

KAPSTONE PAPER & PACKAGING CORP  
Form DEF 14A  
March 28, 2016

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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

Filed by a Party other than the Registrant

Check the appropriate box:

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

**KAPSTONE PAPER AND PACKAGING CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- 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:
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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March 28, 2016

Dear Stockholder:

This year's Annual Meeting of Stockholders will be held on Wednesday, May 11, 2016 at 11:00 a.m., Central Daylight Time, at 1033 Skokie Boulevard, Suite 100, Northbrook, Illinois. You are cordially invited to attend.

The Notice of Annual Meeting of Stockholders and a Proxy Statement, which describe the formal business to be conducted at the meeting, follow this letter.

After reading the Proxy Statement, please make sure to vote your shares by promptly dating, signing, and returning the enclosed proxy card or attending the Annual Meeting in person. Regardless of the number of shares you own, your careful consideration of, and vote on, the matters before KapStone's stockholders are important.

A copy of KapStone's 2015 Annual Report is also enclosed.

I look forward to seeing you at the Annual Meeting.

Very truly yours,

Roger W. Stone  
*Chairman and Chief Executive Officer*

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**PROXY SUMMARY**

*This summary contains highlights about KapStone Paper and Packaging Corporation (the "Company") and the upcoming 2016 Annual Meeting of Stockholders. This summary does not contain all of the information that you should consider in advance of the meeting, and we encourage you to read the entire Proxy Statement carefully before voting.*

**GOVERNANCE HIGHLIGHTS**

*Board of Directors*

11 directors; 9 are independent

All Committee members are independent

Director resignation policy

Executive sessions at each regularly scheduled Board meeting

Annual Board and Committee self-assessments

Robust stock ownership requirements for each non-employee director

*Stockholder Interests*

No stockholder rights plan

Policies against hedging or pledging company securities applicable to employees and directors

Stock ownership requirements for Named Executive Officers

Annual advisory vote to approve compensation of Named Executive Officers

**EXECUTIVE COMPENSATION HIGHLIGHTS**

We believe that compensation for executives should be determined according to a competitive framework taking into account the financial performance of the Company, individual contributions and the external market in which the Company competes for executive talent. The Company relies principally on the following elements of compensation:

Base salary

Annual performance-based cash awards

Long-term incentive compensation in the form of stock options and restricted stock units

In 2015, the Compensation Committee utilized Frederic W. Cook & Co., an executive compensation consulting company, to assist in evaluating executive compensation programs and in evaluating named executive officers' compensation compared to an established peer group of similar companies.

Best practices associated with our executive compensation programs include:

No employment agreements

No severance arrangements

Capped performance-based cash awards

Clawback provisions on performance-based cash awards and long-term incentive awards

Benchmarking

Stock ownership requirements

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Table of Contents**VOTING MATTERS**

<b>Agenda Items</b>	<b>Board Vote Recommendation</b>	<b>Page Reference</b>
1. Election of four director nominees named in this Proxy Statement, each for a three-year term	FOR each director nominee	6
2. Vote to ratify appointment of Ernst & Young LLP as independent registered public accounting firm for 2016	FOR	40
3. Advisory vote to approve the Company's named executive officer compensation	FOR	41
4. Vote to approve the Company's 2016 Incentive Plan	FOR	42

**Election of Directors (Proposal No. 1)**

The following table provides summary information about our nominees for election to the Board of Directors. Additional information for all directors, including nominees, may be found beginning on page 7 of this Proxy Statement.

<b>Name</b>	<b>Director Since</b>	<b>Business Experience</b>	<b>Independent</b>
Robert Bahash	2014	Former President of McGraw-Hill Education	Yes
David G. Gabriel	2013	President and CEO of Sonepar North America	Yes
Brian R. Gamache	2009	Former Chairman and CEO of WMS Industries, Inc.	Yes
David P. Storch	2009	President, Chairman and CEO of AAR Corp.	Yes

**Vote to Ratify Appointment of Independent Registered Public Account Firm (Proposal No. 2)**

We are asking stockholders to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2016. We paid Ernst & Young LLP a total of \$4,890,139 in fees in 2015. Additional information regarding our independent registered public accounting firm and audit fees may be found beginning on page 21 of this Proxy Statement.

**Advisory Vote to Approve the Company's Named Executive Officer Compensation (Proposal No. 3)**

We are asking stockholders to cast an advisory, nonbinding vote to approve the compensation awarded to our Named Executive Officers as disclosed in this Proxy Statement. Additional information regarding our executive compensation may be found beginning on page 24 of this Proxy Statement.

**Vote to Approve the Company's 2016 Incentive Plan (Proposal No. 4)**

We are asking stockholders to approve our 2016 Incentive Plan. Additional information regarding this plan may be found beginning on page 42 of this Proxy Statement.

**MEETING INFORMATION**

Date and time	May 11, 2016, 11:00 a.m. Central Daylight Time
Place	1033 Skokie Boulevard, Suite 100 Northbrook, Illinois 60062
Record date	March 14, 2016
Voting	Stockholders of record at the close of business on the record date may vote at the Annual Meeting. Each share is entitled to one vote on each matter to be voted upon.

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD MAY 11, 2016**

*To the Stockholders:*

The Annual Meeting of Stockholders of KapStone Paper and Packaging Corporation ("KapStone" or the "Company") will be held on Wednesday, May 11, 2016, at 11:00 a.m., Central Daylight Time, at 1033 Skokie Boulevard, Suite 100, Northbrook, Illinois 60062, for the following purposes:

1. To vote upon the election of the four Class A directors identified in the proxy statement that accompanies this notice, each to hold office for a three-year term and until his respective successor is elected and qualified. The Board of Directors has nominated the following persons for election as Class A directors at the meeting: Robert J. Bahash, David G. Gabriel, Brian R. Gamache and David P. Storch.
2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2016.
3. To hold an advisory vote to approve the Company's named executive officer compensation.
4. To approve the Company's 2016 Incentive Plan.
5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Stockholders of record at the close of business on March 14, 2016 are entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. For ten days prior to the Annual Meeting, a complete list of the stockholders of record on March 14, 2016 will be available at the Company's principal offices for examination during ordinary business hours by any stockholder for any purpose relating to the meeting.

**YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" ALL DIRECTOR NOMINEES,  
AND "FOR" PROPOSALS 2, 3 AND 4.**

By Order of the Board of Directors,

Roger W. Stone  
*Chairman and Chief Executive Officer*

Northbrook, Illinois  
March 28, 2016

**IMPORTANT:** Please promptly fill in, date, sign and return the enclosed proxy card in the accompanying pre-paid envelope to ensure that your shares are represented at the meeting. You may revoke your proxy before it is voted. If you attend the meeting, you may choose to vote in person even if you have previously sent in your proxy card.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders To Be Held on May 11, 2016**

The Company's Proxy Statement for the 2016 Annual Meeting of Stockholders and the Annual Report to Stockholders for the year ended December 31, 2015, are available at <http://ir.kapstonepaper.com>.



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## **KapStone Paper and Packaging Corporation**

1101 Skokie Boulevard  
Suite 300  
Northbrook, Illinois 60062

### **PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS**

The accompanying proxy is being solicited by the Board of Directors (the "Board") of KapStone Paper and Packaging Corporation (the "Company" or "KapStone") and contains information related to the Annual Meeting of Stockholders to be held on Wednesday, May 11, 2016, at 11:00 a.m., Central Daylight Time, or any adjournment or postponement thereof ("Annual Meeting"), for the purposes described in the accompanying Notice of Annual Meeting of Stockholders and in this Proxy Statement. The Annual Meeting will be held at 1033 Skokie Boulevard, Suite 100, Northbrook, Illinois. This Proxy Statement was filed with the Securities and Exchange Commission (the "SEC") and is first being sent or given to stockholders on or about March 28, 2016.

### **FREQUENTLY ASKED QUESTIONS**

#### ***What am I voting on?***

You will be voting on:

The election of four director nominees named in this Proxy Statement to serve on the Board;

The ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2016;

Advisory approval of the compensation of the Company's named executive officers as disclosed in the Compensation, Discussion and Analysis section and accompanying compensation tables and related narratives contained in this Proxy Statement (the "Say-on-Pay resolution");

The approval of the Company's 2016 Incentive Plan; and

Any other matters properly brought before the meeting.

#### ***How does the Board recommend that I vote on each proposal?***

The Company's Board recommends that you vote:

FOR each of the director nominees;

FOR ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2016;

FOR the approval of the non-binding Say-on-Pay resolution; and

FOR the approval of the Company's 2016 Incentive Plan.

***Who is entitled to vote at the meeting?***

Holders of record of shares of the Company's common stock, \$0.0001 par value per share ("Common Stock") at the close of business on March 14, 2016, (the "Record Date") will be entitled to vote. As of the close of business on the Record Date, there were 96,504,032 shares of Common Stock outstanding and entitled to vote.

***How many votes am I entitled to?***

You are entitled to one vote for each share of Common Stock that you own.

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***How do I vote shares held in my name?***

You may vote in person at the Annual Meeting or by proxy. If you properly complete and sign the enclosed proxy card, the shares held in your name will be voted as you direct. If you sign and return the proxy card but do not include voting instructions, the shares held in your name will be voted FOR the four director nominees named in this Proxy Statement, FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm, FOR the approval of the Say-on-Pay resolution, and FOR the approval of the Company's 2016 Incentive Plan.

***Can I change my vote after I return my proxy card?***

You may change your vote or revoke your proxy at any time before the polls close at the Annual Meeting by taking any of the following actions:

Delivering a later-dated proxy;

Giving written notice to the Company's Secretary; or

Voting in person at the Annual Meeting.

***How do I vote my shares held by my broker?***

If your shares are held in street name, you must either direct your broker as to how to vote your shares, or obtain a proxy from your broker giving you the right to vote the shares in person at the Annual Meeting.

***How many votes must be present to constitute a quorum?***

A quorum is the presence at the Annual Meeting in person or by proxy of a majority of the outstanding shares of Common Stock. There needs to be a quorum in order for the Annual Meeting to be held. Broker non-votes and proxies received but marked as abstentions will count for purposes of establishing a quorum. Broker non-votes occur when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for the particular matter and has not received voting instructions from the beneficial owner.

***May my shares be voted if I do not provide my proxy?***

If your shares are held in street name, they may be voted on matters that the New York Stock Exchange (the "NYSE") considers "routine" even if you do not instruct your broker how to vote your shares. Accordingly, if you do not instruct your broker how to vote your shares, your broker can vote your shares to approve the appointment of Ernst & Young LLP as the Company's independent registered accounting firm, but your broker cannot vote your shares on the election of directors, the approval of the Say-on-Pay resolution, or the Company's 2016 Incentive Plan.

***What vote is required to approve each proposal, assuming a quorum is present at the Annual Meeting?***

It will depend on each proposal.

For Proposal One: According to the Company's Bylaws, a plurality of the votes cast will be sufficient to elect directors. Therefore, stockholders will elect the four director nominees receiving the greatest number of votes. According to the Company's Corporate Governance Guidelines, in an uncontested election, if a director nominee fails to receive more votes cast for than against his or her re-election, the Board expects such director nominee to tender his or her resignation.

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For Proposal Two: The affirmative vote of the holders of a majority of the shares of Common Stock represented at the meeting and entitled to vote is required for the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2016.

For Proposal Three: The affirmative vote of the holders of a majority of the shares of Common Stock represented at the meeting and entitled to vote is required for approval of the compensation of our named executive officers. Because the vote is advisory, it will not be binding on the Board or the Company. However, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

For Proposal Four: The affirmative vote of the holders of a majority of the shares of Common Stock represented at the meeting and entitled to vote is required for approval of the 2016 Incentive Plan.

***How are we soliciting this proxy?***

The Company may solicit stockholder proxies by mail, telephone, Internet, or personally through certain of its directors, officers and employees who will receive no extra compensation for their services. The Company will bear all costs of soliciting proxies, including, upon request, reimbursing brokers for the reasonable expenses incurred by them in forwarding proxy materials to the beneficial owners of Common Stock.

***How can I contact the Board?***

Anyone desiring to communicate directly with the Board or the non-management directors, individually or as a group, including the presiding director, may do so by written communication addressed to them at KapStone Paper and Packaging Corporation, 1101 Skokie Boulevard, Suite 300, Northbrook, IL 60062, Attention: Vice President, Secretary, and General Counsel. Relevant communications will be forwarded by the Secretary to the appropriate directors depending on the facts and circumstances outlined in the communication.

Table of Contents**STOCK OWNERSHIP*****Security Ownership of Management***

The following table shows the amount of the Company's Common Stock beneficially owned, unless otherwise indicated, by the Company's directors, named executive officers and executive officers as a group as of March 14, 2016. Except as otherwise specified, the named beneficial owner has sole voting and investment power over the shares listed. None of the shares are pledged as security. The total number of shares of Common Stock outstanding as of March 14, 2016 was 96,504,032.

<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership of Common Stock(1)</b>	<b>Options Currently Exercisable or Exercisable Within 60 Days</b>	<b>Percentage of Common Stock</b>
Roger W. Stone(2)	6,382,875	434,646	6.61%
Matthew Kaplan	3,540,444	526,838	3.67%
Robert J. Bahash	25,000		*
John M. Chapman	633,795	124,853	*
Jonathan R. Furer	1,333,689	124,853	1.38%
David G. Gabriel	17,065	3,065	*
Brian R. Gamache	69,815	27,581	*
Ronald J. Gidwitz	121,379	27,581	*
Matthew H. Paull	57,419	21,633	*
Maurice S. Reznik	3,600		*
David P. Storch	60,229	27,581	*
Timothy P. Keneally	225,827	106,522	*
Randy J. Nebel	23,412	16,412	*
Andrea K. Tarbox	241,257	160,832	*
All directors and executive officers as a group (eighteen individuals)	12,832,918	1,671,578	13.30%

\*

Less than 1%.

(1)

Includes options currently exercisable or exercisable within 60 days of March 14, 2016. Restricted stock units (RSUs) granted under the Company's Amended and Restated 2006 Incentive Plan and its 2014 Incentive Plan do not have voting rights and are converted into shares of Common Stock when the vesting period lapses. None of the persons named in the table has RSUs that vest within 60 days after March 14, 2016.

(2)

2,699,800 shares of Common Stock are owned by Mr. Stone's family foundation of which Mr. Stone is director. Mr. Stone has sole voting control and investment discretion over such shares.

***Security Ownership of Certain Beneficial Stockholders***

The following table shows those persons known to us as of March 14, 2016 to be the beneficial owners of more than 5% of the Company's Common Stock, with the exception of Roger W. Stone,

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whose ownership is included in the Security Ownership of Management table above. In furnishing the information below, we have relied upon filings made by the beneficial owners with the SEC.

<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership of Common Stock(1)</b>	<b>Percentage of Outstanding Common Stock</b>
Wellington Management Group LLP(1)	8,534,425	8.86%
BlackRock, Inc.(2)	8,468,259	8.80%
The Vanguard Group(3)	6,547,512	6.79%

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