

KAPSTONE PAPER & PACKAGING CORP
Form SC 13G
March 07, 2008

OMB APPROVAL
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**SCHEDULE 13G
Under the Securities Exchange Act of 1934
(Amendment No.)***

Kapstone Paper and Packaging Corporation

(Name of Issuer)

Common Stock

(Title of Class of Securities)

48562P103

(CUSIP Number)

October 22, 2007

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934 (“Act”) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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

SEC 1745 (3-06)

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 CUSIP No. 48562P103

1 Names of Reporting Persons
I.R.S. Identification Nos. of above persons (entities only)

East Rock Capital, LLC
 20-5451680

2 Check the Appropriate Box if a Member of a Group (See Instructions)

(a)
 (b)

3 SEC Use Only

4 Citizenship or Place of Organization

Delaware

| | | | |
|---------------------|----------|---------------------------------|--|
| Number of | 5 | Sole Voting Power | 0 |
| Shares | | | |
| Beneficially | 6 | Shared Voting Power | 1,520,560 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,008,613 shares of Common Stock) |
| Owned by | | | |
| Each | 7 | Sole Dispositive Power | 0 |
| Reporting | | | |
| Person With: | 8 | Shared Dispositive Power | 1,520,560 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,008,613 shares of Common Stock) |

9 Aggregate Amount Beneficially Owned by Each Reporting Person

1,520,560 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,008,613 shares of Common Stock)

10 Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11 Percent of Class Represented by Amount in Row (9)

6.1%

12 **Type of Reporting Person (See Instructions)**

IA, HC

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 CUSIP No. 48562P103

1 Names of Reporting Persons
I.R.S. Identification Nos. of above persons (entities only)

EREF Special Situations, LLC
 20-8365345

2 Check the Appropriate Box if a Member of a Group (See Instructions)

(a)
 (b)

3 SEC Use Only

4 Citizenship or Place of Organization

Delaware

| | | | |
|-------------------------------|----------|---------------------------------|--|
| Number of | 5 | Sole Voting Power | 0 |
| Shares | | | |
| Beneficially | 6 | Shared Voting Power | 1,520,560 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,008,613 shares of Common Stock) |
| Owned by Each | 7 | Sole Dispositive Power | 0 |
| Reporting Person With: | 8 | Shared Dispositive Power | 1,520,560 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,008,613 shares of Common Stock) |

9 Aggregate Amount Beneficially Owned by Each Reporting Person

1,520,560 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,008,613 shares of Common Stock)

10 Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11 Percent of Class Represented by Amount in Row (9)

6.1%

12 **Type of Reporting Person (See Instructions)**

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 CUSIP No. 48562P103

1 Names of Reporting Persons
I.R.S. Identification Nos. of above persons (entities only)

D Partners Management, LLC
 20-3029345

2 Check the Appropriate Box if a Member of a Group (See Instructions)

(a)
 (b)

3 SEC Use Only

4 Citizenship or Place of Organization

Delaware

| | | | |
|------------------|----------|--------------------------|---|
| Number of | 5 | Sole Voting Power | 1,520,560 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,008,613 shares of Common Stock) |
|------------------|----------|--------------------------|---|

| | | | |
|----------------------------|----------|----------------------------|---|
| Shares Beneficially | 6 | Shared Voting Power | 0 |
|----------------------------|----------|----------------------------|---|

| | | | |
|-----------------|----------|-------------------------------|---|
| Owned by | 7 | Sole Dispositive Power | 1,520,560 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,008,613 shares of Common Stock) |
| Each | | | |

| | | | |
|-------------------------------|----------|---------------------------------|---|
| Reporting Person With: | 8 | Shared Dispositive Power | 0 |
|-------------------------------|----------|---------------------------------|---|

9 Aggregate Amount Beneficially Owned by Each Reporting Person

1,520,560 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,008,613 shares of Common Stock)

10 Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11 Percent of Class Represented by Amount in Row (9)

6.1%

12 **Type of Reporting Person (See Instructions)**

IA, HC

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 CUSIP No. 48562P103

1 Names of Reporting Persons
I.R.S. Identification Nos. of above persons (entities only)

Graham Duncan

2 Check the Appropriate Box if a Member of a Group (See Instructions)

(a)
 (b)

3 SEC Use Only

4 Citizenship or Place of Organization

United States

| | | | |
|------------------|----------|--|-----------|
| Number of | 5 | Sole Voting Power | 2,436,660 |
| | | (consisting of 511,947 shares of Common Stock and warrants to purchase 1,924,713 shares of Common Stock) | |

| | | | |
|----------------------------|----------|----------------------------|---|
| Shares Beneficially | 6 | Shared Voting Power | 0 |
|----------------------------|----------|----------------------------|---|

| | | | |
|-----------------|----------|--|-----------|
| Owned by | 7 | Sole Dispositive Power | 2,436,660 |
| Each | | (consisting of 511,947 shares of Common Stock and warrants to purchase 1,924,713 shares of Common Stock) | |

| | | | |
|-------------------------------|----------|---------------------------------|---|
| Reporting Person With: | 8 | Shared Dispositive Power | 0 |
|-------------------------------|----------|---------------------------------|---|

9 Aggregate Amount Beneficially Owned by Each Reporting Person

2,436,660 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,924,713 shares of Common Stock)

10 Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11 Percent of Class Represented by Amount in Row (9)

9.8%

12 **Type of Reporting Person (See Instructions)**

IN, HC

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 CUSIP No. 48562P103

1 Names of Reporting Persons
I.R.S. Identification Nos. of above persons (entities only)

Shapiro Partners Management, LLC
 26-2081629

2 Check the Appropriate Box if a Member of a Group (See Instructions)

(a)
 (b)

3 SEC Use Only

4 Citizenship or Place of Organization

Delaware

| | | | |
|------------------|----------|--------------------------|---|
| Number of | 5 | Sole Voting Power | 2,436,660 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,924,713 shares of Common Stock) |
|------------------|----------|--------------------------|---|

| | | | |
|----------------------------|----------|----------------------------|---|
| Shares Beneficially | 6 | Shared Voting Power | 0 |
|----------------------------|----------|----------------------------|---|

| | | | |
|-----------------|----------|-------------------------------|---|
| Owned by | 7 | Sole Dispositive Power | 2,436,660 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,924,713 shares of Common Stock) |
| Each | | | |

| | | | |
|-------------------------------|----------|---------------------------------|---|
| Reporting Person With: | 8 | Shared Dispositive Power | 0 |
|-------------------------------|----------|---------------------------------|---|

9 Aggregate Amount Beneficially Owned by Each Reporting Person

2,436,660 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,924,713 shares of Common Stock)

10 Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11 Percent of Class Represented by Amount in Row (9)

9.8%

12 **Type of Reporting Person (See Instructions)**

IA, HC

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 CUSIP No. 48562P103

1 Names of Reporting Persons
I.R.S. Identification Nos. of above persons (entities only)

Adam Shapiro

2 Check the Appropriate Box if a Member of a Group (See Instructions)

(a)
 (b)

3 SEC Use Only

4 Citizenship or Place of Organization

United States

| | | | |
|------------------|----------|--|-----------|
| Number of | 5 | Sole Voting Power | 2,436,660 |
| | | (consisting of 511,947 shares of Common Stock and warrants to purchase 1,924,713 shares of Common Stock) | |

| | | | |
|----------------------------|----------|----------------------------|---|
| Shares Beneficially | 6 | Shared Voting Power | 0 |
|----------------------------|----------|----------------------------|---|

| | | | |
|-----------------|----------|--|-----------|
| Owned by | 7 | Sole Dispositive Power | 2,436,660 |
| Each | | (consisting of 511,947 shares of Common Stock and warrants to purchase 1,924,713 shares of Common Stock) | |

| | | | |
|-------------------------------|----------|---------------------------------|---|
| Reporting Person With: | 8 | Shared Dispositive Power | 0 |
|-------------------------------|----------|---------------------------------|---|

9 Aggregate Amount Beneficially Owned by Each Reporting Person

2,436,660 (consisting of 511,947 shares of Common Stock and warrants to purchase 1,924,713 shares of Common Stock)

10 Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11 Percent of Class Represented by Amount in Row (9)

9.8%

12 **Type of Reporting Person (See Instructions)**

IN, HC

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Item 1(a) Name of Issuer

Kapstone Paper and Packaging Corporation

Item 1(b) Address of Issuer's Principal Executive Offices

One Northfield Plaza, Suite 480
Northfield, IL 60093

Item 2(a) Name of Person Filing

East Rock Capital, LLC, EREF Special Situations, LLC, D Partners Management, LLC, Graham Duncan, Shapiro Partners Management, LLC, and Adam Shapiro. Graham Duncan is the managing member and control person of D Partners Management, LLC. Adam Shapiro is the managing member and control person of Shapiro Partners Management, LLC. D Partners Management, LLC is the managing member and Shapiro Partners Management, LLC is a member of East Rock Capital, LLC. East Rock Capital, LLC is the investment manager of East Rock Endowment Fund, LP. East Rock Endowment Fund, LP is the sole member of EREF Special Situations, LLC, a security holder of the issuer. Graham Duncan is the managing member and Shapiro Partners Management, LLC is a member of East Rock Focus Fund Management, LLC. East Rock Focus Fund Management, LLC is the investment manager of East Rock Focus Fund, LP, a security holder of the issuer.

Item 2(b) Address of Principal Business Office or, if none, Residence

405 Park Avenue, 6th Floor
New York, NY 10022

Item 2(c) Citizenship

See the response(s) to Item 4 on the attached cover page(s).

Item 2(d) Title of Class of Securities

Common Stock

Item 2(e) CUSIP Number

48562P103

Item 3 If this statement is filed pursuant to §§240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:

Not Applicable

Item 4 Ownership

- (a) Amount Beneficially owned:
See the response(s) to Item 9 on the attached cover page(s).
- (b) Percent of Class:
See the response(s) to Item 11 on the attached cover page(s), which was determined by dividing the number of shares beneficially held by the Reporting Person by 24,968,097, the number of shares of common stock issued and outstanding as reported in the Issuer's Form 10-Q filed with the Securities and Exchange Commission on November 5, 2007.
- (c) Number of shares as to which the person has:
- (i) Sole power to vote or to direct the vote:
See the response(s) to Item 5 on the attached cover page(s).
 - (ii) Shared power to vote or to direct the vote:
See the response(s) to Item 6 on the attached cover page(s).
 - (iii) Sole power to dispose or to direct the disposition of:
See the response(s) to Item 7 on the attached cover page(s).
 - (iv) Shared power to dispose or to direct the disposition of:
See the response(s) to Item 8 on the attached cover page(s).

Item 5 Ownership of Five Percent or Less of a Class.

Not Applicable.

Item 6 Ownership of More Than Five Percent on Behalf of Another Person.

Not Applicable.

Item 7 Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company.

Not Applicable.

Item 8 Identification and Classification of Members of the Group.

Not Applicable.

Item 9 Notice of Dissolution of Group.

Not Applicable.

Item 10 Certification.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or

influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

DATE: March 7, 2008

EAST ROCK CAPITAL, LLC

By: D PARTNERS MANAGEMENT, LLC
Managing Member

By: /s/ GRAHAM DUNCAN

Name: Graham Duncan
Title: Managing Member

EREF SPECIAL SITUATIONS, LLC

By: EAST ROCK ENDOWMENT FUND, LP
Member

By: EAST ROCK CAPITAL GP, LLC
General Partner

By: D PARTNERS MANAGEMENT, LLC
Managing Member

By: /s/ GRAHAM DUNCAN

Name: Graham Duncan
Title: Managing Member

D PARTNERS MANAGEMENT, LLC

By: /s/ GRAHAM DUNCAN

Name: Graham Duncan
Title: Managing Member

/s/ GRAHAM DUNCAN

Name: Graham Duncan

SHAPIRO PARTNERS MANAGEMENT, LLC

By: /s/ ADAM SHAPIRO

Name: Adam Shapiro
Title: Managing Member

/s/ ADAM SHAPIRO

Name: Adam Shapiro

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