®] Index, (excluding those companies classified as members of the GICS[®] Financials sector). In addition, a majority of each 2017-2019 share grant will be based in an objective company-wide financial metric as follows:

- 60% of performance share award based on ROIC performance
- 40% of performance share award based on relative TSR

ROIC, or return on invested capital, will be measured over a three year period to focus on the delivery of financial results from the Company’s strategic initiatives and related capital expenditures.

On February 6, 2017, the Compensation Committee of the Board of Directors of the Company approved updated forms of the Company’s Performance Share Agreement, Restricted Stock Unit Agreement and Stock Option Agreement to be used from time to time by the Company under its stock incentive plan.

Updates to all form agreements include changing accelerated vesting upon the death, disability or retirement of any award recipient to be based pro rata upon the full number of months in the applicable vesting or performance period, rather than on whether the accelerated vesting event occurs the first twelve months of the awards or afterwards.

Changes to the Performance Share award form also include:

- Changing “actual” performance measure to “target” for use in determining a payout upon a change of control in line with market practices and to accommodate performance measures based on internal performance;
- Providing flexibility in regards to the withholding of shares to satisfy the taxes due on any share awards received ; and
- Deletion of mandatory deferral requirements for awards in excess of Section 162(m) deductible amounts.

Changes to the RSU award form also include:

- Providing for pro rata vesting and payment (33%; 33%; 34%) over a three year period;
- Providing flexibility in regards to the withholding of shares to satisfy the taxes due on any share awards received; and
- Deletion of mandatory deferral requirements for awards in excess of Section 162(m) deductible amounts.

Changes to the Stock Option award form also include:

- Providing for pro rata vesting and exercisability (33%; 33%; 34%) over a three year period.

The above summaries are qualified in their entirety by reference to the text of the Performance Share Agreement, Restricted Stock Unit Agreement and Stock Option Agreement forms which are attached hereto as Exhibits 10.1, 10.2 and 10.3, respectively, and are incorporated herein by reference.

Annual Incentive Plan Changes

The Company's Annual Incentive Plan (the "Incentive Plan") is designed to link compensation to annual Company performance by awarding cash bonuses for achieving pre-established performance goals. The Company is modifying its annual incentive program for 2017 to eliminate the individual component under the Annual Incentive Plan for its named executive officers and for 2017 will replace it with a Company-wide productivity component. This new component is intended to incentivize the Company's named executive officers to focus on productivity and the continued delivery of financial results from the Company's strategic and operational initiatives. Accordingly, 100% of the named executive officers' annual cash bonus will be based on objective, Company-wide financial performance metrics.

For 2017, the Company performance measures for named executive officers will be:

- 37.5% of target award based on EBITDA performance against target
- 37.5% of target award based on EBITDA margin performance against target
- 25% of target award based on Company-wide Productivity performance against target

If the Company does not achieve the EBITDA threshold no cash bonuses will be paid from the Annual Incentive Plan.

Based on a market assessment of comparable compensation programs, the Company increased and capped the total amount participants in the Annual Incentive Plan, including named executive officers, could be awarded under the program to 200% of target based on performance for 2017.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

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|------|--|
| 10.1 | Clearwater Paper Corporation—Form of Performance Share Agreement, as amended and restated February 6, 2017, to be used for annual performance share awards approved subsequent to December 31, 2016. |
| 10.2 | Clearwater Paper Corporation—Form of Restricted Stock Unit Agreement, as amended and restated February 6, 2017, to be used for annual restricted stock unit awards approved subsequent to December 31, 2016. |
| 10.3 | Clearwater Paper Corporation—Form of Stock Option Agreement, as amended and restated February 6, 2017, to be used for annual restricted stock unit awards approved subsequent to December 31, 2016. |

SIGNATURES

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 hereunto duly authorized.

Date: February 10, 2017

CLEARWATER PAPER CORPORATION

By: /s/ Michael S. Gadd
Michael S. Gadd, Corporate Secretary

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
10.1	Clearwater Paper Corporation—Form of Performance Share Agreement, as amended and restated February 6, 2017, to be used for annual performance share awards approved subsequent to December 31, 2016.
10.2	Clearwater Paper Corporation—Form of Restricted Stock Unit Agreement, as amended and restated February 6, 2017, to be used for annual restricted stock unit awards approved subsequent to December 31, 2016.
10.3	Clearwater Paper Corporation—Form of Stock Option Agreement, as amended and restated February 6, 2017, to be used for annual restricted stock unit awards approved subsequent to December 31, 2016.

CLEARWATER PAPER CORPORATION
PERFORMANCE SHARE AGREEMENT

THIS PERFORMANCE SHARE AGREEMENT (this "Agreement") is made and entered into as of _____ (the "Grant Date") by and between CLEARWATER PAPER CORPORATION, a Delaware corporation (the "Corporation"), and _____ (the "Employee").

W I T N E S S E T H:

WHEREAS, the Corporation maintains the Clearwater Paper Corporation ____ Stock Incentive Plan (the "Plan"), which is incorporated into and forms a part of this Agreement, and the Employee has been selected to receive a contingent grant of Performance Shares under Section 11 of the Plan;

NOW, THEREFORE, for valuable consideration, the parties agree as follows:

1. Award. Subject to the terms of this Agreement, the Employee is hereby awarded a target contingent grant of _____ Performance Shares (the "Award"). The number of Shares actually payable to the Employee is contingent on the performance achieved by the Corporation measured in accordance with Section 3 during the Performance Period described in Section 4. This Award has been granted pursuant to the Plan and is subject to all the terms and provisions thereof, a copy of which has been made available to the Employee and the terms and conditions of which are incorporated by reference into this Agreement.

2. Definitions. In addition to the terms defined elsewhere in this Agreement, the following terms used in this Agreement shall have the meanings set forth in this Section 1. Capitalized terms not defined in this Agreement shall have the same definitions as in the Plan.

- (a) "Disability" means a condition pursuant to which the Employee is—
 - (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or
 - (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Corporation.
- (b) "Retirement" means the Employee's termination of Service on or after the earlier of his or her (A) attainment of age 65 or (B) attainment of age 55 and completion of 10 years of Service.
- (c) "Service" shall have the meaning given such term under the Plan, except that as used in this Agreement the term "Service" shall be limited to employment and shall exclude service performed as an Outside Director or as a Consultant.

3. Performance Measures. This Award is subject to the Performance Measures described in the attached Addendum.

4. Performance Period. Subject to Section 11 (which provides for a shortened Performance Period in the event of a Change of Control), the Performance Period is the period of three consecutive calendar years beginning on January 1st of the calendar year that includes the Grant Date and ending on December 31st of the third such calendar year, and represents the period during which the Corporation's level of achievement under the Performance Measures will be determined.

5. Dividend Equivalents. During the Performance Period, dividend equivalents shall be converted into additional Performance Shares based on the closing price of the Corporation's Common Stock on the New York Stock Exchange on the date such dividends are paid. Such additional Performance Shares shall vest or be forfeited in the same manner as the underlying Performance Shares to which they relate.

6. Settlement of Awards. The Corporation shall deliver to the Employee one or more Shares for each earned Performance Share (and, as applicable, for the accrued dividend equivalents) as determined in accordance with the provisions set forth in the Addendum and this Agreement. Any earned Performance Shares payable to the Employee (including Shares payable pursuant to Section 5) shall be paid solely in Shares. Any fractional Share will be rounded to the closest whole Share.

7. Time of Payment. Except as otherwise provided in this Agreement, the Shares issuable for the earned Performance Shares (and any accrued dividend equivalents) shall be delivered to the Employee (or, in the case of the Employee's death before delivery, to the Employee's beneficiary or representative) as soon as practicable after the end of the Performance Period as set forth in the Addendum, but in no event later than March 15 of the calendar year following the year in which the Performance Period ends.

8. Committee Discretion to Reduce Award. Notwithstanding any provision in this Agreement to the contrary, the Committee retains the right, at its sole and absolute discretion, to reduce or eliminate any Award that may become payable hereunder if the Committee determines that any one or more of the following conditions have occurred:

- (a) The stockholder return to the Corporation's stockholders has been insufficient;
- (b) The stockholder return to the Corporation's stockholders has been negative;
- (c) The financial performance of the Corporation has been inadequate; or
- (d) The operational performance of the Corporation has been inadequate.

In addition, the Committee may reduce or eliminate the Award granted hereby based on the Employee's individual performance.

9. Retirement, Disability, or Death During the Performance Period. If the Employee's Service terminates during the Performance Period because of the Employee's Retirement, his or her Disability or his or her death, then the Employee (or, in the case of the Employee's death, the Employee's beneficiary or representative) shall be entitled to receive, upon settlement of his or her Award after the end of the Performance Period in accordance with Section 7 (subject to the other terms of this Agreement, including Section 8), a prorated number of Shares determined at the end of the Performance Period in accordance with the following equation: $X = A * (Y/36)$; where

X is the prorated number of Shares to be delivered upon settlement of the Award after the end of the Performance Period;

A is the number of Shares that would have been delivered upon settlement of the Award at the end of the Performance Period had the Employee's Service not terminated during the Performance Period; and

Y is the number of full calendar months the Employee is employed during the Performance Period.

10. Termination of Service During the Performance Period. If the Employee's Service terminates during the Performance Period for any reason other than as described in Section 9, the entire Award granted under this Agreement shall be automatically terminated as of the date of such termination of Service.

11. Change of Control.

- (a) Upon a Change of Control that occurs during the first year of the Performance Period, the Award will be deemed payable (and shall be settled immediately prior to such Change of Control), with the number of Shares payable determined according to the following equation: $X = A * (Y/12)$; where

X is the number of Shares payable upon the Change of Control;

A is the number of Shares that would be issuable assuming for these purposes that the Performance Period ends as of the date of the Change of Control and the Corporation achieves the “target” level of performance under the Performance Measures (for the avoidance of doubt, the number of Shares issuable would be equal to the number of Performance Shares granted under this Award); and

Y is the number of full months that have elapsed in the first year of the Performance Period prior to the date of the Change of Control.

- (b) Upon a Change of Control that occurs after the first year of the Performance Period, the Award will be deemed payable (and shall be settled immediately prior to such Change of Control), with the number of Shares payable determined by assuming that the Performance Period ends as of the date of the Change of Control and the Corporation achieves the “target” level of performance under the Performance Measures (for the avoidance of doubt, the number of Shares issuable would be equal to the number of Performance Shares granted under this Award).

12. Prohibited Activities. Notwithstanding any provision in this Agreement to the contrary, if the Employee, directly or indirectly, engages in any “Prohibited Activity” (as defined below) without the Corporation’s prior written consent, then any portion of this Award that remains outstanding as of the date of such Prohibited Activity shall be immediately cancelled and forfeited. “Prohibited Activity” means any of the following activities engaged in, directly or indirectly, by the Employee during the time the Employee is employed by the Corporation or any of its Affiliates (collectively, “Clearwater Paper”) or during the Performance Period, in each case as determined by the Committee in its sole discretion:

- (a) The Employee engages in, whether as an owner, consultant, employee or otherwise, activities competitive with that of Clearwater Paper in any state, province or like geography where Clearwater Paper does business;
- (b) Other than on behalf of Clearwater Paper, the Employee solicits for employment, offers or causes to be offered employment, either on a full-time, part-time or consulting basis, to any person who is employed by Clearwater Paper and with whom the Employee had regular contact during the course of his or her employment by Clearwater Paper; or
- (c) The Employee breaches any of the Employee’s obligations under any confidentiality or nondisclosure agreement with Clearwater Paper.

13. Available Shares. The Corporation agrees that it will at all times during the term of this Agreement reserve and keep available sufficient authorized but unissued or reacquired Shares to satisfy the requirements of this Agreement.

14. Applicable Taxes. In the event the Corporation determines that it is required to withhold state or federal income taxes, social security taxes or any other applicable taxes as a result of the payment of the Shares, the Corporation will satisfy such withholding requirements by withholding of Shares otherwise payable upon the settlement of the Award, which Shares will have a Fair Market Value (determined as of the date when taxes would otherwise be withheld in cash) not in excess of the amount necessary to satisfy the maximum statutory tax rates in the Employee’s applicable jurisdictions.

15. Relationship to Other Benefits. Performance Shares shall not be taken into account in determining any benefits under any pension, savings, disability, severance, group insurance or any other pay-related plan of the Corporation or its Subsidiaries or Affiliates.

16. Stockholder Rights. Neither the Employee nor the Employee's beneficiary or representative shall have any rights as a stockholder with respect to any Shares subject to this Agreement until such Shares shall have been issued to the Employee or the Employee's beneficiary or representative.

17. Transfers, Assignments, Pledges. Except as otherwise provided in this Agreement, the rights and privileges conferred by this Agreement shall not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Award, or of any right or privilege conferred by this Agreement, contrary to the provisions of this Section 17, or upon any attempted sale under any execution, attachment or similar process upon the rights and privileges conferred by this Agreement, the Award and the rights and privileges conferred by this Agreement shall immediately become null and void. However, this Section 17 shall not preclude: (i) an Employee from designating a beneficiary to succeed, after the Employee's death, to any rights of the Employee or benefits distributable to the Employee under this Agreement not distributed at the time of the Employee's death; or (ii) a transfer of any Award hereunder by will or the laws of descent or distribution. In that regard, any such rights shall be exercisable by the Employee's beneficiary, and such benefits shall be distributed to the beneficiary, in accordance with the provisions of this Agreement and the Plan. The beneficiary shall be the named beneficiary or beneficiaries designated by the Employee in writing filed with the Corporation in such form and at such time as the Corporation shall require. If a deceased Employee has not designated a beneficiary, or if the designated beneficiary does not survive the Employee, any benefits distributable to the Employee shall be distributed to the legal representative of the estate of the Employee. If a deceased Employee has designated a beneficiary and the designated beneficiary survives the Employee but dies before the complete distribution of benefits to the designated beneficiary under this Agreement, then any benefits distributable to the designated beneficiary shall be distributed to the legal representative of the estate of the designated beneficiary.

18. No Employment Rights. Nothing in this Agreement shall be construed as giving the Employee the right to be retained as an employee or as impairing the rights of the Corporation or a Subsidiary or an Affiliate to terminate his or her employment at any time, with or without cause.

19. Administration. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of this Agreement by the Committee and any decision made by it with respect to this Agreement is final and binding.

20. Interpretation/Applicable Law. This Agreement shall be interpreted and construed in a manner consistent with the terms of the Plan and in accordance with the laws of the State of Delaware (without regard to choice of law principles). If there is any discrepancy between the terms and conditions of this Agreement and the terms and conditions of the Plan, the terms and conditions of the Plan shall control.

21. Term of the Agreement. The term of this Agreement shall end upon the earlier of (i) the delivery of all of the Shares or other consideration to be issued in exchange for Performance Shares (and accrued dividend equivalents) or (ii) upon the termination of the Employee's Service for any reason other than Retirement, or the Employee's Disability or death.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF , each party has or has caused this Agreement to be executed as of the respective date set forth below.

CORPORATION:

Clearwater Paper Corporation,
a Delaware corporation

By: _____
Name: _____
Title: _____
Date: _____

Acknowledged and agreed as of the Grant Date:

Printed Name: _____
[Employee Name]

Date: _____

NOTE: GRANT WILL BE ACCEPTED ELECTRONICALLY

ADDENDUM TO PERFORMANCE SHARE AGREEMENT

[Grant Date]

Performance Measures based on one or more of the following criteria provided for under the Plan to be inserted following Compensation Committee action:

- Cash flow: operating cash flow, free cash flow, cash flow per share, net operating cash flow, discounted cash flow in excess of cost of capital;
- Earnings per share, including diluted earnings per share;
- Earnings: EBI, EBIT, EBITD, EBITDA, or any combination of the foregoing;
- Return: return on invested capital, return on stockholders' equity, total stockholder return, return on assets, return on net assets;
- Sales: gross sales, net sales;
- Income: gross income, net income, operating income, net operating income, income from continuing operations, pre-tax income;
- Margin: gross margin, profit margin, operating margin, pre-tax operating margin (including EBI, EBIT, EBITD or EBITDA margin);
- Share: market share, market segment share, product share, customer share, channel share;
- Completion of acquisitions, divestitures, joint ventures and restructurings;
- Working capital: in absolute terms, or as a percentage of sales or net sales;
- Debt: in absolute terms (including total debt and total debt plus equity) or as a ratio of debt to debt plus equity;
- Value added: shareholder value added, market value added, economic value added;
- Customer: customer satisfaction, customer loyalty, customer retention, customer service levels;
- Cost: cost structure, cost reduction, cost savings, cost of goods sold, cost of goods sold adjusted for mix, cost of capital;
- Operating goals: performance against strategic objectives, overall equipment effectiveness, safety, employee satisfaction;
- Share price performance; and
- Economic profit.

CLEARWATER PAPER CORPORATION
RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK UNIT AGREEMENT (this "Agreement") is made and entered into as of _____ Grant Date (the "Grant Date"), by and between Clearwater Paper Corporation, a Delaware corporation (the "Corporation"), and _____ Participant Name (the "Employee").

W I T N E S S E T H:

WHEREAS, the Corporation maintains the Clearwater Paper Corporation ____ Stock Incentive Plan (the "Plan"), which is incorporated into and forms a part of this Agreement, and the Employee has been selected to receive a grant of Restricted Stock Units under Section 10 of the Plan;

NOW, THEREFORE, for valuable consideration, the parties agree as follows:

1. Award. Subject to the terms of this Agreement, the Employee is hereby awarded a grant of _____ Restricted Stock Units (the "Award"). Except as otherwise set forth herein, the number of Shares actually payable to the Employee is contingent on the Employee's continuous Service through each Vesting Date occurring during the Vesting Period. This Award has been granted pursuant to the Plan and is subject to all the terms and provisions thereof, a copy of which has been made available to the Employee and the terms and conditions of which are incorporated by reference into this Agreement.

2. Definitions. In addition to the terms defined elsewhere in this Agreement, the following terms used in this Agreement shall have the meanings set forth in this Section 1. Capitalized terms not defined in this Agreement shall have the same definitions as in the Plan.

- (a) "Cause" means the occurrence of any one or more of the following: (i) the Employee's conviction of any felony or any crime involving fraud, dishonesty or moral turpitude; (ii) the Employee's participation in a fraud or act of dishonesty against the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation that results in material harm to the business of the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation; (iii) the Employee's intentional, material violation of any contract between the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation and the Employee, or any statutory duty the Employee owes the Corporation, its Affiliates or any successor to the Corporation, in either case that the Employee does not correct within 30 days after written notice thereof has been provided to the Employee, (iv) the commission of an act by the Employee that could (either alone or with other acts) be considered harassment or discrimination on the basis of gender, race, age, religion, sexual orientation or other protected category; or (v) the commission by the Employee of an alcohol or drug offense in violation of the Corporation's, or a Subsidiary's or an Affiliate's Substance Abuse Policy for salaried employees.
- (b) "Disability" means a condition pursuant to which the Employee is—
- (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or
 - (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Corporation.
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- (c) “Double Trigger Event” means the Employee’s Service with the Corporation or a Subsidiary or an Affiliate is involuntarily terminated without Cause or voluntarily terminated for Good Reason within one month prior to or 24 months following the effective date of a Change of Control .
- (d) “Good Reason” means that one or more of the following are undertaken by the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation without the Employee’s written consent: (i) the assignment to the Employee of any duties or responsibilities that results in a material diminution in the Employee’s position or function as in effect immediately prior to the effective date of a Change of Control; provided, however, that a change in the Employee’s title or reporting relationships shall not provide the basis for a voluntary termination with Good Reason; (ii) a 10% or greater reduction, other than in connection with an across-the-board reduction applicable to other similarly situated employees , by the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation in the Employee’s base salary and/or target bonus, and/or target long-term incentive opportunity, all as in effect on the effective date of the Change of Control or as increased thereafter; (iii) any failure by the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation to continue in effect (or substantially replace in the aggregate) any material benefit plan or program in which the Employee was participating immediately prior to the effective date of the Change of Control (hereinafter referred to as “Benefit Plans”), or the taking of any action by the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation that would adversely affect the Employee’s participation in or reduce the Employee’s benefits under the Benefit Plan; provided, however, that no voluntary termination of Service with Good Reason shall be deemed to have occurred if the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation provide for the Employee’s participation in benefit plans and programs that, taken as a whole, are comparable to the Benefit Plans; (iv) a relocation of the Employee’s business office to a location more than 50 miles from the location at which the Employee performs duties as of the effective date of the Change of Control, except for required travel by the Employee on the Corporation’s, its Subsidiaries’ or Affiliates’ or any successor to the Corporation’s business; or (v) a material breach by the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation concerning the terms and conditions of the Employee’s employment.
- (e) “Retirement” means the Employee’s termination of Service on or after the earlier of his or her (A) attainment of age 65 or (B) attainment of age 55 and completion of 10 years of Service.
- (f) “Service” shall have the meaning given such term under the Plan, except that as used in this Agreement the term “Service” shall be limited to employment and shall exclude service performed as an Outside Director or as a Consultant.
- (g) “Vesting Date” means each date on which a portion of the Award vests and becomes nonforfeitable. Thirty three percent (33%) of the Award shall vest on [the first trading day following the end of the first calendar year of the Vesting Period] [the March 1st immediately following (or occurring on) the first anniversary of the Grant Date], thirty three percent (33%) of the Award shall vest on [the first trading day following the end of the second calendar year of the Vesting Period] [the March 1st immediately following (or occurring on) the second anniversary of the Grant Date], and thirty four percent (34%) of the Award shall vest on [the first trading day following the end of the third calendar year of the Vesting Period] [the March 1st immediately following (or occurring on) the third anniversary of the Grant Date], in each case provided that the Employee remains in continuous Service through such Vesting Date.
- (h) “Vesting Period” means the period [beginning on January 1st of the calendar year that [includes] [follows] the Grant Date (the “Vesting Start Date”) and ending on the first trading day following the end of the period of three consecutive calendar years that begins on the Vesting Start Date] [beginning on the Grant Date and ending on the March 1st immediately following (or occurring on) the third anniversary of the Grant Date].

3. Dividend Equivalents. During the Vesting Period, dividend equivalents shall be converted into additional Restricted Stock Units based on the closing price of the Stock on the New York Stock Exchange on the dividend

payment date. Such additional Restricted Stock Units shall vest or be forfeited in the same manner as the underlying Restricted Stock Units to which they relate.

4. Settlement of Awards. Pursuant to Section 5, the Corporation shall deliver to the Employee one Share for each vested Restricted Stock Unit included in the Award and, as applicable, one share for each vested Restricted Stock Unit that corresponds to an accrued dividend equivalent. Any vested Restricted Stock Units payable to the Employee (including Shares payable pursuant to Section 3) shall be paid solely in Shares. Any fractional Share will be rounded to the closest whole Share.

5. Time of Payment. Except for Shares issuable pursuant to Section 6 or Section 8, the Shares issuable for the vested Restricted Stock Units shall be delivered to the Employee (or, in the case of the Employee's death, to the Employee's beneficiary or representative) as soon as practicable after each Vesting Date (but in no event later than the 15th day of the third calendar month following such date). With respect to Shares issuable for Restricted Stock Units that become vested and payable pursuant to Section 6, such Shares shall be delivered to the Employee (or, in the case of the Employee's death, to the Employee's beneficiary or representative) as soon as practicable after the next annual Vesting Date scheduled to occur following the Employee's termination of Service (but in no event later than the 15th day of the third calendar month following such Vesting Date). With respect to Shares issuable in connection with Restricted Stock Units that become vested pursuant to Section 8, such Shares shall be delivered to the Employee as soon as practicable after (but no later than the 15th day of the third calendar month after) the date on which the Double Trigger Event occurs; provided however, that if the Employee's Service with the Corporation, a Subsidiary or an Affiliate is involuntarily terminated without Cause or voluntarily terminated for Good Reason on or prior to the date of the Change of Control to which the Double Trigger Event relates, then such Shares shall be delivered immediately prior to the consummation of such Change of Control.

6. Retirement, Disability, or Death During the Vesting Period. If the Employee's Service with the Corporation or a Subsidiary or an Affiliate terminates during the Vesting Period because of the Employee's Retirement, due to his or her Disability or due to his or her death, the Employee (or, in the case of the Employee's death, the Employee's beneficiary) will be entitled to the Shares attributable to any previously vested Restricted Stock Units, and a prorated number of Shares attributable to the Restricted Stock Units scheduled to vest at the next annual Vesting Date scheduled to occur following the Employee's termination of Service. The prorated number of Shares shall be determined by multiplying the total number of Restricted Stock Units scheduled to vest at such Vesting Date by a fraction, the numerator of which is the number of completed full months the Employee is employed (including disability) [during the calendar year in which the Employee terminates employment] [from the previous annual Vesting Date (or the Grant Date if the Employee's Service terminates within 12 months of the Grant Date) to the date of termination of Service], and the denominator of which is 12.

7. Termination of Service During the Vesting Period. If the Employee's Service terminates during the Vesting Period for any reason other than as described in Section 6 or Section 8, this Agreement shall be terminated automatically as of the date of such termination of Service and the Employee shall not become vested in any of the Restricted Stock Units subject to this Agreement that did not vest prior to the Employee's termination of Service.

8. Change of Control. If a Double Trigger Event occurs prior to the first annual Vesting Date scheduled for the Award, the Employee will be entitled to a prorated number of Shares, determined by multiplying the number of Restricted Stock Units subject to this Agreement by a fraction, the numerator of which is the number of full months the Employee is employed (including disability) [during the calendar year in which the Double Trigger Event occurs] [from the Grant Date to the date of the Double Trigger Event], and the denominator of which is twelve. If a Double Trigger Event occurs on or after the first annual Vesting Date scheduled for the Award, the Restricted Stock Units, to the extent not previously vested, shall become immediately vested in full and payable in accordance with Sections 4 and 5.

9. Available Shares. The Corporation agrees that it will at all times during the term of this Agreement reserve and keep available sufficient authorized but unissued or reacquired Shares to satisfy the requirements of this Agreement.

10. Applicable Taxes. In the event the Corporation determines that it is required to withhold state or federal income taxes, Social Security taxes, or any other applicable taxes as a result of the payment of the Shares, the

Corporation will satisfy such withholding requirements by withholding of Shares otherwise payable upon the settlement of the Award, which Shares will have a Fair Market Value (determined as of the date when taxes would otherwise be withheld in cash) not in excess of the amount necessary to satisfy the maximum statutory tax rates in the Employee's applicable jurisdictions.

11. Relationship to Other Benefits. Restricted Stock Units shall not be taken into account in determining any benefits under any pension, savings, disability, severance, group insurance or any other pay-related plan of the Corporation or its Subsidiaries or Affiliates.

12. Stockholder Rights. Neither the Employee nor the Employee's beneficiary or representative shall have any rights as a stockholder with respect to any Shares subject to this Agreement until such Shares shall have been issued to the Employee or the Employee's beneficiary or representative.

13. Transfers, Assignments, Pledges. Except as otherwise provided in this Agreement, the rights and privileges conferred by this Agreement shall not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Award, or of any right or privilege conferred by this Agreement, contrary to the provisions of this Section 13, or upon any attempted sale under any execution, attachment or similar process upon the rights and privileges conferred by this Agreement, the Award and the rights and privileges conferred by this Agreement shall immediately become null and void. However, this Section 13 shall not preclude: (i) an Employee from designating a beneficiary to succeed, after the Employee's death, to any rights of the Employee or benefits distributable to the Employee under this Agreement not distributed at the time of the Employee's death; or (ii) a transfer of any Award hereunder by will or the laws of descent or distribution. In that regard, any such rights shall be exercisable by the Employee's beneficiary, and such benefits shall be distributed to the beneficiary, in accordance with the provisions of this Agreement and the Plan. The beneficiary shall be the named beneficiary or beneficiaries designated by the Employee in writing filed with the Corporation in such form and at such time as the Corporation shall require. If a deceased Employee has not designated a beneficiary, or if the designated beneficiary does not survive the Employee, any benefits distributable to the Employee shall be distributed to the legal representative of the estate of the Employee. If a deceased Employee has designated a beneficiary and the designated beneficiary survives the Employee but dies before the complete distribution of benefits to the designated beneficiary under this Agreement, then any benefits distributable to the designated beneficiary shall be distributed to the legal representative of the estate of the designated beneficiary.

14. No Employment Rights. Nothing in this Agreement shall be construed as giving the Employee the right to be retained as an employee or as impairing the rights of the Corporation or a Subsidiary or an Affiliate to terminate his or her employment at any time, with or without cause.

15. Prohibited Activities. Notwithstanding any provision in this Agreement to the contrary, if the Employee, directly or indirectly, engages in any "Prohibited Activity" (as defined below) without the Corporation's prior written consent, then any portion of this Award that remains outstanding as of the date of such Prohibited Activity shall be immediately cancelled and forfeited. "Prohibited Activity" means any of the following activities engaged in, directly or indirectly, by the Employee during the time the Employee is employed by the Corporation or any of its Affiliates (collectively, "Clearwater Paper") or during the Vesting Period, in each case as determined by the Committee in its sole discretion:

- (a) The Employee engages in, whether as an owner, consultant, employee or otherwise, activities competitive with that of Clearwater Paper in any state, province or like geography where Clearwater Paper does business;
- (b) Other than on behalf of Clearwater Paper, the Employee solicits for employment, offers or causes to be offered employment, either on a full-time, part-time or consulting basis, to any person who is employed by Clearwater Paper and with whom the Employee had regular contact during the course of his or her employment by Clearwater Paper; or
- (c) The Employee breaches any of the Employee's obligations under any confidentiality or nondisclosure agreement with Clearwater Paper.

16. Administration. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of this Agreement by the Committee and any decision made by it with respect to this Agreement is final and binding.

17. Interpretation/Applicable Law. This Agreement shall be interpreted and construed in a manner consistent with the terms of the Plan and in accordance with the laws of the State of Delaware (without regard to choice of law principles). If there is any discrepancy between the terms and conditions of this Agreement and the terms and conditions of the Plan, the terms and conditions of the Plan shall control.

18. Term of the Agreement. The term of this Agreement shall end upon the earlier of (i) the delivery of all of the Shares or other consideration to be issued in exchange for the Restricted Stock Units (and accrued dividend equivalents) subject to the Award granted to the Employee or (ii) upon the termination of the Employee's Service for any reason other than retirement under the Retirement Plan, the Employee's Disability or death or in connection with a Double Trigger Event.

19. Compliance with Section 409A of the Code. The provisions of this Agreement regarding the payments to be provided to the Employee are intended to comply with Section 409A of the Code or an exemption therefrom, and any ambiguity in any such provision shall be resolved in a manner that supports compliance with Section 409A or an exemption therefrom. Without limiting the foregoing,

- (a) The provisions of Sections 5 and 8 requiring payment after a Double Trigger Event or otherwise upon an Employee's termination of Service shall be construed to require that the Employee "separate from service" with Clearwater and its Affiliates within the meaning of Treasury Regulation Section 1.409A-1(h) as a condition to the Employee receiving such payment.
- (b) If the Employee is entitled to receive a payment subject to Section 409A of the Code after a Double Trigger Event or otherwise upon a termination of Service, and the Corporation determines in good faith that the Employee is a "specified employee" as defined in Section 409A as of the date his Service terminates, then such payment shall be deferred and paid 6 months and 1 day following the date of the Employee's termination of Service (or if earlier, payment shall be made within 60 days after the date of the Employee's death).

[remainder of page intentionally left blank]

IN WITNESS WHEREOF , each party has or has caused this Agreement to be executed as of the respective date set forth below.

CORPORATION:

Clearwater Paper Corporation,
a Delaware corporation

By: _____
Name: _____
Title: _____
Date: _____

Acknowledged and agreed as of the Grant Date:

Printed Name: _____
[Employee Name]

Date: _____

NOTE: GRANT WILL BE ACCEPTED ELECTRONICALLY

CLEARWATER PAPER CORPORATION

STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (this "Agreement") is made and entered into as of _____ (the "Grant Date"), by and between Clearwater Paper Corporation, a Delaware corporation (the "Corporation"), and _____ (the "Employee").

W I T N E S S E T H:

WHEREAS, the Corporation maintains the Clearwater Paper Corporation ____ Stock Incentive Plan (the "Plan"), which is incorporated into and forms a part of this Agreement, and the Employee has been selected to receive a grant of stock options under Section 7 of the Plan;

NOW, THEREFORE, for valuable consideration, the parties agree as follows:

1. Grant of Option. The Corporation grants to the Employee the option to purchase _____ shares of Stock for _____ per share (the "Exercise Price"), on the terms and conditions stated in this Agreement (the "Option"). This Option shall be a "Nonstatutory Option" or "NSO" as defined in the Plan. This Option has been granted pursuant to the Plan and is subject to all the terms and provisions thereof, a copy of which has been made available to the Employee and the terms and conditions of which are incorporated by reference into this Agreement.

2. Definitions. In addition to the terms defined elsewhere in this Agreement, the following terms used in this Agreement shall have the meanings set forth in this Section 1. Capitalized terms not defined in this Agreement shall have the same definitions as in the Plan.

- (a) "Cause" means the occurrence of any one or more of the following: (i) the Employee's conviction of any felony or any crime involving fraud, dishonesty or moral turpitude; (ii) the Employee's participation in a fraud or act of dishonesty against the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation that results in material harm to the business of the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation; (iii) the Employee's intentional, material violation of any contract between the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation and the Employee, or any statutory duty the Employee owes the Corporation, its Affiliates or any successor to the Corporation, in either case that the Employee does not correct within 30 days after written notice thereof has been provided to the Employee, (iv) the commission of an act by the Employee that could (either alone or with other acts) be considered harassment or discrimination on the basis of gender, race, age, religion, sexual orientation or other protected category; or (v) the commission by the Employee of an alcohol or drug offense in violation of the Corporation's, or a Subsidiary's or an Affiliate's Substance Abuse Policy for salaried employees.
- (b) "Disability" means a condition pursuant to which the Employee is—
- i. unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or
 - ii. by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Corporation.
-

- (c) “Double Trigger Event” means the Employee’s Service with the Corporation or a Subsidiary or an Affiliate is involuntarily terminated without Cause or voluntarily terminated for Good Reason within one month prior to or 24 months following the effective date of a Change of Control.
- (d) “Good Reason” means that one or more of the following are undertaken by the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation without the Employee’s written consent: (i) the assignment to the Employee of any duties or responsibilities that results in a material diminution in the Employee’s position or function as in effect immediately prior to the effective date of a Change of Control; provided, however, that a change in the Employee’s title or reporting relationships shall not provide the basis for a voluntary termination with Good Reason; (ii) a 10% or greater reduction, other than in connection with an across-the-board reduction applicable to other similarly situated employees, by the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation in the Employee’s base salary and/or target bonus, and/or target long-term incentive opportunity, all as in effect on the effective date of the Change of Control or as increased thereafter; (iii) any failure by the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation to continue in effect (or substantially replace in the aggregate) any material benefit plan or program in which the Employee was participating immediately prior to the effective date of the Change of Control (hereinafter referred to as “Benefit Plans”), or the taking of any action by the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation that would adversely affect the Employee’s participation in or reduce the Employee’s benefits under the Benefit Plan; provided, however, that no voluntary termination of Service with Good Reason shall be deemed to have occurred if the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation provide for the Employee’s participation in benefit plans and programs that, taken as a whole, are comparable to the Benefit Plans; (iv) a relocation of the Employee’s business office to a location more than 50 miles from the location at which the Employee performs duties as of the effective date of the Change of Control, except for required travel by the Employee on the Corporation’s, its Subsidiaries’ or Affiliates’ or any successor to the Corporation’s business; or (v) a material breach by the Corporation, its Subsidiaries or Affiliates or any successor to the Corporation concerning the terms and conditions of the Employee’s employment.
- (e) “Purchase Price” means the Exercise Price times the number of whole shares with respect to which this Option is exercised.
- (f) “Retirement” means the Employee’s termination of Service on or after the earlier of his or her (A) attainment of age 65 or (B) attainment of age 55 and completion of 10 years of Service.
- (g) “Vesting Date” means each date on which a portion of the Option vests and becomes nonforfeitable in accordance with Section 3(a).
- (h) “Vesting Period” means the period [beginning on January 1st of the calendar year that [includes] [follows] the Grant Date (the “Vesting Start Date”) and ending on the first trading day following the end of the period of three consecutive calendar years that begins on the Vesting Start Date] [beginning on the Grant Date and ending on the March 1st immediately following (or occurring on) the third anniversary of the Grant Date].

3. Vesting.

- (a) General Vesting. Subject to the conditions stated in this Agreement, the Option shall be subject to vesting in three annual installments during the Vesting Period, i.e., the Option shall become exercisable for 33% of the number of shares specified in Section 1 on [the first trading day following the end of the first calendar year of the Vesting Period] [the March 1st immediately following (or occurring on) the first anniversary of the Grant Date], for an additional 33% of the number of shares specified in Section 1 on [the first trading day following the end of the second calendar year of the Vesting Period] [the March 1st immediately following (or occurring on) the second anniversary of the Grant Date], and for the remaining 34% of the number of shares specified in Section 1 on [the first trading day following the end of the third calendar year of the Vesting Period] [the March 1st immediately following (or occurring on) the third anniversary of the Grant Date]. Except as set forth

in Section 3(b) , Section 3(c) , Section 3(d) and Section 3(e) , the Option may not be exercised , and shall not become vested , with respect to any of the underlying shares unless and until the Employee remains in continuous Service through the applicable Vesting Date.

- (b) Death. If the Employee's Service with the Corporation or a Subsidiary or an Affiliate terminates during the Vesting Period because of the Employee's death, the Employee's beneficiary or representative may exercise the Option in accordance with Section 4(a) with respect to the number of shares specified in Section 1 attributable to the portion of the Option that was previously vested, and a prorated number of the shares specified in Section 1 attributable to the portion of the Option scheduled to vest at the next annual Vesting Date following the Employee's termination of Service. The prorated number of shares will be determined by multiplying the total number of shares attributable to the portion of the Option scheduled to vest at such Vesting Date by a fraction, the numerator of which is the number of completed full months the Employee is employed (including disability) [during the calendar year in which the Employee terminates Service] [from the previous annual Vesting Date (or the Grant Date if the Employee's Service terminates within 12 months of the Grant Date) to the date of termination of Service], and the denominator of which is 12.
- (c) Disability. If the Employee's Service with the Corporation or a Subsidiary or an Affiliate terminates during the Vesting Period because of the Employee's Disability, the Employee may exercise the Option in accordance with Section 4(b) with respect to the number of shares specified in Section 1 attributable to the portion of the Option that was previously vested, and a prorated number of the shares specified in Section 1 attributable to the portion of the Option scheduled to vest at the next annual Vesting Date following the Employee's termination of Service. The prorated number of shares will be determined by multiplying the total number of shares attributable to the portion of the Option scheduled to vest at such Vesting Date by a fraction, the numerator of which is the number of completed full months the Employee is employed (including disability) [during the calendar year in which the Employee terminates Service] [from the previous annual Vesting Date (or the Grant Date if the Employee's Service terminates within 12 months of the Grant Date) to the date of termination of Service], and the denominator of which is 12.
- (d) Double Trigger Event. Subject to Section 12 of the Plan, if a Double Trigger Event occurs prior to the first annual Vesting Date scheduled for the Award, the Option will become exercisable in accordance with Section 4(c) with respect to a prorated number of the shares specified in Section 1, determined by multiplying such number of shares by a fraction, the numerator of which is the number of full months the Employee is employed (including disability) [during the calendar year in which the Double Trigger Event occurs] [from the Grant Date to the date of the Double Trigger Event], and the denominator of which is twelve. If a Double Trigger Event occurs on or after the first annual Vesting Date scheduled for the Award, the Option, to the extent not previously vested, shall become immediately vested in full and exercisable in accordance with Section 4(c).
- (e) Retirement. If the Employee's Service with the Corporation or a Subsidiary or an Affiliate terminates during the Vesting Period because of the Employee's Retirement, the Employee may exercise the Option in accordance with Section 4(a) with respect to the number of shares specified in Section 1 attributable to the portion of the Option that was previously vested, and a prorated number of the shares specified in Section 1 attributable to the portion of the Option scheduled to vest at the next annual Vesting Date following the Employee's termination of Service. The prorated number of shares will be determined by multiplying the total number of shares attributable to the portion of the Option scheduled to vest at such Vesting Date by a fraction, the numerator of which is the number of completed full months the Employee is employed (including disability) [during the calendar year in which the Employee terminates Service] [from the previous annual Vesting Date (or the Grant Date if the Employee's Service terminates within 12 months of the Grant Date) to the date of termination of Service], and the denominator of which is 12.

4. Option Term; Exercise After Termination of Service. The term of this Option shall end and this Option shall not be exercisable after 10 years from the Grant Date (the "Expiration Date") or, if earlier, upon the termination of Employee's Service, subject to the following provisions:

- (a) If the termination of Employee's Service is caused by the Employee's death, the vested portion of this Option may be exercised by Employee's executors or administrators (or by any person or persons who shall have acquired this Option directly from Employee by bequest or inheritance) at any time after the date of such termination and on or before the date that is five years after the date of such termination or, if earlier, the Expiration Date .
- (b) If the termination of Employee's Service is caused by Disability, the vested portion of this Option may be exercised at any time after the date of such termination and on or before the date that is five years after the date of such termination or, if earlier, the Expiration Date.
- (c) If the termination of Employee's Service is in connection with a Double Trigger Event, then subject to Section 12 of the Plan, the vested portion of this Option may be exercised at any time after the date of such termination and on or before the Expiration Date.
- (d) If the termination of Employee's Service is caused by Retirement, the vested portion of this Option may be exercised at any time after the date of such termination and on or before the Expiration Date.
- (e) If the termination of Employee's Service is for any reason other than death, Disability, Retirement, Cause or a Double Trigger Event, this Option, to the extent that it was vested under Section 3 at the date of such termination and had not previously been exercised, may be exercised at any time on or before the date that is 90 days after the date of such termination or, if earlier, the Expiration Date. If the termination of Employee's Service is for Cause, this Option shall be immediately cancelled and cease to be exercisable (including with respect to any vested portion of the Option) at the time of such termination.

5. Prohibited Activities. Notwithstanding any provision in this Agreement to the contrary, if the Employee, directly or indirectly, engages in any "Prohibited Activity" (as defined below) without the Corporation's prior written consent, then any portion of this Award, whether vested or unvested, that remains outstanding as of the date of such Prohibited Activity shall be immediately cancelled and forfeited. "Prohibited Activity" means any of the following activities engaged in, directly or indirectly, by the Employee during the time the Employee is employed by the Corporation or any of its Affiliates (collectively, "Clearwater Paper") or prior to the Expiration Date, in each case as determined by the Committee in its sole discretion:

- (a) The Employee engages in, whether as an owner, consultant, employee or otherwise, activities competitive with that of Clearwater Paper in any state, province or like geography where Clearwater Paper does business;
- (b) Other than on behalf of Clearwater Paper, the Employee solicits for employment, offers or causes to be offered employment, either on a full-time, part-time or consulting basis, to any person who is employed by Clearwater Paper and with whom the Employee had regular contact during the course of his or her employment by Clearwater Paper; or
- (c) The Employee breaches any of the Employee's obligations under any confidentiality or nondisclosure agreement with Clearwater Paper.

6. Share Reserve. The Corporation agrees that it will at all times during the period during which this Option may be exercised reserve and keep available sufficient authorized but unissued or reacquired Common Stock to satisfy the requirements of this Agreement.

7. Manner of Exercise. Employee, or Employee's representative, may exercise any portion of this Option that has become vested under Section 3 by giving notice in a manner approved by the Committee, specifying the election to exercise the Option, the number of Shares for which it is being exercised and the method of payment for the amount of the Purchase Price of the Shares for which this Option is exercised. Such payment shall be made:

- (a) In United States dollars delivered at the time of exercise; or
- (b) If the Committee has established a broker-assisted cashless exercise program, payment may be made all or in part by delivery (in a manner approved by the Committee) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Corporation in payment of the Purchase Price.

The notice shall be provided by the person or persons exercising this Option, and in the event this Option is being exercised by the representative of Employee, shall be accompanied by proof satisfactory to the Corporation of the right of the representative to exercise the Option. No Share shall be issued until full payment has been made. The Corporation may permit such other payment forms as it deems appropriate (including the surrender of Shares in good form for transfer, owned by the person exercising this Option and having an aggregate fair market value on the date of exercise equal to the Purchase Price), subject to applicable laws, regulations and rules. Notwithstanding anything to the contrary contained herein, the exercise of the Option shall be subject to the terms of the Corporation's Insider Trading Policy, and no exercise shall be permitted for a fractional share.

8. Withholding Taxes. The Employee will not be allowed to exercise this Option unless the Employee pays, or makes acceptable arrangements to pay, any taxes required to be withheld as a result of the Option exercise or the sale of Shares acquired upon exercise of this Option. Employee hereby authorizes withholding from payroll or any other payment due Employee from the Corporation to satisfy any such withholding tax obligation. The Corporation may determine in its sole discretion to satisfy such withholding taxes by withholding of Shares otherwise issuable upon the exercise of the Option, which Shares will have a Fair Market Value (determined as of the date when taxes would otherwise be withheld in cash) not in excess of the amount necessary to satisfy the maximum statutory tax rates in the Employee's applicable jurisdictions.

9. No Stockholder Rights; No Assignment; Corporate Transaction. The Employee shall have no rights as a stockholder with respect to any Share subject to this Option until such Shares shall have been issued to the Employee. Except as otherwise provided in this Option, the rights and privileges conferred by this Option shall not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Option, or of any right or privilege conferred by this Option, contrary to the provisions of this Section 9, or upon any attempted sale under any execution, attachment or similar process upon the rights and privileges conferred by this Option, the Option and the rights and privileges conferred by this Option shall immediately become null and void. However, this Section 9 shall not preclude: (i) an Employee from designating a beneficiary to succeed, after the Employee's death, to any rights of the Employee at the time of the Employee's death; or (ii) a transfer of the Option by will or the laws of descent or distribution. In that regard, any such rights shall be exercisable by the Employee's beneficiary in accordance with the provisions of this Option and the Plan. The beneficiary shall be the named beneficiary or beneficiaries designated by the Employee in writing filed with the Corporation in such form and at such time as the Corporation shall require. Regardless of any marital property settlement agreement, the Corporation is not obligated to honor an exercise notice from the Employee's spouse or former spouse, nor is the Corporation obligated to recognize such individual's interest in the Option in any other way. Notwithstanding anything to the contrary contained herein, in the event of a Corporate Transaction, the Option shall be treated in the manner provided in the agreement relating to the Corporate Transaction (including as the same may be amended).

10. Legal Restrictions. Unless at the time Employee gives notice of the exercise of this Option, the Shares to be issued are registered under the Securities Act, the notice shall include a statement to the effect that all Shares for which this Option is being exercised are being purchased for investment, and without present intention of resale, and will not be sold without registration under the Securities Act or exemption from registration, and such other representations as the Committee may require. The Corporation may permit the sale or other disposition of any Shares acquired pursuant to any such representation if it is satisfied that such sale or other disposition would not contravene applicable state or federal securities laws. Unless the Corporation shall determine that, in compliance with the Securities Act or other applicable statute or regulation, it is necessary to register any of the Shares for which this Option has been exercised, and unless such registration, if required has been completed, transaction advices to be provided upon the exercise of this Option shall contain the following legend on the face thereof:

“The Shares represented by this transaction advice have not been registered under the Securities Act of 1933 and may be offered, sold or transferred only if registered pursuant to the provisions of that Act or if an exemption from registration is available.”

11. No Employment Rights. Nothing in this Agreement shall be construed as giving Employee the right to be retained as an employee or as impairing the rights of the Corporation to terminate his or her employment at any time, with or without cause.

12. Interpretation: Applicable Law. This Agreement shall be interpreted and construed in a manner consistent with the terms of the Plan and in accordance with the laws of the State of Delaware (without regard to choice of law principles). If there is any discrepancy between the terms and conditions of this Agreement and the terms and conditions of the Plan (including, without limitation, Section 12 of the Plan), the terms and conditions of the Plan shall control.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, each party has or has caused this Agreement to be executed as of the respective date set forth below.

CORPORATION:

Clearwater Paper Corporation,
a Delaware corporation

By: _____
Name: _____
Title: _____
Date: _____

Acknowledged and agreed as of the Grant Date:

Printed Name: _____
[Employee Name]

Date: _____

NOTE: GRANT WILL BE ACCEPTED ELECTRONICALLY