GRAPHIC PACKAGING CORP
Form 10-K/A
April 30, 2008

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K/A
Amendment No. 1

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

COMMISSION FILE NUMBER: 1-13182

Graphic Packaging Corporation

(Exact name of registrant as specified in its charter)

Delaware	**58-2205241**
(State of incorporation)	*(I.R.S. employer identification no.)*
814 Livingston Court, Marietta, Georgia	**30067**
(Address of principal executive offices)	*(Zip Code)*

(770) 644-3000

Registrant s telephone number, including area code:

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value per share	New York Stock Exchange
Series A Junior Participating Preferred Stock Purchase Rights Associated with the Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

The aggregate market value of voting and non-voting common equity held by non-affiliates at June 30, 2007 was $335.6 million.

As of April 30, 2008, there were 1,000 shares of the registrant s Common Stock, $0.01 par value per share outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Not applicable.

GRAPHIC PACKAGING CORPORATION
FORM 10-K/A
AMENDMENT NO. 1
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007
TABLE OF CONTENTS

Table of Contents

EXPLANATORY NOTE

On February 29, 2008, Graphic Packaging Corporation (GPC) filed with the Securities and Exchange Commission (SEC) its Annual Report on Form 10-K for the year ended December 31, 2007. On March 10, 2008, the businesses of GPC and Altivity Packaging, LLC (Altivity) were combined through a series of transactions. A new publicly-traded parent company, Graphic Packaging Holding Company (GPHC) was formed, and all of the equity interests in Altivity s parent company were contributed to GPHC in exchange for 139,445,038 shares of its common stock. Stockholders of GPC received one share of GPHC common stock for each share of GPC common stock held immediately prior to the transactions. Subsequently, all of the equity interests in Altivity s parent company were contributed to GPHC s primary operating company, Graphic Packaging International, Inc. Together, these transactions are referred to herein as the Altivity Transaction.

In connection with the closing of the Altivity Transaction in which GPC became a wholly owned subsidiary of GPHC, the shares of common stock of GPC were delisted from the New York Stock Exchange (NYSE). As a wholly owned subsidiary of GPHC, GPC will not hold a stockholders meeting in 2008 nor file with the SEC a related proxy statement. Therefore, we are providing the information required by Part III (Items 10, 11, 12, 13 and 14) of Form 10-K by amendment in accordance with General Instruction G(3) of Form 10-K. This Annual Report on Form 10-K/A amends Items 10, 11, 12, 13 and 14 of Part III of our Form 10-K filed on February 29, 2008 in order to include those disclosures required by Part III of Form 10-K.

To obtain information on the annual stockholder s meeting of GPHC, please see the definitive proxy statement of GPHC filed with the SEC on April 23, 2008.

References to the Company in this Amendment No. 1 to the Annual Report on Form 10-K refer to GPC prior to the completion of the Altivity Transaction and GPHC after the completion of the Altivity Transaction unless the context requires otherwise.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

In connection with the closing of the Altivity Transaction and GPC becoming a wholly owned subsidiary of GPHC, the board of directors of GPC was reconstituted from nine members to three members. Prior to the closing of the Altivity Transaction, John D. Beckett, G. Andrea Botta, Kevin J. Conway, Jeffrey H. Coors, Harold R. Logan, Jr., John R. Miller, David W. Scheible, Robert W. Tieken and William R. Fields were the directors of GPC.

The Company s current directors names, ages as of the date of this Form 10-K/A and certain information about them are set forth below:

David W. Scheible, 51, has served as a director, President and Chief Executive Officer of GPC since January 1, 2007. Prior to that time, Mr. Scheible had served as Chief Operating Officer of GPC since October 2004. Mr. Scheible served as Executive Vice President of Commercial Operations from August 2003 until October 2004. Mr. Scheible served as Chief Operating Officer of Graphic Packaging International Corporation, one of the predecessors to GPC (GPIC), from 1999 until August 2003. He also served as President of GPIC s Flexible Division from January to June 1999. Previously, Mr. Scheible was affiliated with the Avery Denison Corporation, working most recently as its Vice President and General Manager of the Specialty Tape Division from 1995 through 1999 and Vice President and General Manager of the Automotive Division from 1993 to 1995.

Daniel J. Blount, 52, was appointed to GPC s Board on March 10, 2008 in connection with the closing of the Altivity Transaction and has been the Company s Senior Vice President and Chief Financial Officer since September 2005. From October 2003 until September 2005, he was the Senior Vice President, Integration. From the closing of the Merger in August 2003 until October 2003, he was the Senior Vice President, Integration, Chief Financial Officer and Treasurer. From June 2003 until August 2003, he was Senior Vice President, Chief Financial Officer and Treasurer. From September 1999 until June 2003, Mr. Blount was Senior Vice President and Chief

Table of Contents

Financial Officer. Mr. Blount was named Vice President and Chief Financial Officer of Riverwood Holding in September 1998. Prior to joining the Company, Mr. Blount spent 13 years at Montgomery Kone, Inc., an elevator, escalator and moving ramp product manufacturer, installer and service provider, serving last as Senior Vice President, Finance.

Stephen A. Hellrung, 60, was appointed to GPC s Board on March 10, 2008 in connection with the closing of the Altivity Transaction and has been the Company s Senior Vice President, General Counsel and Secretary since October 2003. He was Senior Vice President, General Counsel and Secretary of Lowe s Companies, Inc., a home improvement specialty retailer, from April 1999 until June 2003. Prior to joining Lowe s Companies, Mr. Hellrung held similar positions with The Pillsbury Company and Bausch & Lomb, Incorporated.

Pursuant to Instruction G to Form 10-K, information regarding the executive officers of GPC was included in Part I of GPC s Annual Report on Form 10-K filed with the SEC on February 29, 2008 under the caption Executive Officers of the Registrant.

Corporate Governance Matters

Audit Committee Matters

Prior to the close of the Altivity Transaction, the GPC Board had a separately-designated standing audit committee. The members of GPC s Audit Committee were Messrs. Logan, Miller and Tieken, with Mr. Tieken serving as Chairman. The GPC Board examined the SEC s definition of audit committee financial expert and determined that each of Harold R. Logan, Jr., John R. Miller and Robert W. Tieken met those standards and were each independent directors, as defined by Section 303A of the NYSE s Listed Company Manual. Accordingly, Each of Messrs. Logan, Miller and Tieken were designated by the GPC Board as an audit committee financial expert.

Code of Ethics and Conduct

The GPC Board formally adopted a Code of Business Conduct and Ethics, which applied to all of the Company s employees, officers and directors. A copy of the Code of Business Conduct and Ethics is available on the Company s website at www.graphicpkg.com in the Investor Relations section under Corporate Governance. The Company will provide printed copies of the Code of Business Conduct and Ethics to any person without charge upon request.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company pursuant to Rule 16a-3(e) of the Exchange Act during 2007 and Form 5 and amendments thereto furnished to the Company with respect to 2007, and written representations from the Company s reporting persons, the Company believes that its officers, directors and beneficial owners have complied with all filing requirements under Section 16(a) applicable to such persons.

ITEM 11. EXECUTIVE COMPENSATION

Compensation and Benefits Committee Report

The members of GPHC s Compensation and Benefits Committee, together with Messrs. Botta and Logan who served on GPC s Compensation and Benefits Committee prior to March 10, 2008, have reviewed and discussed the following Compensation Discussion and Analysis with management of the Company. Based on such review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

Table of Contents

Compensation and Benefits Committee
George V. Bayly, Chairman
John D. Beckett
Jack A. Fusco

Compensation Discussion and Analysis

References to the Committee in this Compensation Discussion and Analysis section are to the Compensation and Benefits Committee. References to Executives are to the Named Executive Officers reported in the Summary Compensation Table and other tables in this Annual Report on Form 10-K.

Guiding Principles and Policies

The goal of our compensation program is to align the interests of our employees with those of our stockholders. We do this by implementing compensation practices designed to attract, retain and motivate key members of management. A significant portion of the compensation packages of our Executives is intended to be at-risk pay for performance. In our program, we analyze each component of executive compensation and decisions with respect to one element of pay may or may not impact other elements of the overall pay packages. Market data, individual performance, retention needs and internal equity among our Executives compensation packages have been the primary factors considered in decisions to increase or decrease compensation materially.

Peer Group and Market Data

We obtain an analysis of market data at least every other year in which compensation of the Executives is compared to the compensation paid to executives holding comparable positions at similar companies. The companies used for this comparison are chosen by the Company and the Committee s consultant, Hewitt Associates, and consist of a group of about 30 manufacturing companies with revenues approximately one-half to double the revenues of the Company that participate in Hewitt Associates database of executive pay. This peer group was originally chosen in 2003 and has changed somewhat from study to study because of merger and acquisition activity and participation in Hewitt Associates database, but our goal is to have it be as constant as possible. Hewitt Associates tests the peer group results against data from broader general industry, manufacturing and forest products groups to ensure that the peer group provides an appropriate benchmark of executive compensation.

The peer group used to develop 2007 compensation is listed below.

Air Products and Chemicals, Inc.	Flowserve Corporation	PACCAR Inc.
Armstrong World Industries, Inc.	FMC Corporation	Ryerson, Inc.
Avery Dennison Corporation	Harris Corporation	Sonoco Products Company
Ball Corporation	Henkel of America, Inc.	Steelcase Inc.
BorgWarner Inc.	Herman Miller, Inc.	Teleflex Incorporated
Briggs & Stratton Corporation	Johns Manville	The Scotts Miracle-Gro Company
Church & Dwight Company, Inc.	Kennametal Inc.	Thomas & Betts Corporation
C.R. Bard, Inc.	Lexmark International	Tupperware Corporation
Cooper Cameron Corporation	Maytag Corporation	UST Inc.
Donaldson Company, Inc.	Milacron Inc.	Wm. Wrigley Jr. Company
Ecolab Inc.	Molson Coors Brewing Company	Worthington Industries, Inc.

Table of Contents

Role of Compensation Consultants

The Committee independently retains Hewitt Associates to assist the Committee in its deliberations regarding executive compensation. Hewitt Associates is also retained by the Company to assist with various compensation and benefit matters. The mandate of Hewitt Associates is to serve the Company and work for the Committee in its review of executive compensation practices, including the competitiveness of pay levels, design issues, market trends and technical considerations. Hewitt Associates consultants attended one of five Committee meetings in 2007, and assisted the Committee with market data and a related assessment of the Company s executive compensation levels, long-term incentive grant sizes, employment contract revisions and disclosures under the new proxy disclosure rules.

Role of Executive Officers

The Chief Executive Officer and Senior Vice President, Human Resources recommend to the Committee the compensation program design and award amounts for most executives. They are not involved in determining their own pay.

Overview of Executive Compensation Components

Our executive compensation program currently consists of the following compensation elements:

- Base salary
- Short-term cash incentives
- Long-term incentives, consisting of Service Restricted Stock Units (Service RSUs) and Performance Restricted Stock Units (Performance RSUs)
- Welfare benefits
- Perquisites
- Retirement benefits
- Termination pay

Each of these elements is discussed below, as well as the methodology used for setting the amount of each type of compensation.

Base Salary

Philosophy. Our philosophy is to set salaries for our Executives at the 75th percentile of the peer group s salaries for executives with similar positions and responsibilities (with adjustments made to reflect the various sizes of the companies in such group). Recent promotions, however, have resulted in actual base salaries for several of our Executives that are below the size-adjusted 50th percentile of the peer group.

The 75th percentile represents about 15% more base salary than the size-adjusted median. The desire to set salaries at this somewhat higher level reflects the fact that annual target goals under the Management Incentive Plan (MIP) are set at levels of Company performance that we believe are more difficult to achieve than performance goals used to determine short-term incentive amounts at most other peer group companies. We periodically assess our performance against that of peer companies to confirm that our short-term incentive target goals represent approximately 75th percentile performance.

Changes to base salaries occur on a periodic basis that is generally at least twelve months after the most recent adjustment for the Executive. Base salary changes take into account market data for similar positions, the

Table of Contents

Executive s experience and time in position, any changes in responsibilities and individual performance. Individual performance is determined by considering achievement against each Executive s specific performance goals established at the beginning of each year. Generally, such individual performance goals are established to support the financial and operational goals established by the Board for the Company, and may include EBITDA, debt reduction and new product innovation targets, business unit revenue, profitability and cost-saving goals and certain more subjective goals such as improvement in culture, implementation of compliance initiatives and management effectiveness.

Management Incentive Plan

The purpose of the MIP is to provide a meaningful short-term cash incentive that rewards the achievement of specified annual financial goals. The financial measure used to set such financial goals or targets is earnings before income taxes, depreciation and amortization (EBITDA).

Target Opportunities. The MIP payout at the target level for each Executive is set at a level that pays at the 75th percentile of peer group companies for Company performance at the 75th percentile of the peer group.

Performance Goals. Because we set target performance goals that we believe represent performance at or above the 75th percentile of our peer group (confirmed through historical analysis), achievement of such goals is designed to pay base salary plus short-term incentive at approximately the 75th percentile of the peer group. Should the Company fail to reach target goals, the MIP will pay out to a lesser degree. Payouts are discretionary on the part of the Committee if the threshold goals are not met. Our EBITDA goal for 2007 was $321 million, achievement of which would present an opportunity for a MIP award at target. The payout for performance at 90% of our EBITDA goal was set at 50% of target, and no payout would be earned for performance at or below 85% of our EBITDA goal. The payout for performance 10% or more above our EBITDA goal (after appropriate accrual for the greater compensation expense) was set at a maximum of 200% of target.

Actual Short-Term Incentive Payouts for 2007. Actual short-term incentive payouts for 2007 are shown in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. Payouts were made at 185% of target levels for 2007 reflecting achievement of EBITDA at 185.0% of target.

Long-Term Incentives

The 2007 long-term incentive program has two elements: Service RSUs and Performance RSUs. Each represents about 50% of the competitive, total long-term incentive value that the Company pays to its Executives. Both types of grants are intended to retain Executives during a multi-year vesting period, align the long-term interests of Executives with our stockholders and provide cash and stock compensation. A mandatory two-year holding period after vesting further aligns our Executives interests with those of our stockholders.

Service RSUs vest in three equal increments on the first, second and third anniversaries of the date of grant. Performance RSUs vest in full on the second anniversary of the date of grant. Both Service RSUs and Performance RSUs are payable one-half in shares of our common stock and one-half in cash two years after vesting upon the expiration of the mandatory holding period. The Board decided to split the payment of the RSUs into cash and shares due to the limited public float of the Company s common stock (which could negatively affect an Executive s ability to sell his or her shares without negatively affecting the price of the Company s stock) and to facilitate the payment of taxes due upon the payout of the RSUs.

How Award Sizes are Determined. Together, the Service RSUs and the target number of Performance RSUs are calculated to provide a long-term incentive award at approximately the size-adjusted 50th percentile of the peer group. The specific target opportunity for each Executive is determined through a combination of market data and consideration of internal equity issues among our Executives compensation packages.

The value of the Service RSU grants is based on market levels of long-term compensation in February of each year times 50%. The number of shares delivered is calculated using the average closing stock price of the Company s common stock for the month of January preceding the grant of the Service RSUs. For Service RSUs granted in 2007, the stock price used was $4.43.

Table of Contents

The target number of Performance RSUs to be granted in May of the following year is equal to the number of Service RSUs previously granted, and is subject to adjustment down to 0% of market and up to 70% of market (140% of target) based on the Committee s assessment of management s performance in the prior year.

2007 Grants. In March 2007**,** we granted Service RSUs to all of the Executives except Mr. Humphrey. Grant sizes were equal to 50% of market long-term incentive opportunities.

In May 2007, we granted Performance RSUs that represented the performance portion of the 2006 grants for Messrs. Scheible, Blount, Humphrey, Schmal and Juby.

The May 2007 Performance RSU grants were made at 60**%** of market. When combined with the Service RSU grants made in 2006, they represent a grant equal to 110% of target for long-term incentives. The size of the Performance RSU grants in May 2007 was based on the Committee s determination of 2006 performance against plan. In arriving at this figure, the Committee considered achievements in debt reduction, cost reduction, innovation and resulting new product sales, process improvements and asset utilization. Achievement was above plan in cost reduction, innovation, process improvements and asset utilization. Achievement was below plan in debt reduction.

All of the grants discussed above are reflected in the Summary Compensation Table.

Welfare Benefit Plans

Executives participate in employee benefit plans available to all employees, including medical, dental, accidental death and dismemberment, business travel accident, prescription drug, life and disability insurance. Continuation of welfare benefits for a limited time may occur as part of severance upon certain terminations of employment.

Perquisites

Employment contracts for the Executives provide to each a $20,000 payment in lieu of perquisites that can be used as the Executive determines. The fixed payment was designed to take the place of other specific perquisites that existed in previous employment contracts and to simplify administration. The payment is reported in the Summary Compensation Table in the Bonus column. Payment of Mr. Scheible s country club initiation fee was agreed to by the Company in 2006 (prior to the change to a payment in lieu of specific perquisites), but paid in 2007.

Retirement Benefits

Executives and all other employees who meet certain service requirements are eligible to participate in one of the Company s 401(k) Savings Plans, which are qualified defined contribution plans under the rules of the Internal Revenue Service. The Company does not offer a 401(k) restoration plan that would permit Executives to contribute to and receive matching contributions from the Company on a basis that would be commensurate with other employees as a percent of pay. Executives and all other employees hired on or before January 1, 2008, are also eligible to participate in either the Riverwood International Employees Retirement Plan or the Graphic Packaging Retirement Plan (together, the Pension Plans). In addition, senior executives participate in either the Riverwood International Supplemental Retirement Plan or the Graphic Packaging Supplemental Retirement Plan (together, the Supplemental Plans). Mr. Scheible participated in the Graphic Packaging Retirement Plan and the Graphic Packaging Supplemental Plan until January 1, 2005, the date he transferred into the Riverwood International Employees Retirement Plan and the Riverwood International Supplemental Retirement Plan. The Supplemental Plans provide a benefit based upon compensation that exceeds the limits set by the Internal Revenue Service for the Pension Plans and makes total retirement benefits under the Company s defined benefit plans for the Executives commensurate with those available to other employees as a percent of pay. Additional information about the Pension Plans and the Supplemental Plans is provided under the Pension Benefits in 2007 table.

Mr. Humphrey. Mr. Humphrey s employment contract provided him with a guaranteed 10 years of service for purposes of the Riverwood International Employees Retirement Plan and the Riverwood International Supplemental Retirement Plan. This provision was designed to attract him to the Company, but the guarantee was not utilized, as Mr. Humphrey achieved 10 years of service in March 2007. In addition, a Supplemental Executive Pension Plan

(SEPP) was implemented in April 2006 to provide an additional benefit to him equal to an additional 22 years of service (up to a maximum of $5,000,000) should he remain employed through March 31, 2007. The Company paid Mr. Humphrey a benefit of $5,000,000 under the SEPP on March 31, 2007.

Employment Agreements and Potential Payments on Termination

GPC s Executives have employment agreements with generally uniform provisions. The agreements contain enforceable non-competition and non-solicitation covenants as well as claims releases and severance provisions.

Agreements other than Mr. Humphrey s provide guaranteed severance in the event of certain terminations of employment. For Mr. Scheible the guaranteed severance is two times base salary, and for Messrs. Blount, Schmal and Juby it is one times base salary. Executives also receive welfare benefits for one year after termination and a pro-rata MIP payout (which is doubled for Mr. Scheible). Mr. Humphrey did not have severance benefits in his agreement because he was expected to retire, and did in fact retire from the Company at the end of 2007.

Executives may receive severance if they are terminated involuntarily, or terminate voluntarily for Good Reason (as defined below) within 30 days of the Good Reason event. The Executive must deliver written notice of intention to terminate for Good Reason, specifying the applicable provision, and provide the Company a reasonable opportunity to cure. The Good Reason provision in the 2006 contracts was designed to equalize the treatment of voluntary terminations for Good Reason with involuntary terminations without Cause. Doing so enables the contracts to fulfill their purpose of promoting retention during times of uncertainty and transition. Good Reason as defined in the agreements includes contract termination, material reduction in position, responsibilities or duties, failure of a successor company to assume the agreement, reduction in salary, breach of agreement or mandatory relocation, other than in connection with promotion, of more than 50 miles.

The agreements are discussed in more detail under Employment Agreements and Termination of Employment Arrangements.

We have no change-in-control severance protections in the employment agreements and, because the Company vested all outstanding options in December 2005, certain other change-in-control provisions in the Company s equity compensation plans are moot. However, the award agreements for the Service RSUs and Performance RSUs granted under the 2004 Stock and Incentive Compensation Plan (the 2004 Plan) provide that all vesting restrictions shall lapse and the mandatory holding period shall expire upon the occurrence of a change-in-control. A change-in-control means any of the following events:

The acquisition by any person of beneficial ownership of thirty percent (30%) or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, except if such acquisition is by a person who, prior to such acquisition, is the beneficial owner of thirty percent (30%) or more of such securities, or if such acquisition is by any employee benefit plan or related trust, or if such acquisition is by a stockholder who is party to the Riverwood Holding, Inc. Stockholders Agreement dated March 25, 2003.

Individuals of the incumbent board (other than those whose initial assumption of office is in connection with an actual or threatened election contest relating to the election or removal of the directors of the Company) do not constitute at least a majority of the Board.

Consummation of a reorganization, merger or consolidation to which the Company is a party unless (i) all or substantially all of the individuals and entities who were the Beneficial Owners of the Company s outstanding securities prior to such transaction beneficially own more than fifty percent (50%) of the combined voting power of the outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from the transaction, and (ii) no person (excluding successors to current stockholders or any employee benefit plan or related trust) beneficially owns thirty percent (30%) or more of the combined voting power of the then outstanding voting securities, except to the extent that such ownership existed prior to the transaction, and (iii) at least a majority of the members of the board of directors of the resulting entity were members of the incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such reorganization, merger or consolidation.

- 9 -

Table of Contents

The sale, transfer or disposition of all or substantially all of the assets of the Company; or

The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.
The forgoing events were chosen to trigger the vesting and payout of RSUs under the 2004 Plan because they constitute a fundamental change in the ownership or control of the Company, which materially alters the prospects and future of the Company and, therefore, the employment conditions and opportunities for the members of management who receive RSUs.

In addition, the following provisions would affect options granted under the Company s equity compensation plans in the event of a change-in-control:

The 2004 Plan provides that if a participant s employment is terminated for any reason except Cause within six months prior to a change-in-control or within twelve months subsequent to such change-in-control, the participant will have until the earlier of (i) twelve months following such termination, or (ii) expiration of the option, to exercise such option.

The 2003 Riverwood Holding, Inc. Long-Term Incentive Plan provides that outstanding options will be either cancelled in exchange for a payment in cash of an amount equal to (i) the excess of the value assigned to shares in the transaction constituting the change-in-control over (ii) the exercise price, or exchanged for an alternative award with substantially equivalent economic value.

The Riverwood Holding, Inc. 2002 Stock Incentive Plan provides that outstanding options will be cancelled in exchange for a payment equal to (i) the excess of the value assigned to shares in the transaction constituting the change-in-control over (ii) the exercise price, and that such payment be made in cash or in shares of the stock of the new company, if such shares are publicly-traded.

The Riverwood Holding, Inc. Supplemental Long-Term Incentive Plan and the Riverwood Holding, Inc. Stock Incentive Plan provide that outstanding options may be either cancelled in exchange for a payment equal to (i) the excess of the value assigned to shares in the transaction constituting a change-in-control over (ii) the exercise price, or if the transaction constituting a change-in-control is accounted for under the pooling of interests method, exercised by the holder or exchanged for fully-exercisable options to purchase the common stock of the new company, provided such opportunity is made available by the new company and that such substitute options have substantially equivalent economic value. The Board of Directors amended these plans in July 2007 to require the exchange of options to purchase shares of GPC for options to purchase shares of GPHC on substantially the same terms.

The Graphic Packaging Equity Incentive Plan provides only for full vesting of stock options and other awards upon a change-in-control.

Pursuant to an agreement with the Company made in 2003, certain stock options granted to Messrs. Blount and Schmal are subject to a guaranteed cash payout of $7.88 per share less the exercise price of $6.57 per share upon a change in control. On March 31, 2008, a total of 114,425 stock options and 129,879 stock options were cancelled and paid in cash to Mr. Blount and Mr. Schmal, respectively.

In addition to certain benefits under the Company s equity incentive plans in the event of a change-in-control, Messrs. Blount, Schmal and Juby participate in a retirement arrangement that supplements the benefit under the Company s Pension Plans and Supplemental Plans in the event of a change-in-control by providing ten years minimum service and subsidized early retirement reduction factors. The present value of the annual net benefit under this arrangement as of December 31, 2007 is $183,041, $592,253 and $216,076 for Messrs. Blount, Schmal and Juby, respectively. As of April 15, 2008, Mr. Schmal is no longer eligible for benefits under this retirement arrangement.

Table of Contents

Timing of Compensation

Base salary adjustments are generally approved at the first Committee and Board meeting of the year and may take effect at various times over the course of the year. Service RSU grants are generally made at the first regularly scheduled Board meeting and Performance RSU grants are generally made at the second regularly scheduled Board meeting of the year. Our policy is that awards of equity compensation are made only at regularly scheduled meetings of the Board of Directors (except for new-hire grants) and that the date of grant is the date upon which the Board of Directors approves the grant.

Tax Issues

For tax purposes, amounts paid under the MIP and the value of Service RSUs and Performance RSUs is capped for each Executive at a percent of EBITDA. The percents for 2007 were 2% for Mr. Scheible, 1% for Mr. Blount and .5% for Messrs. Schmal and Juby. Favorable accounting and tax treatment of the various elements of our compensation program is a consideration in its design, but, because the Committee s policy is to maximize long-term stockholder value, it is not the sole consideration. Section 162(m) of the Internal Revenue Code (the Code) limits the deductibility of certain items of compensation to each of the Executives (or, the covered employees, for Code Section 162(m) purposes) to $1,000,000 annually, unless the compensation qualifies as performance-based compensation exempt from the $1,000,000 limitation. Long-term incentives are intended to qualify for the performance-based exception described above. We will continue to monitor the levels of compensation of our Executives and to consider whether other action should be taken in order to ensure deductibility of compensation payable to them, although we reserve the right to award compensation that is not deductible under Code Section 162(m) if we determine it to be in the best interests of the Company and our stockholders to do so.

Compensation of Executive Officers

The following table sets forth the compensation paid to or earned by the Company s Principal Executive Officer (Mr. Scheible), Principal Financial Officer (Mr. Blount) and the Company s three other most highly paid executive officers (collectively, the Named Executive Officers) for the fiscal year ended December 31, 2007.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)	Total ($)
David W. Scheible	2007	750,000	20,000	598,219	1,387,850	167,167	128,549(6)	3,051,785
President and Chief Executive Officer	2006	550,000	43,500	411,605	412,500	73,749	11,325	1,502,679
Daniel J. Blount	2007	416,667	20,000	303,740	539,720	216,665	9,000(7)	1,505,792
Senior Vice President and Chief Financial Officer	2006	393,750	19,725	310,614	275,625	76,975	9,298	1,085,987
Stephen M. Humphrey	2007	575,000	20,000	2,256,388			5,918,286(8)	8,769,674
Vice Chairman	2006	1,058,333		2,635,041	1,050,000	326,106	213,516	5,282,996
Wayne E. Juby	2007	322,500	20,000	587,784	358,065	95,984	9,000(7)	1,393,333
Senior Vice President, Human Resources	2006	311,042	13,473	214,543	186,625	64,502	17,112	807,297
Michael R. Schmal	2007	363,333	20,000	329,110	470,635	370,035	9,000(7)	1,562,113
Senior Vice President,	2006	350,000	11,988	362,051	245,000	136,031	16,812	1,121,882

Beverage

(1) Amounts shown in this column for 2007 reflect payments in lieu of perquisites. Amounts shown in this column for 2006 reflect payments in lieu of perquisites and guaranteed car allowance payments.

(2) The dollar value of RSUs set forth in this column is equal to the compensation cost recognized during 2007 for financial statement purposes in accordance with Financial Accounting Standard 123R (FAS 123R), except no assumptions for forfeitures were included. This valuation method values RSUs granted during 2007 and previous years. A discussion of the assumptions used in calculating the compensation cost is set forth in Note 6

Table of Contents

of the Notes to Consolidated Financial Statements included in GPC s Annual Report on Form 10-K for the year ended December 31, 2007.

(3) Information regarding the number of RSUs granted to the Named Executive Officers during 2007 is set forth in the Grants of Plan-Based Awards in Fiscal 2007 table. The Grants of Plan-Based Awards in Fiscal 2007 table also sets forth the aggregate grant date fair value of the RSUs granted during 2007 computed in accordance with FAS 123R.

(4) The amounts set forth in this column for 2007 were earned during 2007 and paid in early 2008 under our 2007 MIP. Amounts set forth in this column for 2006 were earned during 2006 and paid in early 2007.

(5) The amounts set forth in this column reflect the aggregate increase in the present value of each of the Named Executive Officers respective accumulated benefits under our pension plans.

(6) The amount shown includes (i) matching contributions of $9,000 to the Company s 401(k) Plan; (ii) $348 for spousal travel; (iii) $70,000 for country club initiation fees; and (iv) tax gross-ups of $49,201 relating to spousal travel and country club fees.

(7) Amount represents matching contributions to the Company s 401(k) Plan.

(8) The amount shown includes (i) a payment of $5,000,000 pursuant to Mr. Humphrey s Supplemental Executive Pension Plan; (ii) a $500,000 payment to

Mr. Humphrey as consideration for his new Employment Agreement entered into on July 20, 2006; (iii) a payment of $55,289 for earned but unused vacation; (iv) a payment of $316,698 representing the value of certain stock options that Mr. Humphrey was unable to exercise during 2007; and (v) $46,299, which is the amount of interest that would have been paid on the $5.0 million non-interest bearing loan made to Mr. Humphrey, had such loan borne interest at 3.93% per annum, the applicable federal rate on December 19, 2001, the date on which the loan was extended (see Certain Relationships and Related Transactions Management Indebtedness for additional information on the loan made to Mr. Humphrey in November 1999).

The following table sets forth information regarding the grants of annual cash incentive compensation and RSUs during 2007 to the Named Executive Officers.

Grants of Plan-Based Awards in Fiscal 2007

Name and Principal Position	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards(2) Threshold ($)	Target (#)	Maximum (#)	All Other Stock Awards: Number Shares of of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards(3) ($)
David W. Scheible	03/02/2007	0	750,000	1,500,000					
President and Chief Executive	03/02/2007							155,457(5)	719,766
Officer	03/02/2007				0	155,457	217,640		719,766
	05/15/2007							195,763(6)	945,535
Daniel J. Blount	03/02/2007	0	291,667	583,333					
Senior Vice President and	03/02/2007							50,762(5)	235,028
Chief Financial Officer	03/02/2007				0	50,762	71,067		235,028
	05/15/2007							101,695(6)	491,187
Stephen M. Humphrey	03/02/2007	(4)	(4)	(4)					
Vice Chairman	05/15/2007							467,161(6)	2,256,388
Wayne E. Juby	03/02/2007	0	193,500	387,000					
Senior Vice President,	03/02/2007							40,926(5)	189,487
Human Resources	03/02/2007				0	40,926	57,296		189,487
	05/15/2007							81,992(6)	396,021
Michael R. Schmal	03/02/2007	0	254,333	508,662					
Senior Vice President,	03/02/2007							44,416(5)	205,646
Beverage	03/02/2007				0	44,416	62,182		205,646
	05/15/2007							88,984(6)	429,793

- 12 -

Table of Contents

(1) The amounts set forth in these columns reflect the threshold, target and maximum cash payments that could have been earned during 2007 under the 2007 MIP.

(2) The amounts set forth in these columns reflect the threshold, target and maximum number of RSUs that could have been earned during 2007 based upon the achievement of performance goals by GPC under the 2007 long-term incentive program (2007 LTIP). The amount of such awards will be determined and grants of such RSUs are expected to be made before June 2008.

(3) The amounts set forth in this column reflect the number of RSUs granted multiplied by the closing price of GPC s

common stock on the date of grant. For estimated future awards, the amounts set forth in this column represent the value of awards at the target level as of March 2, 2007.

(4) Pursuant to Mr. Humphrey s Employment Agreement dated July 20, 2006, Mr. Humphrey was not eligible to receive a cash incentive award under the 2007 Management Incentive Plan.

(5) These amounts reflect the number of RSUs granted during 2007 as Service RSUs under the 2007 LTIP.

(6) These amounts reflect the number of RSUs earned during 2006 based upon the achievement of performance goals by GPC under the 2006 long-term incentive program. These RSUs were granted in

May 2007.

Additional Information regarding the Summary Compensation Table and the Grants of Plan-Based Awards in Fiscal 2007 Table

Salary. The amounts shown as salaries in the Summary Compensation Table for 2007 represent amounts actually paid and may not be the same as current base salary levels.

Bonus. Amounts earned under the MIP, which in years prior to 2006 were reported in the Bonus column, are now reported in the Non-Equity Incentive Plan Compensation column.

Non-Equity Incentive Plan Compensation. The Company s annual Management Incentive Plan is designed to provide short-term incentive awards based upon the accomplishment by the Company of performance goals established at the beginning of each year. Awards are paid in cash during the first quarter of the following year.

Option/Stock Appreciation Rights Grants in 2007. During 2007, none of the Named Executive Officers received grants of stock options or stock appreciation rights.

Stock Awards. In 2007, the Compensation and Benefits Committee and the Board approved grants of RSUs under the 2004 Plan to our Named Executive Officers. These grants included Service RSUs that vest over a period of service and Performance RSUs that were based upon accomplishment of certain performance metrics.

The Service RSUs granted vest in three equal increments on the first, second and third anniversary of the date of grant and are payable 50% in shares of the Company s common stock and 50% in cash two years thereafter upon the termination of a mandatory holding period. The Performance RSUs vest in full on the second anniversary of the date of grant and are payable 50% in shares of the Company s common stock and 50% in cash two years thereafter upon the termination of a mandatory holding period.

Change in Pension Value and Deferred Compensation Earnings. Amounts shown in the Change in Pension Value and Non-Qualified Deferred Compensation column of the Summary Compensation Table represent only the aggregate increase in the present value of accumulated benefits under our Pension Plans and Supplemental Plans, as the Company does not have an active deferred compensation plan.

The following table sets forth each outstanding award of stock options or RSUs held by the Named Executive Officers at the end of fiscal 2007.

Table of Contents

Outstanding Equity Awards at 2007 Fiscal Year-End

	Option Awards		Stock Awards	
	Number of Securities Underlying		Equity Incentive Plan Awards: Number of Unearned Shares, Units	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units