

HAMMERMILL PAPER COMPANY

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, 1984 at 9:30 a.m. Eastern Daylight Saving Time to act upon the following matters:

1. Elect four directors each to serve for a term of three years and 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 20, 1984 will be entitled to notice of and to vote at the meeting.

HAMMERMILL PAPER COMPANY
by R. J. Kilgore, Secretary

Erie, Pennsylvania
April 2, 1984

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 8, 1984, 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 20, 1984 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 20, 1984 the Company had outstanding 526,910 shares of Second Cumulative Preferred Stock and 8,953,476 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. 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, telegraph 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 2, 1984. The Annual Report of the Company for the year 1983 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. Information regarding these nominees is set forth below.

Name and Principal Occupation	Age	Director Since	If Elected, 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, Schultz Sav-O Stores, Inc., E. R. Wagner Manufacturing Co., Wisconsin Finance Corporation. Foley & Lardner performs legal services for a division of the Company.	55	1969	1987
William G. Kuhns Chairman and Chief Executive Officer, General Public Utilities Corporation, 100 Interpace Parkway, Parsippany, NJ 07054, an electric utility holding company; a director of General Public Utilities Corporation and Subsidiaries, Marine Midland Banks, Inc., Home Life Insurance Company of New York.	61	1975	1987
Donald S. Leslie, Jr. President of the Company, 1540 East Lake Road, Erie, PA 16533; a director of American Sterilizer Company, The First National Bank of Pennsylvania, Lord Corporation.	58	1962	1987
W. Craig McClelland (1) Executive Vice President of the Company, 1540 East Lake Road, Erie, PA 16533.	49	1983	1987

(1) W. Craig McClelland was elected to the Board August 9, 1983 by action of the Board pursuant to Section 402 of the Business Corporation Law of Pennsylvania.

The terms as Directors of the following seven persons will continue after the annual meeting and will expire in 1985 and 1986. Information regarding these Directors is set forth below.

Name and Principal Occupation	Age	Director Since	Term to Expire in
Henry Curtis Chairman of the Executive Committee 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.	65	1974	1986
Albert F. Duval Chairman and Chief Executive Officer of the Company, 1540 East Lake Road, Erie, PA 16533; a director of Milton Bradley Company, National Fuel Gas Company, Pennbancorp, Security Bank.	63	1962	1986
Thomas C. Graham Vice Chairman and Chief Operating Officer, U. S. Steel Corporation, 600 Grant Street, Pittsburgh, PA 15230, a diversified manufacturing and energy producing company; a director of United States Steel Corporation, Mellon National Corporation, Mellon Bank N.A. Until May 1983, Mr. Graham was President and Chief Executive Officer, Jones & Laughlin Steel Corporation and a Group Vice President and Director of LTV Corporation.	57	1982	1986
Fred Herbolzheimer, Jr. Senior Vice President of the Company and President of Thilmay Pulp & Paper Company; P. O. Box 600, Kaukauna, Wisconsin 54130, a division of the Company; a director of Firstar Corporation, George Banta Company, Inc.	62	1974	1985
Louis H. Roddis, Jr. Consulting Engineer, 46A State Street, Charleston, SC 29401; a director of Gould, Inc. and Gould Government Systems, Inc., Research-Cottrell, Inc., The Detroit Edison Company.	65	1964	1985
C. Dick Spangler, Jr. President, C.D. Spangler Construction Company, 1110 East Morehead Street, Charlotte, NC 28236-6007, an industrial rental construction company; a director of Aeronca, Inc., NCNB Corporation.	51	1982	1986

Name and Principal Occupation	Age	Director Since	Term to Expire in
Charles M. Williams George Gund Professor of Commercial Banking, Graduate School of Business Administration, Harvard University, Cambridge, Mass. 02138; a director of Sonat Inc., U. S. Leasing International, Inc., Keystone Custodian Funds Inc., Merrill Lynch Institutional Fund, Merrill Lynch Government Fund Inc., Fort Dearborn Income Securities Inc.	66	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. Kuhns, Graham, Spangler and Williams. The Audit Committee met 2 times during 1983. 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. Kubale, Roddis and Curtis. The Compensation Committee met 3 times during 1983. 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 3 times during 1983. The Nominating Committee recommends candidates for election as directors to the Board. The members of the Committee, which met twice during the year, are Messrs. Kubale, Roddis and Curtis. 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.

Five meetings of the full Board of Directors were held during 1983. Each Director attended all meetings of the Board, which he was eligible to attend, except Messrs. Graham and Kuhns each of whom missed one meeting.

Directors who are not employed by the Company are paid an annual retainer of \$13,000 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.

EXECUTIVE COMPENSATION

There is shown below, for the fiscal year ended January 1, 1984, information concerning cash compensation for services in all capacities to the Company of (i) each of the five most highly compensated executive officers of the Company and (ii) all persons, as a group, while acting as executive officers.

(A) Name of Individual Number in Group	(B) Capacities in Which Served	(C) Cash Compensation (1)
Albert F. Duval	Chairman and Chief Executive Officer since May 10, 1983 and President and Chief Executive Officer prior thereto	\$ 356,818
Fred Herbolzheimer, Jr.	Senior Vice President of the Company and President of Thilmany Pulp & Paper Company, a division of the Company	174,426
Donald S. Leslie, Jr.	President since May 10, 1983 and Executive Vice President prior thereto	239,881
W. Craig McClelland	Executive Vice President since May 10, 1983 and Senior Vice President prior thereto	170,293
Peter G. Volanakis	Senior Vice President of the Company and President of Hammermill Papers Group, a division of the Company	219,440
All executive officers acting as a group (13 persons) including those named above.		\$2,121,598

(1) Amounts included consist of (a) salary payments for the 1983 fiscal year; and (b) amounts awarded under the Executive Performance Plan which are attributable to the 1983 fiscal year although paid following the close of the year.

Each of Messrs. Duval, Herbolzheimer, Leslie, McClelland 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 with Messrs. Duval, Herbolzheimer, Leslie and Volanakis in 1976 and with Mr. McClelland in 1982. 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.

Employee Stock Ownership Plan

The Company maintains an employee stock ownership plan for all eligible salaried employees of the Company designed as a PAYSOP and qualified under the Internal Revenue Code. As of December 31, 1983, 2,994 employees were participating in the Plan. The Company's contribution to the Plan is determined by the tax credit allowed under the Internal Revenue Code, which is equal to .5% of salaried payroll in 1983 and 1984, increasing to .75% of salaried payroll in 1985 through 1987. The Company contribution is allocated among participants in proportion to their salaries not in excess of \$100,000. All Company contributions are invested in Hammermill Common Stock and all dividends are reinvested in such stock. Distribution of a participant's account in the Plan is only made upon his retirement, termination or death. During the last year the Company's contribution was \$1,090 each on account of participation by Messrs. Duval, Herbolzheimer, Leslie, McClelland and Volanakis and \$888,379 on account of participation by all participating employees, including \$12,757 on account of participation by the 13 executive officers as a group.

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 16% 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. A participant may not withdraw any portion of his interest in Company contributions held in the Plan prior to his retirement, termination or death. During the last year the Company's contribution was as follows: \$11,250, \$5,814, \$7,631, \$5,456 and \$5,700 on account of participation by Messrs. Duval, Herbolzheimer, Leslie, McClelland and Volanakis, respectively, and \$3,602,241 on account of participation by all 3,956 participating employees, including \$66,977 on account of participation by the 13 executive officers as a group.

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, 1983, 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. Benefits under the Plan will be further limited to the extent required by the Internal Revenue Code of 1954, as amended, with any excess benefits over such limitation being paid pursuant to the Company's unfunded Pension Restoration Plan. Remuneration includes base salary, commissions and bonuses. The present years of service of Messrs. Duval, Herbolzheimer, Leslie, McClelland and Volanakis under the Plan are 23, 26, 27, 18, and 37, respectively.

Average Annual Remuneration For Last Five Years	Years of Service			
	10	20	30	40
\$ 50,000	\$ 6,223	\$ 12,446	\$ 18,669	\$ 25,743
100,000	13,723	27,446	41,169	55,743
200,000	28,723	57,446	86,169	115,743
300,000	43,723	87,446	131,169	175,743
400,000	58,723	117,446	176,169	235,743

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 50% and are paid after the end of the plan year. Awards given attributable to 1983 are included under "Cash Compensation" of Executive Compensation at page 6.

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 and as nonstatutory 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 number of shares available for grant under the Plan at January 1, 1984 was 137,900.

During the last fiscal year, January 3, 1983 to January 1, 1984, options to purchase shares of common stock were granted under the Plan (at the indicated average-per-share exercise prices) as follows: 47,500 (\$39.25) to all current executive officers as a group of 13 persons, including 10,000 (\$39.25), 3,000 (\$39.25), 5,000 (\$39.25), 4,000 (\$39.25) and 6,000 (\$39.25) to Messrs. Duval, Herbolzheimer, Leslie, McClelland and Volanakis, respectively. SARs were granted in conjunction with all of the above option grants. Additionally, during this period options covering 84,000 shares of common stock were granted to other participating employees at an average-per-share exercise price of \$39.25 including 17,500 option shares with SARs. The net value realized in shares (market value less exercise price) or cash during the same period through the exercise of options or SARs were as follows: \$916,341 for all current executive officers as a group, including \$240,800, \$78,584, \$171,578, \$134,915 and \$75,596 for Messrs. Duval, Herbolzheimer, Leslie, McClelland and Volanakis respectively.

SECURITY OWNERSHIP

On March 20, 1984 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	17,428	10,000	Nil
Thomas C. Graham	521	-0-	Nil
Fred Herbolzheimer, Jr.	16,019	10,815	Nil
Bernard S. Kubale	100	-0-	Nil
William G. Kuhns	1,063	-0-	Nil
Donald S. Leslie, Jr.	24,338	16,015	Nil
W. Craig McClelland	6,787	8,234	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 (21 persons)	125,413	121,824	2.76

- (1) Includes shares allocated to the accounts of persons named above under the Company's Thrift Plan and Stock Ownership Plan ("PAYSOP"). Under the Thrift Plan and under the PAYSOP, 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, 1983, of which Messrs. Duval, Leslie, McClelland and three 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 20, 1984.

On December 31, 1983 a total of 996,011 shares of Hammermill Common Stock or 11.2% of the shares then outstanding were held in the Company's Employee Stock Ownership Plan (PAYSOP), its Employee Savings Plan (Thrift Plan) and the Hammermill Pooled Pension Trust for its defined benefit pension plans (Pension Trust); 226,995 of such shares in the PAYSOP; 422,838 in the Thrift Plan and 346,178 in the Pension Trust. Under the terms of the PAYSOP 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 1985 Annual Meeting

Shareholder proposals for the 1985 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 December 2, 1984 for inclusion in the 1985 proxy statement and form of proxy.

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

Erie, Pennsylvania
April 2, 1984