

SECURITIES AND EXCHANGE COMMISSION

FORM 4

Statement of changes in beneficial ownership of securities

Filing Date: **2010-06-01** | Period of Report: **2010-05-27**

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REPORTING OWNER

Keneally Timothy P

CIK: **1385765**

Type: **4** | Act: **34** | File No.: **001-33494** | Film No.: **10869317**

Mailing Address

*ONE NORTHFIELD PLAZA
STE. 480
NORTHFIELD IL 60093*

ISSUER

KAPSTONE PAPER & PACKAGING CORP

CIK: **1325281** | IRS No.: **202699372** | State of Incorporation: **DE** | Fiscal Year End: **1231**

SIC: **2621** Paper mills

Mailing Address

*C/O STONE-KAPLAN
INVESTMENTS, LLC,
ONE NORTHFIELD PLAZA,
SUITE 480
NORTHFIELD IL 60093*

Business Address

*C/O STONE-KAPLAN
INVESTMENTS, LLC
ONE NORTHFIELD PLAZA,
SUITE 480
NORTHFIELD IL 60093
847-441-0929*

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person <u>Keneally Timothy P</u>			2. Issuer Name and Ticker or Trading Symbol <u>KAPSTONE PAPER & PACKAGING CORP [KPPC]</u>			5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input type="checkbox"/> Director <input type="checkbox"/> 10% Owner <input checked="" type="checkbox"/> Officer (give title below) <input type="checkbox"/> Other (specify below) <u>VP & General Manager</u>		
(Last)	(First)	(Middle)	3. Date of Earliest Transaction (Month/Day/Year) <u>05/27/2010</u>			6. Individual or Joint/Group Filing (Check applicable line) <input checked="" type="checkbox"/> Form Filed by One Reporting Person <input type="checkbox"/> Form Filed by More than One Reporting Person		
1101 SKOKIE BLVD., SUITE 300			4. If Amendment, Date Original Filed(Month/Day/Year)					
(Street) <u>NORTHBROOK, IL 60062</u>								
(City)	(State)	(Zip)						

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
<u>Common Stock</u>	<u>05/27/2010</u> ⁽¹⁾		<u>A</u>		<u>12,764</u>	<u>A</u>	<u>(2)</u>	<u>35,436</u> ⁽³⁾	<u>D</u>	

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date						Title
<u>Stock Option (Right to Buy)</u> ⁽⁴⁾	<u>\$11.36</u>	<u>05/27/2010</u>		<u>A</u>		<u>34,498</u>		<u>(5)</u>	<u>05/27/2020</u>	<u>Common Stock</u>	<u>34,498</u>	<u>\$11.36</u>	<u>34,498</u>	<u>D</u>	

Explanation of Responses:

- The restricted stock units vest in their entirety on the third anniversary of the grant date.
- Each restricted stock unit represents a contingent right to receive one share of Kapstone common stock.
- Does not include number of restricted stock units acquired in 2008 and 2009.

4. Represents options granted pursuant to the Kapstone Paper and Packaging 2006 Incentive Plan.
5. The options vest 50% on the second anniversary of the grant date and 50% on the third anniversary of the grant date.

Signatures

By: /s/ Andrea Tarbox as Attorney-in-Fact

** Signature of Reporting Person

06/01/2010

Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.