Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

2009

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A This return/report is for:
- [ ] a multiemployer plan;
- [ ] a multiple-employer plan; or
- [X] a single-employer plan;
- [ ] a DFE (specify) ____

B This return/report is:
- [ ] the first return/report;
- [ ] the final return/report;
- [ ] an amended return/report;
- [ ] a short plan year return/report (less than 12 months).

C If the plan is a collectively-bargained plan, check here. . . . . ▶ [X]

D Check box if filing under:
- [X] Form 5558;
- [ ] automatic extension;
- [ ] the DFVC program;
- [ ] special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN

1b Three-digit plan number (PN) ▶ 002

1c Effective date of plan 01/01/2007

2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.)
KAPSTONE PAPER AND PACKAGING CORPORATION

1101 SKOKIE BLVD STE 300
NORTHBROOK, IL 60062-4124

2b Employer Identification Number (EIN)
20-2699372

2c Sponsor's telephone number
847-239-8809

2d Business code (see instructions)
322100

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	09/29/2010	THERESE M LOWRY
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	09/29/2010	THERESE M LOWRY
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address (if same as plan sponsor, enter "Same")
KAPSTONE PAPER AND PACKAGING CORPORATION

1101 SKOKIE BLVD STE 300
NORTHBROOK, IL 60062-4124

3b Administrator's EIN
20-2699372

3c Administrator's telephone number
847-239-8809

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:

a Sponsor's name

4b EIN

4c PN

5	Total number of participants at the beginning of the plan year	**5**	1069
6	Number of participants as of the end of the plan year (welfare plans complete only lines **6a, 6b, 6c,** and **6d**).		
a	Active participants	**6a**	950
b	Retired or separated participants receiving benefits	**6b**	14
c	Other retired or separated participants entitled to future benefits	**6c**	21
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	985
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	2
f	Total. Add lines **6d** and **6e**	**6f**	987
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	0
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	63
7	Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	**7**	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
1B 1G 3H

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply)

(1)	X	Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)		Trust
(4)		General assets of the sponsor

9b Plan benefit arrangement (check all that apply)

(1)	X	Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)		Trust
(4)		General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

(1)	X	**R** (Retirement Plan Information)
(2)		**MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
(3)	X	**SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

(1)	X		**H** (Financial Information)
(2)			**I** (Financial Information – Small Plan)
(3)	X	1	**A** (Insurance Information)
(4)	X		**C** (Service Provider Information)
(5)	X		**D** (DFE/Participating Plan Information)
(6)			**G** (Financial Transaction Schedules)

SCHEDULE A (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Insurance Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

▶ **File as an attachment to Form 5500.**

▶ Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).

OMB No. 1210-0110

2009

This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500.
KAPSTONE PAPER AND PACKAGING CORPORATION

D Employer Identification Number (EIN)
20-2699372

Part I Information Concerning Insurance Contract Coverage, Fees, and Commissions

Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A.

1 Coverage Information:

(a) Name of insurance carrier
PRINCIPAL LIFE INSURANCE COMPANY

(b) EIN	(c) NAIC code	(d) Contract or identification number	(e) Approximate number of persons covered at end of policy or contract year	Policy or contract year	
				(f) From	(g) To
42-0127290	61271	518849	14	01/01/2009	12/31/2009

2 Insurance fee and commission information. Enter the total fees and total commissions paid. List in item 3 the agents, brokers, and other persons in descending order of the amount paid.

(a) Total amount of commissions paid	(b) Total amount of fees paid
8907	499

3 Persons receiving commissions and fees. (Complete as many entries as needed to report all persons).

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

LOCKTON FINANCIAL ADVISORS LLC
C/O UMB BK PO BOX 878188
KANSAS CITY MO
KANSAS CITY, MO 00006-4187

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	
8907	499	PRORATED INCENTIVE, NOT DEDUCTED FROM PLAN	3

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

Part II Investment and Annuity Contract Information

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

4	Current value of plan's interest under this contract in the general account at year end	4	0
5	Current value of plan's interest under this contract in separate accounts at year end	5	6267244

6 Contracts With Allocated Funds:

a State the basis of premium rates ▶

b	Premiums paid to carrier	6b	
c	Premiums due but unpaid at the end of the year	6c	
d	If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount.	6d	

Specify nature of costs ▶

e Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity

(3) ☐ other (specify) ▶

f If contract purchased, in whole or in part, to distribute benefits from a terminating plan check here ▶ ☐

7 Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)

a Type of contract: (1) ☐ deposit administration (2) ☐ immediate participation guarantee

(3) ☐ guaranteed investment (4) ☐ other ▶

b	Balance at the end of the previous year			7b	
c	Additions: (1) Contributions deposited during the year	7c(1)			
	(2) Dividends and credits	7c(2)			
	(3) Interest credited during the year	7c(3)			
	(4) Transferred from separate account	7c(4)			
	(5) Other (specify below)	7c(5)			
	▶				
	(6) Total additions			7c(6)	
d	Total of balance and additions (add **b** and **c(6)**)			7d	
e	Deductions:				
	(1) Disbursed from fund to pay benefits or purchase annuities during year	7e(1)			
	(2) Administration charge made by carrier	7e(2)			
	(3) Transferred to separate account	7e(3)			
	(4) Other (specify below)	7e(4)			
	▶				
	(5) Total deductions			7e(5)	
f	Balance at the end of the current year (subtract **e(5)** from **d**)			7f	0

Part III Welfare Benefit Contract Information

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organization(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

8 Benefit and contract type (check all applicable boxes)

a ☐ Health (other than dental or vision) **b** ☐ Dental **c** ☐ Vision **d** ☐ Life insurance
e ☐ Temporary disability (accident and sickness) **f** ☐ Long-term disability **g** ☐ Supplemental unemployment **h** ☐ Prescription drug
i ☐ Stop loss (large deductible) **j** ☐ HMO contract **k** ☐ PPO contract **l** ☐ Indemnity contract
m ☐ Other (specify) ▶

9 Experience-rated contracts:				
a Premiums: (1) Amount received	**9a(1)**			
(2) Increase (decrease) in amount due but unpaid	**9a(2)**			
(3) Increase (decrease) in unearned premium reserve	**9a(3)**			
(4) Earned (**(1)** + **(2)** - **(3)**)			**9a(4)**	
b Benefit charges (1) Claims paid	**9b(1)**			
(2) Increase (decrease) in claim reserves	**9b(2)**			
(3) Incurred claims (add **(1)** and **(2)**)			**9b(3)**	
(4) Claims charged			**9b(4)**	
c Remainder of premium: (1) Retention charges (on an accrual basis) --				
(A) Commissions	**9c(1)(A)**			
(B) Administrative service or other fees	**9c(1)(B)**			
(C) Other specific acquisition costs	**9c(1)(C)**			
(D) Other expenses	**9c(1)(D)**			
(E) Taxes	**9c(1)(E)**			
(F) Charges for risks or other contingencies	**9c(1)(F)**			
(G) Other retention charges	**9c(1)(G)**			
(H) Total retention			**9c(1)(H)**	
(2) Dividends or retroactive rate refunds. (These amounts were ☐ paid in cash, or ☐ credited.)			**9c(2)**	
d Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement			**9d(1)**	
(2) Claim reserves			**9d(2)**	
(3) Other reserves			**9d(3)**	
e Dividends or retroactive rate refunds due. (Do not include amount entered in **c(2)**.)			**9e**	
10 Nonexperience-rated contracts:				
a Total premiums or subscription charges paid to carrier			**10a**	
b If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, item 2 above, report amount.			**10b**	

Specify nature of costs ▶

Part IV Provision of Information

11 Did the insurance company fail to provide any information necessary to complete Schedule A? ☐ Yes ☒ No

12 If the answer to line 11 is "Yes," specify the information not provided. ▶

SCHEDULE SB (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Single-Employer Defined Benefit Plan Actuarial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500 or 5500-SF.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of $1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF
KAPSTONE PAPER AND PACKAGING CORPORATION

D Employer Identification Number (EIN)
20-2699372

E Type of plan: [X] Single [ ] Multiple-A [ ] Multiple-B

F Prior year plan size: [ ] 100 or fewer [ ] 101-500 [X] More than 500

Part I Basic Information

1 Enter the valuation date: Month 01 Day 01 Year 2009

2	Assets:			
a	Market value		**2a**	3795028
b	Actuarial value		**2b**	3939863
3	Funding target/participant count breakdown		**(1)** Number of participants	**(2)** Funding Target
a	For retired participants and beneficiaries receiving payment	**3a**	2	27341
b	For terminated vested participants	**3b**	18	44896
c	For active participants:			
	(1) Non-vested benefits	**3c(1)**		678696
	(2) Vested benefits	**3c(2)**		4170816
	(3) Total active	**3c(3)**	1052	4849512
d	Total	**3d**	1072	4921749
4	If the plan is at-risk, check the box and complete items (a) and (b) [X]			
a	Funding target disregarding prescribed at-risk assumptions		**4a**	4921749
b	Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor		**4b**	4921749
5	Effective interest rate		**5**	8.02 %
6	Target normal cost		**6**	2027188

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE

	09/16/2010
Signature of actuary	Date
LINDA M. KIRK	08-06140
Type or print name of actuary	Most recent enrollment number
PRINCIPAL FINANCIAL GROUP	515-248-2947
Firm name	Telephone number (including area code)
PO BOX 9394 DES MOINES, IA 50306-9394	
Address of the firm	

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions [ ]

Part II Beginning of year carryover and prefunding balances

		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	0	0
8	Portion used to offset prior year's funding requirement (Item 35 from prior year)	0	0
9	Amount remaining (Item 7 minus item 8)	0	0
10	Interest on item 9 using prior year's actual return of -41.19 %	0	0
11	Prior year's excess contributions to be added to prefunding balance:		
	a Excess contributions (Item 38 from prior year)		1443890
	b Interest on (a) using prior year's effective rate of 6.16 %		88944
	c Total available at beginning of current plan year to add to prefunding balance		1532834
	d Portion of (c) to be added to prefunding balance		0
12	Reduction in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (item 9 + item 10 + item 11d – item 12)	0	0

Part III Funding percentages

14	Funding target attainment percentage	14	80.05 %
15	Adjusted funding target attainment percentage	15	80.05 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	40.55 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and liquidity shortfalls

18 Contributions made to the plan for the plan year by employer(s) and employees:

(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
04/15/2009	336865	0			
07/15/2009	336865	0			
10/14/2009	336865	0			
12/28/2009	1299831	0			
03/22/2010	614029	0			
			Totals ► 18(b)	2924455	18(c) 0

19	Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:		
	a Contributions allocated toward unpaid minimum required contribution from prior years	19a	0
	b Contributions made to avoid restrictions adjusted to valuation date	19b	0
	c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	2733160

20 Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year? [X] Yes [ ] No

b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner? [X] Yes [ ] No

c If 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of Quarter of this plan year

(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:

a Segment rates:

1st segment: %	2nd segment: %	3rd segment: %	[X] N/A, full yield curve used

b Applicable month (enter code) — **21b**: 3

22 Weighted average retirement age — **22**: 62

23 Mortality table(s) (see instructions) [ ] Prescribed - combined [X] Prescribed - separate [ ] Substitute

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment. [ ] Yes [X] No

25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment. [X] Yes [ ] No

26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment. [X] Yes [ ] No

27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment	**27**	

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	**28**	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a)	**29**	0
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	**30**	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions)	**31**		2027188
32 Amortization installments:		Outstanding Balance	Installment
a Net shortfall amortization installment		686581	146300
b Waiver amortization installment		0	0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	**33**		
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b – item 33)	**34**		2173488

	Carryover balance	Prefunding balance	Total balance
35 Balances used to offset funding requirement	0	0	0

36 Additional cash requirement (item 34 minus item 35)	**36**	2173488
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c)	**37**	2733160
38 Interest-adjusted excess contributions for current year (see instructions)	**38**	559672
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37)	**39**	0
40 Unpaid minimum required contribution for all years	**40**	0

SCHEDULE C (Form 5500)	Service Provider Information	OMB No. 1210-0110
Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ **File as an attachment to Form 5500.**	**2009** **This Form is Open to Public Inspection.**

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500
KAPSTONE PAPER AND PACKAGING CORPORATION

D Employer Identification Number (EIN)
20-2699372

Part I Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).. . . . . [X] Yes [ ] No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

PRINCIPAL LIFE INSURANCE COMPANY

42-0127290

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation

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(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received $1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)

(complete as many entries as needed)

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN;
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN;
c Position:	
d Address:	**e** Telephone:

Explanation:

SCHEDULE D (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

DFE/Participating Plan Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN

B Three-digit plan number (PN) ▶ 002

C Plan or DFE sponsor's name as shown on line 2a of Form 5500
KAPSTONE PAPER AND PACKAGING CORPORATION

D Employer Identification Number (EIN)
20-2699372

Part I Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs)

(Complete as many entries as needed to report all interests in DFEs)

a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN MIDCAP VALUE III SA-R6

b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
42-0127290-022	P	38909

a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN LGCAP BLEND I SEP ACCT-R6

b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
42-0127290-017	P	0

a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN LGCAP GROWTH SEP ACCT-R6

b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
42-0127290-018	P	181777

a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN U.S. PROPERTY SEP ACCT-R6

b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
42-0127290-027	P	21228

a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN BOND AND MORTGAGE SA-R6

b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
42-0127290-005	P	2010784

a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN LGCAP S&P 500 INDEX SA-R6

b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
42-0127290-016	P	156790

a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN INTL I SEPARATE ACCT-R6

b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
42-0127290-048	P	88426

a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN MIDCAP GROWTH III SA-R6			
b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY			
c EIN-PN 42-0127290-026	**d** Entity code P	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	39183
a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN INTL GROWTH SEP ACCT-R6			
b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY			
c EIN-PN 42-0127290-064	**d** Entity code P	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	84409
a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN LARGECAP GROWTH I SA-R6			
b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY			
c EIN-PN 42-0127290-066	**d** Entity code P	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	186002
a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN LARGECAP VALUE III SA-R6			
b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY			
c EIN-PN 42-0127290-068	**d** Entity code P	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	128343
a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN SMALLCAP GROWTH II SA-R6			
b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY			
c EIN-PN 42-0127290-071	**d** Entity code P	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	38855
a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN PREF SECS SEP ACCT-R6			
b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY			
c EIN-PN 42-0127290-087	**d** Entity code P	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	0
a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN SMALLCAP VALUE I SA-R6			
b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY			
c EIN-PN 42-0127290-094	**d** Entity code P	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	0
a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN SMALLCAP VALUE II SA-R6			
b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY			
c EIN-PN 42-0127290-096	**d** Entity code P	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	37983
a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN LARGECAP VALUE I SA-R6			
b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY			
c EIN-PN 42-0127290-098	**d** Entity code P	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	230288
a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN HIGH YIELD I SEP ACCT-R6			
b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY			
c EIN-PN 42-0127290-101	**d** Entity code P	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	233604

a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN INFLATION PROTECT SA-R6

b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY

c EIN-PN 42-0127290-099	**d** Entity code P	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 730969

a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN CORE PLUS BOND I SA-R6

b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY

c EIN-PN 42-0127290-115	**d** Entity code P	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 1978319

a Name of MTIA, CCT, PSA, or 103-12 IE: PR INTERNAT'L VALUE I SA-R6

b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY

c EIN-PN 42-0127290-116	**d** Entity code P	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 81375

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500
KAPSTONE PAPER AND PACKAGING CORPORATION

D Employer Identification Number (EIN)
20-2699372

Part I Asset and Liability Statement

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	3088150	614029
(2) Participant contributions	1b(2)	0	0
(3) Other	1b(3)	0	0
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)	831734	6267244
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

		(a) Beginning of Year	(b) End of Year
1d Employer-related investments:			
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	3919884	6881273
Liabilities			
g Benefit claims payable	1g	0	
h Operating payables	1h	0	
i Acquisition indebtedness	1i	0	
j Other liabilities	1j	0	
k Total liabilities (add all amounts in lines 1g through1j)	1k	0	0
Net Assets			
l Net assets (subtract line 1k from line 1f)	1l	3919884	6881273

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: **(A)** Employers	2a(1)(A)	2924455	
(B) Participants	2a(1)(B)	0	
(C) Others (including rollovers)	2a(1)(C)	0	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		2924455
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	0	
(B) U.S. Government securities	2b(1)(B)	0	
(C) Corporate debt instruments	2b(1)(C)	0	
(D) Loans (other than to participants)	2b(1)(D)	0	
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)	0	
(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		0
(2) Dividends: **(A)** Preferred stock	2b(2)(A)	0	
(B) Common stock	2b(2)(B)	0	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	0	
(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		0
(3) Rents	2b(3)		0
(4) Net gain (loss) on sale of assets: **(A)** Aggregate proceeds	2b(4)(A)	0	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	0	
(C) Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result	2b(4)(C)		0

			(a) Amount	(b) Total
2b	(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)	0	
	(B) Other	2b(5)(B)	0	
	(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0
	(6) Net investment gain (loss) from common/collective trusts	2b(6)		0
	(7) Net investment gain (loss) from pooled separate accounts	2b(7)		298960
	(8) Net investment gain (loss) from master trust investment accounts	2b(8)		0
	(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		0
	(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		0
c	Other income	2c		0
d	Total income. Add all **income** amounts in column (b) and enter total	2d		3223415
	Expenses			
e	Benefit payment and payments to provide benefits:			
	(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	260776	
	(2) To insurance carriers for the provision of benefits	2e(2)	0	
	(3) Other	2e(3)	1250	
	(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		262026
f	Corrective distributions (see instructions)	2f		0
g	Certain deemed distributions of participant loans (see instructions)	2g		
h	Interest expense	2h		
i	Administrative expenses: (1) Professional fees	2i(1)	0	
	(2) Contract administrator fees	2i(2)	0	
	(3) Investment advisory and management fees	2i(3)	0	
	(4) Other	2i(4)	0	
	(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		0
j	Total expenses. Add all **expense** amounts in column (b) and enter total	2j		262026
	Net Income and Reconciliation			
k	Net income (loss). Subtract line 2j from line 2d	2k		2961389
l	Transfers of assets:			
	(1) To this plan	2l(1)		0
	(2) From this plan	2l(2)		0

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) [ ] Unqualified **(2)** [ ] Qualified **(3)** [X] Disclaimer **(4)** [ ] Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [X] Yes [ ] No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: WOLF & COMPANY LLP **(2)** EIN: 36-2985665

d The opinion of an independent qualified public accountant is **not attached** because:

(1) [ ] This form is filed for a CCT, PSA, or MTIA. **(2)** [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

		Yes	No	Amount
a	Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	**4a**		X	0
b	Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	**4b**		X	0
c	Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	**4c**		X	0
d	Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	**4d**		X	0
e	Was this plan covered by a fidelity bond?	**4e**	X		5000000
f	Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	**4f**		X	
g	Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	**4g**		X	
h	Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	**4h**		X	
i	Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	**4i**	X		
j	Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	**4j**	X		
k	Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	**4k**		X	
l	Has the plan failed to provide any benefit when due under the plan?	**4l**		X	
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	**4m**		X	
n	If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	**4n**			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? If yes, enter the amount of any plan assets that reverted to the employer this year ☐ **Yes** ☒ **No** **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	**5b(2)** EIN(s)	**5b(3)** PN(s)

SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Retirement Plan Information

This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500
KAPSTONE PAPER AND PACKAGING CORPORATION

D Employer Identification Number (EIN)
20-2699372

Part I Distributions

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions **1** 0

2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):

EIN(s): 42-0127290

Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.

3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year **3** 57

Part II Funding Information (If the plan is not subject to the minimum funding requirements of section of 412 of the Internal Revenue Code or ERISA section 302, skip this Part)

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... ☐ **Yes** ☐ **No** ☒ **N/A**

If the plan is a defined benefit plan, go to line 8.

5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____

If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.

6 **a** Enter the minimum required contribution for this plan year **6a**

b Enter the amount contributed by the employer to the plan for this plan year **6b**

c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) **6c**

If you completed line 6c, skip lines 8 and 9.

7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☒ **Yes** ☐ **No** ☐ **N/A**

Part III Amendments

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box. ..... ☐ **Increase** ☐ **Decrease** ☐ **Both** ☒ **No**

Part IV ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ **Yes** ☐ **No**

11 **a** Does the ESOP hold any preferred stock? ..... ☐ **Yes** ☐ **No**

b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ **Yes** ☐ **No**

12 Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☐ **Yes** ☐ **No**

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

14 Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	**14a**	
b The plan year immediately preceding the current plan year	**14b**	
c The second preceding plan year	**14c**	

15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	**15a**	
b The corresponding number for the second preceding plan year	**15b**	

16 Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	**16a**	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	**16b**	

17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

19 If the total number of participants is 1,000 or more, complete items (a) through (c)

a Enter the percentage of plan assets held as:
Stock: 22.0% Investment-Grade Debt: 52.0% High-Yield Debt: 11.0% Real Estate: 4.0% Other: 11.0%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☒ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☒ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

KapStone Paper and Packaging Corporation Defined Benefit Retirement Plan

Financial Statements
and
Independent Auditor's Report
For the Year Ended
December 31, 2009

Wolf & Company LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Plan Administrator
KapStone Paper and Packaging Corporation
Defined Benefit Retirement Plan

We were engaged to audit the accompanying statements of net assets available for benefits of KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended, and the supplemental schedules as of and for the year ended December 31, 2009. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 5, which was certified by Principal Life Insurance Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the trustee as of and for the years ended December 31, 2009 and 2008, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules taken as a whole. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Wolf & Company LLP

Oak Brook, Illinois
September 21, 2010

2100 Clearwater Drive ▲ Oak Brook, Illinois 60523-1927
630.545.4500 *main* ▲ 630.574.7818 *fax* ▲ www.wolfcpa.com

KAPSTONE PAPER AND PACKAGING CORPORATION
DEFINED BENEFIT RETIREMENT PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2009	2008
Pooled separate accounts	$ 6,267,244	$ 831,735
Contribution receivable	614,029	3,088,150
Net assets available for benefits	$ 6,881,273	$ 3,919,885

See accompanying notes and independent auditor's report.

KAPSTONE PAPER AND PACKAGING CORPORATION
DEFINED BENEFIT RETIREMENT PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	For the Year Ended December 31,	
	2009	2008
Additions to net assets attributed to:		
Net appreciation (depreciation) in fair value of investments	$ 298,960	$ (151,599)
Employer contributions	2,924,455	3,088,150
Total additions	3,223,415	2,936,551
Deductions from net assets attributed to:		
Benefits paid to participants	262,027	2,206
Administrative expenses	-	66,514
Total deductions	262,027	68,720
Increase in net assets available for benefits	2,961,388	2,867,831
Net assets available for benefits:		
Beginning of year	3,919,885	1,052,054
End of year	$ 6,881,273	$ 3,919,885

See accompanying notes and independent auditor's report.

KAPSTONE PAPER AND PACKAGING CORPORATION
DEFINED BENEFIT RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS

1. Description of Plan

The following brief description of the KapStone Paper and Packaging Corporation Defined Benefit Retirement Plan (the Plan) is provided for general information purposes only. Participants should refer to the plan agreement for more complete information.

General – The Plan is a defined benefit pension plan covering all employees of KapStone Paper and Packaging Corporation who have attained the age of 21 and fulfilled one year of service in which they completed at least 1,000 hours of service. Employees must be employed at the Fordyce (sold as of March 31, 2009), Roanoke Rapids, or Charleston locations and be active members of the local workers union to participate in the pension plan. KapStone purchased the Charleston Mill in July of 2008. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended by subsequent legislation.

Principal Life Insurance Company (Principal) is the trustee of the Plan under a contractual agreement with the Company. The trust agreement provides that the trustee shall manage all investments based on the Company's instruction, keep account of all receipts and disbursements, benefit payments and other transactions, and shall provide annually a report setting forth such transactions and the status of the fund at the end of the period. The amounts in the accompanying statements were accumulated from the reports of the trustee.

Funding Policy – All contributions to the Plan are made by the Company. The employer's contribution is based upon the actuarially determined amount required to fund the current year's normal cost plus an amount sufficient to fund prior service obligations. In the event that the minimum funding required by ERISA is greater than the above-described contribution amount, the employer's contribution will be the amount required by ERISA.

The Company annually contributes to the Plan based on the actuarial cost method which is used by the Plan's actuary, Principal, to compute the contribution required by ERISA. Based on the January 1, 2009 and 2008 actuary reports, $2,310,426 and $3,088,150 were required for the 2009 and 2008 plan years, respectively. The Plan is in compliance with applicable minimum funding requirements for the Plan year ended December 31, 2009.

Vesting – Participants become 100% vested after five years of service.

Pension Benefits – Benefits are provided as follows:

Normal Retirement Benefits – Normal retirement is at age 65. For employees at the Roanoke Rapids Mill location, the monthly annuity payable for life is $42 per year of accrued service before June 1, 2007, and $45 per year of accrued service after June 1, 2007. For employees at the Fordyce Ride Rite location, the monthly annuity payable for life is $28 per year of accrued service before October 1, 2007, and $30 per year of accrued service after October 1, 2007.

For employees at the Charleston location, the monthly annuity payable for life is $45 per year of accrued service after July 1, 2008, reduced by the participant's accrued benefit as of June 30, 2008, under the MeadWestvaco Corporation Retirement Plan for bargained hourly employees. As of April 1, 2009, April 1, 2010, and April 1, 2011, the monthly annuity payables for life are $46, $48, and $50 per year of accrued service, respectively.

1. Description of Plan (Cont.)

Pension Benefits (cont.) –

Early Retirement Benefits – For the Roanoke Rapids Mill and Fordyce Ride Rite locations, an employee who has attained age 55 and 20 years of vesting service will receive a pension benefit calculated in the same manner as for normal retirement. For the Charleston location, an employee who has attained age 55 and 5 years of vesting service will receive a pension benefit calculated in the same manner as for normal retirement.

Disability Retirement Benefits – For the Roanoke Rapids Mill and Fordyce Ride Rite locations, an employee who is eligible for social security disability benefits who has less than 10 years of vesting service will receive a pension benefit calculated in the same manner as for normal retirement, with accrued benefits beginning on the date of disability.

For the Roanoke Rapids Mill and Fordyce Ride Rite locations, an employee who is eligible for social security disability benefits who has 10 or more years of vesting service will receive a pension benefit calculated in the same manner as for normal retirement. The accrued benefit on date of disability will be $250 if greater than the projected accrued benefit at normal retirement. This shall be a temporary benefit payable up to normal retirement date. On and after normal retirement date, the benefit payable shall be the accrued benefit on date of disability.

For the Charleston location, an employee who is eligible for social security disability benefits who has 10 or more years of vesting service will receive a pension benefit calculated in the same manner as for normal retirement, with accrued benefits beginning on the date of disability.

Survivor Annuity Death Benefits – A qualified married participant fully or partially vested in an accrued benefit will receive monthly annuity payable to spouse, deferred to participant's earliest retirement date if later than the date of death. If death occurs, the amount paid to the surviving spouse is equal to the amount that would have been paid had the participant terminated employment on the date of death and survived his/her earliest retirement age and retired with a qualified joint and 50% survivor annuity in effect.

2. Summary of Significant Accounting Policies

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Valuation of Investments and Income Recognition – Shares of pooled separate accounts are presented at the fair value of the underlying investments.

2. Summary of Significant Accounting Policies (Cont.)

Valuation of Investments and Income Recognition (cont.) –

Purchases and sales of securities are recorded on a trade-date basis. Investment income is recorded on the accrual basis.

Payment of Benefits – Benefit payments to participants are recorded upon distribution.

Administrative Expenses – In 2008, investment advisor, trustee, and other fees, along with premiums to the Pension Benefit Guaranty Corporation, were paid by the Plan. Legal, audit and actuarial fees; some additional administration fees; and certain indirect plan-related expenses are also paid directly by the Company. In 2009, the Company began paying all expenses directly.

3. Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the Plan are based on the employees' compensation during their years of credited service. Benefits payable under all circumstances - retirement, death, disability and termination of employment - are included to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits as determined by the Plan's actuary reflects the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

Significant assumptions underlying the actuarial computations in 2009 are:

Assumed rate of return on investment	7%
Life expectancy	IRS Prescribed Mortality-Static Annuitant, male and female.
Retirement age	Age 65

The foregoing actuarial assumptions used in calculating the accumulated plan benefits are based on the presumption that the Plan will continue. Should the Plan terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

3. Actuarial Present Value of Accumulated Plan Benefits (Cont.)

The actuarial present value of accumulated plan benefits to be paid under the Plan as of January 1, 2009 and 2008, as calculated by the Plan's actuary, is as follows:

	2009	2008
Actuarial present value of accumulated plan benefits:		
Vested benefits:		
Active participants	$ 4,858,317	$ 1,977,698
Other vested benefits	52,944	11,626
Total vested benefits	4,911,261	1,989,324
Nonvested benefits	782,324	249,827
Total actuarial present value of accumulated plan benefits	$ 5,693,585	$ 2,239,151

A reconciliation of the changes in the actuarially computed value of accumulated plan benefits is as follows:

Actuarial present value of accumulated plan benefits as of January 1, 2008	$ 2,239,151
Increase (decrease) during the year attributable to:	
Benefits accumulated and actuarial loss	1,029,383
Interest at 7%	156,664
Distributions with weighted interest	(2,206)
Assumption changes	10,111
Plan amendment - Fordyce	77,511
Acquisition - Charleston	2,182,971
Net increase	3,454,434
Actuarial present value of accumulated plan benefits as of January 1, 2009	$ 5,693,585

4. Plan Termination

In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations, generally to provide benefits in the following order of precedence:

a. Annuity benefits that former employees or their beneficiaries have been receiving for at least three years or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under Plan provisions in effect at any time during the five years preceding Plan termination.

b. Other vested benefits insured by the Pension Benefit Guaranty Corporation (PBGC), a U.S. Governmental Agency, up to the applicable limitations (discussed below).

c. All other vested benefits (that is, vested benefits not insured by the PBGC).

d. All nonvested benefits.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees.

Whether all participants receive their benefits should the Plan terminate at some future time will depend upon the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations, and may also depend on the financial condition of the plan sponsor and the level of benefits guaranteed by the PBGC.

If the Plan is terminated and the benefits are underfunded by the PBGC, the employer's contingent liability is limited to the lesser of the excess of the current value of the Plan's guaranteed benefits over the present value of Plan assets allocable to it or 30% of the employer's net worth.

5. Information Certified by the Trustee

The plan administrator has elected the method of annual reporting compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Principal, the trustee, has certified that the following data included in the accompanying financial statements is complete and accurate:

- Investments, as shown in the statements of net assets available for benefits as of December 31, 2009 and 2008.

- Investment activity, as shown in the statements of changes in net assets available for benefits for the years ended December 31, 2009 and 2008.

5. Information Certified by the Trustee (Cont.)

- Supplemental schedule of assets held as of December 31, 2009.
- Supplemental schedule of reportable transactions for the year ended December 31, 2009.

6. Investments

The following investments represent 5% or more of the Plan's net assets at December 31 2009 and 2008:

	2009	2008
Bond and Mortgage SA	$ 2,010,784	$ 428,902
Inflation Protection SA	730,969	*
Core Plus Bond I SA	1,978,319	*

*Denotes investment does not represent 5% or more of the Plan's net assets.

During 2009 and 2008, the Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) as follows:

	2009	2008
Total Market Stock Index SA	$ -	$ (11,203)
Money Market SA	-	(168)
Bond and Mortgage SA	114,823	(59,818)
Inflation Protection SA	20,621	(14,636)
High Yield I SA	31,087	(6,259)
Core Plus Bond I SA	37,204	(71)
U.S. Property SA	(9,801)	(4,011)
LargeCap S&P 500 Index SA	5,644	-
LargeCap Value III SA	8,369	(4,303)
LargeCap Growth SA	13,994	(7,839)
LargeCap Growth I SA	22,863	(7,070)
LargeCap Value I SA	17,105	(9,805)
MidCap Value III SA	1,235	-
MidCap Growth III SA	1,508	-
SmallCap Value I SA	3,166	(2,241)
SmallCap Growth II SA	4,360	(2,676)
LargeCap Blend I SA	11,276	(8,854)
Preferred Securities SA	(3,226)	(1,335)
International Value I SA	7,013	-
International I SA	5,390	(5,370)
International Growth SA	6,020	(5,940)
SmallCap Value II SA	309	-
	$ 298,960	$ (151,599)

7. Fair Value Measurements

Generally accepted accounting principles provide a uniform framework for the definition, measurement and disclosure of fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The financial accounting standards establish a fair value hierarchy which requires a plan to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The financial accounting standards describe three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the plan has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a plan's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of participation units held by the Plan in pooled separate accounts are based on their net asset values, as reported by Principal and as supported by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date.

The pooled separate accounts invest mainly in domestic stocks and mutual funds. The fair value of the mutual funds are publicly quoted pricing Level 1 inputs, and the majority of the underlying securities have observable Level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying assets values are quoted prices, the NAV of a separate account is not publicly quoted and therefore contain other observable Level 2 inputs.

The pooled separate accounts invest in commercial real estate and include mortgage loans which are backed by the associated properties. These underlying real estate investments have unobservable Level 3 pricing inputs.

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2009:				
Pooled separate accounts	$ 6,267,244	$ -	$ 6,246,016	$ 21,228
December 31, 2008:				
Pooled separate accounts	$ 831,735	$ -	$ 800,706	$ 31,029

7. Fair Value Measurements (Cont.)

Changes in fair value of pooled separate accounts measured on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Beginning balance	$ 31,029	$ -
Purchases, sales, issuances and settlements (net)	-	35,040
Net depreciation in fair value of investment	(9,801)	(4,011)
Ending balance	$ 21,228	$ 31,029

8. Transactions with Parties-In-Interest

Certain Plan investments are shares of pooled separate accounts managed by Principal. Principal is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

9. Tax Status

The Plan has received a favorable tax determination letter from the Internal Revenue Service on September 15, 2009, indicating it is a qualified plan.

10. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rate, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

SUPPLEMENTAL SCHEDULES

KAPSTONE PAPER AND PACKAGING CORPORATION
DEFINED BENEFIT RETIREMENT PLAN
EIN: 20-2699372 Plan Number: 002
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2009

(a)	(b) Identity of Party Involved	(c) Description of Assets	(d) Cost	(e) Current Value
		Pooled separate accounts:		
*	Principal Life Insurance Company	Bond and Mortgage SA	$1,921,362	$2,010,784
*	Principal Life Insurance Company	Inflation Protection SA	722,113	730,969
*	Principal Life Insurance Company	High Yield I SA	209,077	233,604
*	Principal Life Insurance Company	Core Plus Bond I SA	1,943,515	1,978,319
*	Principal Life Insurance Company	U.S. Property SA	35,040	21,228
*	Principal Life Insurance Company	LargeCap S&P 500 Index SA	151,145	156,790
*	Principal Life Insurance Company	LargeCap Value III SA	123,405	128,343
*	Principal Life Insurance Company	LargeCap Growth SA	174,384	181,777
*	Principal Life Insurance Company	LargeCap Growth I SA	169,381	186,002
*	Principal Life Insurance Company	LargeCap Value I SA	221,067	230,288
*	Principal Life Insurance Company	MidCap Value III SA	37,674	38,909
*	Principal Life Insurance Company	MidCap Growth III SA	37,674	39,183
*	Principal Life Insurance Company	SmallCap Value II SA	37,674	37,983
*	Principal Life Insurance Company	SmallCap Growth II SA	36,974	38,855
*	Principal Life Insurance Company	International Value I SA	75,242	81,375
*	Principal Life Insurance Company	International I SA	85,768	88,426
*	Principal Life Insurance Company	International Growth SA	81,073	84,409
			$6,062,569	$6,267,244

*Represents a party-in-interest to the Plan.

See independent auditor's report.

KAPSTONE PAPER AND PACKAGING CORPORATION
DEFINED BENEFIT RETIREMENT PLAN
EIN: 20-2699372 Plan Number: 002
SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS
For the Year Ended December 31, 2009

(a) Identity of Party Involved	(b) Description of Asset	(c) Purchase Price	(d) Selling Price	(f) Expense Incurred with Transactions	(g) Cost of Asset	(h) Current Value of Asset on Transaction Date	(i) Net Gain/(Loss)
Principal Life Insurance Company*	Inflation Protection	$ 636,584	$ -	$ -	$ 636,584	$ 636,584	$ -
Principal Life Insurance Company*	Inflation Protection	-	18,149	-	20,071	18,149	(1,922)
Principal Life Insurance Company*	High Yield I SA	188,950	-	-	188,950	188,950	-
Principal Life Insurance Company*	High Yield I SA	-	16,734	-	16,434	16,734	300
Principal Life Insurance Company*	Core Plus Bond I SA	2,003,289	-	-	2,003,289	2,003,289	-
Principal Life Insurance Company*	Core Plus Bond I SA	-	123,133	-	120,803	123,133	2,330
Principal Life Insurance Company*	Bond and Mortgage SA	1,799,421	-	-	1,799,421	1,799,421	-
Principal Life Insurance Company*	Bond and Mortgage SA	-	332,362	-	354,566	332,362	(22,204)
Principal Life Insurance Company*	LargeCap Blend I SA	144,189	-	-	144,189	144,189	-
Principal Life Insurance Company*	LargeCap Blend I SA	-	187,680	-	185,258	187,680	2,422
Principal Life Insurance Company*	Large Cap Value I SA	193,581	-	-	193,581	193,581	-
Principal Life Insurance Company*	Large Cap Value I SA	-	10,106	-	12,026	10,106	(1,920)

Note: The reportable transaction schedule includes transactions or series of transactions in excess of 5% of the current value of the Plan's assets as of the beginning of the plan year as defined in section 2520.103-6 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

* Represents a party-in-interest to the Plan.

See independent auditor's report.

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SCHEDULE H, line 4j - SCHEDULE OF REPORTABLE TRANSACTIONS

KAPSTONE PAPER AND PACKAGING CORPORATION
DEFINED BENEFIT RETIREMENT PLAN
EIN 20 2699372
PLAN NUMBER 002
PLAN YEAR 01/01/2009 TO 12/31/2009

DESCRIPTION OF ASSET	(A) Total Number of Purchases	(B) Total Number of Sales	(C) Total Value of Purchases	(D) Total Value of Sales	(E) Net Gain/(Loss)
Pooled Separate Accounts PRINCIPAL INFLATION PROTECTION	7		$ 636,583.73		$ 0.00
Pooled Separate Accounts PRINCIPAL INFLATION PROTECTION		1		$ 18,149.41	$ 1,922.13-
Pooled Separate Accounts PRINCIPAL HIGH YIELD I SEPARAT	5		$ 188,950.14		$ 0.00
Pooled Separate Accounts PRINCIPAL HIGH YIELD I SEPARAT		3		$ 16,734.27	$ 300.33
Pooled Separate Accounts PRINCIPAL CORE PLUS BOND I SEP	10		$ 2,003,288.67		$ 0.00
Pooled Separate Accounts PRINCIPAL CORE PLUS BOND I SEP		24		$ 123,133.41	$ 2,329.67
Pooled Separate Accounts PRINCIPAL BOND AND MORTGAGE SE	7		$ 1,799,420.80		$ 0.00
Pooled Separate Accounts PRINCIPAL BOND AND MORTGAGE SE		55		$ 332,361.65	$ 22,204.20-
Pooled Separate Accounts PRINCIPAL LARGECAP BLEND I SEP	4		$ 144,189.40		$ 0.00
Pooled Separate Accounts PRINCIPAL LARGECAP BLEND I SEP		2		$ 187,680.35	$ 2,421.94
Pooled Separate Accounts PRINCIPAL LARGECAP VALUE I SEP	7		$ 193,581.12		$ 0.00
Pooled Separate Accounts PRINCIPAL LARGECAP VALUE I SEP		1		$ 10,105.84	$ 1,920.48-

* Schedule is prepared using the alternative way of reporting (iii) series transactions under DOL Regulation 2520.103-6(d)(2).

SCHEDULE H, line 4j - SCHEDULE OF REPORTABLE TRANSACTIONS

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SCHEDULE H, line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

KAPSTONE PAPER AND PACKAGING CORPORATION
DEFINED BENEFIT RETIREMENT PLAN
EIN 20 2699372
PLAN NUMBER 002
PLAN YEAR 01/01/2009 TO 12/31/2009

(A)	(B) Identity of issuer, borrower, lessor or similar party.	(C) Description of investment including maturity date, rate of interest, collateral, par or maturity value.	(D) Cost	(E) Current Value
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN MIDCAP VALUE III SA-R6	$ 37,674.01	$ 38,908.79
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LGCAP GROWTH SEP ACCT-R6	$ 174,384.19	$ 181,777.39
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN U.S. PROPERTY SEP ACCT-R6	$ 35,040.12	$ 21,228.22
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN BOND AND MORTGAGE SA-R6	$ 1,921,361.82	$ 2,010,784.28
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LGCAP S&P 500 INDEX SA-R6	$ 151,145.31	$ 156,789.53
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN INTL I SEPARATE ACCT-R6	$ 85,768.46	$ 88,426.03
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN MIDCAP GROWTH III SA-R6	$ 37,674.01	$ 39,182.51
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN INTL GROWTH SEP ACCT-R6	$ 81,073.48	$ 84,408.72
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LARGECAP GROWTH I SA-R6	$ 169,381.04	$ 186,002.14
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LARGECAP VALUE III SA-R6	$ 123,405.18	$ 128,342.99
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN SMALLCAP GROWTH II SA-R6	$ 36,974.25	$ 38,855.02
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN SMALLCAP VALUE II SA-R6	$ 37,674.01	$ 37,983.29
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LARGECAP VALUE I SA-R6	$ 221,066.78	$ 230,288.07
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN HIGH YIELD I SEP ACCT-R6	$ 209,076.87	$ 233,604.22
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN INFLATION PROTECT SA-R6	$ 722,113.03	$ 730,968.51

SCHEDULE H, line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

F051TF

SCHEDULE H, line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

KAPSTONE PAPER AND PACKAGING CORPORATION
DEFINED BENEFIT RETIREMENT PLAN
EIN 20 2699372
PLAN NUMBER 002
PLAN YEAR 01/01/2009 TO 12/31/2009

(A)	(B) Identity of issuer, borrower, lessor or similar party.	(C) Description of investment including maturity date, rate of interest, collateral, par or maturity value.	(D) Cost	(E) Current Value
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN CORE PLUS BOND I SA-R6	$ 1,943,515.19	$ 1,978,319.28
*	Principal Life Insurance Company	Pooled Separate Accounts PR INTERNAT'L VALUE I SA-R6	$ 75,241.99	$ 81,375.13

SCHEDULE H, line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

Schedule SB, Line 26 - Schedule of Active Participant Data
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN
EIN 202699372 Plan No. 002

Form 5500 - Schedule of Active Participation Data							Valuation Date 01/01/2009			
	YEARS OF CREDITED SERVICE									
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up
Attained Age	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
Under 25	0	25	1	0	0	0	0	0	0	0
25 to 29	1	39	1	0	0	0	0	0	0	0
30 to 34	1	57	12	4	0	0	0	0	0	0
35 to 39	0	68	16	24	8	1	0	0	0	0
40 to 44	0	112	13	17	26	16	1	0	0	0
45 to 49	1	112	11	18	25	14	12	3	0	0
50 to 54	1	84	7	13	21	14	19	22	4	0
55 to 59	0	50	6	9	19	13	9	19	21	0
60 to 64	0	33	1	2	4	8	3	6	11	7
65 to 69	0	2	0	0	0	0	0	1	1	2
70 & up	0	1	0	0	0	0	0	0	0	0

Assumptions Prescribed by Law	
Mortality	During Benefit Payment Period IRS Prescribed Mortality-Static Annuitant, male and female. Before Benefit Payment Period IRS Prescribed Mortality-Static Non-annuitant, male and female.

At-Risk Assumptions	Form of Benefit
	100% joint and survivor annuity for males and 10 years certain and life for females paid monthly from the plan based on actuarial equivalence using 417(e) interest and mortality.
	
	Retirement Age
	Actuary-selected retirement age assumptions apply except for affected participants.
	
	Affected Participants
	Participants not assumed to retire this year who are eligible to retire in the subsequent 10 plan years.
	
	Age:
	• If assumed to retire on valuation date
	  • Use current age percentage from Actuary-Selected retirement age table
	  • Remainder of value is assumed to retire at current age plus 1 year.
	• If not assumed to retire on valuation date, earliest possible age under plan provisions but no earlier than current age plus 1 year.

Assumptions Selected by Actuary	
Retirement Age	Active Participants: 62 Inactive Participants: Normal Retirement Age as defined in Plan Provisions
Disability	1987 Commissioner's Group Disability Table, six month elimination period, male and female.
Marriage	75% married; husbands are 3 years older than wives.
Withdrawal	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.25.
Hours Worked	Each active participant is assumed to earn a full year of accrual service in each future year.
Form of Benefit	Participants are assumed to receive their benefits on the normal form at the assumed retirement age.

Methods Prescribed by Law	
Liability Measure	Funding target is the present value of the benefits accrued on the valuation date. Target Normal Cost is based on benefits expected to accrue during the current plan year and includes an estimate of plan expenses for the year.
Methods Selected by Plan Sponsor	
Asset Measure	The asset valuation method is prescribed by law for plans that elect to use a value other than market value. For each of the preceding two years, an expected value of assets at the end of the year is compared to the end of year market value. The resulting gain or loss is recognized evenly over three plan years. The expected value includes contributions, distributions, any deducted administrative expenses, and expected earnings (based on the lesser of the assumed interest rate or the Maximum Allowable Rate). The deferred gains and losses are added to the current market value and then restricted to no more than 110% and no less than 90% of that market value. When actual returns exceed the assumed return, the actuarial value of assets will lag below market value. The lag and the smoothing effect are limited since the value must be within 10% of market value.
Yield Curve Rates	Full yield curve. Use the rates through the month of October.
PBGC Premium Basis	Premiums are calculated using the funding target rates used for the plan year. Once elected, must continue on this basis for 5 years before a change can be made.
Methods Elected by Actuary	
Retirees	Assets and liabilities for current and future retirees are included.
Assumptions and Methods Elected by Actuary Long-Term Contribution Level and SFAS No.35	
With the exceptions below, all assumptions and methods are the same as those used in determining your plan's regular Funding Target and Target Normal Cost.	
Interest Rate Used to Value Liabilities	7.00%
Benefit Liability	Long-Term Contribution Level reflects: • Service projected to the age benefits are assumed to be paid. • Benefit limits projected at 3.00% per year.
Long-Term Contribution Level	Allocates the difference between the Benefit Liability and the Actuarial Value of Assets as a level dollar amount per year.

SCHEDULE SB (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Single-Employer Defined Benefit Plan Actuarial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500 or 5500-SF.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of $1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF
KAPSTONE PAPER AND PACKAGING CORPORATION

D Employer Identification Number (EIN)
20-2699372

E Type of plan: [X] Single [ ] Multiple-A [ ] Multiple-B

F Prior year plan size: [ ] 100 or fewer [ ] 101-500 [X] More than 500

Part I Basic Information

1 Enter the valuation date: Month 01 Day 01 Year 2009

2 Assets:

a	Market value	2a	3795028
b	Actuarial value	2b	3939863

3 Funding target/participant count breakdown

			(1) Number of participants	(2) Funding Target
a	For retired participants and beneficiaries receiving payment	3a	2	27341
b	For terminated vested participants	3b	18	44896
c	For active participants:			
	(1) Non-vested benefits	3c(1)		678696
	(2) Vested benefits	3c(2)		4170816
	(3) Total active	3c(3)	1052	4849512
d	Total	3d	1072	4921749

4 If the plan is at-risk, check the box and complete items (a) and (b) [X]

a	Funding target disregarding prescribed at-risk assumptions	4a	4921749
b	Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor	4b	4921749

5	Effective interest rate	5	8.02 %
6	Target normal cost	6	2027188

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE

LMK
Signature of actuary

9-16-2010
Date

Linda M. Kirk
Type or print name of actuary

0806140
Most recent enrollment number

Principal Financial Group
Firm name

515-248-2947
Telephone number (including area code)

PO Box 9394 Des Moines, IA 50306-9394
Address of the firm

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions [ ]

Part II Beginning of year carryover and prefunding balances

		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	0	0
8	Portion used to offset prior year's funding requirement (Item 35 from prior year)	0	0
9	Amount remaining (Item 7 minus item 8)	0	0
10	Interest on item 9 using prior year's actual return of -41.19 %	0	0
11	Prior year's excess contributions to be added to prefunding balance:		
	a Excess contributions (Item 38 from prior year)		1443890
	b Interest on (a) using prior year's effective rate of 6.16 %		88944
	c Total available at beginning of current plan year to add to prefunding balance		1532834
	d Portion of (c) to be added to prefunding balance		0
12	Reduction in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (item 9 + item 10 + item 11d – item 12)	0	0

Part III Funding percentages

14	Funding target attainment percentage	14	80.05 %
15	Adjusted funding target attainment percentage	15	80.05 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	40.55 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and liquidity shortfalls

18 Contributions made to the plan for the plan year by employer(s) and employees:

(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
04/15/2009	336865	0			
07/15/2009	336865	0			
10/14/2009	336865	0			
12/28/2009	1299831	0			
03/22/2010	614029	0			
			Totals ► 18(b)	2924455	18(c) 0

19	Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:		
	a Contributions allocated toward unpaid minimum required contribution from prior years	19a	0
	b Contributions made to avoid restrictions adjusted to valuation date	19b	0
	c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	2733160

20 Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year? [X] Yes [ ] No

b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner? [X] Yes [ ] No

c If 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of Quarter of this plan year

(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:

a Segment rates:

1st segment: %	2nd segment: %	3rd segment: %	[X] N/A, full yield curve used

b Applicable month (enter code) **21b** 3

22 Weighted average retirement age **22** 62

23 Mortality table(s) (see instructions) [ ] Prescribed - combined [X] Prescribed - separate [ ] Substitute

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment ..... [ ] Yes [X] No

25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment ..... [X] Yes [ ] No

26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment ..... [X] Yes [ ] No

27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment **27**

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years **28** 0

29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a) **29** 0

30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29) **30** 0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions) **31** 2027188

32 Amortization installments:

	Outstanding Balance	Installment
a Net shortfall amortization installment	686581	146300
b Waiver amortization installment	0	0

33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount **33**

34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b – item 33) **34** 2173488

	Carryover balance	Prefunding balance	Total balance
35 Balances used to offset funding requirement	0	0	0

36 Additional cash requirement (item 34 minus item 35) **36** 2173488

37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c) **37** 2733160

38 Interest-adjusted excess contributions for current year (see instructions) **38** 559672

39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37) **39** 0

40 Unpaid minimum required contribution for all years **40** 0

Schedule SB, Line 2a - Explanation of Assets
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN
EIN 202699372 Plan No. 002

The market value of assets on line 2a does not equal assets shown on Schedule H, Schedule I or Form 5500-SF. Schedule H, Schedule I and Form 5500-SF use the full value of contributions received after plan year end. Line 2a includes the value of $3,088,150 contributions received after the plan year end with a discounted value of $2,963,294.

Schedule SB, Line 4 - Additional Information for Plans in At-Risk Status
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN
EIN 202699372 Plan No. 002

Attached is a description of the at-risk assumption for the plan's assumed form of payment (i.e. optional form resulting in the highest present value).

At-Risk Assumptions	Form of Benefit
	100% joint and survivor annuity for males and 10 years certain and life for females paid monthly from the plan based on actuarial equivalence using 417(e) interest and mortality.
	
	Retirement Age
	Actuary-selected retirement age assumptions apply except for affected participants.
	
	Affected Participants
	Participants not assumed to retire this year who are eligible to retire in the subsequent 10 plan years.
	
	Age:
	• If assumed to retire on valuation date
	  • Use current age percentage from Actuary-Selected retirement age table
	  • Remainder of value is assumed to retire at current age plus 1 year.
	• If not assumed to retire on valuation date, earliest possible age under plan provisions but no earlier than current age plus 1 year.

The weighted average retirement age is weighted by the number of active participants whose assumed retirement age occurs at each age.

Schedule SB, Line 25 – Change in Method
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN
EIN 202699372 Plan No. 002

A change in funding method has occurred since last year due to:

- a change in the valuation interest rate to use yield curve
- use of 3 month lookback for the valuation interest rate
- a change in the asset valuation method to use smoothed value
- a change to include an administrative expense estimate in the Target Normal Cost

These changes are available under Code section 430 and do not need IRS approval.

Schedule SB, Part V - Summary of Plan Provisions
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN
EIN 202699372 Plan No. 002

This report reflects the maximum benefit limits under Internal Revenue Code (IRC) Section 415 and maximum compensation limits under IRC Section 401 in effect on the first day of each plan year.

The following is a summary of plan provisions and does not alter the intent or meanings of the provisions contained in the contract or plan document. This report reflects the provisions of the plan, through amendment #2, signed 04/14/2009.

Plan Eligibility	
Roanoke Rapids Mill or Fordyce Ride Rite location:	
Age	Attained age 21.
Service	One year of service in which 1,000 hours of service is credited. For purposes of eligibility, service with International Paper Company is included.
Class	Represented for collectively bargaining purposes by United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied-Industrial and Service Workers Union, AFL-CIO, CLC Local 5-368, Fordyce, AR, or United Steel Workers local 9-425, Roanoke Rapids, NC, and is not a leased employee or an independent contractor.
Entry Date	The earliest date an employee meets the eligibility requirements.
Charleston Kraft location:	
Class	Represented for collectively bargaining purposes by USWA Local 9-0508, USWA 9-1435, IAM 183, or IBEW Local 1753, Charleston, SC, and is not a leased employee or an independent contractor.
Entry Date	The earliest date an employee meets the eligibility requirements.

Normal Retirement Benefit	
Age	Attained age 65.
Form	Monthly annuity payable for life (optional forms may be elected in advance of retirement).
Roanoke Rapids Mill location:	
Amount	The product of (a) and (b):
	(a) An amount equal to
	(i) $42 before June 1, 2007
	(ii) $45 on and after June 1, 2007
	(b) Accrual service.
	Solely for the purposes of the $3 difference between (i) and (ii), accrual service shall include accrual service credited under the Retirement Plan of International Paper Company as of January 1, 2007, provided such prior service continued without interruption.
Fordyce Ride Rite location:	
Amount	The product of (a) and (b):
	(a) An amount equal to
	(i) $28 before October 1, 2007
	(ii) $30 on and after October 1, 2007
	(b) Accrual service.
	Solely for the purposes of the $2 difference between (i) and (ii), accrual service shall include accrual service credited under the Retirement Plan of International Paper Company as of January 1, 2007, provided such prior service continued without interruption.
Charleston Kraft location:	
Amount	The product of (a) and (b), reduced by (c):
	(a) An amount equal to $45
	(b) Accrual service.
	(c) The participant's accrued benefit, as of June 30, 2008 (regardless of when payments begin) under the MeadWestvaco Corporation Retirement Plan for Bargained Hourly Employees, if any.
	Future benefit increases to (a) shall not apply to Accrual Service attributable to

	service with MeadWestvaco Corporation.
Early Retirement Benefit	
Roanoke Rapids Mill or Fordyce Ride Rite location:	
Age	Attained age 55.
Service	Ten years of vesting service.
Form	Same as normal retirement benefit.
Amount	Accrued benefit on early retirement date reduced 6% for the first year, 7% for the second year, 4% for the third year, 5% for the fourth and fifth year, and 4% for the sixth and seventh year preceding age 62. If an active participant terminates employment on or after attaining age 62, no reduction shall apply to reflect the fact that early retirement date precedes normal retirement date. If an active participant terminates employment on or after attaining age 61 and 20 years of vesting service, no reduction shall apply to reflect the fact that early retirement date precedes normal retirement date.
Charleston Kraft location:	
Age	Attained age 55.
Service	Five years of vesting
Form	Same as normal retirement benefit.
Amount	Accrued benefit on early retirement date reduced accordingly: • If less than 20 years of accrual service, then reduced 3% for the first three years, and 6% for the following seven years preceding normal retirement date. • If 20 or more years of accrual service, then reduced 6% for each of the seven years preceding age 62. There is no reduction between age 62 and 65. If an employee has less than 20 years of accrual service when he retires under the MeadWestvaco Corporation Retirement Plan for Bargained Hourly Employees and later has 20 or years of accrual service under this plan, the benefit on his early retirement date will be increased by the difference between the benefit payable on his early retirement date under the MeadWestvaco Corporation Retirement Plan for Bargained Hourly Employees and the benefit payable at early retirement date under this plan, which is attributable to the difference of early retirement factors between such plan and this plan.

Mill Closure Early Retirement Benefit	
Roanoke Rapids Mill or Fordyce Ride Rite location:	
Age	Attained age 50.
Service	Twenty years of vesting service.
Eligibility	Actively employed at the date of permanent (or partial) closure of a mill.
Form	Same as normal retirement benefit.
Amount	Accrued benefit on early retirement date reduced 6% for the first year, 7% for the second year, 4% for the third year, 5% for the fourth and fifth year, and 4% for the sixth through twelfth year preceding age 62. If an active participant terminates employment on or after attaining age 62, no reduction shall apply to reflect the fact that early retirement date precedes normal retirement date. If an active participant terminates employment on or after attaining age 61 and 20 years of vesting service, no reduction shall apply to reflect the fact that early retirement date precedes normal retirement date.

Late Retirement Benefit	
Age	No maximum age.
Form	Same as normal retirement benefit.
Amount	Accrued benefit on date of late retirement date.

Termination Benefit	
Form	Same as normal retirement benefit with income deferred until normal retirement date.
Amount	Accrued benefit on date of termination multiplied by the vesting percentage.
Roanoke Rapids Mill or Fordyce Ride Rite location:	
Vesting Percentage	100% after five years of vesting service. In addition, an active employee will become 100% vested at normal retirement age, date of disability, or mill closure date.
Charleston Kraft location:	
Vesting Percentage	100% after five years of vesting service. In addition, an active employee will become 100% vested at normal retirement age, or date of disability.

Disability Retirement Benefit	
Roanoke Rapids Mill or Fordyce Ride Rite location, Benefit A or B below:	
A.	
Eligibility	Qualified for disability benefits under the Federal Social Security Act.
Service	Less than 10 years of vesting service.
Form	Same as normal retirement benefit.
Amount	Accrued benefit on date of disability.
B.	
Eligibility	Qualified for disability benefits under the Federal Social Security Act.
Service	Ten or more years of vesting service.
Form	Same as normal retirement benefit.
Amount	The greater of (a) or (b):
	(a) Accrued benefit on date of disability.
	(b) $250, if greater than the projected accrued benefit at normal retirement date.
	If (b) is greater, such benefit shall be a temporary benefit payable up to normal retirement date. On and after normal retirement date, the benefit payable shall be the accrued benefit on date of disability.
Charleston Kraft location:	
Eligibility	Qualified for disability benefits under the Federal Social Security Act.
Service	Ten or more years of vesting service.
Form	Same as normal retirement benefit.
Amount	Accrued benefit on date of disability. Any reduction in the accrued benefit for benefits earned under the MeadWestvaco Corporation Retirement Plan for Bargained Hourly Employees, shall not apply until the date those payments begin.

Survivor Annuity Death Benefit	
Eligibility	Qualified married participant fully or partially vested in an accrued benefit.
Form	Monthly annuity payable to spouse, deferred to participant's earliest retirement date if later than the date of death.
Amount	If death occurs, the amount paid to the surviving spouse is equal to the amount that would have been paid had the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day.

Definitions	
Optional Forms of Benefit Payments	The optional forms of benefit payments are: • Monthly annuity payable for life, or 5, 10, 15, or 20 years certain and life. • Monthly annuity payable as a survivorship life annuity with survivorship percentages of 50, 75, or 100. • Monthly annuity payable as a life annuity or 50% survivorship life annuity, with a level income option. The conversion basis is 7.5% interest and the mortality table in Revenue Ruling 95-6 for payments other than lump sums.
Roanoke Rapids Mill or Fordyce Ride Rite location:	
Accrual Service	One year of service in which an employee is credited with 1,000 hours. However, except as noted in the Roanoke Rapids Mill location, service prior to January 1, 2007 is excluded.
Vesting Service	One year of service in which an employee is credited with 1,000 hours, including service with International Paper prior to January 1, 2007.
Charleston Kraft location:	
Accrual Service	Calculated so partial months count as complete months, and expressed as year and fractional parts of a year. An employees service with MeadWestvaco shall be included as service with the employer.
Vesting Service	Calculated so partial months count as complete months, and expressed as year and fractional parts of a year. An employees service with MeadWestvaco shall be included as service with the employer.

Significant Event

The enrolled actuary has not been made aware that any significant events have occurred during the year.

Changes in Principal Eligibility or Benefit Provisions

The actuarial valuation for this plan year recognized the following eligibility and/or benefit changes:

- An increase in the Fordyce location benefit formula
- The inclusion of the Charleston location

Schedule SB, Line 32 - Schedule of Amortization Bases
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN
EIN 202699372 Plan No. 002

Shortfall			
Date Created	**Present Value**	**Remaining Years**	**Annual Charge**
01/01/2008	$1,117,950	6	$222,846
01/01/2009	(431,369)	7	(76,546)
Total	$686,581		$146,300

Last year's total shortfall annual charge was $222,846.

The total annual charge used in calculating your Annual Cost cannot be less than zero.

Waiver			
Date Created	**Present Value**	**Remaining Years**	**Annual Charge**
N/A	N/A	N/A	N/A

There are no waiver bases for the current year.

Wolf & Company LLP
Certified Public Accountants

A Wolf Financial Group Member

September 21, 2010

To the Board of Directors
KapStone Paper and Packaging Corporation
Defined Benefit Retirement Plan

We have completed a DOL limited-scope audit of the financial statements of KapStone Paper and Packaging Corporation Defined Benefit Retirement Plan for the year ended December 31, 2009, and have issued our report thereon dated September 21, 2010. As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 5 to those financial statements. Because of the significance of the information that we did not audit, we are unable to, and have not, expressed an opinion on those financial statements and schedule taken as a whole. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 26, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by KapStone Paper and Packaging Corporation Defined Benefit Retirement Plan are described in Note 2 to the financial statements. The application of existing accounting policies was not changed during 2009. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. There are no accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no adjustments identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 21, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of KapStone Paper and Packaging Corporation Defined Benefit Retirement Plan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Wolf & Company LLP