

Kraton Performance Polymers, Inc.
Form DEF 14A
April 13, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement.

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).

Definitive Proxy Statement.

Definitive Additional Materials.

Soliciting Material Pursuant to §240.14a-12.

Kraton Performance Polymers, Inc.

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(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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KRATON PERFORMANCE POLYMERS, INC.

15710 John F. Kennedy Boulevard, Suite 300

Houston, Texas 77032

To Our Stockholders:

We are pleased to invite you to attend the Annual Meeting of the Stockholders of Kraton Performance Polymers, Inc., which will be held Thursday, May 27, 2010 at 1:00 p.m., central time, at The Doubletree IAH Hotel, 15747 John F. Kennedy Boulevard, Houston TX 77032.

The following pages include a formal notice of the meeting and our proxy statement. The proxy statement describes various matters on the agenda for the meeting. Please read these materials so that you will know what we plan to do at the meeting. It is important that your shares be represented at our Annual Meeting regardless of whether you plan to attend the meeting in person. Please vote your shares as soon as possible through any of the voting options available to you as described in this proxy statement.

On behalf of management and the Board of Directors, we thank you for your continued interest in Kraton Performance Polymers, Inc.

Sincerely,

Kevin M. Fogarty,
President and Chief Executive Officer

HOUSTON, TEXAS

April 13, 2010

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KRATON PERFORMANCE POLYMERS, INC.

15710 John F. Kennedy Boulevard, Suite 300

Houston, Texas 77032

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 27, 2010, at 1:00 p.m. central time

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Kraton Performance Polymers, Inc. will be held on Thursday, May 27, 2010, at 1:00 p.m. central time, at The Doubletree IAH Hotel, 15747 John F. Kennedy Boulevard, Houston TX 77032 for the following purposes:

1. To elect four Class I directors, each to serve for a three-year term and until a successor is duly elected and qualified.
2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2010 fiscal year.
3. To transact such other business as may properly come before the meeting and any postponement or adjournment thereof.

Our Board of Directors has fixed the close of business on April 9, 2010 as the record date for determining those stockholders who are entitled to notice of, and to vote at, the Annual Meeting of Stockholders. A list of such stockholders will be open to examination by any stockholder at the annual meeting and for a period of ten days prior to the date of the annual meeting during ordinary business hours at 15710 John F. Kennedy Boulevard, Suite 300, Houston, Texas 77032. A copy of the Annual Report of Kraton Performance Polymers, Inc. for the year ended December 31, 2009 is enclosed.

By Order of the Board of Directors,

STEPHEN W. DUFFY,
Vice President, General Counsel and Secretary

HOUSTON, TEXAS

April 13, 2010

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE MEETING, PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED PREPAID ENVELOPE OR, IF YOU PREFER, SUBMIT YOUR PROXY BY TELEPHONE OR USING THE INTERNET, TO ASSURE THAT YOUR SHARES ARE REPRESENTED AT THE MEETING. IF YOU ATTEND THE MEETING, YOU MAY VOTE IN PERSON IF YOU WISH TO DO SO, EVEN IF YOU HAVE PREVIOUSLY SUBMITTED YOUR PROXY.

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EXPLANATORY NOTE

This proxy statement contains information to be incorporated by reference into the Annual Report on Form 10-K for the year ended December 31, 2009 of our wholly-owned operating subsidiary Kraton Polymers LLC. On March 15, 2010, Kraton Performance Polymers, Inc. and Kraton Polymers LLC jointly filed an Annual Report on Form 10-K for the year ended December 31, 2009. Therefore, in addition to being incorporated by reference into the Annual Report on Form 10-K for Kraton Performance Polymers, Inc. (as subsequently amended by Form 10-K/A filed on March 31, 2010), as appropriate and as the context requires, this information shall also be deemed to be incorporated by reference into Kraton Polymers LLC's Annual Report on Form 10-K for the year ended December 31, 2009.

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KRATON PERFORMANCE POLYMERS, INC.

15710 John F. Kennedy Boulevard, Suite 300

Houston, Texas 77032

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

May 27, 2010

INFORMATION CONCERNING SOLICITATION AND VOTING

This proxy statement is first being mailed on or about April 13, 2010 to stockholders of Kraton Performance Polymers, Inc., which is sometimes referred to in this proxy statement as Kraton Performance Polymers, or as we, us, our, or the company in connection with this document and solicitation by our Board of Directors of proxies to be voted at the Annual Meeting of Stockholders to be held on Thursday, May 27, 2010, at 1:00 p.m. central time, at The Doubletree IAH Hotel, 15747 John F. Kennedy Boulevard, Houston TX 77032, and any postponement or adjournment thereof. As used herein and as the context requires, Kraton Performance Polymers shall include our direct and indirect subsidiaries, including our direct, wholly-owned subsidiary Kraton Polymers LLC through which substantially all of our business and operations are conducted.

A stockholder giving a proxy has the power to revoke the proxy at any time until 11:59 p.m. eastern time May 26, 2010. Such right of revocation is not limited by or subject to compliance with any formal procedure.

This solicitation is made by Kraton Performance Polymers, and we will bear the cost of soliciting proxies. We may furnish copies of our proxy solicitation material to brokers, custodians, nominees and other fiduciaries for forwarding to beneficial owners of shares of our common stock, and ordinary course handling charges may be paid for such forwarding service. Our officers and other management employees, who will receive no additional compensation for their services, may solicit proxies by mail, personal interview, telephone or facsimile. We have retained Georgeson Shareholder Communications, Inc., 199 Water Street, 26th Floor, New York, NY 10038, at an anticipated cost of \$6,500 plus reimbursement of out-of-pocket expenses, to provide services in connection with our annual meeting, including the solicitation of proxies.

Only stockholders of record on our record date of April 9, 2010 will be entitled to vote at the annual meeting, and each share will have one vote. At the close of business on the record date, there were 30,729,703 shares of our common stock outstanding and entitled to vote at our annual meeting.

The quorum and voting requirements with respect to our annual meeting are set forth in the Delaware General Corporation Law and our governing documents. A majority of the outstanding shares of our common stock, represented in person or by proxy, will constitute a quorum at our annual meeting. Abstentions, withhold votes and broker non-votes (described below) are each included in the determination of the number of shares present at the meeting for purposes of determining if a quorum is present.

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The election of directors will be determined by a plurality of the votes cast, which means that the four nominees to serve as Class I directors who receive the highest votes will be elected. Withhold votes will not impact the outcome of the election of directors. The affirmative vote of the holders of a majority of the shares of our common stock present in person or represented by proxy at the annual meeting and entitled to vote on the matter is required to ratify our retention of our independent registered public accounting firm.

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Abstentions have the same effect as an against vote. If you hold your shares in street name through a broker or other nominee, your broker or nominee will not be permitted to exercise voting discretion with respect to the election of directors. Therefore, if you do not give your broker or nominee specific instructions with respect to the election of directors, your shares may not be voted on those items (broker non-votes) and will not be counted in determining the number of shares necessary for approval for that item. Our board does not anticipate calling for a vote on any matter other than those described herein.

UNLESS YOU GIVE OTHER INSTRUCTIONS ON YOUR PROXY CARD, THE PERSONS NAMED AS PROXY HOLDERS ON YOUR PROPERLY COMPLETED PROXY CARD WILL VOTE IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE BOARD. THE BOARD RECOMMENDS A VOTE:

FOR THE ELECTION OF THE FOUR CLASS I DIRECTOR NOMINEES NAMED HEREIN, AND

FOR RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

WITH RESPECT TO ANY OTHER MATTER THAT PROPERLY COMES BEFORE THE MEETING, THE PROXY HOLDERS WILL VOTE AS RECOMMENDED BY THE BOARD OR, IF NO RECOMMENDATION IS GIVEN, IN THEIR OWN DISCRETION.

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Our board is presently composed of eleven directors, divided into three classes, designated as Class I, Class II and Class III, each serving staggered three-year terms.

The board has nominated for re-election Messrs. Goldstein, MacDougall, Smith and Walsh, each, a nominee, as Class I directors, each to serve until his successor is duly elected and qualified at the annual meeting of stockholders held in 2013 or until his earlier death, resignation or removal. Each of the nominees is currently a director of Kraton Performance Polymers.

Under the terms of a Registration Rights and Shareholders Agreement between Kraton Performance Polymers and TPG Capital (referred to herein as TPG, or the TPG entities) and J.P. Morgan Partners (referred to herein as JPMP, or the JPMP entities), each of TPG and JPMP have the right to nominate two directors to our Board of Directors. Of the Class I Directors who have been recommended to continue on our board, Mr. MacDougall was recommended by TPG, and Mr. Walsh was recommended by JPMP pursuant to such agreement.

Messrs. Goldstein, MacDougall, Smith and Walsh have consented to serve as directors if elected at the Annual Meeting. If for any reason, any of these nominees becomes unable or unwilling to serve at the time of the Annual Meeting, the board may reduce the size of the board accordingly, or the persons named as proxies in the proxy will have the authority to vote for substitute nominees. We do not anticipate that any of the nominees will be unable or unwilling to serve.

The board has determined that Messrs. Goldstein, MacDougall, Smith and Walsh are independent under the New York Stock Exchange (NYSE) listed company rules and applicable law.

The board recommends that stockholders vote FOR the Company s nominees for Class I Directors.

The following tables present information concerning persons nominated for election as Class I directors of Kraton Performance Polymers, our incumbent Class II and Class III Directors and our executive officers who are not directors. Each of the nominees for election as Class I directors and each of our incumbent Class II and Class III directors is also a director of our principal operating subsidiary Kraton Polymers LLC.

Information Regarding Nominees for Class I Director

Name	Age	Position
Dan F. Smith	63	Director and Chairman of the Board of Directors
Barry J. Goldstein	67	Director and Audit Committee Chairman
Michael G. MacDougall	39	Director
Timothy J. Walsh	46	Director

Information Regarding Class II and Class III Directors

Name	Age	Position
Richard C. Brown	50	Class II Director
Kelvin L. Davis	46	Class II Director
Kevin G. O'Brien	44	Class II Director
Nathan H. Wright	44	Class II Director
Steven J. Demetriou	51	Class III Director
Kevin M. Fogarty	44	Class III Director, Chief Executive Officer and President
Karen A. Twitchell	54	Class III Director

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Biographical Information

Set forth below is a brief biography of each nominee for election as a Class I director and for all other members of the Board of Directors who will continue in office. In addition, set forth below is a biography of each of our executive officers who is not a director. Where applicable, the date a director joined the board of Kraton Performance Polymers refers to the date he joined Polymer Holdings, LLC, which converted into Kraton Performance Polymers in connection with our initial public offering.

Also included below following each biography is a brief discussion of the specific experience, qualifications, attributes or skills that led our Corporate Governance and Nominating Committee to conclude that the applicable director should serve on our board at this time. In addition to those criteria discussed below, each of our nominees and directors meets the requirements of applicable law and NYSE listing standards, is judged by the committee as a person of the highest character and integrity, and serves our goal of having a well-rounded board, including our consideration of principles of diversity. For a further discussion of the guidelines and qualifications our Corporate Governance and Nominating Committee considers, please see *Director Nominations*, below.

Nominees for Election as Class I Directors: Term Expiring 2013

Dan F. Smith. Mr. Smith was named a director and Chairman of Kraton Polymers LLC on February 4, 2008 and as a director of Kraton Performance Polymers on September 29, 2009. He began his career with ARCO (Atlantic Richfield Company) in 1968 as an engineer. He was elected President of Lyondell Chemical Company in August 1994, Chief Executive Officer in December 1996, and Chairman of the Board of Directors in May 2007. Mr. Smith retired in December 2007 as Chairman, President and Chief Executive Officer of Lyondell Chemical Company following the acquisition of Lyondell by Basell. Mr. Smith also served as Chief Executive Officer of Equistar Chemicals, LP from December 1997 through December 2007 and as Chief Executive Officer of Millennium Chemicals Inc. from November 2004 until December 2007. Equistar and Millennium are wholly-owned subsidiaries of Lyondell. Mr. Smith is a director of Cooper Industries, Inc. and is a director of the general partner of Valerus Compression Services, L.P. He also serves as a member of the College of Engineering Advisory Council at Lamar University and as a member of the Board of Trustees of the Lamar University Foundation. Mr. Smith is a graduate of Lamar University with a B.S. degree in Chemical Engineering.

Our Corporate Governance and Nominating Committee has considered the following in evaluating whether Mr. Smith should serve on our board at this time: Mr. Smith has a long and distinguished career in the chemical industry and is widely recognized as an expert in the field. He has extensive executive experience at the highest levels, including several years of experience as the Chief Executive Officer of a major chemical company. Mr. Smith has international business experience, together with chemical engineering expertise that is of value to the board.

Barry J. Goldstein. Mr. Goldstein was named a director of the Kraton Polymers LLC on May 1, 2008 and as a director of Kraton Performance Polymers on September 29, 2009. Mr. Goldstein retired as Executive Vice President and Chief Financial Officer of Office Depot, Inc. in October 2000, which he first joined as Chief Financial Officer in May 1987. Mr. Goldstein was previously with Grant Thornton from 1969 through May 1987, where he was named a Partner in 1976. Mr. Goldstein is a director of Interline Brands, Inc., Noble Environmental Power, LLC and Generac Holdings, Inc. During the past five years, Mr. Goldstein served on the boards of directors of PQ Corp. and Brand Energy & Infrastructure Services, Inc. He received a B.S. degree in Economics from the Wharton School at the University of Pennsylvania.

Our Corporate Governance and Nominating Committee has considered the following in evaluating whether Mr. Goldstein should serve on our board at this time: Mr. Goldstein has public company financial reporting experience at the highest levels, having served as the Chief Financial Officer for Office Depot for over a decade,

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having been a partner in a major public accounting firm, and having served on numerous corporate audit committees. Mr. Goldstein also has strong corporate finance experience, demonstrated business leadership experience, and board experience in early stage public companies.

Michael G. MacDougall. Mr. MacDougall was named a director Kraton Polymers LLC and Kraton Performance Polymers on December 23, 2003. Mr. MacDougall is a partner of TPG Capital. Prior to joining TPG Capital in 2002, Mr. MacDougall was a vice president in the Principal Investment Area of the Merchant Banking Division of Goldman, Sachs & Co., where he focused on private equity and mezzanine investments. He is a director of Graphic Packaging Holding Company and Energy Future Holdings Corp. (formally TXU Corp.) and a director of the general partner of Valerus Compression Services, L.P. He also serves as the Chairman of the Board of The Opportunity Network and is a member of the board of directors of the Dwight School Foundation and Iselsboro Affordable Property. Mr. MacDougall is a graduate of The University of Texas at Austin and received his M.B.A. with distinction from Harvard Business School.

Our Corporate Governance and Nominating Committee has considered the following in evaluating whether Mr. MacDougall should serve on our board at this time: Mr. MacDougall has strong skills and experience in corporate finance, having over a decade of experience in investment banking and private equity finance. He has board experience in early stage public companies and significant board experience managing private companies. Mr. MacDougall also has a longstanding tenure on our board, which provides a breadth of experience with our company that is beneficial to the board as a whole.

Timothy J. Walsh. Mr. Walsh was named a director of Kraton Polymers LLC and Kraton Performance Polymers on December 23, 2003. Mr. Walsh is a Managing Director of CCMP Capital Advisors, LLC, a private equity firm formed in August 2006 by the former buyout/growth equity investment team of J.P. Morgan Partners, LLC, a private equity division of JPMorgan Chase & Co. Prior to his role with CCMP, Mr. Walsh was a partner with J.P. Morgan Partners, LLC. Prior to joining J.P. Morgan Partners, LLC in 1993, he was a vice president of J.P. Morgan Chase & Co. (formerly The Chase Manhattan Corporation). Mr. Walsh is a director of Octagon Credit Investors, LLC, Metokote Corporation and Generac Holdings, Inc. During the past five years, Mr. Walsh served on the boards of directors of Pliant Corp and PQ Corp. Mr. Walsh received his B.S. in Economics from Trinity College, Hartford and his M.B.A. from the University of Chicago.

Our Corporate Governance and Nominating Committee has considered the following in evaluating whether Mr. Walsh should serve on our board at this time: Mr. Walsh has excellent skills and experience in corporate finance, having over two decades of experience in banking, investment banking and private equity finance. He has board experience in early stage public companies and significant board experience managing private companies. Mr. Walsh also has a longstanding tenure on our board, which provides a breadth of experience with our company that is beneficial to the board as a whole.

Incumbent Class II Directors: Term Expiring 2011

Richard C. Brown. Mr. Brown was named a director of Kraton Polymers LLC on May 1, 2008 and as a director of Kraton Performance Polymers on September 29, 2009. Mr. Brown is Chief Executive Officer of Performance Fibers, Inc., a global leader in high-performance industrial fibers and related materials. Prior to joining Performance Fibers, Mr. Brown was a vice president of W.R. Grace & Co. and President of the Grace Performance Chemicals business, which business included Grace Construction Products, Grace Residential Building Products and Darex Packaging Technologies. Previously, he spent 19 years with General Electric Co. in a series of positions with increasing responsibilities, including President of GE Silicones, Core Products Business and President of GE Sealants & Adhesives. Mr. Brown is a director of Ferro Corporation. Mr. Brown has a B.S. degree from Plymouth State University (University of New Hampshire system).

Our Corporate Governance and Nominating Committee has considered the following in evaluating whether Mr. Brown should serve on our board at this time: Mr. Brown has extensive experience in the chemical industry,

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including experience in the specialty chemicals business. He has business leadership experience at the highest levels, currently serving as the CEO of Performance Fibers and having served in senior executive positions with major companies. Mr. Brown also has significant international experience.

Kelvin L. Davis. Mr. Davis was named a director of Kraton Polymers LLC and Kraton Performance Polymers on December 23, 2003. Mr. Davis is a senior partner of TPG and Head of the North American Buyouts Group, incorporating investments in all non-technology industry sectors. Prior to joining TPG in 2000, Mr. Davis was President and Chief Operating Officer of Colony Capital, Inc., a private international real estate-related investment firm in Los Angeles. Prior to the formation of Colony, Mr. Davis was a principal of RMB Realty, Inc., the real estate investment vehicle of Robert M. Bass. Prior to his affiliation with RMB Realty, Inc., he worked at Goldman, Sachs & Co. in New York City and with Trammell Crow Company in Dallas and Los Angeles. Mr. Davis earned a B.A. degree in Economics from Stanford University and an M.B.A. from Harvard University, where he was a Baker Scholar, a John L. Loeb Fellow and a Wolfe Award recipient. Mr. Davis is a director of Metro-Goldwyn-Mayer, Inc., Harrah's Entertainment, Inc., Univision Communications, Inc. and Corus Construction Ventures, LLC. During the past five years, Mr. Davis served on the board of directors of Aleris International, Inc. He is also a director of Los Angeles Team Mentoring, Inc., a charitable mentoring organization, a director of the Los Angeles Philharmonic Association, and is on the Board of Overseers and Art Collectors Council of The Huntington Library, Art Collections and Botanical Gardens.

Our Corporate Governance and Nominating Committee has considered the following in evaluating whether Mr. Davis should serve on our board at this time: Mr. Davis has significant skill and experience in corporate finance, having over a decade of experience in investment banking and private equity finance. He has considerable breadth of experience in public and private company management. Mr. Davis also has executive leadership experience, having served as President and COO of Colony Capital. In addition, he brings unique experience to our board in the area of real estate. Mr. Davis also has a longstanding tenure on our board, which provides a breadth of experience with our company that is beneficial to the board as a whole.

Kevin G. O'Brien. Mr. O'Brien was named a director of Kraton Polymers LLC on January 31, 2008 and as a director of Kraton Performance Polymers on September 29, 2009. Mr. O'Brien is a managing director of CCMP Capital Advisors, LLC, a private equity firm formed in August 2006 by the former buyout/growth equity investment team of J.P. Morgan Partners, LLC, a private equity division of JPMorgan Chase & Co. Prior to his role with CCMP, Mr. O'Brien was a partner with J.P. Morgan Partners, LLC. Prior to joining JPMP in 2000, Mr. O'Brien worked in the High Yield Capital Markets and High Yield Corporate Finance Groups at Chase Securities and Chemical Securities. Previously, he was a member of the Leveraged Finance Group at Bankers Trust and prior to that, Mr. O'Brien was a Commissioned Officer in the U.S. Navy. Mr. O'Brien is a director of CareMore Medical Enterprises, FSC Acquisition, LLC (Hanley Wood, LLC), LHP Hospital Group, Inc. and National Surgical Care, Inc. During the past five years, Mr. O'Brien served on the boards of directors of LPA Holding Corp. and Pinnacle Foods Group, Inc. Mr. O'Brien holds a B.A. in Economics and English from the University of Notre Dame and an M.B.A. from the Wharton School of the University of Pennsylvania.

Our Corporate Governance and Nominating Committee has considered the following in evaluating whether Mr. O'Brien should serve on our board at this time: Mr. O'Brien has significant skill and experience in corporate finance, having over a decade of experience in investment banking and private equity finance. Mr. O'Brien has financial reporting experience and is financially literate. He has significant board experience with private companies. Mr. O'Brien's demonstrated leadership ability from his military service is a benefit to our board.

Nathan H. Wright. Mr. Wright was named a director of Kraton Polymers LLC and as a director of Kraton Performance Polymers on July 26, 2005. Mr. Wright has been a partner of TPG's Operations Group for ten years, during which time he has supported transformation efforts within TPG portfolio companies. Prior to joining TPG, Mr. Wright spent six years as a consultant with Bain & Company in the firm's Dallas, Texas, Sydney, Australia, and Johannesburg, South Africa, offices. He received his M.B.A. from the Tuck School at Dartmouth College.

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Prior to earning his M.B.A., Mr. Wright worked in the information systems consulting and outsourcing industry for four years and founded an Atlanta-based systems strategy firm. He holds a B.S. degree in Mechanical Engineering from the Rose-Hulman Institute of Technology.

Our Corporate Governance and Nominating Committee has considered the following in evaluating whether Mr. Wright should serve on our board at this time: Mr. Wright's engineering experience and business background in supporting transformational efforts within a broad range of companies and industries provides invaluable insight to our board. Mr. Wright has significant board experience with private companies. Mr. Wright also has a longstanding tenure on our Board, which provides a breadth of experience with our company that is beneficial to the board as a whole.

Incumbent Class III Directors: Term Expiring 2012

Steven J. Demetriou. Mr. Demetriou was named a director of Kraton Polymers LLC and as a director of Kraton Performance Polymers on December 1, 2004. Mr. Demetriou is currently the Chairman and Chief Executive Officer of Aleris International, Inc. Previously, Mr. Demetriou was appointed President and Chief Executive Officer of Commonwealth Industries, Inc. (a predecessor by merger to Aleris) in June 2004, after serving as a member of that company's board of directors since 2002. Before joining Commonwealth in 2004, Mr. Demetriou was President and Chief Executive Officer of privately held Noveon, Inc. Prior to that, from 1999 to 2001, he was Executive Vice President of IMC Global Inc. From 1997 to 1999, Mr. Demetriou held various leadership positions with Cytec Industries Inc. From 1981 to 1997, he served in management positions with ExxonMobil Corporation. Mr. Demetriou is a director of Foster Wheeler and OM Group, Inc. He has a B.S. degree in Chemical Engineering from Tufts University.

Our Corporate Governance and Nominating Committee has considered the following in evaluating whether Mr. Demetriou should serve on our board at this time: Mr. Demetriou has business leadership experience at the highest levels, is currently serving as the CEO of Aleris International, and has prior CEO experience. He has extensive experience in the specialty chemicals industry, together with significant board experience within public companies. Mr. Demetriou also has a longstanding tenure on our Board, which provides a breadth of experience with our company that is beneficial to the board as a whole. Mr. Demetriou has chemical engineering expertise that is also of benefit to our board.

Kevin M. Fogarty. Mr. Fogarty was named a director of Kraton Polymers LLC effective as of January 31, 2008 and as a director of Kraton Performance Polymers on September 29, 2009. Mr. Fogarty was appointed our President and Chief Executive Officer on January 14, 2008. Prior to being appointed President and Chief Executive Officer, Mr. Fogarty served as our Executive Vice President of Global Sales and Marketing from June 15, 2005. Mr. Fogarty joined us from Invista, where he had served as President for Polymer and Resins since May 2004. For the 13 years prior to his most recent position with Invista, Mr. Fogarty held a variety of roles within the Koch Industries, Inc. family of companies, including KoSa. Mr. Fogarty earned a B.S. degree in Engineering from the Technical University of Nova Scotia.

Our Corporate Governance and Nominating Committee has considered the following in evaluating whether Mr. Fogarty should serve on our board at this time: The Corporate Governance and Nominating Committee believes the Chief Executive Officer should serve on our board. As the Chief Executive Officer of our company and the only management representative on the board, Mr. Fogarty provides valuable insight to the board into the day to day business issues facing our company. Mr. Fogarty has extensive sales, marketing and leadership experience in the chemical industry, including experience in the specialty chemicals business, and has broad international business experience. His strong chemical company expertise in marketing is of particular value to our board. In addition, Mr. Fogarty has high-level leadership experience in several prior positions.

Karen A. Twitchell. Ms. Twitchell was named as a director of Kraton Polymers LLC and Kraton Performance Polymers effective as of December 3, 2009. From 2001 to 2009, Ms. Twitchell was a Vice

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President and Treasurer of LyondellBasell Industries and Lyondell Chemical Company (a predecessor by merger to LyondellBasell). She previously served as a Vice President of Kaiser Aluminum Corporation from 1998 to 2000 and, additionally, as Treasurer from 1996 to 2000. Prior to that, she served as a Vice President of Southdown, Inc. from 1994 to 1996 and, additionally, as Treasurer from 1989 to 1996. Before joining Southdown, Ms. Twitchell was an investment banker with Credit Suisse First Boston in its corporate finance department from 1978 to 1980 and from 1982 to 1988. Ms. Twitchell is a director of KMG Chemicals, Inc. Ms. Twitchell holds a B.A. in Economics from Wellesley College and an M.B.A. from Harvard University.

Our Corporate Governance and Nominating Committee has considered the following in evaluating whether Ms. Twitchell should serve on our board at this time: Ms. Twitchell has broad experience in financial management and corporate finance, including investment banking and the treasury function. She is financially literate and eligible to serve on our Audit Committee. Ms. Twitchell also has chemical industry experience and approximately 30 years' experience in senior corporate positions.

Information Regarding Executive Officers Who Are Not Directors

Name	Age	Position
David A. Bradley	39	Chief Operating Officer
Stephen E. Tremblay	51	Vice President and Chief Financial Officer
Larry R. Frazier	64	Chief Information Officer
Lothar Freund	50	Vice President, Technology
Richard A. Ott	56	Vice President, Human Resources and Corporate Communications
Stephen W. Duffy	56	Vice President, General Counsel and Secretary

Biographical Information

Set forth below is a brief biography of each of our executive officers who is not a director.

David A. Bradley. Mr. Bradley was appointed Chief Operating Officer on January 14, 2008 and was previously our Vice President of Global Operations since December 2, 2004. On April 1, 2004, we hired Mr. Bradley as Vice President of Business Transformation. Prior to joining us, he served as the Lexan Manufacturing Manager at GE Plastics - Mount Vernon, Indiana, site. From 1994 to 2004, Mr. Bradley served in a variety of leadership positions for GE Plastics, which included roles in business process development and Six Sigma. He holds a B.S. degree in Chemical Engineering from the University of Louisville.

Stephen E. Tremblay. Mr. Tremblay was appointed Vice President and Chief Financial Officer on January 21, 2008. From 1997 to 2007, Mr. Tremblay held various financial positions, including Chief Financial Officer at Vertis, Inc., a provider of print advertising and media technology. From 1990 to 1997, Mr. Tremblay held senior finance positions at Wellman, Inc., a provider of polyester fiber and resins, and from 1983 to 1990 was a member of the accounting and auditing practice at Ernst & Young. Mr. Tremblay earned a B.S. degree in Business Administration from Bryant University and is a Certified Public Accountant.

Larry R. Frazier. Mr. Frazier joined Kraton Performance Polymers as Chief Information Officer on November 10, 2008. Prior to joining us, Mr. Frazier was Chief Information Officer for Chevron Phillips Chemical Company, a position he had held since July 2000. Previous to this, Mr. Frazier was employed in various management positions with Phillips Petroleum Company (now ConocoPhillips). Earlier in his career, he worked for the U.S. federal government as a Statistician/Mathematician. Mr. Frazier earned a B.S. degree in Mathematics from Northeastern Oklahoma State University, a Masters Degree in Electrical Engineering from University of New Mexico and a Masters in Public Administration from Harvard University.

Lothar Freund. Mr. Freund has served as our Vice President of Technology since 2005. He is responsible for Kraton Performance Polymers global R&D programs and technical service as well as the implementation of

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the company-wide innovation process. Dr. Freund joined us from Koch Industries, where he served from 1989 in a variety of operating and technical positions in the polyester businesses acquired from Hoechst in 1998, most recently as the manufacturing and technology director of the PET & Nylon Polymer business of Invista, a Koch subsidiary. Dr. Freund holds a Masters Degree and a Ph.D. in Polymer Chemistry from the University of Marburg in Germany.

Richard A. Ott. Mr. Ott has been our Vice President of Human Resources and Corporate Communications since December 2, 2004. Mr. Ott was the Vice President of Operations and Human Resources from June 2000 to December 2004. From 1998 to 2002, he also served as the Site Manager for the Belpre plant. Mr. Ott started with Shell Chemicals in 1976, where he held various positions in operations and business strategy. He holds a B.S. degree in Industrial Engineering from West Virginia University.

Stephen W. Duffy. Mr. Duffy was appointed Vice President, General Counsel and Secretary on February 4, 2008. Prior to his appointment, Mr. Duffy served as Counsel to Curtis, Mallet-Prevost, Colt & Mosle, LLP where he was responsible for domestic and international energy sector transactions. Mr. Duffy previously served as Senior Vice President, Legal and Government Affairs for Paramount Petroleum Corporation from July 2004 to July 2005, and as Vice President, Global General Counsel and Secretary for KoSa B.V. from December 2000 to April 2004. Mr. Duffy earned an A.B. degree from Duke University and his J.D. degree from Southern Methodist University.

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CORPORATE GOVERNANCE

Our Board of Directors

Controlled Company

Our Board has determined in its business judgment that we are a controlled company as defined under the corporate governance rules of the New York Stock Exchange. We are, therefore, entitled to avail ourselves of the controlled company exemption under the rules of the NYSE. A company that qualifies as a controlled company does not have to comply with the NYSE requirements that the company have a majority of independent directors on its board or have a compensation committee and a nominating and corporate governance committee composed entirely of independent directors. We are not relying on the controlled company exemption at this time in that our board is composed of a majority of independent directors and our compensation and nominating and corporate governance committees are comprised entirely of independent directors.

Board Composition

Our Board of Directors is currently comprised of eleven members. The exact number of members of our Board of Directors will be determined from time to time by resolution of a majority of our full Board of Directors.

Our Board of Directors is divided into three classes, with each director serving a three-year term and one class being elected at each year's annual meeting of stockholders.

Messrs. Goldstein, MacDougall, Smith and Walsh serve as Class I directors (with a term expiring in 2010). Messrs. Brown, Davis, O'Brien and Wright serve as Class II directors (with a term expiring in 2011). Messrs. Demetriou and Fogarty and Ms. Twitchell serve as Class III directors (with a term expiring in 2012).

Board Structure and Operation Prior to our Initial Public Offering

Prior to our initial public offering, Kraton Polymers LLC was the operating entity that conducted our daily business. Polymer Holdings, LLC (which converted into Kraton Performance Polymers in connection with our initial public offering) was the sole member of Kraton Polymers LLC. The Board of Polymer Holdings, LLC did not meet on a regular basis in 2009. Relevant corporate governance at the board level was undertaken at the operating company level at Kraton Polymers LLC. Consequently, the following disclosure will demonstrate limited activity at the Kraton Performance Polymers board level. However, because Kraton Performance Polymers is now a publicly-traded company subject to the NYSE listing standards, corporate governance activities will be undertaken by Kraton Performance Polymers, which intends to meet all applicable governance standards and requirements at all applicable times.

Meetings and Attendance

Our Board of Directors met two times during 2009, including meetings prior to our initial public offering, and acted numerous times by written consent. Each of Messrs. Brown and Davis attended fewer than 75 percent of the total number of meetings of the board held during the period for which he was a director.

Board Leadership Structure and Role in Risk Oversight

Our board believes it is preferable at this time for one of our independent Directors to serve as Chairman of the Board; therefore, we separate the roles of Chairman of the Board and Chief Executive Officer. Our Chairman of the Board presides at meetings of the Board of Directors and the Stockholders. He leads the board's oversight of the management of our company. Our Chief Executive Officer is responsible for implementing the policies adopted by the board and exercising general superintendence over all the business and affairs of the company. We believe our leadership structure is appropriate for our company because our independent Chairman, Dan F.

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Smith, can bring his extensive experience in the petrochemical industry, and in executive management generally, to bear on matters relating to our board's oversight of our execution of our strategy, while Mr. Fogarty is able to use his extensive experience in the chemical industry and knowledge of the day to day operations of our business to focus his abilities on executing that strategy.

Our management continually monitors the material risks facing our company, including financial risk, strategic risk, operational risk, and legal and compliance risk. Management regularly reports to the board on its activities in monitoring and mitigating such risks. Overall responsibility for risk oversight rests with our Board of Directors. In addition, the board may delegate risk oversight responsibility to a particular committee in situations in which the risk falls within the committee's area of focus or expertise. Our board believes that for certain areas of risk, our company is better served by having the initial risk evaluation and risk monitoring undertaken by a subset of the entire board that is more focused on the issues pertaining to the particular risk. For instance, our Compensation Committee assists the board in evaluating risks relating to our compensation policies and procedures. Also, our Audit Committee assists the board in fulfilling the board's oversight responsibility relating to the evaluation of financial and enterprise risks. As it deems necessary, the respective committee to which oversight and monitoring of a particular risk has been assigned reports on risk exposures and mitigation strategies with respect to such risk to the entire board.

Executive Sessions of the Board of Directors

Our independent directors (as determined under the NYSE rules and applicable law) will meet regularly in executive session. Dan F. Smith, as the independent Chairman of the Board, serves as the presiding director at each executive session. Our independent directors did not meet in executive session in 2009 due to the late date of our initial public offering.

Communications with Directors

Our Board of Directors has established procedures whereby our stockholders and other interested parties may communicate with one or more of our directors by mail in care of: The Secretary of the Company, Kraton Performance Polymers, Inc., 15710 John F. Kennedy Boulevard, Suite 300, Houston, Texas 77032. Such communications should specify the intended recipient or recipients. All such communications, other than unsolicited commercial solicitations, will be forwarded to the appropriate director, or directors, for review.

Board Attendance at the Annual Meeting

Our policy is to encourage our directors to attend our annual meeting; however, such attendance is not required at this time. Last year, we were not a public company and did not hold an annual meeting of stockholders.

Corporate Governance Guidelines

We are committed to having sound corporate governance practices that maximize stockholder value in a manner consistent with legal requirements and the highest standard of integrity. In that regard, our board has adopted guidelines that provide a framework for the governance of Kraton Performance Polymers. In addition, we frequently review these guidelines and regularly monitor developments in the area of corporate governance. Our Corporate Governance Guidelines are posted under the Corporate Governance portion of the Investor Relations section on our website at www.kraton.com and is available to any stockholder upon request.

Independence

Our board has determined that each of Ms. Twitchell and Messrs. Brown, Davis, Demetriou, Goldstein, MacDougall, O'Brien, Smith, Walsh and Wright is independent under the NYSE listed company rules and applicable law. Such directors are collectively referenced in this proxy statement as the Independent Directors.

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In making its independence determinations, the board considers and broadly evaluates all information provided by each director in response to detailed questionnaires concerning his or her independence and any direct or indirect business, family, employment, transaction, or other relationship or affiliation of such director with our company.

As part of its analysis to determine director independence, the board reviewed the affiliations of Messrs. Davis, MacDougall and Wright with TPG Capital, which is affiliated with TPG Advisors III, Inc. and TPG Advisors IV, Inc., two of our stockholders. In addition, the board reviewed the affiliations of Messrs. O'Brien and Walsh with JP Morgan Partners, which is affiliated with JPMP Capital Corp, one of our stockholders.

Committees of the Board of Directors

We currently have four standing committees: the Audit Committee, the Corporate Governance and Nominating Committee, the Compensation Committee and the Executive Committee. The charters for each of these committees can be found in the Investor Relations section of our website located at www.kraton.com.

Director	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee	Executive Committee
Richard C. Brown		X		
Kelvin L. Davis				
Steven J. Demetriou			X	
Kevin M Fogarty				X
Barry J. Goldstein	X			
Michael G. MacDougall			X	X
Kevin G. O'Brien	X		X	
Dan F. Smith		X		X
Karen A. Twitchell	X			
Timothy J. Walsh		X		X
Nathan H. Wright		X		

Committee Chair

Audit Committee

Our Audit Committee consists of Messrs. Goldstein (Chair) and O'Brien and Ms. Twitchell. The Audit Committee had one meeting during 2009 because, in general, prior to our initial public offering, all Audit Committee activity occurred at the Kraton Polymers LLC board. No incumbent director failed to attend at least 75 percent of the total number of meetings held by the Audit Committee (during the periods that he or she served).

The Audit Committee will be responsible for, among other things:

selecting and hiring our independent registered public accounting firm, and pre-approving the audit and non-audit services to be performed by our independent registered public accounting firm;

reviewing the performance of the internal audit services function;

discussing the scope and results of the audit with the independent registered public accounting firm and reviewing with management and the independent registered public accounting firm our interim and year-end operating results;

reviewing the adequacy and effectiveness of our internal control policies and procedures;

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preparing the Audit Committee report required by the SEC to be included in our annual proxy statement;

monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;

setting policies regarding the hiring of current and former employees of the independent registered public accounting firm;

discussing types of information to be disclosed in earnings press releases and provided to analysts and rating agencies;

establishing procedures for receipt, retention and treatment of complaints received by the company regarding accounting or internal controls and the submission of anonymous employee concerns regarding accounting;

discussing with our general counsel legal matters having an impact on financial statements;

reviewing the policy with respect to related party transactions and approving or rejecting proposed related party transactions; and

undertaking such other tasks delegated to the committee by the Board of Directors, including matters relating to risk oversight.

Our Board of Directors has affirmatively determined that Mr. Goldstein and Ms. Twitchell meet the definition of independent director for purposes of serving on an audit committee under applicable SEC and New York Stock Exchange rules. In addition, our Board of Directors has determined that Mr. Goldstein qualifies as our audit committee financial expert. We have determined that Mr. O'Brien does not meet the criteria for independence set forth in Rule 10A-3 of the Exchange Act because he is deemed an affiliated person of the company based upon his association with J.P. Morgan Partners. However, Mr. O'Brien is deemed to be independent under the general corporate governance rules of the NYSE.

The controlled company exemption does not modify the independence requirements for the audit committee, and we intend to comply with the requirements of the Sarbanes-Oxley Act of 2002 and the NYSE, which require that our audit committee be composed of at least three members, all of whom must be independent by December 16, 2010 (one year following the effective date of our initial public offering). We do not believe that our reliance on the exemption that allows our audit committee to consist of only a majority of independent directors until December 16, 2010 materially adversely affects the ability of the audit committee to act independently and to satisfy the other requirements of the SEC and NYSE rules with respect to audit committees of public companies.

Compensation Committee

Our Compensation Committee consists of Messrs. Brown, Smith, Walsh (Chair) and Wright. We have determined that all the committee members are independent for purposes of the New York Stock Exchange and meet the definition of outside director for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. We have determined that Mr. Brown meets the definition of non-employee director for purposes of Section 16 of the Exchange Act. The Compensation Committee did not meet in 2009 because all Compensation Committee activity occurred at the Kraton Polymers LLC board. Therefore, no incumbent director failed to attend at least 75 percent of the total number of meetings held by the Compensation Committee (during the periods that he or she served).

The Compensation Committee will be responsible for, among other things:

reviewing and approving corporate goals and objectives relevant to compensation of our executive officers and other members of management;

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determining the compensation of our officers and directors;

recommending, when appropriate, changes to our compensation philosophy and principles;

evaluation of overall compensation and benefits programs;

recommending to our board any changes in our incentive compensation and equity-based plans that are subject to board approval;

reviewing and discussing with management, prior to the filing of the proxy statement, the disclosure prepared regarding executive compensation, including the Compensation Discussion and Analysis and the compensation tables (in addition to preparing a report on executive compensation for the proxy statement); and

undertaking such other tasks delegated to the committee by the Board of Directors, including matters relating to risk oversight.

Under its charter, our Compensation Committee may delegate any of its responsibilities to one or more subcommittees comprised of one or more members of the Compensation Committee. Without limiting the foregoing, the Compensation Committee may establish a committee comprised of our officers, directors or employees to administer defined benefit and other pension plans as may be provided in plan documentation or otherwise.

See the *Compensation Discussion and Analysis* below for information on our process and procedures for determining 2009 executive officer compensation.

Corporate Governance and Nominating Committee

Our Corporate Governance and Nominating Committee consists of Messrs. Demetriou, MacDougall (Chair) and O'Brien. The Corporate Governance and Nominating Committee did not meet in 2009 as it was formed in connection with our initial public offering in December 2009. Therefore, no incumbent director failed to attend at least 75 percent of the total number of meetings held by the Corporate Governance and Nominating Committee (during the periods that he or she served).