

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), 6057(b), and 6058(a) of the Internal Revenue Code (the Code). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 2012 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2012 or fiscal plan year beginning <u>01/01/2012</u> and ending <u>12/31/2012</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ 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.	☒
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan <u>KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>002</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>01/01/2007</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>002</u>	1c Effective date of plan <u>01/01/2007</u>	
1b Three-digit plan number (PN) ▶	<u>002</u>				
1c Effective date of plan <u>01/01/2007</u>					
2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan) <u>KAPSTONE PAPER AND PACKAGING CORPORATION</u> <u>1101 SKOKIE BLVD</u> <u>SUITE 300</u> <u>NORTHBROOK, IL 60062-4124</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>20-2699372</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>847-239-8809</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>322100</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>20-2699372</u>	2c Sponsor's telephone number <u>847-239-8809</u>	2d Business code (see instructions) <u>322100</u>	
2b Employer Identification Number (EIN) <u>20-2699372</u>					
2c Sponsor's telephone number <u>847-239-8809</u>					
2d Business code (see instructions) <u>322100</u>					

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. Signature of plan administrator	07/29/2013 Date	TANIA TALENTI Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature. Signature of employer/plan sponsor	07/29/2013 Date	TANIA TALENTI Enter name of individual signing as employer or plan sponsor
SIGN HERE	Signature of DFE	Date	Enter name of individual signing as DFE
Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional)			Preparer's telephone number (optional)

3a Plan administrator's name and address ☒ Same as Plan Sponsor Name ☐ Same as Plan Sponsor Address		3b Administrator's EIN
		3c Administrator's telephone number
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 1034
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 932
b Retired or separated participants receiving benefits.....		6b 67
c Other retired or separated participants entitled to future benefits.....		6c 56
d Subtotal. Add lines 6a , 6b , and 6c		6d 1055
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....		6e 3
f Total. Add lines 6d and 6e		6f 1058
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 4
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 Characteristics 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 Characteristics Codes in the instructions:		
9a Plan funding arrangement (check all that apply) (1) ☒ 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) ☒ 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) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☒ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary		b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☒ <u>1</u> A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☒ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)

SCHEDULE A (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <hr/> <small>Department of Labor Employee Benefits Security Administration</small> <hr/> <small>Pension Benefit Guaranty Corporation</small>	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 <hr/> 2012 <hr/> This Form is Open to Public Inspection
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A Name of plan <u>KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN</u>	B Three-digit plan number (PN) ►	<u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>KAPSTONE PAPER AND PACKAGING CORPORATION</u>	D Employer Identification Number (EIN) <u>20-2699372</u>	

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.
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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
<u>42-0127290</u>	<u>61271</u>	<u>518849</u>	<u>1058</u>	<u>01/01/2012</u>	<u>12/31/2012</u>

2 Insurance fee and commission information. Enter the total fees and total commissions paid. List in line 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
<u>6748</u>	<u>6253</u>

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 BANK
PO BOX 878188
KANSAS CITY, MO 64187-8188

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	
<u>4108</u>	<u>6253</u>	<u>PRORATED INCENTIVE, NOT DEDUCTED FROM PLAN</u>	<u>3</u>

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

LOCKTON FINANCIAL ADVISORS LLC
DEPT 999225
PO BOX 219153
KANSAS CITY, MO 64121-9153

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	
<u>2640</u>	<u>0</u>		<u>3</u>

(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	17414405

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. Specify nature of costs ▶	6d	

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 lines 7b and 7c(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 line 7e(5) from line 7d)	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 organizations(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 line 9c(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, line 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 2012 This Form is Open to Public Inspection
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

▶ **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 <u>KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN</u>	B Three-digit plan number (PN) ▶ <u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>KAPSTONE PAPER AND PACKAGING CORPORATION</u>	D Employer Identification Number (EIN) <u>20-2699372</u>
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I	Basic Information
1	Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2012</u>
2	Assets:
a	Market value 2a <u>14303527</u>
b	Actuarial value 2b <u>14510056</u>
3	Funding target/participant count breakdown:
a	For retired participants and beneficiaries receiving payment..... 3a <u>50</u> <u>1162343</u>
b	For terminated vested participants..... 3b <u>47</u> <u>378539</u>
c	For active participants:
(1)	Non-vested benefits..... 3c(1) <u>3283479</u>
(2)	Vested benefits..... 3c(2) <u>9924502</u>
(3)	Total active 3c(3) <u>939</u> <u>13207981</u>
d	Total 3d <u>1036</u> <u>14748863</u>
4	If the plan is in at-risk status, check the box and complete lines (a) and (b) ☐
a	Funding target disregarding prescribed at-risk assumptions 4a
b	Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor 4b
5	Effective interest rate 5 <u>7.15 %</u>
6	Target normal cost..... 6 <u>2326805</u>

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	<u>07/11/2013</u>
Signature of actuary	Date
<u>LINDA M. KIRK</u>	<u>11-06140</u>
Type or print name of actuary	Most recent enrollment number
<u>PRINCIPAL FINANCIAL GROUP</u>	<u>515-248-2947</u>
Firm name	Telephone number (including area code)
<u>PO BOX 9394</u> <u>DES MOINES, IA 50306-9394</u>	
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 ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2012
v. 120126

Part II Beginning of Year Carryover Prefunding Balances		
	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	0	0
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9 Amount remaining (line 7 minus line 8)	0	0
10 Interest on line 9 using prior year's actual return of <u>2.50</u> %	0	0
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year)		505628
b Interest on (a) using prior year's effective interest rate of <u>6.40</u> % except as otherwise provided (see instructions)		32360
c Total available at beginning of current plan year to add to prefunding balance		537988
d Portion of (c) to be added to prefunding balance		0
12 Other reductions in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	0	0

Part III Funding Percentages		
14 Funding target attainment percentage	14	98.38 %
15 Adjusted funding target attainment percentage	15	98.38 %
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	80.80 %
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
04/13/2012	775806	0			
07/13/2012	775806	0			
10/16/2012	140853	0			
01/14/2013	929519	0			
Totals ►			18(b)	2621984	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 contributions 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	2507518
20 Quarterly contributions and liquidity shortfalls:		
a Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No		
b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☐ Yes ☒ No		
c If line 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: 5.54%	2nd segment: 6.85%	3rd segment: 7.52 %	☐ N/A, full yield curve used
b Applicable month (enter code).....				21b 4
22 Weighted average retirement age				22 62
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ 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 ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....	☒ Yes ☐ No
27 If the plan is subject to 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 contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)	31a	2326805	
b Excess assets, if applicable, but not greater than line 31a	31b	0	
32 Amortization installments:	Outstanding Balance	Installment	
a Net shortfall amortization installment	238807	180550	
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 (lines 31a - 31b + 32a + 32b - 33)...	34	2507355	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement.....	0	0	0
36 Additional cash requirement (line 34 minus line 35)	36	2507355	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	2507518	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	163	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years.....	40	0	

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider 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
		2012
		This Form is Open to Public Inspection.

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

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)
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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)..... ☒ 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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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 ☐

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 ☐

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.	

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) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small>	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 2012 This Form is Open to Public Inspection.
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A Name of plan <u>KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN</u>	B Three-digit plan number (PN) <u>002</u>
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 <u>KAPSTONE PAPER AND PACKAGING CORPORATION</u>	D Employer Identification Number (EIN) <u>20-2699372</u>

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)
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a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN MIDCAP VALUE III SA-R6</u>			
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>			
c EIN-PN <u>42-0127290-022</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>202556</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN INTL EMERG MARKETS SA-R6</u>			
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>			
c EIN-PN <u>42-0127290-013</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>280907</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN LGCAP VALUE SEP ACCT-R6</u>			
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>			
c EIN-PN <u>42-0127290-019</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>670514</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN LGCAP GROWTH SEP ACCT-R6</u>			
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>			
c EIN-PN <u>42-0127290-018</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>0</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN U.S. PROPERTY SEP ACCT-R6</u>			
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>			
c EIN-PN <u>42-0127290-027</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>874850</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN BOND AND MORTGAGE SA-R6</u>			
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>			
c EIN-PN <u>42-0127290-005</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>4504961</u>	
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRIN LGCAP S&P 500 INDEX SA-R6</u>			
b Name of sponsor of entity listed in (a): <u>PRINCIPAL LIFE INSURANCE COMPANY</u>			
c EIN-PN <u>42-0127290-016</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>582690</u>	

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 42-0127290-048	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 437982
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) 186613
a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN SMALLCAP GROWTH I SA-R6		
b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY		
c EIN-PN 42-0127290-070	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 193184
a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN LARGE CAP 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) 1296548
a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN LARGE CAP 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) 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) 203813
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) 1075907
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) 4657718
a Name of MTIA, CCT, PSA, or 103-12 IE: PRINCIPAL OVERSEAS SEP ACCT-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) 710908
a Name of MTIA, CCT, PSA, or 103-12 IE: PRIN EQUITY INCOME SA-R6		
b Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY		
c EIN-PN 42-0127290-120	d Entity code P	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 654840

a Name of MTIA, CCT, PSA, or 103-12 IE: PRINCIPAL DIV REAL ASSET SA-R6**b** Name of sponsor of entity listed in (a): PRINCIPAL LIFE INSURANCE COMPANY**c** EIN-PN 42-0127290-123**d** Entity code P**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

880415

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)**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
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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) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	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 2012 This Form is Open to Public Inspection
For calendar plan year 2012 or fiscal plan year beginning <u>01/01/2012</u> and ending <u>12/31/2012</u>		
A Name of plan <u>KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN</u>		B Three-digit plan number (PN) ▶ <u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>KAPSTONE PAPER AND PACKAGING CORPORATION</u>		D Employer Identification Number (EIN) <u>20-2699372</u>

Part I	Asset and Liability Statement		(a) Beginning of Year	(b) End of Year
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	Total noninterest-bearing cash	1a		
b	Receivables (less allowance for doubtful accounts):			
	(1) Employer contributions	1b(1)	1803594	929519
	(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)	12506963	17414405
	(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)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(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	14310557	18343924

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 through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	14310557	18343924
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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)	2621984	
(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)		2621984
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
(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

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		0
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		1650551
(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		4272535

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	239168	
(2) To insurance carriers for the provision of benefits	2e(2)	0	
(3) Other	2e(3)	0	
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		239168
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		239168

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d.....	2k		4033367
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) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☒ Yes ☐ No

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

(1) Name: WOLF AND 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 lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

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.).....

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.).....

	Yes	No	Amount
4a		X	0
4b		X	0

	Yes	No	Amount
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.)		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.).....		X	0
e Was this plan covered by a fidelity bond?.....	X		10000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		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?		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?		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.).....	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.).....	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?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		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.			

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)

Part V Trust Information (optional)

6a Name of trust

6b Trust's EIN

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 2012 This Form is Open to Public Inspection.
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A Name of plan <u>KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN</u>	B Three-digit plan number (PN) ▶ <u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>KAPSTONE PAPER AND PACKAGING CORPORATION</u>	D Employer Identification Number (EIN) <u>20-2699372</u>

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	<u>0</u>
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): <u>42-0127290</u>		
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	<u>0</u>

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 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 (include any prior year accumulated funding deficiency not waived)	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 or other authority 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
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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. 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.
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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 lines 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 lines 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 lines 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 lines 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 lines 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 lines 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 line 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 lines (a) through (c)

- a** Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%
- 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 line 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

**KapStone Paper and
Packaging Corporation
Defined Benefit Retirement Plan**

**Financial Statements,
Supplemental Schedules
and
Independent Auditor's Report
For the Year Ended
December 31, 2012**

Wolf & Company LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

We were engaged to audit the accompanying financial statements of KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN, which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

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 the 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, 2012 and 2011, that the information provided to the plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

We were engaged for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2012, and Schedule H, Line 4j - Schedule of Reportable Transactions for the year ended December 31, 2012, which are the responsibility of plan management, are presented for the purposes of additional analysis and are not a required part of the financial statements but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, it is inappropriate to and we do not express an opinion on the supplemental schedules referred to above.

Report on Form and Content in Compliance With DOL Rules and Regulations

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.

Oakbrook Terrace, Illinois
July 24, 2013

Wolf & Company LLP

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

	December 31,	
	<u>2012</u>	<u>2011</u>
Investments, pooled separate accounts, at fair value	\$17,414,405	\$12,506,963
Contribution receivable	<u>929,519</u>	<u>1,803,594</u>
Net assets available for benefits	<u>\$18,343,924</u>	<u>\$14,310,557</u>

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,	
	<u>2012</u>	<u>2011</u>
Additions to net assets attributed to:		
Net appreciation in fair value of investments	\$ 1,650,551	\$ 282,376
Employer contributions	<u>2,621,984</u>	<u>3,788,271</u>
Total additions	4,272,535	4,070,647
Deductions from net assets attributed to:		
Benefits paid to participants	<u>239,168</u>	<u>159,142</u>
Increase in net assets available for benefits	4,033,367	3,911,505
Net assets available for benefits:		
Beginning of year	<u>14,310,557</u>	<u>10,399,052</u>
End of year	<u>\$ 18,343,924</u>	<u>\$ 14,310,557</u>

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 (Company) 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 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 Fordyce location was sold as of March 30, 2009. 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.

Based on the January 1, 2012 and 2011 actuary reports, minimum funding requirements for ERISA purposes were \$2,507,355 and \$3,103,222 for the 2012 and 2011 plan years, respectively. The Plan is in compliance with applicable minimum funding requirements for the plan years ended December 31, 2012 and 2011.

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. As of January 1, 2011 and 2012, the monthly annuity payables for life are \$48 and \$50 per year of accrued service, respectively. 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. As of March 30, 2009, no employees of the Fordyce Ride Rite location are accruing benefits under the Plan.

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, 2010, April 1, 2011, and April 1, 2012, the monthly annuity payables for life are \$48, \$50, and \$50 per year of accrued service, respectively.

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

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 – Investments held in pooled separate accounts are reported at fair value based on quoted market prices of each fund's underlying investments.

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

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. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Fair Value Measurements – In May 2011, the Financial Accounting Standards Board issued guidance in Accounting Standards Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU No. 2011-04 was issued to improve comparability of fair value application, measurements and disclosures between U.S. GAAP reporting and IFRS reporting. ASU No. 2011-04 clarifies fair value definitions and enhances fair value measurement guidance with respect to highest and best use measurements, equity instrument measurements, and measurement of financial instruments that are managed within a portfolio. Additionally, ASU No. 2011-04 expands disclosures for unobservable inputs used in Level 3 fair value measurements. ASU No. 2011-04 is effective for annual periods beginning after December 15, 2011. The Plan has adopted this guidance in 2012.

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

Administrative Expenses – Legal, audit and actuarial fees, some additional administration fees, and indirect plan-related expenses are paid directly by the Company.

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 2012 are:

Assumed rate of return on investment	6.25%
Life expectancy	IRS Prescribed Mortality-Static Annuitant, male and female.
Retirement age	Age 65

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

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

Significant assumptions underlying the actuarial computations in 2011 are:

Assumed rate of return on investment	6%
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.

The actuarial valuations are done using the beginning-of-the-year method. Therefore, the accumulated plan benefits are presented from information provided by the actuary as of January 1, 2012 and 2011. There has been no significant change in the Plan's provisions or coverage from December 31 to January 1 for each year.

The actuarial present value of accumulated plan benefits to be paid under the Plan as of January 1, 2012 and 2011, as calculated by the Plan's actuary, is as follows:

	<u>2012</u>	<u>2011</u>
Actuarial present value of accumulated plan benefits:		
Vested benefits:		
Active participants	\$ 13,346,033	\$ 9,705,182
Other vested benefits	<u>457,932</u>	<u>322,043</u>
Total vested benefits	13,803,965	10,027,225
Nonvested benefits	<u>3,690,074</u>	<u>3,336,510</u>
Total actuarial present value of accumulated plan benefits	<u>\$ 17,494,039</u>	<u>\$ 13,363,735</u>

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

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

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, 2011	<u>\$ 13,363,735</u>
Increase (decrease) during the year attributable to:	
Benefits accumulated and actuarial loss	3,244,896
Interest at 6.25%	797,119
Distributions with weighted interest	(159,143)
Plan amendment	<u>247,432</u>
Net increase	<u>4,130,304</u>
Actuarial present value of accumulated plan benefits as of January 1, 2012	<u>\$ 17,494,039</u>

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.

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

4. Plan Termination (Cont.)

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.

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, 2012 and 2011.
- Net appreciation in fair value of investments, as shown in the statements of changes in net assets available for benefits for the years ended December 31, 2012 and 2011.
- Supplemental Schedule of Assets (Held at End of Year) as of December 31, 2012.
- Supplemental Schedule of Reportable Transactions for the year ended December 31, 2012.

6. Investments

The following investments represent 5% or more of the Plan's net assets at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Bond and Mortgage SA	\$ 4,504,961	\$ 3,192,999
Core Plus Bond I SA	4,657,718	3,308,167
High Yield I SA	1,075,906	758,677
U.S. Property SA	*	744,450
LargeCap Growth I	1,296,548	*

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

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

6. Investments (Cont.)

During 2012 and 2011, the Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) as follows:

	<u>2012</u>	<u>2011</u>
Bond and Mortgage SA	\$ 296,372	\$ 194,811
Inflation Protection SA	-	118,785
High Yield I SA	131,341	24,196
Core Plus Bond I SA	341,553	110,543
Diversified Real Asset SA	54,546	21,831
U.S. Property SA	94,363	35,274
Real Estate Securities SA	-	(10,975)
LargeCap S&P 500 Index SA	75,739	(680)
LargeCap Value SA	55,618	-
LargeCap Value III SA	36,597	(19,147)
LargeCap Growth SA	58,363	(24,949)
LargeCap Growth I SA	118,414	(10,999)
MidCap Value III SA	28,044	289
MidCap Growth III SA	13,998	(10,023)
International Value I SA	113,833	(74,695)
International I SA	66,992	(59,415)
International Emerging Markets SA	41,107	(18,353)
Equity Income SA	71,377	17,100
SmallCap Growth I SA	23,302	(2,779)
SmallCap Value II SA	28,992	(8,438)
	<u>\$ 1,650,551</u>	<u>\$ 282,376</u>

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.

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

7. Fair Value Measurements (Cont.)

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

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 net asset value (NAV) of a separate account is not publicly quoted and therefore contain other observable Level 2 inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2012 and 2011:

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value		
December 31, 2012:				
Pooled separate accounts:				
Large U.S. equity funds (a)	\$ 3,204,592	\$ -	\$ 3,204,592	\$ -
Small/mid U.S. equity funds (b)	786,166	-	786,166	-
International equity funds (c)	1,429,797	-	1,429,797	-
Balanced/asset funds (d)	880,415	-	880,415	-
Fixed income funds (e)	11,113,435	-	11,113,435	-
	<u>\$ 17,414,405</u>	<u>\$ -</u>	<u>\$ 17,414,405</u>	<u>\$ -</u>

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

7. Fair Value Measurements (Cont.)

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
December 31, 2011:				
Pooled separate accounts:				
Large U.S. equity funds (a)	\$ 2,421,237	\$ -	\$ 2,421,237	\$ -
Small/mid U.S. equity funds (b)	601,340	-	601,340	-
International equity funds (c)	972,541	-	972,541	-
Balanced/asset funds (d)	507,552	-	507,552	-
Fixed income funds (e)	8,004,293	-	8,004,293	-
	<u>\$ 12,506,963</u>	<u>\$ -</u>	<u>\$ 12,506,963</u>	<u>\$ -</u>

- (a) These pooled separate accounts invest in common stocks of large capitalization companies and can be redeemed daily with no notice period required.
- (b) These pooled separate accounts invest in common stocks of small to mid-sized companies and can be redeemed daily with no notice period required.
- (c) These pooled separate accounts invest in large capitalization companies with their principal place of business outside of the U.S. and can be redeemed daily with no notice period required.
- (d) These pooled separate accounts invest in equity, hybrid and fixed income funds according to asset allocation strategies designed for specific investment time horizons and can be redeemed on a daily basis with no notice period required.
- (e) These pooled separate accounts invest in fixed securities such as asset backed securities, residential mortgage backed securities, and commercial mortgage backed securities and corporate bonds. The investment can be redeemed on a daily basis with no notice period required.

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.

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

9. Tax Status

The Plan obtained its latest determination letter on September 15, 2009, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code; therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes the Plan is no longer subject to income tax examinations for years prior to 2009.

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.

11. Subsequent Events

Subsequent events have been evaluated through July 24, 2013, the date which these financial statements were available for issuance.

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, 2012

(a)	(b) Identity of Issue, 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
		Pooled separate accounts:		
*	Principal Life Insurance Company	Bond and Mortgage SA	\$ 3,853,874	\$ 4,504,961
*	Principal Life Insurance Company	Diversified Real Asset SA	804,038	880,415
*	Principal Life Insurance Company	High Yield I SA	868,951	1,075,906
*	Principal Life Insurance Company	Core Plus Bond I SA	4,094,044	4,657,718
*	Principal Life Insurance Company	U.S. Property SA	768,690	874,850
*	Principal Life Insurance Company	LargeCap S&P 500 Index SA	479,004	582,690
*	Principal Life Insurance Company	LargeCap Growth I SA	1,134,883	1,296,548
*	Principal Life Insurance Company	MidCap Value III SA	161,977	202,556
*	Principal Life Insurance Company	MidCap Growth III SA	164,727	186,613
*	Principal Life Insurance Company	SmallCap Value II SA	165,884	203,813
*	Principal Life Insurance Company	Edge Asset Management	548,802	654,840
*	Principal Life Insurance Company	AllianceBernstein/CCI/Brown	158,500	193,184
*	Principal Life Insurance Company	Causeway/BarrowHanley	641,048	710,908
*	Principal Life Insurance Company	Fidelity/Schroders Intl SA R6	403,953	437,982
*	Principal Life Insurance Company	International Growth SA	252,137	280,907
*	Principal Life Insurance Company	LargeCap Value SA R6	614,896	670,514
			<u>\$ 15,115,408</u>	<u>\$ 17,414,405</u>

*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, 2012

(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*	Bond and Mortgage SA	\$ 1,254,759	\$ -	\$ -	\$ 1,254,759	\$ 1,254,759	\$ -
Principal Life Insurance Company*	Bond and Mortgage SA	-	239,168	-	208,137	239,168	31,031
Principal Life Insurance Company*	LargeCap Growth SEPA	95,438	-	-	95,438	95,438	-
Principal Life Insurance Company*	LargeCap Growth SEPA	-	627,316	-	548,378	627,316	78,938
Principal Life Insurance Company*	LargeCap Value III S	95,438	-	-	95,438	95,438	-
Principal Life Insurance Company*	LargeCap Value III S	-	640,077	-	585,739	640,077	54,338
Principal Life Insurance Company*	Core Plus Bond I SA	1,007,998	-	-	1,007,998	1,007,998	-

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.

Schedule SB, Line 26 - Schedule of Active Participant Data

KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN

EIN 20-2699372 Plan No. 002

Form 5500 - Schedule of Active Participation Data							Valuation Date 01/01/2012			
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	9	0	0	0	0	0	0	0	0
25 to 29	0	17	8	0	0	0	0	0	0	0
30 to 34	0	13	28	1	0	0	0	0	0	0
35 to 39	0	29	38	14	4	0	0	0	0	0
40 to 44	0	32	50	24	19	15	1	0	0	0
45 to 49	0	30	79	17	18	20	11	0	0	0
50 to 54	0	33	75	12	18	24	15	22	2	0
55 to 59	0	22	37	7	16	14	13	16	19	2
60 to 64	0	8	26	5	4	15	14	5	15	9
65 to 69	0	2	5	1	0	1	0	0	3	1
70 & up	0	0	0	0	0	0	0	0	0	1

Schedule SB, Part V - Statement of Actuarial Assumptions/Methods
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT
PLAN
EIN 20-2699372 Plan No. 002

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.
Assumptions Selected by Actuary	
Asset Return	6.25% for the current plan year.
Expected Expense	\$0 included in Target Normal Cost. Administrative expenses are paid separately.
Retirement Age	Roanoke active participant: Attained age 62. Charleston active participant: The later of attained age 62 and 20 years of service, but not later than age 65. Inactive participants are assumed to retire at age 65.
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.

Schedule SB, Part V - Statement of Actuarial Assumptions/Methods
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT
PLAN
EIN 20-2699372 Plan No. 002

Methods Selected by Plan Sponsor	
Asset Method	<p>The asset valuation method is prescribed by law for plans that elect to use a value other than market value.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Segment Rates	24 month average with no weighting to prior law basis. Use rates where August is the last month included in the average.
PBGC Premium Basis	Premiums are calculated using the funding segment rates used for the plan year without the MAP-21 interest rate corridor defined in IRC §430(h)(2)(C)(iv). This method was elected with the 01/01/2009 plan year and must continue for five years before a change can be made.
Methods Elected by Actuary	
Retirees	Assets and liabilities for current and future retirees are included.
Vested Benefits	<p>A benefit is included in vested benefits when the participant will meet age and service eligibility requirements at the valuation date. The benefit is multiplied by the participant's vesting percentage applicable to each benefit on the valuation date.</p> <p>The following ancillary benefits are always treated as nonvested: disability benefits payable to retirement age unless in pay status, and pre-retirement death benefits in excess of the Survivor Annuity Death Benefit except as noted in the Plan Provisions.</p>

Schedule SB, Part V - Statement of Actuarial Assumptions/Methods
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT
PLAN
EIN 20-2699372 Plan No. 002

Assumptions and Methods Elected by Actuary Long-Term Contribution Level and Plan Accounting (ASC 960)	
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	6.00%
Benefit Liability	Long-Term Contribution Level reflects: <ul style="list-style-type: none"> • 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 Market Value of Assets as a level dollar amount per year.

SCHEDULE SB (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation</small>	Single-Employer Defined Benefit Plan Actuarial Information <p>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).</p> <p>► File as an attachment to Form 5500 or 5500-SF.</p>	<small>OMB No. 1210-0110</small> 2012 This Form is Open to Public Inspection
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For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

► **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 <u>KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN</u>	B Three-digit plan number (PN) ►	<u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>KAPSTONE PAPER AND PACKAGING CORPORATION</u>	D Employer Identification Number (EIN) <u>20-2699372</u>	
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B		
F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500		

Part I Basic Information			
1	Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2012</u>		
2	Assets:		
	a Market value	2a	<u>14303527</u>
	b Actuarial value	2b	<u>14510056</u>
3	Funding target/participant count breakdown:	(1) Number of participants	(2) Funding Target
	a For retired participants and beneficiaries receiving payment	3a	<u>1162343</u>
	b For terminated vested participants	3b	<u>378539</u>
	c For active participants:		
	(1) Non-vested benefits	3c(1)	<u>3283479</u>
	(2) Vested benefits	3c(2)	<u>9924502</u>
	(3) Total active	3c(3)	<u>13207981</u>
	d Total	3d	<u>14748863</u>
4	If the plan is in at-risk status, check the box and complete lines (a) and (b) ☐		
	a Funding target disregarding prescribed at-risk assumptions	4a	
	b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor	4b	
5	Effective interest rate	5	<u>7.15 %</u>
6	Target normal cost	6	<u>2326805</u>

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	<u>LMK</u> Signature of actuary <u>Linda M. Kirk</u> Type or print name of actuary <u>Principal Financial Group</u> Firm name <u>PO Box 9394</u> <u>Des Moines, IA 50306-9394</u> Address of the firm	<u>7/11/2013</u> Date <u>1106140</u> Most recent enrollment number <u>515-248-2947</u> Telephone number (including area code)
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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 ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2012
v. 120126

Part II Beginning of Year Carryover Prefunding Balances		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	0	0
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9	Amount remaining (line 7 minus line 8)	0	0
10	Interest on line 9 using prior year's actual return of <u>2.50</u> %	0	0
11	Prior year's excess contributions to be added to prefunding balance:		
	a Present value of excess contributions (line 38a from prior year)		505628
	b Interest on (a) using prior year's effective interest rate of <u>6.40</u> % except as otherwise provided (see instructions)		32360
	c Total available at beginning of current plan year to add to prefunding balance		537988
	d Portion of (c) to be added to prefunding balance		0
12	Other reductions in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	0	0

Part III Funding Percentages			
14	Funding target attainment percentage	14	98.38 %
15	Adjusted funding target attainment percentage	15	98.38 %
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	80.80 %
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
04/13/2012	775806	0			
07/13/2012	775806	0			
10/16/2012	140853	0			
01/14/2013	929519	0			
Totals ▶			18(b)	2621984	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 contributions 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	2507518

20 Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year? ☒ Yes ☐ No

b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☐ Yes ☒ No

c If line 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: 5.54 %	2nd segment: 6.85 %	3rd segment: 7.52 %	☐ N/A, full yield curve used
b Applicable month (enter code).....				21b 4
22 Weighted average retirement age				22 62
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ 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 ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.....	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....	☒ Yes ☐ No
27 If the plan is subject to 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 contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a)	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)	31a	2326805	
b Excess assets, if applicable, but not greater than line 31a	31b	0	
32 Amortization installments:	Outstanding Balance	Installment	
a Net shortfall amortization installment	238807	180550	
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 (lines 31a - 31b + 32a + 32b - 33)	34	2507355	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement.....	0	0	0
36 Additional cash requirement (line 34 minus line 35).....	36	2507355	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	2507518	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	163	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years.....	40	0	

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		

Schedule SB, Line 2a - Explanation of Assets

KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT
PLAN

EIN 20-2699372 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 \$1,803,594 contributions received after the plan year end with a discounted value of \$1,796,564.

Schedule SB, Line 19 - Discounted Employer Contributions
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN
EIN 20-2699372 Plan No. 002

The attached schedule shows the date and amount of individual employer contributions, interest adjusted contribution, year to which the contributions are applied, applicable effective interest rate and amount applied to each quarterly contribution.

Contributions allocated toward minimum required contributions (Line 19c)

Contributions not applied to quarterly contributions are applied to Annual Cost.

Date	Full Amount of Contribution by Employer	Interest Adjusted Amount of Contribution	Plan Year Applied	Effective Interest Rate	1Q Full Amount	1Q Interest Adjusted ¹	1Q Days Late	2Q Full Amount	2Q Interest Adjusted ¹	2Q Days Late	3Q Full Amount	3Q Interest Adjusted ¹	3Q Days Late	4Q Full Amount	4Q Interest Adjusted ¹	4Q Days Late
4/13/2012	\$775,806	\$760,874	2012	7.15 %	\$564,155	\$553,297	0	\$211,651	\$207,577	0						
7/13/2012	\$775,806	\$747,921	2012	7.15 %				\$352,504	\$339,834	0	\$423,302	\$408,087	0			
10/16/2012	\$140,853	\$133,361	2012	7.15 %							\$140,853	\$133,361	1			
1/14/2013	\$929,519	\$865,362	2012	7.15 %										\$564,155	\$525,216	0

¹ Includes increased rate for late quarterly contribution (calculated using the Effective Interest Rate plus 5% for the number of days late).

Schedule SB, Line 22 - Description Of Weighted Average Retirement Age
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT
PLAN
EIN 20-2699372 Plan No. 002

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

Schedule SB, Part V - Summary of Plan Provisions

KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN

EIN 20-2699372 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 signed 01/05/2011.

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.

Schedule SB, Part V - Summary of Plan Provisions
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT
PLAN
EIN 20-2699372 Plan No. 002

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	<p>The sum of (a) and (b):</p> <p>(a) \$3 (benefit increase from \$42 to \$45) * Accrual service attributable to service credited under the Retirement Plan of International Paper Company, as of January 1, 2007, provided such prior service continued without interruption.</p> <p>(b) \$45 * Accrual service attributable to service with KapStone Packaging and Paper Corporation, on and after January 1, 2007. (The \$45 benefit level will increase to \$48, effective January 1, 2011 and \$50 effective January 1, 2012.)</p>
Fordyce Ride Rite location:	
Amount	<p>The product of (a) and (b):</p> <p>(a) An amount equal to</p> <p>(i) \$28 before October 1, 2007</p> <p>(ii) \$30 on and after October 1, 2007</p> <p>(b) Accrual service.</p> <p>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.</p>
Charleston Kraft location:	
Amount	<p>The sum of (a) and (b), reduced by (c):</p> <p>(a) \$45 * Accrual service attributable to service with MeadWestvaco Corporation, as of June 30, 2008.</p> <p>(b) \$48 * Accrual service attributable to service with KapStone Packaging and Paper Corporation, on and after July 1, 2008. (Effective April 1, 2011, the \$48 level will increase to \$50.)</p> <p>(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.</p>

Schedule SB, Part V - Summary of Plan Provisions
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT
PLAN
EIN 20-2699372 Plan No. 002

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	<p>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.</p> <p>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.</p> <p>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.</p>
Charleston Kraft location:	
Age	Attained age 55.
Service	Five years of vesting service.
Form	Same as normal retirement benefit.
Amount	<p>Accrued benefit on early retirement date reduced accordingly:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>

Schedule SB, Part V - Summary of Plan Provisions
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT
PLAN
EIN 20-2699372 Plan No. 002

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	<p>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.</p> <p>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.</p> <p>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.</p>

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.

Schedule SB, Part V - Summary of Plan Provisions
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT
PLAN
EIN 20-2699372 Plan No. 002

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.

Schedule SB, Part V - Summary of Plan Provisions
KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT
PLAN
EIN 20-2699372 Plan No. 002

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	<p>The optional forms of benefit payments are:</p> <ul style="list-style-type: none"> • 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. <p>The conversion basis is 7.5% interest and the mortality table in Revenue Ruling 95-6 for payments other than lump sums.</p>
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. 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. Service with MeadWestvaco shall be included as service with the employer.

Schedule SB, Part V - Summary of Plan Provisions

KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT
PLAN

EIN 20-2699372 Plan No. 002

Changes in Principal Eligibility or Benefit Provisions

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

- Roanoke Rapids, NC location – Effective 01/01/2012, \$2 benefit increase applied to service with KapStone Packaging and Paper.

Significant Event

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

Schedule SB, Line 32 - Schedule of Amortization Bases

KAPSTONE PAPER AND PACKAGING CORPORATION DEFINED BENEFIT RETIREMENT PLAN

EIN 20-2699372 Plan No. 002

Shortfall			
Date Created	Present Value	Remaining Years	Annual Charge
01/01/2012	\$(1,749,366)	7	\$(296,910)
01/01/2011	1,062,636	6	203,573
01/01/2010	574,386	5	127,587
01/01/2009	(282,908)	4	(76,546)
01/01/2008	634,059	3	222,846
Total	\$238,807		\$180,550

Last year's total shortfall annual charge was \$477,460.

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.

July 24, 2013

To the Board of Trustees
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, 2012, and have issued our report thereon dated July 24, 2013. 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 schedules taken as a whole. We did, however, audit 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, in accordance with auditing standards generally accepted in the United States of America, and found them to be presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA. 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 18, 2013. 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. In 2012, the Plan adopted the fair value disclosure requirements of Accounting Standards Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The application of existing policies was not changed during 2012. 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.

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. The only necessary adjustments pertained to reversing out prior year contributions receivables and recording current year contributions receivables.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 July 24, 2013.

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.

Other Information in Documents Containing Audited Financial Statements

This information is intended solely for the use of the Board of Trustees 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,

Wolfd Company LLP



SCHEDULE H, line 4j - SCHEDULE OF REPORTABLE TRANSACTIONS

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 01/01/2012 TO 12/31/2012

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 CORE PLUS BOND I SEP	6		\$ 1,007,997.66		\$ 0.00
Pooled Separate Accounts PRINCIPAL BOND AND MORTGAGE SE	6		\$ 1,254,758.65		\$ 0.00
Pooled Separate Accounts PRINCIPAL BOND AND MORTGAGE SE		37		\$ 239,167.91	\$ 31,031.02
Pooled Separate Accounts PRINCIPAL LARGE CAP GROWTH SEPA	3		\$ 95,437.79		\$ 0.00
Pooled Separate Accounts PRINCIPAL LARGE CAP GROWTH SEPA		1		\$ 627,316.11	\$ 78,938.43
Pooled Separate Accounts PRINCIPAL LARGE CAP VALUE III S	3		\$ 95,437.79		\$ 0.00
Pooled Separate Accounts PRINCIPAL LARGE CAP VALUE III S		1		\$ 640,077.15	\$ 54,338.10

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

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

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

KAPSTONE PAPER AND PACKAGING CORPORATION DEFI
AN
EIN 20 2699372
PLAN NUMBER 002
PLAN YEAR 01/01/2012 TO 12/31/2012

(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 BOND AND MORTGAGE SA-R6	\$ 3,853,874.24	\$ 4,504,961.46
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN CORE PLUS BOND I SA-R6	\$ 4,094,044.39	\$ 4,657,717.79
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN EQUITY INCOME SA-R6	\$ 548,801.85	\$ 654,840.02
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN HIGH YIELD I SEP ACCT-R6	\$ 868,950.77	\$ 1,075,906.51
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN INTL EMERG MARKETS SA-R6	\$ 252,136.57	\$ 280,906.82
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN INTL I SEPARATE ACCT-R6	\$ 403,953.42	\$ 437,982.15
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LARGE CAP GROWTH I SA-R6	\$ 1,134,882.63	\$ 1,296,548.08
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LG CAP S&P 500 INDEX SA-R6	\$ 479,004.49	\$ 582,690.07
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN LG CAP VALUE SEP ACCT-R6	\$ 614,895.60	\$ 670,514.01
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN MIDCAP GROWTH III SA-R6	\$ 164,726.77	\$ 186,612.62
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN MIDCAP VALUE III SA-R6	\$ 161,977.49	\$ 202,555.60
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN SMALLCAP GROWTH I SA-R6	\$ 158,500.28	\$ 193,184.10
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN SMALLCAP VALUE II SA-R6	\$ 165,883.85	\$ 203,813.06
*	Principal Life Insurance Company	Pooled Separate Accounts PRIN U.S. PROPERTY SEP ACCT-R6	\$ 768,690.49	\$ 874,850.27
*	Principal Life Insurance Company	Pooled Separate Accounts PRINCIPAL DIV REAL ASSET SA-R6	\$ 804,038.08	\$ 880,414.99

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

KAPSTONE PAPER AND PACKAGING CORPORATION DEF
AN
EIN 20 2699372
PLAN NUMBER 002
PLAN YEAR 01/01/2012 TO 12/31/2012

(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 PRINCIPAL OVERSEAS SEP ACCT-R6	\$ 641,048.33	\$ 710,907.85