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*Notice of*  
ANNUAL MEETING  
*and*  
PROXY STATEMENT

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**HAMMERMILL PAPER  
COMPANY**  
ERIE, PENNSYLVANIA

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*Annual Meeting*  
*of*  
*Stockholders*

May 8, 1979

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**HAMMERMILL PAPER COMPANY**  
EXECUTIVE OFFICES  
EAST LAKE ROAD  
ERIE, PENNSYLVANIA 16533

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*Notice of Annual Meeting*

To Stockholders:

The Annual Meeting of Stockholders of Hammermill Paper Company will be held at the office of the Company, East Lake Road, Erie, Pennsylvania, on Tuesday, May 8, 1979 at 9:30 a.m. Eastern Daylight Saving Time for the following purposes:

1. To elect four directors to serve for a term of three years each and until their successors are elected and qualify;
2. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only holders of Common Stock and Second Cumulative Preferred Stock, \$5.00 Series A (Convertible) of record at the close of business on March 20, 1979 will be entitled to notice of and to vote at the meeting.

HAMMERMILL PAPER COMPANY  
*by R.J. Kilgore, Secretary*

Erie, Pennsylvania  
April 2, 1979

**YOUR VOTE IS IMPORTANT**

If you do not expect to attend the meeting in person, please sign the enclosed form of Proxy and return it in the enclosed envelope.

**PROXY STATEMENT  
OF  
HAMMERMILL PAPER COMPANY  
EXECUTIVE OFFICES  
EAST LAKE ROAD  
ERIE, PENNSYLVANIA 16533**

The enclosed Proxy is solicited by the Management of Hammertmill Paper Company in connection with the Annual Meeting of Stockholders to be held on May 8, 1979. The cost of solicitation will be borne by the Company. Following the original mailing of the Proxy soliciting material, regular employees of the Company may solicit Proxies by mail, telephone, telegraph and personal interviews.

The person giving the Proxy has the power to revoke it by giving written notice to the Secretary of the Company prior to the effective exercise thereof. Unrevoked Proxies in the enclosed form will be voted on all matters which come before the meeting.

The Annual Report of the Company for the year 1978 has been mailed to stockholders.

Only holders of shares of Common Stock and Second Cumulative Preferred Stock of the Company of record at the close of business on March 20, 1979 are entitled to notice of and to vote at the meeting. At such date there were 7,571,182 shares of Common Stock outstanding (exclusive of 12,821 Treasury shares) and 85,843 shares of Second Cumulative Preferred Stock outstanding, each share being entitled to one vote. In the election of Directors, these shares have cumulative voting rights which means for each share held you may cast one vote for each Director to be elected, or cast all such votes for one Director, or distribute them as you may prefer.

Mailing date of Proxy Statement April 2, 1979.

## ELECTION OF DIRECTORS

Four Directors are to be elected for a term of three years each and until their successors are elected and qualify. All shares represented by duly executed unrevoked Proxies in the enclosed form, other than those marked not voting, will be voted for the following nominees. In the event that any of the nominees shall become unable or unwilling to serve as a Director, it is intended that the Proxies will be voted for such person, if any, as shall be designated by the Board of Directors. Information regarding the nominees is set forth below:

Name and Principal Occupation (1)	Age	Director Since	If Elected, Term to Expire in
Bernard S. Kubale ..... Partner, Foley & Lardner, Attorneys-at-Law; a director of George Banta Company, Inc., Larsen Company, Mirro Aluminum Company, Schultz Sav-O Stores, Inc., Wehr Corporation, Wisconsin Finance Corporation	50	1969	1982
Louis H. Roddis, Jr. .... Consulting Engineer; a director of Gould, Inc.	60	1964	1982
Peter G. Volanakis (2) ..... Vice President of the Company, and President of the Hammermill Papers Group, a division of the Company; a director of Wm. E. Wright Co., Marine Bank	58	1973	1982
Charles M. Williams ..... George Gund Professor of Commercial Banking, Harvard University, Graduate School of Business Administration; a director of Southern Natural Gas Co., Southern Natural Resources Inc., U.S. Leasing International, San Francisco Real Estate Investors, Massachusetts Company, Merrill Lynch Institutional Investors, Fort Dearborn Income Securities, National Life Insurance Co. of Vermont	61	1967	1982

- (1) Each of the persons above named has been engaged in his principal occupation referred to for more than five years except Mr. Roddis who was President of John J. McMullen Associates, Inc. during 1975-76 and President of Consolidated Edison Co. of New York, Inc. during 1969-74.
- (2) Member of the Executive Committee.

Information regarding Directors whose terms of office continue and who are not nominees for election is set forth below:

Name and Principal Occupation (1)	Age	Director Since	Term to Expire in
R. S. Ahlbrandt ..... Chairman of the Executive Committee, Allegheny Ludlum Industries, Inc., a diversified supplier of special metals and industrial and consumer products; a director of Allegheny Ludlum Industries, Inc., Moore McCormack Resources, Inc., Equitable Gas Company, Mellon National Corporation, Mellon Bank, N.A.	67	1972	1981
Henry Curtis ..... Chairman of the Board, American Business Products, Inc., a producer of printed business supplies; a director of American Business Products, Inc., Consolidated Utilities Inc.	60	1974	1980
Albert F. Duval (2) ..... President of the Company; a director of National Fuel Gas, Milton Bradley and Security Peoples Trust Company	58	1962	1980
Fred Herbolzheimer, Jr. .... Vice President of the Company and President, Thilmany Pulp & Paper Company, a division of the Company; a director of The First National Bank of Appleton	57	1974	1981
Robert J. Kilgore (2) ..... Vice President, Secretary and General Counsel of the Company	53	1972	1980
William G. Kuhns ..... Chairman and Chief Executive Officer, General Public Utilities Corp., an electric utility holding company; a director of General Public Utilities and Subsidiaries, Marine Midland Bank Inc., Home Life Insurance Co. of New York	56	1975	1981
Donald S. Leslie, Jr. (2) ..... Executive Vice President of the Company; a director of The First National Bank of Pennsylvania, Lord Corporation	53	1962	1980
James S. Stolley (2) ..... Group Vice President of the Company; a director of General Telephone of Pennsylvania (wholly owned subsidiary of G.T.E.)	50	1969	1981

(1) Each of the persons above named has been engaged in his principal occupation referred to for more than five years except Mr. Ahlbrandt who was Chairman of the Board of Allegheny Ludlum Industries, Inc. from 1972 to 1977.

(2) Member of the Executive Committee.

The Company has standing Audit, Compensation and other Committees of the Board of Directors. It has no Nominating Committee. The Audit Committee reviews the scope of the annual audit and any material matters of accounting policy pertinent to the current year's accounts and reviews the results of the audit, and the sufficiency of internal accounting and auditing controls. The members of the Audit Committee are Messrs. Kuhns, Williams and Kubale. The Audit Committee met 3 times during 1978. The Compensation Committee recommends to the Board of Directors the amount and form for all compensation of elected officers of the Company. The members of the Compensation Committee are Messrs. Ahlbrandt, Curtis and Roddis. The Compensation Committee met 2 times during 1978.

Four meetings of the full Board of Directors were held during 1978. Each Director attended all of the 1978 meetings of the Board, and of all Committees, which he was eligible to attend.

## REMUNERATION OF DIRECTORS AND OFFICERS

The following information is furnished as the remuneration attributable to 1978 and paid by the Company to (a) each of the five most highly compensated Executive Officers or Directors of the Company whose total 1978 remuneration exceeded \$50,000 as stated in Columns C-1 and C-2, and (b) all Officers and Directors of the Company as a group.

(A) Name of individual or number of persons in group	(B) Capacities in which served	(C) Cash and cash- equivalent forms of remuneration		
		(C-1) Salaries, fees, Directors' fees, commissions and bonuses (a)	(C-2) Securities or property, in- surance benefits or reimbursement, personal benefits (b)	(D) Aggregate contingent forms of remuneration (c)
Albert E. Duval	Director and President	235,918	21,032	5,379
Fred Herbolzheimer, Jr.	Director, Vice President of the Company and President Thimpany Pulp & Paper Company, a division of the Company	110,763	15,210	2,801

(A) Name of individual or number of persons in group	(B) Capacities in which served	(C) Cash and cash- equivalent forms of remuneration		
		(C-1) Salaries, fees, Directors' fees, commissions and bonuses (a)	(C-2) Securities or property, in- surance benefits, or reimbursement, personal benefits (b)	(D) Aggregate contingent forms of remuneration (c)
Donald S. Leslie, Jr.	Director and Executive Vice President	154,064	7,063	3,832
James S. Stolley	Director and Group Vice President	107,151	5,435	2,649
Peter G. Volanakis	Director, Vice President of the Company and President of Hammermill Papers Group, a division of the Company	120,301	5,946	3,151
All Officers and Directors as a group (18 persons)		1,337,907	127,626	31,797

(a) Includes, among other things, bonuses attributable to 1978 but paid in 1979, and fees for serving on the Board of Directors or on Committees of the Board. Directors who are not employed by the Company are paid an annual retainer of \$7,750 plus \$750 for each Board meeting and \$500 for each Committee meeting they attend. Employee Directors receive a fee of \$100 for each meeting of the Board.

(b) Of the total of \$127,626 reported in this column, \$61,867 represented the difference between the purchase price and the fair market value of Company stock purchased from the Company under stock options. The remainder includes the cost of premiums paid by the Company on certain insurance policies and the estimated cost to the Company of providing certain non-monetary personal benefits.

- (c) Includes amounts contributed by the Company under the Hammernill Thrift Plan, a savings plan for eligible salaried employees and amounts contributed by the Company under the Hammernill Stock Ownership Plan established under the Tax Reform Act of 1976, commonly known as a "TRASOP."

Hammernill has defined benefit pension plans and the amounts of contribution, payment or accrual have not been and cannot readily be separately calculated for an individual. Accordingly, this column does not reflect such amounts. The percentage which the aggregate contributions to the plans bear to the total remuneration of the plans' participants is 10.7 percent. Remuneration covered by such plans generally comprises salaries, wages and commissions, but excludes overtime, bonuses and incentive compensation. The following table shows the estimated annual benefits payable upon retirement under the Company's principal benefit plan, exclusive of Social Security benefits, to representative persons in the specified remuneration and years-of-service classifications. These estimated benefits have been calculated in accordance with the plan's life annuity benefit, which provides retirement benefits for the participant's lifetime. Many optional forms of benefit, such as joint and survivor options, are available for selection by the participant at retirement.

The estimated benefits shown in the following table assume that the persons in the specified classifications retired effective December 31, 1978, at age 65, having fully participated in the plan throughout their careers. The actual benefits payable to any particular participant will depend on the actual plan formula in effect during his years of service with the Company and his actual remuneration in such years.

Average Annual Remuneration For Last Five Years

Years of Service	\$10,000	\$25,000	\$100,000	\$250,000
35	\$ 1,876	\$ 8,701	\$42,826	\$111,076
30	1,608	7,458	36,708	95,208
25	1,340	6,215	30,590	79,340
20	1,072	4,972	24,472	63,472



## OPTIONS

The following tabulation shows as to certain Officers and Directors and as to all Officers and Directors as a group (1) the number of shares of the Company's Common Stock subject to options granted to and exercised by them since the last fiscal year to March 20, 1979 and (2) the number of shares subject to all unexercised options held by them as of March 20, 1979.

	Albert F. Duval	Fred Herbolz- heimer, Jr.	Donald S. Leslie, Jr.	James S. Stolley	Peter G. Volanakis	All Directors and Officers as a group (18 persons)
<i>Granted</i>						
No. of shares	6,000	3,000	4,000	3,000	4,000	33,000
Average option price per share	\$ 16.94	\$ 16.94	\$ 16.94	\$ 16.94	\$ 16.94	\$ 16.94
Market value at date of grant	\$101,640	\$ 50,820	\$67,760	\$50,820	\$67,760	\$559,020
<i>Exercised</i>						
No. of shares	10,500	5,000	--	3,000	3,000	28,400
Purchase price	\$155,985	\$ 74,180	--	\$43,680	\$43,680	\$420,749
Market value at date of purchase	\$218,145	\$111,550	--	\$68,250	\$69,570	\$611,466
<i>Held</i>						
No. of shares	13,500	10,000	17,000	12,000	8,000	112,250
Average option price	\$ 18.72	\$ 18.28	\$ 17.55	\$ 18.22	\$ 18.54	\$ 17.89

## SECURITY OWNERSHIP

To the best of the Company's knowledge, no person is the beneficial owner of more than 5% of the Company's Common Stock, nor its issues of Preferred Stock.

On March 20, 1979 the Directors and Officers of the Company beneficially owned, or had the right to acquire under options, shares of the Company's Common stock as follows:

Name	Shares beneficially owned	Shares optioned	Percent of class (a)
Roger S. Ahlbrandt	100	0	
Henry Curtis	1,000	0	
Albert E. Duval	10,501	13,500	.003%
Fred Herbolzheimer, Jr.	8,150	10,000	.002
Robert J. Kilgore	2,700	15,000	.002
Bernard S. Kubale	100	0	
William G. Kunns	1,000	0	
Donald S. Leslie, Jr.	19,614	17,000	.005
Louis H. Roddis, Jr.	500	0	
James S. Stolley	6,960	12,000	.003
Peter G. Volanakis	9,700	8,000	.002
Charles M. Williams	200	0	
Directors and Officers as a group (18 persons)	73,704	112,250	.025%

(a) The percentages in this column assume exercise of the stock options shown in the table. Where the percentage is less than 0.002 percent no individual percentage is shown.

## PRINCIPAL ACCOUNTANT

The Company's principal accountant for the current year, as selected by the Board of Directors, is Price Waterhouse & Co.

Price Waterhouse & Co. has served as the Company's auditors for many years, although the Price Waterhouse personnel who work on the audit change at regular intervals in accordance with Price Waterhouse policy. Representatives of Price Waterhouse are expected to be present at the meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

In connection with its examination of the Company's 1978 financial statements, Price Waterhouse also reviewed the Company's Annual Report and its quarterly and annual financial statements filed with the Securities & Exchange Commission. In addition to audit services Price Waterhouse also rendered certain other professional services for which its fees were 20% of audit fees. Such non-audit functions included professional advisory services regarding the development of the Company's long-range plan for electronic data processing and rendering of technical assistance in the conversion of a major computer installation. The fees for these services were 12% and 5% of the audit fee, respectively.

These non-audit services in 1978 were approved by the Audit Committee subsequent to their completion, and the Committee has approved the rendering of similar services by Price Waterhouse in 1979. The Audit Committee believes that such non-audit services did not and will not affect the independence of Price Waterhouse & Co.

## OTHER MATTERS

At this time the management of the Company knows of no matters to come before the meeting except as set forth above. If any other matter properly comes before the meeting, however, it is the intention of the persons named in the enclosed form of proxy to vote said proxy in accordance with their best judgment.

By the order of the Board of Directors

K. J. Kilgore, *Secretary*

Eric, Pennsylvania  
April 2, 1979