

Clearwater Paper Corp  
Form 11-K  
June 18, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

**FORM 11-K**

**x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2009**

**OR**

**.. TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from                      to**

**Commission file number 001-34146**

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**Clearwater Paper Salaried 401(k) Plan**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**CLEARWATER PAPER CORPORATION**

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**601 West Riverside Avenue, Suite 1100**

**Spokane, Washington 99201**

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**CLEARWATER PAPER SALARIED 401(k) PLAN**

**Financial Statements and Supplemental Schedule**

**December 31, 2009 and 2008**

**(With Report of Independent Registered Public Accounting Firm)**

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**CLEARWATER PAPER SALARIED 401(k) PLAN**

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**Report of Independent Registered Public Accounting Firm**

The Plan Administrator of the Clearwater Paper Salaried 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of Clearwater Paper Salaried 401(k) Plan (the Plan) as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule H, line 4i schedule of assets (held at end of year) as of December 31, 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Seattle, Washington

June 17, 2010

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**CLEARWATER PAPER SALARIED 401(k) PLAN**

**Statements of Net Assets Available for Benefits**

**December 31, 2009 and 2008**

|  | <b>2009</b>           | <b>2008</b>       |
|--|-----------------------|-------------------|
| <b>Assets:</b>   |                       |                   |
| Cash and cash equivalents  | \$                    | 2,502             |
| Investments at fair value  | 106,311,338           | 67,682,154        |
| Employer contribution receivable   | 90,036                | 94,445            |
| <b>Total assets</b>  | <b>106,401,374</b>    | <b>67,779,101</b> |
| <b>Liabilities:</b>  |                       |                   |
| Excess contributions payable   | 18,669                |                   |
| <b>Total liabilities</b>   | <b>18,669</b>         |                   |
| <b>Net assets available for benefits, at fair value</b>  | <b>106,382,705</b>    | <b>67,779,101</b> |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | (1,124,521)           | 1,205,778         |
| <b>Net assets available for benefits</b>   | <b>\$ 105,258,184</b> | <b>68,984,879</b> |

See accompanying notes to financial statements.

**Table of Contents****CLEARWATER PAPER SALARIED 401(k) PLAN****Statements of Changes in Net Assets Available for Benefits****Years ended December 31, 2009 and 2008**

|   | <b>2009</b>           | <b>2008</b>          |
|---|-----------------------|----------------------|
| Investment income (loss):                                 |                       |                      |
| Interest income   | \$ 726,196            | 2,175,380            |
| Dividend income   | 1,687,781             | 4,096,343            |
| Net appreciation (depreciation) of fair value investments | 30,513,123            | (47,631,577)         |
| <b>Net investment income (loss)</b>                       | <b>32,927,100</b>     | <b>(41,359,854)</b>  |
| Contributions:  |                       |                      |
| Employee  | 4,648,134             | 6,818,383            |
| Rollover  | 929,052               | 28,111               |
| Employer  | 2,001,283             | 2,888,036            |
| <b>Total contributions</b>                                | <b>7,578,469</b>      | <b>9,734,530</b>     |
| Distributions to participants                             | 4,779,249             | 17,343,431           |
| Loan and administrative fees                              | 40,673                | 60,147               |
| <b>Net increase (decrease) prior to transfers</b>         | <b>35,685,647</b>     | <b>(49,028,902)</b>  |
| Net transfers from other plans                            | 587,658               | 878,304              |
| Transfer of plan assets to Potlatch Salaried 401(k) Plan  |                       | (62,991,707)         |
| <b>Net increase (decrease)</b>                            | <b>36,273,305</b>     | <b>(111,142,305)</b> |
| Net assets available for benefits:                        |                       |                      |
| Beginning of year   | 68,984,879            | 180,127,184          |
| <b>End of year</b>  | <b>\$ 105,258,184</b> | <b>68,984,879</b>    |

See accompanying notes to financial statements.

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**CLEARWATER PAPER SALARIED 401(k) PLAN**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

**(1) Description of Plan**

The following description of the Clearwater Paper Salaried 401(k) Plan (the Plan) is provided for general information. Participants should refer to the summary plan description for a more complete description of the Plan's provisions.

**(a) General**

The Plan is a defined contribution plan established under the provisions of Section 401(a) of the Internal Revenue Code, as amended (IRC), which includes a cash or deferred arrangement under 401(k) of the IRC, and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

**(b) Plan Sponsor, Administration and Spin-Off**

Clearwater Paper Corporation (Clearwater Paper, or the Company), formerly known as Potlatch Forest Products Corporation, sponsors the Plan. On December 16, 2008, Potlatch Corporation (Potlatch) distributed 100% of the issued and outstanding shares of Clearwater Paper common stock to the holders of record of Potlatch common stock as of the close of business on December 9, 2008, in a tax-free spin-off (the Spin-off). Each Potlatch stockholder received one share of Clearwater Paper common stock for every 3.5 shares of Potlatch common stock held on the record date.

Effective as of December 17, 2008, the participant account balances and assets related to Potlatch were transferred to the Potlatch Salaried 401(k) Plan. The value of the distribution of Clearwater Paper stock associated with the Spin-off and received by the Plan on December 16, 2008, was approximately \$5.3 million and is recorded within net depreciation of fair value investments in the accompanying 2008 statement of changes. The portion of this distribution related to participants of the Potlatch Salaried 401(k) Plan was transferred to that plan on or about December 17, 2008.

Effective December 16, 2008, the Plan became administered by the Clearwater Paper Benefits Committee, replacing the Potlatch Forest Products Corporation Administrative Committee (collectively, the Committee). Mercer Trust Company and Mercer HR Services (collectively, Mercer) serve as the Trustee and record keeper, respectively.

**(c) Eligibility and Contributions**

Regular status salaried employees are eligible for participation in the Plan on the first day of the month following their date of hire.

The Plan provides that each eligible salaried employee may elect a participating contribution up to 6% of his or her per pay period earnings and a voluntary contribution up to 19% of such per pay period earnings on a pretax or after tax basis. Participants may also make rollover contributions representing distributions from certain other retirement plans. Eligible participants age 50 or older may elect additional catch-up contributions.

Salaried employees hired by the Company are automatically enrolled in the Plan at a 3% deferral rate 30 days after the employee becomes eligible unless he or she elects otherwise. This deferral percentage is increased by 1% annually until the percentage reaches 6% unless the participant elects otherwise.





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**CLEARWATER PAPER SALARIED 401(k) PLAN**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

The Company makes matching contributions into a participant's account under the Plan equal to 70% of such participant's Participating Contributions, although the Company may approve a higher or lower rate.

All contributions are limited by certain restrictions as defined by the IRC.

***(d) Participant Accounts***

A separate account is maintained for each participant of the Plan. Each account is credited with the employee and employer contributions and earnings thereon. Participant accounts are valued daily based on quoted market prices.

***(e) Investment Options***

Participants may direct investment of their account balances in 1% increments into the investment options offered under the Plan, including registered investment company funds and common collective trusts. Effective October 1, 2008, the Committee approved changes to the funds offered under the Plan, including the addition of certain registered investment company funds and target retirement date funds to replace certain other registered investment company funds. Prior to the Spin-off, participants could also invest their account balances into the Potlatch Stock Fund. As a result of the Spin-off, the Clearwater Paper Stock Fund was established under the Plan.

With the exception of the Potlatch Stock Fund, participants may change their investment elections and make transfers between investment options daily, subject to restrictions imposed by the registered investment companies and under the Plan. Existing balances in the Potlatch Stock Fund subsequent to the Spin-off may be maintained by participants in the Plan and balances can be reallocated to other investment options available under the Plan, however, no new contributions or transfers to the Potlatch Stock Fund are allowed.

Effective October 1, 2008, the accounts of participants automatically enrolled in the Plan and not electing otherwise are invested in the T. Rowe Price Retirement Fund with the target date closest to the year in which the participant will reach age 65, which is the assumed retirement age under the Plan. Prior to October 1, 2008, the default fund was the George Putnam Fund of Boston.

Any contributions or other payments made to the Plan without investment instructions will be invested in the age-appropriate T. Rowe Price Retirement Fund until such time as the participant chooses to reinvest such funds. Transfers between certain investments may be temporarily held as cash balances prior to reinvestment.

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**CLEARWATER PAPER SALARIED 401(k) PLAN**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

***(f) Vesting and Forfeitures***

A participant's interest in all employee contribution accounts is fully vested and nonforfeitable at all times. A participant's interest in his or her matching account becomes vested based on the participant's years of service as defined in the Plan as follows:

| Years of service | Percentage<br>vested |
|------------------|----------------------|
| Less than 2      | %                    |
| 2 or more        | 100.0                |

A participant's matching account will become 100% vested if the Plan terminates, or if the participant attains age 65 while in service with the Company, becomes totally and permanently disabled (as defined in the Plan) or dies while in service. The portion of a participant's matching account not vested will be forfeited when the participant's employment terminates.

As of the end of each year, forfeitures and the earnings on such forfeitures not used to restore the matching accounts of former participants rehired during the year may be credited against matching contributions for the following year, used to pay plan expenses, or a combination thereof. At December 31, 2009 and 2008, unallocated forfeitures totaled approximately \$700 and less than \$100, respectively. No forfeitures were used to pay administrative expenses and reduce employer contributions in 2009. During 2008, forfeitures totaling approximately \$69,300 were used to pay administrative expenses and reduce employer contributions.

***(g) Participant Loans***

Participants may borrow 50% of their vested account balance up to a maximum of \$50,000 (as reduced for loans outstanding during the one year preceding the new loan) as provided by the Plan. The loans are secured by the balance in the participant's account and bear interest at a market rate, which is determined for the applicable loans during the applicable periods to be the prime rate in effect at the beginning of the month in which the loan is taken. Repayment of principal and interest is generally paid ratably through payroll deductions. Loans outstanding at December 31, 2009, bear interest at various rates ranging from 3.25% to 8.25% and mature at various times through November 2024.

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**CLEARWATER PAPER SALARIED 401(k) PLAN**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

***(h) Distributions and Benefits***

On termination of employment, each participant may elect to receive payment in a lump sum equal to that participant's vested interest in his or her account, roll his or her account balance into an IRA or another employer's plan, or maintain his or her account in the Plan, subject to certain restrictions. If a participant's vested account balance is \$5,000 or less, he or she is generally not permitted to maintain an account balance in the Plan. Therefore, depending on the value of the vested account balance, one of the following will occur:

If the vested value is \$5,000 or less, but greater than \$1,000, a participant's account will be automatically rolled over to a Putnam Automatic Rollover IRA, unless the participant elects otherwise.

A terminated participant with vested benefits of \$1,000 or less will automatically receive the value of the vested interest in his or her account as a lump sum cash distribution, unless he or she elects otherwise.

Participants are permitted to make in-service and hardship withdrawals while still employed by the Company under certain conditions specified under the Plan. A participant's right to contribute to the Plan will be suspended for up to six months upon receiving a withdrawal.

***(i) Plan and Administrative Fees***

Plan expenses are generally paid by the Company, except to the extent that expenses are paid from participant forfeitures of employer matching contributions. Loan service fees, fees associated with processing of qualified domestic relations orders and certain trustee and recordkeeper expenses are paid by the affected participant.

***(j) Party-in-Interest and Related-Party Transactions***

Certain plan investments are managed by a subsidiary of Mercer. These transactions and transactions within the Clearwater Paper Stock Fund are considered party-in-interest transactions.

***(k) Net Transfers from Other Plans***

Net transfers from other plans represent the net amount of participant account balances transferred during the year to the Plan from other plans sponsored by the Company as a result of the participants changing employment status within the Company.

***(l) Plan Termination***

Although the Company expects to continue the Plan indefinitely, inasmuch as future conditions cannot be foreseen, the Company reserves the right to amend or terminate the Plan at any time and for any reason subject to the rules of ERISA. In the event of plan termination, participants will become 100% vested in their employer accounts.

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**CLEARWATER PAPER SALARIED 401(k) PLAN**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

**(2) Summary of the Significant Accounting Policies**

The financial statements of the Plan are prepared on the accrual basis of accounting. Distributions to participants are recorded when paid.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Plan sponsor to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets available for benefits during the reporting period. Actual results could differ from those estimates and assumptions.

**(a) Investment Valuation**

As described in Financial Accounting Standards Board (FASB) guidance, investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan.

The Plan invests in the Putnam Stable Value Fund, a common and collective trust that invests in guaranteed investment contracts (GICs). As required by the FASB guidance, the statement of net assets available for benefits presents the fair value of the investment in the collective trust as well as the adjustment of the investment in the collective trust from fair value to contract value relating to the investment contracts. The GICs are fully benefit responsive and are recorded at contract value, which approximates fair value. Fair value is calculated by discounting the related cash flows based on current yields and similar investments. The statement of changes in net assets available for benefits is prepared on a contract value basis. The contract value of the Putnam Stable Value Fund represents contributions made under the contracts, plus earnings, less withdrawals and administrative expenses. The average yield and crediting interest rate for that fund were approximately 2.95% and 3.83%, respectively, at December 31, 2009 and 4.63% and 4.16%, respectively, at December 31, 2008.

As of December 31, 2009, there are no reserves against credit value for credit risk of the contract issuer. There are certain limited events that may limit the ability of the Trust to transact at contract value related to employer initiated transaction provisions. Due to the size of the Stable Value Fund, it is highly unlikely that any event would occur that would limit the fund's ability to transact at contract value.

Investments in shares of the Potlatch and Clearwater Paper Stock Funds and registered investment company funds are stated at fair value, based on quoted market prices. Investments in the Putnam S&P 500 Index Fund, a common and collective trust, are stated at fair value based on the quoted value of the underlying investments and are expressed in units. Participant loans are recorded at fair value.

**Table of Contents****CLEARWATER PAPER SALARIED 401(k) PLAN****Notes to Financial Statements****December 31, 2009 and 2008****(b) Income Recognition**

Net appreciation (depreciation) in fair value of investments represents realized gains and losses and the change in fair value of investments from one period to the next. Interest is recorded when earned. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade date basis.

**(c) Subsequent Events**

Subsequent events were evaluated through the date the financial statements were issued.

**(3) Investments**

The value of individual investments that represented 5% or more of the Plan's net assets at December 31, 2009 and 2008 were as follows:

|                             | <b>2009</b>    | <b>2008</b> |
|-----------------------------|----------------|-------------|
| Putnam Stable Value Fund    | \$ 27,032,815  | 17,829,202  |
| Potlatch Stock Fund         | 13,672,315     | 14,212,990  |
| Clearwater Paper Stock Fund | 12,041,171     | 1,468,492*  |
| PIMCO Total Return Fund     | 6,504,132      | 4,924,948   |
| Dodge & Cox Stock Fund      | 5,829,822      | 3,694,422   |
|                             | 65,080,255     | 42,130,054  |
| Other investments           | 41,231,083     | 25,552,100  |
|                             | \$ 106,311,338 | 67,682,154  |

\* Represents less than 5% of the Plan's investments.

During the years ended December 31, 2009 and 2008, the Plan's investments appreciated (depreciated) (including gains and losses on investments sold during the year and the change in unrealized gains and losses at the end of the year) as follows:

|                                     | <b>2009</b>   | <b>2008</b>  |
|-------------------------------------|---------------|--------------|
| Potlatch Stock Fund                 | \$ 2,518,888  | (13,130,292) |
| Clearwater Paper Stock Fund         | 16,630,646    | (1,643,241)  |
| Common and collective trusts        | 741,317       | (3,161,872)  |
| Registered investment company funds | 10,622,272    | (29,696,172) |
|                                     | \$ 30,513,123 | (47,631,577) |



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**CLEARWATER PAPER SALARIED 401(k) PLAN**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

**(4) Fair Value Measurements**

Fair value accounting guidance establishes a framework for measuring fair value, which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2      Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

Registered investment company funds and company stock: Valued at quoted market prices, which are the net asset value (NAV) of shares held by the Plan at year end.



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Participant loans: Valued at fair value based on the present value of cash flows discounted using the borrowing rate as of the financial statement date.

Common and collective trusts: Investments in common commingled trust funds are recorded at fair value and adjusted to contract value for the Putnam Stable Value Fund and are recorded at fair value for the Putnam S&P 500 Index Fund. See note 2, Summary of Significant Accounting Policies, for further discussion.

**Table of Contents****CLEARWATER PAPER SALARIED 401(k) PLAN****Notes to Financial Statements****December 31, 2009 and 2008**

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

The following table sets forth by level, within the fair value hierarchy, the Plan investments at fair value:

|   | <b>December 31, 2009</b> |                   |                  | <b>Total</b>       |
|---|--------------------------|-------------------|------------------|--------------------|
|   | <b>Level 1</b>           | <b>Level 2</b>    | <b>Level 3</b>   |                    |
| <b>Registered investment company funds:</b> |                          |                   |                  |                    |
| Growth funds                                | \$ 18,311,818            |                   |                  | 18,311,818         |
| Value funds                                 | 14,325,400               |                   |                  | 14,325,400         |
| Income funds                                | 7,163,268                |                   |                  | 7,163,268          |
| Target retirement funds                     | 6,278,355                |                   |                  | 6,278,355          |
| Index funds                                 | 1,401,431                |                   |                  | 1,401,431          |
| Common stock                                | 25,713,486               |                   |                  | 25,713,486         |
| <b>Common/collective trust funds:</b>       |                          |                   |                  |                    |
| Stable value fund                           |                          | 27,032,815        |                  | 27,032,815         |
| Index fund                                  |                          | 3,406,466         |                  | 3,406,466          |
| Cash pending account                        | 90,398                   |                   |                  | 90,398             |
| Participant loans                           |                          |                   | 2,587,901        | 2,587,901          |
| <b>Total investments at fair value</b>      | <b>\$ 73,284,156</b>     | <b>30,439,281</b> | <b>2,587,901</b> | <b>106,311,338</b> |

|   | <b>December 31, 2008</b> |                   |                  | <b>Total</b>      |
|---|--------------------------|-------------------|------------------|-------------------|
|   | <b>Level 1</b>           | <b>Level 2</b>    | <b>Level 3</b>   |                   |
| <b>Registered investment company funds:</b> |                          |                   |                  |                   |
| Growth funds                                | \$ 12,144,777            |                   |                  | 12,144,777        |
| Value funds                                 | 8,859,240                |                   |                  | 8,859,240         |
| Income funds                                | 5,022,544                |                   |                  | 5,022,544         |
| Target retirement funds                     | 2,281,803                |                   |                  | 2,281,803         |
| Index funds                                 | 369,134                  |                   |                  | 369,134           |
| Common stock                                | 15,681,482               |                   |                  | 15,681,482        |
| <b>Common/collective trust funds:</b>       |                          |                   |                  |                   |
| Stable value fund                           |                          | 17,829,202        |                  | 17,829,202        |
| Index fund                                  |                          | 2,721,441         |                  | 2,721,441         |
| Cash pending account                        | 271,168                  |                   |                  | 271,168           |
| Participant loans                           |                          |                   | 2,501,363        | 2,501,363         |
| <b>Total investments at fair value</b>      | <b>\$ 44,630,148</b>     | <b>20,550,643</b> | <b>2,501,363</b> | <b>67,682,154</b> |

**Table of Contents****CLEARWATER PAPER SALARIED 401(k) PLAN****Notes to Financial Statements****December 31, 2009 and 2008*****Level 3 Gains and Losses***

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the years ended December 31:

|  | <b>2009</b>  | <b>2008</b> |
|--|--------------|-------------|
| Balance, beginning of year                 | \$ 2,501,363 | 3,537,773   |
| Issuances, repayments and settlements, net | 86,538       | (1,036,410) |
| Balance, end of year                       | \$ 2,587,901 | 2,501,363   |

**(5) Investment Risk**

The Plan investments include shares of registered investment company funds, common and collective trusts, and common stock in the form of the Clearwater Paper Stock Fund. Common stock investments are also held in the Potlatch Stock Fund, although no new contributions or transfers to this fund are permitted after the Spin-off. The underlying investments of such funds, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with such investments, it is reasonably possible that changes in the values of underlying investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Certain funds invest in securities with contractual cash flows, such as asset backed securities, collateralized mortgage obligations and commercial mortgage backed securities, including securities backed by subprime mortgage loans. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

**(6) Tax Status**

The Internal Revenue Service has determined by a letter dated April 16, 2003, that the Plan and related trust are designed in accordance with applicable sections of the IRC. Although the Plan has been amended since that date, management believes that the Plan is designed and continues to operate in material compliance with the IRC.

**Table of Contents****CLEARWATER PAPER SALARIED 401(k) PLAN****Notes to Financial Statements****December 31, 2009 and 2008****(7) Reconciliation of Financial Statements to the Form 5500**

The following is a reconciliation of the net assets available for benefits per the financial statements to the Form 5500 at December 31, 2009 and 2008:

|   | <b>2009</b>    | <b>2008</b> |
|---|----------------|-------------|
| Net assets available for benefits per the financial statements                                | \$ 105,258,184 | 68,984,879  |
| Loans in deemed distributed status  | (56,083)       |             |
| Adjustment from contract value to fair value of fully benefit-responsive investment contracts | 1,124,521      | (1,205,778) |
| Net assets available for benefits per the Form 5500   | \$ 106,326,622 | 67,779,101  |

The following is a reconciliation of the net increase (decrease) in net assets available for plan benefits per the financial statements to the Form 5500 for the years ended December 31, 2009 and 2008:

|   | <b>2009</b>   | <b>2008</b>  |
|---|---------------|--------------|
| Net increase (decrease) in net assets available for benefits prior to transfers per the financial statements              | \$ 35,685,647 | (49,028,902) |
| Change in deemed distributed loans  | (56,083)      |              |
| Add reversal of prior year adjustment from contract value to fair value for fully benefit-responsive investment contracts | 1,205,778     | (876,403)    |
| Plus current year adjustment from contract value to fair value for fully benefit-responsive investment contracts          | 1,124,521     | (1,205,778)  |
| Total net income (loss) per the Form 5500   | \$ 37,959,863 | (51,111,083) |

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Schedule I

**CLEARWATER PAPER SALARIED 401(k) PLAN****Schedule H, Line 4i - Schedule of Assets (Held at the End of Year)****December 31, 2009**

| Identity of issue, borrower,<br>lessor, or similar party | Description of investment including maturity<br>date, rate of interest, collateral, par, or<br>maturity value | Current<br>value |
|--|---|------------------|
|  | Shares of registered investment company funds:  |                  |
| PIMCO Funds  | PIMCO Total Return Fund   | \$ 6,504,132     |
| Dodge & Cox Funds  | Dodge & Cox Stock Fund  | 5,829,822        |
| Timesquare Funds   | Artisan Mid-Cap Value Fund  | 4,667,947        |
| Artisan Funds  | Artisan Mid-Cap Fund  | 4,540,421        |
| Mainstay Funds   | Mainstay Large Cap Growth Fund  | 4,255,839        |
| Mainstay Funds   | Timesquare Mid-Cap Growth Fund  | 3,958,468        |
| Dodge & Cox Funds  | Dodge & Cox International Fund  | 3,827,631        |
| Artisan Funds  | Artisan International Fund  | 3,267,648        |
| Morgan Stanley Funds                                     | Morgan Stanley Small Company Growth Fund  | 2,289,442        |
| T. Rowe Price Funds                                      | T. Rowe Price Retirement 2025 Fund  | 1,504,076        |
| T. Rowe Price Funds                                      | T. Rowe Price Retirement 2015 Fund  | 1,096,481        |
| T. Rowe Price Funds                                      | T. Rowe Price Retirement 2020 Fund  | 1,092,513        |
| Vanguard Funds   | Vanguard International Index Fund   | 875,368          |
| T. Rowe Price Funds                                      | T. Rowe Price Retirement 2030 Fund  | 772,375          |
| T. Rowe Price Funds                                      | T. Rowe Price Retirement 2005 Fund  | 725,777          |
| Vanguard Funds   | Vanguard Total Bond Market Index Fund   | 659,136          |
| Vanguard Funds   | Vanguard Extended Market Index Fund   | 526,063          |
| T. Rowe Price Funds                                      | T. Rowe Price Retirement 2035 Fund  | 486,047          |
| T. Rowe Price Funds                                      | T. Rowe Price Retirement 2010 Fund  | 271,582          |
| T. Rowe Price Funds                                      | T. Rowe Price Retirement 2040 Fund  | 169,781          |
| T. Rowe Price Funds                                      | T. Rowe Price Retirement 2050 Fund  | 55,427           |
| T. Rowe Price Funds                                      | T. Rowe Price Retirement 2045 Fund  | 48,718           |
| T. Rowe Price Funds                                      | T. Rowe Price Retirement 2055 Fund  | 48,343           |
| T. Rowe Price Funds                                      | T. Rowe Price Retirement Income Fund  | 7,235            |
|  | Common and collective trusts:   |                  |
| Putnam Investments                                       | Putnam Stable Value Fund  | 27,032,815       |
| Putnam Investments                                       | Putnam S&P 500 Index Fund   | 3,406,466        |
|  | Common stock:   |                  |
| Potlatch Corporation                                     | Potlatch Stock Fund   | 13,672,315       |
| * Clearwater Paper Corporation                           | Clearwater Paper Stock Fund   | 12,041,171       |
| * Mercer Trust   | Interest bearing cash account   | 90,398           |
| * Plan participants                                      | Participant loans with interest from 3.25% to 8.25% and mature at various times through November 2024         | 2,587,901        |
|  | Total investments   | \$ 106,311,338   |

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\* Represents a party-in-interest at December 31, 2009.  
See accompanying Report of Independent Registered Public Accounting Firm



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**CLEARWATER PAPER SALARIED 401(K) PLAN**

**Exhibit Index**

|  |                         |
|--|-------------------------|
| Consent of Independent Registered Public Accounting Firm | <b>Exhibit<br/>(23)</b> |
|--|-------------------------|