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## HAMMERMILL PAPER COMPANY

### *Notice of Annual Meeting*

To Stockholders:

The Annual Meeting of Stockholders of Hammertmill Paper Company will be held at the office of the Company, East Lake Road, Erie, Pennsylvania, on Tuesday, May 10, 1983 at 9:30 a.m. Eastern Daylight Saving Time to act upon the following matters:

1. Elect four directors to serve for a term of three years each and one director to serve for a term of two years; each to serve until his successor is elected and qualifies;
2. 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, Series A and B, of record at the close of business on March 22, 1983 will be entitled to notice of and to vote at the meeting.

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

Erie, Pennsylvania  
April 1, 1983

#### YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the meeting in person, please sign and date the enclosed form of proxy and return it in the enclosed postage paid envelope.

# HAMMERMILL PAPER COMPANY

*Executive Offices*

1540 East Lake Road, Erie, Pennsylvania 16533

## *Proxy Statement*

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Hammermill Paper Company of proxies to be voted at the annual meeting of the stockholders of the Company which has been scheduled for Tuesday, May 10, 1983, and any adjournment or adjournments thereof. The shares represented by each proxy received by the Company in the enclosed form will be voted as specified by the stockholder on the proxy. If no such specification is made, such shares will be voted for the election of the nominees named below as Directors of the Company. If one or more of such nominees should be unable or unwilling to serve as a Director for any reason, such shares will be voted for a substitute nominee as may be chosen by the Board of Directors. The Company is unaware of any reason why any of the nominees would be unwilling or unable to serve if elected. Any such proxy may be revoked at any time before its exercise by giving notice of revocation to the Secretary of the Company, by submitting a later-dated proxy or by voting in person at the meeting.

Only holders of the Company's Common Stock and Second Cumulative Preferred Stock Series A and B of record at the close of business on March 22, 1983 are entitled to notice of and to vote at the meeting. The holders of Second Cumulative Preferred and Common Stock are entitled to vote together and not as separate classes. On March 22, 1983 the Company had outstanding 573,730 shares of Second Cumulative Preferred Stock and 8,566,108 shares of Common Stock. 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. Each class of Directors to be elected at the meeting shall be elected in a separate election. Accordingly, each share has four votes in the election of the four Directors to the class being elected to a three-year term and each share has one vote in the election of one Director to a two-year term. Unless otherwise specified on the proxy, a vote for the nominees named below will grant discretionary authority to cumulate votes in the judgment of the persons named as proxies. Each share is entitled to one vote on any other matter.

Following the original mailing of proxy soliciting material, executive and other employees of the Company may solicit proxies by mail, telephone, teletype and personal interview. Arrangements may also be made with brokerage houses and other custodians, nominees and fiduciaries which are record holders of the Company's stock to forward proxy soliciting material and annual reports to the beneficial owners of such stock, and the Company may reimburse such record holders for their reasonable expenses incurred in such forwarding. The cost of soliciting proxies in the enclosed form will be borne by the Company.

It is expected that this proxy statement and the accompanying form of proxy will be mailed to stockholders on or about April 1, 1983. The Annual Report of the Company for the year 1982 has been mailed to stockholders.

## MATTERS TO BE VOTED AT THE ANNUAL MEETING

### 1. ELECTION OF DIRECTORS

Four Directors are to be elected for a term of three years each and until their successors are elected and qualify. One Director is to be elected for a term of two years and until his successor is elected and qualifies.(1) Information regarding these nominees is set forth below.

Name and Principal Occupation	Age	Director Since	If Elected, Term to Expire in
Henry Curtis ..... Chairman of the Board, American Business Products, Inc., Suite 500, 2690 Cumberland Parkway, Atlanta, Ga. 30039, a producer of printed business supplies; a director of American Business Products, Inc., Con- solidated Equities Corporation.	64	1974	1986
Albert F. Duval ..... President and Chief Executive Officer of the Company, 1540 East Lake Road, Erie, Pa. 16533; a director of Milton Bradley Company, National Fuel Gas Company and Security Bank.	62	1962	1986
Thomas C. Graham(2) ..... President and Chief Executive Officer of Jones & Laughlin Steel Corpora- tion, Three Gateway Center, Pittsburgh, Pa. 15263, a manufacturer of steel products; a director of Unroyal, Inc., LTV Corporation.	56	1982	1986
C. D. Spangler, Jr.(2) ..... President, C. D. Spangler Construction Company, 1110 East Morehead Street, Charlotte, N.C. 28236-6007, an industrial rental construction company; a director of NCNB Corporation.	50	1982	1986
Fred Herbolzheimer, Jr.(3) ..... Senior Vice President of the Company and President, Thlmany Pulp & Paper Company, P. O. Box 600, Kaukauna, Wisconsin 54130, a divi- sion of the Company; a director of George Banta Company, First Na- tional Corporation of Appleton.	61	1974	1985

- (1) Though Directors of more than one class are to be elected, each class of Directors to be elected at the meeting shall be elected in a separate election pursuant to Section 403 of the Business Corporation Law of Pennsylvania.
- (2) Messrs. Graham and Spangler were elected to the Board November 11, 1982 by action of the Board pursuant to Section 402 of the Business Corporation Law of Pennsylvania.
- (3) Mr. Herbolzheimer is to be elected for a term to expire in 1985 so as to create an equal number in each class of Directors in accordance with the Business Corporation Law of Pennsylvania.

The terms as Directors of the following five persons will continue after the annual meeting and will expire in 1984 and 1985. Information regarding these Directors is set forth below.

Name and Principal Occupation	Age	Director Since	Term to Expire in
Bernard S. Kubale Partner, Foley & Lardner, Attorneys-at-Law, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202; a director of George Banta Company, Inc., The Larsen Company, Mirro Corporation, Schultz Sav-O Stores, Inc., Wisconsin Finance Corporation. Foley & Lardner performs legal services for a division of the Company.	54	1969	1984
William G. Kuhns Chairman and Chief Executive Officer, General Public Utilities Corporation, 100 Interpace Parkway, Parsippany, N.J. 07054, an electric utility holding company; a director of General Public Utilities Corporation, Marine Midland Banks, Inc., Home Life Insurance Company of New York.	60	1975	1984
Donald S. Leslie, Jr. Executive Vice President of the Company, 1540 East Lake Road, Erie, Pa. 16533; a director of Lord Corporation, The First National Bank of Pennsylvania, American Sterilizer Company.	57	1962	1984
Louis H. Roddis, Jr. Consulting Engineer, 110 Broad Street, Charleston, S.C. 29401; a director of Gould, Inc., and Gould Government Systems, Inc., Research-Cottrell, Inc., Detroit Edison Company.	64	1964	1985
Charles M. Williams George Gund Professor of Commercial Banking, Graduate School of Business Administration, Harvard University, Cambridge, Mass. 02138; a director of U. S. Leasing International, Inc., San Francisco Real Estate Investors, The Massachusetts Companies, Merrill Lynch Institutional Fund, Merrill Lynch Government Fund, Fort Dearborn Income Fund, Keystone Custodian Services, Inc., Sonat, Inc.	65	1967	1985

### Committees of the Board; Meetings

The Board of Directors has standing Audit, Compensation, Executive and Nominating Committees. The Audit Committee reviews the scope of the annual audit and any material matters of accounting policy pertinent to 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. Curtis, Kuhns, Graham and Spangler. The Audit Committee met 3 times during 1982. The Compensation Committee recommends to the Board of Directors the amount and form for all compensation of elected officers of the Company. It also acts as the Stock Option Committee. The members of the Compensation Committee are Messrs. Williams, Kubale and Roddis. The Compensation Committee met 2 times during 1982. The Executive Committee exercises delegable powers of the Board of Directors of the Company between meetings of the Board. The members of the Executive Committee are

Messrs. Duval, Kubale and Roddis. The Committee met 4 times during 1982. The Nominating Committee recommends candidates for election as directors to the Board. The members of the Committee, which met once during the year, are Messrs. Williams, Kubale and Roddis. Any shareholder may recommend nominees to the Nominating Committee by writing to the Secretary of the Company. Submissions should include the full name and address of the proposed nominee and a statement of the candidate's qualifications.

Six meetings of the full Board of Directors were held during 1982, one of which was by telephone. Each Director attended all meetings of the Board, which he was eligible to attend, except Messrs. Kuhns and Williams each of whom missed the one meeting held by telephone.

### MANAGEMENT REMUNERATION

The following information is furnished as the remuneration attributable to 1982 and paid by the Company to each of the five most highly compensated executive officers or Directors of the Company whose total 1982 remuneration exceeded \$50,000 and all officers and Directors of the Company as a group.

Name of individual or persons in group	Capacities in which served	Cash and cash-equivalent forms of remuneration		Aggregate of contingent forms of remuneration (3)
		Salaries and Directors' fees (1)	Other benefits (2)	
Albert E. Duval	Director, President and Chief Executive Officer	\$297,968	\$ 7,045	\$15,154
Fred Herbolzheimer, Jr.	Director, Senior Vice President of the Company and President of Thilmany Pulp & Paper Company, a division of the Company	145,868	4,880	8,161
Donald S. Leslie, Jr.	Director and Executive Vice President	197,676	5,655	10,969
James S. Stolley	Senior Vice President	135,309	4,779	8,314
Peter G. Volanakis	Senior Vice President of the Company and President of Hammermill Papers Group, a division of the Company	153,220	4,987	8,944
All Officers and Directors as a group (21 persons) including those named above		\$1,860,390	\$61,614	\$102,043

- (1) Includes 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 \$12,000 and an additional \$1,000 if they serve on the Executive Committee, plus \$1,000 for each Board meeting and \$500 for each Committee meeting they attend. Directors who are employees of the Company are not compensated as Directors.
- (2) This column represents the cost of premiums paid by the Company on certain group life and medical health insurance.
- (3) Includes amounts contributed by the Company under the Hammermill Thrift Plan, a savings plan for eligible salaried employees, and amounts contributed by the Company under the Hammermill Stock Ownership Plan, commonly known as a "TRASOP". Refer to pages 6 and 7 for a description of the Thrift Plan and the Stock Ownership Plan or TRASOP.

Each of Messrs. Duval, Herbolzheimer, Leslie, Stolley and Volanakis has an agreement with the Company providing that, if a change of control of the Company occurs while he is an employee of the Company, his employment by the Company shall continue for at least three years at an annual rate of compensation equal to his total compensation for the 12 months preceding the change of control. These agreements were entered into in 1976. For purposes of these agreements, a change of control occurs either when more than 30% of the outstanding stock of the Company is acquired by any person, or persons acting in concert, in whole or in part by means of an offer to stockholders of the Company or when any person, or persons acting in concert, succeeds in electing two or more directors in any one election in opposition to those proposed by the Board of Directors of the Company, or in certain other events.

## OTHER BENEFITS

### Executive Performance Plan

The Company has a discretionary Executive Performance Plan administered by the Compensation Committee of the Board of Directors which determines from time to time those employees eligible to receive awards under the Plan.

Plan awards, when given, are based upon level of individual performance as well as overall corporate performance and are computed on a percentage of annual salary. The corporate level of performance is measured against an annual profit budget reviewed and approved by the Board of Directors. Awards can range from 0 to 30% and are paid after the end of the plan year. No awards were given attributable to 1982.

### Employee Stock Ownership Plan

The Company maintains an employee stock ownership plan designed as a contributory TRASOP qualified under the Internal Revenue Code. The Plan which was established in 1976 for all

eligible salaried employees of the Company provides those employees with an opportunity to share in the growth, prosperity and ownership of the Company. An annual contribution to the Plan equal to an investment tax credit of 1% of all expenditures on capital equipment is made by the Company. The contribution is allocated among participants based on salaries not in excess of \$100,000. The Plan allows employees to make voluntary contributions equal to an additional 1/2%, which is matched by a Company contribution of an additional investment tax credit of 1/2%. All Company and employee contributions are invested in Hammermill Common Stock and all dividends are reinvested in such stock. Distribution from the Plan is made upon a participant's retirement, termination or death.

### **Employee Savings Plan**

The Hammermill Thrift Plan is a savings plan for eligible salaried employees. Under the Plan, each participant may contribute through payroll deductions up to 14% of the amount of his monthly salary. Contributions by participants are invested by a Custodian in a Fixed Income Fund which provides guaranteed annual rates of return. For each dollar which a participant contributes to the Plan from the first 5% of his monthly salary, the Company contributes \$.75. Company contributions are invested in common stock of the Company. A participant's interest in the Company contributions is not vested until the end of the third Plan Year following the year in which contributions are made, except that when a participant becomes eligible for early retirement at his location (generally age 55 with 10 years of service) he becomes fully vested in all Company contributions.

### **Retirement Plan**

Nearly all permanent, full time, regular employees of the Company who are working on a salaried basis are eligible to participate in the Hammermill Salaried Employees' Restated Retirement Plan. The following table shows the estimated annual benefits payable upon retirement under such 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 calculation of estimated benefits assumes that the persons in the specified classifications retired effective December 31, 1982, at age 65, having fully participated in the Plan throughout their careers. The actual benefits payable to any participant will depend on his years of service with the Company and his average annual remuneration during his last five of such years. Remuneration includes base salary, commissions and bonuses. The present years of service of Messrs. Duval, Herbolzheimer, Leslie, Stolley and Volanakis under the Plan are 22, 25, 26, 27, and 36, respectively.

Average Annual Remuneration For Last Five Years	Years of Service			
	10	20	30	40
\$ 50,000	\$ 6,188	\$ 12,376	\$ 18,563	\$ 25,626
100,000	13,688	27,376	41,063	55,626
200,000	28,688	57,376	86,063	115,626
300,000	43,688	87,376	131,063	175,626
400,000	58,688	117,376	176,063	235,626

### STOCK OPTION PLANS

The Company maintained a 1972 Stock Option Plan that expired May 9, 1982. Some options granted thereunder remain outstanding as incentive stock options.

The Company maintains a 1981 Stock Option Plan, approved by the Shareholders May 12, 1981, which, as amended, provides for the grant of incentive stock options, as defined in Section 422A of the Internal Revenue Code of 1954, as amended, and nonstatutory options, and which also provides for the discretionary grant of a Stock Appreciation Right (SAR) at the time and at the exercise price at which a related stock option is granted. The Stock Option Committee of the Board of Directors grants from time to time to eligible officers and key employees of the Company options to purchase common stock of the Company and related Stock Appreciation Rights.

The following table summarizes as to certain Directors and Officers and as to all Directors and Officers as a Group information regarding options and Stock Appreciation Rights for the year ended January 2, 1983:



Common Stock	Albert F. Duval	Fred Herbolzheimer, Jr.	Donald S. Leslie, Jr.	James S. Stolley	Peter G. Volanakis	All Directors and officers as a group (20 persons) including those named
Granted—						
January 4, 1982 to January 2, 1983:						
Number of options granted without stock appreciation rights	6,000	2,600	3,000	2,000	2,000	31,000
Number of options granted with stock appreciation rights	5,000	3,000	4,000	3,000	3,000	27,000
Average per share option price(1)	\$23.31	\$23.31	\$23.31	\$23.31	\$23.31	\$23.31
Exercised—						
January 4, 1982 to January 2, 1983:						
Net value realized in shares (market value less option price) or cash	—	—	—	—	—	\$10,694
Outstanding at January 2, 1983:						
Number of options without stock appreciation rights	6,000	10,000	15,000	10,000	8,000	96,967
Number of options with stock appreciation rights	5,000	3,000	4,000	3,000	3,000	27,000
Potential or unrealized value(2)	\$134,980	\$160,276	\$233,376	\$160,276	\$128,456	\$1,462,148

(1) Option price equals the market value on date of grant.

(2) Represents the difference between option price and the market value of the stock options and stock appreciation rights at January 2, 1983.

## SECURITY OWNERSHIP

On March 22, 1983 the Directors and officers of the Company beneficially owned shares of the Company's Common Stock as follows:

Name	Shares beneficially owned (1) (3)	Shares optioned	Percent of class (2)
Henry Curtis	1,000	—0—	nil
Albert F. Duval	14,871	5,000	nil
Thomas C. Graham	500	—0—	nil
Fred Herbolzheimer, Jr.	19,526	7,815	nil
Bernard S. Kubale	100	—0—	nil
William G. Kuhns	1,000	—0—	nil
Donald S. Leslie, Jr.	19,820	19,000	nil
Louis H. Roddis, Jr.	500	—0—	nil
C. D. Spangler, Jr.	1,000	—0—	nil
Charles M. Williams	200	—0—	nil
Directors and Officers as a group (20 persons)	109,491	101,356	2.46

- (1) Includes shares allocated to the accounts of persons named above under the Company's Thrift Plan and Stock Ownership Plan ("TRASOP"). Under the Thrift Plan and under the TRASOP, shares are purchased with Company contributions. These shares are allocated to participants' accounts (subject to forfeiture under certain conditions) and may be voted by the participants. Does not include shares subject to presently exercisable options, which are deemed to be beneficially owned and are shown in the next column.
- (2) The percent of class shown for each individual named or referred to in the table assumes exercise by him of all his options to acquire Common Stock, but assumes no such exercises by the other persons named or referred to in the table. Percentages less than one (1%) percent are shown as "nil".
- (3) Does not include 26,646 shares held by the trustees of the E. R. Behrend Trust and 23,000 shares held by the trustees of The Hammermill Foundation, each at December 31, 1982, of which Messrs. Duval, Leslie and four other officers of the Company are trustees. Each trustee disclaims any beneficial ownership in such shares. The trustees have authority under the Trusts to vote the shares.

To the best of the Company's knowledge, no person not named or referred to below was the beneficial owner of more than 5% of the Company's Common Stock at March 22, 1983.

Gulf & Western Industries, Inc., One Gulf & Western Plaza, New York, New York 10023, according to its amended Schedule 13D dated January 4, 1983, was the beneficial owner as of December 27, 1982 of 1,235,800 shares of Hammermill Common Stock or 14.72% of the shares then outstanding.

On December 31, 1982 a total of 877,474 shares of Hammermill Common Stock or 10.3% of the shares then outstanding were held in the Company's Employee Stock Ownership Plan (TRASOP), its Employee Savings Plan (Thrift Plan) and the Hammermill Pooled Pension Trust for its defined benefit pension plans (Pension Trust). 197,872 of such shares in the TRASOP; 333,424 in the Thrift Plan and 346,178 in the Pension Trust. Under the terms of the TRASOP and Thrift Plans the shares held by the Trustee are voted by the employee-participants. Under the Pension Trust they are voted by the Trustee, The First National Bank of Chicago.

### PRINCIPAL ACCOUNTANT

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

Price Waterhouse 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.

### OTHER MATTERS

At this time, the Board of Directors 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.

### Proposals for 1984 Annual Meeting

Shareholder proposals for the 1984 annual meeting must be received at the principal executive offices of the Company, 1540 East Lake Road, Erie, Pennsylvania 16533, addressed to the attention of the Secretary, no later than January 8, 1984 for inclusion in the 1984 proxy statement and form of proxy.

By the Order of the Board of Directors  
R. J. Kilgore, *Secretary*

Erie, Pennsylvania  
April 1, 1983