

KAPSTONE PAPER & PACKAGING CORP
Form DEF 14A
April 27, 2018

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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

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount Previously Paid:

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April 27, 2018

Dear Stockholder:

This year's Annual Meeting of Stockholders will be held on Thursday, June 14, 2018 at 11:00 a.m., Central Daylight Time, at 1033 Skokie Boulevard, Suite 150, 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.

On January 28, 2018, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with WestRock Company ("WestRock"), Whiskey Holdco, Inc. ("Holdco"), Kola Merger Sub, Inc. and Whiskey Merger Sub, Inc. Pursuant to the Merger Agreement, and subject to the terms and conditions thereof, WestRock will acquire all of the outstanding shares of the Company through a transaction in which WestRock and the Company will both become wholly owned subsidiaries of Holdco. Subject to the terms and conditions set forth in the Merger Agreement, the Company's stockholders will receive, at the election of the stockholder, cash or shares of common stock of Holdco. Completion of the transaction remains subject to certain closing conditions. The business to be conducted at the Annual Meeting of Stockholders does not relate to the transactions contemplated by the Merger Agreement.

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 the Company's stockholders are important.

A copy of the Company's 2017 Annual Report is also enclosed.

I look forward to seeing you at the Annual Meeting.

Very truly yours,

Roger W. Stone

Chairman of the Board

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PROXY SUMMARY

This summary contains highlights about KapStone Paper and Packaging Corporation (the "Company") and the upcoming 2018 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

- 12 directors; 10 are independent
- All members of our Audit Committee, Compensation Committee and Nominating and Governance Committee (each a "Committee") 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
- Majority of votes cast standard for uncontested director elections

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
- Eligibility to receive annual performance-based cash awards
- Long-term incentive compensation in the form of stock options and restricted stock units

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In 2017, 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
- Capped performance-based cash awards
- Clawback provisions on performance-based cash awards and long-term incentive awards
- Benchmarking
- Stock ownership requirements

VOTING MATTERS

Agenda Items	Board Vote Recommendation	Page Reference
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 2018	FOR	43
3. Advisory vote to approve the Company's Named Executive Officer compensation	FOR	44
Election of Directors (Proposal 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 6 of this Proxy Statement.

Name	Director Since	Business Experience	Independent
Jonathan R. Furer	2005	Co-Founder and Managing Member of Arcade Partners LLC	Yes
Matthew H. Paull	2010	Former Executive Vice President and CFO of McDonald's Corporation	Yes
Maurice S. Reznik	2014	President of Delta Galil USA	Yes
Roger W. Stone	2005	Executive Chairman of KapStone Paper and Packaging Corporation	No

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Vote to Ratify Appointment of Independent Registered Public Accounting Firm (Proposal 2)

We are asking stockholders to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2018. We paid Ernst & Young LLP a total of \$4,991,124 in fees in 2017. 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 3)

We are asking stockholders to cast an advisory, non-binding 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 22 of this Proxy Statement.

MEETING INFORMATION

Date and Time:	June 14, 2018, 11:00 a.m. Central Daylight Time
Place:	1033 Skokie Boulevard, Suite 150, Northbrook, Illinois 60062
Record Date:	May 11, 2018
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 JUNE 14, 2018**

To the Stockholders:

The Annual Meeting of Stockholders of KapStone Paper and Packaging Corporation ("KapStone" or the "Company") will be held on Thursday, June 14, 2018, at 11:00 a.m., Central Daylight Time, at 1033 Skokie Boulevard, Suite 150, Northbrook, Illinois 60062, for the following purposes:

1. To vote upon the election of the four Class C 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 C directors at the meeting: Jonathan R. Furer, Matthew H. Paull, Maurice S. Reznik and Roger W. Stone.
2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2018.
3. To hold an advisory, non-binding vote to approve the Company's Named Executive Officer compensation.
4. 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 May 11, 2018 are entitled to notice of, and to vote at, the Annual Meeting of Stockholders and any adjournments or postponements thereof. For ten (10) days prior to the Annual Meeting of Stockholders, a complete list of the stockholders of record on May 11, 2018 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 AND 3.

By Order of the Board of Directors,

Roger W. Stone
Chairman of the Board

Northbrook, Illinois
April 27, 2018

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 June 14, 2018

The Company's Proxy Statement for the 2018 Annual Meeting of Stockholders and the Annual Report to Stockholders on Form 10-K for the year ended December 31, 2017, 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 Thursday, June 14, 2018, 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 150, Northbrook, Illinois. This Proxy Statement was filed with the Securities and Exchange Commission (the "SEC") and the Company expects that it will first be sent or given to stockholders on or about May 11, 2018.

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 2018;

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 ("Say-on-Pay"); 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 2018; and

FOR the approval of the non-binding Say-on-Pay resolution.

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 May 11, 2018 (the "Record Date") will be entitled to vote. As of the close of business on April 24, 2018, there were 97,789,765 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, sign and return 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 2018 and FOR the approval of the Say-on-Pay resolution.

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 or the Say-on-Pay resolution.

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 Amended and Restated Bylaws ("Bylaws"), each director shall be elected by the affirmative vote of a majority of the votes cast with respect to that director's election, unless the number of nominees exceeds the number of directors to be elected, in which case the directors shall be elected by the vote of a plurality of the shares of Common Stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter. To receive a majority of the votes cast in an election of a director, the number of votes "for" the election of that director must exceed the number of votes cast "against" that director's election (with "abstentions" and "broker non-votes" not counted as a vote either "for" or "against" that director's election). According to the Company's Corporate Governance Guidelines, in an uncontested election, if a director nominee fails to receive the required vote for his or her re-election, the Board expects such director nominee to promptly 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 present in person or represented by proxy at the meeting and entitled to vote on the subject matter is required for the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2018. Broker non-votes will have no effect on the proposal and abstentions will have the same effect as a vote "against" the proposal. The Company does not expect to have any broker non-votes with respect to Proposal Two.

For Proposal Three: The affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter is required for approval of the Say-on-Pay resolution. 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 Named Executive Officer compensation. Broker non-votes will have no effect on the proposal and abstentions will have the same effect as a vote "against" the proposal.

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 has not engaged a third-party proxy solicitor with respect to the proposals to be voted upon at the Annual Meeting and does not expect to engage a third-party proxy solicitor; however, the Company reserves the right to determine at a later date to engage a third-party proxy solicitor. 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.

Is my vote confidential?

We have a policy of voting confidentiality. Your vote will not be disclosed to the Board or our management, except as may be required by law and in other limited circumstances.

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.

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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 April 24, 2018. 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 April 24, 2018 was 97,789,765.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock(1)	Options and RSUs C
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