SCHWEITZER MAUDUIT INTERNATIONAL INC
Form DEF 14A
March 08, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

SCHWEITZER-MAUDUIT

(Name of Registrant as Specified in Its Charter)

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

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(4) Date Filed:

TABLE OF CONTENTS

March 11, 2010

Frédéric Villoutreix
Chairman of the Board and
Chief Executive Officer

TO OUR STOCKHOLDERS:

On behalf of the Board of Directors and management of Schweitzer-Mauduit International, Inc., I cordially invite you to the Annual Meeting of Stockholders to be held on Thursday, April 22, 2010 at 11:00 a.m. at the Company s corporate headquarters located at 100 North Point Center East, Suite 600, Alpharetta, Georgia.

At the Annual Meeting, stockholders will be asked to elect 2 directors for a 3-year term and to approve the Company s Restricted Stock Plan. The Company s Board of Directors recommends unanimously that you vote in favor of these proposals, which are more fully described in the accompanying Notice of Annual Meeting and Proxy Statement.

It is important that your stock be represented at the meeting regardless of the number of shares you hold. You are encouraged to specify your voting preferences by so marking and dating the enclosed proxy card. But, if you wish to vote in accordance with the directors recommendation, all you need do is sign and date the card.

Please complete and return the proxy card in the enclosed envelope whether or not you plan to attend the meeting. If you do attend and wish to vote in person, you may revoke your proxy at that time.

If you plan to attend the meeting, please check the card in the space provided. This will assist us with meeting preparations and will enable us to expedite your admittance. If your shares are not registered in your own name and you would like to attend the meeting, please ask the broker, trust, bank or other nominee which holds the shares to provide you with evidence of your share ownership, which will enable you to gain admission to the meeting.

Sincerely,

Frédéric Villoutreix

TABLE OF CONTENTS

SCHWEITZER-MAUDUIT INTERNATIONAL, INC.

100 North Point Center East, Suite 600
Alpharetta, Georgia 30022-8246

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 22, 2010

The Annual Meeting of Stockholders of Schweitzer-Mauduit International, Inc. will be held at the Company s corporate headquarters located at 100 North Point Center East, Suite 600, Alpharetta, Georgia, on Thursday, April 22, 2010 at 11:00 a.m. for the following purposes:

1. To elect 2 directors for a 3-year term to expire at the 2013 Annual Meeting of Stockholders;
2. To approve the Schweitzer-Mauduit International, Inc. Restricted Stock Plan; and
3. To transact such other business as may properly be brought before the meeting or any adjournment thereof.

You may vote all shares that you owned as of February 25, 2010, which is the record date for the Annual Meeting. I urge you to sign, date and promptly return the enclosed proxy card in the enclosed business reply envelope. No postage is required if mailed in the United States.

John W. Rumely, Jr.
Secretary and General Counsel

March 11, 2010

TABLE OF CONTENTS

SCHWEITZER-MAUDUIT INTERNATIONAL, INC.
100 North Point Center East, Suite 600
Alpharetta, Georgia 30022-8246

PROXY STATEMENT

INTRODUCTION

This Proxy Statement and the accompanying proxy card are furnished to the stockholders of Schweitzer-Mauduit International, Inc., a Delaware corporation, referred to as either the Company or SWM, in connection with the solicitation of proxies by the Board of Directors of the Company for use at the Annual Meeting of Stockholders to be held on April 22, 2010 (Annual Meeting) and at any adjournment thereof. Proxies in the accompanying form, properly signed and received in time for the meeting, will be voted as instructed. If no instructions are given, proxies will be voted for the election of the 2 directors nominated for election and in favor of approving the Restricted Stock Plan. Any proxy may be revoked by the stockholder granting it at any time before it is voted by delivering to the Secretary of the Company another signed proxy card, or a signed document revoking the earlier proxy or by attending the meeting and voting in person. The Company intends to mail this Proxy Statement and proxy card, together with the 2009 Annual Report to Stockholders, on or about March 11, 2010.

Each stockholder of record at the close of business on February 25, 2010 will be entitled to 1 vote for each share registered in such stockholder s name. Proxies cannot be voted for a greater number of persons than the number of nominees named in this Proxy Statement. As of February 25, 2010, there were 17,923,234 shares outstanding of the Company s common stock, par value $0.10 per share (the Common Stock).

The Company will pay the entire cost of the proxy solicitation. The Company has retained American Stock Transfer & Trust Company, the Company s transfer agent, to aid in the solicitation of proxies. Proxy solicitation services on routine proxy matters are included in the fees paid to American Stock Transfer & Trust Company to act as the Company s stock transfer agent and registrar. Only reasonable out-of-pocket expenses on proxy solicitation services are charged separately. The Company will reimburse brokers, fiduciaries and other nominees for their reasonable expenses in forwarding proxy materials to beneficial owners. In addition to solicitation by mail, directors, officers and employees of the Company may solicit proxies in person, by telephone or by other means of communication.

If a stockholder is a participant in the Schweitzer-Mauduit International, Inc. Retirement Savings Plan (Plan), the proxy card represents the number of full shares of Common Stock held for the benefit of the participant in the Plan as well as any shares of Common Stock registered in the participant s name. Thus, a proxy card for such a participant grants a proxy for shares registered in the participant s name and serves as a voting instruction for the trustee of the Plan for the account in the participant s name. Information as to the voting instructions given by individuals who are participants in the Plan will not be disclosed to the Company.

Pursuant to Section 216 of the Delaware General Corporation Law and the Company s By-Laws, a quorum for the Annual Meeting will be a majority of the issued and outstanding shares of the Company s Common Stock, present in person or represented by proxy. Directors shall be elected by a plurality of the votes present in person or represented by proxy and entitled to vote on the election of directors. Votes may be cast in favor of or withheld from each nominee; votes that are withheld will be excluded entirely from the vote and will have no effect. Under applicable Delaware law, a broker non-vote will have no effect on the outcome of the election of directors. In all matters that are presented for action at the Annual Meeting, other than the election of directors, the affirmative vote of a majority of shares present in person or represented by proxy and entitled to vote on the subject matter shall be the act of the stockholders.

TABLE OF CONTENTS

NOMINATION OF DIRECTORS

Directors may be nominated by the Board of Directors or by stockholders in accordance with the By-Laws of the Company. The Nominating & Governance Committee, which is composed of 4 independent directors, identifies potential candidates and reviews all proposed nominees for the Board of Directors, including those proposed by stockholders. The candidate review process includes an assessment of the person s judgment, experience, independence, understanding of the Company s business or other related industries, commitment and availability to prepare for and attend Board and Board Standing Committee meetings and such other factors as the Nominating & Governance Committee determines are relevant in light of the needs of the Board of Directors and the Company. The Nominating & Governance Committee selects qualified candidates and presents them to the full Board of Directors, which body decides whether to invite the candidate to be a nominee for election to the Board of Directors. The Nominating & Governance Committee Charter authorizes the Nominating & Governance Committee to retain such outside experts as it deems necessary and appropriate to assist it in the execution of its duties.

Board Diversity

The Company does not have a formal policy concerning the diversity of its directors. In practice, the Nominating & Governance Committee establishes a list of criteria it seeks to address when filling a board seat and then searches for candidates that best meet those criteria without limitations imposed on the basis of race, gender or national origin. Diversity of experience and perspective is considered in reviewing the composition of the Board.

Director Qualifications

The particular experience, qualifications, attributes and skills that led the Board to conclude that the nominees and other sitting directors should sit on the Board of Directors is summarized below:

Claire L. Arnold	Had direct experience as the Chief Executive Officer running a business that serviced the cigarette tobacco companies, giving her an understanding of our customer base. Subsequently, she formed a new company that provides IT related services giving her insight into information management systems, an area where the company has been engaged in substantial system upgrades over the past few years. She also brings experience gained from service on other public company boards to our Board, which provides an additional means of benchmarking to other company s governance practices. Given her entrepreneurial background, Ms. Arnold also provides the Board with experience related to the Company s evaluation and implementation of growth opportunities and strategic planning.
K.C. Caldabaugh	Served as the Chief Financial Officer of publicly traded companies outside of the paper industry and Chief Executive Officer of a private company inside of the paper industry, including turnaround and distressed company situations. Subsequently, he has served as a principal in a consulting firm that provides strategic planning advice and as an advisor in mergers and acquisitions. Mr. Caldabaugh s background provides the Board with experience related to the Company s restructuring programs, evaluation and implementation of growth opportunities and strategic planning in addition to his experience with

	financial controls and reporting.
William A. Finn	Was the Chief Executive Officer of a paper machine clothing manufacturer with international production sites, including in China. He brings to the Board a manufacturing and operator s perspective, international experience operating in countries and markets directly relevant to our Company, as well as the perspective of a supplier to our industry that is subject to many of the same factors that impact our business. He also provides insight into how to effectively implement and sustain operational excellence programs, which ties in closely to one of the Company s major ongoing initiatives.

4

TABLE OF CONTENTS

Robert F. McCullough	Served as a partner in an international accounting firm and subsequently in the Chief Financial Officer role with a large investment fund management company. He brings to the Board strong accounting, financial control and reporting expertise, as well as broad experience in consulting with companies on strategic planning, cost controls, and mergers and acquisitions. He also brings experience gained from service on other public company boards having served (or serving) as chairman of audit committees of 4 other companies.
John D. Rogers	Has extensive experience with a large investment fund management firm, ranging from Chief Investment Officer to President and Chief Executive Officer, which has equipped him with a range of skill sets that relate directly to identifying and driving the elements that create value and maximize the effective utilization of capital. His perspective enhances the Board s ability to relate to and represent the interests of the Company s stockholders.
Frédéric P. Villoutreix	As current Chairman and Chief Executive Officer and former Chief Operating Officer, he brings a unified vision and depth of understanding of the operational, financial and strategic elements of the Company to the Board. He also serves as the primary liaison between management and the Board as well as filling the core leadership role for both groups. His experience, both within the company and in the various management positions and international assignments he held with his previous manufacturing based employer, enhanced his ability to perform these functions.
Anderson D. Warlick	As the Chief Executive Officer of a company that utilizes domestic and foreign based manufacturing sites to produce and compete world-wide in primarily commodity product lines, he brings experience to the Board in operational excellence, operating in less developed countries, and effective management and deployment of fixed assets situated in different positions along the cost curve of competitive facilities. These skills and experience are directly related to developing and guiding the implementation of solutions to the Company s current and strategic challenges.

Any stockholder of record entitled to vote generally in the election of directors may submit a candidate for consideration by the Nominating & Governance Committee by notifying the Secretary and General Counsel in writing at the address noted on the face page of this Proxy Statement. The notice of intent to nominate a candidate for the Board of Directors must satisfy the requirements described below and must be delivered, either by personal delivery or by United States mail, postage prepaid, to the Secretary and General Counsel of the Company and received by the Company not less than 120 calendar days before the anniversary date of the Company s proxy statement released to stockholders in connection with the previous year s annual meeting. If the annual meeting is not scheduled to be held within a period that commences 30 days before such anniversary date and ends 30 days after such anniversary date (an annual meeting date outside such period being referred to herein as an Other Meeting Date), such stockholder notice shall be given in the manner provided herein by the later of the close of business on (i) the date 90 days prior to such Other Meeting date or (ii) the 10th day following the date such Other Meeting Date is first publicly announced or disclosed.

The stockholder s notice of intent to nominate a candidate for the Board of Directors shall state the following:

the name and address of record of the stockholder who intends to make the nomination

a representation that the stockholder is a holder of record of shares of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice the name, age, business and residence addresses, and principal occupation or employment of each nominee

5

TABLE OF CONTENTS

a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder

such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and

the consent of each nominee to serve as a director of the Company if so elected

The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as a director of the Company.

In the event that the number of directors to be elected to the Board of Directors of the Company is increased and either all of the nominees for director or the size of the increased Board of Directors is not publicly announced or disclosed by the Company at least 100 days prior to the first anniversary of the preceding year s annual meeting, a stockholder notice shall also be considered timely hereunder, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Company at the principal executive office of the Company not later than the close of business on the 10 th day following the first date all of such nominees or the size of the increased Board of Directors shall have been publicly announced or disclosed.

Board Exercise of Risk Oversight

The Board exercises oversight of enterprise risk at a number of levels and utilizes formal and informal mechanisms to do so.

The Audit Committee plays a material role in oversight of financial, disclosure, and liquidity risk issues, as well as being the main overseer of the internal control mechanisms used by management in both the financial and non-financial areas. Aspects of risk review occur at virtually every Audit Committee meeting, including ongoing review of financial results, control issues, compliance audit processes and results, debt covenant compliance, hedging activities, and liquidity measures. The Audit Committee has regular interaction with the Company s independent auditors throughout the year, including independent sessions to address control and related matters.

The Nominating & Governance Committee assesses governance controls and compliance with related Securities and Exchange Commission and New York Stock Exchange listing requirements at least annually. It also undertakes an ongoing review of succession planning, both at the management and board levels, to assure an appropriate process exists to maintain the continuity of management and the necessary skill sets for the successful operation and oversight of the Company.

The Compensation Committee assesses compensation design and levels from the perspectives of market reasonableness and appropriateness to the objectives of retaining the quantity and level of management expertise and depth required for the successful execution of the Company s business goals. The Compensation Committee also assess the risk posed by the Company s compensation program design and practices and the probability that they might result in adverse impacts on the Company.

The Board as a whole regularly reviews financial performance and risks to that performance, competitive market situations, risks to operations and operating capabilities, regulatory change, and strategic planning. These reviews are provided through regularly scheduled financial and operations reviews, as well as through the Committee Chair reports to the Board that also occur on a regular basis. More in-depth reviews are provided, at least annually, on selected topics such as litigation and regulatory compliance, customer satisfaction and performance assessments, and strategic planning. In 2010, the Board also instituted an in-depth discussion with management of each of the major risk factors, including those identified in the Company s filings with the Securities and Exchange Commission, and an internal audit program that will provide the Board with an in-depth evaluation and audit review report on a selected compliance risk, with these programs occurring at least annually and as changes in the Company s risk factors requires.

6

TABLE OF CONTENTS

PROPOSAL ONE
ELECTION OF DIRECTORS

The Board of Directors presently has 8 members, 7 of whom are independent. The Board of Directors is divided into 3 classes that are elected on a staggered basis with 1 class elected each year for a 3-year term. Ms. Arnold and Mr. Caldabaugh have served on the Company s Board of Directors since November 30, 1995. Mr. McCullough, Mr. Villoutreix, and Mr. Finn were first elected to serve as directors effective October 1, 2006, June 1, 2007, and April 24, 2008, respectively. Mr. Rogers and Mr. Warlick were first elected to serve as directors effective July 31, 2009.

The incumbent Class III directors are Mr. Richard D. Jackson, Mr. Frédéric P. Villoutreix, and Mr. Anderson D. Warlick. Mr. Jackson will retire in April 2010 as he has reached the mandatory retirement age. Mr. Villoutreix and Mr. Warlick are nominated for re-election at the 2010 Annual Meeting to serve for a term to expire at the 2013 Annual Meeting of Stockholders, and until their successors are elected and have qualified. The Board of Directors has determined that Mr. Villoutreix is not independent and that Mr. Warlick is independent. Should the nominees become unable to serve, proxies may be voted for another person designated by the Board of Directors. The nominees have advised the Company that they will serve if elected. The remaining directors will continue to serve as directors for the terms set forth on the following pages.

Certain Information Regarding Directors and Nominees

The names of the directors continuing in office and nominees, their ages as of the date of the Annual Meeting, their principal occupations and directorships during the past 5 years, and certain other biographical information are set forth on the following pages.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

For a 3-Year Term Expiring at the 2013 Annual Meeting of Stockholders

Name	Age	Period Served as a Director		Class	Expiration of Term of Office	Principal Occupations and Businesses and Directorships During Last 5 Years
Frédéric P. Villoutreix	45	2007	Present	III	April 2010	Chief Executive Officer and Chairman of the Board, presently and since January 1, 2009

						Chief Operating Officer, February 2006 December 2008
						Vice President, Abrasives Europe and Coated Abrasives World, Compaigne de Saint-Gobain 2004 2006
Anderson D. Warlick	52	July 31, 2009	Present	III	April 2010	President and Chief Executive Officer of Parkdale, Inc. and its subsidiaries, a closely-held yarn manufacturer, presently and since 2000

The Board of Directors unanimously recommends a vote FOR the election of the nominees as Class III Directors.

TABLE OF CONTENTS

MEMBERS OF THE BOARD OF DIRECTORS OTHER THAN THOSE UP FOR ELECTION

Name	Age	Period Served as a Director	Class	Expiration of Term of Office	Principal Occupations and Businesses and Directorships During the Past 5 Years
Claire L. Arnold	63	1995 Present	I	April 2011	Chief Executive Officer of Leapfrog Services, Inc., a computer support company and network integrator, presently and since 1998
					Director Ruby Tuesday, Inc
					Director Advance America, Cash Advance Centers, Inc., resigned 2006
K.C. Caldabaugh	63	1995 Present	II	April 2012	Principal, Heritage Capital Group, an investment banking firm, presently and since July 2001
					Chairman and Chief Executive Officer of Spinnaker Coating, Inc., a manufacturer of adhesive coated papers, 1994 March 2001. Spinnaker Coating, Inc. filed for Chapter 11 bankruptcy protection on November 13, 2001
William A. Finn	64	April 2008 Present	II	April 2012	Chairman, AstenJohnson Holding Ltd, a holding company that has interests in paper machine clothing manufacturers, presently and since 2006

						Chairman and Chief Executive Officer, AstenJohnson, Inc., a paper machine clothing manufacturer, 1999 2006
Robert F. McCullough	67	2006	Present	I	April 2011	Private investor, presently and since January 2007 Senior Partner, Invesco Ltd. (formerly AMVESCAP PLC), an investment fund manager, June 2004 December 2006 Chief Financial Officer, AMVESCAP PLC, April 1996 May 2004 Director Acuity Brands, Inc Director Comverge, Inc., resigned June 2009 Director Mirant Corporation from February 2003 through January 3, 2006 when it emerged from bankruptcy

8

Name	Age	Period Served as a Director	Class	Expiration of Term of Office	Principal Occupations and Businesses and Directorships During the Past 5 Years
John D. Rogers	48	July 2009 Present	II	April 2012	President and Chief Executive Officer of CFA Institute, presently and since January 2009
					Founding Partner of Jade River Capital Management, LLC., presently and since May 2007
					President and Chief Executive Officer Invesco Institutional N.A. Senior Managing Director and Head of Worldwide Institutional Business, AMVESCAP Plc., a mutual fund company, January 2003 January 2006

TABLE OF CONTENTS

PROPOSAL TWO APPROVAL OF THE SCHWEITZER-MAUDUIT INTERNATIONAL, INC. RESTRICTED STOCK PLAN

Restricted Stock Plan s Purpose

The Restricted Stock Plan performance share component provides an equity award opportunity to its participants based on the accomplishment of performance objectives that are related to the business unit in which the participant is most directly involved over a multi-year performance cycle. The purpose of the Restricted Stock Plan is to further unite the interests of the stockholders of the Company and its key executives through:

(a) the establishment of corporate and operating unit objectives which are deemed by the Board of Directors to be in the best long-term interests of the Company and its stockholders; and

(b) the vesting of the Company s stock as an incentive award at the end of an award cycle to each plan participant thereby increasing the participant s equity stake in the Company provided his or her performance has meaningfully contributed to the attainment of the Company s objectives.

The Restricted Stock Plan may also be used to grant restricted shares with vesting after a specific period of time for the purposes of recruitment, retention or special recognition.

The full text of the Restricted Stock Plan is attached as Appendix A.

The following points summarize the material terms of the Restricted Stock Plan.

Administration of the Plan

The Restricted Stock Plan is administered by the Compensation Committee of the Board of Directors (Compensation Committee), which is composed of 4 independent directors in accordance with New York Stock Exchange Corporate Governance standards and listing rules. The members of the Compensation Committee also qualify under the outside director requirement for purposes of Section 162(m) of the Internal Revenue Code (Code). The Compensation Committee determines which officers, including the Chief Executive Officer, shall participate in the plan, establishes the corporate, operating unit and other performance objectives at the beginning of each performance cycle, typically a 2 to 3-year period, and evaluates the progress toward accomplishment of the established performance objectives at the end of the performance cycle and at the end of the year within a performance cycle.

Objective Areas, Performance Levels and Measurement of Performance Achieved

For each objective (corporate, unit and other), performance levels are established which, whenever possible, shall consist of successively higher standards or ranges. These performance levels are defined as Threshold, Target, Outstanding and Maximum. Performance below the Threshold level will not result in the payment of an award. A percentage weighting is assigned to each objective area for a total percentage weighting of 100%. Certain conditions called Control Measures may be established, but are not required. Failure to achieve a Control Measure may deprive the participants to whom it applies of their right to receive part or all of an award notwithstanding the level of performance attained on any or all other applicable objectives. An example of such a Control Measure used in the past is a year over year increase in earnings per share. The level of performance achieved against the objectives is determined by the Compensation Committee based upon the Company s and its subsidiaries audited results.

Performance objectives have included such measures as growth in profitability for individual business units, growth in earnings per share for the corporate objective unit and more highly targeted strategic initiatives such as the 16 objectives established for 2009 and the 17 objectives established for the 2010 award cycle. These objectives are described in further detail in the Comprehensive Compensation Discussion and Analysis at page 13 herein.

10

TABLE OF CONTENTS

Determining the Amount of an Incentive Award

Generally, the incentive award a participant is eligible to receive is the sum of the values attributable to performance actually attained for each objective or objective area in which the participant has been assigned objectives or the unit to which he or she belongs. The value of an incentive award is established based on a competitive compensation market survey that is performed by an independent consultant. The nature of the survey and how it is used to set the incentive compensation value for awards granted under the Restricted Stock Plan is discussed in further detail in the Comprehensive Compensation Discussion and Analysis. The amount of any award a participant is eligible to receive depends upon:

(a) the participant s base salary
(b) the target incentive award percentage established for the participant
(c) the percentage weighting applicable to the objective or objective area; and
(d) the performance percentage which applies as a consequence of the performance level attained in that area.

The number of shares to be awarded each year shall be determined by application of the following formula:

Base Salary (adjusted for exchange rate if applicable) × Opportunity Award % ×
Award Level Achieved % ÷ Average Base Share Price = Base Shares

Target incentive equity opportunities under the Restricted Stock Plan for executive officers, including the Chief Executive Officer, can range from 35% to 177% of a participant s base salary with a maximum payout of up to 200% of the participant s target incentive award percentage, subject, in the case of the 2009 2010 award opportunity, to a stock price multiplier that is based upon the ratio of the current year average share price versus the prior year average share price. In a multi-year plan, earned awards of Restricted Stock are banked for all but the French participants at the end of each measurement period in the cycle (typically a fiscal year), but do not vest in the participant until the entire award cycle is completed; provided further, that the participant is still actively employed at the time of vesting excepting only death, retirement or permanent or total disability.

The Restricted Stock Plan may also be used to make targeted grants of Restricted Stock to individual participants for purposes of retention, recruitment or for special recognition of achievement. Such grants are typically for a limited number of shares and have a cliff vesting requirement, which means the recipient must be actively employed by the Company at some point in the future to receive unrestricted shares of stock under the award or they are forfeited. For U.S. participants, the right to vote both performance share and the target share grants and to receive dividends thereon, attaches at the date of grant and in the case of performance shares when they are earned and banked.(1) As with performance shares, targeted grants of Restricted Stock must be approved by the Compensation Committee.

Amendment of Objectives, Objective Areas and the Plan Terms

The Compensation Committee or the Board of Directors may, in their discretion, adjust performance measurements, objectives or objective areas during the year. However, this is typically not done except in the case of an extraordinary event that has a material impact on an objective, the occurrence of which could not reasonably have been foreseen or anticipated in the exercise of reasonable and good management. An example would be an objective that was based on an element of a business plan that was subsequently revised such that the objective no longer made business sense or was no longer capable of being accomplished under the new business plan. Such an instance occurred in the 2007 2008 award cycle where an objective related to the operational survival of the Lee mills was established at the beginning of the award cycle, but due to a subsequent change in the business plan a decision was made to close the Lee mills.

(1) Due to French tax regulations, for French participants no award is banked or registered in the name of the participant until at least 2 years have elapsed following the grant date, therefore not entitling the participant to voting, dividend and other ownership rights until such time. The right for French participants to transfer the shares is restricted for 2 years following their vesting date.

11

TABLE OF CONTENTS

The Board of Directors has the power to amend the plan and any award opportunity at any time, order the temporary suspension of its application or terminate it in its entirety; provided, however, that no such action shall adversely affect the rights or interests of participants theretofore vested.

Tax Treatment of the Restricted Stock Plan

Stockholder approval of the material terms of the Restricted Stock Plan is required in order for the Company to comply with the performance-based compensation exception set forth in Internal Revenue Service Code Section 162(m) and the regulations thereunder, so that, to the extent possible, compensation paid under the Restricted Stock Plan will be fully deductible by the Company as to any performance share grants. Target grants of Restricted Stock for purposes of retention, recruitment or special recognition would not likely be deductible as they do not typically satisfy the requirement of performance-based compensation.

The Board of Directors unanimously recommends a vote FOR approval of the material terms of the Restricted Stock Plan.

TABLE OF CONTENTS

EXECUTIVE COMPENSATION

COMPREHENSIVE COMPENSATION DISCUSSION & ANALYSIS

Compensation Philosophy

The Company s compensation philosophy centers on 3 tenets:

- Pay for performance
- Alignment with stockholders
- Total compensation set at market value for like skills and responsibilities

Implementation of Philosophy

The Company implements its compensation philosophy through a number of methodologies including:

- Allocating a material portion of total compensation to incentive based, at risk, compensation opportunities
- Setting incentive plan objectives that directly or indirectly contribute to increased shareholder value
- Awarding a material portion of total compensation in the form of equity
- Utilizing an annual competitive compensation study to guide total and individual compensation components and values

The Company s philosophy is reflected in the components of the compensation opportunity provided for in the 2009 compensation package for the Chief Executive Officer, Chief Financial Officer, and next 3 highest compensated executive officers, the Named Executive Officers, between incentive-based and equity-based compensation as a percentage of total compensation.

TABLE OF CONTENTS

Market Value Determination

Annually, the Compensation Committee retains an independent compensation consultant to conduct a competitive compensation analysis (Competitive Compensation Analysis). Towers Perrin has been retained for this purpose since 1995 based on its extensive databases and its ability to provide analyses for each of the geographic regions in which executive officers are based. The recent combination of Towers Perrin and Watson Wyatt has enhanced the database information and the world-wide capabilities of the combined entity in providing compensation advisory services relevant to the Company s areas of operation. Towers Perrin presently has no other business dealings with the Company and is considered by the Compensation Committee to be independent of management in handling this assignment. The Compensation Committee periodically places this consulting assignment out for competitive bid and to evaluate the capabilities of other potential consultants.

The Competitive Compensation Analysis is intended to reflect changes in the scope of an executive s responsibility, experience in the position and labor market conditions. Towers Perrin utilizes data from general industry surveys to benchmark executive compensation and does not base its conclusions on a limited number of specific companies in the Company s industry segment, or a peer group, to establish the competitive market reference. The Company is in a very specialized niche in the paper industry, that does not have close comparables from whom compensation information is available which could form a valid peer group. Furthermore, the Company recruits from within and from outside the paper-making industry for executive talent, requiring the broader analysis performed by Towers Perrin to establish competitive compensation.

The 2008 Competitive Compensation Analysis utilized a combination of databases to evaluate the proposed 2009 executive compensation for U.S. based executives in lieu of a peer group of companies. Those databases included Towers Perrin s 2008 Executive Compensation Database (783 participating organizations), Watson Wyatt s 2008/2009 Survey Report on Top Management Compensation (2,206 participating organizations) and Mercer s 2008 Executive Benchmark Database (2,579 participating organizations). Data was developed using normative revenue categories that reflect the size and organization level for each executive position being evaluated. The 2008 Competitive Compensation Analysis used a revenue screen of $785 million for the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Vice President-Administration, Controller and General Counsel positions; a revenue screen of $318 million for the President-Americas position; and a revenue screen of $467 million for the President-European Operations. For non-U.S. based executives, primarily manufacturing companies in the Towers Perrin regional databases were used and similarly adjusted using revenue thresholds that reflected the size of the local organization and level of each executive s position. Regression equations and other methodologies were used, where applicable, to develop data comparisons from the databases employed in the Competitive Compensation Analysis. In France, 14 benchmark entities were used.(2)

The Competitive Compensation Analysis provides the Compensation Committee with the 25th, 50th and 75th percentile values for total compensation, total cash compensation, base salary, annual incentive opportunity, long-term incentive opportunity and guidance as to the amount of such compensation that is delivered in the form of cash or equity. The data developed from this process is used when a new executive is hired between studies to determine the initial compensation package. Supplementary information from recruiting and tax consultants is used to test the reasonableness of any recruitment incentives that may be offered to attract new talent.

(2) The benchmark entities referenced in France included Air Liquide, Alcatel Lucent, Alstom, Areva, Bic, Essilor, Faurecia, Imerys, Michelin, PPR, Rhodia, Schneider Electric, Technip and Valeo.

The Company s philosophy is to compensate its officers at the 50^{th} percentile of the market for each component of compensation, +/- 15%. The 50^{th} percentile was chosen as the compensation level at which experience indicated quality executive talent could be recruited and retained without overpaying. The variance range of +/- 15% is used to account for individual factors such as experience in the position, particular skill sets, performance and specific recruitment needs. To develop competitive references for the executive positions studied for 2009, Towers Perrin engaged in the following process:

- gathered position information, updated scope and pay information from the Company
- matched incumbents to survey benchmarks, generally holding benchmarks consistent from prior year
- analyzed competitive data in accordance with the Company s target markets
- updated market rates to reflect 2008 mid-year salary rates to aid in salary adjustment decisions data was aged with a projected annual update factor specific to each country

For 2009, the individual components of Named Executive Officer compensation were set at the following levels based on the 2008 Competitive Compensation Analysis:

Base Salary	Annual Performance Bonus	Long-Term Incentive Bonus	Total Compensation
50^{th} Percentile of the market reference point	50^{th} Percentile of the market reference point at Target	50^{th} Percentile of the market reference point at Target	50^{th} Percentile of the market reference point at Target

Our executive compensation program consists of the following components:

Compensation Element	Method for Establishing Its Value	Form of Payment	Who Establishes Objectives and Participation
Base Salary	Competitive Compensation Analysis is primary; subjective evaluation of performance applied to adjust +/- 15% from 50^{th} percentile of the market reference point.	Cash	Chief Executive Officer recommends, Compensation Committee approves for all officers other than Chief Executive Officer who is approved by full Board of Directors; full Board evaluates Chief Executive Officer annually, Chief Executive Officer evaluates other officers annually.
Annual Incentive Plan	Competitive Compensation Analysis; performance-based measured over a fiscal year.	Cash	Chief Executive Officer recommends and Compensation Committee approves: (i) operating unit objectives at beginning of cycle and (ii) performance against corporate and operating unit objectives at year end. Chief Executive Officer approves officer individual objectives (not more than 30% of total opportunity) and performance against same. Board approves corporate unit objectives and Chief Executive Officer individual objectives (15% of total opportunity) and performance against same.

Long-Term Incentive Plan	Competitive Compensation Analysis; performance-based and measured over 2-3 fiscal years. This plan remains in effect, but has not been utilized the past few years.	Cash	Chief Executive Officer recommends and Compensation Committee approves (i) unit objectives at beginning of cycle and (ii) performance against unit objectives at end of each year in award cycle.

Compensation Element	Method for Establishing Its Value	Form of Payment	Who Establishes Objectives and Participation
Restricted Stock Plan	Competitive Compensation Analysis for performance share award opportunities;	Restricted stock performance shares are banked in each year of an award cycle with vesting at final completion of award cycle. Dividends and voting rights attach when banked.(3)	Chief Executive Officer recommends performance share objectives and targeted grants; Compensation Committee approves (i) performance share objectives and (ii) performance against objectives.
	Chief Executive Officer recommendation on targeted grants for retention, special recognition and recruitment.	Targeted grants are typically time-based with cliff vesting.	Chief Executive Officer recommends and Compensation Committee approves any targeted grants.
Executive Severance Plan	Board of Directors judgment(4). Provides a value equal to 3x highest base salary and incentive compensation earned under the Annual Incentive Compensation Plan and certain other benefits over prior 3 years in case of a change of control and between 6-24 months salary in the event of a termination for other than cause or voluntary departure.	Cash	Participation in the Executive Severance Plan and the terms of the plan were approved by the full Board of Directors. The multiples of annual compensation awarded by the plan were initially established based on a market assessment. The Board has reevaluated the plan terms at least twice since it was first approved in 1996.
Deferred Compensation Plan	In addition to a participant s voluntary deferral of salary or bonus that has been earned, Company contributions may be made to participant accounts, typically to offset tax liabilities associated with targeted restricted stock grants.	Cash deposit to participant s account.	The Chief Executive Officer recommends and the Compensation Committee must approve any company contributions to the Deferred Compensation Plan.

(3) Due to French tax regulations, for French participants no award is banked or registered to the individual until at least 2 years after the grant date, therefore not entitling the participant to voting, dividend and other ownership rights.

(4) Severance benefits reflect the fact that it may be difficult for very senior employees to find comparable employment within a short period of time and the value placed on being able to quickly resolve the termination of an executive employee by payment of a predetermined lump sum. Change of control benefits are contingent upon providing continued services, as requested, through a change of control thereby increasing the ability of the Company to accomplish that task with an intact management team, while recognizing a degree of security must be provided to retain officers who may be out of a position following their implementation of such a change in

control. Further information concerning the severance benefits are found at pages 30-31.

16

TABLE OF CONTENTS

Compensation Element	Method for Establishing Its Value	Form of Payment	Who Establishes Objectives and Participation
Perquisites	U.S. based officers get a maximum of $1,500 for a medical exam and financial planning/tax preparation services; foreign officers and officers in expatriate status may get other perquisites based on market conditions where they are assigned. Such benefits are determined in consultation with independent consultants.	Typically a cash reimbursement of certain expenses and company car if normally provided in the country.	The Chief Executive Officer recommends and the Compensation Committee must approve any perquisites provided to officers.
Retirement Plan(5) and Retirement Savings Plan (401-K)	Provided on the same basis as to all other employees.	Per plan terms.	Compensation Committee or the Board of Directors approves the plans.
Health, Welfare and Vacation Benefits	Provided on the same basis as to all other employees.	Per plan terms.	Company policy.

Base Salary 2009

The base salary established for each Named Executive Officer against the competitive market median base salary is set forth below:

Named Executive Officer Position	2009 Base Salary	Competitive Compensation Study Market Median Base Salary	
Chief Executive Officer	$ 685,000	$ 685,000	
Chief Operating Officer	$ 420,000	$ 460,000	
Treasurer, Chief Financial and Strategic Planning Officer	$ 335,000	$ 335,000	
President Americas	$ 290,000	$ 355,000	(6)
President European Operations	$ 370,941	$ 301,505	(7)

(5) Retirement Plan benefits for all U.S. salaried employees, including officers, were frozen effective January 1, 2006. Further details concerning the pension plan benefit are provided in the narrative following the Pension Benefits Table found at page 28 hereof.

(6) The scope of the President Americas position was in transition when the 2008 Competitive Compensation Analysis was performed and the final position had a reduced scope of responsibility compared to the scope of responsibility of the benchmarked positions.

(7) The President European Operations is based in France. His compensation is paid in euros and was converted using the December 31, 2008 exchange rate of 1.283 to the U.S. dollar. This position exceeds the +/- 15% variance because the benchmark data was based on a position that had responsibility for only a single profit center whereas the incumbent has responsibility for multiple profit centers and therefore more responsibility than the benchmarked positions.

TABLE OF CONTENTS

Incentive Compensation 2009 Objectives and Results Against Objectives

Based on full-year 2009 financial performance, the following results were achieved under the Company s incentive compensation programs:

Annual Incentive Plan

The Annual Incentive Plan provides a cash-based award opportunity that may be earned if performance objectives are achieved over a fiscal year period. Objectives are established for unit and individual performance with the individual award component not exceeding 30% of the total award opportunity. Incentive cash opportunities can range from 17.5% to 150% of a participant s base salary depending on the position held by the participant. Unit objectives, excepting the corporate unit and the Chief Executive Officer s individual objectives, are approved by the Compensation Committee. The full Board of Directors approves the corporate unit objective and the Chief Executive Officer s individual objectives. The Chief Executive Officer approves all other officer s individual objectives.

A. 2009 Objectives.

The objectives for the 2009 incentive award opportunity under the Annual Incentive Plan applicable to the Named Executive Officers are set out below. These objectives were selected because they were deemed to be the primary drivers for delivering increased stockholder value. The amounts established for each succeeding performance level relate to actual prior-year earnings, budget which sets an aggressive goal for growing the business and thereafter increasingly more aggressive growth targets in the range of a 6% increase between each objective level. All 2009 corporate and unit objectives exclude the impact of restructuring charges.

Named Executive Officer Position	2009 Objectives
Chief Executive Officer	Corporate Unit: Earnings per Share
Chief Financial Officer	Threshold $0.97
	Target $1.80
	Outstanding $1.90
	Maximum $2.00
Chief Operating Officer	Unit: Chief Operating Officer Operating Profit (000)
	Threshold $49,605
	Target $66,800
	Outstanding $70,800
	Maximum $74,800
	Unit: European Operations
President European Operations	70% of the award opportunity = to the sum of operating profit (000) generated by StG, PdM and LTRI
	Threshold $40,350
	Target $56,260
	Outstanding $62,116
	Maximum $67,999
	30% of the award opportunity is based on the successful sale or shutdown of PdMal by 12/31/2009 with operating losses not to exceed

	U.S. $15 million and severance costs not to exceed €18 million
President Americas	40% of the award is based on Corporate earnings per share. 40% of the award is based on business unit operating profit (000) (Brazil & U.S.): Threshold $ 22,920 Target $41,000 Outstanding $46,000 Maximum $49,000 20% of the award is based on individual objectives.

18

TABLE OF CONTENTS

B. 2009 Performance Against Objectives

Actual 2009 performance against 2009 objectives for each Named Executive Officer under the Annual Incentive Plan was:

Named Executive Officer Position and Award Opportunity as a % of 2009 Base Salary	2009 Earned Pay out[8] vs. Median Opportunity at the Target Performance Level per Competitive Compensation Study	Final AIP Award %
Chief Executive Officer Threshold 37.50% Target 75.00% Outstanding 112.50% Maximum 150.00%	$988,969 vs. $513,750	Performance against objectives 144.4%
Chief Operating Officer Threshold 27.50% Target 55.00% Outstanding 82.50% Maximum 110.00%	$437,745 vs. $257,600	Performance against objectives: 104.2%
Chief Financial Officer Threshold 22.50% Target 45.00% Outstanding 67.50% Maximum 90.00%	$278,887 vs. $150,750	Performance against objectives: 83.3%
President Americas Threshold 20.00% Target 40.00% Outstanding 60.00% Maximum 80.00%	$206,480 vs. $122,200[9]	Performance against objectives: 71.2%
President European Operations Threshold 20.00% Target 40.00% Outstanding 60.00% Maximum 80.00%	$311,226 $175,438	Performance against objectives: 71.0%

The Target Incentive Award Percentages for each Named Executive Officer were established based on the Competitive Compensation Study data and were generally set at the market median at the Target level for annual bonus opportunity by position. The difference between each performance level was set based on the Committee s judgment of various factors, including the difficulty of obtaining the objectives, the incentive value to the participant and the net return to stockholders at each performance level.

(8) The amount earned by each Named Executive Officer is also reflected in the column labeled Non-Equity Incentive Plan Compensation in the Summary Compensation Table found on page 25.

(9)

The scope of the President-Americas position was in transition when the 2008 Competitive Compensation Analysis was performed and the final position had a reduced scope of responsibility compared to the scope of responsibility of the benchmarked positions.

TABLE OF CONTENTS

C. 2010 Annual Incentive Plan Award Opportunity

The Compensation Committee established a 2010 award opportunity utilizing revised performance metrics noted below:

Objective Areas	2010 Performance Measurement Criteria
Corporate	Earnings per share: 75% of the award opportunity
	Return on invested capital: 25% of the award opportunity
Unit	Operating profit: 30% of award opportunity
	Net sales: 30% of the award opportunity
	Free cash flow: 40% of the award opportunity
Individual	Not to exceed 30% of total award opportunity
	Based on goals to be established with department head and approved by CEO, CEO goals approved by the Board of Directors

The Compensation Committee considers the performance levels necessary to earn the annual incentive award to be challenging at the Target objective level and increasingly more difficult at the Outstanding and Maximum award levels. Target level objectives are generally based on the annual budget which includes stretch goals for the business and corporate units. The Threshold level objective is generally set at the last year s actual performance and is therefore directed to at least maintaining the prior year s performance. The award payouts that may be achieved at each of the performance levels is set commensurate with its difficulty.

Restricted Stock Plan Performance Shares: Year 2009 of the 2009-2010 Award Opportunity

A. Performance Objectives.

The Company completed the first year of the two-year Performance Share Award Opportunity under the Restricted Stock Plan that commenced January 1, 2009 and ends on December 31, 2010. The performance objectives, performance metrics and assignment of same to the 2009 Named Executive Officers are summarized in the following tables:

Named Executive Officers and Position	Applicable 2009 Performance Objectives for 2009-2010 Performance Share Award Opportunity Restricted Stock Plan
Corporate	*Common objectives for the group, including:*
	70% of award is based on an improvement in return on invested capital (ROIC) on continuing operations in 2009
Chairman and Chief Executive Officer Chief Operating Officer	10% of award is based on development and successful execution of new restructuring plan to ensure earnings before interest, taxes, depreciation and amortization (EBITDA) improvement > €9 million in 2010; restructuring expense to < €18 million in France

Treasurer, Chief Financial and Strategic Planning Officer	20% of award is based on business development which requires finalized structures for global lower ignition propensity paper and reconstituted tobacco franchises and strategy to reach sustainable ROIC > weighted avg. cost of capital
President European Operations	20% of award opportunity is based on an improvement in ROIC on continuing operations in 2009
	20% of award opportunity is based on development and successful execution of new restructuring plan to ensure EBITDA improvement > €9 million in 2010; restructuring expense to < €18 million in France

TABLE OF CONTENTS

Named Executive Officers and Position	Applicable 2009 Performance Objectives for 2009-2010 Performance Share Award Opportunity Restricted Stock Plan
	20% of the award is based on a 145% increase in ROIC at Papeteries de Mauduit
	20% of award opportunity is based on an 11% increase in ROIC at LTR Industries
	20% of the award is based on improvement in EBITDA > $2.2 million at St. Girons
President Americas	20% of the award is based on an improvement in ROIC on continuing operations in 2009
	20% of the award is based on an improvement in ROIC of the Brazilian operations
	20% of the award is based on an improvement in ROIC of the Newberry mill operations
	20% of the award is based on an improvement in the ROIC on the wrapper & binder business Ancram mill
	10% of the award is based on an improvement of the EBITDA of the Spotswood #17 paper machine
	10% of the award is based on an improvement of the ROIC on #21 paper machine Ancram mill

B. 2009 Performance Share Award Opportunity as a % of 2009 Base Salary and Relative to Competitive Long-Term Incentive Market Multiples at Target.(10)

Named Executive Officer Position	25% Threshold	100% Target/Market Median	150% Outstanding	200% Maximum
Chairman and Chief Executive Officer	42.50 %	170%/168 %	255 %	340 %

Chief Operating Officer	28.75 %	115%/112 %	173 %	230 %
Treasurer, Chief Financial and Strategic Planning Officer(11)	22.50 %	90%/82 %	135 %	180 %
President European Operations	15.00 %	60%/50 %	90 %	120 %
President Americas	15.00 %	60%/87 %	90 %	120 %

Except as noted in footnote 11, the Performance Share Award Opportunity as a percent of base salary at each level was established for each Named Executive Officer based on competitive market data as approved by the Compensation Committee.

(10) The Company previously used the Black-Scholes valuation methodology to set long-term incentive awards and decided to convert to the FAS 123R methodology in 2009, but subjective judgment was used in making this conversion where the impact from changing methodologies caused a dramatic change in the incentive award opportunity.

(11) A specific competitive analysis of long-term incentive opportunity was not performed for this position as it was newly created in January 2009. The compensation package, including incentive compensation opportunities, was based on the market median for the Chief Financial Officer position. It will be evaluated as part of the 2009 Executive Compensation Competitive Analysis used to establish 2010 compensation opportunities.

TABLE OF CONTENTS

C. Performance against 2009 Performance Share Award Objectives.

The following tables show the Named Executives combined performance against the objectives they were assigned:

Named Executive Officer Position	Objective Achieved Target = 100%	Shares Earned in Year 2009
Chief Executive Officer	183 %	193,615
Chief Financial Officer	183 %	50,128
Chief Operating Officer	183 %	80,305
President European Operations	160 %	34,995
President Americas	185 %	29,246

D. Year 2010 of 2009-2010 Performance Share Award Opportunity

At the beginning of the 2009-2010 award cycle, objectives and performance levels were set for both years and they will remain essentially as originally established. However, the Compensation Committee revised certain of the performance levels to address changed conditions such as revising the return on invested capital at the maximum level upward to reflect an estimated cost of capital in the 9% to 11% range. The performance level for certain of the continuing operations objectives were revised to better reflect the 2010 budget and annual incentive plan targets, which primarily impacted the objectives for global lower ignition propensity papers. As to strategic objectives, those related to Papeteries de Malaucène were refocused on asset disposition, St. Girons reset to better align to the 2010 budget and annual incentive plan objectives and objectives for the U.S. and Indonesia objectives were raised to reflect the new state of those businesses.

Stockholder Return

The return to stockholders in 2009 from the actions accomplished under the Annual Incentive Plan and Restricted Stock Plan long-term incentive opportunity are noted below:

% of gross Net Income, excluding restructuring and impairment expenses, retained for stockholders	84.1%
% of gross Net Income increase paid to all AIP/LTIP participants including Named Executive Officers	15.9%

Director Compensation

The compensation paid to directors generally follows the same principles as apply to Named Executive Officer compensation. Director compensation is market based and closely aligned with the interests of stockholders by allocating more than 50% of the total compensation to equity. Director compensation is established based on the same type of competitive compensation analysis as is used to set executive compensation. Total Director compensation is targeted at the 50th percentile of the selected peer group, which consisted of the companies noted below in 2009:

Buckeye Technologies, Inc.
Caraustar Industries, Inc.
Chesapeake Corporation
Nashua Corporation

Neenah Paper, Inc.
P.H. Glatfelter Company
Pope & Talbot Inc.
Potlatch Corporation
Wausau Paper Corporation

Director compensation is more heavily weighted toward meeting fees and equity than the peer group, which reflects the value the Company places on meeting attendance and alignment with stockholders.

22

TABLE OF CONTENTS

The Board of Directors typically adjusts director compensation every 2 years. In 2009, the Board of Directors approved changes in director compensation that were effective January 1, 2010. The 2010 compensation for directors is summarized below:

Fee	Current	2010
Chairperson's Committee Meeting Fee	$2,500 per meeting	No change
Committee Member Meeting Fee	$1,750 per meeting	No change
Annual Retainer Fee	$47,000 per annum	$60,000 per annum payable in stock
Lead Non-Management Director Fee	$16,000 per annum payable in equal quarterly installments in cash or stock at the director s election	No change
Regular Board Meeting Fee	$5,000	No change
Board Meeting Fee: Meeting Scheduled as a Telephonic Meeting	Not presently a category	$1,500.00

In off years when Director compensation is not fully evaluated, the Compensation Committee will assess whether or not an increase, not to exceed 2%, is appropriate to maintain Director compensation at the 50th percentile.

Corporate Income Tax Treatment The incentive compensation earned under the Annual Incentive Plan and the Performance Shares earned under the Restricted Stock Plan qualify as performance-based compensation for purposes of excluding them from the $1 million limit on non-performance based compensation that can be taken as a corporate income tax deduction under Code Section 162(m). To date, the Company has not lost any income tax deductions associated with executive compensation. The Compensation Committee and the Board of Directors evaluates the objective of maximizing the Company s income tax deductions, but does not have a firm policy prohibiting payment of compensation that would not qualify for favorable tax treatment under Code Section 162(m).

Compensation Approval Process Each year, the Chief Executive Officer meets with the Chairman of the Compensation Committee and the Compensation Committee s independent consultant to develop and review an executive compensation package for the upcoming year. The annual Competitive Compensation Analysis is also reviewed at that time and any questions concerning its conclusions or the process are vetted. The Compensation Committee Chairman may, at his discretion, meet separately with the independent compensation consultant. Based on this pre-meeting and any follow-up work identified at that time, an executive compensation proposal is prepared and provided to the full Compensation Committee for their review of all findings and recommendations at a meeting that is typically held in November of each year. At that meeting some actions may be taken on matters that do not include incentive based compensation. The Compensation

TABLE OF CONTENTS

Committee meets again, typically in February, to discuss the executive compensation program. At this meeting, the Compensation Committee will take action on primarily incentive based compensation and other matters not concluded on in the November meeting and conclude on its recommendations to the full Board of Directors concerning the establishment of the Corporate Unit Objectives under the Annual Incentive Plan for the upcoming award cycle. The Compensation Committee also provides recommendations for the Chief Executive Officer s base salary and individual performance objectives for the upcoming year and evaluates his performance against the current year objectives.

Commencing in 2010, the Compensation Committee undertook an evaluation of the design of the executive compensation program relative to risk and whether it creates a reasonable probability of an adverse impact on the Company.

At the February 25, 2010 Board of Directors meeting, the Compensation Committee provided a full report on its actions on executive compensation for the upcoming year as well as its estimate of payouts, if any, under the incentive compensation award opportunities for the current year. The Compensation Committee also reports on any targeted equity grants made during the year outside of the equity opportunity provided by the incentive compensation plan awards. The Board of Directors will take action on the Corporate Unit Objective under the Annual Incentive Plan for the upcoming year and will address the current and upcoming year compensation for the Chief Executive Officer in the non-management directors meeting. When audited financial results are available, or known, the Compensation Committee completes its evaluation of the performance attained against objectives and approves the final award payments.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Comprehensive Compensation Discussion & Analysis with management.

Based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Comprehensive Compensation Discussion & Analysis be included in the Company s Proxy Statement and incorporated by reference in the Company s Annual Report on Form 10-K.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS
Richard D. Jackson (Chairman)
Claire L. Arnold
William A. Finn
Anderson D. Warlick

TABLE OF CONTENTS

Summary Compensation

The executive compensation information reported in the Summary Compensation Table set forth below is for services rendered to the Company and its subsidiaries commencing on January 1, 2009 and ending on December 31, 2009, the last day of the Company s 2009 fiscal year. All compensation earned in the 2009 fiscal year is reported in that year without regard to when actually paid by the Company or deferred by the recipient and therefore not technically received by the recipient in the 2009 fiscal year.

2009 Summary Compensation Table

(1) Mr. Villoutreix was the Chief Operating Officer from February 2006-December 2008. On January 1, 2009 he became the Chief Executive Officer. Column (d) Year 2008 includes a completion bonus of $32,973 and a one time bonus of $3,887 equal to the amount of dividends that participants who earned Restricted Stock Plan Share awards would have earned had the shares earned been issued by the February 18, 2008 dividend record date. Column (e): Year 2009 includes a Long-Term Incentive Plan award valued at the February 12, 2009 grant date price of $18.57. Year 2007 includes a restricted stock award of 5,000 shares granted on January 3, 2007 at a share price of $25.98 that vests on January 3, 2010. Dividends are not included in the disclosed stock award values. Column (i): Includes $10,000 to partially offset tax liabilities associated with restricted stock grants, $12,887 in dividends on restricted stock and $14,700 in 401(k) savings plan matching contributions.

(2) Mr. Thompson was Chief Financial Officer and Treasurer from August 1, 2006 August 10, 2008. From August 11, 2008 until January 21, 2009 he was Vice President Strategic Planning and Implementation. On January 22, 2009 he became Treasurer, Chief Financial and Strategic Planning Officer. Column (d): Year 2008 a one-time bonus equal to the amount of dividends that participants who earned Restricted Stock Plan Performance Share awards in 2007 would have earned had the shares earned been issued by the February 18, 2008 dividend record date. Column (e): Year 2009 includes a Long-Term Incentive Plan award valued at the February 12, 2009 grant date price of $18.57. Year 2007 includes a restricted stock award of 2,500 shares granted on January 3, 2007 at a share price of $25.98 that vests on January 3, 2010. Dividends are not included in the disclosed stock award values. Column (h): An increase representing market-based interest on his cash balance retirement fund account balance in the Schweitzer-Mauduit

TABLE OF CONTENTS

International, Inc. Retirement Plan. Column (i): Includes $5,000 to partially offset tax liabilities associated with restricted stock grants $14,805 in 401(k) savings plan matching contributions, $10,454 in Company contributions to the Deferred Compensation Plan that exceeded IRS limitations on qualified plan contributions, $3,626 in dividends on restricted stock, $1,000 reimbursement of tax preparations fees and $1,000 in company match on charitable donations.

(3) Mr. Wetche was Chief Financial Officer and Treasurer from August 11, 2008 to January 22, 2009. Column (c): Year 2008 includes unused regular vacation of $25,770. As Mr. Wetche was employed at 12/31/2008, but subsequently left the Company s employ, per Company policy he earned a 2009 vacation benefit as of that date. The 2008 amounts reflect amounts earned in 2008 for 2009 vacation. Column (e) Year 2008 includes the following restricted stock award of 5,000 shares granted on August 11, 2008 at a share price of $19.47 that was to vest on August 10, 2012. Dividends are not included in the disclosed stock award value. Column (i): Includes $11,315 in 401(k) savings plan matching contributions, $251,250 in severance and $13,000 in mortgage and housing fees.

(4) Mr. Fievez first became a Named Executive Officer in 2008. His compensation is paid in euros and it has been converted at the 12/31/2009 exchange rate of 1.517 euros to the U.S. dollar for 2009 compensation and the 12/31/2008 exchange rate of 1.3912 euros to the U.S. dollar for 2008 compensation, with the exception of the AIP payment which has been converted at the 3/4/2009 exchange rate of 1.264 euros to the U.S. dollar. Column (c): Year 2009 includes $9,343 in unused vacation. Column (d); Year 2008 includes a one-time bonus equal to the amount of dividends that participants who earned Restricted Stock Plan Performance Share awards in 2007 would have earned had the shares earned been issued by the February 18, 2008 dividend record date. Column (e): Year 2009 includes a Long -Term Incentive Plan award valued at the February 12, 2009 grant date price of $18.57. Dividends are not included in the disclosed stock award value. Column (i): Includes $109,649 in Company contributions to the Deferred Compensation Plan that vests on March 21, 2010, $5,445 in dividends on restricted stock, $113 for an annual physical, $9,025 for life insurance, $8,848 in unemployment insurance, and $5,115 in car allowance.

(5) Mr. Herbst was President-Americas from August 1, 2006 until January 1, 2009 when he became Chief Operating Officer. Column (c): Year 2009 and Year 2008 include $6,030 in unused vacation. Column (d): Year 2008 includes a one-time bonus equal to the amount of dividends that participants who earned Restricted Stock Plan Performance Share awards in 2007 would have earned had the shares earned been issued by the February 18, 2008 dividend record date. Column (e): Year 2009 includes a Long-Term Incentive Plan award valued at the February 12, 2009 grant date price of $18.57. Dividends are not included in the disclosed stock award values. Column (i): Includes $4,000 to partially offset tax liabilities associated with restricted stock grants, $11,797 in 401(k) saving plan matching contributions, $21,222 in Company contributions to the Deferred Compensation Plan in 401(k) saving plan contributions that exceeded IRS limitations on qualified plan contributions, and $8,105 in dividends on restricted stock.

(6) Mr. Martinez first became a Named Executive Officer in 2009. Column (e): Year 2009 includes a Long-Term Incentive Plan award valued at the February 12, 2009 grant date price of $18.57. Dividends are not included in the disclosed stock award value. Column (i): Includes $16,221 in 401(k) saving plan matching contributions, $95,475 in relocation expenses and $2,000 in company match on charitable donations.

Mr. Villoutreix was based in France until July 1, 2008 when he returned to the United States. He was compensated as an expatriate from February 2006 through June 2008. He received certain income and Medicare tax gross-ups, educational allowances and foreign service payments as a result of this foreign assignment. In order to induce Mr. Villoutreix to join the Company, his employment offer included a signing bonus, a guaranteed Annual Incentive Plan payout in 2006, a grant of 10,000 shares of restricted stock and a completion bonus of 25,000 euros per year for a 4-year period.

The expatriate package for Mr. Villoutreix was developed in consultation with KPMG and Towers Perrin, internationally recognized tax and compensation consultants, respectively. The compensation package was reviewed with and approved by the Company s Compensation Committee.

Mr. Fievez joined the Company on May 30, 2007 as its President European Operations. His base salary was set above the 50th percentile indicated by the Competitive Compensation Analysis to attract him to the Company and in recognition of the fact that the C