



CLEARWATER PAPER CORPORATION

ANNUAL MEETING OF STOCKHOLDERS

May 13, 2019

NOTICE OF ANNUAL MEETING

AND

PROXY STATEMENT

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Date:

Monday, May 13, 2019

Time:

9:00 a.m. Pacific

Place:

Grand Hyatt, 721 Pine Street, Seattle, Washington 98101

Record Date:

March 18, 2019

YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend the Annual Meeting of Stockholders, we urge you to vote and submit your proxy in order to ensure the presence of a quorum. Each attendee must present the proper form of documentation (as described in the section "Annual Meeting Information") to be admitted.

You may vote your shares in one of four ways:**MAIL**

Return the proxy card by mail in the postage paid envelope

INTERNET

go to
www.proxyvote.com

TELEPHONE

call the toll free number
1-800-690-6903

IN PERSON

Attend the annual meeting with your ID.

Meeting Agenda / Proposals

We are holding this meeting to:

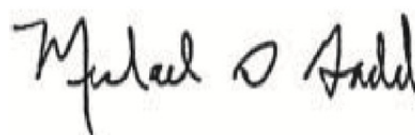
- elect two directors to the Clearwater Paper Corporation Board of Directors;
- ratify the appointment of our independent registered public accounting firm for 2019;
- hold an advisory vote to approve the compensation of our named executive officers; and
- transact any other business that properly comes before the meeting.

Financial and other information concerning Clearwater Paper is contained in our Annual Report to Stockholders for the fiscal year ended December 31, 2018. This proxy statement and our 2018 Annual Report to Stockholders are available on our website at www.clearwaterpaper.com by selecting "Investor Relations" and then "Financial Information & SEC Filings." Additionally, and in accordance with SEC rules, you may access our proxy materials at www.proxyvote.com which does not have "cookies" that identify visitors to the site.

Notice Regarding the Availability of Proxy Materials

On or about April 2, 2019 we mailed a Notice of Internet Availability of Proxy Materials (the "Notice") to most of our stockholders containing instructions on how to access our 2019 Proxy Statement and 2018 Annual Report to Stockholders. Some of our stockholders, including stockholders that hold shares in one of our Clearwater Paper 401(k) Savings Plans, were not mailed the Notice and instead were mailed paper copies of our 2019 Proxy Statement and 2018 Annual Report on or about April 2, 2019.

By Order of the Board of Directors,



MICHAEL S. GADD
Senior Vice President, General Counsel
and Corporate Secretary

PROXY STATEMENT SUMMARY

This summary highlights important information you will find elsewhere in this Proxy Statement. It is only a summary and you should review the entire Proxy Statement before you vote.

Meeting Information

<i>Date and Time</i>	<i>Location</i>	<i>Record Date</i>	<i>Mailing Date</i>
Monday, May 13, 2019 9:00 a.m. Pacific	Grand Hyatt, 721 Pine Street, Seattle, Washington 98101	March 18, 2019	On or about April 2, 2019

Meeting Agenda / Proposals

<i>Proposal</i>	<i>Board of Directors’ Recommendation</i>
1. Elect two directors to the Clearwater Paper Corporation Board of Directors	FOR each nominee
2. Ratify the appointment of our independent registered public accounting firm for 2019	FOR
3. Hold an advisory vote to approve the compensation of our named executive officers	FOR
4. Transact any other business that properly comes before the meeting	

Information regarding our executive compensation program can be found under the “Executive Compensation Discussion and Analysis” section found later in this proxy.

Director Nominees

This table provides a summary of some of the information regarding our two director nominees. For more information regarding these nominees and our other directors see the “Board of Directors” section later in this Proxy Statement.

<i>Name</i>	<i>Age</i>	<i>Director Since</i>	<i>Current Principal Occupation</i>	<i>Independent</i>	<i>Current Committee Memberships</i>			<i>Other Public Boards</i>
					<i>Audit</i>	<i>Compensation</i>	<i>Nominating and Corporate Governance</i>	
Kevin J. Hunt	67	2013	Director of Energizer Holdings, Inc	Yes	•	•		1
William D. Larsson	73	2008	Director of Schnitzer Steel Industries, Inc.	Yes	•		•	1

Corporate Governance Highlights

Independence

- The Board currently has 5 members, 4 of whom are independent.
- There are three standing committees made up entirely of independent directors.
- Independent directors regularly meet without management present.

Board Practices

- The Board and its standing committees perform self-evaluations on an annual basis.
- Each standing committee operates under a committee charter.
- The Board oversees risk management practices.
- The Board regularly receives information concerning, and provides input on, succession planning.
- The Board has adopted an insider trading policy, a related person policy, corporate governance guidelines, a code of business conduct and ethics, and a code of ethics for senior financial officers.
- The Board and its committees met 31 times in 2018.

Leadership Structure

- The Chair of the Board and the CEO are separate.

Majority Vote

- There is majority voting in uncontested director elections.

Stock Ownership Requirements

- We have a comprehensive insider trading policy that covers directors and officers.
- We have an anti-hedging and anti-pledging policy for our stock.
- Directors and executive officers all are required to satisfy minimum stock ownership requirements.

TABLE OF CONTENTS

Proxy Statement Summary	(ii)
2018 Business Highlights	1
2018 Sustainability and Safety Success	2
INTERNET AVAILABILITY OF ANNUAL MEETING MATERIALS	3
ANNUAL MEETING INFORMATION	3
CORPORATE GOVERNANCE	8
Corporate Governance Guidelines; Code of Business Conduct and Ethics	8
Director Independence	8
Board Meetings	8
Communications with Directors	9
Nominees for Director	9
Committees of the Board	10
Board Leadership Structure	10
Board Role in Risk Oversight	11
Committee Membership	12
Compensation Committee Interlocks and Insider Participation	13
Transactions with Related Persons	14
BOARD OF DIRECTORS	15
Nominees for Election at this Meeting for a Term Expiring in 2022 (Class II)	15
Directors Continuing in Office until 2020 (Class III)	16
Directors Continuing in Office until 2021 (Class I)	16
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	18
COMPENSATION COMMITTEE REPORT	21
EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS	22
2018 Executive Summary	25
2016-2018 Compensation Outcomes	26
2018 Executive Compensation Program	28
Annual Incentives	31
2018 Long-Term Incentives	33
Other Compensation Matters	39
EXECUTIVE COMPENSATION TABLES	42
2018 Compensation	42
Post-Employment Compensation	46
Potential Payments Upon Termination or Change of Control	48
COMPENSATION OF DIRECTORS	54
AUDIT COMMITTEE REPORT	57
Fees Paid to Independent Registered Public Accounting Firm	57
GENERAL INFORMATION	58
PROPOSAL 1—ELECTION OF DIRECTORS	59
PROPOSAL 2—RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2019	59
PROPOSAL 3—ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION	60

2018 BUSINESS HIGHLIGHTS

Strategic Priorities (Goals)	2018 Accomplishments
Enhance our leading position in at-home private label tissue	• Shelby, NC mill expansion: ◦ Completed installation of and began production on two converting lines and warehousing; and ◦ Continued construction of our new paper machine • Planned re-launch for ultra-quality tissue, including quality improvement, cost reduction & product transition
Protect our strong SBS paperboard business	• Produced record paperboard shipments • Implemented price increases to address rising input costs • Secured supply agreements with existing and new customers
Aggressively reduce our cost structure through robust decision making & processes	• Reduced freight, external warehousing & labor costs • Implemented SG&A reductions to drive efficiencies & reduce costs • Sold tissue mill in Ladysmith, Wisconsin to focus on producing premium & ultra-quality tissue for retail market • Implemented Microsoft O365, companywide, to provide enhanced IT security & user experience • Continued focus on achieving full benefits of continuous pulp digester at Lewiston, Idaho site
Maintain a prudent capital structure, achieve financial model & provide stockholders with attractive returns	• Aggressively managed business to mitigate balance sheet risk & reduce other discretionary capital expenditures • Proactively restructured bank credit agreements to provide greater operating flexibility

2018 SUSTAINABILITY AND SAFETY SUCCESS

Sustainability Goals	Accomplishments
Targeted improvements in three key areas—water use, waste and energy use 	 Decreased water consumption: From our baseline, through 2018, we have achieved a 12% reduction in our water consumption  Reduced waste-to-landfill: To date decrease of 74% against long-term goal  Decreased energy consumption: To date decrease of 8% against long-term goal
Recognized with two sustainability awards in 2018 	<u>2018 Leadership in Sustainability Award for Energy Efficiency/Greenhouse Gas (GHG) Reduction</u> - Presented by the American Forest & Paper Association - Awarded for our Lewiston, Idaho pulp optimization project - Project saved more than 100,000 pounds per hour of steam compared to the previous process - Estimated reduction of 150,000 tons of GHG emissions per year (equivalent to removing approximately 30,000 passenger vehicles from the road) <u>2018 Diamond Award for Excellence in Environmental Leadership</u> - Presented by the Arkansas Environmental Federation - Awarded for our Cypress Bend, Arkansas lime mud and fiber reduction project - Project resulted in 27,500 tons per year reduction in landfill waste
Safety Achievements 	- Company-wide lost time injury rate (time away from work due to workplace injuries) lower than industry average - Implemented targeted leadership audits to deepen engagement in our safety process

CLEARWATER PAPER CORPORATION
PROXY STATEMENT
for the
2019 ANNUAL MEETING OF STOCKHOLDERS

This proxy statement is being furnished to stockholders of Clearwater Paper Corporation in connection with the solicitation of proxies by our Board of Directors for use at our 2019 Annual Meeting of Stockholders, which is described below. References to “Clearwater Paper,” “the company,” “we,” “us” or “our” throughout this proxy statement mean Clearwater Paper Corporation.

INTERNET AVAILABILITY OF ANNUAL MEETING MATERIALS

Under Securities and Exchange Commission (“SEC”) rules, we have elected to make our proxy materials available to most of our stockholders over the Internet, rather than mailing paper copies of those materials to each stockholder. On or about April 2, 2019, we mailed to most of our stockholders a Notice of Internet Availability of Proxy Materials (the “Notice”) directing stockholders to a website where they can access our 2019 Proxy Statement and 2018 Annual Report and view instructions on how to vote via the Internet or by phone. If you received the Notice and would like to receive a paper copy of the proxy materials, please follow the instructions printed on the Notice to request that a paper copy be mailed. Some of our stockholders were not mailed the Notice and were instead delivered paper copies of the documents accessible on the Internet.

ANNUAL MEETING INFORMATION

Date, Time and Place of the Meeting

The 2019 Annual Meeting of Stockholders will be held on Monday, May 13, 2019, at 9:00 a.m., local time, at the Grand Hyatt, 721 Pine Street, Seattle, Washington 98101.

Purpose of the Meeting

The purpose of the meeting is to:

- elect two directors to our Board;
- ratify the appointment of our independent registered public accounting firm for 2019;
- hold an advisory vote to approve the compensation of our named executive officers; and
- transact any other business that properly comes before the meeting.

Recommendation of the Board of Directors

Our Board unanimously recommends that you vote **FOR** each director nominee, **FOR** the ratification of the appointment of our independent registered public accounting firm for 2019, and **FOR** approval of the compensation of our named executive officers.

Who May Vote

Stockholders who owned common stock at the close of business on March 18, 2019, the record date for the Annual Meeting, may vote at the meeting. For each share of common stock held, stockholders are

entitled to one vote for as many separate nominees as there are directors to be elected and one vote on any other matter presented.

Proxy Solicitation

Certain of our directors, officers and employees and our proxy solicitor, D.F. King & Co. may solicit proxies on our behalf by mail, phone, fax, e-mail, or in person. We will bear the cost of the solicitation of proxies, including D.F. King's fee of \$6,000 plus out-of-pocket expenses, and we will reimburse banks, brokers, custodians, nominees and fiduciaries for their reasonable charges and expenses to forward our proxy materials to the beneficial owners of Clearwater Paper common stock. No additional compensation will be paid to our directors, officers or employees who may be involved in the solicitation of proxies.

Tabulation of Votes—Inspector of Election

Broadridge Financial Solutions, Inc., or Broadridge, will act as the inspector of election at the Annual Meeting and we will reimburse reasonable charges and expenses related to the tabulation of votes.

Voting

You may vote your shares in one of several ways, depending upon how you own your shares.

Shares registered directly in your name with Clearwater Paper (through our transfer agent, Computershare):

- **Via Internet:** Go to www.proxyvote.com and follow the instructions. You will need to enter the Control Number printed on the Notice you received or if you received printed proxy materials, by following the instructions provided with your proxy materials and on your proxy card or voting instruction card.
- **By Telephone:** Call toll-free 1-800-690-6903 and follow the instructions. You will need to enter the Control Number printed on the Notice you received or if you received printed proxy materials, by following the instructions provided with your proxy materials and on your proxy card or voting instruction card.
- **In Writing:** If you received printed proxy materials in the mail and wish to vote by mail, complete, sign, and date your proxy card, and return it in the postage paid envelope that was provided to you, return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY, 11717, or provide it or a ballot distributed at the Annual Meeting directly to the Inspector of Election at the Annual Meeting when instructed.

Shares held in a Clearwater Paper 401(k) Savings Plan (through Fidelity Management Trust Company):

- **Via Internet:** If you are a participant in the Clearwater Paper Represented 401(k) Plan or the Clearwater Paper 401(k) Plan (which we refer to as the "401(k) Savings Plans"), go to www.proxyvote.com and follow the instructions. You will need to enter the Control Number printed on the voting instruction form you received.
- **By Telephone:** Call toll free 1-800-690-6903 and follow the instructions. You will need to enter the Control Number printed on the voting instruction form you received.
- **In Writing:** Complete, sign, and date the proxy card that was mailed to you and return it in the envelope that was provided to you or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY, 11717.

IMPORTANT NOTE TO 401(K) SAVING PLANS PARTICIPANTS: Broadridge, our proxy agent, must receive your voting instructions by 11:59 p.m., Eastern Daylight Time, on May 8, 2019, in order to tabulate the voting instructions of 401(k) Savings Plans participants who have voted and communicate those instructions to the 401(k) Savings Plans trustee, who will ultimately vote your shares.

If the 401(k) Savings Plan trustee does not timely receive voting directions from a 401(k) Savings Plans participant or beneficiary, the participant or beneficiary shall be deemed to have directed the 401(k) Savings Plan trustee to vote his or her company stock account in accordance with the pro rata percentage of voting directions received for the allocated stock. Conversely, if voting directions are timely received, they will proportionally control how unallocated or undirected company stocks are voted.

Shares held in “street” or “nominee” name (through a bank, broker or other nominee):

- You may receive a Notice of Internet Availability of Proxy Materials or a separate voting instruction form from your bank, broker or other nominee holding your shares. You should follow the instructions in the Notice or voting instructions provided by your broker or nominee in order to instruct your broker or other nominee on how to vote your shares. The availability of telephone or Internet voting will depend on the voting process of the broker or nominee. To vote in person at the Annual Meeting, you must obtain a proxy, executed in your favor, from the holder of record.
- If you are the beneficial owner of shares held in “street name” by a broker, then the broker, as the holder of record of the shares, must vote those shares in accordance with your instructions. If you do not give instructions to the broker, then your broker can vote your shares for “discretionary” items but cannot vote your shares for “non-discretionary” items.

If you vote via the Internet, by telephone or return a proxy card by mail, but do not select a voting preference, the persons who are authorized on the proxy card, voting instruction forms and through the Internet and telephone voting facilities to vote your shares will vote **FOR** each director nominee, **FOR** the ratification of the appointment of our independent registered public accounting firm for 2019 and **FOR** advisory approval of the vote on the compensation of our named executive officers. If you have any questions or need assistance in voting your shares, please contact D.F. King & Co. toll-free at 1-800-578-5378 or Robin Yim, Vice President, Investor Relations at 1-509-344-5906.

Revoking your Proxy

If you are a stockholder of record, you may revoke your proxy at any time before the Annual Meeting by giving our Corporate Secretary written notice of your revocation by mailing to Clearwater Paper Corporation, Corporate Secretary, 601 West Riverside Avenue, Suite 1100, Spokane WA, 99201 and by submitting a later-dated proxy, or you may revoke your proxy at the Annual Meeting by voting by ballot. Attendance at the meeting, by itself, will not revoke a proxy. If shares are registered in your name, you may revoke your proxy by telephone by calling 1-800-690-6903 and following the instructions or via the Internet by going to www.proxyvote.com and following the instructions.

If your shares are held in one of the 401(k) Savings Plans (through Fidelity Management Trust Company), you may revoke your proxy by telephone by calling 1-800-690-6903 and following the instructions or via the Internet by going to www.proxyvote.com and following the instructions. Broadridge, our proxy agent, must receive your revocation by 11:59 p.m., Eastern Daylight Time, on May 8, 2019, in order for the revocation to be communicated to the 401(k) Savings Plans trustee.

If you are a stockholder in “street” or “nominee” name, you may revoke your voting instructions by informing the bank, broker or other nominee in accordance with that entity’s procedures for revoking your voting instructions.

Quorum

On March 18, 2019, the record date, we had 16,515,156 shares of common stock outstanding. Voting can take place at the Annual Meeting only if stockholders owning a majority of the total number of shares issued and outstanding and entitled to vote on the record date are present either in person or by proxy.

Abstentions and broker non-votes will both be treated as present for purposes of determining the existence of a quorum.

Votes Needed

The affirmative vote of a majority of the common stock present in person or by proxy at the Annual Meeting and entitled to vote is required to elect each of the nominees for director listed in Proposal 1 and to ratify the appointment of our independent registered public accounting firm as set forth in Proposal 2.

The votes presented in Proposal 3 is an advisory vote and therefore are not binding on the company, our Compensation Committee or our Board of Directors. We, however, value the opinions of our stockholders. The Compensation Committee will, as it did with respect to previous stockholder advisory votes regarding named executive officer compensation, take into account the result of the advisory vote when determining future executive compensation.

The inspector of election will tabulate affirmative and negative votes, abstentions and broker non-votes. For Proposals 1 and 2 withheld votes and abstentions will have the same effect as negative votes. Broker non-votes will not be counted in determining the number of shares entitled to vote.

Majority Vote Standard in Uncontested Director Elections

We have adopted majority voting procedures for the election of directors in uncontested elections. In an uncontested election, each nominee is elected by the vote of a majority of the voting power of the capital stock issued and outstanding, present in person or by proxy and entitled to vote for the election of directors. As provided in our bylaws, an “uncontested election” is one in which the number of nominees equals the number of directors to be elected in such election.

In accordance with our bylaws, our Board of Directors may nominate or elect as a director only persons who agree to tender, promptly following his or her election or re-election to the Board, an irrevocable resignation that will be effective upon (i) the failure of the candidate to receive the required vote at the next annual meeting at which he or she faces re-election and (ii) the acceptance by the Board of such resignation.

If an incumbent director fails to receive the required vote for re-election in an uncontested election, the Nominating and Governance Committee determines whether such director’s resignation should be accepted and makes a recommendation to the Board, which makes the final determination whether to accept the resignation. The Board must publicly disclose its decision within 90 days from the date of certification of the election results. If a director’s resignation is accepted by the Board, then the Board may fill the resulting vacancy or may decrease the size of the Board.

Annual Meeting Attendance

We cordially invite and encourage all of our stockholders to attend the meeting. Persons who are not stockholders may attend only if invited by us. You should be prepared to present photo identification for admittance.

- If you are a stockholder of record, you must bring a copy of the Notice or proxy card in order to be admitted to the meeting.
- If you hold your shares through one of the 401(k) Savings Plans, you must bring your proxy card in order to be admitted to the meeting.
- If you own shares in “street” or “nominee” name, you must bring proof of beneficial ownership (e.g., a current broker’s statement) in order to be admitted to the meeting.

If you do not provide photo identification and comply with the other procedures outlined above, you may not be admitted to the Annual Meeting.

Other Matters Presented at Annual Meeting

We do not expect any matters, other than those included in this proxy statement, to be presented at the 2019 Annual Meeting. If other matters are presented, the individuals named as proxies will have discretionary authority to vote your shares on such matters.

CORPORATE GOVERNANCE

Corporate Governance Guidelines; Code of Business Conduct and Ethics

We have established a corporate governance program to help guide our company and our employees, officers and directors in carrying out their responsibilities and duties as well as to set standards for their professional conduct. Our Board has adopted Corporate Governance Guidelines, or Governance Guidelines, which provide standards and practices of corporate governance that we have designed to help contribute to our success and to assure public confidence in our company. The company's Governance Guidelines may be found on the company's website at www.clearwaterpaper.com under "Investor Relations," then "Corporate Governance." In addition, all standing committees of the Board operate under charters that describe the responsibilities and practices of each committee.

We have adopted a Code of Business Conduct and Ethics, or Ethics Code, which provides ethical standards and corporate policies that apply to all of our directors, officers and employees. Our Ethics Code requires, among other things, that our directors, officers and employees act with integrity and the highest ethical standards, comply with laws and other legal requirements, engage in fair competition, avoid conflicts of interest, and otherwise act in our best interests. We have also adopted a Code of Ethics for Senior Financial Officers that applies to senior management and provides for accurate, full, fair and timely financial reporting and the reporting of information related to significant deficiencies in internal controls, fraud and legal compliance.

We have established procedures for confidentially and anonymously reporting concerns and potential violations regarding accounting, internal controls and auditing matters, as well as concerns regarding, or potential violations of, our ethics codes and other matters.

Director Independence

The role of our Board is to oversee and provide policy guidance on our business and affairs. The Board believes that it will best serve our stockholders if the majority of its members are independent. As of March 18, 2019, our Board had five members, four of whom are outside (non-employee) directors. The Chair of our Board, Alexander Toeldte, is an outside director. With the exception of Linda K. Massman, who serves as our current President and Chief Executive Officer, the Board has determined that none of our directors or their immediate family members have a material relationship with the company (either directly or as a partner, stockholder or officer of an organization that has a relationship with us), and none of our directors or their immediate family members are employees of our independent registered public accounting firm, KPMG LLP. All of our outside directors are independent within the meaning of the New York Stock Exchange, or NYSE, listing standards and our Director Independence Policy.

Our Board meets regularly in executive session without members of management present and as the Board or its individual members deem necessary. Mr. Toeldte, as the Chair, presides over these sessions. Each standing committee of the Board also meets in executive session regularly and as the committee or its individual members deem necessary. Our directors are also invited to attend the meetings of committees of which they are not members, and regularly do so.

Board Meetings

Our Board and its committees met a total of 31 times in 2018. All directors attended all meetings of the Board and all meetings of Board committees for which they were a committee member during 2018, except for one committee meeting missed by a single member of that committee and three Board meetings missed by a director for medical reasons. The Board does not have a policy requiring director attendance at annual meetings of our stockholders. However, all of our directors attended our 2018 annual stockholders meeting and we anticipate that all will attend our 2019 annual stockholders meeting.

Communications with Directors

Stockholders and interested parties may contact our directors to provide comments, to report concerns, or to ask a question, by mail at the following address:

Corporate Secretary
Clearwater Paper Corporation
601 West Riverside Ave., Suite 1100
Spokane, Washington 99201

Stockholders and interested parties may also communicate with our directors as a group by using the form on our website at www.clearwaterpaper.com, by selecting “Investor Relations,” then “Corporate Governance” and “Contact the Board.” All communications received will be processed by our Corporate Secretary. We forward all communications, other than those that are unrelated to the duties and responsibilities of the Board, to the intended director(s).

Our Audit Committee has established procedures to address concerns and reports of potential irregularities or violations regarding accounting, internal controls and auditing matters. Employees may make such reports on a confidential and anonymous basis. All such reports are directed through an independent, third-party hotline provider and are routed directly to the Chair of the Audit Committee. The procedures and hotline number are available by going to our public website at www.clearwaterpaper.com, and selecting “Investor Relations,” then “Corporate Governance,” and “Procedures for the Reporting of Questionable Accounting and Auditing Matters.” Our employees may also access the procedures and hotline number through our intranet site.

Nominees for Director

Our Nominating and Governance Committee, or Nominating Committee, is responsible for identifying, evaluating, recruiting and recommending qualified candidates to our Board for nomination or election. The Board nominates directors for election at each annual meeting of stockholders and elects new directors to fill vacancies if they occur.

Our Board strives to find directors who are experienced and dedicated individuals with diverse backgrounds, perspectives and skills. Our Governance Guidelines contain membership criteria that call for candidates to be selected for their character, judgment, diversity of experience, business acumen and ability to act on behalf of all stockholders. In addition, we expect each director to be committed to enhancing stockholder value and to have sufficient time to effectively carry out his or her duties as a director. Our Nominating Committee also seeks to ensure that a majority of our directors are independent under NYSE rules as well as our policies, and that one or more of our directors is an “audit committee financial expert” under SEC rules.

Prior to our annual meeting of stockholders, our Nominating Committee identifies director nominees by first evaluating the current directors whose terms will expire at the annual meeting and who are willing to continue in service. These candidates are evaluated based on the criteria described above, the candidate’s prior service as a director, and the needs of the Board for any particular talents and experience. If a director no longer wishes to continue in service, if the Nominating Committee decides not to re-nominate a director, or if a vacancy is created on the Board because of a resignation or an increase in the size of the Board or other event, then the committee considers whether to replace such director or to decrease the size of the Board. If the decision is to replace a director, then the Nominating Committee considers various candidates for Board membership, including those suggested by committee members, by other Board members, a director search firm engaged by the committee, or our stockholders. Prospective nominees are evaluated by the Nominating Committee based on the membership criteria described above and set forth in our Governance Guidelines.

A stockholder who wishes to recommend a prospective nominee to the Board for consideration by the Nominating Committee must notify our Corporate Secretary in writing at our principal executive office located at 601 West Riverside Avenue, Suite 1100, Spokane, WA 99201. Each notice must include the information about the prospective nominee as would be required if the stockholder were nominating a person to the Board under our Amended and Restated Bylaws, or bylaws. Such notice must be delivered to our offices by the deadline relating to stockholder proposals to be considered for inclusion in our proxy materials, as described under “General Information—Stockholder Proposals for 2020” in this proxy statement.

Each notice delivered by a stockholder who wishes to recommend a prospective nominee to the Board for consideration by the Nominating Committee generally must include the following information about the prospective nominee:

- the name, age, business address and residence address of the person;
- the principal occupation of the person;
- the number of shares of Clearwater Paper common stock owned by the person;
- a statement whether the person, if elected, intends to tender an irrevocable resignation effective upon (i) such person’s failure to receive the required vote for re-election and (ii) acceptance of such resignation by the Board;
- a description of all compensation and other relationships during the past three years between the stockholder and the person;
- any other information relating to the person required to be disclosed pursuant to Section 14 of the Exchange Act, and
- the person’s written consent to serve as a director if elected.

The Nominating Committee may require any prospective nominee recommended by a stockholder to furnish such other information as the Nominating Committee may reasonably require to determine the eligibility of such person to serve as an independent director or that could be material to a stockholder’s understanding of the independence, or lack thereof, of such person.

The foregoing is only a summary of the detailed requirements set forth in our bylaws regarding director nominations by stockholders that would apply when a stockholder wishes to recommend a prospective nominee to the Board for consideration by the Nominating Committee. A more detailed description of the information that must be provided as to a prospective nominee is set forth in Article 3 of our bylaws, which are available on our website at www.clearwaterpaper.com by selecting “Investor Relations” and then “Corporate Governance.”

Committees of the Board

Our Board currently has three standing committees, as described below. The current charters of each of these committees are available on our website at www.clearwaterpaper.com by selecting “Investor Relations” and then “Corporate Governance.”

Board Leadership Structure

The Board has elected to appoint one of its independent members to serve as Chair. Our Chair, Alexander Toeldte, acts as the lead independent director and, among other responsibilities, provides an independent contact to allow the other directors to communicate their views and concerns to management as well as presides over non-management executive sessions of Board meetings. Our Board believes that an independent Chair with prior corporate governance experience combined with a President and CEO who manages the day-to-day operations of our company while also serving as a director, provides our Board with an optimal balance in terms of leadership structure at this point in time.

In the future, the Board may elect to have the role of Board Chair and CEO performed by the same person, as other companies in our industry do. If we were to adopt that structure, the Board would appoint one of its independent members to serve as Vice Chair, who would act as the lead independent director and, among other responsibilities, provide an independent contact to allow the other directors to communicate their views, and concerns to management as well as preside over non-management executive sessions of Board meetings.

Board Role in Risk Oversight

One of the responsibilities of our Board is to provide oversight of our risk management practices to ensure appropriate risk management systems are employed throughout the company. Management, which is responsible for the day-to-day assessment and mitigation of our risks, utilizes an enterprise risk management, or ERM, program, which is an enterprise-wide program designed to enable effective and efficient identification and management of critical enterprise risks and to facilitate the incorporation of risk considerations into decision making. To assist and strengthen management's risk assessment and mitigation efforts, we have a Risk Management Committee whose management members represent a company-wide perspective and provide subject matter expertise as part of our ERM process. Through the ERM process, management identifies, monitors and manages risks and regularly reports to the Board or a committee of the Board as to the assessment and management of risks.

The Board's standing committees support the Board by regularly addressing various issues within their respective areas of oversight. The Audit Committee's responsibilities include reviewing and overseeing major financial risk exposures and the steps management has taken to monitor and control these exposures. Management, on a regular basis, provides the committee with its assessment and mitigation efforts in regards to particular risks facing the company that have been identified through the ERM process or other processes. Our Audit Committee also reviews with our independent auditors the adequacy and effectiveness of our internal controls over financial reporting. Additionally, our Vice President, Internal Audit provides the Audit Committee with regular updates on our systems of internal controls over financial reporting, and our General Counsel reviews with the committee significant litigation, claims and regulatory and legal compliance matters.

The Compensation Committee assists the Board in fulfilling its risk management oversight responsibilities associated with risks arising from our compensation policies and programs. Each year management and the Compensation Committee review whether risks arising from our compensation policies and practices for our employees are reasonably likely to have a material adverse effect on the company. The Nominating Committee assists the Board in fulfilling its risk management oversight responsibilities associated with risks related to corporate governance structures and processes. Each of the committee chairs, as appropriate, reports to the full Board at regular meetings concerning the activities of the committee, any significant issues it has discussed and the actions taken by the committee.

The Board's role in risk oversight is consistent with its leadership structure. We believe that our Board's leadership structure facilitates its oversight of our risk management practices by combining the day-to-day knowledge of our business possessed by our President and CEO as a member of the Board, with the independence provided by our Chair and independent Board committees.

Committee Membership

The following table shows the membership of each committee as of March 18, 2019:

Name	Audit Committee	Compensation Committee	Nominating and Governance Committee
Kevin J. Hunt	X	X (Chair)	
William D. Larsson	X (Chair)		X
Linda K. Massman			
John P. O'Donnell		X	X
Alexander Toeldte (Chair of the Board)	X	X	X (Chair)
Meetings in Fiscal 2018	10	5	4



Audit Committee

Current Members:

William D. Larsson* (Chair) (since December 2009 and Chair since May 2017)
 Kevin J. Hunt* (since September 2018)
 Alexander Toeldte* (since January 2019)

Others Who Served in 2018:

Boh A. Dickey* (until his retirement at 2018 annual meeting)
 Beth E. Ford** (until her resignation on September 1, 2018)
 Richard D. Peach* (until his resignation on December 31, 2018)

* Audit Committee financial expert as defined by NYSE and SEC rules.

** Financially literate as defined by SEC rules.

Each member has been determined by the Board to be independent within the meaning of the NYSE listing standards and our Director Independence Policy.

Description and Key Responsibilities:

- Assists the Board in its oversight of our accounting, financial reporting and internal control matters.
- Oversees the quarterly review and annual audit of our financial statements (as more fully described in its charter.)
- Exercises sole authority to select, compensate and terminate our independent registered public accounting firm as well as the committee's own consultants and advisors.
- Oversees the selection, compensation and termination of our Vice President, Internal Audit.
- Oversees and administers our Related Person Transactions Policy. See "Transactions with Related Persons" below.
- Pre-approves the independent registered public accounting firm's audit fees and non-audit services and fees in accordance with criteria adopted by the committee.



Compensation Committee

Current Members:

Kevin J. Hunt (Chair) (since January 2013 and Chair since May 2016)

John P. O'Donnell (since April 2016)

Alexander Toeldte (since May 2017)

Each member has been determined by the Board to be independent within the meaning of the NYSE listing standards and our Director Independence Policy.

Description and Key Responsibilities:

- Oversees our executive compensation and benefits programs, including establishing the performance measurements and targets for executive officers' incentive pay.
- Annually reviews and approves executive compensation.
- Coordinates with our Board Chair the annual performance review of our Chief Executive Officer.
- Reviews the "Executive Compensation Discussion and Analysis" contained in this proxy statement and recommends its inclusion to the full Board for approval.
- Oversees sole authority to select, compensate and terminate its own compensation consultants or other advisors.



Nominating and Governance Committee

Current Members:

Alexander Toeldte (Chair) (since April 2016 and Chair since September 2018)

William D. Larsson (since January 2019)

John P. O'Donnell (since May 2018)

Others Who Served in 2018:

Beth E. Ford (until her resignation on September 1, 2018)

Each member has been determined by the Board to be independent within the meaning of the NYSE listing standards and our Director Independence Policy.

Description and Key Responsibilities:

- Identifies, evaluates, recruits and recommends to the Board nominees for election as directors.
- Develops and recommends to the Board corporate governance principles.
- Oversees the evaluation of the Board and assists in the evaluation of management.
- Director succession planning is also a focus of the Nominating Committee with striking a balance between board refreshment and the need for new or additional skill sets with maintaining the institutional knowledge about our business and operating history.
- Exercises sole authority to select, compensate and terminate its own consultants and advisors.

Compensation Committee Interlocks and Insider Participation

Kevin J. Hunt, John P. O'Donnell, and Alexander Toeldte served as members of our Compensation Committee during 2018. All are outside directors, and none of our named executive officers served as a

director or as a member of a compensation committee of any business entity employing any of our directors during 2018.

Transactions with Related Persons

Securities laws require us to disclose certain business transactions that are considered related person transactions. In order to comply with these requirements, our Board has adopted a Related Person Transactions Policy that applies to our directors and executive officers, any beneficial owner of more than 5% of our voting stock, any immediate family member of any of the foregoing persons, and any entity that employs any of the foregoing persons, or in which any of the foregoing persons is a general partner, principal or 10% or greater beneficial owner. Transactions covered by this policy are those in which (a) we or any of our subsidiaries participate, (b) the amount involved exceeds \$120,000, and (c) any related person had, has or will have a direct or indirect material interest, as defined in the policy.

Any proposed related person transaction is reviewed by our Audit Committee at its next regularly scheduled meeting, unless our General Counsel and Corporate Secretary determines that it is not practicable or desirable to wait until the next scheduled meeting for a particular transaction, in which case the Chair of the Audit Committee has the authority to review and consider the proposed transaction. Only those transactions determined to be fair and in our best interests are approved, after taking into account all factors deemed relevant by the Audit Committee, or its Chair, as the case may be. If the Chair approves any related person transaction, then that approval is reported to the Audit Committee at its next regularly scheduled meeting.

We did not conduct any transactions with related persons in 2018 that would require disclosure in this proxy statement or that required approval by the Audit Committee pursuant to the policy described above.

BOARD OF DIRECTORS

Our Board of Directors is divided into three classes serving staggered three-year terms. The average tenure of our directors is 5.6 years. At the Annual Meeting, our stockholders will be asked to elect two individuals to serve as directors until the 2022 Annual Meeting. See “*Proposal No. 1—Election of Directors.*” Our bylaws require our directors to be elected by a majority vote of the shares of common stock present or represented by proxy and entitled to vote at the Annual Meeting.

Below are the names and ages of our five directors as of the date of this proxy statement, the year each of them became a director, each director’s principal occupation or employment for at least the past five years, and other public company directorships held by each director during the past five years. Unless authority is withheld, the persons named as proxies in the voting materials made available to you or in the accompanying proxy will vote for the election of the nominees listed below. We have no reason to believe that any of these nominees will be unable to serve as a director. If any of the nominees becomes unavailable to serve, however, the persons named as proxies will have discretionary authority to vote for a substitute nominee.

Nominees for Election at this Meeting for a Term Expiring in 2022 (Class II)

Kevin J. Hunt  

Mr. Hunt (age 67) has been a director since January 2013. From January 2013 to January 2014 he served as a consultant to ConAgra Foods, Inc., which acquired Ralcorp Holdings Inc. in January 2013. Mr. Hunt served as President, CEO and a Director of Ralcorp Holdings Inc., a producer of private-brand foods and food service products from January 2012 to January 2013. He served as Co-CEO and President of Ralcorp from 2003 until 2012 and as a director from 2004 until the company’s acquisition. Prior to that period, Mr. Hunt was Corporate Vice President and President of Bremner Food Group. Mr. Hunt served as an advisory director of Berkshire Partners, a private equity firm, from 2013 to 2015. He served as a director of Vi Jon, a manufacturer of private label personal care products owned by Berkshire Partners, from 2012 to 2017. Mr. Hunt has served as a director of Energizer Holdings, Inc. (NYSE: ENR), a manufacturer of primary batteries and portable lighting products, since its spin-off from Edgewell Personal Care Company in July 2015 and is a member of its Nominating and Compensation Committee. In August 2018, he began serving as a senior advisor for CH Guenther and Sons, a leading producer of branded and private-label food products. Our Nominating and Governance Committee believe his experience with private label consumer product companies, financial expertise, strategic thinking and both management and board experience make him an asset to our Board.

William D. Larsson  

Mr. Larsson (age 73) has been a director since December 2008. Mr. Larsson served as Senior Vice President and CFO of Precision Castparts Corp., an industrial manufacturing company, from August 2000 until his retirement in December 2008. Mr. Larsson serves as a director and chair of the Nominating and Corporate Governance Committee and is a member of the Audit Committee of Schnitzer Steel Industries, Inc. (NASDAQ: SCHN), a manufacturer of recycled metal products. Mr. Larsson served as lead director of Schnitzer Steel from 2008 to 2014. Our Nominating and Governance Committee believe his experience as a founding director, as a financial expert, and experience as a lead independent director of another company make him an asset to our Board.

The Board and Nominating and Governance Committee considered that Mr. Larsson will have reached the age of retirement under our Corporate Governance Guidelines prior to the Annual Meeting and accordingly would not be eligible to be nominated for re-election to the Board at the

Annual meeting absent a waiver of the Corporate Governance Guidelines age limit. The Board and Nominating and Governance Committee considered Mr. Larsson's expertise, his extensive experience with the Company, his position as a founding Board member, as well as the needs of the Company and the benefit his continued service on the Board could provide and decided to waive the age limit with respect to Mr. Larsson this year to allow for his nomination for election at the Annual Meeting.

Directors Continuing in Office until 2020 (Class III)

John P. O'Donnell  

Mr. O'Donnell (age 58) has been a director since April 2016. Mr. O'Donnell has served as President and CEO of Neenah, Inc. (NYSE: NP), a global specialty materials company, since May 2011 and as a director since November 2010. He served as Neenah Inc.'s COO from June 2010 to May 2011 and as President, Fine Paper from 2007 to June 2010. Mr. O'Donnell was employed by Georgia-Pacific Corporation from 1985 until 2007 and held increasingly senior management positions in the Consumer Products division where he served as President of the North American Retail Business from 2004 through 2007, and as President of the North American Commercial Tissue business from 2002 through 2004. Our Nominating and Governance Committee believe Mr. O'Donnell's leadership and consumer product paper industry experience make him an asset to our Board.

Directors Continuing in Office until 2021 (Class I)

Linda K. Massman

Ms. Massman (age 52) has been a director since January 2013. Ms. Massman has served as President and CEO of Clearwater Paper since January 1, 2013 and served as President and COO from November 2011 to December 2012. Ms. Massman served as CFO and Senior Vice President, Finance from May 2011 to November 2011, and as CFO and Vice President, Finance from December 2008 to May 2011. From September 2008 to December 2008, Ms. Massman served as Vice President of Potlatch Corporation pending completion of the spin-off of Clearwater Paper Corporation. From May 2002 to August 2008, Ms. Massman was Group Vice President, Finance and Corporate Planning, for SUPERVALU Inc., a grocery retail company. Ms. Massman has served as a director of TreeHouse Foods, Inc. (NYSE:THS) since 2016 and is a member of its Audit Committee. She served as a member of their Nominating and Governance Committee from 2016 to 2018. Ms. Massman also served as a Director for Black Hills Corporation (NYSE: BKH), an energy company, from 2015 to 2018 and was a member of its Compensation Committee. In 2017, Ms. Massman served as board chair for the American Forest & Paper Association, the national trade association of the forest products industry. Our Nominating and Governance Committee believe Ms. Massman's extensive experience with our Company and financial background make her an asset to our Board.

Alexander Toeldte   

Mr. Toeldte (age 59) has been a director since April 2016. Mr. Toeldte has served as the Chairman of Jitasa, Inc., a privately held provider of software and accounting services for non-profit organizations, since 2014 and is a member of its Compensation Committee. He served as a director of Xerium Technologies, Inc. (NYSE:XRM), a global provider of industrial consumable products and services from 2016 until the company's sale in 2018 and was a member of its Compensation Committee and Governance Committee. He served as an operating director at Paine & Partners, LLC, a private equity firm from 2015 to 2016. Mr. Toeldte served as President, CEO and a director of Boise Inc., a paper manufacturer, from February 2008 to 2013 and at Boise Cascade

and as its Executive Vice President, paper, packaging and newsprint segments from October 2005 to 2008. Mr. Toeldte's previous experience includes serving as Executive Vice President of Fonterra Co-operative Group from 2001 to 2003, a New Zealand based global dairy company, and CEO of Fonterra Enterprises. Mr. Toeldte served in various capacities with Fletcher Challenge Limited Group from 1999 to 2001, a New Zealand based group with holdings in paper, forestry, building materials, and energy, including as CEO of Fletcher Challenge Building from 2000 to 2001 and Fletcher Challenge Paper from 1999 to 2000, as well as Group CFO in 1999. He also served as Chair of the board of Fletcher Challenge Canada. Mr. Toeldte served as a partner at McKinsey & Company from 1986 to 1999 in Toronto, Brussels, Montreal, and Stockholm, and as Chairman of the American Forest & Paper Association in 2012. Our Nominating and Governance Committee believe Mr. Toeldte's experience in the consumer products and paper industries, financial expertise, and leadership experience make him an asset to our Board.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF THE TWO NOMINEES FOR DIRECTOR.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This table shows the number of shares of common stock beneficially owned, by each owner of more than 5% of common stock, each of our directors, each executive officer for whom compensation is reported in this proxy statement, and all directors and executive officers as a group. Except for our 5% holders, the table shows beneficial ownership as of March 7, 2019. The number of shares reported is based on data provided to us by the beneficial owners of the shares. The percentage ownership data is based on 16,515,156 shares of common stock outstanding as of March 7, 2019. Under SEC rules, beneficial ownership includes shares over which the person or entity exercises voting or investment power and also any shares that the person or entity has the right to acquire within 60 days of March 7, 2019. Except as noted, and subject to applicable community property laws, each owner has sole voting and investment power over the shares shown in this table.

	Amount and Nature of Common Stock Beneficially Owned		
	Number of Shares Beneficially Owned	Percent of Class	Common Stock Units (1)
Stockholders Owning More Than 5%			
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	2,476,961 (2)	15.00%	
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	1,749,020 (3)	10.59%	
Dimensional Fund Advisors LP Building One, 6300 Bee Cave Road Austin, TX 78746	1,359,634 (4)	8.23%	
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	1,013,609 (5)	6.14%	
Goldman Sachs & Co. LLC and Goldman Sachs Group, Inc. 200 West Street New York, NY 10282	1,037,896 (6)	6.28%	
Directors and Named Executive Officers			
Kevin J. Hunt	-	*	13,306 (7)
William D. Larsson	1,000	*	56,614 (7)
Linda K. Massman	435,311 (8)	2.60%	
John P. O'Donnell	-	*	7,756 (7)
Alexander Toeldte	-	*	7,756 (7)
Michael S. Gadd	112,955 (9)	*	
John D. Hertz	75,369 (10)	*	
Arsen S. Kitch	17,720 (11)	*	
Kari G. Moyes	26,127 (12)	*	
Directors and Executive Officers as a Group			
(10 persons)	668,482	3.97%	323,663

Clearwater Paper Corporation 2019

* Less than 1%

- (1) Represents vested common stock units as of March 7, 2019, as well as those that will vest within 60 days of March 7, 2019. These stock units are not actual shares of common stock and have no voting power. In the case of our directors, these stock units are credited, along with any accrued dividend equivalents, on a one-for-one basis with common stock pursuant to our Deferred Compensation Plan for Directors (see “*Compensation of Directors*”). The annual deferred awards to non-employee directors are converted to cash and paid upon separation from service as a director.
- (2) Based on the stockholders’ Schedule 13G/A filed on January 24, 2019 with the SEC, the stockholder serves as a parent holding company registered under the Investment Advisors Act, with sole dispositive power over all of these shares and sole voting power over 2,424,998 of these shares of common stock as of December 31, 2018. The Schedule indicates that sole dispositive power over all these shares is held as of December 31, 2018, by the following subsidiaries of BlackRock, Inc.: BlackRock Advisors, LLC; BlackRock Investment Management (UK) Limited; BlackRock Asset Management Canada Limited; BlackRock Investment Management (Australia) Limited; BlackRock (Netherlands) B.V.; BlackRock Fund Advisors; BlackRock Asset Management Ireland Limited; BlackRock Institutional Trust Company, National Association; BlackRock Financial Management, Inc.; BlackRock Asset Management Schweiz AG, and BlackRock Investment Management, LLC. BlackRock Fund Advisors beneficially owns 5% or more of the total shares owned by BlackRock, Inc.
- (3) Based on the stockholders’ Schedule 13G/A filed on February 11, 2019 with the SEC, the stockholder (The Vanguard Group – 23-1945930) serves as an investment advisor registered under the Investment Advisors Act, with sole dispositive power over 1,726,851 of these shares, shared dispositive power over 22,169 of these shares, sole voting power over 17,173 of these shares and shared voting power over 7,890 of these shares of common stock as of December 31, 2018. The Schedule indicates that all these shares are held by various individuals and institutional investors including Vanguard Fiduciary Trust Company, which owns 14,279 shares and Vanguard Investments Australia, Ltd, which owns 10,784 shares of common stock as of December 31, 2018.
- (4) Based on the stockholders’ Schedule 13G/A filed on February 8, 2019 with the SEC, the stockholder serves as an investment advisor registered under the Investment Advisors Act, with sole dispositive power over all of these shares, and sole voting power over 1,296,208 of these shares of common stock as of December 31, 2018 (subject to the provisions of Note 1 of such 13G/A), however, Dimensional Fund Advisors LP expressly disclaims beneficial owner of such securities.
- (5) Based on the stockholders’ Schedule 13G/A filed on February 14, 2019 with the SEC, the stockholder serves as an investment advisor and an investment company registered under the Investment Advisors Act, with sole dispositive power over all of these shares and sole voting power over 280,444 of these shares of common stock as of December 31, 2018. The schedule indicates that these shares are held as of December 31, 2018, by various individual and institutional clients, including T. Rowe Price Small-Cap Value Fund, Inc. For the purpose of the reporting requirements of the Securities Exchange Act of 1934, T. Rowe Price Associates, Inc. is deemed to be a beneficial owner of such securities; however, T. Rowe Price Associates, Inc. and T. Rowe Price Small-Cap Value Fund, Inc. expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (6) Based on the stockholders’ Schedule 13G filed on February 7, 2019 with the SEC, the stockholder serves as an investment advisor, broker or dealer and a parent holding company registered under the Investment Advisors Act, with shared dispositive and shared voting power over all of these shares of common stock as of December 31, 2018. The schedule indicates that these shares are held as of December 31, 2018, by Goldman Sachs & Co. LLC and Goldman Sachs Group, Inc. (the “Goldman Sachs Reporting Units”). For the purpose of the reporting requirements of the Securities Exchange Act of 1934, the Goldman Sachs Reporting Units are deemed to be the beneficial owners

of such securities; however, they expressly disclaim that they are, in fact, the beneficial owners of such securities.

- (7) Includes 3,805 common stock units that will vest within 60 days of March 7, 2019.
- (8) Includes (i) 232,918 shares of common stock exercisable under vested stock options and (ii) 33,663 shares of common stock that are in Ms. Massman's deferred account.
- (9) Includes (i) 68,472 shares of common stock held in a trust over which Mr. Gadd shares voting and investment power with his spouse, (ii) 53 shares of common stock held in Mr. Gadd's individual account under our 401(k) employee savings plan, and (iii) 33,475 shares of common stock exercisable under vested stock options.
- (10) Includes 42,498 shares of common stock exercisable under vested stock options.
- (11) Includes 13,829 shares of common stock exercisable under vested stock options.
- (12) Includes 21,943 shares of common stock exercisable under vested stock options.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors has reviewed and discussed the Executive Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the committee recommended to the Board that the Executive Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our 2018 Annual Report on Form 10-K.

The Compensation Committee Members:

Kevin J. Hunt, Chair
John P. O'Donnell
Alexander Toeldte

EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

The following portion of our proxy statement discusses and analyzes the 2018 compensation programs and decisions applicable to the following executive officers of the company, which we sometimes refer to as the “named executive officers” or “NEOs”:

Named Executive Officer	Title
Linda K. Massman	President and Chief Executive Officer
John D. Hertz	Senior Vice President, Finance and Chief Financial Officer
Arsen S. Kitch	Senior Vice President, General Manager, Consumer Products Division
Michael S. Gadd	Senior Vice President, General Counsel and Corporate Secretary
Kari G. Moyes	Senior Vice President, Human Resources

TABLE OF CONTENTS

RESPONSE TO THE 2018 SAY ON PAY VOTE	23
Key Areas of Feedback.....	23
Changes in Response.....	23
2018 EXECUTIVE SUMMARY	25
2016-2018 COMPENSATION OUTCOMES	26
Strong Links Between Pay and Performance, and Payout History	26
2016-2018 CEO Target Pay vs Realized Pay	27
2018 EXECUTIVE COMPENSATION PROGRAM	28
Compensation Philosophy.....	28
Compensation Element Summary Table.....	28
Executive Compensation Practices	29
What We Do	29
What We Don't Do	29
2018 Executive Compensation Peer Group	29
2018 NEO Incentive-Based Compensation	30
2018 ANNUAL INCENTIVES	31
2018 AIP Design	31
2018 AIP Payout	31
2018 LONG-TERM INCENTIVES	33
2018 LTIP Design.....	33
2018 LTIP Performance Share Payout.....	34
2019 COMPENSATION APPROACH	35
LTIP Changes for 2019	35
OTHER COMPENSATION RELATED MATTERS	35
Compensation Committee Process.....	35
Compensation Components.....	37
Other Compensation Matters	39
EXECUTIVE COMPENSATION TABLES	42
2018 Compensation	42
Compensation of Chief Executive Officer and CEO Pay Ratio	43
Post-Employment Compensation	46
Potential Payments Upon Termination or Change of Control.....	48

Response to the 2018 Say on Pay Vote

In 2018, our proposal to approve our executive compensation program received majority support from our stockholders by a narrow margin, with 53% voting in favor. We were disappointed by the vote outcome, a substantial decline from our track record of +90% since our first vote in 2011. In response, the Chair of our Compensation Committee and members of the executive and investor relations team undertook a comprehensive stockholder outreach initiative to determine concerns and collect input on executive compensation and other governance matters. As a result of that engagement, we spoke with stockholders representing over 50% of our outstanding shares and with proxy advisors ISS and Glass Lewis.

Overall, our discussions with stockholders centered around five areas:

- Our equity mix for long-term incentives;
- Our performance targets and related disclosure of incentive performance targets and associated payouts;
- Our peer groups for compensation benchmarking;
- Our peer group used for the TSR performance measurement, as well as our TSR performance markers; and
- CEO pay in connection with recent Company performance.

Although there was not a consensus view across these areas from our stockholders, the input we received informed the following actions with respect to our 2018 and 2019 executive pay programs, (each covered in more detail in the sections that follow):

KEY AREAS OF FEEDBACK	CHANGES IN RESPONSE
• <u>Percentage of Equity Mix Tied to Explicit Performance Objectives</u>	<u>Increased the weighting of PSUs in our equity mix to 70% from 40% (2019):</u> We increased the weighting of performance shares (“PSUs”) for our 2019 grant to 70% PSUs and 30% RSUs (from 40% PSUs, 30% RSUs, and 30% Stock Options) for named executive officers and other senior management. The committee eliminated stock options from our go-forward program to recognize that, while some stockholders consider stock options to be inherently performance-based, others voiced a preference for additional equity awards with explicit performance requirements beyond stock price appreciation. The increase to 70% performance shares addresses the universal stockholder preference for performance-based awards as well as the views of many regarding options.
• <u>Goal Rigor within the Annual and Long-term Incentive Plans and Related Disclosure</u>	<u>AIP Targets (2018):</u> For 2018, we set our EBITDA target goal meaningfully above prior year actual. Going forward, we will continue to be mindful in considering the relationship between our incentive opportunities and our performance targets, particularly when targets are set below prior year results. <u>Increased the target performance goal in our relative TSR modifier (2019):</u> For 2019, we increased the required percentile to have PSUs modified above target to the 55th percentile (from the 50th percentile) in order to strive for and encourage above-median performance. <u>Enhanced our performance-based goal disclosure and reviewed our performance-based goal setting approach (2018 and 2019):</u> We have provided more information to highlight the rigor in our performance targets, including disclosure of the full range of performance targets (from threshold to maximum).

KEY AREAS OF FEEDBACK	CHANGES IN RESPONSE
• <u>Appropriateness of our Pay and Relative TSR Peer Groups</u>	<u>Reset our compensation peer group (2018 and 2019):</u> Our independent compensation consultants reevaluated the composition of our executive pay peer group in light of our change in market capitalization. As a result, the committee modified our peer group to encompass smaller companies with which we are more closely aligned by revenue and market cap. We believe the updated group will further ensure that pay remains appropriate with our competitive market going forward. We also note that the updated peer group carries a higher degree of overlap with the peer groups used by proxy advisors. <u>Reset our Relative TSR peer group (2019):</u> Similar to the update to compensation peer group, the committee updated the Company's relative TSR comparator group to better reflect the Company's current size. Specifically, the 2019 long-term incentive program will measure TSR relative to the S&P SmallCap 600 Index (from the S&P MidCap 400 in 2018). We continue to look to an index given the limited number of pure-play competitors of comparable scale for robust performance comparison.
• <u>CEO Pay in Connection With Recent Company Performance</u>	<u>We provided no increase to CEO compensation (2018 and 2019):</u> In light of year-over-year performance, the Compensation Committee set our CEO's 2018 target level of pay to the same level as 2017 and her reported pay for 2018 was lower than it was for 2017. Our CEO's 2018 base pay remained the same as 2017. Further, our CEO's salary and target bonus opportunity will remain at the same level with no increases in 2019. <u>Lowered the 2019 CEO equity grant value (2019):</u> We reduced the CEO's 2019 equity grant value by 10% from 2018 levels with consideration to recent Company performance, as well as our updated peer group. We also note that CEO realized pay has meaningfully declined in light of our recent share price performance – see page 27 for further discussion.

2018 Executive Summary

Performance and CEO compensation highlights for 2018 are as follows:

Our CEO compensation for 2018 is heavily performance based.

Year over Year CEO Incentive Pay					
2017			2018		
Incentive Pay Elements	Weighting	Performance Metrics	Incentive Pay Elements	Weighting	Performance Metrics
Annual Incentive 100% of base salary (cash)	→	EBITDA (37.5%)	Annual Incentive 100% of base salary (cash)	→	EBITDA (75%)
		EBITDA Margin (37.5%)			Strategic Initiatives (25%)
		Company Productivity (25%)			
Long-Term Incentive (equity)			Long-Term Incentive (equity)		
● Performance Shares	37.5% of target LTI	Total Shareholder Return (40%)	● Performance Shares	40% of target LTI	Free Cash Flow (60%)
		ROIC (60%)			ROIC (40%)
● Stock Options	37.5% of target LTI	Stock Price			Total Shareholder Return (modifier)
● Restricted Stock Units	25% of target LTI	Retention and Stock Price	● Stock Options	30% of target LTI	Stock Price
			● Restricted Stock Units	30% of target LTI	Retention and Stock Price

Despite the 2018 AIP EBITDA target being higher than 2017 results, our 2018 results did not match 2017 results. In addition, our 2018 TSR was down. Accordingly, our CEO's 2018 AIP bonus was less, her options are "underwater" and her 2016-2018 performance shares did not result in 2018 payouts.

Year over Year Performance Metrics		
Performance Metric	2017	2018
Adjusted EBITDA	Actual: \$189.5M Target: \$201.8M	Actual: \$176.7M Target: \$207.0M
Adjusted EBITDA Margin	Actual: 10.95% Target: 11.50%	No Longer Used
Total Shareholder Return	-33.2%	-43.2%
Percentile Ranking	Actual: 15.2% Target: 50.0%	Actual: 9.9% Target: 50.0%
ROIC	Not Disclosed until Payout	Not Disclosed until Payout
Free Cash Flow	Not Used at this time	Not Disclosed until Payout
Stock Price	\$45.40	\$24.37

Our CEO's target compensation did not change from 2017 to 2018 (see table below).

Year over Year Compensation		
Type	2017	2018
Actual Salary*	\$915,385	\$925,000
Actual Annual Incentive (AIP)	\$770,000	\$529,600
Target Long Term Incentive** (LTIP)	\$2,500,000	\$2,500,000
Total Pay	\$4,185,385	\$3,954,600

*We set annual base pay at \$925,000 in the beginning of 2017, which did not go into effect until March of 2017, and did not raise it in 2018.

**LTIP reflects the value that the Compensation Committee intended to deliver to our CEO, consisting of performance shares (assuming target performance), RSUs, and stock options.

2016-2018 Compensation Outcomes

Strong Links between Pay and Performance, and Payout History

Our named executive officers' performance-based variable compensation represents the majority of their total compensation. This variable compensation, for the past three years, saw a direct and significant reduction, specifically:

- 2 out of 3 performance share awards resulted in zero payout;
- 2 out of 3 annual incentive payments were below target; and
- all stock option awards had an "underwater" exercise price at the end of the year.

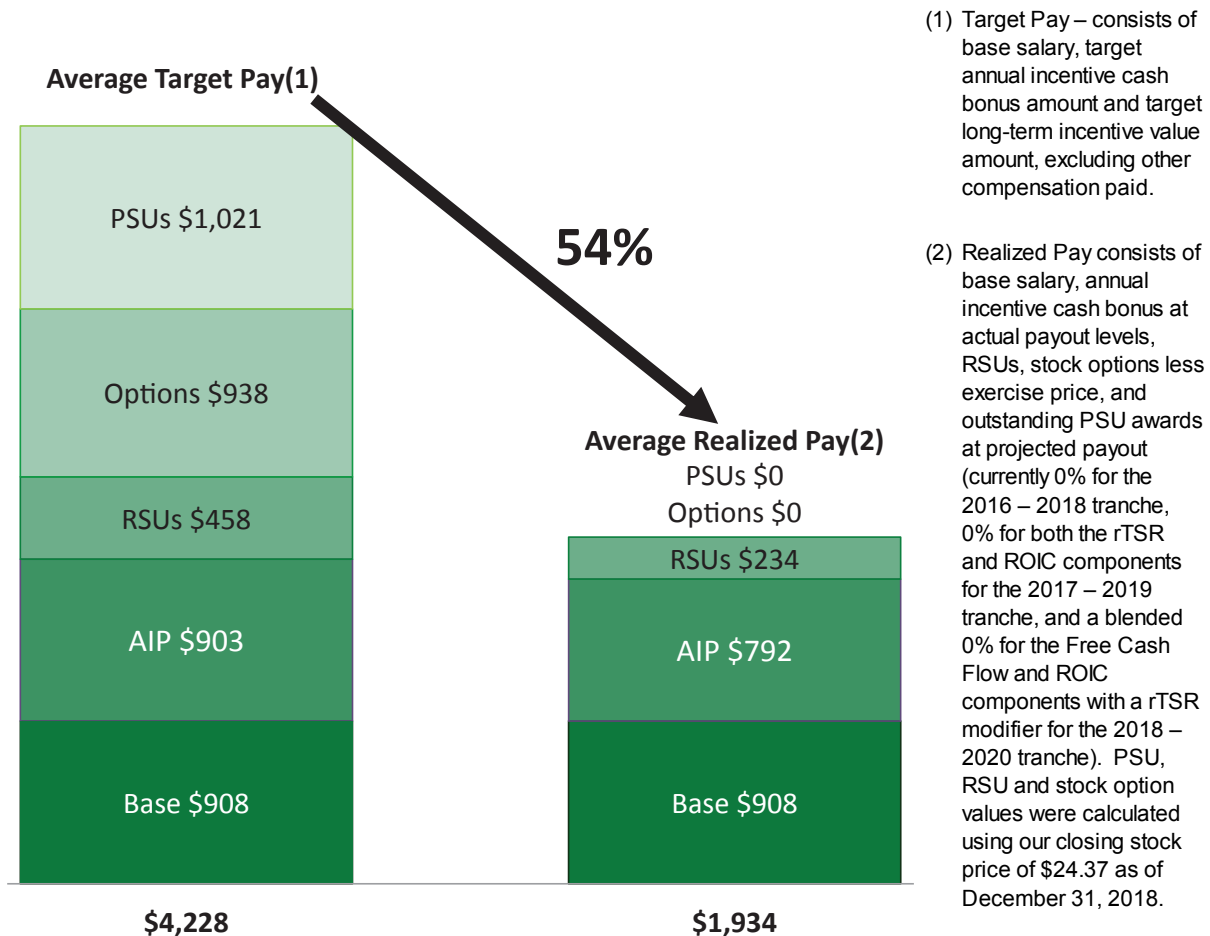
2016 –2018 CEO Target Pay vs. Realized Pay

During the 2016-2018 period, when our TSR was -43.2%, our CEO's realized pay was 54% lower than average target pay, demonstrating the strong link between pay outcomes and company stock price performance. Specifically, our CEO's realized pay was directly and significantly reduced by:

- below-target annual incentive pay outcomes;
- below-threshold or zero performance share pay outcomes; and
- all three of her outstanding option grants remained “underwater” at year end.

2016-2018 Average CEO Pay - Target vs Realized (\$000)

(As of December 28, 2018 price of \$24.37)



2018 Executive Compensation Program

Compensation Philosophy

Our compensation philosophy remains consistent and straightforward—pay our executives competitive and fair compensation that is linked to individual and company performance. The objectives of our executive compensation program are to attract, retain, motivate, and reward executives in order to enhance the long-term profitability of the company, foster stockholder value creation, and align executives' interests with those of our stockholders.

Our Compensation Committee works with its independent compensation consultant, Semler Brossy and management, and ultimately uses its judgement, in the design of and selection of performance metrics used in our executive compensation program. The committee strives to identify the financial and operational levers that will help us achieve our overall business strategy and direction as well as align with stockholders' interests. We have consistently included discrete and distinct financial metrics in both our cash-based compensation programs and in our equity-based compensation programs to link our compensation to company performance.

Compensation Element Summary Table			
2018 Element of Pay	Overview	Key Benchmarks/ Performance Metrics	Changes for 2019
Annual Salary	Fixed Cash compensation meant to attract and retain executives by balancing at-risk compensation	The Compensation Committee targets base salaries with reference to our compensation peer group as well as level of experience, job performance, and long-term potential and tenure	
Annual Incentive Plan (AIP)	Links executive compensation to annual financial, operational, and strategic performance by awarding cash bonuses for achieving pre-defined targets	- For executives not in charge of a business unit: - 75% Company EBITDA - 25% Company-wide Strategic Metrics - For executives in charge of a business unit: - 40% Company EBITDA - 30% Company-wide Strategic Metrics - 30% Division EBITDA	
Long-Term Incentive Plan (LTIP) Performance Shares (40% of LTIP)	Intended to reward employees when the company performs in-line with long-term strategic direction and achieves total stockholder returns that exceed those of our applicable comparator index	'Cliff' vest at end of three-year performance period, subject to performance and continued employment - 60% Free Cash Flow - 40% ROIC - Payout modifier is applied based on relative TSR compared to the S&P MidCap 400 Index (excluding companies classified as members of the GICS® Financials sector) - -25% payout modification for performance at or below the 25th percentile - No payout modification for performance at median - +25% modification for performance at or above the 75th percentile - Linear interpolation between percentile markers (i.e., performance at the 37.5th percentile results in a -12.5% payout modification)	- Increased the weighting of performance shares in the overall mix to 70% from 40% - Increased the target performance level of the rTSR modifier to the 55th percentile from median - Changed the comparator group to the S&P SmallCap 600 Index to better reflect our current size - Reweighted Free Cash Flow and ROIC to 70% and 30%, respectively

Compensation Element Summary Table			
2018 Element of Pay	Overview	Key Benchmarks/ Performance Metrics	Changes for 2019
Stock Options (30% of LTIP)	Intended to encourage absolute stock performance and long-term value creation directly aligned with value delivered to our stockholders	• Vest ratably over a three-year period, subject to continued employment, with a 10-year expiration term	• Eliminated stock options and replaced entirely with performance shares
Restricted Stock Units (30% of LTIP)	Intended to recruit and retain key employees while aligning interests of executives with long-term best interests of our stockholders	• Vest ratably over a three-year period, subject to continued employment	

Executive Compensation Practices

What We Do:

- ✓ Commit to oversight, evaluation and continuous improvement of our executive pay design and administration.
- ✓ Target executive compensation mix to favor performance-based compensation.
- ✓ Set executive compensation targets on a case-by-case basis using competitive market data with a range of opportunities above and below target to reflect actual performance.
- ✓ Measure executive compensation levels and targets against other similarly-sized companies, both in and outside our industry.
- ✓ Utilize key measures tied to operational, financial and share performance.
- ✓ Require stock ownership by executives to further align our executives' and stockholders' interests.
- ✓ Prohibit short selling, purchasing on margin, pledging of company stock or other company securities, and buying or selling puts or calls in company stock or other company securities.
- ✓ Provide for broad clawbacks in stock incentive and annual incentive plans.

What We Don't Do:

- X Provide perks to executive officers.
- X Provide for excise tax gross-ups in executive compensation plans.
- X Provide for outstanding equity awards to payout after a change of control absent a termination of employment - RSUs and option awards require a "double trigger".

2018 Executive Compensation Peer Group

Our independent compensation consultant, Semler Brossy annually reviews our compensation peer group based on objective criteria with the goal of ensuring that it is reflective of the size of our company and the competitive environment in which we operate. Understanding that our market capitalization has substantially changed, and in recognition that company size is often highly correlated with executive pay, our Compensation Committee made substantial changes to our peer group based on Semler Brossy's recommendation.

Based on their recommendation for fiscal year 2018, we removed two companies (Sonoco Products Co. and Packaging Corp. of America) and added six new companies (Resolute Forest Products Inc., Verso Corp., Multi-Color Corp., Ferro Corp., Mercer International, Inc., and Intertape Polymer Group, Inc.) increasing our overall peer group size to 18 companies. The companies removed were no longer reflective of our size, while another was subject to merger and acquisition activities, as noted below. New companies were selected with consideration to comparability in company size and industry (paper products and paper packaging and adjacent industries, including metal, glass, and containers, and specialty chemicals). The changes have placed us near the median in terms of revenue and closer to more companies in market value

The committee will continue to monitor pay for our executive officers with an emphasis on company performance and appropriate competitive benchmarks, including our updated peer group.

Company Name (1)	GICS Sub-Industry	Revenue (In millions)(2)	Market Capitalization (In millions)(3)
Graphic Packaging Holding Co.	Paper Packaging	\$5,625	\$3,302
Domtar Corp.	Paper Products	\$5,409	\$2,210
Silgan Holdings, Inc.	Metal & Glass Containers	\$4,374	\$2,613
Bemis Co., Inc.	Paper Packaging	\$4,091	\$4,178
Greif, Inc.	Metal & Glass Containers	\$3,874	\$1,940
Resolute Forest Products, Inc.*	Paper Products	\$3,722	\$720
AptarGroup, Inc.	Metal & Glass Containers	\$2,706	\$5,909
Verso Corp.*	Paper Products	\$2,626	\$774
Multi-Color Corp.*	Commercial Printing	\$1,693	\$720
P.H. Glatfelter Co.	Paper Products	\$1,642	\$427
Ferro Corp.*	Specialty Chemicals	\$1,594	\$1,306
Innospec, Inc.	Specialty Chemicals	\$1,436	\$1,508
Mercer International, Inc.*	Paper Products	\$1,383	\$680
Neenah, Inc.	Paper Products	\$1,038	\$994
Schweitzer-Mauduit International, Inc.	Paper Products	\$1,028	\$771
Intertape Polymer Group, Inc.*	Metal & Glass Containers	\$1,003	\$996
OMNOVA Solutions, Inc.	Specialty Chemicals	\$765	\$329
Myers Industries, Inc.	Metal & Glass Containers	\$568	\$534
25th Percentile		\$1,124	\$720
Median		\$1,668	\$995
75th Percentile		\$3,836	\$2,142
Clearwater Paper Corporation	Paper Products	\$1,732	\$401
Percentile Rank		53 rd percentile	4 th percentile

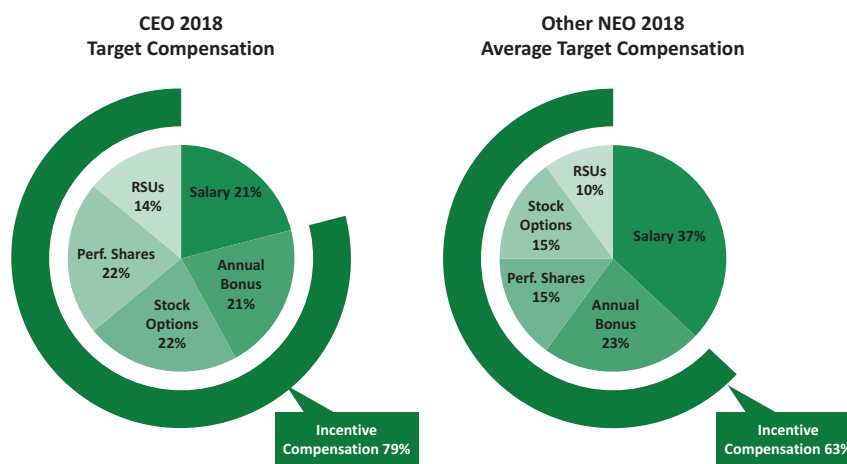
(1) KapStone Paper & Packaging Corp. was removed from the peer group due to M&A activity.

(2) Represents revenues for the most recent four quarters as reported by each company as of December 31, 2018.

(3) Share price as of December 31, 2018, using the most recently disclosed shares outstanding.

* Company is new addition to the peer group

2018 NEO Incentive-Based Compensation Consistent with our performance-based compensation philosophy, our CEO's 2018 target compensation was weighted 79% in the form of incentive-based compensation, and the average of our other named executive officers' 2018 total compensation was similarly weighted 63%. The components of this incentive-based target compensation are shown in the following charts:



2018 Annual Incentives

2018 AIP Design

Focus on Performance and Responsibilities. Because our executive officers are responsible for our overall financial and operational performance, 100% of their annual cash bonus was based on company and division, rather than individual performance, for 2018. The Compensation Committee established the targets for these performance measures taking into consideration overall business conditions and our expectations for the period, in order to align payout opportunities and performance. For 2018, we set our EBITDA target goal meaningfully above prior year actual. Going forward, we will continue to be mindful in considering the relationship between our incentive opportunities with our performance targets, particularly when targets are set below prior year results.

AIP Performance Measures. For 2018, the company performance measures for executives that are not in charge of a business unit were:

- | |
|---|
| ▪ 75% of Target - Based on Company EBITDA \$ Performance |
| ▪ 25% of Target - Based on Company-wide Strategic Metrics Performance |

For executives in charge of a business unit, performance measures were:

- | |
|---|
| ▪ 40% of Target - Based on Company EBITDA \$ Performance |
| ▪ 30% of Target - Based on Company-wide Strategic Metrics Performance |
| ▪ 30% of Target - Based on Division EBITDA \$ Performance |

We used EBITDA to measure financial performance to focus participants on generating income and cash flow by both increasing revenues and controlling costs. We used company-wide strategic metrics to focus participants on achieving and delivering on strategic goals. The performance scales for the EBITDA components 2018 annual cash bonuses and the corresponding performance modifiers as a percentage of target were as follows:

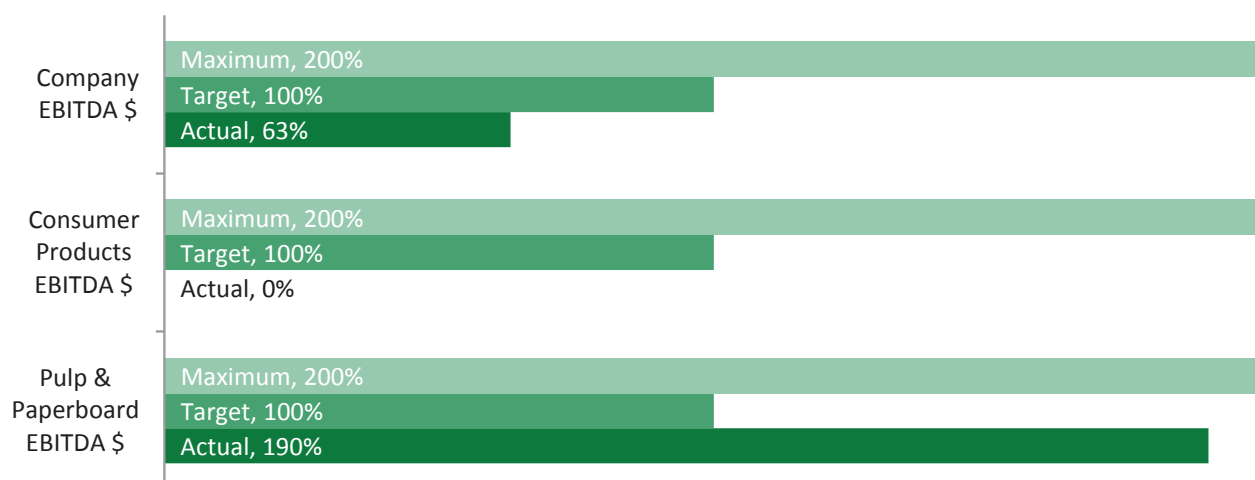
Company and Division EBITDA \$ Performance Level	Performance Modifier (Percentage of Target Bonus)
Below Threshold	0% x Target Bonus
Threshold	50% x Target Bonus
Target	100% x Target Bonus
Maximum	200% x Target Bonus

The performance modifiers increase or decrease depending on the payout ratio determined by the committee for performance between threshold and target levels and between target and maximum levels. There would have been no funding of the annual bonus plan if EBITDA performance was below the threshold level and therefore no annual award payment to participants. The most that could be paid out to participants in the annual incentive plan, is 200% of target based on performance. This metric can be reduced but cannot be increased.

2018 AIP Payout

AIP Performance 2018. Consistent with our pay-for-performance philosophy and as a result of a focus on controlling costs, increasing revenues, and delivering on strategic goals, we paid annual bonus awards for executives and all other eligible employees for 2018 at an average of 78.2% of target, corresponding to company performance targets established under our annual incentive plan:

2018 EBITDA PERFORMANCE MEASURES



As determined by the committee, company EBITDA is as follows:

	Company EBITDA \$
2018 Threshold	\$165.6 Million
2018 Target (1)	\$207.0 Million
2018 Actual (2)	\$176.7 Million
2018 Maximum	\$227.7 Million
Approved Percentage of Target	63%

- (1) For purposes of establishing 2018 company Target EBITDA, and the calculation of year-end results, the Compensation Committee adjusted for expenses expected to be incurred by the company in connection with adjusting directors' phantom equity compensation for purposes of mark-to-market accounting requirements, and reorganization related expenses associated with selling, and general and administrative cost control measures.
- (2) For purposes of measuring 2018 company EBITDA, the committee adjusted for expenses incurred by the company in connection with the mark-to-market directors equity award accounting adjustments, reorganization related expenses associated with selling, general and administrative cost control measures, goodwill impairment and certain other expenses not indicative of core operating performance. The 2018 EBITDA for the company shown in the table is presented in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, under the heading *Non-GAAP Measures*, in our Annual Report on Form 10-K, filed on March 18, 2019, which we refer to as our 10-K, by taking our net earnings, and adding net interest expense, income taxes, depreciation and amortization and \$176.7 million of net expenses related to the items listed above.

As determined by the committee, division EBITDA is as follows:

	CPD EBITDA \$	PPD EBITDA \$
2018 Threshold	\$82.8 Million	\$123.8 Million
2018 Target	\$103.6 Million	\$154.8 Million
2018 Actual (1)	\$58.1 Million	\$168.7 Million
2018 Maximum	\$113.9 Million	\$170.3 Million
Approved Percentage of Target	0%	190%

- (1) For purposes of measuring 2018 Division EBITDA, the committee adjusted for expenses incurred by the company in connection with the reorganization related expenses associated with selling, general and administrative cost control measures for both CPD EBITDA and PPD EBITDA, and for CPD EBITDA only also adjusted for consumer products reorganization related expenses, gain on divested assets and goodwill impairment. The 2018 EBITDA for each division shown in the table is presented in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, under the heading *Discussion of Business Segments*, and Note 19 *Segment Information* in the *Notes to the Consolidated Financial Statements*, in our Annual Report on Form 10-K, filed on March 18, 2019, which we refer to as our 10-K, by taking net earnings for each division, and related to the items listed above adding for CPD EBITDA \$57.8 million in depreciation and amortization, \$2.0 million reorganization related expenses associated with selling, general and administrative cost control

measures, \$1.0 million for consumer products reorganization related expenses, (\$24.0 million) gain on divested assets, \$195.1 million goodwill impairment, and adding for PPD EBITDA, \$37.8 million in depreciation and amortization and \$0.5 million reorganization related expenses associated with selling, general and administrative cost control measures.

Strategic Metrics (25% of target for executives that are not in charge of a business unit, and 30% of target for executives in charge of a business unit).

The committee selected four components for the Strategic Metrics portion of the AIP performance metric for named executive officers and other senior managers:

- replacement of lost customer margin including through increased or optimized volume;
- performance of the Shelby expansion project;
- performance of the Lewiston pulp optimization project; and
- asset optimization including sale and relocation of assets, reduction of internal freight and warehouse costs, and restructuring of manufacturing sites.

As determined by the committee, the results in 2018 of the approved percentage of target for the strategic components of our AIP were 40%.

2018 Long-Term Incentives

2018 LTIP Design

Focus on Performance, Retention and Recruitment. In 2018, we continued to link long-term incentives directly to our strategic initiatives and related financial performance with the inclusion of FCF and ROIC performance. We focused on stockholder return by awarding performance shares and focused on stock price growth by granting stock options to our executive officers. We awarded RSUs also to focus on stock price growth as well as for talent retention purposes. Weighting 70% of long-term-awards to performance shares and stock options aligns equity incentives with company performance and, ultimately, with stockholder value creation. Our named executive officers received their 2018 long-term incentive plan awards in the following proportions:

LTIP Participant	Percentage of LTIP Award		
	RSUs	Options	Performance Shares
Executive Officers	30%	30%	40%

Performance Measures. For 2018, we used two metrics for performance shares granted for the 2018-2020 period to named executive officers and relative TSR as a modifier:

▪ 60% - Performance Share Award Based on Free Cash Flow Performance (1)(3)
▪ 40% - Performance Share Award Based on ROIC Performance (2)(3)
▪ Performance Modified on relative TSR (-25% / 0% / +25%) (3)

- (1) Cumulatively calculated as a GAAP operating cashflow less certain maintenance capital per year over the three-year performance period. Additional detail regarding the Free Cash Flow performance metric will not be disclosed until the end of the performance period given that the goal detail is confidential and competitive in nature. Such disclosure could cause competitive harm. The target-level goals can be characterized as strong performance, meaning that based on historical performance, although attainment of this performance level is uncertain, it can be reasonably anticipated that target performance may be achieved, while the threshold goals are more likely to be achieved and the maximum goals represent more aggressive levels of performance.
- (2) Measured over the three-year period to focus on the delivery of financial results from our strategic initiatives and related capital expenditures. The final ROIC calculation will be the average of three one-year ROIC results for each year of the performance period. Additional detail regarding the ROIC performance metric will not be disclosed until the end of the performance period given that the goal detail is confidential and competitive in nature. Such disclosure could cause competitive harm. The target-level goals can be characterized as strong performance, meaning that based on historical performance, although attainment of this performance level is uncertain, it can be reasonably anticipated that target performance may be achieved, while the threshold goals are more likely to be achieved and the maximum goals represent more aggressive levels of performance.
- (3) A twenty-five percent performance modifier shall be applied to the combined performance measures for relative total stockholder return, using as the selected comparison group the S&P MidCap 400® Index (excluding those companies classified as members of the GICS® Financials sector) to focus on delivery of value to our stockholders.

For the three-year performance period beginning January 1, 2018 and ending December 31, 2020, the relative TSR performance scale to apply the TSR modifier to the corresponding number of shares earned as a percentage of target were set by the Compensation Committee as follows:

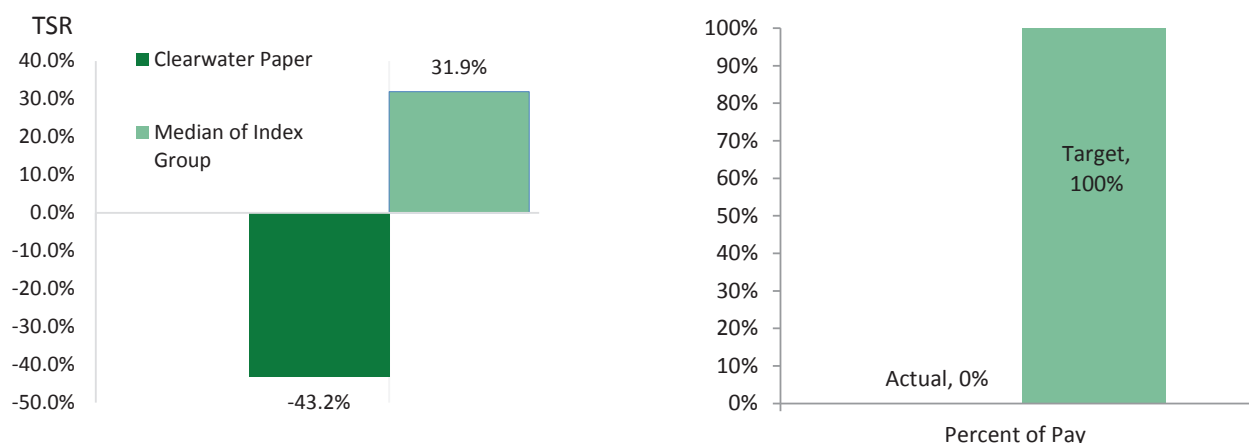
Performance Level	Total Stockholder Return Percentile Rank Versus S&P MidCap 400® Index	Award Payout Modifier
Threshold	25th percentile	-25%
Target	50th percentile	0%
Maximum	75th percentile	+25%

For the performance that is intermediate, the percentage of annual payout modifier shall be determined by interpolation. For additional Long-Term Incentive Plan details see “Other Compensation Related Matters”, pages 37-39.

2018 LTIP Performance Share Payout

During the three-year performance period for performance share awards granted in 2016 (for the 2016-2018 performance period), we had a -43.2% TSR compared to a 31.9% median TSR for the S&P MidCap 400® Index (excluding those companies classified as members of the GICS® Financials sector). This placed us in the 10th percentile for performance compared to the index group during this period, resulting in no payout for the performance shares.

2016-2018 TSR PERFORMANCE SHARE PERIOD: ZERO PAYOUT



2019 Compensation Approach

The chart below reflects our CEO's incentive compensation for 2019 including changes to LTIP design. For the second year in a row, we did not increase our CEO's salary in 2019. The CEO's 2019 target annual incentive will also remain flat with 2019.

2019 CEO Incentive Pay		
Incentive Pay Elements	Weighting	Performance Metrics
Annual Incentive 100% of base salary	→	EBITDA (75%)
		Strategic Initiatives (25%)
Long-Term Incentive		
• Performance Shares	70% of target LTI	Free Cash Flow (70%)
		ROIC (30%)
		Total Shareholder Return (modifier)
• Restricted Stock Units	30% of target LTI	Retention & Stock Price

LTIP Changes for 2019. For our 2019 LTIP, we eliminated stock options from our equity mix and significantly increased the weighting of performance shares in our overall equity mix to 70%. Our named executive officers, including our CEO, received their 2019 long-term incentive plan awards as detailed above. We changed the FCF component to 70% of the metric to focus on debt reduction, with the remaining 30% tied to ROIC.

We continue to use relative TSR modifier for the performance shares we granted for the 2019-2021 period, and they will be measured against the S&P SmallCap 600[®] Index (rather than the S&P MidCap 400[®] Index excluding companies classified as members of the GICS[®] Financials sector) to better reflect our current market cap. We have also increased the required percentile ranking for a target modifier outcome to the 55th percentile (from the 50th percentile) in order to strive for and encourage above median performance.

Performance Level	Total Stockholder Return Percentile Rank Versus S&P SmallCap 600 [®] Index		Award Payout Modifier
Threshold		25th percentile	-25%
Target		55th percentile	0%
Maximum		75th percentile	+25%

Other Compensation Related Matters

Compensation Committee Process

Compensation Oversight. The Compensation Committee's primary responsibility is the oversight of our executive compensation and benefits programs. The committee's responsibilities include determining and approving annual performance measurements for our executive officers' incentive pay and reviewing, determining and approving their compensation packages. As a part of the annual compensation decision process, the Compensation Committee considers overall company and individual performance as well as performance against specific pre-established financial goals, achievement of strategic initiatives, performance relative to financial markets, and a risk/control and compliance assessment.

Management Input. As part of our process for establishing executive compensation, our CEO and our Senior Vice President, Human Resources, or SVP-HR, provide information and make recommendations to the Compensation Committee. Our CEO and SVP-HR provide the Compensation Committee with a detailed review of the actual results for the company compared to the performance measures set at the beginning of the year under our annual incentive plan. Our CEO provides to the committee performance evaluations of the executives who report to her; and recommendations regarding (i) changes to base salaries as well as target amounts for annual cash bonuses and equity awards for each executive officer, excluding her own; (ii) compensation packages for executives being hired or promoted; and (iii) proposed company performance targets.

Recommendations regarding target and actual executive compensation components are based on the principal duties and responsibilities of each position, competitor pay levels within our industry in both regional and national markets and at comparable companies, and internal pay equity, as well as on individual performance considerations.

Compensation Consultant. The Compensation Committee has engaged Semler Brossy Consulting Group, LLC, or Semler Brossy, to advise the committee on executive compensation matters as well as the competitive design of the company's long-term and annual incentive programs. The Nominating Committee has also engaged Semler Brossy to advise that committee on director compensation matters. Semler Brossy does not advise any of our executive officers as to their individual compensation and does not perform other compensation related services for the company.

The Compensation Committee's independent consultant performs an annual competitive market assessment of each executive officer's compensation package that the committee uses to analyze each component of such compensation as well as each executive officer's compensation in the aggregate. The intent of these assessments is to evaluate the proper balance and competitiveness of our executive officers' compensation, as well as the form of award used to accomplish the objective of each component. The committee is also advised, on an annual basis, as to target performance measures and other executive compensation matters by its compensation consultant.

Ultimately, decisions about the amount and form of executive compensation under our compensation program are made by the Compensation Committee alone and may reflect factors and considerations other than the information and advice provided by its consultant or management.

Establishing Compensation. At meetings held in the first quarter of each year, the Compensation Committee typically takes the following actions relating to the compensation for our executive officers, and in some cases other senior employees:

- approves any base salary increases;
- approves the payment of cash awards under our annual incentive plan for the prior year's performance;
- approves the settlement of any performance-based equity awards previously issued under our long-term incentive program;
- establishes the performance measures and approves the target award opportunity for cash awards under our annual incentive plan for the current year;
- establishes the performance measures for any performance-based equity awards under our long-term incentive program;
- approves the threshold and maximum levels of performance under our annual and long-term incentive plans, including performance shares, as well as the payouts for achieving those levels of performance; and
- approves the grant of performance shares and any other equity awards, such as options or restricted stock units that vest based on continued employment, under our long-term incentive program.

Competitive Market Assessments. The committee conducts an annual review of each of our executive officers' compensation and, in connection with these assessments, analyzes competitive data provided by

its compensation consultant. In the fourth quarter of 2018, Semler Brossy performed such an assessment for the committee. Consistent with their approach in prior years, Semler Brossy's 2018 market assessments compared the compensation of our named executive officers with that of companies in the forest products industry as well as manufacturing companies of similar size in terms of revenue and market capitalization. They also utilized market data from relevant published survey sources, including surveys from Mercer, Aon Hewitt and Willis Towers Watson for market data on paper and allied products companies, manufacturing companies, and/or general industry companies of similar size. In its competitive assessments, Semler Brossy gathered competitive compensation data that was adjusted, where feasible and appropriate, to the revenues of the company. See "2018 Executive Compensation Peer Group" pages 29-30. The competitive assessments were based on executive positions that are comparable to those of our executive officers. As part of the review and modification of our executive compensation program for 2018, Semler Brossy provided the Compensation Committee with analyses of our annual incentive plan and long-term incentive plan.

Individual Performance. The committee adjusts compensation on a case-by-case basis taking into account competitive market data, job performance, long-term potential, experience, potential recruitment needs and retention. Total direct compensation (defined as base salary plus short- and long-term incentives) earned by our executives may vary based on these factors.

Compensation Components

We balance our executive total direct compensation among three components: base salary, short-term or annual cash incentives, and long-term, equity-based incentives.

Base Salary. The Compensation Committee reviews and approves annual salaries for our executives on a case-by-case competitive pay data provided by its compensation consultant. The committee also takes into account the executive's level of experience, job performance, long-term potential and tenure.

Annual Incentives. Our annual incentive program links executive compensation to annual company financial and operational performance by awarding cash bonuses for achieving pre-defined targets that are set at the beginning of the year.

Annual Incentive Plan Mechanics. The target cash bonus amount for our named executive officers is determined as a set percentage of his or her base salary. That percentage is determined at the beginning of the year by the Compensation Committee based in part on the annual market assessment of our executives' compensation performed by the committee's compensation consultant. After the end of the year, actual financial performance is calculated, and the results are compared to the pre-approved, objective performance measures. Earned awards are paid in cash in the first quarter of the year following the applicable performance year. If an executive officer does not meet his or her stock ownership requirement at that time, awards are paid 50% in cash and 50% in stock. Executive officers may also elect to defer annual incentive awards pursuant to our management deferred compensation program. Under our annual cash incentive program, when measuring final results, the Compensation Committee may make appropriate adjustments to take into account certain events that occur during the performance period, including items the committee determines are extraordinary or otherwise not indicative of the company's core performance. The committee did not exercise this discretionary authority in 2018.

Long-Term Incentives. Our long-term incentive program, comprised of a mix of performance shares, stock options, and restricted stock units, aligns our executive officers with the interests of our stockholders by driving stock performance in both relative and absolute terms, and links compensation to the strategy intended to drive that stock performance. Target long-term incentive awards for our named executive officers are determined at the beginning of the year by the Compensation Committee based in part on the annual market assessment of our executives' compensation performed by the committee's compensation consultant.

Performance Shares. Performance shares represent the contingent right to receive a varying number of shares of common stock based on objective company-wide financial metrics as well as TSR, performance

over a three-year period relative to a performance measure identified at the time the share grants are awarded. The objective financial metrics are tied to our strategic direction and determined at the beginning of the year. TSR is comprised of the change in a company's stock price from the beginning of the performance period compared to the end of the performance period and includes all cash and stock dividends paid on shares of common stock during such period. The company's stock price at the beginning and end of a performance period is measured over a fixed period of time, currently the final forty trading days in the year prior to the start of the performance period and the final forty trading days in the final year of the performance period. We use performance shares to serve three key objectives: first, to reward employees when the company performs in-line with its long-term strategic direction and achieves total stockholder returns that exceed those of the applicable index; second to encourage employees to focus on enhancing long-term stockholder value; and third to align management's interests with stockholders' interests. The committee awards annual performance share grants to our executive officers in the first quarter of each year.

Stock Options (eliminated for 2019). Stock options represent the contingent right, but not the obligation, to buy a certain amount of shares of the company at a predetermined price. These option grants generally vest over a three-year period subject to continued employment. We use stock options to focus on absolute stock performance, that is, purely on increasing our stock price to align the interests of executives with those of our stockholders and to help recruit and retain key employees. We also believe that stock options help foster a longer-term orientation towards company performance among our officers and other key personnel as well as enhance retention as a result of the vesting period. The committee awards annual stock option grants to our executive officers in the first quarter of each year. The committee has determined to remove stock options from the company's long-term incentive program starting in 2019.

Restricted Stock Units. The committee awards annual RSU grants in the first quarter of each year. RSUs represent the contingent right to receive a fixed number of shares of common stock in the future if the employee remains employed through the applicable vesting period. We use RSUs to help recruit and retain key employees and to align the interests of executives with those of our stockholders. These RSU grants generally vest over a three-year period subject to continued employment. We believe that RSUs help foster a long-term ownership mentality among our officers and other key personnel as well as enhance retention as a result of the vesting period. Additionally, these awards encourage recipients to take actions aimed at increasing the underlying value of the shares associated with RSUs over the vesting period since RSUs cannot be paid out until fully vested.

Long-Term Incentive Plan Mechanics

Long-Term Incentive Opportunities. The committee establishes long-term incentive values for each executive officer annually, taking into consideration competitive long-term equity incentive opportunities, equity usage and stockholder dilution. The Compensation Committee's consultant performs an annual assessment of competitive long-term equity incentive opportunities to assist the committee in establishing the long-term incentive values for each executive officer. The grant values, which generally are then converted to a target number of performance shares, stock options and RSUs based on the average closing price for our common stock over a fixed period of time prior to the date of grant. The actual number of equity awards granted are further subject to an increase or decrease at the Compensation Committee's discretion, based upon assessment of an individual executive's past contributions and potential future contributions to the company.

Timing of Long-Term Incentive Awards. Compensation Committee meetings are scheduled well in advance and are not coordinated with the release of any material, non-public information. The grant date for annual equity awards is the day of the Compensation Committee meeting at which the awards are approved. However, for executive officers who are hired during the year, the committee may approve an equity award in advance of, and subject to the executive commencing employment, in which case the grant date is the executive's start date. For the purpose of converting the dollar value of a grant into a set number of shares, the committee may approve the use of the price of our common stock as of the grant date or the use of an average trading price over a set period. For stock option grants, the exercise price is set at the closing price on the date of grant.

Limitations on and Adjustments to Long-Term Awards. The Compensation Committee reserves the right to reduce or eliminate any performance share award to an employee, or to all senior employees as a group, if it determines that TSR has been insufficient, or if our financial or operational performance has been inadequate.

Other Compensation Matters

Officer Stock Ownership Guidelines. In the interest of promoting and increasing equity ownership by our senior executives and to further align our executives' long-term interests with those of our stockholders, we have adopted the following stock ownership guidelines:

Title	Value of Clearwater Paper Equity Holdings
Chief Executive Officer	5x Base Salary
Division President	2x Base Salary
Senior Vice President	2x Base Salary

Each executive must acquire, within five years of his or her becoming an executive officer, at least the equity value shown above. Each of our named executive officers has met his or her current equity ownership requirements. Shares held in a brokerage account, an account with our transfer agent, an account with our stock plan administrator or in our 401(k) Plan, common stock units owned as a result of deferred awards made under our incentive programs, and any vested RSUs, all count towards the ownership requirement. Shares subject to unvested RSUs, unexercised options or unearned performance shares, however, do not count toward the ownership guidelines. The value of the shares held by an officer will be measured by the greater of the value of the shares at the (i) time acquired or fully vested or (ii) the applicable annual measurement date, based on the twenty-day average closing price of our stock before that measurement date. The stock ownership of all our named executive officers as of March 7, 2019, is presented on pages 18-20. See "*Security Ownership of Certain Beneficial Owners and Management.*" If an executive does not meet his or her ownership requirement or the ownership requirement is not maintained after it is initially met, incentive awards to be made under our annual incentive program are paid 50% in cash and 50% in stock, and any performance share award that is earned, on an after-tax basis, must be retained to the extent necessary to meet the stock ownership guidelines.

Limitations on Securities Trading. Pursuant to our Insider Trading Policy, directors, officers and other employees are prohibited from engaging in short sales of company securities, pledging company securities, purchasing company securities on margin, and engaging in transactions in puts, calls or other derivatives trading on an exchange in regard to company securities.

Annual Incentive and Long-term Incentive Clawbacks. The company has the right to cancel or adjust the amount of any annual incentive or any equity award if our financial statements on which the calculation or determination of the award was based are subsequently restated due to error or misconduct and, in the judgment of the committee, the financial statements as restated would have resulted in a smaller or no award if such information had been known at the time the award had originally been calculated or determined. In addition, in the event of such a restatement, we may require an employee who received an award to repay the amount by which the award as originally calculated or determined exceeds the award as adjusted, although we may be unable to compel the repayment of an annual incentive award made to an ex-employee for years prior to 2014.

Executive Severance and Change of Control Plans. The Compensation Committee believes that our Executive Severance Plan and our Change of Control Plan provide tangible benefits to the company and our stockholders, particularly in connection with recruiting and retaining executives in a change of control situation. We do not provide for excise tax gross-ups upon a change of control. We do not view our change of control benefits or post-termination benefits as core elements of compensation due to the fact that a change of control or other triggering event may never occur. Our objectives in having the Executive Severance Plan and Change of Control Plan are consistent with our compensation objectives to recruit,

motivate and retain talented and experienced executives. In addition, we believe these plans provide a long-term commitment to job stability and financial security for our executives and encourage retention of those executives in the face of the uncertainty and potential disruptive impact of an actual or potential change of control. Our change of control policies ensure that the interests of our executives will be materially consistent with the interests of our stockholders when considering corporate transactions and are intended to reassure executives that they will receive previously deferred compensation and that prior equity grants will be honored because decisions as to whether to provide these amounts are not left to management and the directors in place after a change of control. Our change of control and post-termination benefits are not provided exclusively to the named executive officers but are also provided to certain other management employees. Severance and change of control benefits are discussed in detail on pages 48-53. See *“Potential Payments Upon Termination or a Change of Control.”*

Section 162(m). Section 162(m) of the Internal Revenue Code, or the Code, generally disallows a tax deduction to public companies for annual compensation in excess of \$1 million paid to the CEO and certain other named executive officers. Prior to 2018, however, companies could deduct compensation above \$1 million if it was “performance-based compensation” within the meaning of the Code. While the Compensation Committee considered the effect of this rule in developing and implementing our compensation program, in order to preserve the committee’s flexibility, we did not adopt a policy that all applicable compensation must qualify as deductible under Section 162(m). The Section 162(m) deduction for performance-based compensation has been repealed, effective for taxable years beginning after December 31, 2017, except for certain amounts payable pursuant to written binding contracts in effect on November 2, 2017. As a result, it is uncertain whether compensation that the Compensation Committee intended to structure as performance-based compensation under Section 162(m) will be deductible. Further, the committee reserves the right to modify compensation that was initially intended to be exempt from the Section 162(m) deduction limit if it determines that such modifications are consistent with our business needs.

The Role of Stockholder Advisory Vote. At our annual meeting in 2019, our stockholders will again be provided the opportunity to cast a non-binding advisory vote to approve the compensation of our named executive officers. This vote is set forth in Proposal 3 in this proxy statement. The Compensation Committee, as it did last year, will consider the outcome of the vote when making future compensation decisions regarding our named executive officers.

Salaried Retirement Benefits. The company sponsors a Salaried Retirement Plan, or Retirement Plan, which provides a pension to salaried employees of Clearwater Paper as of December 15, 2010, including some of our named executive officers. This plan is discussed in detail on pages 46-47. See *“Post Employment Compensation.”* We closed the Retirement Plan to new participants effective December 15, 2010 and froze the accrual of further benefits for current participants under the plan as of December 31, 2011. In lieu of further accrual of benefits under the Retirement Plan, we are providing enhanced 401(k) contributions to provide a competitive and sustainable retirement benefit to the prior plan participants and new salaried employees.

401(k) Plan. Under the Clearwater Paper 401(k) Plan, or the 401(k) Plan, in 2018 we made matching contributions equal to 70% of a salaried employee’s contributions up to 6% of his or her annual cash compensation, subject to applicable tax limitations. Eligible employees who elect to participate in this plan are 100% vested in the matching contributions upon completion of two years of service. All eligible nonunion employees of Clearwater Paper and its subsidiaries, including our named executive officers, are permitted to make voluntary pre-tax and after-tax contributions to the plan, subject to applicable tax limitations. The employee contributions are eligible for matching contributions as described above. Additionally, in 2018 we made enhanced contributions to employees’ accounts under the 401(k) Plan of 3.5% of an employee’s eligible annual compensation. These contributions are 100% vested.

Supplemental Benefit Plan. Our Clearwater Paper Salaried Supplemental Benefit Plan, or Supplemental Plan, provides retirement benefits to our salaried employees, including our named executive officers, based upon the benefit formulas of our Retirement Plan and 401(k) Plan. Benefits under the Supplemental Plan are based on base salary and annual bonus, including any such amounts that the

employee has elected to defer, and are computed to include amounts in excess of the IRS compensation and benefit limitations applicable to our qualified plans. Otherwise, these benefits are calculated based on the qualified plan formulas and do not augment the normal benefit formulas applicable to our salaried employees. These plans are discussed in detail on page 47. See *“Summary of Plan Benefits.”*

To appropriately align with the change to the Retirement Plan and the introduction of the enhanced 401(k) Plan benefits, the portion of the Supplemental Plan based on the Retirement Plan benefit formula was frozen as of December 31, 2011, and the portion of the Supplemental Plan based on the 401(k) Plan benefit formula includes any enhanced 401(k) contributions that would exceed the IRS compensation and benefit limits.

Personal Benefits. We do not provide perquisites or other personal benefits to our officers or senior employees, with the exception of certain relocation expenses. Salaried employees, including named executive officers, who participate in our relocation program receive a restoration payout on certain of the relocation benefits provided.

EXECUTIVE COMPENSATION TABLES

2018 Compensation

2018 Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Stock Awards \$(2)	Option Awards \$(2)	Non-Equity Incentive Plan Compensation \$(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$(4)	All Other Compensation \$(5)	Total (\$)
Linda K. Massman	2018	\$925,000		\$1,642,557	\$818,233	\$529,600	\$0	\$130,515	\$4,045,905
President and Chief Executive Officer	2017	\$915,385		\$1,453,798	\$849,779	\$770,000	\$55,382	\$152,736	\$4,197,080
	2016	\$866,346		\$1,183,417	\$1,289,537	\$1,068,200	\$30,014	\$223,468	\$4,660,983
John D. Hertz	2018	\$512,115		\$361,355	\$179,997	\$190,700	\$0	\$60,315	\$1,304,483
Senior Vice President, Finance and Chief Financial Officer	2017	\$496,154		\$311,113	\$181,858	\$271,200	\$0	\$67,656	\$1,327,981
	2016	\$477,404		\$309,292	\$204,187	\$382,500	\$0	\$87,412	\$1,460,795
Arsen S. Kitch(6)	2018	\$324,226	\$89,860	\$213,502	\$106,387	\$78,600	\$0	\$39,184	\$851,759
Senior Vice President, Gen'l Mgr, Consumer Products Division									
Michael S. Gadd	2018	\$433,077		\$285,781	\$142,387	\$161,300	\$0	\$51,111	\$1,073,656
Senior Vice President, General Counsel and Corporate Secretary	2017	\$422,115		\$244,235	\$142,787	\$230,700	\$47,796	\$62,589	\$1,150,223
	2016	\$406,538		\$247,441	\$163,350	\$325,800	\$27,218	\$106,214	\$1,276,562
Kari G. Moyes	2018	\$333,077		\$223,390	\$111,263	\$124,000	\$0	\$37,151	\$828,881
Senior Vice President, Human Resources	2017	\$323,077		\$197,694	\$115,574	\$149,400	\$0	\$46,186	\$831,930
	2016	\$312,404		\$195,342	\$128,958	\$211,800	\$0	\$56,645	\$905,149

- (1) Amount for 2018 represents a cash bonus paid to Mr. Kitch for his performance regarding our reorganization efforts associated with selling, general and administrative cost control measures.
- (2) The stock awards column shows the aggregate grant date fair value of the RSUs and the performance shares granted to all of our named executive officers, and the option awards column shows the grant date fair value of stock options granted to all of our named executive officers. In accordance with FASB ASC Topic 718, the grant date fair value reported for all RSUs and performance shares was computed by multiplying the number of shares subject to each RSU and performance share award by the closing price of Clearwater Paper's stock on the grant date. We determined the grant date fair value for all stock options using the Black-Scholes model in accordance with FASB ASC Topic 718. The assumptions underlying FASB ASC Topic 718 valuations performed for performance shares and stock options are discussed in Note 15 to our audited financial statements included in our 10-K.
- Following is the value as of the grant date of the performance shares granted to our named executive officers by us in 2018 and in 2017, assuming the highest level of performance would have been or will be achieved (resulting in settlement of 200% of the shares subject to the award) in each case based on Clearwater Paper's closing stock price on the applicable grant date. Ms. Massman (2018 - \$1,877,219, and 2017 - \$1,708,289), Messrs. Hertz (2018 - \$412,999, and 2017 - \$365,584), Kitch (2018 - \$244,024), Gadd (2018 - \$326,639, and 2017 - \$287,042) and Ms. Moyes (2018 - \$255,259, and 2017 - \$232,335).
- (3) This column shows cash bonuses earned under our annual incentive plan. Annual bonuses relating to performance in 2018 were actually paid in 2019.
- (4) Represents the aggregate annual change in the actuarial present value of accumulated pension benefits under all of our defined benefit and actuarial pension plans. No portion of the amounts shown in this column is attributable to above market or preferential earnings on deferred compensation. In 2018, the following named executive officers had a loss in pension value in the following amounts: Ms. Massman (\$24,117) and Mr. Gadd (\$18,614).
- (5) All Other Compensation Table below for additional information:

Name	Company Contributions	
	401(k)	Supplemental 401(k)(a)
Linda K. Massman	\$17,776	\$112,739
John D. Hertz	\$14,915	\$45,400
Arsen S. Kitch	\$20,821	\$18,364
Michael S. Gadd	\$14,411	\$36,700
Kari G. Moyes	\$20,770	\$16,380

- (a) Allocations made under the 401(k) Plan supplemental benefit portion of our Supplemental Plan.

(6) Mr. Kitch was not a named executive officer prior to 2018, so no data is provided for 2016 or 2017 in this table.

Grants of Plan-Based Awards for 2018

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares or Units (#)(3)	All Other Option Awards: Number of Securities Underlying Options (#)(4)	Exercise or Base Price of Option Awards (\$/Sh)(5)	Grant Date Fair Value of Stock and Option Awards \$(6)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)(7)	Target (#)	Maximum (#)				
Linda K. Massman	3/5/2018	\$346,875	\$925,000	\$1,850,000	0	25,063	50,126				\$938,609
	3/5/2018								56,391	\$37.45	\$818,233
	3/5/2018							18,797			\$703,948
John D. Hertz	3/5/2018	\$124,913	\$333,100	\$666,200	0	5,514	11,028				\$206,499
	3/5/2018								12,405	\$37.45	\$179,997
	3/5/2018							4,135			\$154,856
Arsen S. Kitch	3/5/2018	\$73,955	\$211,300	\$422,600	0	3,258	6,516				\$122,012
	3/5/2018								7,332	\$37.45	\$106,387
	3/5/2018							2,443			\$91,490
Michael S. Gadd	3/5/2018	\$105,638	\$281,700	\$563,400	0	4,361	8,722				\$163,319
	3/5/2018								9,813	\$37.45	\$142,387
	3/5/2018							3,270			\$122,462
Kari G. Moyes	3/5/2018	\$81,263	\$216,700	\$433,400	0	3,408	6,816				\$127,630
	3/5/2018								7,668	\$37.45	\$111,263
	3/5/2018							2,557			\$95,760

- (1) Actual amounts paid under our annual incentive plan for performance in 2018 were paid in March 2019 and are reflected in the Summary Compensation Table on page 42 in the column titled "Non-Equity Incentive Plan Compensation." Awards granted under our annual incentive plan included an operational component related to company EBITDA, which accounted for 75% for the corporate executives and 40% for the division executives; a company-wide strategic initiatives component, which accounted for 25% and 30% for corporate and division executives, respectively; and for the remaining 30% for the division executives, a component related to division EBITDA. The company portion of the target annual bonus amount could have been up to 200% of target, depending on the company's EBITDA performance; the company-wide strategic initiatives component of the bonus could have been up to 200% of the target; and the division portion of the target annual bonus amount could have been up to 200% of target, depending on the division EBITDA performance. This resulted in a cap on what could be paid out equal to 200% of the aggregate target amount for the year. If the company EBITDA threshold target is not met, no participant is eligible to receive a bonus under our annual incentive plan for that year. The threshold amounts shown in the table assume threshold for company performance, company-wide strategic initiatives performance and division performance.
- (2) Amounts shown represent performance shares granted for the performance period 2018-2020. The named executive officers' total long-term incentive grants were in the form of 40% performance shares that may pay out based on our Free Cash Flow (60% of target grant) and Return on Invested Capital (40% of target grant), with a -25% to +25% modifier based on relative TSR compared to that of a selected comparison group (companies comprising the S&P MidCap 400® Index, excluding those companies classified as members of the GICS® Financials sector) during the three-year performance period, and 30% stock options and 30% time-vested RSUs, both of which have three-year ratable vesting subject to continuing employment. The grant date fair value of the performance share awards has been calculated as described in footnote 2 to the 2018 Summary Compensation Table above.
- (3) Amounts represent RSUs with three-year ratable vesting subject to continuing employment.
- (4) Amounts represent stock options with three-year ratable vesting subject to continuing employment.
- (5) Stock exercise prices reflect the closing price of our stock on the grant date.
- (6) The grant date fair value of the option awards has been calculated using the Black-Scholes model in accordance with FASB ASC Topic 718.
- (7) Threshold payout is shown at zero solely for illustrative purposes. For both the relative FCF and ROIC portions of the performance share awards, threshold performance will result in a payout of 0% of target, target level performance will result in a payout of 100% of target, and maximum performance will result in a payout of 200% of target. The relative TSR modifier can modify a payout from -25% to +25% (not to exceed 200% for a total payout award). For performance that is intermediate, the percent of target multiplier will be determined by interpolation.

Compensation of Chief Executive Officer and CEO Pay Ratio

Linda K. Massman. Pursuant to Ms. Massman's employment agreement, dated effective January 1, 2016, for her service as President and CEO, her target annual bonus opportunity was 100% of her actual salary for 2018. She was paid an annual bonus of \$529,600 for 2018. Her bonus could have ranged from

zero to 200% of the target amount based on company and group performance criteria established by the Compensation Committee. Ms. Massman also participates in our long-term incentive program on terms established by the committee, and for 2018, she was eligible for a target award of at least \$2,500,000.

We entered into a new employment agreement with Ms. Massman effective January 1, 2019, for her service as President and CEO. Under that agreement Ms. Massman's target annual bonus opportunity will be 100% of her actual salary and her long-term incentive award will be no less than \$2,000,000, subject to the discretion of the company's board of directors, in accordance with our long-term incentive program.

Ms. Massman receives other benefits generally available to our officers and other eligible employees including participation in our Supplemental Plan and Retirement Plan. *See narrative following the "Pension Benefits Table."*

Ms. Massman is entitled to certain payments upon termination or a change of control. See *"Potential Payments Upon Termination or Change of Control-Ms. Massman's Employment Agreement."*

Ms. Massman is also prohibited from competing against us or soliciting our or our affiliates' employees and from soliciting customers on behalf of any competitor for one year following termination of her employment if her employment terminated without cause, if her employment terminated more than twenty-four months after a change of control, or if she terminated her employment for good reason, and for two years following termination of her employment for any other reason.

The Compensation Committee has reviewed all components of the compensation of Ms. Massman, including base salary, annual incentive award and long-term incentive awards plus the cost of any other salaried employee benefits and projected payout obligations under several potential severance and change of control scenarios. Based on this review, the committee has determined that the total compensation of Ms. Massman is in the aggregate reasonable and not excessive and is consistent with the committee's evaluation of her performance. The committee also determined, in the case of severance and change of control scenarios, that the potential payouts were appropriate.

CEO Pay Ratio

Under SEC rules, we are required to provide information about the relationship of the annual total compensation of our employees (other than our CEO) and the annual total compensation of our CEO. The median of the annual total compensation of all employees of our company (other than our CEO) was \$77,379. As reported in the "2018 Summary Compensation Table" above, the annual total compensation of our CEO was \$4,045,905. Based on this information, for 2018 the ratio of the annual total compensation of our CEO to the median of the annual total compensation of all employees was 52 to 1.

To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of our median employee and our CEO, we took the following steps:

- We determined that, as of the date of the last payroll run for the year (December 21, 2018), our employee population consisted of approximately 3,105 individuals with all of the individuals located in the United States. This population consisted of our full-time, part-time and temporary workers.
- To identify the median employee from our employee population, we compared the amount of total cash earnings of all of our employees (other than our CEO) based on our payroll records.
- Since all of our employees are located in the United States, we did not make any cost-of-living adjustments in identifying the median employee.

The pay ratio disclosed above was calculated in accordance with SEC rules based upon our reasonable judgement and assumptions using the methodology described above. The SEC rules do not specify a single methodology for identification of the median employee or calculation of the pay ratio, and other companies may use assumptions and methodologies that are different from those used by us in calculating their pay ratio. Accordingly, the pay ratio disclosed by other companies may not be comparable to our estimated pay ratio as disclosed above.

2018 Outstanding Equity Awards at Fiscal Year End

Name	Option Awards(1)				Stock Awards(1)			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(3)
	Exercisable	Unexercisable						
Linda K. Massman								
Performance Share Grant (2018-2020)							0	\$0
Stock Option Grant (2018-2020)		56,391	\$37.45	3/5/2028				
Restricted Stock Units (2018-2020)					18,797 (5)	\$458,083		
Performance Share Grant (2017-2019)							0	\$0
Stock Option Grant (2017-2019)	14,900	30,253	\$56.75	2/27/2027				
Restricted Stock Units (2017-2019)					6,723 (6)	\$163,840		
Stock Option Grant (2016-2018)	89,427		\$38.75	2/25/2026				
Stock Option Grant (2015-2017)	43,179		\$61.75	2/26/2025				
Stock Option Grant (2014-2016)	51,903		\$66.97	2/24/2024				
John D. Hertz								
Performance Share Grant (2018-2020)							0	\$0
Stock Option Grant (2018-2020)		12,405	\$37.45	3/5/2028				
Restricted Stock Units (2018-2020)					4,135 (5)	\$100,770		
Performance Share Grant (2017-2019)							0	\$0
Stock Option Grant (2017-2019)	3,188	6,475	\$56.75	2/27/2027			0	\$0
Restricted Stock Units (2017-2019)					1,439 (6)	\$35,068		
Stock Option Grant (2016-2018)	14,160		\$38.75	2/25/2026				
Stock Option Grant (2015-2017)	8,115		\$61.75	2/26/2025				
Stock Option Grant (2014-2016)	9,753		\$66.97	2/24/2024				
Arsen S. Kitch								
Performance Share Grant (2018-2020)							0	\$0
Stock Option Grant (2018-2020)		7,332	\$37.45	3/5/2028				
Restricted Stock Units (2018-2020)					2,443 (5)	\$59,536		
Performance Share Grant (2017-2019)							0	\$0
Stock Option Grant (2017-2019)	1,154	2,344	\$56.75	2/27/2027				
Restricted Stock Units (2017-2019)					522 (6)	\$12,721		
Stock Option Grant (2016-2018)	5,775		\$38.75	2/25/2026				
Stock Option Grant (2015-2017)	1,956		\$61.75	2/26/2025				
Stock Option Grant (2014-2016)	1,371		\$66.97	2/24/2024				
Michael S. Gadd								
Performance Share Grant (2018-2020)							0	\$0
Stock Option Grant (2018-2020)		9,813	\$37.45	3/5/2028				
Restricted Stock Units (2018-2020)					3,270 (5)	\$79,690		
Performance Share Grant (2017-2019)							0	\$0
Stock Option Grant (2017-2019)	2,503	5,084	\$56.75	2/27/2027			0	\$0
Restricted Stock Units (2017-2019)					1,129 (6)	\$27,514		
Stock Option Grant (2016-2018)	11,328		\$38.75	2/25/2026				
Stock Option Grant (2015-2017)	6,315		\$61.75	2/26/2025				
Stock Option Grant (2014-2016)	7,587		\$66.97	2/24/2024				
Kari G. Moyes								
Performance Share Grant (2018-2020)							0	\$0
Stock Option Grant (2018-2020)		7,668	\$37.45	3/5/2028				
Restricted Stock Units (2018-2020)					2,557 (5)	\$62,314		
Performance Share Grant (2017-2019)							0	\$0
Stock Option Grant (2017-2019)	2,026	4,115	\$56.75	2/27/2027				
Restricted Stock Units (2017-2019)					914 (6)	\$22,274		
Stock Option Grant (2016-2018)	8,943		\$38.75	2/25/2026				
Stock Option Grant (2015-2017)	5,010		\$61.75	2/26/2025				
Stock Option Grant (2014-2016)	1,407		\$66.97	2/24/2024				

(1) For 2017, all named executive officers' annual equity awards were in the form of 37.5% performance shares that may pay out based on our TSR compared to that of a selected comparison group (companies comprising the S&P MidCap 400® Index, excluding those companies classified as members of the GICS® Financials sector) during the three-year performance period (40% of target grant), and Return on Invested Capital (60% of target grant), 37.5% stock options and 25% time-vested RSUs, the latter two with three-year ratable vesting subject to continuing employment. For 2018, all named executive officers' annual equity awards were in the form of 40% performance shares that may pay out based on our Free Cash Flow (60% of target grant) and Return on Invested Capital (40% of target grant) with a -25% to +25% modifier based on a relative TSR compared to that of a selected comparison group (companies comprising the S&P MidCap 400® Index, excluding those companies classified as members of the GICS® Financials sector) during the three-year performance period, 30% stock options and 30% time-vested RSUs, the latter two with three-year ratable vesting subject to continuing employment. Because the performance share awards are for three-year performance periods that end December 31, 2019, and 2020, respectively, the actual number of shares that could be issued upon settlement of these awards may be more or less than the amounts shown in this table.

(2) This column shows RSUs granted in 2017 and 2018.

(3) Values calculated using the \$24.37 per share closing price of our common stock on December 31, 2018.

- (4) This column shows performance shares granted for the 2017-2019 and 2018-2020 performance periods, with share payouts calculated assuming performance at threshold level solely for illustrative purposes. For the 2017-2019 performance period, performance is measured based on relative TSR and ROIC, and the share payouts under each measure will be 0% of target for threshold performance, 100% of target for target level performance, and 200% of target for the maximum level of performance. For the 2018-2020 performance period, the performance is measured based on FCF and ROIC with a relative TSR modifier, and the share payouts under each measure will be 0% of target for threshold performance, 100% of target for target level performance, and 200% of target for the maximum level of performance. In each performance period, for performance that is intermediate, the percent of target multiplier will be determined by interpolation. The shares for both the 2017 and 2018 grants are shown at threshold (0%) based on actual performance as of December 31, 2018.
- (5) The shares listed will vest ratably 33% / 33% / 34% on March 5, 2019, March 5, 2020 and March 5, 2021, respectively.
- (6) The shares listed will vest ratably 33% / 34% on March 1, 2019 and March 1, 2020, respectively.

2018 Option Exercises and Stock Vested Table

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)(1)(2)	Value Realized on Vesting \$(2)(3)
Linda K. Massman	0	\$0	3,310	\$124,456
John D. Hertz	0	\$0	3,854	\$103,949
Arsen S. Kitch	0	\$0	1,538	\$41,137
Michael S. Gadd	0	\$0	3,073	\$82,773
Kari G. Moyes	0	\$0	2,437	\$65,760

- (1) Consists of the gross number of RSUs that fully vested in 2018.
- (2) Fully vested RSUs were subject to tax withholding, resulting in the receipt of fewer shares by each named executive officer. The shares withheld for tax purposes were as follows:

Name	Shares Withheld for Tax Purposes	Value of Shares Withheld
Linda K. Massman	801	\$30,118
John D. Hertz	977	\$26,749
Arsen S. Kitch	389	\$10,551
Michael S. Gadd	778	\$21,272
Kari G. Moyes	618	\$16,935

- (3) Values are calculated using the per share closing price of our common stock on the vesting date of each RSU grant.

Post-Employment Compensation

Pension Benefits Table

Full-time Clearwater Paper salaried employees, including our named executive officers, who were employed by us as of December 15, 2010, are eligible for the Retirement Plan. The Normal Retirement Benefit (or Accrued Benefit) was frozen as of December 31, 2011. Years of service were frozen as of December 31, 2011. The table below shows the actuarial present value of each named executive officer's accumulated benefit, if eligible for the Retirement Plan, payable on retirement under our tax-qualified Retirement Plan and the Retirement Plan supplemental benefit portion of our non-qualified Supplemental Plan. For purposes of calculating the Retirement Plan benefit, earnings include base salary and annual incentive awards. Ms. Moyes and Messrs. Hertz and Kitch are not eligible to participate in these plans.

Name	Plan Name	Number of Years Credited Service (1)(#)	Present Value of Accumulated Benefit \$(4)	Payments During Last Fiscal Year (\$)
Linda K. Massman	Supplemental Plan (2)	3.30	\$246,588	\$0
	Retirement Plan (3)	3.30	\$104,290	\$0
Michael S. Gadd	Supplemental Plan (2)	5.84	\$145,948	\$0
	Retirement Plan (3)	5.84	\$190,637	\$0

- (1) Years of credited service were frozen as of December 31, 2011. Number of years of credited service prior to December 31, 2011, include years of service with Potlatch Corporation prior to our spin-off from Potlatch Corporation for all eligible employees.
- (2) Salaried Supplemental Benefit Plan. The Retirement Plan supplemental benefit portion of this plan ceased to accrue further benefits for participants as of December 31, 2011.

- (3) Salaried Retirement Plan. This plan was closed to new participants effective December 15, 2010 and ceased to accrue further benefits for participants as of December 31, 2011.
- (4) The following assumptions were made in calculating the present value of accumulated benefits: discount rate of 4.40% as of December 31, 2018; retirement at the officer's first unreduced retirement age, which is age 62; service as of December 31, 2011; mortality expectations based on the Mercer Industry Longevity Experience Study for basic materials, paper and packaging (MILES) table with generational projections using the Mercer derived projection scale MMP-2018 as of December 31, 2018; and IRS limitations and Social Security covered compensation through December 31, 2011.

Summary of Retirement Plan Benefits. Full time Clearwater Paper salaried employees, including named executive officers, employed as of December 15, 2010 are eligible employees to participate in the Retirement Plan. Participants vest in Retirement Plan benefits upon the earlier of attainment of five years of Vesting Service, or age 65. An eligible employee's "normal retirement date" is the first day of the month coincident with or next following the attainment of age 65. The monthly benefit payable to an employee retiring on the "normal retirement date" is: (1% times Final Average Earnings) times (Years of Credited Service) Plus (0.5% times "Final Average Earnings" in excess of the Social Security Benefit Base) times (Years of Credited service (up to 35)). "Final Average Earnings" are the highest average monthly compensation (including base salary and incentive awards) earned during any consecutive 60-month period during the employee's final 120 months of service as of December 31, 2011 with compensation in a given year limited by Internal Revenue Code ("IRC") Section 401(a)(17). If an eligible employee elects to receive an "early retirement benefit," the "normal retirement benefit is reduced 5/12 of 1% for every month that payment commences prior to age 62 (or age 65 if employment terminates prior to attainment of age 55 and 10 Years of Vesting Service). Participants in the Retirement Plan may select among various annuity forms and benefits with an actuarial present value less than \$5,000 are paid in a lump sum.

Summary of the Supplemental Plan Benefit. All participants in the Retirement Plan whose benefits are limited due to the application of IRC Section 401(a)(17) or IRC Section 415 are eligible to participate in the Salaried Supplemental Benefit Plan, and receive the additional retirement benefit that the participant would have earned without this limitation. Participants vest in Supplemental Plan benefits upon the attainment of five years of Vesting Service or age 65. Benefits commence for participants upon 90 days following attainment of age 55 or separation of service, whichever is later. If the actuarially equivalent value of the Supplemental Benefit is not more than \$50,000, it is paid in a lump sum. Otherwise, the participant may elect a form of payment from those provided by the Retirement Plan. Benefit payments to "key employees," as defined under the IRC, are delayed for a minimum of six months following separation from service. This benefit is adjusted for age at commencement similar to the Retirement Plan.

2018 Nonqualified Deferred Compensation Table

The table below shows deferred compensation of the named executive officers, including mandatory deferral of RSUs and the fiscal year contributions made by or on their behalf under the 401(k) Supplemental Benefit portion of our nonqualified Supplemental Plan.

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY \$(1)	Aggregate Earnings in Last FY \$(2)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (12/31/18) \$(3)
Linda K. Massman	\$0	\$112,739	(\$728,346)	\$0	\$1,731,581(4)(5)
John D. Hertz	\$0	\$45,400	(\$21,229)	\$0	\$257,919
Arsen S. Kitch	\$0	\$18,364	\$577	\$0	\$18,941
Michael S. Gadd	\$0	\$36,700	\$6,000	\$0	\$333,667
Kari G. Moyes	\$0	\$16,380	\$937	\$0	\$59,415

- (1) Amounts shown in the Registrant Contributions column above are also included in the "All Other Compensation" column in the 2018 Summary Compensation Table page 42.

- (2) None of the Aggregate Earnings reported in this Table are included in the 2018 Summary Compensation Table in this proxy for the 2018 fiscal year as they do not represent above-market preferential earnings. These amounts include stock price loss on the mandatorily deferred RSUs.
- (3) The following amounts included in the Aggregate Balance column above have been reported as compensation to the named executive officers in the Summary Compensation Tables for previous fiscal years:

Name	Amount
Linda K. Massman	\$2,029,491
John D. Hertz	\$190,318
Arsen S. Kitch	\$0
Michael S. Gadd	\$277,597
Kari G. Moyes	\$41,740

- (4) This aggregate balance includes RSUs that were previously, mandatorily deferred pursuant to RSU award agreements in 2012. The deferred stock units are entitled to dividend equivalents, if and when dividends are paid.
- (5) This aggregate balance is lower than the amount reported as compensation to the named executive officer in the Summary Compensation Tables for previous fiscal years due to a decrease in value of the deferred RSUs.

In addition to the retirement benefits described above, the Supplemental Plan provides benefits to supplement our Clearwater Paper 401(k) Plan to the extent that an employee's "company contributions" or "allocable forfeitures" in the Clearwater Paper 401(k) Plan are reduced due to IRC limits or because the employee has deferred an annual incentive plan award. Supplemental Plan contributions equal the difference between the company contributions and allocable forfeitures actually allocated to the employee under the Clearwater Paper 401(k) Plan for the year and the company contributions and allocable forfeitures that would have been allocated to the employee under the Clearwater Paper 401(k) Plan if the employee had deferred 6% of his or her earnings determined without regard to the IRC compensation limit (\$275,000 in 2018) and without regard to deferral of any annual incentive plan award. At the participant's election, contributions may be deemed invested in a stock unit account, other investments available under the Clearwater Paper 401(k) Plan or a combination of these investment vehicles. Participants vest in this Supplemental Plan benefit upon the earliest of two years of service, attainment of age 65 while an employee, or total and permanent disability. Participants may elect to have benefits paid in a lump sum or in up to 15 annual installments; however, balances that are less than the annual 401(k) contribution limit (\$18,500 in 2018) at the time the employee separates from service are paid in a lump sum. Benefits commence in the year following the year of separation from service. Benefit payments to "key employees," as defined under the IRC, are delayed for a minimum of six months following separation from service.

Certain employees, including the named executive officers, who earn an annual incentive plan award may defer between 50% and 100% of the award under the Management Deferred Compensation Plan. Eligible employees may also elect to defer up to 50% of base salary into the plan. At the participant's election, deferrals may be deemed invested in a stock unit account, other investments available under the Clearwater Paper 401(k) Plan, or a combination of these investment vehicles. No cash is actually invested in these vehicles, rather a participant is credited for the deferred amount which is then tracked as if the amount were actually invested in company common stock or in funds available under the Clearwater Paper 401(k) Plan. If stock units are elected, dividend equivalents are credited to the units. Deferred amounts are 100% vested at all times.

Potential Payments Upon Termination or Change of Control

Severance Programs for Executive Employees

Our Executive Severance Plan (the "Severance Plan") and Change of Control Plan provide severance benefits to our named executive officers and certain other employees. Benefits are payable under the Severance Plan in connection with a termination of the executive officer's employment with us and under the Change of Control Plan in connection with a change of control.

Termination Other Than in Connection with Change of Control. The following table assumes a termination of employment occurred by us without cause or by the officer for good reason and does not include termination as a result of death, disability, or retirement. The table sets forth the severance

benefits payable to each of our named executive officers under our Severance Plan if the named executive officer's employment is terminated in the circumstances described below, except, as noted, for those severance benefits of Ms. Massman which have been modified in accordance with her employment agreement. The following table assumes a termination of employment occurred on December 31, 2018.

	Cash Severance Benefit	Pro-Rata Annual Bonus	Value of Equity Acceleration(1)	Benefit Continuation	Total
Linda K. Massman(2)	\$1,387,500	\$925,000	\$0	\$11,743	\$2,324,243
John D. Hertz	\$515,000	\$333,100	\$0	\$19,118	\$867,218
Arsen S. Kitch	\$325,000	\$211,300	\$0	\$19,451	\$555,751
Michael S. Gadd	\$435,000	\$281,700	\$0	\$19,840	\$736,540
Kari G. Moyes	\$335,000	\$216,700	\$0	\$13,476	\$565,176

- (1) Our named executive officers are not entitled to accelerated vesting or other acceleration of equity awards in connection with a termination of employment except (a) for a termination of employment in connection with death, disability or retirement described below in the table titled "Other Potential Payments Upon Termination"; and (b) in connection with a change of control related triggering event. All equity awards have been calculated using the company's closing stock price of \$24.37 on December 31, 2018.
- (2) Pursuant to her employment agreement, as amended, Ms. Massman would have received a cash severance payment equal to one and a half times her base salary from the date of her separation from service and a prorated annual bonus for the termination year under the applicable bonus plan. Her employment agreement is discussed below under "*Ms. Massman's Employment Agreement*."

Under the Severance Plan, benefits are payable to an executive officer when his or her employment terminates in the following circumstances (each a "Severance Termination Event"):

- Involuntary termination of the executive's employment for any reason other than death, disability or cause; or
- Voluntary termination of the executive's employment upon one of the following events (provided a notice is given by the executive within 90 days of the event):
 - a change in the executive's duties or responsibilities that results in a material diminution in his or her position or function, other than a change in title or reporting relationships;
 - a 10% or greater reduction in his or her base salary, target bonus opportunity, or target long-term incentive opportunity, other than in connection with an across-the-board reduction applicable to other senior executives;
 - a relocation of the executive's business office to a location more than 50 miles from the location at which he or she performs duties, other than for required business travel; or
 - a material breach by the company or any successor concerning the terms and conditions of the executive's employment.

In addition, no severance benefits are payable in connection with termination of employment due to an asset sale, spin-off or joint venture if the executive continues employment with or is offered the same or better employment terms by the purchaser, spun-off company or joint venture.

Upon the occurrence of a Severance Termination Event, the following severance benefits are payable to the executive officer, except for Ms. Massman as noted above:

- cash payments equal to twelve months of the executive's base pay, determined as of the date of the termination or at the rate in effect when the executive's base pay was materially reduced, whichever produces the larger amount. The Severance Pay Period means 52 weeks;
- continued eligibility for an annual incentive award for the fiscal year of termination, determined under the terms and conditions of the annual incentive plan and prorated for the number of days during the fiscal year in which the executive was employed;
- continued group health plan coverage as required by law ("COBRA"), with reimbursement of COBRA premium payments up to the amount paid by the company for the same coverage for its active senior executives until the end of the Severance Pay Period or, if earlier, the date the executive begins new employment; and

- continued basic life insurance coverage until the end of the Severance Pay Period or, if earlier, the date the executive begins new employment.

Termination in Connection with a Change of Control. The following table sets forth the benefits payable to each of our named executive officers under the Change of Control Plan upon a termination of employment except for Ms. Massman to the extent her benefits listed below are paid in accordance with her employment agreement as discussed below. The following table assumes the termination of employment and a change of control each occurred on December 31, 2018.

	Cash Severance Benefit	Pro-Rata Annual Bonus	Value of Equity Acceleration(1)	Benefit Continuation	Total
Linda K. Massman	\$4,625,000	\$925,000	\$1,545,650	\$29,358	\$7,125,008
John D. Hertz	\$2,124,375	\$333,100	\$336,798	\$47,795	\$2,842,068
Arsen S. Kitch	\$1,340,625	\$211,300	\$172,640	\$48,628	\$1,773,193
Michael S. Gadd	\$1,794,375	\$281,700	\$265,699	\$49,600	\$2,391,374
Kari G. Moyes	\$1,381,875	\$216,700	\$210,180	\$33,689	\$1,842,444

- (1) Amount reflects the value of equity acceleration with respect to outstanding RSUs and stock options, calculated using the company's closing stock price of \$24.37 on December 31, 2018. With respect to outstanding performance shares, they are shown at target performance. Under the award agreement relating to our performance shares upon a change of control, a portion of the award based on our target performance, prorated based on the number of complete months that have lapsed in the first twelve months of the performance period, is deemed payable and dividend equivalents, if any, are calculated on the prorated actual number of shares. If the change of control occurs after the first twelve months of the performance period, the full number of shares based on target performance is payable together with any dividend equivalents. Under the award agreements for RSUs and stock options, if the holder's employment is terminated by us without cause or by the holder for good reason within one month prior to, or 24 months after, a change of control, each RSU and stock option will fully vest unless the change of control occurs during the first year of the vesting period. If the change of control and "double trigger" event occur in the first year of the vesting period, a prorated portion of each RSU and stock option based on the number of complete months that have lapsed in the first twelve months of the vesting period is deemed payable.

In general, under the Change of Control Plan, a change of control is one or more of the following events: (1) any person acquires more than 30% of the company's outstanding common stock; (2) certain changes are made to the composition of our Board; (3) certain transactions occur that result in our stockholders owning 50% or less of the surviving corporation's stock; or (4) a sale of all or substantially all of the assets of the company or approval by our stockholders of a complete liquidation or dissolution of the company.

A change of control event does not occur upon the approval by stockholders of a merger, consolidation or sale transaction alone, but rather consummation of such a triggering event is also required.

Under the Change of Control Plan, benefits are payable to an executive officer when his or her employment terminates within two years following a change of control event in the following circumstances (each a "Change of Control Termination Event"):

- Involuntary termination of the executive's employment for any reason other than death, disability or cause; or
- Voluntary termination of the executive's employment upon one of the following events (provided a notice is given by the executive within 90 days of the event):
 - a change in the executive's duties or responsibilities that results in a material diminution in his or her position or function, other than a change in title or reporting relationships;
 - a 10% or greater reduction in his or her base salary, target bonus opportunity, or target long-term incentive opportunity, other than in connection with an across-the-board reduction applicable to other senior executives;
 - a relocation of the executive's business office to a location more than 50 miles from the location at which he or she performs duties, other than for required business travel;
 - a failure by Clearwater Paper or any successor to provide comparable, aggregate benefits; or
 - a material breach by Clearwater Paper or any successor concerning the terms and conditions of the executive's employment.

Upon the occurrence of a Change of Control Termination Event, the following severance benefits are payable to executives:

- a cash benefit equal to the executive's annual base pay plus his or her annual base pay multiplied by his or her target bonus percentage, determined as of the date of the termination or at the rate in effect when the executive's base pay was materially reduced, whichever produces the larger amount, multiplied by 2.5. The cash benefit is subject to a downward adjustment if the executive separates from service within thirty months of his or her 65th birthday;
- an annual incentive award for the fiscal year of termination, determined based on the executive's target bonus and prorated for the number of days during the fiscal year in which the executive was employed;
- continued group health plan coverage for 2.5 years, or, if less, the period until the executive begins new employment, referred to as the Subsidized Benefits Period, or such other period required by COBRA;
- reimbursement of COBRA premium payments during the Subsidized Benefits Period up to the amount paid by the company for the same coverage for its active senior executives;
- continued basic life insurance coverage for the Subsidized Benefits Period;
- a lump sum cash benefit equal to the value of that portion of the executive's account in the 401(k) Plan which is unvested and the unvested portion, if any, of the executive's "401(k) Plan supplemental benefit" account under the Supplemental Plan; and
- for executives participating in the Retirement Plan, a lump sum cash benefit equal to the present value of the executive's "normal retirement benefit" and "retirement plan supplemental benefit" determined under the Retirement Plan and Supplemental Plan, respectively, if the executive is not entitled to a vested benefit under the Retirement Plan at the time he or she separates from service.

We do not pay tax gross-ups in connection with change of control payments. In the event an executive's severance or change of control payments are subject to an excise tax, he or she will receive whichever provides the greater "after-tax" benefit—either the full amount of the change of control payments or an amount that has been reduced to a point where such payments are not subject to an excise tax.

Ms. Massman's Employment Agreement

We entered into a new employment agreement with Ms. Massman effective January 1, 2019, (the "2019 Agreement"). Ms. Massman does not participate in the Severance Plan and Change of Control Plan.

Pursuant to Ms. Massman's 2019 Agreement, if her employment terminates on or after January 1, 2019, for any reason other than cause, death, disability, or retirement, or she terminates her employment for good reason, she would receive (i) a cash severance payment equal to one and a half times her base salary; (ii) a prorated annual bonus for the termination year under the applicable bonus plan based on company actual performance; and (iii) eighteen months of continued health and welfare benefit coverage. If Ms. Massman is terminated without cause or she resigns for good reason, within the two years following a change of control, she will receive (i) a cash severance payment equal to 2.5 times her then current base salary plus target annual incentive bonus; (ii) a prorated annual bonus for the termination year under the applicable bonus plan at her target amount; and (iii) 2.5 years of continued health and welfare benefit coverage. If Ms. Massman is terminated due to death or disability, she would receive a prorated annual bonus for the termination year under the applicable bonus plan based on company actual performance.

In order to be entitled to receive any separation payments, Ms. Massman agreed to covenants prohibiting disclosure of confidential information, solicitation of customers and employees and engaging in competitive activity.

Other Potential Payments Upon Termination

In addition to those termination situations addressed above, named executive officers or their beneficiaries are entitled to certain payments upon death, disability or retirement.

For annual RSU, stock option and performance share awards granted in 2017 and later years, if the holder's employment terminates because of death, disability or retirement the following occurs:

- for RSUs, a prorated portion of the award scheduled to vest at the next vesting date, would be paid based on the ratio of the number of full months the holder was employed from the previous annual vesting date (or from the grant date, if the holder's employment terminates within twelve months of the grant date) to the date of termination, to twelve months;
- for stock options, a prorated portion of the award scheduled to vest at the next vesting date would become exercisable based on the ratio of the number of full months the holder was employed from the previous annual vesting date (or from the grant date, if the holder's employment terminates within twelve months of the grant date) to the date of termination, to twelve months; and
- for performance shares, a prorated portion of the award would be paid at the end of the performance period, based on the ratio of the number of full calendar months the holder was employed during the performance period to thirty-six months.

For annual RSU and stock option awards granted in 2017, the RSUs and stock options shall vest ratably over a three-year period (33%, 33% and 34%) on March 1st of 2018, 2019 and 2020, respectively. For annual RSU and stock option awards granted in 2018, the RSUs and stock options shall vest ratably over a three-year period (33%, 33% and 34%) on March 5th of 2019, 2020 and 2021, respectively.

With respect to RSUs and performance shares, dividend equivalents, if any, that would have been paid on the shares earned had the recipient owned the shares during the prorated period, are paid at the end of the vesting or performance period.

The following table summarizes the value as of December 31, 2018, that our named executive officers who were employed at such time would be entitled to receive assuming the respective officer's employment terminated on that date, in connection with death, disability or retirement. No named executive officer employed on such date was eligible for retirement. As a result, the amounts shown for our named executive officers in the table reflect amounts they would be entitled to receive in connection only with death or disability.

	Cash Severance Benefit	Pro-Rata Annual Bonus(1)	Value of Equity Acceleration(2)	Benefit Continuation	Total
Linda K. Massman	\$0	\$925,000	\$196,059	\$0	\$1,121,059
John D. Hertz	\$0	\$333,100	\$42,684	\$0	\$375,784
Arsen S. Kitch	\$0	\$211,300	\$21,886	\$0	\$233,186
Michael S. Gadd	\$0	\$281,700	\$33,682	\$0	\$315,382
Kari G. Moyes	\$0	\$216,700	\$26,634	\$0	\$243,334

- (1) All named executive officers are entitled to a payment of the prorated portion of their bonus, based on the company's actual performance. As the termination event for purposes of this table is deemed to occur on December 31, 2018, and performance is not determinable on that date, the bonus represented in the table reflects the "target" bonus opportunity. The payout would occur at the same time as for other participants.
- (2) Amount reflects the value of equity acceleration with respect to outstanding RSUs and stock options, which was calculated using the company's closing stock price of \$24.73 on December 31, 2018. Amount does not reflect any equity acceleration with respect to outstanding performance shares as no payments would have been required thereunder based on actual performance.

Additional Termination or Change of Control Payment Provisions

Annual Incentive Plan. In the event of a change of control, each participant under our annual incentive plan, including the named executive officers, is guaranteed payment of his or her prorated target bonus for the year in which the change of control occurs provided certain other events occur in connection with the participant. With respect to any award earned for the year prior to the year in which the change of control occurs, the participant is guaranteed payment of his or her award based on the performance results for the applicable year. The definition of "change of control" for purposes of our annual incentive plan is substantially similar to the definition of "change of control" described above with respect to the Change of Control Plan, and like certain other benefits under that plan requires a double trigger.

Additionally, under our annual incentive plan, upon the death or disability of a participant, the participant or his or her beneficiary or estate, is entitled to a pro-rata portion of the annual bonus based on our actual performance.

Benefits Protection Trust Agreement. We have entered into a Benefits Protection Trust Agreement, or Trust, which provides that in the event of a change of control the Trust will become irrevocable and within 30 days of the change of control we will deposit with the trustee enough assets to ensure that the total assets held by the Trust are sufficient to cover any anticipated trust expenses and to guarantee payment of the benefits payable to our employees under our Supplemental Plan; Annual Incentive Plan; Severance Plan; Change of Control Plan; Management Deferred Compensation Plan; Deferred Compensation Plan for Directors; the Salaried Severance Plan; Ms. Massman's Employment Agreement and certain agreements between us and certain of our former employees. At least annually, an actuary will be retained to re-determine the benefit commitments and expected fees. If the Trust assets do not equal or exceed 110% of the re-determined amount, then we are, or our successor is, obligated to deposit additional assets into the Trust.

COMPENSATION OF DIRECTORS

Our Nominating Committee reviews and makes recommendations to our Board concerning director compensation. Similar to our philosophy regarding executive compensation, our philosophy regarding director compensation is to provide our directors a fair compensation package that is tied to the services they perform as well as to the performance of the company, with the objective of recruiting and retaining an outstanding group of directors.

The Nominating Committee, pursuant to the authority granted under its charter, engaged Semler Brossy to advise it on director compensation matters for 2018. Semler Brossy's assessment was taken into consideration in establishing our current director compensation, which is targeted to be at the median of compensation paid by comparable companies.

2018 Compensation of Non-Employee Directors

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	All Other Compensation (\$)	Total (\$)
Boh A. Dickey	\$31,291 (3)	\$0	-	\$31,291
Beth E. Ford	\$132,000 (4)	\$0	-	\$132,000
Kevin J. Hunt	\$97,473	\$97,032	-	\$194,505
William D. Larsson	\$108,000	\$97,032	-	\$205,032
John P. O'Donnell	\$80,500	\$97,032	-	\$177,532
Richard D. Peach	\$7,319 (5)	\$0	-	\$7,319
Alexander Toeldte	\$111,679	\$97,032	-	\$208,711

- (1) Represents annual retainers for 2018, as well as any amounts earned for service as Chair or committee Chair as well as committee membership retainers.
- (2) This column shows the aggregate grant date fair value, computed in accordance with FASB ASC Topic 718, of stock units granted in 2018. In accordance with FASB ASC Topic 718, the grant date fair value reported for all stock units was computed by multiplying the number of stock units by the closing price of our stock on the grant date. The aggregate number of vested and unvested phantom common stock units credited for service and deferred fees as a director outstanding as of December 31, 2018 for each non-employee director was as follows: Mr. Dickey— no units; Ms. Ford—3,802 units; Mr. Hunt—13,306 units; Mr. Larsson—56,614 units; Mr. O'Donnell—7,756 units; Mr. Peach—2,719 units and Mr. Toeldte—7,756 units.
- (3) Mr. Dickey retired as a director on May 13, 2018.
- (4) Ms. Ford resigned as a director effective September 1, 2018. Because Ms. Ford left before the vesting time period for the 2018 stock unit grant, she forfeited that grant.
- (5) Mr. Peach resigned as a director effective December 31, 2018. Because Mr. Peach left before the vesting time period for the 2018 stock unit grant, he forfeited that grant.

During 2018, one of our directors, Linda K. Massman, also served as our CEO. As a result, she did not receive compensation for her services as a director during 2018. The compensation received by Ms. Massman is shown in the 2018 *Summary Compensation* Table provided elsewhere in this proxy statement.

Retainer and Fees

Our outside directors are paid cash compensation at the following rates:

Annual retainer fee	\$70,000
Annual retainer fee for Audit Committee membership	\$15,000
Annual retainer fee for Compensation Committee membership	\$7,500
Annual retainer fee for Nominating & Governance Committee membership	\$6,000
Annual retainer fee for Chair (if not CEO)	\$75,000
Annual retainer fee for Chair of the Audit Committee	\$20,000
Annual retainer fee for Chair of the Compensation Committee	\$15,000
Annual retainer fee for Chair of the Nominating and Governance Committee	\$10,000
Attendance fee for each Board or Committee meeting in excess of 12 meetings, respectively	\$1,500

We also reimburse directors for their reasonable out-of-pocket expenses for attending Board and committee meetings as well as educational seminars and conferences.

Directors may defer receiving all or any portion of their fees under the terms of our Deferred Compensation Plan for Directors, or Directors Plan. When a director elects to defer fees, he or she must elect a payment date or dates for the deferred amount and elect to have the deferred fees converted into phantom common stock units or, if not converted, then credited with annual interest at 120% of the long-term applicable federal rate published by the Internal Revenue Service, with quarterly compounding. The common stock units are credited with amounts in common stock units equal in value to any dividends that are paid on the same amount of common stock. Upon separation from service as a director, the common stock units credited to the director are converted to cash based upon the then market price of the common stock and paid to the director according to the plan the shares were deferred under.

Long-Term Incentive Awards. In May 2018, each of our outside directors received an annual equity award that vests after one year of service. These annual awards were granted in the form of phantom common stock units. The number of phantom common stock units actually awarded was determined by dividing \$100,000 by the average closing price of a share of our common stock over a twenty-day period that ended on the date of the grant. The common stock units awarded are credited with additional common stock units equal in value to any dividends that are paid on the same amount of common stock. Upon separation from service as a director, the common stock units credited to the director are converted to cash based upon the then market price of the common stock and paid to the director according to the plan the shares were granted under.

Other Benefits. Directors and their spouses are also eligible to participate in our Matching Gifts to Education Program, which matches contributions of up to \$1,500 per year to eligible educational institutions. In 2018 we did not make any matching donations on behalf of outside directors under this program.

Director Stock Ownership Guidelines and Limitations on Securities Trading. In the interest of promoting and increasing equity ownership by our directors and to further align our directors' long-term interests with those of our stockholders, we have adopted stock ownership guidelines. Each director must acquire and hold within five years of becoming a director, Clearwater Paper Corporation stock with a value of at least \$350,000. Directors are expected to achieve their ownership guideline within a five-year period from their appointment as a director. Shares held in a brokerage account, an account with our transfer agent, or in the form of vested common stock units owned as a result of deferred director fees or annual equity awards paid under our company plans, all count towards the ownership requirement. The value of the shares held by a director will be measured by the greater of the value of the shares at (i) the time acquired or vested or (ii) the applicable annual measurement date, based on the twenty-day average closing price of our stock before that measurement date. Each of our directors is in compliance with his or her current equity ownership

requirement. The stock ownership of all our directors as of March 7, 2019 is presented in this proxy. See “*Security Ownership of Certain Beneficial Owners and Management*.”

Annually a report is presented to the Board detailing each director’s stock ownership and progress toward meeting these guidelines.

Pursuant to our Insider Trading Policy, directors, officers and other employees, are prohibited from engaging in short sales of company securities, pledging company securities, purchasing company securities on margin and engaging in transactions in puts, calls or other derivatives trading on an exchange in regards to company securities.

AUDIT COMMITTEE REPORT

As part of fulfilling its responsibilities, the Audit Committee reviewed and discussed the company's audited financial statements for the fiscal year 2018 with management and KPMG LLP ("KPMG") and discussed with KPMG those matters required by the Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 1301, "Communications with Audit Committees," as amended. The Audit Committee received the written disclosures and the letter from KPMG required by applicable requirements of the PCAOB regarding KPMG's communications with the Audit Committee concerning independence and has discussed with KPMG its independence.

Based on these reviews and discussions with management, KPMG and the company's internal audit function, the Audit Committee recommended to the Board that the company's audited financial statements for the fiscal year ended December 31, 2018, be included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission.

The Audit Committee Members

William D. Larsson, Chair
Kevin J. Hunt
Alexander Toeldte

Fees Paid to Independent Registered Public Accounting Firm

The Audit Committee's policy is to evaluate and determine that the services provided by KPMG LLP in each year are compatible with the auditor's independence. The following table shows fees billed for each of 2017 and 2018 for professional services rendered by KPMG for the audit of our financial statements and other services.

	Audit Fees (1)	Audit-Related Fees	Tax Fees	All Other Fees
2018	\$2,415,300	\$-	\$-	\$-
2017	\$1,523,400	\$-	\$-	\$-

- (1) Audit fees represent fees for the audit of the Company's annual financial statements, the audit of internal control over financial reporting, reviews of the quarterly financial statements, consents and debt compliance reports.

We have adopted a policy relating to independent auditor services and fees, which provides for pre-approval of audit, audit-related, tax and other specified services on an annual basis. Under the terms of the policy, unless a type of service to be provided by the independent registered public accounting firm has received general pre-approval, it will require specific pre-approval by the Audit Committee. In addition, any proposed services anticipated to exceed pre-approved cost levels must be separately approved. The policy authorizes the Audit Committee to delegate to one or more of its members pre-approval authority with respect to permitted services. The member or members to whom such authority has been delegated must report any pre-approval decisions to our Audit Committee at its next scheduled meeting.

GENERAL INFORMATION

Stockholder Proposals for 2020

The deadline for submitting a stockholder proposal for inclusion in the proxy materials for our 2020 Annual Meeting is December 3, 2019. Stockholder nominations for director and other proposals that are not to be included in such materials must be received by the company between January 13, 2020 and February 13, 2020. A stockholder's notice relating to such a nomination or proposal must set forth the information required by our bylaws. A copy of our bylaws is available for downloading or printing by going to our website at www.clearwaterpaper.com, and selecting "Investor Relations," and then "Corporate Governance."

Annual Report and Financial Statements

A copy of our 2018 Annual Report to Stockholders, which includes our financial statements for the year ended December 31, 2018, was made available along with this proxy statement and other voting materials and information on the website www.proxyvote.com. You may view a copy of the 2018 Annual Report by going to our website at www.clearwaterpaper.com, and then selecting "Investor Relations," and then selecting "Financial Information & SEC Filings" or request one by selecting "Contact Us."

Section 16(a) Beneficial Ownership Reporting Compliance

Under U.S. securities laws, directors, certain executive officers and any person holding more than 10% of our common stock must report their initial ownership of the common stock and any changes in that ownership to the SEC. The SEC has designated specific due dates for these reports and we must identify in this proxy statement those persons who did not file these reports when due. Based solely on our review of copies of the reports filed with the SEC and written representations of our directors and applicable officers, we believe all persons subject to reporting filed the required reports on time in 2018.

Copies of Corporate Governance and Other Materials Available

The Board of Directors has adopted various corporate governance guidelines setting forth our governance principals and governance practices. These documents are available for downloading or printing on our website at www.clearwaterpaper.com, by selecting "Investor Relations" and then "Corporate Governance:"

- Restated Certificate of Incorporation
- Amended and Restated Bylaws
- Corporate Governance Guidelines
- Code of Business Conduct and Ethics
- Code of Ethics for Senior Financial Officers
- Audit Committee Charter
- Compensation Committee Charter
- Nominating and Governance Committee Charter
- Director Independence Policy
- Related Person Transaction Policy

PROPOSAL 1—ELECTION OF DIRECTORS

We recommend a vote FOR each nominee.

Our Board of Directors is divided into three classes serving staggered three-year terms. Each of the nominees listed below has been nominated by our Board of Directors at the recommendation of the Nominating and Governance Committee in accordance with its charter and our Amended and Restated Bylaws and Corporate Governance Guidelines.

Each nominee is now a member of the Board. If any nominee becomes unable to serve as a director before the meeting or decides not to serve, the individuals named as proxies may vote for a substitute nominee proposed by the Board or we may reduce the number of members of the Board. We recommend a vote **FOR** each nominee listed below.

Nominees for Election at This Meeting for a Term Expiring in 2022

Kevin J. Hunt

Age 67, a director since January 2013

William D. Larsson

Age 73, a director since December 2008

The affirmative vote of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required to elect each nominee for director listed in Proposal 1.

PROPOSAL 2—RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2019

We recommend a vote FOR this proposal.

Based upon its review of KPMG LLP's ("KMPG") qualifications, independence and performance, the Audit Committee of the Board of Directors has appointed KPMG to serve as our independent registered public accounting firm for 2019.

The appointment of our independent registered public accounting firm is not required to be submitted for ratification by our stockholders. The listing standards of the New York Stock Exchange provide that the Audit Committee is solely responsible for the appointment, compensation, evaluation and oversight of our independent registered public accounting firm. However, as a matter of good corporate governance, the Audit Committee is submitting its appointment of KPMG as independent registered public accounting firm for 2019 for ratification by our stockholders.

If our stockholders fail to ratify the appointment of KPMG, the Audit Committee may reconsider whether to retain KPMG, and may continue to retain that firm or appoint another firm without resubmitting the matter to our stockholders. Even if our stockholders ratify the appointment of KPMG, the Audit Committee may, in its discretion, appoint a different independent registered public accounting firm for us if it determines that such a change would be in the best interests of our company and our stockholders.

The affirmative vote of a majority of the common stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required to ratify the appointment of the independent registered public accounting firm.

Representatives of KPMG are expected to attend the Annual Meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

PROPOSAL 3—ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

The Board of Directors recommends a vote FOR this proposal.

This Proposal 3 vote provides you with the opportunity to cast an advisory vote to approve the compensation of our named executive officers as described in the *Executive Compensation Discussion and Analysis* section, accompanying compensation tables, and narrative disclosure set forth in this proxy statement. This vote is an advisory vote only and is not binding on the company or our Board of Directors. Although the vote is non-binding, our Compensation Committee and our Board of Directors value the opinion of our stockholders and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

We sought stockholder feedback following 2018's uncharacteristically low say-on-pay vote which resulted in 53% "for" votes. These results were in stark contrast to our previous advisory votes which have consistently been in excess of 90% "for" votes since 2011. In response to stockholder feedback and the 2018 say-on-pay vote, we made the following decisions with respect to our executive compensation program.

- We maintained our CEO's 2018 annual base pay at the same level as 2017. Further, the CEO's annual base pay for 2019 will remain at the same level with no increase.
- We maintained our CEO's 2018 target annual incentives at the same level as 2017. Based on 2018 performance, the Compensation Committee approved a payout to the CEO at 57.25% of target under the 2018 annual cash bonus program.
- For our 2019 equity grant, we increased the weighting of performance shares in our equity mix from 40% to 70% for named executive officers and other senior management. We also lowered the CEO's 2019 target equity grant value by 10% from 2018 levels.

During the three-year period covering 2016 to 2018, our CEO's average realized pay is down 54% from target levels of pay, which is consistent with the decline in our TSR during the same period. The value of performance shares realized during this period is 0% of target and the value of options realized during this period is 0% of target. Specifically, for the performance share awards granted in 2016 with a 2016 – 2018 performance period, our TSR for the performance period declined by 43.2%. Our performance relative to the TSR for the S&P MidCap 400 Index resulted in no payout for the performance shares.

The focus of our executive compensation program continues to be the alignment of real pay delivery with performance. We encourage stockholders to read the *Executive Compensation Discussion and Analysis* section, which further describes our program and how it is designed to attract, retain, motivate, and reward our named executive officers, who are critical to our success. We believe our compensation program is strongly aligned with the long-term interests of our stockholders.

At the annual meeting, we are asking our stockholders to indicate their support for our named executive officer compensation as described in this proxy statement by voting "FOR" the following resolution:

"RESOLVED, that the compensation paid to the company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Executive Compensation Discussion and Analysis, compensation tables and narrative discussion is hereby APPROVED."



MIX
Paper from
responsible sources
FSC® C132107