KAPSTONE PAPER & PACKAGING CORP
Form 10-Q
April 26, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2017

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: 001-33494

KapStone Paper and Packaging Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-2699372**

(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

KapStone Paper and Packaging Corporation

1101 Skokie Blvd., Suite 300

Northbrook, IL 60062

(Address of Principal Executive Offices including zip code)

Registrant s Telephone Number, including area code **(847) 239-8800**

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No o

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

There were 96,792,424 shares of the Registrant s Common Stock, $0.0001 par value, outstanding at April 19, 2017.

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PART 1. FINANCIAL INFORMATION

ITEM 1. - FINANCIAL STATEMENTS

KAPSTONE PAPER AND PACKAGING CORPORATION

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	March 31, 2017 (unaudited)		December 31, 2016	
Assets				
Current assets:				
Cash and cash equivalents	$	7,915	$	29,385
Trade accounts receivable (Includes $383,209 at March 31, 2017, and $368,922 at December 31, 2016, associated with the receivables credit facility)		416,591		392,962
Other receivables		14,177		13,562
Inventories		341,403		322,664
Prepaid expenses and other current assets		22,824		10,247
Total current assets		802,910		768,820
Plant, property and equipment, net		1,452,636		1,441,557
Other assets		25,887		25,468
Intangible assets, net		320,913		314,413
Goodwill		720,473		705,617
Total assets	$	3,322,819	$	3,255,875
Liabilities and Stockholders Equity				
Current liabilities:				
Short-term borrowings	$	25,988	$	
Other current borrowings		6,214		
Dividend payable		10,043		10,052
Accounts payable		232,429		189,350
Accrued expenses		94,023		76,480
Accrued compensation costs		45,797		48,840
Accrued income taxes		225		15,971
Total current liabilities		414,719		340,693
Other liabilities:				
Long-term debt (Includes $264,683 at March 31, 2017, and $269,273 at December 31, 2016, associated with the receivables credit facility)		1,481,912		1,485,323
Pension and postretirement benefits		32,805		34,207
Deferred income taxes		407,393		405,561
Other liabilities		79,212		85,761
Total other liabilities		2,001,322		2,010,852
Stockholders equity:				
Preferred stock $0.0001 par value; 1,000,000 shares authorized; no shares issued and outstanding				
Common stock $0.0001 par value; 175,000,000 shares authorized; 96,787,331 shares issued and outstanding (excluding 40,000 treasury shares) at March 31, 2017 and 96,639,920 shares issued and outstanding (excluding 40,000 treasury shares) at December 31, 2016		10		10
Additional paid-in-capital		281,317		275,970
Retained earnings		685,891		689,668
Accumulated other comprehensive loss		(60,440)		(61,318)

Total stockholders equity		906,778		904,330
Total liabilities and stockholders equity	$	3,322,819	$	3,255,875

See notes to consolidated financial statements.

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KAPSTONE PAPER AND PACKAGING CORPORATION

Consolidated Statements of Comprehensive Income

(In thousands, except share and per share amounts)

(unaudited)

	Three Months Ended March 31, 2017	2016
Net sales	$ 765,843	$ 738,215
Cost of sales, excluding depreciation and amortization	560,898	533,277
Depreciation and amortization	45,348	44,539
Freight and distribution expenses	72,988	65,059
Selling, general, and administrative expenses	66,485	60,740
Operating income	20,124	34,600
Foreign exchange (gain) / loss	(82)	103
Equity method investments income	(677)	
Interest expense, net	10,730	9,811
Income before provision for income taxes	10,153	24,686
Provision for income taxes	4,161	8,512
Net income	$ 5,992	$ 16,174
Other comprehensive income		
Foreign currency translation adjustment	359	
Pension and postretirement plan reclassification adjustments, net of tax:		
Accretion of prior service costs	(117)	(104)
Amortization of net loss	636	621
Other comprehensive income, net of tax	878	517
Total comprehensive income	$ 6,870	$ 16,691
Weighted average number of shares outstanding:		
Basic	96,698,637	96,399,351
Diluted	98,463,667	97,509,528
Net income per share:		
Basic	$ 0.06	$ 0.17
Diluted	$ 0.06	$ 0.17
Dividends declared per common share	$ 0.10	$ 0.10

See notes to consolidated financial statements.

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KAPSTONE PAPER AND PACKAGING CORPORATION

Consolidated Statements of Cash Flows

(In thousands)

(unaudited)

	Three Months Ended March 31, 2017	2016
Operating activities		
Net income	$ 5,992	$ 16,174
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of plant and equipment	37,758	35,603
Amortization of intangible assets	7,590	8,936
Stock-based compensation expense	5,265	3,421
Pension and postretirement	(572)	(448)
Excess tax benefit from stock-based compensation		140
Amortization of debt issuance costs	1,179	1,124
Loss (gain) on disposal of fixed assets	526	(62)
Deferred income taxes	1,521	1,064
Change in fair value of contingent consideration liability	2,516	1,526
Equity method investments income	(167)	
Changes in assets and liabilities:		
Trade accounts receivable, net	(21,145)	(8,169)
Other receivables	(659)	1,789
Inventories	(17,870)	847
Prepaid expenses and other current assets	(12,549)	8,007
Other assets	(208)	
Accounts payable	41,413	7,936
Accrued expenses and other liabilities	964	(6,303)
Accrued compensation costs	(3,139)	(15,320)
Accrued income taxes	(15,746)	2,340
Net cash provided by operating activities	32,669	58,605
Investing activities		
Capital expenditures	(38,669)	(36,163)
Purchase of intangible assets		(500)
Acquisitions, net of cash acquired	(33,500)	
Proceeds from the sale of assets		4,856
Net cash used in investing activities	(72,169)	(31,807)
Financing activities		
Proceeds from revolving credit facility	122,988	134,600
Repayments on revolving credit facility	(97,000)	(131,000)
Proceeds from receivables credit facility	17,031	6,670
Repayments on receivables credit facility	(21,621)	(24,700)
Payment of loan amendment fees		(2,250)
Proceeds from other current borrowings	6,214	
Cash dividends paid	(9,664)	(9,696)
Payment of withholding taxes on vested stock awards	(856)	(692)
Proceeds from exercises of stock options	451	209
Proceeds from shares issued to ESPP	487	464

Excess tax (deficiency) from stock-based compensation		(140)
Net cash (used in) provided by financing activities	18,030	(26,535)
Net increase (decrease) in cash and cash equivalents	(21,470)	263
Cash and cash equivalents-beginning of period	29,385	6,821
Cash and cash equivalents-end of period	$ 7,915	$ 7,084

See notes to consolidated financial statements.

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KAPSTONE PAPER AND PACKAGING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(unaudited)

1. Financial Statements

The accompanying unaudited consolidated financial statements of KapStone Paper and Packaging Corporation (the Company, we, us, our or KapStone) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of a normal recurring nature) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. For further information, refer to the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2016.

We report our operating results in two reportable segments: Paper and Packaging and Distribution. Our Paper and Packaging segment manufactures and sells a wide variety of containerboard, corrugated products and specialty paper for industrial and consumer markets. The Distribution segment, through Victory, a North American distributor of packaging materials, with more than 60 distribution centers located in the United States, Mexico and Canada, provides packaging materials and related products to a wide variety of customers. For more information about our segments, see Note 12, Segment Information.

2. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standard s Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers . The guidance in this update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). The guidance in this update supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) Topic 605, Revenue Recognition , and most industry-specific guidance throughout the Industry Topics of the Codification. Additionally, this update supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition Construction-Type and Production-Type Contracts . The standard will be effective for public entities for annual reporting periods beginning after December 15, 2017 and interim periods therein. Additionally the FASB approved the option to early adopt up to the original effective date (fiscal years beginning after December 15, 2016). We are in the diagnostic phase of evaluating the overall impact of ASU 2014-09. The Company has determined that it will adopt this standard utilizing the modified retrospective method, which will result in the recognition of the cumulative effect of initially applying the standard (if any) as an adjustment to opening retained earnings for the fiscal year beginning January 1, 2018. During 2016, the Company reported its progress to management and the Audit Committee on a periodic basis. The Company will provide additional disclosure as the implementation plan progresses during 2017.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory , which is intended to simplify the subsequent measurement of inventories by replacing the current lower of cost or market test with a lower of cost and net realizable value test. The guidance applies only to inventories for which cost is determined by methods other than last-in first-out and the retail inventory method. Application of the standard, which should be applied prospectively, is required for the annual and interim periods beginning after December 15, 2016. ASU 2015-11 was adopted during the interim period ended March 31, 2017, and it had no material impact on the Company s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases . This guidance revises existing practice related to accounting for leases under Accounting Standards Codification Topic 840 Leases (ASC 840) for both lessees and lessors. The new guidance in ASU 2016-02 requires lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The lease liability will be equal to the present value of lease payments and the right-of-use asset will be based on the lease liability, subject to adjustment such as for initial direct costs. For income statement purposes, the new standard retains a dual model similar to ASC 840, requiring leases to be classified as either operating or

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finance. For lessees, operating leases will result in straight-line expense (similar to current accounting by lessees for operating leases under ASC 840), while finance leases will result in a front-loaded expense pattern (similar to current accounting by lessees for capital leases under ASC 840). While the new standard maintains similar accounting for lessors as under ASC 840, the new standard reflects updates to, among other things, align with certain changes to the lessee model. The guidance is effective for public entities for fiscal years beginning after December 15, 2018, including interim periods within those years. Early adoption is permitted for all entities. The Company does have a significant number of leases for both property and equipment. As such, the Company expects that there will be a material impact on our financial position, results of operations and disclosures upon the adoption of ASU 2016-02. The Company will provide additional disclosure as the implementation plan progresses.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting , which requires all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also allows an employer to repurchase more of an employee s shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. The guidance was effective for public business entities for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. ASU 2016-09 was adopted prospectively during the interim period ended March 31, 2017, and it increased the Company s provision for incomes taxes by $0.5 million. The Company elected to continue to recognize estimated forfeitures over the term of the awards.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments , which clarifies the treatment of several cash flow categories. In addition, ASU 2016-15 clarifies that when cash receipts and cash payments have aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use. This update is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted, including adoption in an interim period. We are currently evaluating the impact that the adoption of ASU 2016-15 will have on our cash flows and related disclosures.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment , which amends the guidance in ASC 350, Intangibles-Goodwill and Other . The ASU eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit s carrying amount over its fair value. The ASU is effective for annual and interim impairment tests performed in periods beginning after December 15, 2019. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The ASU will be applied prospectively. We currently do not expect that the adoption of these provisions will have a material effect on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-01, Clarifying the Definition of a Business , which amends the guidance in ASC 805, Business Combinations . The ASU changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. Under the new guidance, an entity first determines whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set is not a business. If it is not met, the entity then evaluates whether the set meets the requirements that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The ASU defines an output as the result of inputs and processes applied to those inputs that provide goods or services to customers, investment income (such as dividends or interest), or other revenues. The ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods, and early adoption is permitted. The ASU will be applied prospectively to any transactions occurring within the period of adoption. We currently do not expect that the adoption of these provisions will have a material effect on our consolidated financial statements.

In March, 2017, the FASB issued ASU No. 2017-07, Compensation Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU applies to all employers that offer to their employees defined benefit pension plans, other postretirement benefit plans, or other types of benefits accounted for under Topic 715, Compensation Retirement Benefits. The ASU requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the

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income statement to present the other components of net benefit cost must be disclosed. The ASU also allows only the service cost component to be eligible for capitalization when applicable (e.g., as a cost of internally manufactured inventory or a self-constructed asset). This ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. The Company is currently evaluating the effect that ASU No. 2017-07 will have on its consolidated financial statements and related disclosures.

3. API Acquisition

On February 1, 2017, the Company acquired the assets of Associated Packaging, Inc. and Fast Pak, LLC (together, API) with operations located in Greer, South Carolina for $33.5 million. The acquisition was funded from borrowings on the Company s $500 million revolving credit facility (Revolver). API provides corrugated packaging and digital production needs serving a diverse customer base, including an emphasis on fulfillment and kitting for the automotive and consumer products industries. Operating results of the acquisition since February 1, 2017 are included in the Company s Paper and Packaging segment. The Company has allocated the purchase price to the assets acquired and liabilities assumed, of which $14.1 million has been allocated to customer relationship intangible assets, $2.8 million to plant, property and equipment, $1.8 million to net working capital and $14.8 million to goodwill (which is deductible for tax purposes). The purchase price allocation is preliminary pending further review by management of the fair value for intangible assets.

Transaction fees and expenses for the API acquisition related to due diligence, advisory and legal services have been expensed as incurred. These expenses were $0.4 million for the three month period ended March 31, 2017, and were recorded as selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income.

This acquisition further strengthens the Company s goal of increasing mill integration.

In conjunction with the API acquisition, the Company signed a 25-year lease agreement with a total commitment of approximately $14.7 million.

4. Planned Maintenance Outages

Planned maintenance outage costs for the three months ended March 31, 2017 and 2016 totaled $6.2 million and $6.6 million, respectively, and are included in cost of sales.

5. Inventories

Inventories consist of the following at March 31, 2017 and December 31, 2016, respectively:

	(unaudited) March 31, 2017	December 31, 2016
Raw materials	$ 93,672	$ 79,377
Work in process	4,557	6,371
Finished goods	156,229	151,497
Replacement parts and supplies	87,383	85,857
Inventory at FIFO costs	341,841	323,102
LIFO inventory reserves	(438)	(438)
Inventories	$ 341,403	$ 322,664

6. Short-term Borrowings and Long-term Debt

KapStone and certain of our subsidiaries are parties to a Second Amended and Restated Credit Agreement dated June 1, 2015 (as amended from time to time, the Credit Agreement), which provides for a senior secured credit facility (the Credit Facility) of $1.915 billion, consisting of a Term Loan A-1 in the aggregate amount of $940 million and a Term Loan A-2 in the aggregate amount of $475 million and the

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Revolver. In addition, the Credit Facility also includes an uncommitted accordion feature that allows the Company, subject to certain significant conditions, to request additional commitments from our existing or new lenders under the Credit Facility without further approvals of any existing lenders thereunder. The aggregate amount of such increases in potential commitments (and potential borrowings) is limited to $600 million, unless the Company would maintain a pro forma total leverage ratio of 2.5 to 1.0 or less after giving effect to the increase in potential commitments (and potential borrowings).

On March 27, 2017, the Company entered into the Second Amendment to the Credit Agreement which modified certain defined terms used in the calculation of the financial covenants in a manner favorable to the Company.

Short-term Borrowings

As of March 31, 2017, the Company had $26.0 million of short-term borrowings outstanding under the Revolver, with a weighted average interest of 3.42 percent.

As of March 31, 2017, the Company has available borrowing capacity of $457.4 million under the Revolver.

Receivables Credit Facility

On February 21, 2017, the Company entered into Amendment No. 3 to the Receivables Sale Agreement to amend the accounts receivable securitization program (the Securitization Program) of the Company and certain of its subsidiaries. All accounts receivable purchased from API and Fast Pak, LLC (the Sellers) and all accounts receivable generated from facilities acquired from the Sellers that are not paid to an eligible bank account are designated as Excluded Receivables .

Under our Securitization Program, the Company and its subsidiaries that participate in the Securitization Program (the Originators) sell, on an ongoing basis without recourse, certain trade receivables to KapStone Receivables, LLC (KAR), which is considered a wholly-owned, bankruptcy-remote variable interest entity (VIE). The Company has the authority to direct the activities of the VIE and, as a result, we have concluded that we maintain control of the VIE, are the primary beneficiary (as defined by accounting guidance) and, therefore, consolidate the account balances of KAR. As of March 31, 2017, $383.2 million of our trade accounts receivables were sold to KAR. KAR in turn assigns a collateral interest in these receivables to a financial institution under a one-year $275 million facility (the Receivables Credit Facility) for proceeds of $264.7 million. The assets of KAR are not available to us until all obligations of KAR are satisfied in the event of bankruptcy or insolvency proceedings.

Other Borrowing

In January 2017, the Company entered into a short-term financing agreement of $6.2 million at an annual interest rate of 2.4 percent for its annual property insurance premiums. The agreement requires the Company to pay three quarterly payments through the term of the financing agreement ending on December 1, 2017. As of March 31, 2017, there was $6.2 million outstanding under the current agreement.

Debt Covenants

Our Credit Agreement governing our Credit Facility contains, among other provisions, covenants with which we must comply. The covenants limit our ability to, among other things, incur indebtedness, create additional liens on our assets, make investments, engage in mergers and acquisitions and sell any assets outside the normal course of business.

As of March 31, 2017, the Company was in compliance with all applicable covenants in the Credit Agreement.

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Fair Value of Debt

As of March 31, 2017, the fair value of the Company s debt approximates the carrying value of $1.5 billion as the variable interest rates re-price frequently at current market rates. Our weighted-average cost of borrowings was 2.61 percent and 2.08 percent for the three months ended March 31, 2017 and March 31, 2016, respectively.

7. Income Taxes

The Company s effective income tax rate for the three months ended March 31, 2017 was 41.0 percent compared to 34.5 percent for the three months ended March 31, 2016. The higher effective income tax rate in the three months ended March 31, 2017 reflects $0.5 million in tax expense from the Company s adoption of ASU 2016-09 which requires the tax impact of elements of stock compensation to be recorded in the provision for income taxes.

Cash taxes paid in the quarter ending March 31, 2017 were $21.1 million compared to net cash tax refunds of $11.5 million for the quarter ended March 31, 2016.

In the normal course of business, the Company is subject to examination by taxing authorities. The Company s open federal tax years are 2013, 2014 and 2015. The Company has open tax years for state and foreign income tax filings generally starting in 2012.

8. Net Income per Share

The Company s basic and diluted net income per share for the three months ended March 31, 2017 and 2016 is calculated as follows:

	Three Months Ended March 31, 2017		2016	
Net income	$	5,992	$	16,174
Weighted-average number of common shares for basic net income per share		96,698,637		96,399,351
Incremental effect of dilutive common stock equivalents:				
Unexercised stock options		1,319,602		806,311
Unvested restricted stock awards		445,428		303,866
Weighted-average number of shares for diluted net income per share		98,463,667		97,509,528
Net income per share - basic	$	0.06	$	0.17
Net income per share - diluted	$	0.06	$	0.17

A total of 1,189,244 and 1,462,796 weighted average unexercised stock options were outstanding at March 31, 2017 and 2016, respectively, but were not included in the computation of diluted net income per share because the awards were anti-dilutive.

9. Pension Plan and Post-Retirement Benefits

Defined Benefit Plan

Net pension cost (benefit) recognized for the three months ended March 31, 2017 and 2016 for the Company s defined benefit plan (the Pension Plan) is as follows:

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		Three Months Ended March 31,		
		2017		2016
Service cost for benefits earned during the quarter	$	1,077	$	1,125
Interest cost on projected benefit obligations		6,567		7,079
Expected return on plan assets		(9,031)		(9,340)
Amortization of net loss		1,197		1,157
Amortization of prior service cost		4		24
Net pension cost (benefit)	$	(186)	$	45

The Company currently does not anticipate making any Pension Plan contributions in 2017. This estimate is based on current tax laws, plan asset performance, and liability assumptions, which are subject to change.

The Company provides postretirement health care insurance benefits through an indemnity plan for certain salary and non-salary of its subsidiary Longview Fibre Paper and Packaging, Inc. (Longview) employees and their dependents. The Company anticipates making contributions to its postretirement plans in 2017 as claims are submitted.

Defined Contribution Plan

The Company offers 401(k) Defined Contribution Plans (Contribution Plans) to eligible employees. The Company s monthly contributions are based on the matching of certain employee contributions or based on a union negotiated formula. For the three months ended March 31, 2017 and 2016, the Company recognized expense of $6.2 million and $3.6 million, respectively, for matching contributions.

In 2017, the Company restored matching contributions to its Contribution Plans for certain employees that were previously suspended during 2016. As a result, contributions were $2.6 million higher in the quarter ended March 31, 2017 compared to the same period in 2016.

Multiemployer Pension Plan

In conjunction with each of the Longview and U.S. Corrugated acquisitions, the Company assumed participation in the GCIU-Employer Retirement Fund for approximately 300 hourly employees at four corrugated products manufacturing plants. On October 31, 2016, the Company provided formal notification to the plan trustee of its withdrawal from the plan and cessation of plan contributions effective December 31, 2016. Accordingly, the Company recorded an estimated withdrawal liability of approximately $6.4 million, based on annual payments of approximately $0.4 million over 20 years, discounted at a credit adjusted risk-free rate return of approximately 3.6 percent. This liability is based on an analysis of the facts available to management; however, the withdrawal liability will ultimately be determined by the plan trustee.

10. Stock-Based Compensation

In the quarter ended March 31, 2017, the compensation committee of the board of directors approved stock-based awards to executive officers, certain employees and directors. The 2017 award consisted of the grant of 957,270 stock options, and 342,264 restricted stock units with a combined cost of $15.1 million.

The Company accounts for stock-based awards in accordance with ASC 718, *Compensation Stock Compensation*, which requires that the cost resulting from all share-based payment transactions be recognized as compensation cost over the vesting period based on the fair value of the instrument on the date of grant.

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Total stock-based compensation expense related to the stock option and restricted stock unit grants for the three months ended March 31, 2017 and 2016 is as follows:

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
Stock option compensation expense	$	2,616	$	1,789
Restricted stock unit compensation expense		2,649		1,632
Total stock-based compensation expense	$	5,265	$	3,421

Total unrecognized stock-based compensation cost related to the stock options and restricted stock units as of March 31, 2017 and December 31, 2016 is as follows:

	March 31, 2017		December 31, 2016	
Unrecognized stock option compensation expense	$	8,563	$	3,849
Unrecognized restricted stock unit compensation expense		9,703		4,899
Total unrecognized stock-based compensation expense	$	18,266	$	8,748

As of March 31, 2017, total unrecognized compensation cost related to non-vested stock options and restricted stock units is expected to be recognized over a weighted average period of 2.5 years and 2.4 years, respectively.

Stock Options

Stock option awards to employees generally vest as follows: 50% after two years and the remaining 50% after three years or upon a grantee of such stock options attaining the age 65. The stock options awarded in 2017 have a contractual term of ten years and are subject to forfeiture should the recipient terminate his or her employment with the Company for certain reasons prior to vesting in his or her awards, or the occurrence of certain other events, such as termination with cause. The exercise price of these stock options is based on the average market price of our common stock on the date of grant ($22.20 for the 2017 awards described above) and compensation expense is recorded on an accelerated basis over the awards vesting periods.

The weighted average fair value of the stock options granted in March 2017 and 2016 was $7.79 and $3.79, respectively. The fair value was calculated using the Black-Scholes option-pricing model based on the market price at the grant date and the weighted average assumptions specific to the underlying options. The expected term used by the Company is based on the historical average life of stock option awards. The expected volatility assumption is based on the volatility of our common stock from the same time period as the expected term of the stock options. The risk-free interest rate was selected based upon yields of U.S. Treasury issues with a term similar to the expected life of the stock options. The expected dividend yield is calculated as the annual dividend per share amount divided by the average market price of the common stock on the date of the grant.

The assumptions utilized for calculating the fair value of stock options during the period are as follows:

	Three Months Ended March 31,	
	2017	2016
KapStone Stock Options Black-Scholes assumptions (weighted average):		
Expected volatility	43.40%	43.61%
Expected life (years)	5.26	5.07
Risk-free interest rate	2.06%	1.35%
Expected dividend yield	1.73%	3.14%

The following table summarizes stock options amounts and activity:

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	Options		Weighted Average Exercise Price	Weighted Average Remaining Life (Years)		Intrinsic Value (dollars in thousands)
Outstanding at January 1, 2017	4,293,081	$	14.61			
Granted	957,270		22.20			
Exercised	(38,763)		13.49			
Lapsed (forfeited or cancelled)	(23,172)		21.76			
Outstanding at March 31, 2017	5,188,416	$	15.99			
Exercisable at March 31, 2017	2,692,270	$	13.47	4.8	$	31,087

For the three months ended March 31, 2017 and 2016, cash proceeds from the exercise of stock options totaled $0.5 million and $0.2 million, respectively.

Restricted Stock

Restricted stock units for executive officers and certain employees are restricted as to transferability until they generally vest three years from the grant date or upon a grantee of such restricted stock units attaining the age 65. Restricted stock units for directors are restricted as to transferability until they generally vest one year from the grant date or upon a grantee of such restricted stock units attaining the age of 65. These restricted stock units are subject to forfeiture should applicable employees terminate their employment with the Company for certain reasons prior to vesting in their awards, or the occurrence of certain other events. The value of these restricted stock units is based on the average market price of our common stock on the date of grant and compensation expense is recorded on a straight-line basis over the awards vesting periods.

The following table summarizes unvested restricted stock units amounts and activity:

	Units		Weighted Average Grant Price
Outstanding at January 1, 2017	691,720	$	20.93
Granted	342,264		22.20
Vested	(127,251)		30.42
Forfeited	(6,639)		21.40
Outstanding at March 31, 2017	900,094	$	20.07

11. Commitments and Contingencies

Legal Claims

We are from time to time subject to various administrative and legal investigations, claims and proceedings incidental to our business, including environmental and occupational, health and safety matters, labor and employment matters, personal injury and property damage claims, contractual, commercial and other disputes and taxes. We establish reserves for claims and proceedings when it is probable that liabilities exist and where reasonable estimates can be made. We also maintain insurance that may limit our financial exposure for defense costs, as well as liability, if any, for claims covered by the insurance (subject also to deductibles and self-insurance amounts). While any investigation, claim or proceeding has an element of uncertainty, and we cannot predict or assure the outcome of any claim or proceeding involving the Company, we believe the outcome of any pending or threatened claim or proceeding (other than those that cannot be assessed due to their preliminary nature), or all of them combined, will not have a material adverse effect on our results of operations, cash flows or financial condition.

The Company s subsidiary, Longview is a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) with respect to the Lower Duwamish

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Waterway Superfund Site in the State of Washington (the Site). The U.S. Environmental Protection Agency (EPA) asserts that the Site is contaminated as a result of discharges from various businesses and government entities located along the Lower Duwamish Waterway, including a corrugated converting plant owned and operated by Longview. In November 2014, the EPA issued a Record of Decision (ROD) for the Site. The ROD includes a selected remedy for the Site. In the ROD, EPA states that the total estimated net present value costs (discounted at 2.3%) for the selected remedy are $342 million. Neither the Company nor Longview has received a specific monetary demand regarding its potential liability for the Site. In addition, Longview is a participant in a non-judicial allocation process with respect to the Site. Pursuant to the non-judicial allocation process, Longview and other participating parties will seek to allocate certain costs, including but not limited to the costs necessary to perform the work under the ROD. The non-judicial allocation process is not scheduled to be completed until 2019. Based upon the information available to the Company at this time, the Company cannot reasonably estimate its potential liability for this Site.

In October 2016, the Company s subsidiary KapStone Charleston Kraft LLC (KCK) received a Notice of Alleged Violation from the South Carolina Department of Health and Environmental Control (DHEC) in which DHEC made several allegations related to air regulatory requirements. Several of the allegations related to recordkeeping/reporting, monitoring or paperwork requirements which did not implicate actual emissions (and which have been corrected); however, three of the allegations related to periodic compliance monitoring of particulates from operating equipment sources that are considered to be serious under DHEC guidelines. No emissions from the monitoring resulted in any impact to the environment or human health, and no annual limits were exceeded because this allegation involved spare equipment that is operated only a limited number of days each year. Discussions with DHEC regarding the alleged violations are ongoing, and the resolution of the matters raised in this notice is uncertain at this time (and therefore the Company cannot reasonably estimate its potential liability for this enforcement matter). However, no capital expenditure is required and all repairs and corrective actions have been performed resulting in full compliance as of March 31, 2017; thus the Company currently does not expect that the result of those discussions will be material to the our results of operations, cash flows or financial condition.

In January 2017, the Company received a letter from the state of Washington Department of Ecology contending that the Company may, along with several other companies, be responsible for investigation and cleanup of an allegedly contaminated site where the named companies, including Longview, may store or have stored petroleum products. The letter concerns the possible release of petroleum products into the environment. In 1998, Longview (before it was acquired by the Company) and certain other companies who owned or operated underground storage tanks and pipes entered into an agreement for investigating and remediating the area independently of (but in consultation with) the Washington Department of Ecology. Upon expiration of the 1998 agreement, groundwater monitoring continued. The Company plans to respond to the notice and further investigate the allegations in the letter. Based upon the information available to the Company at this time, the Company cannot reasonably estimate its potential liability, if any, for this site.

There have been no material changes in any of our legal proceedings for the three months ended March 31, 2017.

Contingent Consideration

The Company s contingent consideration obligation relates to the acquisition of Victory Packaging, L.P. (Victory) on June 1, 2015 and is considered a Level 3 liability. The fair value of the obligation as of March 31, 2017 and December 31, 2016 was $17.4 million and $14.9 million, respectively. The fair value of the contingent consideration is estimated based on the probability of reaching the performance measures through November 30, 2017. The probability is estimated by reviewing financial forecasts and assessing the likelihood of reaching the required performance measures based on factors specific to the acquisition. The discount rate is determined by applying a risk premium to a risk-free interest rate. The total potential payout under this obligation is $25.0 million. The Company expects to payout this obligation in the first quarter of 2018.

12. **Segment Information**

Paper and Packaging: This segment manufactures and sells a wide variety of container board, corrugated products and specialty paper for industrial and consumer markets.

Distribution: Through Victory, a North American distributor of packaging materials, with more than 60 distribution centers located in the United States, Mexico and Canada, the Company provides packaging materials and related products to a wide variety of customers.

Each segment s profits and losses are measured on operating profits before income from equity investments, foreign exchange gains / (losses), loss on debt extinguishment, net interest expense and income taxes.

Three Months Ended March 31, 2017	Net Sales Trade	Inter-segment	Total	Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Assets
Paper and Packaging:							
Containerboard / Corrugated products	$ 345,342	$ 21,197	$ 366,539				
Specialty paper	180,348		180,348				
Other	21,954		21,954				
Paper and Packaging	$ 547,644	$ 21,197	$ 568,841	$ 34,315	$ 37,406	$ 36,490	$ 2,591,747
Distribution	218,199		218,199	2,597	5,978	679	687,854
Corporate				(16,788)	1,964	1,500	43,218
Intersegment eliminations		(21,197)	(21,197)				
	$ 765,843	$	$ 765,843	$ 20,124	$ 45,348	$ 38,669	$ 3,322,819

Three Months Ended March 31, 2016	Net Sales Trade	Inter-segment	Total	Operating Income (Loss)	Depreciation and Amortization	Capital Expenditures	Assets
Paper and Packaging:							
Containerboard / Corrugated products	$ 324,290	$ 16,469	$ 340,759				
Specialty paper	174,438		174,438				
Other	21,312		21,312				
Paper and Packaging	$ 520,040	$ 16,469	$ 536,509	$ 46,241	$ 37,136	$ 32,355	$ 2,501,605
Distribution	218,175		218,175	1,381	5,661	2,066	665,458
Corporate				(13,022)	1,742	1,742	45,603
Intersegment eliminations		(16,469)	(16,469)				
	$ 738,215	$	$ 738,215	$ 34,600	$ 44,539	$ 36,163	$ 3,212,666

13. North Charleston, South Carolina Paper Mill Union Contract

On March 3, 2017, the labor unions at the Company s paper mill in North Charleston, South Carolina ratified a new 8 year collective bargaining agreement covering approximately 600 employees. The agreement puts in place a high deductible health care plan beginning January 1, 2018. It allows for more efficient use of operating and maintenance employees and changes the defined pension benefit plan to a defined contribution plan. For the quarter ended March 31, 2017, the costs incurred were $5.0 million to ratify this agreement and are included in cost of sales in the period.

14. Subsequent Events

On April 2, 2017, the compensation committee of the board of directors granted 126,976 restricted stock units to certain Company employees for retention purposes. The total value of the award was $2.9 million. These restricted stock units to certain executive officers vest within one year of the grant date while the non-executive officers units vest within 90 days of the grant date. In addition to the restricted stock units, a retention award of $0.5 million was paid in cash to other employees.

On April 9, 2017, the Company s paper mill in Roanoke Rapids, North Carolina completed its annual planned maintenance outage. The outage lasted approximately 9 days with an estimated cost of $8.9 million, primarily for annual maintenance and inspections, and the fixed cost impact associated with lost paper production of 11,600 tons.

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ITEM 2.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, should, could, would, expect, plan, anticipate, believe, estimate, the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in Part I Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and in our other Securities and Exchange Commission filings. The information contained in this Form 10-Q represents our best judgment at the date of this report based on information currently available. In providing forward-looking statements, KapStone does not intend, and does not undertake any duty or obligation, to update its statements as a result of new information, future events or otherwise.

The following discussion should be read in conjunction with our Consolidated Financial Statements and related Notes thereto included elsewhere in this report.

Executive Summary

Consolidated net sales for the quarter ended March 31, 2017 were $765.8 million compared to $738.2 million for the first quarter of 2016, an increase of $27.6 million, or 3.7 percent, primarily due to $15.6 million of higher prices and more favorable product mix and $11.5 million of higher sales volumes.

Consolidated net income for the quarter ended March 31, 2017 was $6.0 million, or $0.06 per diluted share, compared with $16.2 million, or $0.17 per diluted share, for the same period in 2016.

Paper and Packaging segment operating income for the quarter ended March 31, 2017 decreased $11.9 million to $34.3 million, primarily due to $10.5 million of higher old corrugated containers (OCC) costs, $6.3 million of higher freight costs primarily due to higher percentage of domestic shipments, $5.0 million for Charleston s union contract ratification costs and $2.6 million due to the restoration of certain employee benefits. These decreases in operating income were partially offset by $14.6 million of higher prices and more favorable product mix and $2.3 million of lower severance charges.

Distribution Segment operating income for the current quarter increased $1.2 million to $2.6 million, primarily due to lower operating expenses.

Corporate operating expenses increased by $3.8 million to $16.8 million for the quarter ended March 31, 2017 compared to 2016, primarily due a $1.8 million increase in stock compensation expense, a $1.0 million increase in expense associated with the fair value of the contingent consideration liability, $0.6 million due to the restoration of certain employee benefits and $0.4 million for API acquisition expenses.

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Results of Operations

Comparison of Results of Operations for the Three Months Ended March 31, 2017 and 2016

(In thousands)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Increase/ (Decrease)	% of Net Sales 2017	% of Net Sales 2016
Paper and packaging	$ 568,841	$ 536,509	$ 32,332	74.3%	72.7%
Distribution	218,199	218,175	24	28.5%	29.6%
Intersegment Eliminations	(21,197)	(16,469)	(4,728)	(2.8)%	(2.2)%
Net sales	$ 765,843	$ 738,215	$ 27,628	100.0%	100.0%
Cost of sales, excluding depreciation and amortization	560,898	533,277	27,621	73.2%	72.2%
Depreciation and amortization	45,348	44,539	809	5.9%	6.0%
Freight and distribution expenses	72,988	65,059	7,929	9.5%	8.8%
Selling, general, and administrative expenses	66,485	60,740	5,745	8.7%	8.2%
Operating income	$ 20,124	$ 34,600	$ (14,476)	2.6%	4.7%
Foreign exchange (gain) / loss	(82)	103	(185)	0.0%	0.0%
Equity method investments income	(677)		(677)	-0.1%	0.0%
Interest expense, net	10,730	9,811	919	1.4%	1.3%
Income before provision for income taxes	10,153	24,686	(15,210)	1.3%	3.3%
Provision for income taxes	4,161	8,512	(4,351)	0.5%	1.2%
Net income	$ 5,992	$ 16,174	$ (10,859)	0.8%	2.2%

Paper and Packaging segment net sales increased by $32.3 million to $568.8 million for the quarter ended March 31, 2017 due to $14.6 million of higher prices and more favorable product mix, $12.4 million of higher sales volume primarily due to the recent acquisitions and $4.7 million of increased intersegment sales to the Distribution segment. Average mill selling price per ton for the quarter ended March 31, 2017 was $648 compared to $625 for the prior year s quarter, reflecting higher containerboard prices and a more favorable product mix.

In the third quarter of 2016, the Company implemented a $40 per ton price increase for North American containerboard effective for shipments beginning October 1, 2016 and an 8 to 10 percent increase for corrugated products effective for shipments beginning November 1, 2016.

Distribution segment net sales were flat for the quarter ended March 31, 2017 compared to 2016, due to higher prices, related to the pass thru of higher containerboard cost, offset by lower sales volume.

In the first quarter of 2017, the Company announced a $50 per ton price increase for all North America containerboard products effective for shipments beginning March 13, 2017 and a 10 to 12 percent price increase for all corrugated products.

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Paper and Packaging segment sales by product line for the quarter ended March 31, 2017 and 2016 were as follows:

Product Line Tons:	Net Sales (in thousands) 2017	2016	Increase/ (Decrease)	%	Tons Sold 2017	2016	Increase/ (Decrease)	%
Containerboard / Corrugated products	$ 366,539	$ 340,759	$ 25,780	7.6%	434,380	434,001	379	0.1%
Specialty paper	180,348	174,438	5,910	3.4%	264,386	258,479	5,907	2.3%
Other	21,954	21,312	642	3.0%				
Product sold	$ 568,841	$ 536,509	$ 32,332	6.0%	698,766	692,480	6,286	0.9%

Tons of product sold for the Paper and Packaging segment for the quarter ended March 31, 2017 was 698,766 tons compared to 692,480 tons for the quarter ended March 31, 2016, an increase of 6,286 tons, or 0.9 percent, as follows:

- Shipments of Containerboard / Corrugated products were flat quarter-over-quarter due to higher domestic shipments of 20,482 tons and corrugated shipments of 12,799 tons, partially offset by lower export containerboard volume.

- Specialty paper increase in tons sold was primarily due to higher DuraSorb shipments of 6,105 tons.

Cost of sales, excluding depreciation and amortization expense, for the quarter ended March 31, 2017 was $560.9 million compared to $533.3 million for the first quarter of 2016, an increase of $27.6 million, or 5.2 percent. The increase in cost of sales was mainly due to $11.2 million of higher manufacturing costs, $10.5 million of higher OCC costs, $5.0 million for the Charleston mill s union ratification costs, and $0.8 million due to the restoration of certain employee benefits. Planned maintenance outage costs of approximately $6.2 million and $6.6 million are included in cost of sales for the quarters ended March 31, 2017 and 2016, respectively.

Depreciation and amortization expense for the quarter ended March 31, 2017 totaled $45.3 million compared to $44.5 million for the quarter ended March 31, 2016. The increase of $0.8 million was primarily due to $2.2 million higher depreciation expense due to higher captial spending, partially offset by $1.4 million of lower amortization expense.

Freight and distribution expenses for the quarter ended March 31, 2017 totaled $73.0 million compared to $65.1 million for the quarter ended March 31, 2016. The increase of $7.9 million was primarily due to $4.0 million related to a higher percentage of domestic shipments and higher operating costs.

Selling, general and administrative expenses for the quarter ended March 31, 2017 totaled $66.5 million compared to $60.7 million for the quarter ended March 31, 2016. The increase of $5.8 million, or 9.6 percent, was primarily due to $2.4 million due to the restoration of certain employee benefits, a $1.8 million increase in stock compensation expense, a $1.0 million increase in expense for the fair value of a contingent consideration liability and $0.4 million of API acquisition related expenses. For the quarter ended March 31, 2017, selling, general and administrative expenses as a percentage of net sales increased to 8.7 percent from 8.2 percent in the quarter ended March 31, 2016.

Net interest expense for the quarters ended March 31, 2017 and 2016 was $10.7 million and $9.8 million, respectively. Interest expense was $0.9 million higher in the quarter ended March 31, 2017, primarily due to higher interest rates.

Provision for income taxes for the quarters ended March 31, 2017 and 2016 was $4.2 million and $8.5 million, respectively, reflecting an effective income tax rate of 41.0 percent for the quarter ended March 31, 2017, compared to 34.5 percent for the similar period in 2016. The lower provision for income taxes in 2017 primarily reflects lower pre-tax income of $14.5 million. The higher effective income tax rate in the three months ended March 31, 2017 reflects $0.5 million in tax expense from the Company s adoption of ASU 2016-09 which requires the tax impact of elements of stock compensation to be recorded in the provision for income taxes.

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Liquidity and Capital Resources

Credit Facility

The Company had $457.4 million available to borrow under the Revolver at March 31, 2017. In addition, the Credit Facility also includes an uncommitted accordion feature that allows the Company, subject to certain significant conditions, to request additional commitments from our existing or new lenders under the Credit Facility without further approvals of any existing lenders thereunder. The aggregate amount of such increases in potential commitments (and potential borrowings) is limited to $600 million, unless the Company would maintain a pro forma total leverage ratio of 2.5 to 1.0 or less after giving effect to the increase in potential commitments (and potential borrowings).

Receivables Credit Facility

On February 21, 2017, the Company entered into Amendment No. 3 to the Receivables Sale Agreement to amend the Securitization Program. All accounts receivable purchased from API and Fast Pak, LLC (the Sellers) and all accounts receivable generated from facilities acquired from the Sellers that are not paid to an eligible bank account are designated as Excluded Receivables .

As of March 31, 2017, the Company had $264.7 million of outstanding borrowings under its $275.0 million Receivables Credit Facility with an interest rate of 1.7 percent.

Debt Covenants

As of March 31, 2017, under the financial covenants of the Credit Agreement, the Company must comply on a quarterly basis with a maximum permitted leverage ratio as of the end of each quarter. The leverage ratio is calculated by dividing the Company s debt net of available cash up to $150 million by its rolling twelve month total earnings before interest expense, taxes, depreciation and amortization after accounting for allowable adjustments. The maximum permitted leverage ratio declines over the life of the Credit Agreement. On March 31, 2017, the maximum permitted leverage ratio was 4.50 to 1.00. On March 31, 2017, the Company was in compliance with a leverage ratio of 3.99 to 1.00.

The Credit Agreement also includes a financial covenant requiring a minimum interest coverage ratio. This ratio is calculated by dividing the Company s trailing twelve month total earnings before interest expense, taxes, depreciation and amortization after accounting for allowable adjustments by the sum of our net cash interest payments during the twelve month period. For the quarter ended March 31, 2017, the interest coverage ratio was required to be at least 3.00 to 1.00. On March 31, 2017, the Company was in compliance with the Credit Agreement with an interest coverage ratio of 10.63 to 1.00.

As of March 31, 2017, KapStone was also in compliance with all other covenants in the Credit Agreement.

Income taxes

The Company s effective income tax rate, excluding discrete items for 2017, is projected to be 34.3 percent. The Company s cash tax rate for 2017 is projected to be 40.0 percent.

Sources and Uses of Cash

Three months ended March 31 ($ in thousands)	2017	2016	Incr / (Dcr)
Operating activities	$ 32,669	$ 58,605	$ (25,936)
Investing activities	(72,169)	(31,807)	(40,362)
Financing activities	18,030	(26,535)	44,565
Total change in cash and cash equivalents	$ (21,470)	$ 263	$ (21,733)

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Cash and cash equivalents decreased by $21.5 million from December 31, 2016, reflecting $32.7 million provided by operating activities, $72.2 million used in investing activities and $18.0 million provided by financing activities in the first three months of 2017.

Net cash provided by operating activities was $32.7 million, comprised of net income for the first three months of $6.0 million and non-cash charges of $55.6 million. Changes in operating assets and liabilities used $28.9 million of cash. Net cash provided by operating activities decreased by $25.9 million in the three months ended March 31, 2017, compared to the three months ended March 31, 2016, mainly due to an $20.0 million increase in cash used for working capital and $10.2 million of lower net income, partially offset by higher non-cash charges of $4.3 million. The increase in cash used for working capital in the three months ended March 31, 2017 compared to 2016 is primarily due to higher trade receivables, inventory levels and timing of income tax payments, partially offset by accounts payable.

Net cash used in investing activities was $72.2 million and includes $38.7 million for capital expenditures and $33.5 million for the API acquisition. Net cash used in investing activities increased by $40.4 million in the three months ended March 31, 2017, compared to the three months ended March 31, 2016, primarily due to the API acquisition and higher capital spending in 2017.

Net cash provided by financing activities was $18.0 million and reflects a $26.0 million of net short-term borrowings under the Revolver and $6.2 million of other current borrowings. These borrowings were partially offset by a $9.7 million quarterly dividend payment and $4.6 million of net repayments under the Receivables Credit Facility. Net cash provided by financing activities increased by $44.6 million in the three months ended March 31, 2017, compared to the three months ended March 31, 2016, primarily due to higher net borrowings in 2017.

Future Cash Needs

The Company expects that cash generated from operating activities will be sufficient to meet its remaining 2017 cash needs. The cash needs consist of approximately $30.0 million for the cash dividends subject to board approval and any additional working capital needs. In addition, capital expenditures for the full year are estimated to be $136.0 million.

Should the need arise, we have the ability to draw from our $500.0 million Revolver. In addition, if available and subject to specified significant conditions, we may have the ability to request additional commitments from our existing or new lenders and borrow up to $600.0 million under the accordion provision of our Credit Facility without further approvals of any existing lenders thereunder. As of March 31, 2017, the Company had $26.0 million of borrowings under the Revolver and $457.4 million of remaining Revolver availability, net of outstanding letters of credit.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet financing arrangements. The Company maintains a special purpose entity, in connection with the Receivables Credit Facility, which is consolidated as part of our financial statements. We have not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

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ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the sensitivity of income to changes in interest rates, commodity prices, equity prices and other market-driven rates or prices.

Under our Credit Agreement, at March 31, 2017, our Credit Facility consisted of two term loans totaling approximately $1.2 billion outstanding and the Revolver that provides for borrowing of up to $500 million. Depending on the type of borrowing, the applicable interest rate under the Credit Facility is calculated at a per annum rate equal to (a) LIBOR plus an applicable margin or (b) the base rate that is calculated as (i) the greatest of (x) the prime rate, (y) the federal funds effective rate plus 0.50% or (z) a daily rate equal to one month LIBOR plus 1% plus (ii) an applicable margin. The unused portion of the Revolver is also subject to an unused fee that is calculated at a per annum rate (the Unused Fee Rate).

The applicable margin for borrowings under the Credit Facility and the Unused Fee Rate is determined by reference to the pricing grid based on the Company s total leverage ratio. Under such pricing grid, the applicable margins for Term Loan A-1 and Revolver ranges from 1.00% to 2.00% for Eurodollar loans and from 0.0% to 1.00% for base rate loans and the Unused Fee Rate ranges from 0.20% to 0.325%. The applicable margins for Term Loan A-2 ranges from 1.125% to 2.125% for Eurodollar loans and from 0.125% to 1.125% for base rate loans. At March 31, 2017 the weighted average interest rate of the term loans was 2.8 percent.

Under our Receivables Credit Facility, at March 31, 2017, we had $264.7 million of outstanding borrowings. The outstanding capital of each investment in the receivable interests accrues yield for each day at a rate per annum equal to the sum of (a) for any day, the one-month Eurodollar rate for U.S. dollar deposits plus (b) the applicable margin. At March 31, 2017 the interest rate on outstanding amounts under the Receivables Credit Facility was 1.7 percent.

Changes in market rates may impact the base or LIBOR rate under all borrowings. For instance, if the LIBOR rate was to increase or decrease by one percentage point (1.0%), our annual interest expense would change by approximately $15.2 million based upon our expected future monthly term loan balances per our existing repayment schedule and the Receivables Credit Facility.

We are exposed to price fluctuations of certain commodities used in production and distribution. Key materials and energy used in the production process include roundwood and woodchips, recycled fiber (OCC), containerboard, electricity, coal, natural gas and caustic soda. Diesel fuel prices have a direct impact on our Distribution segment. We generally purchase these commodities in each of our segments at market prices and do not use forward contracts or other financial instruments to hedge our exposure to price risk related to these commodities. We have one contract to purchase coal at fixed prices through December 31, 2017 and contracts to purchase natural gas at fixed prices through December 2020.

We are exposed to price fluctuations in the price of our finished goods. The prices we charge for our products are primarily based on market conditions.

We are exposed to currency fluctuations as we invoice certain European customers in Euros and Mexican customers in Pesos. The Company did not use forward contracts to reduce the impact of currency fluctuations during the quarter ended March 31, 2017. No such contracts were outstanding at March 31, 2017.

ITEM 4.

CONTROLS AND PROCEDURES

As of the end of the period covered by this report, our Chief Executive Officer and our Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as required by Rule 13a-15(b) under the Securities Exchange Act of 1934. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2017.

There were no changes in our internal control over financial reporting during the three months ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS

There have been no material changes in the legal proceedings described in our Form 10-K for the year ended December 31, 2016.

0.62680 0.87000 0.62680

2010

0.05670 0.54330 0.60000 0.54330

2009

2008

0.57000 0.57000 0.57000

2007

0.07790 0.26410 0.40800 0.75000

2006

0.23073 0.01224 0.38703 0.63000

6.000% Series B Cumulative Preferred Stock

2015

$ 0.05350 $ 0.04908 $ 1.39742 $ 1.50000

2014

0.03280 0.00160 1.46560 1.50000

2013

0.08480 0.17320 1.24200 1.50000

2012

0.74880 0.75120 1.50000

2011

1.50000 1.50000

2010

1.50000 1.50000

2009

0.40680 $ 1.09320 1.50000 $ 1.09320

2008

1.24360 0.25640 1.50000 0.25640

2007

0.15560 0.52840 0.81600 1.50000

2006

0.54940 0.02930 0.91230 1.50000

Series C Auction Rate Cumulative Preferred Stock

2015

2014

$ 0.68296 $ 0.03701 $ 30.51003 $ 31.23000

2013

1.74961 3.58224 25.66814 30.99999

2012

18.59116 18.65884 37.25000

2011

37.21000 37.21000

2010

66.47000 66.47000

2009

19.14269 $ 51.45731 70.60000 $ 51.45731

2008

628.35200 129.44800 757.80000 129.44800

2007

140.12030 475.50103 734.35867 1,349.98000

2006

447.80000 23.74500 751.09500 1,222.64000

(a) Taxable as ordinary income.
(b) Total amounts may differ due to rounding.
(c) Decrease in cost basis.
(d) On June 17, 2014, the Fund also distributed Rights equivalent to $0.23 per common share based upon full subscription of all issued shares.
(e) On March 29, 2011, the Fund also distributed Rights equivalent to $0.76 per common share based upon full subscription of all issued shares.

All designations are based on financial information available as of the date of this annual report and, accordingly, are subject to change. For each item, it is the intention of the Fund to designate the maximum amount permitted under the Internal Revenue Code and the regulations thereunder.

THE GABELLI MULTIMEDIA TRUST INC.

One Corporate Center

Rye, NY 10580-1422

Portfolio Management Team Biographies

Mario J. Gabelli, CFA, is Chairman, Chief Executive Officer, and Chief Investment Officer - Value Portfolios of GAMCO Investors, Inc. that he founded in 1977, and Chief Investment Officer - Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc. He is also Chief Executive Officer and Chairman of the Board of Directors of Associated Capital Group, Inc. Mr. Gabelli is a summa cum laude graduate of Fordham University and holds an MBA degree from Columbia Business School and Honorary Doctorates from Fordham University and Roger Williams University.

Christopher J. Marangi joined Gabelli in 2003 as a research analyst. He currently serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Fund Complex. Mr. Marangi graduated magna cum laude and Phi Beta Kappa with a BA in Political Economy from Williams College and holds an MBA with honors from Columbia Business School.

Lawrence J. Haverty, Jr., CFA, joined GAMCO Investors, Inc. in 2005 and currently is a portfolio manager of Gabelli Funds, LLC and the Fund. Mr. Haverty was previously a managing director for consumer discretionary research at State Street Research, the Boston based subsidiary of Metropolitan Life Insurance Company. He holds a BS from the Wharton School and a MA from the Graduate School of Arts and Sciences at the University of Pennsylvania where he was a Ford Foundation Fellow.

We have separated the portfolio managers   commentary from the financial statements and investment portfolio due to corporate governance regulations stipulated by the Sarbanes-Oxley Act of 2002. We have done this to ensure that the content of the portfolio managers   commentary is unrestricted. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at www.gabelli.com.

The Net Asset Value per share appears in the Publicly Traded Funds column, under the heading   Specialized Equity Funds,   in Monday s The Wall Street Journal. It is also listed in Barron s Mutual Funds/Closed End Funds section under the heading   Specialized Equity Funds.

The Net Asset Value per share may be obtained each day by calling (914) 921-5070 or visiting www.gabelli.com.

The NASDAQ symbol for the Net Asset Value is   XGGTX.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the Fund may from time to time, purchase its common shares in the open market when the Fund s shares are trading at a discount of 5% or more from the net asset value of the shares. The Fund may also, from time to time, purchase its preferred shares in the open market when the preferred shares are trading at a discount to the liquidation value.

THE GABELLI MULTIMEDIA TRUST INC.

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DIRECTORS

Mario J. Gabelli, CFA
Chairman &
Chief Executive Officer,
GAMCO Investors, Inc.
Chairman and
Chief Executive Officer

Associated Capital Group Inc.

Anthony J. Colavita
President,
Anthony J. Colavita, P.C.

James P. Conn
Former Managing Director &
Chief Investment Officer,
Financial Security Assurance
Holdings Ltd.

Frank J. Fahrenkopf, Jr.
Former President &
Chief Executive Officer,
American Gaming Association

Christopher J. Marangi
Managing Director,
GAMCO Investors, Inc.

OFFICERS

Bruce N. Alpert
President

Andrea R. Mango
Secretary & Vice President

Agnes Mullady

Treasurer

Richard J. Walz
Chief Compliance Officer

Carter W. Austin
Vice President & Ombudsman

Laurissa M. Martire
Vice President & Ombudsman

INVESTMENT ADVISER

Gabelli Funds, LLC
One Corporate Center
Rye, New York 10580-1422

CUSTODIAN

State Street Bank and Trust
Company

Kuni Nakamura
President,
Advanced Polymer, Inc.

Anthony R. Pustorino
Certified Public Accountant,
Professor Emeritus,
Pace University

Werner J. Roeder, MD
Former Medical Director,
Lawrence Hospital

Salvatore J. Zizza
Chairman,
Zizza & Associates Corp.

COUNSEL

Paul Hastings LLP

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.

GGT Q4/2015

Item 2. Code of Ethics.

(a) The registrant, as of the end of the period covered by this report, has adopted a code of ethics that applies to the registrant s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.

(c) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the registrant s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, and that relates to any element of the code of ethics description.

(d) The registrant has not granted any waivers, including an implicit waiver, from a provision of the code of ethics that applies to the registrant s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this item s instructions.

Item 3. Audit Committee Financial Expert.

As of the end of the period covered by the report, the registrant s Board of Directors has determined that Anthony R. Pustorino is qualified to serve as an audit committee financial expert serving on its audit committee and that he is independent, as defined by Item 3 of Form N-CSR.

Item 4. Principal Accountant Fees and Services.

Audit Fees

(a) The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant s annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years are $41,834 for 2014 and $43,089 for 2015.

Audit-Related Fees

(b) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant s financial statements and are not reported under paragraph (a) of this Item are $7,500 for 2014 and $0 for 2015. Audit-related fees represent services provided in the preparation of Preferred Shares Reports.

Tax Fees

(c) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning are $3,880 for 2014 and $3,996 for 2015. Tax fees represent tax compliance services provided in connection with the review of the Registrant s tax returns.

All Other Fees

(d) The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item are $0 for 2014 and $0 for 2015. All other fees represent services provided in review of registration statement.

(e)(1) Disclose the audit committee s pre-approval policies and procedures described in paragraph (c)(7) of Rule 2-01 of Regulation S-X.

Pre-Approval Policies and Procedures. The Audit Committee (Committee) of the registrant is responsible for pre-approving (i) all audit and permissible non-audit services to be provided by the independent registered public accounting firm to the registrant and (ii) all permissible non-audit services to be provided by the independent registered public accounting firm to the Adviser, Gabelli Funds, LLC, and any affiliate of Gabelli Funds, LLC (Gabelli) that provides services to the registrant (a Covered Services Provider) if the independent registered public accounting firm s engagement related directly to the operations and financial reporting of the registrant. The Committee may delegate its responsibility to pre-approve any such audit and permissible non-audit services to the Chairperson of the Committee, and the Chairperson must report to the Committee, at its next regularly scheduled meeting after the Chairperson s pre-approval of such services, his or her decision(s). The Committee may also establish detailed pre-approval policies and procedures for pre-approval of such services in accordance with applicable laws, including the delegation of some or all of the Committee s pre-approval responsibilities to the other persons (other than Gabelli or the registrant s officers). Pre-approval by the Committee of any permissible non-audit services is not required so long as: (i) the permissible non-audit services were not recognized by the registrant at the time of the engagement to be non-audit services; and (ii) such services are promptly brought to the attention of the Committee and approved by the Committee or Chairperson prior to the completion of the audit.

(e)(2) The percentage of services described in each of paragraphs (b) through (d) of this Item that were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X are as follows:

(b) N/A

(c) 100%

(d) N/A

(f) The percentage of hours expended on the principal accountant s engagement to audit the registrant s financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant s full-time, permanent employees was 0%.

(g) The aggregate non-audit fees billed by the registrant s accountant for services rendered to the registrant, and rendered to the registrant s investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for each of the last two fiscal years of the registrant was $0 for 2014 and $0 for 2015.

(h) The registrant s audit committee of the board of directors has considered whether the provision of non-audit services that were rendered to the registrant s investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant s independence.

Item 5. Audit Committee of Listed registrants.

The registrant has a separately designated audit committee consisting of the following members: Anthony R. Pustorino, Werner J. Roeder, Salvatore J. Zizza.

Item 6. Investments.

(a) Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the report to shareholders filed under Item 1 of this form.

(b) Not applicable.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

The Proxy Voting Policies are attached herewith.

SECTION HH

The Voting of Proxies on Behalf of Clients

Rules 204(4)-2 and 204-2 under the Investment Advisers Act of 1940 and Rule 30b1-4 under the Investment Company Act of 1940 require investment advisers to adopt written policies and procedures governing the voting of proxies on behalf of their clients.

These procedures will be used by GAMCO Asset Management Inc., Gabelli Funds, LLC, Gabelli Securities, Inc., and Teton Advisors, Inc. (collectively, the Advisers) to determine how to vote proxies relating to portfolio securities held by their clients, including the procedures that the Advisers use when a vote presents a conflict between the interests of the shareholders of an investment company managed by one of the Advisers, on the one hand, and those of the Advisers; the principal underwriter; or any affiliated person of the investment company, the Advisers, or the principal underwriter. These procedures will not apply where the Advisers do not have voting discretion or where the Advisers have agreed to with a client to vote the client s proxies in accordance with specific guidelines or procedures supplied by the client (to the extent permitted by ERISA).

I. Proxy Voting Committee

The Proxy Voting Committee was originally formed in April 1989 for the purpose of formulating guidelines and reviewing proxy statements within the parameters set by the substantive proxy voting guidelines originally published in 1988 and updated periodically, a copy of which are appended as Exhibit A. The Committee will include representatives of Research, Administration, Legal, and the Advisers. Additional or replacement members of the Committee will be nominated by the Chairman and voted upon by the entire Committee.

Meetings are held on an as needed basis to form views on the manner in which the Advisers should vote proxies on behalf of their clients.

In general, the Director of Proxy Voting Services, using the Proxy Guidelines, recommendations of Institutional Shareholder Services Inc. (ISS), other third-party services and the analysts of G.research, Inc., will determine how to vote on each issue. For non-controversial matters, the Director of Proxy Voting Services may vote the proxy if the vote is: (1) consistent with the recommendations of the issuer s Board of Directors and not contrary to the Proxy Guidelines; (2) consistent with the recommendations of the issuer s Board of Directors and is a non-controversial issue not covered by the Proxy Guidelines; or (3) the vote is contrary to the recommendations of the Board of Directors but is consistent with the Proxy Guidelines. In those instances, the Director of Proxy Voting Services or the Chairman of the Committee may sign and date the proxy statement indicating how each issue will be voted.

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All matters identified by the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department as controversial, taking into account the recommendations of ISS or other third party services and the analysts of G.research, Inc., will be presented to the Proxy Voting Committee. If the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department has identified the matter as one that (1) is controversial; (2) would benefit from deliberation by the Proxy Voting Committee; or (3) may give rise to a conflict of interest between the Advisers and their clients, the Chairman of the Committee will initially determine what vote to recommend that the Advisers should cast and the matter will go before the Committee.

A. Conflicts of Interest.

The Advisers have implemented these proxy voting procedures in order to prevent conflicts of interest from influencing their proxy voting decisions. By following the Proxy Guidelines, as well as the recommendations of ISS, other third-party services and the analysts of G.research, the Advisers are able to avoid, wherever possible, the influence of potential conflicts of interest. Nevertheless, circumstances may arise in which one or more of the Advisers are faced with a conflict of interest or the appearance of a conflict of interest in connection with its vote. In general, a conflict of interest may arise when an Adviser knowingly does business with an issuer, and may appear to have a material conflict between its own interests and the interests of the shareholders of an investment company managed by one of the Advisers regarding how the proxy is to be voted. A conflict also may exist when an Adviser has actual knowledge of a material business arrangement between an issuer and an affiliate of the Adviser.

In practical terms, a conflict of interest may arise, for example, when a proxy is voted for a company that is a client of one of the Advisers, such as GAMCO Asset Management Inc. A conflict also may arise when a client of one of the Advisers has made a shareholder proposal in a proxy to be voted upon by one or more of the Advisers. The Director of Proxy Voting Services, together with the Legal Department, will scrutinize all proxies for these or other situations that may give rise to a conflict of interest with respect to the voting of proxies.

B. Operation of Proxy Voting Committee

For matters submitted to the Committee, each member of the Committee will receive, prior to the meeting, a copy of the proxy statement, any relevant third party research, a summary of any views provided by the Chief Investment Officer and any recommendations by G.research, Inc. analysts. The Chief Investment Officer or the G.research, Inc. analysts may be invited to present their viewpoints. If the Director of Proxy Voting Services or the Legal Department believe that the matter before the committee is one with respect to which a conflict of interest may exist between the Advisers and their clients, counsel will provide an opinion to the Committee concerning the conflict. If the matter is one in which the interests of the clients of one or more of the Advisers may diverge, counsel will so advise and the Committee may make different recommendations as to different clients. For any matters where the recommendation may trigger appraisal rights, counsel will provide an opinion concerning the likely risks and merits of such an appraisal action.

Each matter submitted to the Committee will be determined by the vote of a majority of the members present at the meeting. Should the vote concerning one or more recommendations be tied in a vote of the Committee, the Chairman of the Committee will cast the deciding vote. The Committee will notify the proxy department of its decisions and the proxies will be voted accordingly.

Although the Proxy Guidelines express the normal preferences for the voting of any shares not covered by a contrary investment guideline provided by the client, the Committee is not bound by the preferences set forth in the Proxy Guidelines and will review each matter on its own merits. The Advisers subscribe to ISS, which supplies current information on companies, matters being voted on, regulations, trends in proxy voting and information on corporate governance issues.

If the vote cast either by the analyst or as a result of the deliberations of the Proxy Voting Committee runs contrary to the recommendation of the Board of Directors of the issuer, the matter will be referred to legal counsel to determine whether an amendment to the most recently filed Schedule 13D is appropriate.

II. Social Issues and Other Client Guidelines

If a client has provided special instructions relating to the voting of proxies, they should be noted in the client s account file and forwarded to the proxy department. This is the responsibility of the investment professional or sales assistant for the client. In accordance with Department of Labor guidelines, the Advisers policy is to vote on behalf of ERISA accounts in the best interest of the plan participants with regard to social issues that carry an economic impact. Where an account is not governed by ERISA, the Advisers will vote shares held on behalf of the client in a manner consistent with any individual investment/voting guidelines provided by the client. Otherwise the Advisers will abstain with respect to those shares.

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III. Client Retention of Voting Rights

If a client chooses to retain the right to vote proxies or if there is any change in voting authority, the following should be notified by the investment professional or sales assistant for the client.

- Operations

- Proxy Department

- Investment professional assigned to the account

In the event that the Board of Directors (or a Committee thereof) of one or more of the investment companies managed by one of the Advisers has retained direct voting control over any security, the Proxy Voting Department will provide each Board Member (or Committee member) with a copy of the proxy statement together with any other relevant information including recommendations of ISS or other third-party services.

IV. Proxies of Certain Non-U.S. Issuers

Proxy voting in certain countries requires share-blocking. Shareholders wishing to vote their proxies must deposit their shares shortly before the date of the meeting with a designated depository. During the period in which the shares are held with a depository, shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the clients custodian. Absent a compelling reason to the contrary, the Advisers believe that the benefit to the client of exercising the vote is outweighed by the cost of voting and therefore, the Advisers will not typically vote the securities of non-U.S. issuers that require share-blocking.

In addition, voting proxies of issuers in non-US markets may also give rise to a number of administrative issues to prevent the Advisers from voting such proxies. For example, the Advisers may receive the notices for shareholder meetings without adequate time to consider the proposals in the proxy or after the cut-off date for voting. Other markets require the Advisers to provide local agents with power of attorney prior to implementing their respective voting instructions on the proxy. Although it is the Advisers policies to vote the proxies for its clients for which they have proxy voting authority, in the case of issuers in non-US markets, we vote client proxies on a best efforts basis.

V. Voting Records

The Proxy Voting Department will retain a record of matters voted upon by the Advisers for their clients. The Advisers will supply information on how they voted a client s proxy upon request from the client.

The complete voting records for each registered investment company (the Fund) that is managed by the Advisers will be filed on Form N-PX for the twelve months ended June 30th, no later than August 31st of each year. A description of the Fund s proxy voting policies, procedures, and how the Fund voted proxies relating to portfolio securities is available without charge, upon request, by (i) calling 800-GABELLI (800-422-3554); (ii) writing to Gabelli Funds, LLC at One Corporate Center, Rye, NY 10580-1422; or (iii) visiting the SEC s website at www.sec.gov.

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The Advisers proxy voting records will be retained in compliance with Rule 204-2 under the Investment Advisers Act.

VI. Voting Procedures

1. Custodian banks, outside brokerage firms and clearing firms are responsible for forwarding proxies directly to the Advisers.

Proxies are received in one of two forms:

- Shareholder Vote Instruction Forms (VIFs) - Issued by Broadridge Financial Solutions, Inc. (Broadridge). Broadridge is an outside service contracted by the various institutions to issue proxy materials.
- Proxy cards which may be voted directly.

2. Upon receipt of the proxy, the number of shares each form represents is logged into the proxy system, electronically or manually, according to security.

3. Upon receipt of instructions from the proxy committee, the votes are cast and recorded for each account.

Records have been maintained on the ProxyEdge system.

ProxyEdge records include:

Security Name and Cusip Number

Date and Type of Meeting (Annual, Special, Contest)

Client Name

Adviser or Fund Account Number

Directors Recommendation

How the Adviser voted for the client on item

4. VIFs are kept alphabetically by security. Records for the current proxy season are located in the Proxy Voting Department office. In preparation for the upcoming season, files are transferred to an offsite storage facility during January/February.

5. If a proxy card or VIF is received too late to be voted in the conventional matter, every attempt is made to vote including:

- When a solicitor has been retained, the solicitor is called. At the solicitor s direction, the proxy is faxed or sent electronically.

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In some circumstances VIFs can be faxed or sent electronically to Broadridge up until the time of the meeting.

6. In the case of a proxy contest, records are maintained for each opposing entity.

7. Voting in Person

a) At times it may be necessary to vote the shares in person. In this case, a legal proxy is obtained in the following manner:

Banks and brokerage firms using the services at Broadridge:
Broadridge is notified that we wish to vote in person. Broadridge issues individual legal proxies and sends them back via email or overnight (or the Adviser can pay messenger charges). A lead-time of at least two weeks prior to the meeting is needed to do this. Alternatively, the procedures detailed below for banks not using Broadridge may be implemented.

Banks and brokerage firms issuing proxies directly:
The bank is called and/or faxed and a legal proxy is requested.

All legal proxies should appoint:

Representative of [Adviser name] with full power of substitution.

b) The legal proxies are given to the person attending the meeting along with the limited power of attorney.

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Appendix A

Proxy Guidelines

PROXY VOTING GUIDELINES

General Policy Statement

It is the policy of GAMCO Investors, Inc, and its affiliated advisers (collectively the Advisers) to vote in the best economic interests of our clients. As we state in our Magna Carta of Shareholders Rights, established in May 1988, we are neither *for* nor *against* management. We are for shareholders.

At our first proxy committee meeting in 1989, it was decided that each proxy statement should be evaluated on its own merits within the framework first established by our Magna Carta of Shareholders Rights. The attached guidelines serve to enhance that broad framework.

We do not consider any issue routine. We take into consideration all of our research on the company, its directors, and their short and long-term goals for the company. In cases where issues that we generally do not approve of are combined with other issues, the negative aspects of the issues will be factored into the evaluation of the overall proposals but will not necessitate a vote in opposition to the overall proposals.

Board of Directors

We do not consider the election of the Board of Directors a routine issue. Each slate of directors is evaluated on a case-by-case basis.

Factors taken into consideration include:

Historical responsiveness to shareholders
This may include such areas as:

-Paying greenmail

-Failure to adopt shareholder resolutions receiving a majority of shareholder votes

Qualifications
Nominating committee in place
Number of outside directors on the board
Attendance at meetings
Overall performance

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Selection of Auditors

In general, we support the Board of Directors recommendation for auditors.

Blank Check Preferred Stock

We oppose the issuance of blank check preferred stock.

Blank check preferred stock allows the company to issue stock and establish dividends, voting rights, etc. without further shareholder approval.

Classified Board

A classified board is one where the directors are divided into classes with overlapping terms. A different class is elected at each annual meeting.

While a classified board promotes continuity of directors facilitating long range planning, we feel directors should be accountable to shareholders on an annual basis. We will look at this proposal on a case-by-case basis taking into consideration the board s historical responsiveness to the rights of shareholders.

Where a classified board is in place we will generally not support attempts to change to an annually elected board.

When an annually elected board is in place, we generally will not support attempts to classify the board.

Increase Authorized Common Stock

The request to increase the amount of outstanding shares is considered on a case-by-case basis.

Factors taken into consideration include:

Future use of additional shares
-Stock split

-Stock option or other executive compensation plan

-Finance growth of company/strengthen balance sheet

-Aid in restructuring

-Improve credit rating

-Implement a poison pill or other takeover defense

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Amount of stock currently authorized but not yet issued or reserved for stock option plans
Amount of additional stock to be authorized and its dilutive effect

We will support this proposal if a detailed and verifiable plan for the use of the additional shares is contained in the proxy statement.

Confidential Ballot

We support the idea that a shareholder s identity and vote should be treated with confidentiality.

However, we look at this issue on a case-by-case basis.

In order to promote confidentiality in the voting process, we endorse the use of independent Inspectors of Election.

Cumulative Voting

In general, we support cumulative voting.

Cumulative voting is a process by which a shareholder may multiply the number of directors being elected by the number of shares held on record date and cast the total number for one candidate or allocate the voting among two or more candidates.

Where cumulative voting is in place, we will vote against any proposal to rescind this shareholder right.

Cumulative voting may result in a minority block of stock gaining representation on the board. When a proposal is made to institute cumulative voting, the proposal will be reviewed on a case-by-case basis. While we feel that each board member should represent all shareholders, cumulative voting provides minority shareholders an opportunity to have their views represented.

Director Liability and Indemnification

We support efforts to attract the best possible directors by limiting the liability and increasing the indemnification of directors, except in the case of insider dealing.

Equal Access to the Proxy

The SEC s rules provide for shareholder resolutions. However, the resolutions are limited in scope and there is a 500 word limit on proponents written arguments. Management has no such limitations. While we support equal access to the proxy, we would look at such variables as length of time required to respond, percentage of ownership, etc.

Fair Price Provisions

Charter provisions requiring a bidder to pay all shareholders a fair price are intended to prevent two-tier tender offers that may be abusive. Typically, these provisions do not apply to board-approved transactions.

We support fair price provisions because we feel all shareholders should be entitled to receive the same benefits.

Reviewed on a case-by-case basis.

Golden Parachutes

Golden parachutes are severance payments to top executives who are terminated or demoted after a takeover.

We support any proposal that would assure management of its own welfare so that they may continue to make decisions in the best interest of the company and shareholders even if the decision results in them losing their job. We do not, however, support excessive golden parachutes. Therefore, each proposal will be decided on a case-by- case basis.

Anti-Greenmail Proposals

We do not support greenmail. An offer extended to one shareholder should be extended to all shareholders equally across the board.

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Limit Shareholders Rights to Call Special Meetings

We support the right of shareholders to call a special meeting.

Consideration of Nonfinancial Effects of a Merger

This proposal releases the directors from only looking at the financial effects of a merger and allows them the opportunity to consider the merger s effects on employees, the community, and consumers.

As a fiduciary, we are obligated to vote in the best economic interests of our clients. In general, this proposal does not allow us to do that. Therefore, we generally cannot support this proposal.

Reviewed on a case-by-case basis.

Mergers, Buyouts, Spin-Offs, Restructurings

Each of the above is considered on a case-by-case basis. According to the Department of Labor, we are not required to vote for a proposal simply because the offering price is at a premium to the current market price. We may take into consideration the long term interests of the shareholders.

Military Issues

Shareholder proposals regarding military production must be evaluated on a purely economic set of criteria for our ERISA clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-ERISA clients, we will vote according to the client s direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

Northern Ireland

Shareholder proposals requesting the signing of the MacBride principles for the purpose of countering the discrimination of Catholics in hiring practices must be evaluated on a purely economic set of criteria for our ERISA clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-ERISA clients, we will vote according to client direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

Opt Out of State Anti-Takeover Law

This shareholder proposal requests that a company opt out of the coverage of the state s takeover statutes. Example: Delaware law requires that a buyer must acquire at least 85% of the company s stock before the buyer can exercise control unless the board approves.

We consider this on a case-by-case basis. Our decision will be based on the following:

- State of Incorporation
- Management history of responsiveness to shareholders
- Other mitigating factors

Poison Pill

In general, we do not endorse poison pills.

In certain cases where management has a history of being responsive to the needs of shareholders and the stock is very liquid, we will reconsider this position.

Reincorporation

Generally, we support reincorporation for well-defined business reasons. We oppose reincorporation if proposed solely for the purpose of reincorporating in a state with more stringent anti-takeover statutes that may negatively impact the value of the stock.

Stock Incentive Plans

Director and Employee Stock incentive plans are an excellent way to attract, hold and motivate directors and employees. However, each incentive plan must be evaluated on its own merits, taking into consideration the following:

- Dilution of voting power or earnings per share by more than 10%.
- Kind of stock to be awarded, to whom, when and how much.
- Method of payment.

Amount of stock already authorized but not yet issued under existing stock plans.
The successful steps taken by management to maximize shareholder value.

Supermajority Vote Requirements

Supermajority vote requirements in a company s charter or bylaws require a level of voting approval in excess of a simple majority of the outstanding shares. In general, we oppose supermajority-voting requirements. Supermajority requirements often exceed the average level of shareholder participation. We support proposals approvals by a simple majority of the shares voting.

Limit Shareholders Right to Act by Written Consent

Written consent allows shareholders to initiate and carry on a shareholder action without having to wait until the next annual meeting or to call a special meeting. It permits action to be taken by the written consent of the same percentage of the shares that would be required to effect proposed action at a shareholder meeting.

Reviewed on a case-by-case basis.

Say-on-Pay / Say-When-on-Pay / Say-on-Golden-Parachutes

Required under the Dodd-Frank Act; these proposals are non-binding advisory votes on executive compensation. We will generally vote with the Board of Directors recommendation(s) on advisory votes on executive compensation (Say-on-Pay), advisory votes on the frequency of voting on executive compensation (Say-When-on-Pay) and advisory votes relating to extraordinary transaction executive compensation (Say-on-Golden-Parachutes). In those instances when we believe that it is in our clients best interest, we may abstain or vote against executive compensation and/or the frequency of votes on executive compensation and/or extraordinary transaction executive compensation advisory votes.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

PORTFOLIO MANAGERS

Mario J. Gabelli, CFA, is Chairman and Chief Executive Officer of GAMCO Investors, Inc. and Associated Capital Group, Inc., and Chief Investment Officer Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc. Mr. Gabelli is a summa cum laude graduate of Fordham University and holds an MBA degree from Columbia Business School and Honorary Doctorates from Fordham University and Roger Williams University.

Lawrence J. Haverty, Jr., CFA, has served as associate portfolio manager of The Gabelli Multimedia Trust, Inc. since 2005. Prior to 2005, Mr. Haverty was a managing director for consumer discretionary research at State Street Research, the Boston-based subsidiary of Metropolitan Life Insurance Company.

Christopher J. Marangi joined Gabelli in 2003 as a research analyst. He currently serves as Co-Chief Investment Officer of GAMCO Investors, Inc. s Value team and a portfolio manager of Gabelli Funds, LLC. He manages several funds within the Gabelli/GAMCO Fund Complex. Mr. Marangi graduated magna cum laude and Phi Beta Kappa with a BA in Political Economy from Williams College and holds an MBA with honors from Columbia Business School.

MANAGEMENT OF OTHER ACCOUNTS

The table below shows the number of other accounts managed by the portfolio managers and the total assets in each of the following categories: registered investment companies, other paid investment vehicles and other accounts as of December 31, 2015. For each category, the table also shows the number of accounts and the total assets in the accounts with respect to which the advisory fee is based on account performance.

Name of Portfolio Manager	Type of Accounts	Total No. of Accounts Managed	Total Assets	No. of Accounts where Advisory Fee is Based on Performance	Total Assets in Accounts where Advisory Fee is Based on Performance
1. Mario J. Gabelli	Registered Investment Companies:	24	21.2B	5	4.2B
	Other Pooled Investment Vehicles:	29	900.5M	18	795.6M

	Other Accounts:	1,634	15.1B	20	1.7B
2. Lawrence J. Haverty, Jr.	Registered Investment Companies:	0	0	0	0
	Other Pooled Investment Vehicles:	0	0	0	0
	Other Accounts:	4	4.1M	0	0
3. Christopher J. Marangi	Registered Investment Companies:	6	5.7B	2	2.3B
	Other Pooled Investment Vehicles:	0	0	0	0
	Other Accounts:	350	1.2B	2	18.3M

POTENTIAL CONFLICTS OF INTEREST

Actual or apparent conflicts of interest may arise when a Portfolio Manager also has day to day management responsibilities with respect to one or more other accounts. These potential conflicts include:

ALLOCATION OF LIMITED TIME AND ATTENTION. Because the portfolio managers manage many accounts, they may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those accounts as might be the case if they were to devote all of their attention to the management of only a few accounts.

ALLOCATION OF LIMITED INVESTMENT OPPORTUNITIES. If the portfolio managers identify an investment opportunity that may be suitable for multiple accounts, the Fund may not be able to take full advantage of that opportunity because the opportunity may be allocated among all or many of these accounts or other accounts managed primarily by other portfolio managers of the Adviser, and their affiliates.

SELECTION OF BROKER/DEALERS. Because of Mr. Gabelli s indirect majority ownership interest in G.research, LLC, he may have an incentive to use G.research to execute portfolio transactions for a Fund.

PURSUIT OF DIFFERING STRATEGIES. At times, the portfolio managers may determine that an investment opportunity may be appropriate for only some of the accounts for which they exercises investment responsibility, or may decide that certain of these accounts should take differing positions with respect to a particular security. In these cases, the portfolio managers may execute differing or opposite transactions for one or more accounts which may affect the market price of the security or the execution of the transaction, or both, to the detriment of one or more of their accounts.

VARIATION IN COMPENSATION. A conflict of interest may arise where the financial or other benefits available to the portfolio manager differ among the accounts that they manage. If the structure of the Adviser s management fee or the portfolio manager s compensation differs among accounts (such as where certain accounts pay higher management fees or performance-based management fees), the portfolio managers may be motivated to favor certain accounts over others. The portfolio managers also may be motivated to favor accounts in which they have an investment interest, or in which the Adviser, or its affiliates have investment interests. In Mr. Gabelli s case, the Adviser s compensation and expenses for the Fund are marginally greater as a percentage of assets than for certain other accounts and are less than for certain other accounts managed by Mr. Gabelli, while his personal compensation structure varies with near-term performance to a greater degree in certain performance fee based accounts than with on-performance based accounts. In addition, he has investment interests in several of the funds managed by the Adviser and its affiliates.

The Adviser, and the Funds have adopted compliance policies and procedures that are designed to address the various conflicts of interest that may arise for the Adviser and their staff members. However, there is no guarantee that such policies and procedures will be able to detect and prevent every situation in which an actual or potential conflict may arise.

COMPENSATION STRUCTURE FOR MARIO J. GABELLI

Mr. Gabelli receives incentive-based variable compensation based on a percentage of net revenues received by the Adviser for managing the Fund. Net revenues are determined by deducting from gross investment management fees the firm s expenses (other than Mr. Gabelli s compensation) allocable to this Fund. Five closed-end registered investment companies (including this Fund) managed by Mr. Gabelli have arrangements whereby the Adviser will only receive its investment advisory fee attributable to the liquidation value of outstanding preferred stock (and Mr. Gabelli would only receive his percentage of such advisory fee) if certain performance levels are met.

Additionally, he receives similar incentive based variable compensation for managing other accounts within the firm and its affiliates. This method of compensation is based on the premise that superior long-term performance in managing a portfolio should be rewarded with higher compensation as a result of growth of assets through appreciation and net investment activity. The level of compensation is not determined with specific reference to the performance of any account against any specific benchmark. One of the other closed-end registered investment companies managed by Mr. Gabelli has a performance (fulcrum) fee arrangement for which his compensation is adjusted up or down based on the performance of the investment company relative to an index. Mr. Gabelli manages other accounts with performance fees. Compensation for managing these accounts has two components. One component is based on a percentage of net revenues to the investment adviser for managing the account. The second component is based on absolute performance of the account, with respect to which a percentage of such performance fee is paid to Mr. Gabelli. As an executive officer of the Adviser s parent company, GBL, Mr. Gabelli also receives ten percent of the net operating profits of the parent company. He receives no base salary, no annual bonus, and no stock options.

COMPENSATION STRUCTURE FOR PORTFOLIO MANAGERS OF THE ADVISER OTHER THAN MARIO GABELLI

The compensation of the Portfolio Managers for the Fund is structure to enable the Adviser to attract and retain highly qualified professionals in a competitive environment. The Portfolio Managers receive a compensation package that includes a minimum draw or base salary, equity-based incentive compensation via awards of restricted stock, and incentive-based variable compensation based on a percentage of net revenue received by the Adviser for managing a Fund to the extent that the amount exceeds a minimum level of compensation. Net revenues are determined by deducting from gross investment management fees certain of the firm s expenses (other than the respective Portfolio Manager s compensation) allocable to the respective Fund (the incentive-based variable compensation for managing other accounts is also based on a percentage of net revenues to the investment adviser for managing the account). This method of compensation is based on the premise that superior long-term performance in managing a portfolio should be rewarded with higher compensation as a result of growth of assets through appreciation and net investment activity. The level of equity-based incentive and incentive-based variable compensation is based on an evaluation by the Adviser s parent, GBL, of quantitative and qualitative performance evaluation criteria. This evaluation takes into account, in a broad sense, the performance of the accounts managed by the Portfolio Manager, but the level of compensation is not determined with specific reference to the performance of any account against any specific benchmark. Generally, greater consideration is given to the performance of larger accounts and to longer term performance over smaller accounts and short-term performance.

OWNERSHIP OF SHARES IN THE FUND

Mario J. Gabelli, Lawrence J. Haverty, Jr., and Christopher J. Marangi each owned over $1,000,000, $100,001-$500,000 and $0 - $10,000, respectively, of shares of the Trust as of December 31, 2015.

(b) Not applicable.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

REGISTRANT PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Month #1 07/01/15 through 07/31/15	Common N/A Preferred Series B N/A	Common N/A Preferred Series B N/A	Common N/A Preferred Series B N/A	Common 24,308,212 Preferred Series B 791,014
Month #2 08/01/15 through 08/31/15	Common N/A Preferred Series B N/A	Common N/A Preferred Series B N/A	Common N/A Preferred Series B N/A	Common 24,308,212 Preferred Series B 791,014
Month #3 09/01/15 through 09/30/15	Common N/A Preferred Series B N/A	Common N/A Preferred Series B N/A	Common N/A Preferred Series B N/A	Common 24,308,212 Preferred Series B 791,014
Month #4 10/01/15 through 10/31/15	Common N/A Preferred Series B N/A	Common N/A Preferred Series B N/A	Common N/A Preferred Series B N/A	Common 24,308,212 Preferred Series B 791,014
Month #5 11/01/15 through 11/30/15	Common N/A Preferred Series B N/A	Common N/A Preferred Series B N/A	Common N/A Preferred Series B N/A	Common 24,308,212 Preferred Series B 791,014

Month #6 12/01/15 through 12/31/15	Common N/A	Common N/A	Common N/A	Common 24,308,212
	Preferred Series B N/A	Preferred Series B N/A	Preferred Series B N/A	Preferred Series B 791,014
Total	Common N/A	Common N/A	Common N/A	N/A
	Preferred Series B N/A	Preferred Series B N/A	Preferred Series B N/A	

Footnote columns (c) and (d) of the table, by disclosing the following information in the aggregate for all plans or programs publicly announced:

a. The date each plan or program was announced The notice of the potential repurchase of common and preferred shares occurs quarterly in the Fund s quarterly report in accordance with Section 23(c) of the Investment Company Act of 1940, as amended.
b. The dollar amount (or share or unit amount) approved Any or all common shares outstanding may be repurchased when the Fund s common shares are trading at a discount of 5% or more from the net asset value of the shares.
   Any or all preferred shares outstanding may be repurchased when the Fund s preferred shares are trading at a discount to the liquidation value of $25.00.
c. The expiration date (if any) of each plan or program The Fund s repurchase plans are ongoing.
d. Each plan or program that has expired during the period covered by the table The Fund s repurchase plans are ongoing.
e. Each plan or program the registrant has determined to terminate prior to expiration, or under which the registrant does not intend to make further purchases. The Fund s repurchase plans are ongoing.

Item 10. Submission of Matters to a Vote of Security Holders.

There have been no material changes to the procedures by which the shareholders may recommend nominees to the registrant s Board of Directors, where those changes were implemented after the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (17 CFR 229.407) (as required by Item 22(b)(15) of Schedule 14A (17 CFR 240.14a-101)), or this Item.

Item 11. Controls and Procedures.

(a) The registrant s principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant s disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).

(b) There were no changes in the registrant s internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant s second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

Item 12. Exhibits.

(a)(1) Code of ethics, or any amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.

(a)(2) Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.

(a)(3) Not applicable.

(12.other) Not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) The Gabelli Multimedia Trust Inc.

By (Signature and Title)* /s/ Bruce N. Alpert
Bruce N. Alpert, Principal Executive Officer

Date 3/9/2016

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /s/ Bruce N. Alpert
Bruce N. Alpert, Principal Executive Officer

Date 3/9/2016

By (Signature and Title)* /s/ Agnes Mullady
Agnes Mullady, Principal Financial Officer and Treasurer

Date 3/9/2016

* Print the name and title of each signing officer under his or her signature.