

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 31, 2005

PACKAGING DYNAMICS CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation)	000-49741 (Commission File Number)	32-0009217 (IRS Employer Identification No.)
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3900 West 43rd Street, Chicago, Illinois (Address of Principal Executive Offices)	60632 (Zip Code)
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(773) 843-4000
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry Into a Material Definitive Agreement.

On March 31, 2005, Eugene J. Gentili joined Packaging Dynamics Corporation (the "Company") as Executive Vice President, BagcraftPapercon. In connection with such appointment, the Company entered into a Severance and Change of Control Agreement (the "Gentili Severance Agreement") with Mr. Gentili on March 31, 2005 pursuant to which, if Mr. Gentili's employment is terminated "without cause" by the Company or for "good reason" by Mr. Gentili, he would be entitled to receive a lump sum payment on the date of termination equal to one times the sum of his annual base salary and target bonus, each as in effect immediately prior to the date of his termination (or, if higher, immediately prior to the first occurrence or circumstance constituting "good reason") or two times his annual base salary if such termination occurs on or after a "change of control" and within two years of the date of the Gentili Severance Agreement. Mr. Gentili would also receive continuation of medical and dental benefits until the first anniversary of his termination or until covered by insurance with another employer, if sooner. If such termination occurs on or after (or within close proximity of) a "change in control," the vesting of options granted to Mr. Gentili under the Company's 2002 Long-Term

Incentive Compensation Plan would be accelerated and Mr. Gentili would be entitled to outplacement services for up to one year in an amount not to exceed \$25,000. In addition, Mr. Gentili would receive gross-up payments for certain excise taxes, interest and penalties, if any, that may be imposed by Section 4999 of the Internal Revenue Code.

On April 1, 2005 and in connection with Mr. Gentili's appointment, the Company granted to Mr. Gentili 50,000 options (the "Options") to purchase the Company's common stock under the Company's 2002 Long-Term Incentive Stock Plan at an exercise price of \$13.70, which was the closing price of the common stock on April 1, 2005, pursuant to the terms of Nonqualified Stock Option Agreement between the Company and Mr. Gentili (the "Gentili Option Agreement"). The term of the Options is seven years. The Options vest and become exercisable annually in equal one-third portions over the three-year period commencing with the first anniversary of the date of grant. If Mr. Gentili's employment is terminated, the Options may be exercised to the extent that portion of the Options is vested at the time of termination for a period following the termination date of one year if the termination was due to death or disability of Mr. Gentili, six months if the termination was without cause and thirty days if the termination was with cause or by Mr. Gentili other than for retirement. The Gentili Option Agreement also contains provisions (i) requiring that Mr. Gentili maintain the confidentiality of the Company's confidential information; (ii) restricting Mr. Gentili's ability to compete with the Company for a period of one year following Mr. Gentili's termination of employment; and (iii) restricting Mr. Gentili's ability to solicit customers, suppliers or employees of the Company for a period of one year following Mr. Gentili's termination of employment. Violation of any of the foregoing would result in the rescission of the Options and forfeiture by Mr. Gentili of any shares acquired from the exercise of the Options and/or the profits from the sale of any such acquired shares.

On March 31, 2005, Randy Van Antwerp resigned from his position as an officer of the Company, effective as of March 31, 2005. He will remain employed by the Company until May 31, 2005. In connection with such resignation, the Company and Mr. Van Antwerp terminated the Severance and Change of Control Agreement, dated January 23, 2003, by and between the Company and Mr. Van Antwerp (the "Van Antwerp Severance Agreement") and entered into a Separation Agreement, dated March 31, 2005 (the "Van Antwerp Separation Agreement"). Pursuant to the terms of the Van Antwerp Separation Agreement, Mr. Van Antwerp is entitled to a severance payment equal to his annual base salary as in effect immediately prior to May 31, 2005 in twenty-four (24) equal bimonthly payments beginning after May 31, 2005. All stock options granted to Mr. Van Antwerp scheduled to vest on or prior to March 31, 2005 will vest and be exercisable in accordance with the terms thereof. All stock options granted to Mr. Van Antwerp scheduled to vest after March 31, 2005 shall immediately expire and be forfeited as of such date.

On January 17, 2005, David E. Wartner joined the Company as Vice President, Finance and Corporate Controller. As of March 31, 2005, Mr. Wartner was appointed as the Company's principal accounting officer. In connection with such appointment, the Company entered into a Severance and Change of Control Agreement (the "Wartner Severance Agreement") with Mr. Wartner on March 31, 2005 pursuant to which, if Mr. Wartner's employment is terminated "without cause" by the Company or for "good reason" by Mr. Wartner, he would be entitled to receive a lump sum payment on the date of termination equal to one-half times his annual base as in effect immediately prior to the date of his termination (or, if higher, immediately prior to the first occurrence or circumstance constituting "good reason"). Mr. Wartner would also receive continuation of medical and dental benefits until six months following his termination or until covered by insurance with another employer, if sooner. If such termination occurs on or after (or within close proximity of) a "change in control," the vesting of options granted to Mr. Wartner under the Company's 2002 Long-Term Incentive Compensation Plan would be accelerated and Mr. Wartner would be entitled to outplacement services for up to six months in an amount not to exceed \$12,500. In addition, Mr. Wartner would receive gross-up payments for certain excise taxes, interest and penalties, if any, that may be imposed by Section 4999 of the Internal Revenue Code.

On March 31, 2005, the Company and Frank V. Tannura, Chairman and Chief Executive of the Company, entered into an Amendment (the "Second Tannura Severance Agreement Amendment") to the Severance and Change of Control Agreement, dated January 23, 2003, by and between the Company and Mr. Tannura, as amended (the "Tannura Severance Agreement"). In the event that Mr. Tannura's employment is terminated "without cause" by the Company or for "good reason" by Mr. Tannura after a "change of control" and on or before the second

anniversary date of such "change of control," the Second Tannura Severance Agreement Amendment provides that he would be entitled to receive continuation of medical and dental benefits until the third anniversary date of such "change in control," or until covered by insurance with another employer, if sooner, increased from the second anniversary as provided in the Tannura Severance Agreement.

Copies of the Gentili Severance Agreement, Van Antwerp Separation Agreement, Wartner Severance Agreement and Second Tannura Severance Agreement Amendment are attached hereto as Exhibits 10.1, 10.2, 10.3 and 10.4, respectively. The foregoing descriptions of the Gentili Severance Agreement, Van Antwerp Separation Agreement, Wartner Severance Agreement and Second Tannura Severance Agreement Amendment are qualified in their entirety by reference to the complete copies attached hereto as exhibits and the foregoing description of the Gentili Option Agreement is qualified in its entirety by reference to Exhibit 10 to the Company's Current Report on Form 8-K, filed on January 10, 2005.

Item 1.02 Termination of Material Definitive Agreement.

In connection with Mr. Van Antwerp's resignation and the Van Antwerp Separation Agreement, the Van Antwerp Severance Agreement has been terminated in its entirety.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

As described in Item 1.01 of this Current Report on Form 8-K, effective as of March 31, 2005, Mr. Gentili was appointed as Executive Vice President, BagcraftPapercon and Mr. Wartner was appointed as the Company's principal accounting officer.

Prior to joining the Company, Mr. Gentili, 58, served as President and Chief Executive Officer of Mullinix Packages, Inc. from January 2003 to March 2005 and Vice President and General Manager of Ivex Packaging Corporation ("Ivex") from 1996 to 2003.

Mr. Wartner, 38, has served as Vice President, Finance and Corporate Controller of the Company since January 2005. Mr. Wartner served as Vice President and Chief Financial Officer of SEI Information Technology from 2003 to January 2005. He also served as Chief Financial Officer of the Company from July 2002 to December 2002. Mr. Wartner served as Vice President and Corporate Controller of Ivex prior to July 2002.

The information set forth in Item 1.01 of this Current Report on Form 8-K with respect to the Gentili Severance Agreement and Wartner Severance Agreement is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No.	Description
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Exhibit 10.1	Severance and Change of Control Agreement, dated March 31, 2005, by and between Packaging Dynamics Corporation and Eugene J. Gentili
Exhibit 10.2	Separation Agreement, dated March 31, 2005, by and between Packaging Dynamics Corporation and Randy Van Antwerp
Exhibit 10.3	Severance and Change of Control Agreement, dated March 31, 2005, by and between Packaging Dynamics Corporation and David E. Wartner
Exhibit 10.4	Amendment, dated March 31, 2005, to the Severance and Change of Control Agreement, dated January 23, 2003, by and between Packaging Dynamics Corporation and Frank V. Tannura, as amended

SIGNATURES

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

PACKAGING DYNAMICS CORPORATION

Dated: April 6, 2005

By: /s/ Patrick T. Chambliss

Patrick T. Chambliss
Vice President and Chief
Financial Officer

EXHIBIT INDEX

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SEVERANCE AND CHANGE OF CONTROL AGREEMENT

THIS AGREEMENT is made as of March 31, 2005 by and between Packaging Dynamics Corporation (the "Company") and Mr. Eugene J. Gentili (the "Executive").

The parties hereto, intending to be legally bound hereby, agree as follows:

1. Position and Compensation. The Executive currently is serving as Executive Vice President, BagcraftPapercon of the Company and is receiving the following compensation (the "Compensation") for his services: (a) the base salary in effect on the date hereof (which amount may be increased as the Company may determine and such increased rate of base salary shall thereafter constitute the Executive's base salary for all purposes of this Agreement), (b) an annual performance bonus under the Company's Senior Management Incentive Compensation Plan equal to the percentage (in effect on the date hereof) of the Executive's base salary, and (c) participation in all of the Company's employee benefits plans, including without limitation, retirement and pension plans, incentive compensation plans (including the 2002 Long-Term Incentive Stock Compensation Plan), life insurance plans, dental plans, medical plans and automobile allowance plans which are, from time to time, made available by the Company to its executive officers, subject to the terms of such plans, with the Executive's participation to be on terms no less favorable to the Executive than the terms provided to other similar executives.

2. Compensation Upon Termination. The Executive shall be entitled to the following Compensation from the Company upon termination of employment:

(a) Termination for "Cause" or without "Good Reason". In the event of a termination of the Executive's employment by the Company for "Cause" or by the Executive without "Good Reason", the Executive shall be entitled to receive the Compensation specified in Section 1 through the date of termination plus any unpaid performance bonus for any prior fiscal year.

(b) Upon Termination "Without Cause" or for "Good Reason". In the event that the Executive's employment is terminated by the Company "Without Cause" or by the Executive for "Good Reason", then the Executive shall be entitled to receive:

(i) Compensation due the Executive through the date of termination (including, without limitation, any unpaid performance bonus for the prior fiscal year);

(ii) a lump sum payable on the date of termination equal to (A) one (1) times the sum of the Executive's base salary and target bonus, each as in effect immediately prior to the date of termination (or, if higher, in effect immediately prior to the first occurrence or circumstance constituting Good Reason), or (B) two (2) times the sum of the Executive's base salary if such termination occurs on or after a Change Of Control provided such termination occurs on or before the second anniversary date of this agreement;

(iii) the continuation for the Executive and his dependents of the medical and dental benefits described in Section 1(c) or the provision of equivalent benefits until the earlier of (x) the first anniversary of the date of termination or (y) with respect to the medical benefits, the date upon which the Executive begins to be covered by medical insurance with a new employer; provided, that the Executive's medical coverage with the Company shall be discontinued upon subsequent employment only to the extent that any pre-existing medical conditions are covered under the new employer's medical plan (for purposes of determining the period of continuation coverage to which the Executive or any of his dependents is entitled pursuant to Section 4980B of the Code (or any successor provision thereto) under any group health plan maintained by the Company or its Affiliates, the Executive shall be considered

to have remained employed until the first anniversary of his Termination Date);

(iv) if such termination occurs on or after (or within close proximity of) a Change Of Control, the acceleration of vesting under the Company's 2002 Long-Term Incentive Compensation Plan; and

(v) if such termination occurs on or after (or within close proximity of) a Change Of Control, outplacement services for a period of one (1) year, or, if earlier, until the first acceptance by the Executive of an offer of employment, in an amount not to exceed \$25,000.

3. No Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement in connection with or following termination of employment by seeking other employment or otherwise, nor shall any amounts provided herein be reduced by any compensation earned by the Executive as the result of employment by another employer after termination of the Executive's employment hereunder.

4. Non-Compete Covenants. (a) In consideration of the premises and the mutual covenants contained herein, the Executive shall not during the Restricted Period (as hereinafter defined), in the United States, Canada or any other place where the Company and its affiliates conduct substantial manufacturing operations relating to the Company's businesses, directly or indirectly (except in the Executive's capacity as an officer of the Company or any of its affiliates), (i) engage or participate in any of the Company's principal businesses; (ii) enter the employ of, or render any other services to, any person engaged in any of the Company's principal businesses; or (iii) become interested in any such person in any capacity, including, without limitation, as an individual, partner, shareholder, lender, officer, director, principal, agent, consultant, advisor or trustee; provided, however, that the Executive may own, directly or indirectly, solely as an investment, securities of any person traded on any national securities exchange or listed on the National Association of Securities Dealers Automated Quotation System if the Executive is not a controlling person of, or a member of a group which controls, such person and the Executive does not, directly or indirectly, own five percent (5.0%) or more of any class of equity securities, or securities convertible into or exercisable or exchangeable for five percent (5.0%) or more of any class of equity securities, of such person. As used herein, the "Restricted Period" shall mean a period commencing on the date hereof and terminating upon the first anniversary date of such termination of employment. The Company and the Executive hereby agree that the non-compete obligations contained in this Section 4(a) shall supercede and control over any other similar obligations contained in any other agreements or documents which such other obligations shall have no force or effect.

(b) The Executive acknowledges that the Company has a legitimate and continuing proprietary interest in the protection of its confidential information and that it has invested substantial sums and will continue to invest substantial sums to develop, maintain and protect such confidential information. The Executive agrees that during and after the Restricted Period, the Executive shall keep secret and retain in strictest confidence and shall not use for the benefit of himself or others all confidential information directly relating to the Company's businesses learned by the Executive heretofore or hereafter, unless otherwise in the public domain other than as a result of disclosure by the Executive or previously known by the Executive or obtained by the Executive independent of the Company's confidential information.

(c) The Executive acknowledges that all memoranda, notes, lists, records, engineering drawings, technical specifications and related documents and other documents or papers (and all copies thereof) relating to the Company, including such items stored in computer memories, microfiche or by any other means relating to the Company and its affiliates, made or compiled by or on behalf of the Executive during his employment or made available to the Executive relating to the Company, its affiliates or any entity which may hereafter become an affiliate thereof, shall be the property of the Company and shall be delivered to the Company promptly upon the termination of the Executive's employment with the Company or at any other time upon request.

(d) The Executive agrees that any inventions, discoveries, improvements, ideas, concepts or original works of authorship relating directly to the Company's businesses, including without limitation, computer apparatus, programs and manufacturing techniques, whether or not protectable by patent or copyright, that have been originated, developed or reduced to practice by the Executive alone or jointly with others during the Executive's employment with

the Company shall be the property of and belong exclusively to the Company. The Executive shall promptly and fully disclose to the Company the origination or development by the Executive of any such material and shall provide the Company with any information that it may reasonably request about such material.

(e) During the Restricted Period, the Executive shall not, directly or indirectly, (i) hire or solicit, or cause others to hire or solicit, for employment by any person other than the Company, or retain as a consultant, advisor, agent, representative or in any other capacity whatsoever, or cause others to do any of the foregoing, any person employed by the Company or its affiliates or successors within the two (2) years preceding the Executive's hiring or retention of such person or solicitation of such person, or (ii) encourage any such employee to leave his employment.

(f) During the Restricted Period, the Executive shall not, except by reason of and in his capacity as an officer of the Company, directly or indirectly request or advise a customer of the Company or its subsidiaries to curtail or cancel such customer's business relationship with the Company.

(g) If the Executive breaches, or threatens to commit a breach of, any of the provisions contained in this Section (the "Restrictive Covenants"), the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity:

(i) the right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company; and

(ii) the right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits derived or received by the Executive as the result of any action constituting a breach of the Restrictive Covenants.

5. Miscellaneous.

(a) Definitions. For purposes of this Agreement, the terms "Cause", "Without Cause", "Good Reason", "Change Of Control" and "Disability" shall have the meaning set forth in Exhibit A attached hereto.

(b) Certain Additional Payments by the Company. The Company hereby agrees to the terms and conditions of Exhibit B attached hereto.

(c) Successors; Binding Agreement. In the event of any merger, consolidation or transfer of assets, the provision of this Agreement shall bind and inure to the benefit of the surviving or resulting corporation, or the corporation to which such assets have been transferred, as the case may be. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by written agreement, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. The Company's failure to obtain such agreement prior to the effectiveness of any such succession shall entitle the Executive to terminate his employment hereunder for Good Reason.

(d) Attorney's Fees. All reasonable legal fees and costs incurred by the Executive in connection with the resolution of any dispute or controversy under or in connection with this Agreement shall be reimbursed by the Company promptly upon the Executive's incurrence thereof plus interest at ten percent (10.0%) per annum from the date of any such incurrence; provided, however, that the Company shall not be obligated to make such payment where the dispute or controversy is finally determined in favor of the Company. Also, until paid, all past due amounts required to be paid by the Company hereunder shall bear interest at a rate of ten percent (10.0%) per annum.

(e) Governing Law. This Agreement shall be governed, construed, interpreted, and enforced in accordance with the substantive laws of the State of Illinois.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

PACKAGING DYNAMICS CORPORATION

By:/s/ Frank V. Tannura

Frank V. Tannura

/s/ Eugene J. Gentili

Eugene J. Gentili

Exhibit A
to
Severance and Change Of Control Agreement

The term "Cause" shall mean and include (a) chronic alcoholism or drug addition, (b) deliberate misappropriation of any material amount of money or other assets or properties of the Company or any affiliate or successor thereof, (c) except where the nonperformance is caused by the illness or other similar incapacity or disability of the Executive, gross and continuing neglect in the substantial performance of duties reasonably assigned to the Executive that is not corrected promptly upon receipt by the Executive of written notice delivered at the direction of the Company specifically identifying the manner in which it is alleged that the Executive has not substantially performed his duties, (d) any willful and material breach of any of the terms of this Agreement except where the breach is caused by the illness or other similar incapacity or disability of the Executive, (e) conviction of a misdemeanor involving moral turpitude or conviction of a felony, (f) death of the Executive, or (g) a permanent disability of the Executive that entitles the Executive to receive benefits under the Company's disability insurance program ("Disability").

The term "Without Cause" shall mean termination by the Company for any reason other than "Cause".

The term "Good Reason" shall mean the continuation of any of the following (without the Executive's express prior written consent) after written notice provided by the Executive and the failure by the Company to remedy such event or condition within thirty (30) days after receipt of such notice:

(a) A reduction in the Executive's base salary, as in effect pursuant to Section 1(a);

(b) A reduction of or failure by the Company to pay to the Executive any bonus which is payable pursuant to Section 1(b);

(c) A failure by the Company to provide, on terms no less favorable to the Executive than the terms offered to other senior executives of the Company, any benefit or compensation plan (including any pension, profit sharing, life insurance, health, accidental death or dismemberment or disability plan), or any substantially similar benefit or compensation plan, which has been made available to such other senior executives; provided, however, that nothing herein shall be construed to mean that the Company shall be constrained from amending or eliminating any benefit or compensation plan as such is applied to the Executive and to other senior executives of the Company;

(d) The assignment to the Executive of any duties materially inconsistent with the Executive's current position with the Company or the material reduction or elimination of any of the Executive's duties which has the effect of diminishing the Executive's responsibilities or authority;

(e) A change in the Executive's title;

(f) Failure by the Company to obtain, in accordance with Section 5(c),

the written agreement of any successor in interest to the business of the Company to assume and perform the obligations of the Company under this Agreement;

(g) The relocation of the Executive's principal place of employment to a location more than fifty miles from the Executive's currently existing place of employment; or

(h) Any other material breach of this Agreement by the Company.

The term "Change Of Control" shall mean the acquisition by any person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of the outstanding interests or outstanding voting securities of the Company; provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change Of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition by Packaging Investors, L.L.P., DCBS Investors, L.L.P., CB Investors, L.L.P. or any of their direct or indirect partners, members, shareholders or affiliates or any entity controlled by any one or more of them.

Exhibit B
to
Severance and Change Of Control Agreement

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Exhibit B) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or if any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, being hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of paragraph (c) below, all determinations required to be made under this Exhibit B, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized certified public accounting firm designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a Change of Control, the Executive may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). The Accounting Firm shall assist the Executive with the preparation and filing of any income tax return required of the Executive which relates to the period or periods in which Executive received a Payment or a Gross-Up Payment. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Exhibit B, shall be paid by the Company to the Executive within five (5) days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations

required to be made hereunder. In the event that the Company exhausts its remedies pursuant to paragraph (c) below and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten (10) business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the thirty (30)-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) Give the Company any information reasonably requested by the Company relating to such claim,

(ii) Take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) Cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) Permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this paragraph (c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to paragraph (c) above, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of paragraph (c) above) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to paragraph (c) above, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such

advance shall offset, to the extent thereof, the amount of any Gross-Up Payment required to be paid.

SEPARATION AGREEMENT

This SEPARATION AGREEMENT (this "Agreement"), dated as of March 31, 2005, is entered into by and between Packaging Dynamics Corporation, a Delaware corporation (the "Company") and Randy Van Antwerp ("Executive").

WHEREAS, Executive has been employed as Vice President and General Manager of the Company;

WHEREAS, Executive has decided to resign from his position as Vice President and General Manager of the Company and from all offices, directorships and other positions with the Company and any of its affiliates and subsidiaries; and

WHEREAS, the Company has agreed to accept such resignation.

NOW, THEREFORE, in consideration of the mutual agreements and understandings set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. Termination of Service; Benefits.

(a) Resignation of Position. Effective as of March 31, 2005, Executive hereby resigns his position as Vice President and General Manager of the Company, and resigns as officer and director of the Company and any of its affiliates and subsidiaries, and shall no longer serve in any of these capacities. Notwithstanding the provisions of the previous sentence, Executive shall remain an employee of the Company until the Resignation Date as defined below.

(b) Resignation of Employment. Effective as of May 31, 2005 (the "Resignation Date"), Executive hereby resigns his employment with the Company. Furthermore, effective as of the date hereof, that certain Severance and Change of Control Agreement, dated as of January 23, 2003, by and between the Company and Executive shall be terminated. On the Resignation Date, Executive shall be paid Executive's accrued but unpaid base salary through the Resignation Date, regardless of whether he executes this Agreement, in accordance with the Company's customary payroll practices. Executive will also be reimbursed for all unreimbursed expenses in an aggregate amount not to exceed \$5,000 that were incurred by Executive in the furtherance of Company business through the Resignation Date within three (3) business days of providing reasonable documentation relating to such expenses. With respect to any benefits or rights that Executive has accrued or earned under any of the Company's employee benefit plans, Executive shall be entitled to such benefits pursuant to the terms of such plans.

(c) Payments and Medical Benefits. Subject to, and in consideration of, Executive's release of claims as of the Resignation Date contemplated by Section 5 and Executive's other covenants and agreements contained herein and provided that the Benefit Effective Date (as such term is defined below) occurs, the Company shall provide Executive with the payments and benefits set forth in this subsection (b).

(i) Severance Payments. The Company shall pay to the Executive (A) an amount equal to one (1) times the Executive's annual base salary as in effect immediately prior to the Resignation Date, payable in twenty-four (24) equal bi-monthly payments starting with the first full pay period of the Company following the Benefit Effective Date. Executive acknowledges and agrees that the Executive severance payments provided under this Section 1(b)(i) are, but for the mutual covenants and agreements set forth in this Agreement, in addition to any consideration that he would otherwise be entitled to receive.

(d) Other Benefits. In consideration of Executive's covenants and agreements contained herein, the Company shall provide Executive with the

benefits set forth in this subsection (d).

(i) Stock Options. All of the shares of common stock, par value \$.01 per share, of the Company (the "Common Stock") subject to stock options granted to Executive under the Company's applicable stock option plans which are scheduled to vest on or prior to March 31, 2005 (the "Vesting Date") shall vest in accordance with their terms. As of the date hereof, all of the shares of Common Stock subject to stock options granted to Executive under the Company's applicable stock option plans scheduled to vest following the Vesting Date shall immediately expire and be forfeited as of the date hereof. All stock options owned by Executive as of the Resignation Date shall be exercisable in accordance with the terms thereof.

Section 2. Return of Records and Equipment. Executive agrees to return prior to the Resignation Date all physical, computerized, electronic or other types of records, documents, proposals, notes, lists, files and any and all other materials including, without limitation, computerized and/or electronic information that refers, relates or otherwise pertains to the Company and/or its affiliates or subsidiaries, and any and all business dealings of said persons and entities. Executive shall return prior to the Resignation Date to the Company all computers that Executive has been issued during the course of Executive's employment or which Executive otherwise currently possesses. In addition, by the Resignation Date, Executive shall return to the Company all other property or equipment that Executive has been issued during the course of Executive's employment or which Executive otherwise currently possesses, including, but not limited to, any cellular phones, Blackberries, Palm Pilots, any other PDA devices and/or pagers. Executive acknowledges that he is not authorized to retain any physical, computerized, electronic or other types of copies of any such physical, computerized, electronic or other types of records, documents, proposals, notes, lists, files or materials, and is not authorized to retain any other property or equipment of the Company or its affiliates and subsidiaries. Executive further agrees that he will immediately forward to the Company any business information regarding the Company and/or its affiliates and subsidiaries that has been or is inadvertently directed to Executive following Executive's last day of employment with the Company. The provisions of this paragraph are in addition to any other written agreements on this subject that Executive may have with the Company and/or any of its affiliates and subsidiaries, and are not meant to and do not excuse any additional obligations that he may have under such agreements.

Section 3. Non-Competition; Confidentiality; Non-solicitation.

(a) Non-Competition. Executive agrees that during the remainder of his employment and for a period of twelve (12) months immediately following the Resignation Date, in the United States, Canada or any other place where the Company and its affiliates conduct substantial manufacturing operations relating to the Company's businesses, directly or indirectly (i) engage or participate in any of the Company's principal businesses; (ii) enter the employ of, or render any other services to, any person engaged in any of the Company's principal businesses; or (iii) become interested in any such person in any capacity, including, without limitation, as an individual, partner, shareholder, lender, officer, director, principal, agent, consultant, advisor or trustee; provided, however, that Executive may own, directly or indirectly, solely as an investment, securities of any person traded on any national securities exchange or listed on the National Association of Securities Dealers Automated Quotation System if Executive is not a controlling person of, or a member of a group which controls, such person and Executive does not, directly or indirectly, own five percent (5.0%) or more of any class of equity securities, or securities convertible into or exercisable or exchangeable for five percent (5.0%) or more of any class of equity securities, of such person. The Company and Executive hereby agree that the non-compete obligations contained in this Section 3(a) shall supercede and control over any other similar obligations contained in any other agreements or documents which such other obligations shall have no force or effect.

(b) Confidentiality. Executive agrees that at all times during or after his employment by the Company, he will not use, disclose or disseminate any trade secrets, confidential information or any other information of a secret, proprietary, confidential or generally undisclosed nature relating to the Company and/or its affiliates and subsidiaries, or their respective businesses, contracts, projects, proposed projects, revenues, costs, operations, methods or procedures. The provisions of this Section 3(b) are in addition to any other written agreements on this subject that Executive may have with the Company and/or any of its affiliates and subsidiaries, and are

not meant to and do not excuse any additional obligations that he may have under such agreements.

(c) Non-solicitation. Executive agrees that during the remainder of his employment and for a period of twenty-four (24) months immediately following the Resignation Date, Executive shall not either directly or indirectly solicit, induce, recruit, or encourage to leave the employment of the Company or its affiliates and subsidiaries for any reason and/or to perform work for a competitor of the Company or its affiliates and subsidiaries (as an employee, independent contractor, or otherwise) (such conduct is collectively referred to as "solicitation") any person who is then employed by the Company or its affiliates and subsidiaries or who left the employ of the Company or its affiliates and subsidiaries less than six (6) months prior to the solicitation.

Section 4. Non-Disparagement Covenant. Executive agrees that he will not in any way disparage the Company or its current and former officers, directors and employees, verbally or in writing, or make any statements to the press or to third parties that may reasonably be derogatory or detrimental to the Company's good name or business reputation. Nothing in this section shall preclude Executive from responding truthfully to inquiries made in connection with any legal or governmental proceeding pursuant to subpoena or from making such other statements as may be required by applicable law.

Section 5. Release of Claims. Executive hereby agrees and acknowledges that as a condition to the receipt of any payments and benefits set forth in Section 1(b) above, Executive shall execute and deliver to the Company the form of the release attached hereto as Exhibit A (the "Release") on or following the Resignation Date and shall not revoke Executive's consent to the Release within seven (7) calendar days following Executive's execution. Provided that Executive does not revoke his consent to the Release within such seven-day period, the eighth day following execution of the Release shall be the "Benefit Effective Date."

Section 6. Cooperation. Executive agrees that he will reasonably cooperate in any claims, litigation or other legal actions in which the Company or its subsidiaries or affiliates may become involved. Such cooperation shall include Executive making himself available, upon the request of the Company and at the Company's expense, for depositions, court appearances and interviews by Company's counsel. To the maximum extent permitted by law, Executive agrees that he will notify the Board, in care of the Chairman of Board, if he is contacted by any government agency or any other person contemplating or maintaining any claim or legal action against the Company or its subsidiaries or affiliates or by any agent or attorney of such person.

Section 7. Miscellaneous Provisions.

(a) Fees and Expenses. Each party hereto agrees to bear its own fees and expenses relating to each of the matters referred to, contemplated by or the subject of this Agreement.

(b) Amendment and Modification. This Agreement may be amended, modified and supplemented only by written agreement of Executive and the Company. No waiver of any breach of any term or provision of this Agreement shall be construed to be, nor shall be, a waiver of any other breach of this Agreement. No waiver shall be binding unless in writing and signed by the party waiving the breach.

(c) Notices. All notices, requests, demands and other communications required or permitted shall be made in writing by hand-delivery, telecopier (with written confirmation) or air courier guaranteeing overnight delivery:

(i) If to the Executive, to:

Randy Van Antwerp
6418 Trotwood
Portage, MI 49024
Telecopier No.: 269/327-7801

or to such other persons or addresses as Executive shall reasonably furnish to the Company;

(ii) If to the Company, to:

Packaging Dynamics Corporation
3900 West 43rd Street
Chicago, Illinois 60632
Attention: Frank V. Tannura
Telecopier No.: (773) 254-8136

with a copy to:

Skadden, Arps, Slate, Meagher & Flom (Illinois)
333 West Wacker Drive
Chicago, Illinois 60606
Attention: William R. Kunkel
Telecopier No.: (312) 407-0411

or to such other persons or addresses as the Company shall reasonably furnish to Executive in writing.

All such notices, requests, demands and other communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

(d) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall fail to be in effect only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement or of any such provision.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflicts of law doctrine.

(f) Jointly Drafted. Executive understands that this Agreement, including the Release, is deemed to have been drafted jointly by the parties. Any uncertainty or ambiguity shall not be construed for or against any party based on attribution of drafting to any party.

(g) Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(h) Headings. The headings of the Sections of this Agreement are inserted for convenience only and shall not constitute a part hereof or affect in any way the meaning or interpretation of this Agreement.

(i) Entire Agreement. This Agreement, including the Release, sets forth the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein, and, except as expressly stated in this Agreement, supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, relating to the subject matter hereof.

(j) Specific Performance. Each of the parties hereto recognizes and acknowledges that a breach by a party of any covenants or agreements contained in this Agreement will cause the other party to sustain injury for which it would not have an adequate remedy at law for money damages. Therefore, each of the parties hereto agrees that in the event of any such breach, the aggrieved party shall be entitled to the remedy of specific performance of such covenants and agreements and preliminary and permanent injunctive and other equitable relief in addition to any other remedy to which it may be entitled, at law or in equity, and the parties hereto further agree to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief.

(k) Successors; Assignment; Third-Party Beneficiaries. This Agreement shall be binding upon and shall inure to the benefit of each of the parties hereto, and their respective heirs, legatees, executors, administrators, legal representatives, successors and assigns, but except as otherwise provided for or permitted herein neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other party; provided, that the provisions of the Release are intended to be for the benefit of, and shall be enforceable by, each Released Party (as such term is defined in the Release)

and his, her or its heirs, legatees, executors, administrators, legal representatives, successors and assigns.

(l) Reliance. Executive understands and acknowledges that reliance is placed wholly upon Executive's own judgment, belief and knowledge as to the propriety of entering into this Agreement, including the Release. Executive further acknowledges that he is relying solely upon the contents of this Agreement, that there have been no other representations or statements made by the Company and/or its affiliates and subsidiaries, and that Executive is not relying on any other representations or statements whatsoever of the Company and/or its affiliates and subsidiaries as an inducement to enter into this Agreement or the Release, and if any of the facts upon which Executive now relies in making this Agreement, including the Release, shall hereafter prove to be otherwise, this Agreement and the Release shall nonetheless remain in full force and effect.

(m) Counsel. Executive acknowledges that he has personally read this Agreement and that he has reviewed, or has had the opportunity to review, this Agreement with legal counsel of his own choosing. Executive further acknowledges that he has been provided a full and ample opportunity to study this Agreement that it fully and accurately reflects the content of any and all understandings and agreements between the parties concerning the matters referenced herein, that there have been no other representations or statements made by the Company and/or its affiliates and subsidiaries, and that Executive is not relying on any other representations whatsoever as an inducement to execute this Agreement.

(n) Withholding. Any payments provided for under this Agreement shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which Executive has agreed.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of the day and year first above written.

PACKAGING DYNAMICS CORPORATION

By: /s/ Patrick T. Chambliss

Name: Patrick T. Chambliss
Title: VP & CFO

EXECUTIVE

By: /s/ Randy Van Antwerp

Name: Randy Van Antwerp

EXHIBIT A

THIS AGREEMENT MAY NOT BE
SIGNED PRIOR TO May 31, 2005

RELEASE AGREEMENT

For good and valuable consideration, Randy Van Antwerp (the "Executive") hereby agrees to the terms of this agreement (this "Release Agreement") on the date indicated below.

1. Release.

(a) The Executive, on behalf of himself, his heirs, executors, administrators, successors and assigns, hereby irrevocably and unconditionally releases Packaging Dynamics Corporation (the "Company") and its parents,

subsidiaries, divisions and affiliates, together with their respective owners, assigns, agents, directors, partners, officers, members, employees, insurers, employee benefit programs (including, but not limited to, trustees, administrators, fiduciaries, and insurers of such programs), attorneys and representatives and any of their predecessors and successors and each of their estates, heirs and assigns (collectively, the "Company Releasees") from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, causes of action, rights, costs, losses, debts and expenses of any nature whatsoever, known or unknown, which the Executive or his heirs, executors, administrators, successors or assigns ever had, now have or hereafter can, will or may have (either directly, indirectly, derivatively or in any other representative capacity) by reason of any matter, fact or cause whatsoever against the Company or any of the other Company Releasees from the beginning of time to the date of this Agreement. This release includes, without limitation, all claims arising out of, or relating to, the Executive's employment and/or end of his employment with the Company and all claims arising under any federal, state and local labor, employment and/or anti-discrimination laws including, without limitation, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Employee Retirement Income Security Act of 1974 ("ERISA"), the Americans with Disabilities Act, Title VII of the Civil Rights Act of 1964, the Family and Medical Leave Act, the Civil Rights Act of 1991, the Fair Labor Standards Act, the Equal Pay Act, the Immigration and Reform Control Act, the Uniform Services Employment and Re-Employment Act, the Rehabilitation Act of 1973, Executive Order 11246, the Sarbanes-Oxley Act of 2002, and the Illinois Human Rights Act, each as amended. Nothing in this Paragraph 1(a) shall be deemed to release (i) the Executive's right to any vested benefits under the Company's 401(k) plan or any other Company "employee benefit plans" within the meaning of Section 3(3) of ERISA, or (ii) the Executive's right to enforce the terms of the Separation Agreement, dated March 31, 2005, between the Company and the Executive (the "Separation Agreement").

(b) The Executive acknowledges and agrees that the Company has fully satisfied any and all obligations owed to the Executive arising out of the Executive's employment with Company, and no further sums are owed to the Executive by Company or by any of the other Company Releasees, except as expressly provided in the Separation Agreement and under the Company's 401(k) plan or any other Company "employee benefit plans" within the meaning of Section 3(3) of ERISA.

(c) The Executive represents that he has no complaints, charges or lawsuits pending against the Company or any of the other Company Releasees. The Executive further covenants and agrees that neither he nor his heirs, executors, administrators, successors or assigns will be entitled to any personal recovery in any proceeding of any nature whatsoever against the Company or any of the other Company Releasees arising out of any of the matters released in this Paragraph 1.

2. Consultation with Attorney/Voluntary Agreement. The Executive acknowledges that (i) the Company has advised the Executive of his right to consult with an attorney prior to executing this Release Agreement, (ii) the Executive has consulted with an attorney regarding the terms of this Release Agreement prior to executing it, (iii) the Executive has carefully read and fully understands all of the provisions of this Release Agreement, and (iv) the Executive is entering into this Release Agreement, including the releases set forth in Paragraph 1 above, knowingly, freely and voluntarily in exchange for good and valuable consideration, including the obligations of the Company under the Separation Agreement.

3. Consideration & Revocation Period.

(a) The Executive acknowledges that he has at least twenty-one (21) calendar days to consider the terms of this Release Agreement, provided that he may not sign this Release Agreement prior to May 31, 2005.

(b) The Executive will have seven (7) calendar days from the date on which he signs this Release Agreement to revoke his consent to the terms of this Release Agreement. Such revocation must be in writing and must be addressed and sent via facsimile as follows: Packaging Dynamics Corporation, Attention: Frank V. Tannura, 3900 West 43rd Street, Chicago, Illinois 60632, Facsimile No.: (773) 254-8136. Notice of such revocation must be received within the seven (7) calendar days referenced above. In the event of such revocation by the Executive, this Release Agreement shall not become effective and the Executive shall not have any rights under Paragraph 1(b) of the Separation Agreement.

(c) Provided that the Executive does not revoke this Release Agreement, this Release Agreement shall become effective on the eighth calendar day after the date on which the Executive signs this Release Agreement.

4. No Admission of Wrongdoing. Nothing herein or in the Separation Agreement is to be deemed to constitute an admission of wrongdoing by Company or any of the other Company Releasees.

5. Assignment. This Release Agreement is personal to the Executive and may not be assigned by the Executive. This Release Agreement is binding on, and will inure to the benefit of, Company and the other Company Releasees.

6. Enforceability. In the event that any one or more of the provisions of this Release Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remainder hereof will not in any way be affected or impaired thereby and any such provision or provisions will be enforced to the fullest extent permitted by law.

7. Governing Law; Venue. This Release Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to its conflicts of law doctrine.

8. Entire Agreement. This Release Agreement and the Separation Agreement set forth the entire understanding between the Executive and the Company, and supersede all prior agreements, representations, discussions, and understandings concerning their subject matter. The Executive represents that, in executing this Release Agreement, the Executive has not relied upon any representation or statement made by the Company or any other Company Releasees, other than those set forth herein, with regard to the subject matter, basis or effect of this Release Agreement or otherwise.

IN WITNESS WHEREOF, the Executive has executed this Release Agreement on the date indicated below.

EXECUTIVE

Randy Van Antwerp

Date

SEVERANCE AND CHANGE OF CONTROL AGREEMENT

THIS AGREEMENT is made as of March 31, 2005 by and between Packaging Dynamics Corporation (the "Company") and Mr. David E. Wartner (the "Executive").

The parties hereto, intending to be legally bound hereby, agree as follows:

1. Position and Compensation. The Executive currently is serving as Vice President, Finance and Corporate Controller of the Company and is receiving the following compensation (the "Compensation") for his services: (a) the base salary in effect on the date hereof (which amount may be increased as the Company may determine and such increased rate of base salary shall thereafter constitute the Executive's base salary for all purposes of this Agreement), (b) an annual performance bonus under the Company's Senior Management Incentive Compensation Plan equal to the percentage (in effect on the date hereof) of the Executive's base salary, and (c) participation in all of the Company's employee benefits plans, including without limitation, retirement and pension plans, incentive compensation plans (including the 2002 Long-Term Incentive Stock Compensation Plan), life insurance plans, dental plans, medical plans and automobile allowance plans which are, from time to time, made available by the Company to its executive officers, subject to the terms of such plans, with the Executive's participation to be on terms no less favorable to the Executive than the terms provided to other similar executives.

2. Compensation Upon Termination. The Executive shall be entitled to the following Compensation from the Company upon termination of employment:

(a) Termination for "Cause" or without "Good Reason". In the event of a termination of the Executive's employment by the Company for "Cause" or by the Executive without "Good Reason", the Executive shall be entitled to receive the Compensation specified in Section 1 through the date of termination plus any unpaid performance bonus for any prior fiscal year.

(b) Upon Termination "Without Cause" or for "Good Reason". In the event that the Executive's employment is terminated by the Company "Without Cause" or by the Executive for "Good Reason", then the Executive shall be entitled to receive:

(i) Compensation due the Executive through the date of termination (including, without limitation, any unpaid performance bonus for the prior fiscal year);

(ii) a lump sum payable on the date of termination equal to one half (1/2) times the sum of the Executive's base salary as in effect immediately prior to the date of termination (or, if higher, in effect immediately prior to the first occurrence or circumstance constituting Good Reason);

(iii) the continuation for the Executive and his dependents of the medical and dental benefits described in Section 1(c) or the provision of equivalent benefits until the earlier of (x) the six month anniversary of the date of termination or (y) with respect to the medical benefits, the date upon which the Executive begins to be covered by medical insurance with a new employer; provided, that the Executive's medical coverage with the Company shall be discontinued upon subsequent employment only to the extent that any pre-existing medical conditions are covered under the new employer's medical plan (for purposes of determining the period of continuation coverage to which the Executive or any of his dependents is entitled pursuant to Section 4980B of the Code (or any successor provision thereto) under any group health plan maintained by the Company or its Affiliates, the Executive shall be considered to have remained employed until the first anniversary of

his Termination Date);

(iv) if such termination occurs on or after (or within close proximity of) a Change Of Control, the acceleration of vesting under the Company's 2002 Long-Term Incentive Compensation Plan; and

(v) if such termination occurs on or after (or within close proximity of) a Change Of Control, outplacement services for a period of six (6) months, or, if earlier, until the first acceptance by the Executive of an offer of employment, in an amount not to exceed \$12,500.

3. No Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement in connection with or following termination of employment by seeking other employment or otherwise, nor shall any amounts provided herein be reduced by any compensation earned by the Executive as the result of employment by another employer after termination of the Executive's employment hereunder.

4. Non-Compete Covenants. (a) In consideration of the premises and the mutual covenants contained herein, the Executive shall not during the Restricted Period (as hereinafter defined), in the United States, Canada or any other place where the Company and its affiliates conduct substantial manufacturing operations relating to the Company's businesses, directly or indirectly (except in the Executive's capacity as an officer of the Company or any of its affiliates), (i) engage or participate in any of the Company's principal businesses; (ii) enter the employ of, or render any other services to, any person engaged in any of the Company's principal businesses; or (iii) become interested in any such person in any capacity, including, without limitation, as an individual, partner, shareholder, lender, officer, director, principal, agent, consultant, advisor or trustee; provided, however, that the Executive may own, directly or indirectly, solely as an investment, securities of any person traded on any national securities exchange or listed on the National Association of Securities Dealers Automated Quotation System if the Executive is not a controlling person of, or a member of a group which controls, such person and the Executive does not, directly or indirectly, own five percent (5.0%) or more of any class of equity securities, or securities convertible into or exercisable or exchangeable for five percent (5.0%) or more of any class of equity securities, of such person. As used herein, the "Restricted Period" shall mean a period commencing on the date hereof and terminating upon the first anniversary date of such termination of employment. The Company and the Executive hereby agree that the non-compete obligations contained in this Section 4(a) shall supercede and control over any other similar obligations contained in any other agreements or documents which such other obligations shall have no force or effect.

(b) The Executive acknowledges that the Company has a legitimate and continuing proprietary interest in the protection of its confidential information and that it has invested substantial sums and will continue to invest substantial sums to develop, maintain and protect such confidential information. The Executive agrees that during and after the Restricted Period, the Executive shall keep secret and retain in strictest confidence and shall not use for the benefit of himself or others all confidential information directly relating to the Company's businesses learned by the Executive heretofore or hereafter, unless otherwise in the public domain other than as a result of disclosure by the Executive or previously known by the Executive or obtained by the Executive independent of the Company's confidential information.

(c) The Executive acknowledges that all memoranda, notes, lists, records, engineering drawings, technical specifications and related documents and other documents or papers (and all copies thereof) relating to the Company, including such items stored in computer memories, microfiche or by any other means relating to the Company and its affiliates, made or compiled by or on behalf of the Executive during his employment or made available to the Executive relating to the Company, its affiliates or any entity which may hereafter become an affiliate thereof, shall be the property of the Company and shall be delivered to the Company promptly upon the termination of the Executive's employment with the Company or at any other time upon request.

(d) The Executive agrees that any inventions, discoveries, improvements, ideas, concepts or original works of authorship relating directly to the Company's businesses, including without limitation, computer apparatus, programs and manufacturing techniques, whether or not protectable by patent or copyright, that have been originated, developed or reduced to

practice by the Executive alone or jointly with others during the Executive's employment with the Company shall be the property of and belong exclusively to the Company. The Executive shall promptly and fully disclose to the Company the origination or development by the Executive of any such material and shall provide the Company with any information that it may reasonably request about such material.

(e) During the Restricted Period, the Executive shall not, directly or indirectly, (i) hire or solicit, or cause others to hire or solicit, for employment by any person other than the Company, or retain as a consultant, advisor, agent, representative or in any other capacity whatsoever, or cause others to do any of the foregoing, any person employed by the Company or its affiliates or successors within the two (2) years preceding the Executive's hiring or retention of such person or solicitation of such person, or (ii) encourage any such employee to leave his employment.

(f) During the Restricted Period, the Executive shall not, except by reason of and in his capacity as an officer of the Company, directly or indirectly request or advise a customer of the Company or its subsidiaries to curtail or cancel such customer's business relationship with the Company.

(g) If the Executive breaches, or threatens to commit a breach of, any of the provisions contained in this Section (the "Restrictive Covenants"), the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity:

(i) the right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company; and

(ii) the right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits derived or received by the Executive as the result of any action constituting a breach of the Restrictive Covenants.

5. Miscellaneous.

(a) Definitions. For purposes of this Agreement, the terms "Cause", "Without Cause", "Good Reason", "Change Of Control" and "Disability" shall have the meaning set forth in Exhibit A attached hereto.

(b) Certain Additional Payments by the Company. The Company hereby agrees to the terms and conditions of Exhibit B attached hereto.

(c) Successors; Binding Agreement. In the event of any merger, consolidation or transfer of assets, the provision of this Agreement shall bind and inure to the benefit of the surviving or resulting corporation, or the corporation to which such assets have been transferred, as the case may be. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by written agreement, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. The Company's failure to obtain such agreement prior to the effectiveness of any such succession shall entitle the Executive to terminate his employment hereunder for Good Reason.

(d) Attorney's Fees. All reasonable legal fees and costs incurred by the Executive in connection with the resolution of any dispute or controversy under or in connection with this Agreement shall be reimbursed by the Company promptly upon the Executive's incurrence thereof plus interest at ten percent (10.0%) per annum from the date of any such incurrence; provided, however, that the Company shall not be obligated to make such payment where the dispute or controversy is finally determined in favor of the Company. Also, until paid, all past due amounts required to be paid by the Company hereunder shall bear interest at a rate of ten percent (10.0%) per annum.

(e) Governing Law. This Agreement shall be governed, construed, interpreted, and enforced in accordance with the substantive laws of the State of Illinois.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

PACKAGING DYNAMICS CORPORATION

By: /s/ Frank V. Tannura

Frank V. Tannura

/s/ David E. Wartner

David E. Wartner

Exhibit A
to
Severance and Change Of Control Agreement

The term "Cause" shall mean and include (a) chronic alcoholism or drug addition, (b) deliberate misappropriation of any material amount of money or other assets or properties of the Company or any affiliate or successor thereof, (c) except where the nonperformance is caused by the illness or other similar incapacity or disability of the Executive, gross and continuing neglect in the substantial performance of duties reasonably assigned to the Executive that is not corrected promptly upon receipt by the Executive of written notice delivered at the direction of the Company specifically identifying the manner in which it is alleged that the Executive has not substantially performed his duties, (d) any willful and material breach of any of the terms of this Agreement except where the breach is caused by the illness or other similar incapacity or disability of the Executive, (e) conviction of a misdemeanor involving moral turpitude or conviction of a felony, (f) death of the Executive, or (g) a permanent disability of the Executive that entitles the Executive to receive benefits under the Company's disability insurance program ("Disability").

The term "Without Cause" shall mean termination by the Company for any reason other than "Cause".

The term "Good Reason" shall mean the continuation of any of the following (without the Executive's express prior written consent) after written notice provided by the Executive and the failure by the Company to remedy such event or condition within thirty (30) days after receipt of such notice:

(a) A reduction in the Executive's base salary, as in effect pursuant to Section 1(a);

(b) A reduction of or failure by the Company to pay to the Executive any bonus which is payable pursuant to Section 1(b);

(c) A failure by the Company to provide, on terms no less favorable to the Executive than the terms offered to other senior executives of the Company, any benefit or compensation plan (including any pension, profit sharing, life insurance, health, accidental death or dismemberment or disability plan), or any substantially similar benefit or compensation plan, which has been made available to such other senior executives; provided, however, that nothing herein shall be construed to mean that the Company shall be constrained from amending or eliminating any benefit or compensation plan as such is applied to the Executive and to other senior executives of the Company;

(d) The assignment to the Executive of any duties materially inconsistent with the Executive's current position with the Company or the material reduction or elimination of any of the Executive's duties which has the effect of diminishing the Executive's responsibilities or authority;

(e) A change in the Executive's title;

(f) Failure by the Company to obtain, in accordance with Section 5(c), the written agreement of any successor in interest to the business of the Company to assume and perform the obligations of the Company under this Agreement;

(g) The relocation of the Executive's principal place of employment to a location more than fifty miles from the Executive's currently existing place of employment; or

(h) Any other material breach of this Agreement by the Company.

The term "Change Of Control" shall mean the acquisition by any person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of the outstanding interests or outstanding voting securities of the Company; provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change Of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition by Packaging Investors, L.L.P., DCBS Investors, L.L.P., CB Investors, L.L.P. or any of their direct or indirect partners, members, shareholders or affiliates or any entity controlled by any one or more of them.

Exhibit B
to
Severance and Change Of Control Agreement

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Exhibit B) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or if any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, being hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of paragraph (c) below, all determinations required to be made under this Exhibit B, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized certified public accounting firm designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a Change of Control, the Executive may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). The Accounting Firm shall assist the Executive with the preparation and filing of any income tax return required of the Executive which relates to the period or periods in which Executive received a Payment or a Gross-Up Payment. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Exhibit B, shall be paid by the Company to the Executive within five (5) days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be

binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to paragraph (c) below and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten (10) business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the thirty (30)-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) Give the Company any information reasonably requested by the Company relating to such claim,

(ii) Take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) Cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) Permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this paragraph (c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to paragraph (c) above, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of paragraph (c) above) promptly pay to the Company the amount of such refund (together with

any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to paragraph (c) above, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of any Gross-Up Payment required to be paid.

AMENDMENT TO SEVERANCE AND CHANGE OF CONTROL AGREEMENT

This Amendment to the Severance Agreement (this "Amendment"), effective as of March 31, 2005, is entered into by and between Packaging Dynamics Corporation (the "Company") and Frank V. Tannura (the "Executive").

WHEREAS, the Company and the Executive are parties to that certain Severance and Change of Control Agreement, dated as of January 23, 2003 (the "Severance Agreement"); and

WHEREAS, the Company and the Executive wish to amend the Severance Agreement in connection with the Appointment.

NOW, THEREFORE, in consideration of the foregoing premises and for good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Amendments to the Severance Agreement.
 - (a) Section 2(b)(iii)(x) is hereby amended by deleting the word "second" the first time it occurs and replacing it with the word "third."
2. Governing Law. This Amendment shall be governed, construed, interpreted, and enforced in accordance with the substantive laws of the State of Illinois.
3. Counterparts; Effectiveness. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Amendment shall be effective as of March 31, 2005 when each party hereto shall have received a counterpart hereof signed by the other party hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of this 31st day of March, 2005.

PACKAGING DYNAMICS CORPORATION

By: /s/ Patrick T. Chambliss

Name: Patrick T. Chambliss
Title: VP & CFO

By: /s/ Frank V. Tannura

FRANK V. TANNURA, individually