Neenah Paper Inc
Form DEF 14A
April 03, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Neenah Paper, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x	No fee required.	
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies:
	(2)	Aggregate number of securities to which transaction applies:
	(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
	(4)	Proposed maximum aggregate value of transaction:
	(5)	Total fee paid:
o	Fee paid previously with preliminary materials.	
o	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.	
	(1)	Amount Previously Paid:
	(2)	Form, Schedule or Registration Statement No.:
	(3)	Filing Party:
	(4)	Date Filed:

NOTICE OF 2006 ANNUAL MEETING

AND

PROXY STATEMENT

April 3, 2006

Dear Stockholder:

You are cordially invited to attend the 2006 Annual Meeting of Stockholders of Neenah Paper, Inc. to be held at Preston Ridge III, 3460 Preston Ridge Road, Suite 600, Alpharetta, Georgia 30005 on Thursday, May 4, 2006 at 10:00 a.m., local time.

The formal business to be transacted at the Annual Meeting is described in the attached Notice of 2006 Annual Meeting and Proxy Statement. At the Annual Meeting, stockholders will be asked to (i) elect two Class II directors for a three-year term, (ii) approve certain performance measures under the Neenah Paper, Inc. 2004 Omnibus Stock and Incentive Compensation Plan, and (iii) ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Neenah Paper, Inc. for the fiscal year ending December 31, 2006. At the Annual Meeting, Neenah will provide a brief report on our operations and our plans for the future. Our directors and executive officers, as well as representatives from our independent registered public accounting firm, Deloitte & Touche LLP, will be present to respond to appropriate questions from stockholders.

Please mark, date, sign and return your proxy card in the enclosed envelope or vote electronically using the Internet or telephone voting procedures described in the attached Proxy Statement, at your earliest convenience. This will assure that your shares will be represented and voted at the Annual Meeting, even if you do not attend.

Sincerely,

SEAN T. ERWIN
Chairman of the Board, President
and Chief Executive Officer

Neenah Paper, Inc.
3460 Preston Ridge Road
Preston Ridge III, Suite 600
Alpharetta, Georgia 30005

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 4, 2006

NOTICE HEREBY IS GIVEN that the 2006 Annual Meeting of Stockholders of Neenah Paper, Inc. will be held at Preston Ridge III, 3460 Preston Ridge Road, Suite 600, Alpharetta, Georgia 30005 on Thursday, May 4, 2006, at 10:00 a.m., local time, for the purpose of considering and voting upon:

1. A proposal to elect two Class II directors to serve until the 2009 Annual Meeting of Stockholders;

2. A proposal to approve certain performance measures under the Neenah Paper, Inc. 2004 Omnibus Stock and Incentive Compensation Plan;

3. A proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Neenah Paper, Inc. for the fiscal year ending December 31, 2006; and

4. Such other business as properly may come before the Annual Meeting or any adjournments thereof. The Board of Directors is not aware of any other business to be presented to a vote of the stockholders at the Annual Meeting.

Information relating to the above matters is set forth in the attached Proxy Statement. Stockholders of record at the close of business on March 20, 2006 are entitled to receive notice of and to vote at the Annual Meeting and any adjournments thereof.

By Order of the Board of Directors.

STEVEN S. HEINRICHS
Senior Vice President, General Counsel and Secretary

Alpharetta, Georgia
April 3, 2006

PLEASE READ THE ATTACHED PROXY STATEMENT AND THEN PROMPTLY COMPLETE, EXECUTE AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE OR VOTE ELECTRONICALLY USING THE INTERNET OR TELEPHONE VOTING PROCEDURES DESCRIBED IN THE ATTACHED PROXY STATEMENT.

Neenah Paper, Inc.
3460 Preston Ridge Road
Preston Ridge III, Suite 600
Alpharetta, Georgia 30005

PROXY STATEMENT
FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 4, 2006

This Proxy Statement is furnished to the stockholders of Neenah Paper, Inc. in connection with the solicitation of proxies by our Board of Directors to be voted at the 2006 Annual Meeting of Stockholders and at any adjournments thereof (the Annual Meeting). The Annual Meeting will be held at Preston Ridge III, 3460 Preston Ridge Road, Suite 600, Alpharetta, Georgia 30005 on Thursday, May 4, 2006 at 10:00 a.m., local time. When used in this Proxy Statement, the terms we, us, our and Neenah refer to Neenah Paper, Inc.

The approximate date on which this Proxy Statement and form of proxy card are first being sent or given to stockholders is April 3, 2006.

VOTING

General

The securities that can be voted at the Annual Meeting consist of our common stock, $.01 par value per share, with each share entitling its owner to one vote on each matter submitted to the stockholders. The record date for determining the holders of common stock who are entitled to receive notice of and to vote at the Annual Meeting is March 20, 2006. On the record date, 14,765,389 shares of common stock were outstanding and eligible to be voted at the Annual Meeting.

Quorum and Vote Required

The presence, in person or by proxy, of a majority of the holders of the issued and outstanding shares of our common stock entitled to vote is necessary to constitute a quorum at the Annual Meeting.

In voting with regard to the proposal to elect two Class II directors (Proposal 1), stockholders may vote in favor of all nominees, withhold their votes as to all nominees or withhold their votes as to specific nominees. The vote required to approve Proposal 1 is set forth in our Amended and Restated Bylaws, which provides for the election of each candidate by the affirmative vote of a majority of the shares represented and entitled to vote at the Annual Meeting, provided a quorum is present. As a result, votes that are withheld will be counted in determining the number of votes required to obtain the necessary majority vote for the proposal, and therefore, will have the same legal effect as voting against the proposal.

In voting with regard to the proposal to approve the performance measures under the Neenah Paper, Inc. 2004 Omnibus Stock and Incentive Compensation Plan, (the Omnibus Plan) (Proposal 2), stockholders may vote in favor of the proposal, against the proposal or may abstain from voting. The vote required to approve Proposal 2 is set forth in our Amended and Restated Bylaws, which requires the affirmative vote of a majority of the shares represented and entitled to vote at the Annual Meeting, provided a quorum is present. As a result, abstentions will be considered in determining the number of votes required to obtain the necessary majority vote for the proposal, and therefore, will have the same legal effect as voting against the proposal.

In voting with regard to the proposal to ratify the appointment of the independent registered public accounting firm (Proposal 3), stockholders may vote in favor of the proposal or against the proposal or may abstain from voting. The vote required to approve Proposal 3 is set forth in our Amended and Restated Bylaws, which requires the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the Annual Meeting, provided a quorum is present. As a result, abstentions will be considered in determining the number of votes required to obtain the necessary majority vote for the proposal, and therefore, will have the same legal effect as voting against the proposal.

Under the rules of the New York and American Stock Exchanges (the Exchanges) that govern most domestic stock brokerage firms, member firms that hold shares in street name for beneficial owners may, to the extent that such beneficial owners do not furnish voting instructions with respect to any or all proposals submitted for stockholder action, vote in their discretion upon proposals which are considered discretionary proposals under the rules of the Exchanges. These votes by brokers are considered as votes cast in determining the outcome of any discretionary proposal. We believe that Proposal 1, Proposal 2 and Proposal 3 are discretionary. Member brokerage firms that have received no instructions from their clients as to non-discretionary proposals do not have discretion to vote on these proposals. If the brokerage firm returns a proxy card without voting on a non-discretionary proposal because it received no instructions, this is referred to as a broker non-vote on the proposal. Broker non-votes are considered in determining whether a quorum exists at the Annual Meeting, but broker non-votes are not considered as votes cast or entitled to vote in determining the outcome of any proposal. Since Proposal 1, Proposal 2 and Proposal 3 are all discretionary proposals, we do not anticipate that there will be any broker non-votes with respect to such proposals, due to the fact that proxies returned by brokers without instructions will be voted FOR the approval of Proposal 1, Proposal 2 and Proposal 3.

Proxy Voting Procedures

You may vote in person at the Annual Meeting or by proxy. We recommend you vote by proxy even if you plan to attend the meeting. You can always change your vote at the meeting. Giving us your proxy means you authorize us to vote your shares at the meeting in the manner you direct. You may vote for all, some, or none of our director candidates. You may also vote for or against the other proposals or abstain from voting.

If your shares are held in your name, you can vote by proxy in three convenient ways:

- *Via Internet:* Go to http://www.computershare.com/expressvote and follow the instructions. You will need to enter the control number printed on your proxy card.

- *By Telephone:* Call toll-free 1-800-652-8683 and follow the instructions. You will need to enter the control number printed on your proxy card.

- *In Writing:* Complete, sign, date and return your proxy card in the enclosed envelope.

All properly executed proxies received by Neenah in time to be voted at the Annual Meeting and not revoked will be voted at the Annual Meeting in accordance with the directions noted on the proxy card. **In the absence of such instructions, the shares represented by a proxy will be voted FOR the election of all Class II director nominees described herein, FOR the approval of the performance measures under the Omnibus Plan and FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm.** If any other matters properly come before the Annual Meeting, the persons named as proxies will vote upon such matters according to their judgment.

Any stockholder delivering a proxy has the power to revoke it at any time before it is voted (i) by giving written notice to Steven S. Heinrichs, Senior Vice President, General Counsel and Secretary of Neenah, at 3460 Preston Ridge Road, Preston Ridge III, Suite 600, Alpharetta, Georgia, 30005, (ii) by submitting a proxy card bearing a later date, including a proxy given via the Internet or by telephone or (iii) by voting in person at the Annual Meeting. Please note, however, that under the rules of the Exchanges and the NASDAQ National Market, any beneficial owner of our common stock whose shares are held in street name by a member brokerage firm may revoke his proxy and vote his or her shares in person at the Annual Meeting only in accordance with applicable rules and procedures of the Exchanges or the NASDAQ National Market, as employed by the beneficial owner s brokerage firm.

We are also sending this Proxy Statement and voting materials to participants in various employee benefit plans of the company. The trustee of each plan, as the stockholder of record of the shares of common stock held in the plans, will vote whole shares of stock attributable to each participant s interest in the plans in accordance with the directions the participant gives or, if no directions are given by the participant, in accordance with the directions of the respective plan committees.

In addition to soliciting proxies through the mail, we may solicit proxies through our directors, officers and employees in person and by telephone or facsimile. We expect to retain Georgeson Shareholder Communications Inc. to aid in the solicitation at a cost of approximately $7,500 plus reimbursement of out-of-pocket expenses. Brokerage firms, nominees, custodians and fiduciaries also may be requested to forward proxy materials to the beneficial owners of shares held of record by them. We will pay all expenses incurred in connection with the solicitation of proxies.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of March 20, 2006 with respect to (i) each of our directors; (ii) our Chief Executive Officer; (iii) each of the other named executive officers in the Summary Compensation Table herein; and (iv) all executive officers (including our Chief Executive Officer) and directors as a group, based in each case on information furnished to us by such persons. The mailing address of each director and officer is c/o Neenah Paper, Inc., 3460 Preston Ridge Road, Preston Ridge III, Suite 600, Alpharetta, Georgia 30005. As used in this Proxy Statement, beneficial ownership means that a person has, or may have within 60 days, the sole or shared power to vote or direct the voting of a security and/or the sole or shared investment power with respect to a security (i.e., the power to dispose or direct the disposition of a security).

Name	**Shares Beneficially Owned(1)**		**Percent of Class(2)**
Sean T. Erwin	229,759	(3)	1.6 %
Edward Grzedzinski	1,160		*
Steven S. Heinrichs	10,104	(3)	*
Mary Ann Leeper	1,410		*
Bonnie C. Lind	63,398	(3)	*
Timothy S. Lucas	1,160		*
Philip C. Moore	1,160		*
John F. McGovern			
William K. O Connor	53,878	(3)	*
James R. Piedmonte	64,192	(3)	*
Stephen M. Wood	6,160		*
All directors and executive officers as a group (11 persons)	432,381	(3)	2.9 %

(1) Except as otherwise noted, the directors and executive officers, and all directors and executive officers as a group, have sole voting power and sole investment power over the shares listed.

(2) An asterisk indicates that the percentage of common stock projected to be beneficially owned by the named individual does not exceed 1% of our common stock.

(3) Includes the following shares of our common stock which could be acquired within 60 days of March 20, 2006: Mr. Erwin, 202,324 shares; Ms. Lind, 54,873 shares; Mr. O Connor, 46,846 shares; Mr. Piedmonte, 54,891 shares; Mr. Heinrichs, 7,094 shares, and all directors and executive officers as a group, 366,028 shares. Shares of common stock held by the trustee of Neenah s 401(k) Retirement Plan for the benefit of, and which are attributable to the accounts in the plan of, the named executive officers above also are included in this table.

The following table sets forth information regarding the beneficial ownership of our common stock as of the date indicated for each person, other than the named executive officers and directors of Neenah, known to us to be the beneficial owner of more than 5% of our outstanding common stock.

Name and Address of Beneficial Owner	Common Stock Beneficially Owned Number of Shares		Percent of Class	
Boston Partners Asset Management, LLC *28 State Street, 20th Floor* *Boston, MA 02109*	756,390	(1)	5.1	%
Wachovia Corporation *One Wachovia Center* *Charlotte, NC 28288-0137*	1,111,055	(2)	7.5	%
Barclays Global Investors, N.A. *45 Fremont Street,* *San Francisco, CA 94105*	787,468	(3)	5.3	%
Olstein & Associates, L.P. *4 Manhattanville Road* *Purchase, New York 10577*	991,100	(4)	6.7	%

(1) The amount shown and the following information is derived from the Schedule 13G filed by Boston Partners Asset Management, LLC reporting beneficial ownership as of December 31, 2005. According to the Schedule 13G, Boston Partners Asset Management, LLC, is the beneficial owner of, and has sole voting and dispositive power over the shares.

(2) The amount shown and the following information is derived from the Schedule 13G filed by Wachovia Corporation (Wachovia) reporting beneficial ownership as of December 31, 2005, as the parent of the following direct or indirect subsidiaries each of which own shares of our common stock: Wachovia Securities, LLC; Evergreen Investment Management Company; Wachovia Securities Financial Network, LLC; Calibre Advisory Services Inc.; Delaware Trust Company, N.A.; and Wachovia Bank, N.A. In the Schedule 13G, Wachovia does not affirm the existence of a group. The Schedule 13G discloses that Wachovia as the ultimate parent of the entities indicated above, has sole voting power with respect to 1,110,290 shares, shared voting power with respect to 169 shares, sole dispositive power with respect to 1,106,678 shares and shared dispositive power with respect to 2001 shares.

(3) The amount shown and the following information is derived from the Schedule 13G filed by Barclays Global Investors, N.A., Barclays Global Fund Advisors, Barclays Global Investors, Ltd, and Barclays Global Investors Japan Trust and Banking Company Limited reporting beneficial ownership as of December 31, 2005. In the Schedule 13G, the reporting entities do not affirm the existence of a group. The Schedule 13G discloses that the reporting entities as a whole, have sole voting and sole dispositive power as to 716,718 shares and 787,468 shares, respectively and do not have shared power as to any shares.

(4) The amount shown and the following information is derived from the Schedule 13G filed by Olstein & Associates, L.P. (Olstein Associates) and The Olstein Funds reporting beneficial ownership as of December 31, 2005. In the Schedule 13G the reporting entities do not affirm the existence of a group. The Schedule 13G discloses that Olstein Associates has sole voting and sole dispositive power as to the entire number of shares reported above. Included within the total number of shares reported above are: 891,800 shares (the Olstein Fund Shares) held by The Olstein Funds representing approximately 6.0% of the shares of common stock outstanding as of the date indicated above. The Schedule 13G discloses that The Olstein Funds have sole voting and sole dispositive power with respect to the Olstein Fund Shares. Also included within the total number of shares reported above are 99,300 shares held by the Smith Barney Classic Values Fund (the Smith Barney Fund and together with The Olstein Funds, the Funds). Olstein Associates acts as the investment advisor to the Funds and so possesses the voting and dispositive power described above with respect to the shares of common stock held by the Funds.

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INFORMATION REGARDING DIRECTORS

Information Regarding Current Directors Nominated for Reelection

Set forth below is certain information as of March 20, 2006, regarding the two nominees for Class II directors, including their ages and principal occupations (which have continued for at least the past five years unless otherwise noted).

Mary Ann Leeper, Ph.D., age 65, has served as the President and Chief Operating Officer of The Female Health Company since 1996, as President and Chief Executive Officer of The Female Health Company Division of The Wisconsin Pharmacal Company from 1994 to 1996, and held other senior positions from 1987 to 1994 in the Wisconsin Pharmacal Company (renamed The Female Health Company in 1996). Dr. Leeper has served as a Director of The Female Health Company since 1987. Dr. Leeper is Chair and Board Member of The Female Health Foundation, which she founded in 1994 and has been a visiting Professor at the University of Virginia s Darden School of Business M.B.A. program since 2001. She held senior positions at G D Searle, was Assistant Professor at Temple University Schools of Pharmacy and Medicine, as well as a biochemist for Wyeth Laboratories and McNeil Laboratories. Dr. Leeper s educational background includes a B.S., Drexel University; M.S., Temple University; M.B.A., Northwestern University; and Ph.D., Temple University. Ms. Leeper has served as a director of Neenah since November 30, 2004.

Stephen M. Wood, Ph.D., age 59, is currently an independent international business consultant with the AFD Group, LLC. From 2001 to 2004, Dr. Wood served as the Chief Executive Officer of Kraton Polymers, a specialties chemical company, after it was sold by the Royal Dutch Shell Group to Ripplewood Holdings and established as an independent entity. Kraton Polymers is currently owned by the Texas Pacific Group which is a private equity investment company and JPMorgan Partners which is part of the JPMorgan Chase companies. From July to December 2004, Dr. Wood served as Vice Chairman advising the Kraton Board of Directors. Prior to the establishment of Kraton Polymers, Dr. Wood was President of the Elastomers business unit of Shell Chemicals Ltd. and a Vice President of that company. Dr. Wood was also International President of the International Institute of Synthetic Rubber Producers. Dr. Wood has a BSc in Chemistry and a Ph.D. in Chemical Engineering from Nottingham University, United Kingdom and is a graduate of the Institute of Chemical Engineers. Mr. Wood has served as a director of Neenah since November 30, 2004.

Information Regarding Continuing Directors

Set forth below is certain information as of March 20, 2006, regarding our continuing directors, including their ages and principal occupations (which have continued for at least the past five years unless otherwise noted).

Class I Directors Term Expiring at the 2008 Annual Meeting of Stockholders

Timothy S. Lucas, CPA, age 59, has served as an independent consultant on financial reporting issues practicing as Lucas Financial Reporting since 2002. From 1988 to 2002, Mr. Lucas worked at the Financial Accounting Standards Board (FASB), where he was the Director of Research and Technical Activities, and Chairman of the FASB s Emerging Issues Task Force. Mr. Lucas has served as a director of Neenah since November 30, 2004.

Philip C. Moore, age 52, is a partner at McCarthy Tétrault, L.L.P., Canada s largest law firm. Mr. Moore practices corporate and securities law, with particular emphasis on corporate governance and finance, mergers and acquisitions and other business law issues. Mr. Moore has been with McCarthy Tétrault, L.L.P. since 1988. From 1994 to 2000, Mr. Moore was a director of Imax Corporation. He is

currently a director of various private companies. Mr. Moore has served as a director of Neenah since November 30, 2004.

Class III Directors Term Expiring at the 2007 Annual Meeting of Stockholders

Sean T. Erwin, age 54, is the Chairman of our Board of Directors and our President and Chief Executive Officer. Prior to our Spin-Off from Kimberly-Clark Corporation, Mr. Erwin had been an employee of Kimberly-Clark since 1978, and had held increasingly senior positions in both finance and business management. In January 2004, Mr. Erwin was named President of Kimberly-Clark s Pulp and Paper Sector, which comprised the businesses transferred to us by Kimberly-Clark. He served as the President of the Global Nonwoven business from early 2001. He has also served as the President of the European Consumer Tissue business, Managing Director of Kimberly-Clark Australia, as well as previously serving as President of the Pulp and Paper Sector, and President of the Technical Paper business. Mr. Erwin has served as a director of Neenah since November 30, 2004.

John F. McGovern, age 59 is the founder, and since 1999 a partner, of Aurora Capital LLC, a private investment and consulting firm based in Atlanta, GA. Prior to founding Aurora Capital, Mr. McGovern served in a number of positions of increasing responsibility at Georgia-Pacific Corporation from 1981 to 1999, including Executive Vice President/Chief Financial Officer from 1994 to 1999. Previously, Mr. McGovern had been Vice President and Director, Forest Products and Package Division of Chase Manhattan Bank. He currently serves as Director of Genetek, Inc., Payless ShoeSource, Inc. and Maxim Crane Works Holdings, Inc. Mr. McGovern replaced Mr. James Grosklaus, who resigned as a director in November of 2005. Mr. McGovern has served as a director of Neenah since January 10, 2006.

Edward Grzedzinski, age 51, served as the Chief Executive Officer of NOVA Information Systems from 1993, and Vice Chairman of US Bancorp from November 2001 to 2004. Mr. Grzedzinski has 20 years of experience in the electronic payments industry and was a co-founder of NOVA Information Systems in 1991. Mr. Grzedzinski served as a member of the Managing Committee of US Bancorp, and was a member of the Board of Directors of US Bank, N.A. Mr. Grzedzinski also served as Chairman of euroConex Technologies, Limited, a European payment processor owned by US Bancorp until November 2004 and was a member of the Board of Directors of Indus International, a global provider of enterprise asset management products and services until April 2005. Mr. Grzedzinski has served as a director of Neenah since November 30, 2004.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors conducts its business through meetings of the full Board and through committees of the Board, consisting of an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee (the Nominating Comittee). During 2005 our Board of Directors held seven meetings, the Audit Committee held seven meetings, the Compensation Committee held five meetings and the Nominating Committee held five meetings. No director attended less than 75% of the 2005 meetings of the Board and meetings of the committees of which he or she is a member (except that Mr. McGovern as a newly appointed director did not attend any of the 2005 meetings; however, Mr. James G. Grosklaus serving as a director of Neenah did attend at least 75% of the meetings as disclosed above). Although Neenah holds regularly scheduled executive sessions of non-management directors, Neenah has not designated a single presiding director to preside at such sessions. Instead, a director is chosen on an ad hoc basis to preside at each of the executive sessions.

Audit Committee

The Audit Committee is comprised solely of directors who meet the independence requirements of the New York Stock Exchange (NYSE) and the Securities Exchange Act of 1934, as amended

(Exchange Act), and are financially literate, as required by NYSE rules. At least one member of the Audit Committee is an audit committee financial expert, as defined by the rules and regulations of the Securities and Exchange Commission (SEC). The Audit Committee has been established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee assists the Board of Directors in monitoring:

- the quality and integrity of our financial statements;
- our compliance with ethical policies contained in our Code of Business Conduct and Ethics and legal and regulatory requirements;
- the independence, qualification and performance of our registered public accounting firm; and
- the performance of our internal auditors.

The Audit Committee is governed by the Audit Committee Charter approved by the Board. The charter is available on our website at *www.neenah.com.* We will also provide a copy of the charter to stockholders upon request at no charge.

The members of the Audit Committee are Messrs. Lucas (Chairperson) and Moore and Dr. Wood. The Board has determined that Mr. Lucas is an audit committee financial expert.

Nominating and Corporate Governance Committee

The Nominating Committee is comprised solely of directors who meet NYSE independence requirements. The Nominating Committee:

- oversees the process by which individuals are nominated to our Board of Directors;
- reviews the qualifications, performance and independence of members of our Board of Directors;
- reviews and recommends policies with respect to composition, organization, processes and practices of our Board of Directors; and
- identifies and investigates emerging corporate governance issues and trends that may affect us.

The Nominating Committee is governed by the Nominating and Corporate Governance Committee Charter approved by the Board. The charter is available on our website at *www.neenah.com*. We will also provide a copy of the charter to stockholders upon request at no charge.

The members of the Nominating Committee are Dr. Leeper (Chairperson), Mr. McGovern and Mr. Grzedzinski.

Compensation Committee

The Compensation Committee is comprised solely of directors who meet NYSE independence requirements, meet the requirements for a Nonemployee Director under the Exchange Act, and meet the requirements for an outside director under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). The Compensation Committee:

- reviews and approves corporate goals and objectives relevant to the compensation of our Chief Executive Officer and sets such compensation;
- approves, in consultation with our Chief Executive Officer, the compensation of our officers who are elected by our Board of Directors;
- makes recommendations to our Board of Directors with respect to our equity-based plans and executive incentive-compensation plans; and

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- reviews with management and approves awards under our long-term incentive-compensation plans and equity-based plans.

The Compensation Committee is governed by the Compensation Committee Charter approved by the Board. The charter is available on our website at *www.neenah.com*. We will also provide a copy of the charter to stockholders upon request at no charge.

The members of the Compensation Committee are Messrs. Moore (Chairperson) and McGovern and Dr. Wood.

CORPORATE GOVERNANCE

Independent Directors

Our Amended and Restated Bylaws provide that a majority of the directors on our Board shall be independent. In addition, the Corporate Governance Policies adopted by the Board, described further below, provide independence standards consistent with NYSE listing standards. The nominees for director are such that immediately after the election of the nominees to the Board of Directors, a majority of all directors holding office will be independent directors. The Nominating Committee and the Board have determined that all directors and nominees, except for Mr. Erwin, do not have any relationship that would interfere with the exercise of independent judgment in carrying out their responsibilities as directors and are independent in accordance with NYSE listing standards and our Corporate Governance Policies.

Nomination of Directors

The Board of Directors is responsible for approving candidates for Board membership. The Board has delegated the screening and recruitment process to the Nominating Committee, in consultation with the Chairman of the Board and Chief Executive Officer. More specifically, our Nominating Committee has adopted, and the Board of Directors has ratified, the Neenah Paper, Inc. Policy Regarding Qualification and Nomination of Director Candidates.

The Nominating Committee seeks to create a Board that is as a whole strong in its collective knowledge of, and diversity of skills and experience with respect to, accounting and finance, management and leadership, vision and strategy, business operations, business judgment, crisis management, risk assessment, industry knowledge, corporate governance and global markets.

Qualified candidates for director are those who, in the judgment of the Nominating Committee, possess all of the following personal attributes and a sufficient mix of the experience attributes to assure effective service on the Board. Personal attributes of a Board candidate considered by the Nominating Committee include: leadership, ethical nature, contributing nature, independence, interpersonal skills, and effectiveness. Experience attributes of a Board candidate considered by the Nominating Committee include: financial acumen, general business experience, industry knowledge, diversity of view points, special business experience and expertise. When the Nominating Committee reviews a potential new candidate, the Nominating Committee looks specifically at the candidate s qualifications in light of the needs of the Board and our company at that time given the then current mix of director attributes.

The Nominating Committee will utilize a variety of methods for identifying and evaluating nominees for director. The Nominating Committee will periodically assess the appropriate size of the Board and whether any vacancies on the Board are expected. In the event that vacancies are anticipated or otherwise arise, the Nominating Committee will seek to identify director candidates based on input provided by a number of sources, including: (i) Nominating Committee members, (ii) other directors of Neenah, (iii) management of Neenah and (iv) stockholders of Neenah. The Nominating Committee also has the authority to consult with or retain advisors or search firms to assist in the identification of qualified director candidates.

In accordance with NYSE listing standards, we ensure that at least a majority of our Board is independent under the NYSE definition of independence, and that the members of the Board as a group maintain the requisite qualifications under NYSE listing standards for populating the Audit, Compensation and Nominating Committees.

The Nominating Committee considers nominees recommended by stockholders as candidates for election to the Board of Directors. A stockholder wishing to nominate a candidate for election to the Board at the Annual Meeting is required to give written notice to the Secretary of Neenah of his or her intention to make a nomination. Pursuant to our Amended and Restated Bylaws, the notice of nomination must be received by Neenah not less than 50 days nor more than 75 days prior to the Annual Meeting, or if Neenah gives less than 60 days notice of the meeting date, the notice of nomination must be received within 10 days after the Annual Meeting date is announced.

To recommend a nominee, a stockholder should write to Steven S. Heinrichs, Senior Vice President, General Counsel and Secretary of Neenah, at 3460 Preston Ridge Road, Preston Ridge III, Suite 600, Alpharetta, Georgia 30005. Any such recommendation must include:

- the name and address of the stockholder and a representation that the stockholder is a holder of record of shares of our common stock;
- a brief biographical description for the nominee, including his or her name, age, business and residence addresses, occupation for at least the last five years, and a statement of the qualifications of the candidate, taking into account the qualification requirements set forth above;
- a description of all arrangements or understandings between the stockholder and each nominee; and
- the candidate s consent to serve as a director if elected.

Once director candidates have been identified, the Nominating Committee will then evaluate each candidate in light of his or her qualifications and credentials, and any additional factors that the Nominating Committee deems necessary or appropriate, including those set forth above. Qualified prospective candidates will be interviewed by the Chairman of the Board, the Chief Executive Officer and at least one member of the Nominating Committee. The full Board will be kept informed of the candidate s progress. Using input from such interviews and other information obtained by the Nominating Committee, the Nominating Committee will evaluate whether a prospective candidate is qualified to serve as a director and, if so qualified, will seek full Board approval of the nomination of the candidate or the election of such candidate to fill a vacancy on the Board.

Existing directors who are being considered for re-nomination will be re-evaluated by the Nominating Committee based on each director s satisfaction of the qualifications described above and his or her performance as a director during the preceding year. All candidates submitted by stockholders will be evaluated in the same manner as candidates recommended from other sources, provided that the procedures set forth above have been followed.

All of the current nominees for director recommended for election by the stockholders at the 2006 Annual Meeting are current members of the Board. Based on the Nominating Committee s evaluation of each nominee s satisfaction of the qualifications described above and their performance as directors in 2005, the Nominating Committee determined to recommend the two directors for re-election. No other person or entity has recommended the current nominations for re-election. The Nominating Committee has not received any nominations from stockholders for the 2006 Annual Meeting.

Corporate Governance Policies

We have adopted the Neenah Paper, Inc. Corporate Governance Polices (the Corporate Governance Policies) that guide the company and the Board on matters of corporate governance, including director responsibilities, Board committees and their charters, director independence, director qualifications, director evaluations, director orientation and education, director access to management, Board access to independent advisors, and management development and succession planning. A copy the Corporate Governance Policies are available on our website at *www.neenah.com*. We will provide a copy of the Corporate Governance Policies to stockholders upon request at no charge.

Code of Business Conduct and Ethics

We have adopted the Neenah Paper, Inc. Code of Business Conduct and Ethics, which applies to all of our directors, officers and employees. The Code of Business Conduct and Ethics meets the requirements of a code of ethics as defined by Item 406 of Regulation S-K, and applies to our Chief Executive Officer, Chief Financial Officer (who is both our principal financial and principal accounting officer), as well as all other employees, as indicated above. The Code of Business Conduct and Ethics also meets the requirements of a code of conduct under NYSE listing standards. The Code of Business Conduct and Ethics is available on our website at *www.neenah.com*. We will provide a copy of the Code of Business Conduct and Ethics to stockholders upon request at no charge.

Communications with the Board of Directors

We have established a process for stockholders to communicate with members of the Board, including non-management members of the Board. If you have any concern, question or complaint regarding any accounting, auditing or internal controls matter, or any issue with regard to our Code of Business Conduct and Ethics or other matters that you wish to communicate to our Board or non-management directors, send these matters in writing to c/o General Counsel, Neenah Paper, Inc., 3460 Preston Ridge Road, Preston Ridge III, Suite 600, Alpharetta, Georgia 30005. Information about our Board communications policy and procedures for processing Board communications can be found on our website at *www.neenah.com* under the link Investor Relations Corporate Governance Board of Directors Board Communications Policy.

DIRECTOR COMPENSATION

Each of our directors who is not an employee receives an annual cash retainer fee of $36,000 and is paid $1,000 for each Board and committee meeting attended. The chairperson of the Audit Committee is paid an additional $5,000 in cash per year and directors chairing other committees are paid an additional $3,000 in cash per year. In addition to the cash compensation, to ensure that our directors will have an equity ownership interest aligned with our stockholders, we plan to make annual awards of nonqualified stock options, restricted shares and/or restricted stock units of our common stock under the Omnibus Plan to each nonemployee director. On June 21, 2005, each nonemployee director was granted 1,875 nonqualified stock options at a per share exercise price of $33.32 (which was the fair market value of our common stock on that date) and 585 restricted stock units. These stock options and restricted stock units will become fully exercisable and/or vested, as applicable, on the first anniversary of the date of grant. Employee directors will receive no additional compensation and no perquisites for serving on our Board.

EXECUTIVE COMPENSATION

Compensation Summary

The information set forth in the following table reflects compensation paid by us to our Chief Executive Officer and our four other most highly paid executive officers, who were named executive officers, for services rendered during the year 2005.

Summary Compensation Table

	Annual Compensation(1)			Long Term Compensation Awards		
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Restricted Stock Awards ($)(2)**	**Securities Underlying Options (#)**	**All Other Compensation ($)(3)**
Sean T. Erwin Chairman of the Board, President and Chief Executive Officer	2005 2004	590,000 49,167	313,585 88,500	90,720 727,892	34,600 291,547	7,705 22,693
Steven S. Heinrichs Senior Vice President, General Counsel and Secretary	2005 2004	230,000 18,750	78,738 20,250	14,280 65,200	5,300 20,700	21,457 6,962
Bonnie C. Lind Senior Vice President, Chief Financial Officer and Treasurer	2005 2004	275,000 22,917	101,375 27,500	31,920 229,747	12,200 86,089	18,008 5,975
William K. O Connor Senior Vice President Sales and Marketing	2005 2004	230,000 18,333	77,275 19,800	13,440 166,092	5,400 60,086	6,300 100
James R. Piedmonte Senior Vice President Operations	2005 2004	216,800 17,917	74,994 19,350	13,440 61,940	5,100 67,831	9,335 8,807

(1) For 2004 amounts reported as salary and bonus for all named executive officers are for the one month of operation as a separate entity. The salary and bonus amounts for Ms. Lind and Messrs. Heinrichs, O Connor and Piedmonte did not exceed $100,000, due to the fact that we only operated as a separate entity for one month of the 2004 fiscal year.

(2) 2005 restricted stock unit awards were granted as performance share units pursuant to the Omnibus Plan. All performance share unit awards were valued at the closing price of our common stock on the date earned, which is the same as the grant date. The performance share unit awards were earned on December 31, 2005, when the closing price of our common stock was $28.00. The performance share units will vest in full on December 31, 2007 and thereafter are subject to a mandatory two year holding period. See the Compensation Committee Report on Executive Compensation below for more details. As of December 31, 2005, the number and value of shares of restricted stock, restricted stock units and performance share units held by the named executive officers are: Mr. Erwin, 24,237 shares, $678,636; Mr. Heinrichs, 2,510 shares, $70,280; Ms. Lind, 7,849 shares, $219,772; Mr. O Connor, 5,253 shares, $147,084; and Mr. Piedmonte, 2,380 shares, $66,640. Dividends are paid on restricted stock, restricted stock units, and performance share units at the same rate paid to all of our stockholders.

2004 restricted stock unit awards were granted pursuant to the Omnibus Plan. All restricted stock and restricted stock unit awards were valued at the closing price of our common stock on the date of grant. The restricted stock unit awards were granted on December 1 and December 15 and the closing prices of our common stock on these dates were $33.50 and $32.60, respectively. The restricted stock granted on December 1, 2004 replaced restricted stock that was forfeited under the Kimberly-Clark equity compensation plans and was granted as follows: Mr. Erwin, 9,272 shares (with 1,075 shares vested on June 8, 2005, 2,210 shares vesting on November 12, 2006 and 5,987 shares vesting on February 17, 2008); Ms. Lind 2,479 shares (with 86 shares vested on June 8, 2005, 184 shares vested on November 12, 2005, 294 shares vesting on November 12, 2006 and 1,915 shares vesting on February 17, 2008); and Mr. O Connor, 3,001 shares (with 128 shares vested on June 8, 2005 and 2,873 shares vesting on February 17, 2008). The restricted stock unit awards granted on December 15 were fresh start awards and were granted as follows: Mr. Erwin, 12,800 shares; Ms. Lind, 4,500 shares, Mr. O Connor, 1,900 shares; Mr. Piedmonte, 1,900 shares; and Mr. Heinrichs, 2,000 shares. The restricted stock unit awards granted on December 15 vest in equal increments of one-third, with 33.34% vesting on the second anniversary of the date of grant, or December 15, 2006, and 33.33% vesting on each of December 15, 2007 and December 15, 2008. As of December 31, 2004, the number and value (based on the December 31, 2004 stock price of $32.60 per share) of total shares of restricted stock and restricted stock units held by the named executive officers were: Mr. Erwin, 22,072 shares, $719,547; Mr. Heinrichs, 2,000 shares, $65,200; Ms. Lind, 6,979 shares, $227,515; Mr. O Connor, 5,009 shares, $163,293; and Mr. Piedmonte, 1,900 shares, $61,940. Dividends are paid on restricted stock and restricted stock units at the same rate paid to all of our stockholders.

(3) For 2005 amounts shown are for payments made as follows: for Mr. Erwin, $6,300 for matching contributions under our 401(k) plan and $1,405 for payments made to or on behalf of Mr. Erwin for executive perquisites, which cover financial and estate planning, tax preparation services and one annual health physical; for Mr. Heinrichs, $3,988 for matching contributions under our 401(k) Plan, $12,300 under our Retirement Contribution Plan, a tax-qualified defined contribution plan, $3,969 earned in an unfunded supplemental retirement contribution plan, and $1,200 for executive perquisites as noted above; for Ms. Lind, $6,300 for matching contributions under our 401(k) Plan, $5,618 for executive perquisites as noted above, and $6,090 for final expenses and applicable tax gross up attributable to Ms. Lind s relocation to Atlanta from Dallas; for Mr. O Connor, the entire amount represents matching contributions under our 401(k) Plan; and for Mr. Piedmonte, $6,300 for matching contributions under our 401(k) Plan and $3,035 for executive perquisite reimbursements. For 2004 amounts shown are for payments made as follows: for Mr. Erwin, $22,693 for unused vacation; for Mr. Heinrichs, $562 for matching contributions under our 401(k) Plan and $6,400 under our Retirement Contribution Plan; for Ms. Lind, $687 for matching contributions under our 401(k) Plan and $5,288 for unused vacation; for Mr. O Connor, the entire amount represents matching contributions under our 401(k) Plan; and for Mr. Piedmonte, $537 for matching contributions under our 401(k) Plan and $8,270 for unused vacation.

Stock Option Grants

The following table contains information relating to the stock option grants made in 2005 to our named executive officers under the Omnibus Plan.

Option Grants in Last Fiscal Year

	Number of Securities Underlying Option Granted (#)		Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1) 5% ($)	10% ($)
Sean T. Erwin	17,300	(2)	27.4%	33.19	2/21/15	361,103	915,106
Chairman of the Board, President and Chief Executive Officer	17,300	(3)	27.4%	31.70	8/21/15	344,892	874,024
Steven S. Heinrichs	2,650	(2)	4.2%	33.19	2/21/15	55,313	140,175
Senior Vice President, General Counsel and Secretary	2,650	(3)	4.2%	31.70	8/21/15	52,830	133,882
Bonnie C. Lind	6,100	(2)	9.7%	33.19	2/21/15	127,325	322,668
Senior Vice President, Senior Chief Financial Officer and Treasurer	6,100	(3)	9.7%	31.70	8/21/15	121,609	308,182
William K. O Connor	2,700	(2)	4.3%	33.19	2/21/15	56,357	142,820
Senior Vice President Sales and Marketing	2,700	(3)	4.3%	31.70	8/21/15	53,827	136,408
James R. Piedmonte	2,550	(2)	4.0%	33.19	2/21/15	53,226	134,886
Senior Vice President Operations	2,550	(3)	4.0%	31.70	8/21/15	50,837	128,830

(1) Amounts represent hypothetical gains assuming exercise at the end of the option term and assuming annual rates of stock price appreciation of 5% and 10%, compounded annually from the date the respective options were granted to their expiration date. The 5% and 10% assumed rates of appreciation are mandated by the rules of the SEC. These assumptions are not intended to forecast future appreciation, if any, of our stock price. The potential realizable value computation does not take into account federal or state income tax consequences of option exercises or sales of appreciated stock. The actual gains, if any, on the stock option exercises will depend on the future performance of our common stock, the optionee s continued employment through applicable exercisability periods, the dates on which the options are exercised and the dates on which the underlying shares are sold. The closing price of our common stock on March 20, 2006, the record date, was $32.77 per share.

(2) These options were granted on February 21, 2005, and vest as follows: 33.34% on February 21, 2006 and 33.33% on both February 21, 2007 and February 21, 2008.

(3) These options were granted on August 22, 2005, and vest as follows: 33.34% on August 22, 2006 and 33.33% on both August 22, 2007 and August 22, 2008.

Option Exercises

The following table sets forth option exercises by the named executive officers during the fiscal year ended December 31, 2005, including the aggregate value of gains on the date of exercise. The table also sets forth (i) the number of shares covered by options (both exercisable and unexercisable) as of December 31, 2005 and (ii) the respective value for in-the-money options, which represents the positive spread between the exercise price of existing options and the fair market value of our common stock at the close of business on December 31, 2005, which was $28.00.

Aggregated Stock Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at Fiscal Year-End Exercisable	Unexercisable	Value of Unexercised In-The-Money Options at Fiscal Year-End Exercisable ($)	Unexercisable ($)
Sean T. Erwin Chairman of the Board, President and Chief Executive Officer	0		175,777	150,370	124,470	82,983
Steven S. Heinrichs Senior Vice President, General Counsel and Secretary	0		6,210	19,790		
Bonnie C. Lind Senior Vice President, Chief Financial Officer and Treasurer	0		46,906	51,383	21,070	23,693
William K. O Connor Senior Vice President Sales and Marketing	0		38,530	26,956	22,247	29,615
James R. Piedmonte Senior Vice President Operations	0		49,588	23,343	42,295	17,783

Defined Benefit Retirement Plans

The following table illustrates the estimated annual standard pension benefit payable as of normal retirement at age 65 at specified compensation levels and years of service classifications under our tax-qualified defined benefit plan, the Neenah Paper Pension Plan, and our nonqualified defined benefit plan, the Neenah Paper Supplemental Pension Plan. These benefits include accrued liabilities in our defined benefit plans and nonqualified defined benefit plans.

Pension Plan Table

	Years of Benefit Service						
Plan Compensation	**15 Years**	**20 Years**	**25 Years**	**30 Years**	**35 Years**	**40 Years**	**45 Years**
100,000	20,000	30,000	35,000	40,000	45,000	55,000	60,000
200,000	45,000	60,000	70,000	85,000	100,000	115,000	125,000
300,000	65,000	90,000	110,000	130,000	150,000	175,000	195,000
400,000	90,000	120,000	145,000	175,000	205,000	235,000	260,000
600,000	135,000	180,000	220,000	265,000	310,000	355,000	395,000
800,000	180,000	240,000	295,000	355,000	415,000	475,000	530,000
1,000,000	225,000	300,000	370,000	445,000	520,000	595,000	665,000
1,200,000	270,000	360,000	445,000	535,000	625,000	715,000	800,000
1,400,000	315,000	420,000	520,000	625,000	730,000	835,000	935,000
1,600,000	360,000	480,000	595,000	715,000	835,000	955,000	1,070,000
1,800,000	405,000	540,000	670,000	805,000	940,000	1,075,000	1,205,000
2,000,000	450,000	600,000	745,000	895,000	1,045,000	1,195,000	1,340,000

Plan compensation considered in calculating benefits under the defined benefit plans includes all compensation except payments in lieu of vacation, severance, noncash compensation, service or suggestion awards, and any other special or unusual compensation.

The amounts set forth in the table above are subject to offset for social security benefits. The estimated years of benefit service as of normal retirement at age 65 for our named executive officers are: 38.1 years for Mr. Erwin, 41.9 years for Ms. Lind, 37.3 years for Mr. O Connor, and 43.4 years for Mr. Piedmonte. Mr. Heinrichs was not eligible to participate in our defined benefit pension plan, or the Neenah Paper Pension Plan; however, he does participate in our Retirement Contribution Plan, a defined contribution plan. Under the defined benefit pension plan, an employee is entitled to receive an annual benefit based on the number of his completed years of benefit service and the average of his earnings over the highest five years, as offset by social security benefits. Benefits under the Neenah Paper Pension Plan will be limited to the extent required by the Code, with any excess benefits over those limitations being paid under the Neenah Paper Supplemental Pension Plan (as described below).

Retirement benefits for participants who have at least five years of vesting service may begin on a reduced basis at age 55, or on an unreduced basis at normal retirement age. Unreduced benefits also are available for participants with 10 years of vesting service at age 62 or as early as age 60 with 30 years of vesting service. The normal form of benefit is a single-life annuity, payable monthly. Benefits will be actuarially adjusted if the employee receives payment in the form of a joint and survivor annuity or any of other optional forms of benefit available under the Neenah Paper Pension Plan.

Mr. Heinrichs participates in our Retirement Contribution Plan, a defined contribution money purchase pension plan. Under the Retirement Contribution Plan, we provide monthly contributions to an account pursuant to a schedule based on the participant s age and eligible earnings. Contributions are based on a percentage of the employee s compensation and are invested in certain designated investment options as elected by the participant. Distributions of the participant s account balance are only available after termination of employment. Contributions under this plan will be limited to the extent required by the Code, with any excess benefits over those limitations being paid under the Neenah Paper Supplemental Retirement Contribution Plan (as described below). As of normal retirement age, assuming a return rate of five percent (5%) on investments and a three percent (3%) average annual increase in salary, Mr. Heinrichs will have a total of approximately $1,300,000 available, on a combined basis, in the Retirement Contribution Plan and the Neenah Paper Supplemental Retirement Contribution Plan.

Supplemental Retirement Plans

The Neenah Paper Supplemental Pension Plan and the Neenah Paper Supplemental Retirement Contribution Plan provide participants with a benefit equal to the difference between (i) the benefit payable to a participant under our tax-qualified Pension Plan and/or our Retirement Contribution Plan, as applicable, and (ii) the benefit that would be payable to a participant under such plans, calculated without regard to the annual benefit and compensation limitations imposed by the Code. The supplemental retirement plans are currently unfunded and all benefits under those plans would be payable from our general assets. In the event of a change of control, each participant would receive the present value of his or her accrued benefits or account balance in the supplemental retirement plans in a lump sum. Each of the named executive officers participates in only one supplemental retirement plan.

Executive Severance Plan

The Neenah Paper Executive Severance Plan (the Executive Severance Plan) covers designated officers, including all of our named executive officers, and provides certain severance benefits upon termination of employment following a change in control of Neenah. Upon termination of the officer s employment by Neenah without cause or by the officer for good reason (as defined in the Executive Severance Plan) within the two-year period following a change in control or a termination by us without cause during the one-year period preceding such a change of control, the officer will be entitled to a lump-sum cash payment equal to the sum of: (i) two times the sum of his annual base salary and targeted annual bonus; (ii) any qualified retirement plan benefits forfeited as a result of such termination, (iii) the amount of retirement benefits such officer would have received under the qualified and supplemental retirement plans but for his or her termination for the two-year period following his or her termination; (iv) the cost of medical and dental COBRA premiums for a period of two years; and (v) a cash settlement of any accrued retiree medical credits. In addition, the officer will be eligible to receive outplacement services for a period of two years (up to a maximum cost to us of $50,000). Payment of the benefits under the Executive Severance Plan is subject to the applicable executive executing an agreement that includes restrictive covenants and a general release of claims against us. The Executive Severance Plan has been designed to limit exposure for any parachute excise taxes; but if such excise taxes apply, we will reimburse the officer on an after-tax basis for any excise taxes incurred by that executive due to payments under the Executive Severance Plan.

Severance Pay Plan

The Neenah Paper Severance Pay Plan (the Severance Pay Plan) provides regular and change in control severance to salaried employees of our U.S. companies. Participation in the Severance Pay Plan is conditioned upon each participant s execution of a noncompete agreement. In the event of a qualifying termination, the Severance Pay Plan generally provides officers (including named executive officers) severance equal to one year of base salary. Other eligible employees generally receive severance equal to one week s pay for each year of employment with a minimum of six weeks pay (provided they are eligible for at least one week of severance pay) and a maximum of 26 weeks pay. In the event of a qualifying termination within two years following a change in control of Neenah, the severance pay plan generally provides (i) officers (other than officers covered by the Executive Severance Plan discussed above) with a lump sum severance payment equal to two years of base salary, (ii) director-level employees with one year of base salary, and (iii) other eligible employees with one week s pay for each year of employment with a minimum of six weeks of pay and a maximum of 26 weeks of pay. Payment of severance under the Severance Pay Plan is subject to the employee executing a severance agreement that includes restrictive covenants and a general release of claims against us.

Omnibus Stock and Incentive Compensation Plan

The Omnibus Plan was approved by Neenah s sole stockholder, Kimberly-Clark, on August 31, 2004. The purpose of the Omnibus Plan is to encourage ownership in our common stock by those employees, directors and others who have contributed, or are determined to be in a position to contribute, materially to our success, thereby increasing their interest in our long-term success. Grants and awards under the plan may be made to our employees, directors, employees of our affiliated companies, consultants, agents, advisors or independent contractors who perform services for us or our affiliates.

We have reserved 3,500,000 shares of our common stock for issuance under the Omnibus Plan. The number of shares available for issuance under the Omnibus Plan may be adjusted in the event of any corporate reorganization or transaction. In addition, any outstanding awards would be adjusted to reflect any changes in number of shares or exercise price subject to the awards, upon such a corporate event or upon any unusual or nonrecurring event that affects our stock, if appropriate to prevent unintended dilution or enlargement of awards.

The Omnibus Plan is administered by the Compensation Committee, which consists entirely of independent directors. The Compensation Committee may, from time to time, select participants, determine the extent of awards under the plan and make all other necessary decisions and interpretations under the plan. Under the Omnibus Plan, the Compensation Committee, in its discretion, may grant awards of various types of equity-based compensation, including incentive and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, and performance units, in addition to certain cash-based awards. Options granted pursuant to the Omnibus Plan have a maximum 10 year exercise term from the grant date. Grants and awards under the Omnibus Plan are made at fair market value and no grant or award may be re-priced after its grant. The terms and conditions of each grant or award are determined by the Compensation Committee at the time of grant and are documented in an award agreement with the participant.

The Omnibus Plan is designed to allow certain awards to meet the requirements for exemptions under Section 16 of the Exchange Act and the tax deductibility requirements for performance-based compensation under Code Section 162(m). The Omnibus Plan specifies that the Compensation Committee may design performance-based grants and awards using performance measures for exercisability, vesting or payment subject to the deduction limits of Code Section 162(m) for our Chief Executive Officer and four other most highly compensated officers based on the following: (i) net earnings or net income (before or after taxes); (ii) earnings per share; (iii) net sales or revenue growth; (iv) gross or net operating profit; (v) return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales or revenue); (vi) cash flow (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital); (vii) earnings before or after taxes, interest, depreciation and/or amortization; (viii) gross or operating margins; (ix) productivity ratios; (x) share price (including, but not limited to, growth measures and total shareholder return); (xi) expense targets; (xii) margins; (xiii) operating efficiency; (xiv) customer satisfaction; (xv) working capital targets; (xvi) economic value added; (xvii) volume; (xviii) capital expenditures; (xix) market share; (xx) costs; (xxi) regulatory ratings; (xxii) asset quality; (xxiii) net worth; and (xxiv) safety. Performance measures may be used to measure the performance of our company, our affiliates and/or subsidiaries or any combination thereof, and may be compared to the performance of a group of comparable companies or an index, all as determined by the Compensation Committee.

Subject to the limit of available shares the following are the annual limits in any one year to any one participant in the Omnibus Plan:

Options:	200,000
Stock Appreciation Rights:	300,000
Restricted Stock Units:	200,000
Performance Shares or Performance Share Units:	200,000
Cash Based Awards:	$5,000,000
Other Stock Based Awards:	200,000
162(m) Employee Award Incentive Award:	Established by the Compensation Committee based on a percentage of an incentive pool equal to the greater of: (i) 20% of Neenah s consolidated operating-earnings for the plan year or (ii) 20% of Neenah s operating cash flow for the plan year. In no event may the incentive pool percentage for any 162(m) Employee exceed 40% of the total pool.

The Compensation Committee may provide in an award that any evaluation of performance may include or exclude any of the following events: asset write-downs; litigation or claim judgments or settlements; the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results; any reorganization or restructuring programs; extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or management s discussion and analysis of financial condition and results of operations appearing in our annual report to shareholders for the applicable year; acquisitions or divestitures; and foreign exchange gains and losses. The Compensation Committee may adjust awards that are intended to be performance-based compensation downward in its discretion, but may not adjust them upward.

Upon a change in control of our company, unless otherwise determined by the Compensation Committee and reflected in a specific award agreement, all outstanding options and stock appreciation rights granted under the Omnibus Plan will become fully exercisable and all other outstanding awards that vest based on service will become fully vested and free of restrictions. Any outstanding awards based on performance, such as performance-based restricted stock, performance-based restricted stock units, performance units, performance shares and performance-based cash-based awards, will be deemed fully vested at target level upon a change in control.

Notwithstanding the above, if a replacement award is provided to the participant following the change in control, the treatment of outstanding awards under the Omnibus Plan will be determined by the Compensation Committee. Upon termination of employment by us without cause, termination by the employee with good reason, or termination of service of a director within two years following a change in control of Neenah, (i) all replacement awards held by that individual will become fully exercisable, vested and free of restrictions, and (ii) outstanding options and stock appreciation rights that are replacement awards or that were held by that individual as of the date of the change in control will remain exercisable for at least one year following termination of employment or service (but not to exceed the maximum term of the award).

Tax Consequences of Omnibus Plan

The following discussion outlines generally the federal income tax consequences of participation in the Omnibus Plan, and is not intended to be a complete description of all of the possible tax consequences arising out of the Omnibus Plan. The federal income tax law and regulations are frequently amended, and individual circumstances may vary these results. The information below is not intended to be used, and cannot be used, to avoid penalties imposed under the Code. ALL PARTICIPANTS SHOULD CONSULT THEIR OWN TAX COUNSEL FOR ADVICE REGARDING THE SPECIFIC TAX CONSEQUENCES APPLICABLE TO THEM UNDER THE OMNIBUS PLAN, INCLUDING FEDERAL, STATE AND LOCAL TAX LAWS.

Incentive Stock Options. A participant will not recognize income and will not be taxed upon the grant of an incentive stock option or upon the exercise of all or a portion of the option. Instead, the participant will be taxed at the time the participant sells the common stock purchased pursuant to the option. The participant will be taxed on the difference between the price he or she paid for the stock and the amount for which he or she sells the stock. If the participant does not sell the stock prior to two years from the date of grant of the option and one year from the date the stock is transferred to him or her, the participant will be entitled to capital gain or loss treatment based upon the difference between the amount realized on the disposition and the aggregate exercise price and Neenah will not get a corresponding deduction. If the participant sells the stock at a gain prior to that time, the difference between the amount the participant paid for the stock and the lesser of the fair market value on the date of exercise or the amount for which the stock is sold, will be taxed as ordinary income and Neenah will be entitled to a corresponding deduction; if the stock is sold for an amount in excess of the fair market value on the date of exercise, the excess amount is taxed as capital gain. If the participant sells the stock for less than the amount he or she paid for the stock prior to the one- or two-year periods indicated, no amount will be taxed as ordinary income and the loss will be taxed as a capital loss.

Exercise of an incentive stock option may subject a participant to, or increase a participant s liability for, the alternative minimum tax.

Nonqualified Stock Options. A participant will not recognize income upon the grant of an option or at any time prior to the exercise of the option or a portion thereof. At the time the participant exercises a nonqualified option or portion thereof, he or she will recognize compensation taxable as ordinary income in an amount equal to the excess of the fair market value of Neenah common stock on the date the option is exercised over the price paid for such common stock, and Neenah will then be entitled to a corresponding deduction. Such fair market value generally will be determined on the date the shares of common stock are transferred pursuant to the exercise. However, if the participant is subject to Section 16(b) of the Securities Exchange Act of 1934, the date on which the fair market value of the shares transferred will be determined is delayed until the earlier of the last day of the six-month period beginning on the date the property is purchased, or the first day on which a sale of the property purchased will not subject the option holder to suit under Section 16(b) of the Exchange Act. Alternatively, if the participant is subject to Section 16(b) of the Exchange Act and makes a timely election under Section 83(b) of the Code, such fair market value will be determined on the date the shares are transferred pursuant to the exercise without regard to the effect of Section 16(b) of the Exchange Act. The participant will recognize ordinary income in the year in which the fair market value of the shares transferred is determined. Neenah generally will be entitled to a deduction equal to the amount of ordinary income recognized by the participant when such ordinary income is recognized by the participant.

Depending upon the length of the period shares of our common stock are held after exercise, the sale or other taxable disposition of shares acquired through the exercise of a nonqualified option generally will result in a short- or long-term capital gain or loss equal to the difference between the amount realized on such disposition and the fair market value of such shares when the nonqualified option was exercised.

Special rules apply to a participant who exercises a nonqualified option by paying the exercise price, in whole or in part, by the transfer of shares of common stock to Neenah.

Stock Awards. A participant will not be taxed upon the grant of a stock award if such award is not transferable by the participant or is subject to a substantial risk of forfeiture, as defined in the Code. However, when the shares of common stock that are subject to the stock award are transferable by the participant and are no longer subject to a substantial risk of forfeiture, the participant will recognize compensation taxable as ordinary income in an amount equal to the fair market value of the stock subject to the stock award, less any amount paid for such stock, and Neenah will then be entitled to a corresponding deduction. If a participant timely makes an election under Section 83(b) of the Code at the time of receipt of a stock award, the participant may include the fair market value of the stock subject to the stock award, less any amount paid for such stock, in income at that time and Neenah also will be entitled to a corresponding deduction at that time. No loss may be claimed for taxes paid on shares of common stock that are subsequently forfeited.

Other Stock Incentives. A participant will not recognize any income and is not otherwise taxed upon the grant of a stock appreciation right, a dividend equivalent right, a performance share award, a performance unit award, a restricted stock unit, or any other stock-based award contemplated by the Omnibus Plan (the Equity Incentives). Generally, at the time a participant receives payment under any Equity Incentive, the participant recognizes compensation taxable as ordinary income in an amount equal to the cash or the fair market value of the common stock received, and Neenah then is entitled to a corresponding deduction.

Cash-Based Awards. Generally, at the time a participant receives payment of a cash-based award or annual incentive award, the participant recognizes compensation taxable as ordinary income in the amount equal to the cash received, and Neenah then is entitled to a corresponding deduction.

Deferred Awards. The Compensation Committee may permit or require a participant to defer his or her receipt of payment of cash or delivery of shares of Neenah common stock that would otherwise be due to such participant by virtue of the exercise of an option or stock appreciation right, the lapse or waiver of restrictions with respect to restricted stock or restricted stock units, or the satisfaction of any requirements or performance goals with respect to performance shares, performance units, covered employee annual incentive awards, other stock-based awards or cash-based awards. Neenah believes that a participant should not be taxed on any deferred award until such date as the payment, shares and/or dividends attributable to the deferred award are payable to the participant. At that time, the participant should recognize compensation taxable as ordinary income in an amount equal to the then fair market value attributable to the deferred award, and Neenah should then be entitled to a corresponding deduction. While the company believes the above to be the proper income tax treatment, it cannot guarantee that the Internal Revenue Service would not attempt to tax the value of the deferred award at an earlier date.

Tax Withholding. To the extent necessary, all payments pursuant to the Omnibus Plan are subject to income tax withholding.

ERISA. The Omnibus Plan is not, and is not intended to be, an employee benefit plan or qualified retirement plan. The Omnibus Plan is not, therefore, subject to the Employee Retirement Income Security Act of 1974, as amended, or Section 401(a) of the Code.

EQUITY COMPENSATION PLAN INFORMATION

The following table gives information about our common stock that may be issued under all of our existing equity compensation plans as of December 31, 2005, which consisted solely of the Omnibus Plan.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) (#)	Weighted average exercise price of outstanding options, warrants and rights (b) ($)	Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) (#)
Equity compensation plans approved by security holders	1,351,067	31.71	2,148,933
Equity compensation plans not approved by security holders	N/A	N/A	N/A
TOTAL	1,351,067	31.71	2,148,933

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

This report of the Compensation Committee of the Board of Directors on Executive Compensation discusses the methods that were used to determine executive compensation for the fiscal year ended December 31, 2005. The report specifically reviews the methods employed in setting the compensation of our Chairman of the Board, President and Chief Executive Officer (the Chief Executive Officer) and generally with respect to all executive officers.

Philosophy

Our compensation policies are designed to accomplish the following key objectives:

(1) reward executives for long-term strategic management and enhancement of stockholder value;

(2) support a performance-oriented environment that rewards achievement of internal goals and recognizes our performance compared to the performance of peer companies; and

(3) attract and retain leaders whose abilities are considered essential to the long-term success and competitiveness of the company.

The primary components of our executive compensation are: base salaries; annual cash bonuses for achieving performance goals; and long-term equity-based incentives that may require performance goal achievement as well as continued employment.

Base Salary

Individual base salaries of our named executive officers are set at a level close to median of similar positions at the peer companies. The Compensation Committee reviews and approves base salary increases for the named executive officers on an annual basis.

Annual Performance Bonuses

Annual incentives are based on performance against Neenah s goals that are established at the beginning of the year. For 2005, the Compensation Committee approved a new Management Incentive Plan (MIP). MIP bonuses are paid as a percentage of base salary with a target bonus ranging from 45% to 75% of base salary for named executive officers. The amount of the actual bonus awards may be adjusted up or down based on year-end performance results and the actual MIP bonuses can range from zero, or no payout, to 220% of target if results substantially exceed performance goals, which for 2005 were focused on earnings, paper revenues, pulp volumes, cost savings and corporate safety.

For 2006, the performance goals will focus on the accomplishment of strategic objectives of revenue growth and financial returns, with specific targets set for paper earnings, pulp costs, free cash flow and corporate safety.

Long-Term Equity Compensation

In 2005, we granted a combination of stock options and performance share units, each representing approximately 50% of the participant s 2005 long-term incentive compensation award. The options were granted on two different dates, one grant in February and the second grant in August. The Compensation Committee also approved in February 2005 a target number of performance share units for each participant. The number of units actually earned by each participant were dependent upon our corporate performance in 2005, specifically our return on invested capital and the revenue growth of our three business units, with pulp price being neutral. Based on 2005 results, the number of performance share units earned was adjusted downward to 30% of target. The performance share units earned will vest 100% on December 31, 2007, assuming continued employment, and then will be subject to a mandatory two-year holding period.

For 2006, we will again grant stock options in February and August and establish a target number of performance share units. The amount of performance share units earned on December 31, 2006 will range from 30% to 225% of the target number, will be based on revenue growth and returns on invested capital in 2006 and will then be subject to a 2-year vesting period followed by a mandatory 2-year holding period.

Stock Ownership Guidelines

In keeping with the principles outlined earlier in this report, we believe that the interests of executives and stockholders will be more closely aligned if executives own meaningful amounts of our common stock. Accordingly, the Compensation Committee adopted stock ownership guidelines regarding the amount of stock executive officers should own. Under the guidelines, officers subject to the ownership guidelines are expected, over time, to acquire Neenah common stock worth up to three times base salary, based on their level of responsibility. The required time period for reaching the guidelines is five years. The Compensation Committee periodically reviews share ownership levels of those officers subject to the guidelines. If the guidelines are not met, future stock grants may be reduced in size.

Other Benefits

In order to remain competitive in the general marketplace, we offer our named executive officers certain other benefits, including qualified retirement plans, medical and dental insurance, life insurance, disability insurance, paid time off, and paid holidays. These benefits are offered to all other salaried employees in the United States. Highly compensated employees, including the executive officers, are eligible for participation in one of the supplemental retirement plans.

In addition to these benefits, we also offer the named executive officers reimbursements for financial and estate planning, tax preparation services and reimbursement for one annual health physical. The reimbursements for these services are not grossed up for taxes.

Compensation of the Chief Executive Officer

Mr. Erwin s 2005 annual compensation was $590,000. This is below the median for Chief Executive Officers of peer companies using statistical regression based on company revenues. Mr. Erwin s 2005 cash bonus target award was established at 75% of base salary and, as a result of company performance in 2005, Mr. Erwin received 70% of his targeted bonus or $313,585. The bonus amount paid to Mr. Erwin for 2005 recognized significant cost savings across the company and improved safety performance in 2005 versus the previous year.

Mr. Erwin received stock option grants of 17,300 shares on both February 21, 2005 and August 22, 2005. Mr. Erwin had a target number of performance shares of 10,800. Because both sales growth and returns on invested capital were below budgeted levels, the number of performance shares earned was reduced to 30% of target, yielding a grant of 3,240 performance share units on December 31, 2005. We believe these equity grants are consistent with our philosophy of aligning the interests of Mr. Erwin with those of our stockholders.

The Compensation Committee of the Board of Directors is composed entirely of independent directors. The Board designates the members and the chairman of the committee.

Limitations on the Deductibility of Executive Compensation

Section 162(m) of the Code limits our tax deduction for compensation over $1,000,000 paid to each of the Chief Executive Officer and to the four other most highly compensated executive officers. Compensation that meets the requirements for qualified performance-based compensation or certain other exceptions under the Code is not included in this limit. Our executive compensation for 2005 did not exceed the deductible limit. Generally, the Compensation Committee desires to maintain the tax deductibility of compensation for executive officers to the extent it is feasible and consistent with the objectives of our compensation programs. However, the Compensation Committee retains the discretion to determine whether the interests of Neenah and its stockholders may be served by providing compensation that is not deductible in order to compensate executive officers in a manner commensurate with performance and the competitive environment for executive talent.

Compensation Committee:
Philip C. Moore, Chairman
John F. McGovern
Stephen M. Wood

Compensation Committee Interlocks and Insider Participation

None of our executive officers or directors serves as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of our Board of Directors or Compensation Committee.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

STOCK PERFORMANCE GRAPH

Our common stock began trading on the New York Stock Exchange on December 1, 2004. The price information reflected for our common stock in the following performance graph and accompanying table represents the closing sales prices of the common stock for the period from December 1, 2004 through December 31, 2005. The graph and the accompanying table compare the cumulative total stockholders   return on our common stock with the cumulative total return of the Russell 2000 Index, the Dow Jones US Forestry & Paper Index and the Dow Jones US Paper Index. The calculations in the following graph and table assume that $100 was invested on December 1, 2004 in each of our common stock, the Russell 2000 Index, the Dow Jones US Forestry & Paper Index and the Dow Jones US Paper Index and the graph also assumes dividend reinvestment. The closing sale price of our common stock on the New York Stock Exchange was $32.77 per share on March 20, 2006.

COMPARISON OF 13 MONTH CUMULATIVE TOTAL RETURN*

AMONG NEENAH PAPER, INC. THE RUSSELL 2000 INDEX,
THE DOW JONES FORESTRY & PAPER INDEX AND THE DOW JONES US PAPER INDEX

* $100 invested on December 31, 2004 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

Neenah Paper NYSE

	Cumulative Total Return		
	12/1/04	**12/04**	**12/05**
NEENAH PAPER, INC.	100.00	97.31	84.66
RUSSELL 2000	100.00	102.06	102.62
DOW JONES US FORESTRY & PAPER	100.00	99.83	88.49
DOW JONES US PAPER	100.00	100.04	82.50

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(1) In 2004 Neenah used the Dow Jones US Forestry & Paper Index as our industry index for purposes of this performance graph. For 2005 Neenah is using the Dow Jones US Paper Index as the industry index. We believe this change is appropriate because this index contains a higher concentration of companies with profiles similar to Neenah   s business mix.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act, and regulations of the SEC thereunder require our directors, officers and persons who own more than 10% of our common stock, as well as certain affiliates of such persons, to file initial reports of their ownership of our common stock and subsequent reports of changes in such ownership with the SEC. Directors, officers and persons owning more than 10% of our common stock are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. Based solely on our review of the copies of such reports received by us and on information provided by the reporting persons, we believe that during the fiscal year ended December 31, 2005, our directors, officers and owners of more than 10% of our common stock complied with all applicable filing requirements. Mr. McGovern joined the Board on January 10, 2006 and his initial report under Section 16(a) was reported late on a Form 3 on February 8, 2006.

AUDIT COMMITTEE REPORT

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the accuracy and integrity of Neenah s financial reporting. On November 30, 2004, our Board of Directors adopted an Audit Committee Charter, which sets forth the responsibilities of the Audit Committee. A copy of the Audit Committee Charter is available on our website at *www.neenah.com.*

The Audit Committee held seven meetings during the fiscal year ended December 31, 2005. The Audit Committee reviewed and discussed with management and Deloitte & Touche LLP our audited financial statements for the fiscal year ended December 31, 2005. The Audit Committee also discussed with Deloitte & Touche LLP the matters required under Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards, AU § 380).

The Audit Committee also received the written disclosures and the letter from Deloitte & Touche LLP that are required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with Deloitte & Touche LLP its independence. The Audit Committee reviewed the audit and non-audit services provided by Deloitte & Touche LLP for the fiscal year ended December 31, 2005 and determined to engage Deloitte & Touche LLP as the independent registered public accounting firm of Neenah for the fiscal year ending December 31, 2006.

Based upon the Audit Committee s review of the audited financial statements and the discussions noted above, the Audit Committee recommended that the Board of Directors include the audited financial statements in our Annual Report on Form 10-K for the year ended December 31, 2005 for filing with the SEC.

Audit Committee:
Timothy S. Lucas, Chairman
Philip C. Moore
Stephen M. Wood

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND SERVICES

Audit and Non-Audit Fees

Aggregate fees for professional services rendered for us by Deloitte & Touche LLP as of or for the fiscal years ended December 31, 2005 and December 31, 2004 are set forth below. The aggregate fees included in the Audit category are fees billed *for* the fiscal year for the integrated audit of our annual financial statements and review of statutory and regulatory filings. The aggregate fees included in each of the other categories are fees billed *in* the fiscal years.

	Fiscal Year 2005
Audit Fees	$ 1,988,000
Audit-Related Fees	35,000
Tax Fees	0
All Other Fees	0
Total	$ 2,023,000

Audit Fees for the fiscal year ended December 31, 2005 were for professional services rendered for the audits of our annual consolidated and combined financial statements.

Audit Related Fees as of the fiscal year ended December 31, 2005 were for professional services primarily related to the audits of our Ontario defined benefit pension plans.