



**DIVIDEND REINVESTMENT PLAN
OF
KP TISSUE INC.**

Introduction

This dividend reinvestment plan (the “**Plan**”) is being offered to holders of Shares of KP Tissue Inc. (the “**Corporation**”). The Plan is administered by the Agent (as defined herein).

Purpose

The Plan has been established for the purposes of offering Shareholders a convenient method to reinvest dividends on Shares declared and payable to them as described below. All such additional Shares are purchased directly from the Corporation by the Agent, which acts as agent for the Participants (as defined below) under the Plan.

Defined Terms

Where used herein, the following terms shall have the following meanings, respectively:

“**Average Market Price**” means the volume-weighted average trading price for a Share quoted in Canadian dollars on the Toronto Stock Exchange for the five trading days prior to the relevant Dividend Date.

“**Agent**” means Equity Financial Trust Company or such other agent as may be appointed by the board of directors of the Corporation from time to time.

“**Beneficial Shareholder**” means a beneficial owner of Shares that is not a registered Shareholder and who holds Shares with an intermediary, such as a broker or other investment dealer.

“**Business Day**” means any day on which the Agent’s principal offices in Toronto, Ontario are generally open for the transaction of commercial business but does not, in any event, include a day on which the Toronto Stock Exchange is not open for trading, a Saturday, Sunday or any day that is a statutory or municipal holiday in Toronto, Ontario.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participant**” refers to a broker, investment dealer, financial institution or other nominee, in its capacity as a participant in the CDS depository service, who holds Shares registered in the name of CDS on behalf of, or for the account of, Beneficial Shareholders and who is acting on behalf of such Beneficial Shareholders with respect to their participation in the Plan.

“Close of Business” means 5:00 p.m. (Toronto time) on a Business Day.

“Dividend Date” means the date on which a cash dividend is paid.

“Dividend Record Date” means the record date for a given dividend as the board of directors of the Corporation may determine.

“Non-CDS Nominee” refers to a broker, investment dealer, financial institution or other nominee who holds Shares registered in its own name on behalf of Beneficial Shareholders.

“Non-CDS Participant” refers to a Participant who is not CDS.

“Participant” means a registered Shareholder who has elected, in accordance with the terms hereof, to participate in the Plan (provided that a reference to a Participant shall only refer to CDS to the extent CDS participates in the Plan based on instructions received from CDS Participants, and to Non-CDS Nominees to the extent such Non-CDS Nominees have enrolled in the plan on behalf of Beneficial Shareholders).

“Share” means a common share of the Corporation.

“Shareholder” means a holder of a Common Share.

Features

Under the Plan, a Participant may purchase additional Shares with the cash dividends paid on the Shares which are owned by the Participant. The price at which Shares will be issued from treasury with cash dividends will be equal to 97% of the Average Market Price. No commissions, service charges or brokerage fees are payable by Participants in connection with the Plan.

Dividends in respect of whole and fractional Shares (up to four decimal places) purchased under the Plan will be credited to a Non-CDS Participant’s account and will be automatically invested under the Plan in additional Shares until such time as the Non-CDS Participant’s participation in the Plan is terminated.

As of December 13, 2012, the Corporation had 8,000,001 Shares issued and outstanding.

PARTICIPATION

Participation and Enrolment in the Plan

Beneficial Shareholders may only participate in the Plan through a Participant that is the registered holder of their Shares. Beneficial Shareholders who wish to participate in the Plan should request enrolment in the Plan through their broker, investment advisor or other intermediary.

Registered Shareholders may enroll in the Plan by delivering to the Agent a duly completed and signed Enrollment Form to be made available to each Registered Shareholder by the Agent.

CDS Participants who wish to enroll in the Plan on behalf of Beneficial Owners who have communicated their intention to participate in the Plan must elect online via CDSX prior to 5:00 p.m. (Toronto time) on the Dividend Record Date on which the Beneficial Owners intend to start participating in the Plan (or such other deadline as CDS may set from time to time).

Non-CDS Nominees who wish to enroll in the Plan on behalf of Beneficial Owners who have communicated their intention to participate in the Plan must ensure the Agent receives the appropriate instructions prior to 3:00 p.m. (Montreal time) on the fifth Business Day immediately preceding the relevant Dividend Record Date in order to take effect on the Dividend Date to which that Dividend Record Date relates.

Shareholders who are not residents of Canada are not entitled to participate, directly or indirectly, in the Plan. The Corporation and the Agent reserve the right to deny participation in the Plan to any person or agent of any person who appears to be, or who the Corporation or the Agent has reason to believe, is subject to the laws of any jurisdiction which do not permit participation in the Plan. In such circumstances, the Corporation and the Agent may require as a condition of participation or continued participation that the Shareholder provide a declaration satisfactory to the Corporation that the person is not a non-resident of Canada.

Once enrolled in the Plan, participation in the manner elected by the Participant continues automatically until the Plan is terminated by the Corporation or until such participation in the Plan is terminated by the Participant.

Once a Participant is enrolled, the Corporation will, subject to any restriction on the issuance of Shares under the Plan, forward to the Agent all of the Participant's cash dividends on Shares (less any applicable withholdings) and direct the Agent to invest such amounts in Shares for the benefit of the Participant. The Agent will apply such funds received under the Plan to the purchase of additional Shares under the Plan.

Shares purchased under the Plan on behalf of CDS will be registered in the name of CDS. CDS will then credit the accounts of CDS Participants, who will in turn credit the accounts of Beneficial Owners.

Shares purchased under the Plan on behalf of a Non-CDS Participant will be held by the Agent under the Plan for the account of such Non-CDS Participant until such time as such Non-CDS Participant terminates its participation in the Plan. Dividends in respect of Shares that are held under the Plan by the Agent for the account of a Non-CDS Participant will be automatically reinvested in Shares to be held by the Agent for the Non-CDS Participant in accordance with the Plan. Whole Shares held under the Plan by the Agent for a Non-CDS Participant's account on the record date for a vote of Shareholders will be voted in accordance with such Participant's instructions given on a form to be furnished to the Participant by the Agent. Shares for which voting instructions are not received will not be voted. No voting rights will attach to any fraction of a Share held for a Participant's account under the Plan.

If Shares may not be issued under the Plan, a cash dividend will be paid to the Participant in the usual manner.

No interest will be paid to Participants on any funds held for investment under the Plan.

Fractional Interests

CDS

No fractional interest will be maintained under the Plan on behalf of CDS.

Non-CDS Participants

Full reinvestment is possible under the Plan as the Agent will credit to the account of each Non-CDS Participant, on each reinvestment made under the Plan, a fractional interest in a whole Share (to four decimal places) for any amount that cannot be reinvested in whole Shares.

The Corporation will from time to time issue to the Agent such number of whole Shares as is necessary or desirable to accommodate the fractional interests of all Non-CDS Participants.

Transfer of Participation Rights

The right to participate in the Plan may not be transferred by a Participant.

Termination of Participation

Beneficial Owners who are enrolled in the Plan through CDS Participants and Nominees, and who wish to terminate their participation in the Plan must so instruct their respective CDS Participants or Nominees.

A Non-CDS Participant may voluntarily terminate its participation in the Plan by duly completing and sending to the Agent the termination notice located on the reverse side of the statement of account that is mailed to the Participants (the "**Termination Notice**"). Generally, a Termination Notice will be processed within 10 Business Days of its receipt by the Agent.

A confirmation for the number of whole Shares held by the Agent under the Plan for the account of such Non-CDS Participant will be provided to such Non-CDS Participant together with a cheque, in the name of the Non-CDS Participant, for the value of any remaining fraction of a Share held for the account of such Non-CDS Participant (based on 97% of the Average Market Price of the previous dividend). Any fraction of a Share held for the account of such Non-CDS Participant will be cancelled in exchange for such cash payment.

If the notice of termination is received from a Non-CDS Participant by the Close of Business at least five Business Days prior to a Dividend Record Date, termination of the Non-CDS Participant's Participation in the Plan will be effective in respect of that Dividend Record Date. Otherwise, the termination will be effective in respect of the next succeeding Dividend Record Date. For greater certainty, a termination by a Participant will not prevent such Shareholder from participating in the Plan at a later date.

After termination of participation in the Plan, all subsequent dividends will be paid to the former Participant in cash in the usual manner.

Amendment, Suspension or Termination of the Plan

Subject to the approval of the Toronto Stock Exchange, the Corporation reserves the right to amend, suspend or terminate the Plan at any time, but such action shall have no retroactive effect that would prejudice the interest of the Participants. Participants will be sent written notice of any such amendment, suspension or termination.

Any dividend subject to the Plan and paid after the effective date of any such suspension or termination will be remitted by the Corporation to the Participants in cash only, in the usual manner.

The Corporation may remove the Agent at any time on not less than ninety days prior notice to the Agent, and appoint another person as the Agent.

Similarly, the Agent may resign at any time on not less than ninety days prior notice to the Corporation and upon delivery to the Corporation of all property and records held in connection with the Plan.

Rules and Regulations

The Corporation, in conjunction with the Agent, may from time to time adopt rules and regulations to facilitate the administration of the Plan. The Corporation also reserves the right to regulate and interpret the Plan as it deems necessary or desirable to ensure the efficient and equitable operation of the Plan.

PRICE OF SHARES AND COSTS

On each Dividend Date, the Corporation shall promptly pay over to the Agent, on behalf of Participants, all cash dividends paid on their Shares, which shall be applied to purchase additional Shares from treasury at 97% of the then applicable Average Market Price as determined by the Corporation. The Agent shall remit such portion of the cash dividends to the Corporation concurrently with the purchase of additional Shares from treasury on behalf of Participants.

Costs

There shall not be any commissions, service charges or brokerage fees payable in connection with the issuance of Shares under the Plan. All administrative costs of the Plan shall be borne by the Corporation.

RECORDING AND TAX MATTERS

Certificates

Unless and until the Corporation terminates its relationship with CDS, a Beneficial Owner who participates in the Plan through CDS Participants will not be entitled to receive a certificate evidencing ownership of Shares from the Agent.

Shares purchased and held under the Plan for the accounts of Non-CDS Participants will be registered in the name of the Agent, its nominee, or recorded in accounts designated by the Agent. Certificates for whole Shares will be issued to Non-CDS Participants only if the Plan is terminated by the Corporation, participation in the Plan is terminated by a Non-CDS Participant or by the Corporation, or a Non-CDS Participant withdraws all or some of its whole Shares held by the Agent for such Participant without terminating participation in the Plan from its account under the Plan.

Tax

Shareholders should consult their tax advisers about the tax consequences which will result from their participation in the Plan.

The reinvestment of dividends on Shares does not relieve the participant of any liability for income tax on those dividends. Shareholders are responsible for calculating and monitoring their

own adjusted cost base in Shares for income tax purposes, as certain averaging rules may apply and such calculations may depend on the cost of other Shares held by a Shareholder.

RESPONSIBILITIES OF THE CORPORATION AND THE AGENT

Participants and Beneficial Shareholders should recognize that there is no assurance that, in the future, dividends will be declared in any particular amount, at any particular time, or at all, on the Shares.

The Corporation and the Agent shall not be liable for any act, or any omission to act, in connection with the operation of the Plan including, without limitation, any claims for liability:

- (a) relating to the prices at which Shares are purchased or sold for the Participant's account and the times such purchases are made; or
- (b) arising in connection with income taxes (together with any applicable interest and/or penalties) payable by Participants in connection with their participation in the Plan.

Participants should recognize that neither the Corporation nor the Agent can assure a profit or protection against a loss on the Shares purchased or sold under the Plan.

NOTICE TO BENEFICIAL HOLDERS

Beneficial Shareholders should consult with their intermediary recognized by CDS as the administrative practices of such parties vary and may affect the manner in which such holders may be eligible to participate in the Plan. In addition, due to the administrative practices of the intermediary, the various dates by which actions must be taken by holders as set out in the Plan may not be the same dates as required by the intermediary.

COMPLIANCE WITH LAWS

The operation and implementation of the Plan, including the number of Shares issuable under the Plan, is subject to compliance with all applicable legal requirements, including obtaining all appropriate regulatory approvals and exemptions from registration and prospectus requirements, and the requirements of any stock exchange on which the Shares are listed.

NOTICES

All notices required to be given under the Plan shall be mailed to a Participant at the address shown on the record of the Plan or at a more recent address as furnished by the Participant or the Participant's investment dealer, as the case may be.

Notices to the Agent shall be sent to:

Equity Financial Trust Company
200 University Avenue, Suite 400
Toronto ON M5H 4H1

Attention: Dividend Reinvestment Department

Notices to the Corporation shall be sent to:

KP Tissue Inc.
1900 Minnesota Court
Suite 200
Mississauga, On, L5N 5R5

Attention: Wendy Kelley
Fax: (905) 812-6910

Effective Date of the Plan

The Plan is effective as of December 13, 2012.