

BETWEEN:

**ALAN CHISHOLM, ALTHEA GRAHAM AND RICHARD FLANAGAN ON THEIR OWN
BEHALF AND ON BEHALF OF ALL RETIRED FORMER EMPLOYEES OF
KIMBERLY-CLARK INC. AND NEENAH PAPER COMPANY OF CANADA AT THE
TERRACE BAY AND LONGLAC OPERATIONS IN RECEIPT OF POST-
RETIREMENT BENEFITS AS OF SEPTEMBER 30, 2006**

Plaintiffs

- and -

**KIMBERLY-CLARK INC. AND NEENAH PAPER, INC. AND NEENAH PAPER
COMPANY OF CANADA**

Defendants

MINUTES OF SETTLEMENT

AND WHEREAS the Plaintiffs commenced an action, Court File No.: CV-06-0799, in the Superior Court of Justice;

AND WHEREAS the Neenah Paper, Inc. and Neenah Paper Company of Canada (collectively "Neenah") and Kimberly-Clark Inc. ("Kimberly-Clark") deny the allegations in the above noted action;

AND WHEREAS the Plaintiffs and the Defendants, (collectively the "Parties") wish to resolve all differences between them in a manner that is fair and reasonable and in the best interests of the members of the Class as defined below;

THE PARTIES AGREE AS FOLLOWS:

1. The Parties will jointly seek and consent to a final order of the Court (the "Order") approving the certification and settlement of this action on the terms set out in these Minutes of Settlement (the "Settlement") and releasing any claims of the Class members as against the Defendants except with respect to the enforcement of the Order and this Settlement, or if there is a material breach of the Settlement and dismissing the action on its merits and without costs.

2. The proposed Representative Plaintiffs and their counsel and Neenah and its counsel will recommend approval of the terms of settlement set out in this Settlement to the Superior Court of Justice and will use their collective best efforts to obtain Court approval of this Settlement.

Class Definition

3. The Parties will consent to the certification of a Class defined as:

All persons who, immediately prior to October 1, 2006, were covered by the post-retirement health or life insurance benefit plans sponsored by Neenah Paper Inc. and/or Neenah Paper Company of Canada in respect of the Terrace Bay or Longlac operations of Kimberly-Clark Inc. and/or Neenah Paper Company of Canada.

4. The Defendants' consent to the certification of the action as a class proceeding is subject to the Court's final Order approving this Settlement.

5. A list of the names of Class members and their last known addresses will be provided to Plaintiffs' counsel upon approval by the Court of the notice of the motion for certification and settlement to be sent to such Class members, as required by the *Class Proceedings Act* (the "Notice") and an order of the Court approving the disclosure of this information to the Plaintiffs. Prior to such Court order, Neenah will provide the Plaintiffs with an opportunity to review a list of the names of the members of the Class.

Settlement Payment

6. Subject to the Court's approval of this Settlement, Neenah will pay, in a single lump sum payment, \$5,500,000.00 to Plaintiffs' counsel, in trust, within 10 business days of the Court's final Order approving the settlement, in full and final settlement of all claims in exchange for the Release set out in paragraph 16 below.

7. Subject to the Court's approval of this Settlement, Neenah will pay an additional \$1,000,000.00, in a single lump sum payment to Plaintiffs' counsel in trust, within 10 business days of the Court's final Order approving the settlement, in full and final settlement of any obligation to continue to pay premiums on behalf of the members of the Class under Manulife's Follow Me Program. This additional amount is based on premium payments ceasing as at December 31, 2007. If Court final approval occurs after December 31, 2007, Neenah will continue to pay premiums as required to maintain coverage under the Follow Me Program, until the final approval by the Court of the Settlement or until a mutually agreed date following such approval, and the amount of \$1,000,000.00, payable under this paragraph, will be reduced directly by any additional premiums paid by Neenah in respect of the period on or after December 31, 2007. The current monthly premiums paid by Neenah for the Follow Me Program are approximately \$117,000.00 per month.

8. The amounts payable under paragraphs 6 and 7 above are collectively referred to as the "Settlement Payment."
9. The allocation of the Settlement Payment among the members of the Class shall be determined solely by the Plaintiffs in a fair and reasonable manner, and subject to Court approval.
10. The Settlement Payment is inclusive of all legal fees and disbursements, including GST, incurred by the Plaintiffs and their counsel, including any amounts incurred in the preparation for, attendance at the certification and settlement motion, and completion of the settlement (inclusive of all costs for Plaintiffs' counsel to send out notices to Class members).
11. The Defendants will have no obligation or responsibility to administer or distribute the Settlement Payment among the members of the Class. All such responsibility will be that of the Plaintiffs' counsel. All taxes payable on the Settlement Payment or any interest earned on the Settlement Payment shall be the responsibility of the Class. Plaintiffs' Counsel shall be solely responsible to fulfill all tax reporting and payment requirements arising from the Settlement Payment, including any obligation to report taxable income and make tax payments. All taxes (including interest and penalties) due with respect to the income earned on the Settlement Payment shall be paid from the Settlement Payment. The Defendants will have no responsibility to make any filings related to the Settlement Payment and will have no responsibility to pay any taxes on the Settlement Payment.

Settlement is Fair and Reasonable

12. The Plaintiffs and Class Counsel have reviewed and fully understand the terms of this Settlement and, based on their analysis of the facts and law applicable to the Plaintiff's claims and having regard to the burdens and expense of prosecuting the action, including the risks and uncertainties associated with prosecuting the action, have concluded that the terms of this Settlement are fair and reasonable, and in the best interest of the Plaintiffs and of the Class whom they seek to represent.
13. The Plaintiffs agree that this settlement is not an admission of liability by the Defendants, and in fact such liability is denied.
14. The Parties agree that this Settlement is the complete agreement of the Parties in settlement of this action. The Parties note the recommendation of their respective counsel that the settlement is in the interests of all parties and that it should be ratified by both parties.
15. The Parties entered into this settlement following significant without prejudice discussions, including two days of without prejudice settlement meetings during which there was an exchange of information to assist the parties in reaching a settlement between the Plaintiffs Counsel and Neenah. Furthermore, the Plaintiffs had prepared certification motion materials and the proposed Representative Plaintiffs were cross-examined on their respective affidavits by Neenah. Neenah will comply with

reasonable requests from Plaintiffs' counsel for documentation to support information provided in the course of such meetings as may be necessary to provide evidence to the Court in support of the motion for Court approval of the Settlement.

Release

16. Upon the final Order approving the settlement by the Court, the Class members release the Defendants of any and all manner of claims, lawsuits, grievances, demands and causes of action related in any way to retiree benefits that have been, could have been or should have been made by the Class, including the Plaintiffs, in the action, except with respect to the enforcement of the terms of the Order and the Settlement (the "Released Claims"). The Released Claims do not include pension benefits.

17. Upon the final Order approving the settlement by the Court, the Class members agree to not now or hereafter institute, continue, maintain or assert, either directly or indirectly, whether in Canada or elsewhere, on their own behalf or on behalf of any class or other person, any action, suit, cause of action, claim or demand against the Defendants or any other period who may claim contribution or indemnity from any of the Defendants in respect of any of the matters are the subject of this Settlement and the Released Claims in paragraph 16.

18. The Plaintiffs agrees to indemnify and save the Defendants harmless with respect to any claims, charges or demands properly exigible pursuant to the *Income Tax Act* (Canada) which might be made upon it in respect of the Defendants' obligations in connection with this Settlement.

Life Insurance Benefit to Continue

19. Neenah confirms that the Class members who have maintained their life insurance benefit as at the date of the final approval by the Court of this Settlement, will continue to be eligible for life insurance coverage at the level currently in effect, subject to the current schedule for the reduction in coverage based on the age of the Class member. Class members will continue to pay 25% of the premiums for the life insurance benefit and Neenah will pay 75% of premiums for the life insurance benefit. Premiums are established by the insurance carrier and are subject to adjustment from time to time.

20. Neenah further confirms that following the Court's final approval of this Settlement, it will provide Plaintiff's counsel with contact information for the insurance carrier for the life insurance so that the Plaintiffs counsel may explore a potential agreement with the insurance carrier to receive the Class member portion of the premiums directly from the Class members. The Plaintiffs acknowledge this paragraph only requires Neenah to provide this contact information and is not an undertaking to assist in this process.

21. Upon final approval by the Court of this Settlement, Neenah will provide Class members who have maintained a life insurance benefit as at the date of the final approval by the Court of this Settlement, with a notice of the requirement to make a

premium payment, by sending a notice by regular mail to the last known address of the Class member between 5 to 6 weeks in advance of the due date of the payment (the "Premium Due Date"). If the payment is not received by this deadline, Neenah will send a second notice within two weeks of the passing of the Premium Due Date advising that the Premium Due Date has passed and that the Class member must make the premium payment by no later than the end of the following month in order to maintain the life insurance benefit. This second notice will also be sent by regular mail to the last known address of the Class member. It is only following the expiry of the period in this second notice that Neenah will terminate the life insurance benefit for the Class member, retroactive to the Premium Due Date. For example, if the Premium Due Date is July 1, Neenah will terminate the life insurance benefit, retroactive to July 1, if the payment is not received before August 31. If the Premium Due Date has passed and no premium payment has yet been received, no life insurance benefits will be paid unless the necessary premiums are paid by the last day of the following month. It is the Class member's obligation to keep Neenah informed of the Class member's current address. This paragraph is not intended to restrict Neenah's options with respect to offering alternative options to Class members for the payment of Class member portion of the life insurance premiums.

Opt Outs and No Court Approval

22. At the option of Neenah, the Settlement will be void, and of no force and effect, if greater than 10 members of the proposed Class opt out of the Settlement. This Settlement will apply to all members of the Class who do not opt out of this proceeding.
23. The Parties agree that this Settlement is null and void unless and until it is finally approved by the Court pursuant to section 29(2) of the *Class Proceedings Act*.
24. The Parties expressly reserve all of their rights if this Settlement does not become effective. Further, the Parties agree that, whether or not this Settlement is finally approved, this Settlement and anything contained herein, and any and all negotiations, documents, discussions and proceedings associated with this Settlement, and any action taken to carry out this Settlement, shall not be deemed, construed or interpreted to be an admission of any violation of any statute or law, or of any wrongdoing or liability of the Defendants, or of the truth of any of the claims or allegations contained in the action.
25. The Parties agree that, whether or not it is finally approved, this Settlement and anything contained herein, and any and all negotiations, documents, discussions and proceedings associated with this Settlement, and any action taken to carry out this Settlement, shall not be referred to, offered as evidence or received in evidence in any pending or future civil action or proceeding, except in a proceeding to enforce this Settlement or to defend against the assertion of Released Claims, or as otherwise required by law.

26. Except as provided in this Settlement, counsel for the Plaintiffs, nor anyone currently or hereafter employed by, associated with, or a partner with counsel for the Plaintiffs, may not directly or indirectly participate in or be involved in any way or assist with respect to any claim made or action commenced by any person related to or arising from the Released Claims. Moreover, these persons may not divulge to anyone for any purpose any information obtained in the course of the action or the negotiation and preparation of this Settlement, except to the extent such information is otherwise publicly available or otherwise ordered by a court.

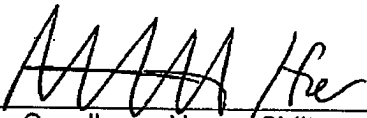
Press

27. The parties agree that no press conferences or other communications will be made with the media with respect to the terms of the Settlement, except as required by the Court.

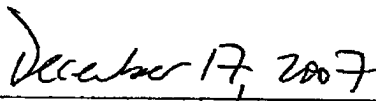
Administrative Matters

28. This Settlement may be executed in counterparts.

For the Plaintiffs:

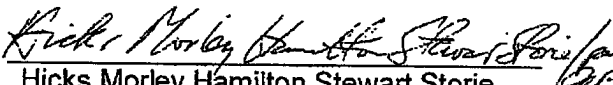


Name: Cavalluzzo Hayes Shilton
McIntyre & Cornish LLP

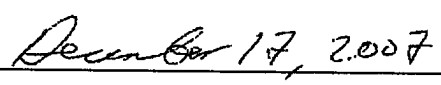


Date

For the Defendants Neenah Paper Company of Canada Inc. and Neenah Paper Inc.




Hicks Morley Hamilton Stewart Storie
LLP

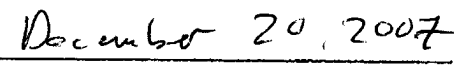


Date

For the Defendant Kimberly-Clark Inc.



McCarthy Tetrault LLP
per: A. Le & den



Date