

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE
TRANSITION PERIOD FROM TO

Commission file number 1-15399



(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

1 North Field Court, Lake Forest, Illinois

(Address of Principal Executive Offices)

36-4277050

(I.R.S. Employer
Identification No.)

60045

(Zip Code)

Registrant's telephone number, including area code: (847) 482-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	PKG	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At June 30, 2019, the last day of the Registrant's most recently completed second fiscal quarter, the aggregate market value of Registrant's common equity held by non-affiliates was approximately \$8,891,651,488 based upon the closing sale price as reported on the New York Stock Exchange. This calculation of market value has been made for the purposes of this report only and should not be considered as an admission or conclusion by the Registrant that any person is in fact an affiliate of the Registrant.

On February 21, 2020, there were 94,652,815 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Specified portions of the Proxy Statement for the Registrant's 2020 Annual Meeting of Stockholders are incorporated by reference to the extent indicated in Part III of this Form 10-K.

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PART I

Item 1. BUSINESS

Packaging Corporation of America (“we,” “us,” “our,” “PCA,” or the “Company”) is the third largest producer of containerboard products and the third largest producer of uncoated freesheet (UFS) paper in North America. We operate six containerboard mills, two uncoated freesheet (UFS) paper mills and 95 corrugated products manufacturing plants. We are headquartered in Lake Forest, Illinois and operate primarily in the United States.

We report in three reportable segments: Packaging, Paper and Corporate and Other. For segment financial information see Note 20, Segment Information, of the Notes to Consolidated Financial Statements in “Part II, Item 8, Financial Statements and Supplementary Data” of this Form 10-K.

During the second quarter of 2018, we discontinued the production of paper grades at the Wallula, Washington mill and converted the No. 3 machine to production of virgin kraft linerboard. Before May 2018, operating results for the Wallula mill were included in the Paper segment. After May 2018, operating results for the Wallula mill are primarily included in the Packaging segment.

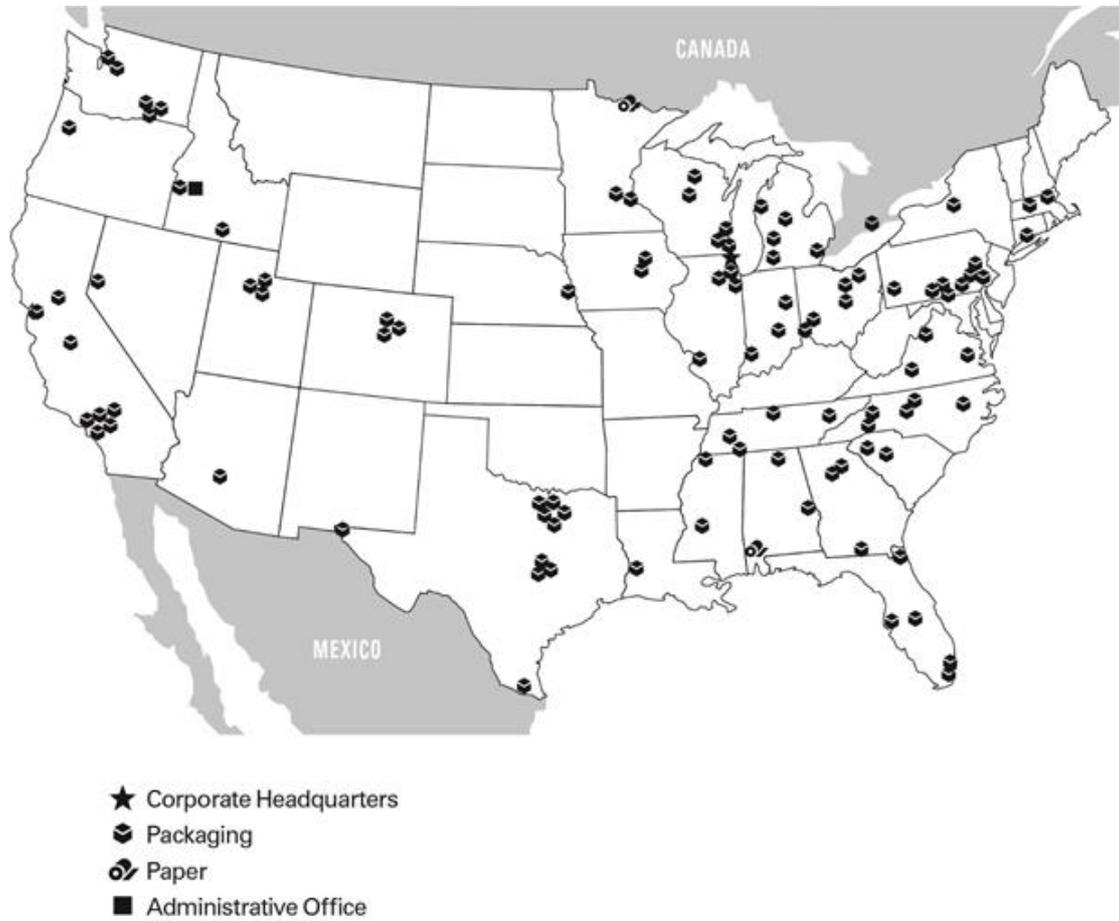
Production and Shipments

The following table summarizes the Packaging segment's containerboard production and corrugated products shipments and the Paper segment's UFS production.

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Containerboard Production (a)	2019	1,037	1,063	1,070	1,079	4,249
(thousand tons)	2018	953	1,020	1,087	1,021	4,081
	2017	932	947	996	1,006	3,881
Corrugated Shipments (BSF)	2019	14.5	14.9	15.1	14.9	59.4
	2018	14.4	15.1	14.8	14.6	58.9
	2017	13.6	13.9	13.7	14.5	55.7
UFS Production (a)	2019	239	236	236	236	947
(thousand tons)	2018	279	252	239	247	1,017
	2017	273	289	278	278	1,118

(a) In May 2018, PCA ceased production of paper grades at our Wallula, Washington mill and converted the No. 3 machine to produce virgin kraft linerboard. We provide more information about the production capability of the converted machine elsewhere in this section under “– Packaging – Facilities – Wallula.”

Below is a map of our locations:



Packaging

Packaging Products

Our containerboard mills produce linerboard and corrugating medium, which are primarily used in the production of corrugated products. Our corrugated products manufacturing plants produce a wide variety of corrugated packaging products, including conventional shipping containers used to protect and transport manufactured goods, multi-color boxes and displays with strong visual appeal that help to merchandise the packaged product in retail locations, and honeycomb protective packaging. In addition, we are a large producer of packaging for meat, fresh fruit and vegetables, processed food, beverages, and other industrial and consumer products.

During the year ended December 31, 2019, our Packaging segment produced 4.2 million tons of containerboard at our mills. Our corrugated products manufacturing plants sold 59.4 billion square feet (BSF) of corrugated products. Our net sales to third parties totaled \$5.9 billion in 2019.

Facilities

We currently manufacture containerboard, which includes a variety of performance and specialty grades, at six containerboard mills. Total annual containerboard capacity was approximately 4.3 million tons as of December 31, 2019. We also produce corrugated and protective packaging products at 95 manufacturing locations. The following provides more details of our operations:

Counce. Our Counce, Tennessee mill produces kraft linerboard on two machines. The mill can produce basis weights from 26 lb. to 90 lb.

DeRidder. Our DeRidder, Louisiana mill produces kraft linerboard on its No. 1 machine and kraft linerboard and corrugating medium on its No. 2 machine. The mill can produce linerboard in basis weights of 26 lb. to 69 lb. and medium in basis weights of 23 lb. to 33 lb.

Valdosta. Our Valdosta, Georgia mill produces kraft linerboard on one machine. The mill can produce basis weights from 35 lb. to 96 lb.

Tomahawk. Our Tomahawk, Wisconsin mill produces corrugating medium on two machines. The mill can produce basis weights from 23 lb. to 47 lb.

Filer City. Our Filer City, Michigan mill produces corrugating medium on three machines. The mill can produce basis weights from 20 lb. to 47 lb.

Wallula. Our Wallula, Washington mill produces corrugating medium on its No. 2 machine and kraft linerboard on its No. 3 machine. The mill can produce medium in basis weights from 23 lb. to 33 lb. and linerboard in basis weights from 31 lb. to 52 lb.

We operate 95 corrugated manufacturing and protective packaging operations, a technical and development center, 11 regional design centers, a rotogravure printing operation, and a complement of packaging supplies and distribution centers. Of the 95 manufacturing facilities, 62 operate as combining operations, commonly called corrugated plants, which manufacture corrugated sheets and finished corrugated packaging products, 32 are sheet plants, which procure combined sheets and manufacture finished corrugated packaging products, and one is a corrugated sheet-only manufacturer.

Corrugated products plants tend to be located in close proximity to customers to minimize freight costs. Each of our plants serve a market radius of approximately 150 miles. Our sheet plants are generally located in close proximity to our larger corrugated plants, which enables us to offer additional services and converting capabilities such as small volume and quick turnaround items.

Major Raw Materials Used

Fiber supply. Fiber is the largest raw material cost to manufacture containerboard. We consume both wood fiber and recycled fiber in our containerboard mills. Our mill system has the capability to shift a portion of its fiber consumption between softwood, hardwood, and recycled sources. All of our mills can utilize virgin wood fiber and all of our mills, other than the Valdosta mill, can utilize some recycled fiber in their containerboard production. Our corrugated manufacturing operations generate recycled fiber as a by-product from the manufacturing process, which is consumed by our mills. In 2019, our usage of recycled fiber, net of internal generation, represents 17% of our containerboard production.

We procure wood fiber through leases of cutting rights, long-term supply agreements, and market purchases and believe we have adequate sources of fiber supply for the foreseeable future.

We participate in the Sustainable Forestry Initiative® (SFI®), the Programme for the Endorsement of Forest Certification (PEFC), as well as the Forest Stewardship Council® (FSC®), and we are certified under their sourcing and chain of custody standards. These standards are aimed at ensuring the long-term health and conservation of forestry resources. We are committed to sourcing wood fiber through environmentally, socially, and economically sustainable practices and promoting resource and conservation stewardship ethics.

Energy supply. Energy at our packaging mills is obtained through self-generated or purchased fuels and electricity. Fuel sources include by-products of the containerboard manufacturing and pulping process (including black liquor and wood waste), natural gas, purchased wood waste, and other purchased fuels. Each of our mills self-generates process steam requirements from by-products (black liquor and wood waste), as well as from the various purchased fuels. The process steam is used throughout the production process and also to generate electricity.

In 2019, our packaging mills consumed about 75 million MMBTU's of fuel to produce both steam and electricity. Of the 75 million MMBTU's consumed, about 62% was from mill generated by-products and 38% was from purchased fuels. Of the purchased fuels, 72% was from natural gas, 25% was from purchased wood waste and 3% was from other purchased fuels.

Chemical supply. We consume various chemicals in the production of containerboard, including caustic soda, sulfuric acid, soda ash, and lime. Most of our chemicals are purchased under contracts, which are bid or negotiated periodically.

Sales, Marketing, and Distribution

Our corrugated products are sold through our direct sales and marketing organization, independent brokers, and distribution partners. We have sales representatives and a sales manager at most of our corrugated manufacturing operations and also have corporate account managers who serve customer accounts with a national presence. Additionally, our design centers maintain an on-site dedicated graphics sales force. In addition to direct sales and marketing personnel, we utilize new product development engineers and product graphics and design specialists. These individuals are located at both the corrugated plants and the design centers. General marketing support is located at our corporate headquarters.

Our containerboard sales group is responsible for linerboard and corrugating medium order processing and sales to our corrugated plants, to outside domestic customers, and to export customers. These personnel also coordinate and execute all containerboard trade agreements with other containerboard manufacturers.

Containerboard produced in our mills is shipped by rail or truck. Our corrugated products are delivered by truck due to our large number of customers and their demand for timely service. Our corrugated manufacturing operations typically serve customers within a 150-mile radius. We sometimes use third-party warehouses for short-term storage of corrugated products.

Customers

We sell containerboard and corrugated products to approximately 17,000 customers in approximately 35,000 locations. About 70% of our corrugated products sales are to regional and local accounts, which are broadly diversified across industries and geographic locations. The remaining 30% of our customer base consists primarily of national accounts that have multiple locations and are served by a number of PCA plants. No single customer exceeds 10% of segment sales.

The primary end-use markets in the United States for corrugated products are shown below as reported in the 2018 Fibre Box Association annual report:

Food, beverages, and agricultural products	44%
Retail and wholesale trade	22%
Paper and other products	14%
Chemical, plastic, and rubber products	11%
Miscellaneous manufacturing	9%

Competition

As of December 31, 2019, we were the third largest producer of containerboard products in North America, according to industry sources and our own estimates. According to industry sources, corrugated products are produced by about 460 U.S. companies operating approximately 1,200 plants. The primary basis for competition for most of our packaging products includes quality, service, price, product design, and innovation. Most corrugated products are manufactured to the customer's specifications. Corrugated producers generally sell within a 150-mile radius of their plants and compete with other corrugated producers in their local region. Competition in our corrugated products operations tends to be regional, although we also face competition from competitors with significant national account presence.

On a national level, our primary competitors are International Paper Company, WestRock Company, Georgia-Pacific LLC, and Pratt Industries. However, with our strategic focus on regional and local accounts, we also compete with the smaller, independent producers.

Paper

We are the third largest manufacturer of UFS in North America, according to industry sources and our own estimates. We manufacture and sell papers, including both commodity and specialty papers, which may have custom or specialized features such as colors, coatings, high brightness, and recycled content. Our papers consist of communication papers, including cut-size office papers and printing and converting papers.

Facilities

We currently have two paper mills located in the United States. Total annual UFS capacity is 964,000 tons. Our operations include the following:

Jackson. Our Jackson, Alabama mill produces both commodity and specialty papers on two paper machines.

International Falls. Our International Falls, Minnesota mill produces both commodity and specialty papers on two paper machines.

Major Raw Materials Used

Fiber supply. Fiber is the largest raw material cost in this segment. We consume wood fiber, recycled fiber, and purchased pulp. Our Jackson mill purchases recycled fiber to produce our line of recycled office papers. We purchase wood fiber through contracts and open-market purchase, and we purchase recycled fiber and pulp from third parties pursuant to contractual agreements.

We participate in the Sustainable Forestry Initiative® (SFI®), the Programme for the Endorsement of Forest Certification (PEFC), as well as the Forest Stewardship Council® (FSC®), and we are certified under their sourcing and chain of custody standards. These standards are aimed at ensuring the long-term health and conservation of forestry resources. We are committed to sourcing wood fiber through environmentally, socially, and economically sustainable practices and promoting resource and conservation stewardship ethics.

Energy supply. We obtain energy through self-generated or purchased fuels and electricity. Fuel sources include by-products of the manufacturing and pulping process (including black liquor and wood waste), natural gas, electricity, and purchased wood waste. Each of the paper mills self-generates process steam requirements from by-products (black liquor and wood waste), as well as from the various purchased fuels. The process steam is used throughout the production process and to generate electricity.

In 2019, our paper mills consumed about 22 million MMBTU's of fuel to produce both steam and electricity. Of the 22 million MMBTU's consumed, about 68% was from mill generated by-products and 32% was from purchased fuels. Of the purchased fuels, 91% was from natural gas and 9% from purchased wood waste.

Chemical supply. We consume various chemicals in the production of white papers, including starch, precipitated calcium carbonate, caustic soda, and sodium chlorate. Most of our chemicals are purchased under contracts, which are bid or negotiated periodically.

Sales, Marketing, and Distribution

Our papers are sold primarily through our sales and marketing organization. We ship to customers both directly from our mills and through distribution centers and a network of outside warehouses by rail or truck. This allows us to respond quickly to customer requirements.

Customers

We have over 100 customers in approximately 400 locations. These customers include office products distributors and retailers, paper merchants, and envelope and other converters. We have established long-term relationships with many of our

customers. Office Depot, Inc. is our largest customer in the Paper segment. Effective January 1, 2020, we have a revised agreement with Office Depot in which we will continue to supply commodity and non-commodity office papers to Office Depot through December 31, 2022. Office Depot is not subject to a minimum volume commitment and is entitled to receive rebates for achieving certain volume thresholds. If the agreement is not renewed by the parties, Office Depot's obligation to purchase paper would phase down over a two-year period beginning on January 1, 2023. In 2019, our sales revenue to Office Depot represented 50% of our Paper segment sales revenue and 7% of our consolidated sales revenue.

Competition

The markets in which our Paper segment competes are large and highly competitive. Commodity grades of UFS paper are globally traded, with numerous worldwide manufacturers, and as a result, these products compete primarily on the basis of price. All of our paper manufacturing facilities are located in the United States, and although we compete primarily in the domestic market, we do face competition from foreign producers. In 2016, as a result of a case brought by us and other domestic producers before United States international trade authorities, antidumping and countervailing duties at various levels were imposed on producers of uncoated freesheet papers produced in Australia, Brazil, China, Indonesia, and Portugal. These duties remain in effect. Other factors influencing competition from overseas producers include domestic and foreign demand and foreign currency exchange rates.

Our largest competitors include Domtar Corporation and International Paper Company. We also face competition from foreign producers. Although price is the primary basis for competition in most of our paper grades, quality and service are also important competitive determinants. Our papers compete with electronic data transmission, e-readers, electronic document storage alternatives, and paper grades we do not produce. Increasing shifts to these alternatives have had, and are likely to continue to have, an adverse effect on traditional print media and paper usage and lower demand for communication papers.

Corporate and Other

Our Corporate and Other segment includes corporate support staff services and related assets and liabilities. This segment also includes transportation assets, such as rail cars and trucks, which we use to transport some of our products to and from our manufacturing sites, and assets related to a 50% owned variable interest entity, Louisiana Timber Procurement Company, L.L.C. (LTP).

Employees

As of December 31, 2019, we had approximately 15,500 employees, including 4,500 salaried and 11,000 hourly employees. Approximately 63% of our hourly employees worked pursuant to collective bargaining agreements. The majority of our unionized employees are represented by the United Steel Workers (USW), the International Brotherhood of Teamsters (IBT), the International Association of Machinists (IAM), and the Association of Western Pulp and Paper Workers (AWPPW). We are currently in negotiations to renew or extend any union contracts that have recently expired or are expiring in the near future. During 2019, we experienced no work stoppages, and we believe we have satisfactory labor relations with our employees.

Environmental Matters

A discussion of the financial impact of our compliance with environmental laws is presented under the caption "Environmental Matters" in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

Executive Officers of the Registrant

Brief statements setting forth the age as of February 26, 2020, the principal occupation, employment during the past five years, the year in which such person first became an officer of PCA, and other information concerning each of our executive officers appears below.

Mark W. Kowlzan, 64, Chairman and Chief Executive Officer - Mr. Kowlzan has served as PCA's Chairman since January 2016 and as Chief Executive Officer and a director since July 2010. From 1998 through June 2010, Mr. Kowlzan led the company's containerboard mill system, first as Vice President and General Manager and then as Senior Vice President - Containerboard. From 1996 through 1998, Mr. Kowlzan served in various senior mill-related operating positions with PCA and Tenneco Packaging, including as manager of the Counce linerboard mill. Prior to joining Tenneco Packaging, Mr. Kowlzan spent 15 years at International Paper Company, a global paper and packaging company, where he held a series of operational

and managerial positions within its mill organization. Mr. Kowlzan is a member of the board of American Forest and Paper Association.

Thomas A. Hassfurther, 64, Executive Vice President - Corrugated Products - Mr. Hassfurther has served as Executive Vice President - Corrugated Products of PCA since September 2009. From February 2005 to September 2009, Mr. Hassfurther served as Senior Vice President - Sales and Marketing, Corrugated Products. Prior to this he held various senior-level management and sales positions at PCA and Tenneco Packaging. Mr. Hassfurther joined the company in 1977.

Robert P. Mundy, 58, Executive Vice President and Chief Financial Officer - Mr. Mundy has served as Executive Vice President and Chief Financial Officer since May 2019. Mr. Mundy previously served as PCA's Senior Vice President and Chief Financial Officer from 2015 to 2019. He previously served as Senior Vice President and Chief Financial Officer of Verso Corporation, a leading North American supplier of coated papers to catalog and magazine publishers, from 2006 to June 2015. Verso Corporation filed for Chapter 11 bankruptcy in January 2016. Prior to that, he worked at International Paper Company, from 1983 to 2006, where he was Director of Finance of the Coated and Supercalendered Papers division from 2002 to 2006, Director of Finance Projects from 2001 to 2002, Controller of Masonite Corporation from 1999 to 2001, and Controller of the Petroleum and Minerals business from 1996 to 1999. He served in various business positions at International Paper from 1983 to 1996.

Pamela A. Barnes, 55, Senior Vice President – Finance and Controller - Ms. Barnes has served as Senior Vice President – Finance and Controller since May 2019. Ms. Barnes previously served as a Vice President in PCA's finance organization from 2012 to 2019. After joining the company in 1992, she has held various positions of increasing responsibility, including serving as PCA's Treasurer since 1999. Before joining PCA, Ms. Barnes worked for Deloitte & Touche.

Charles J. Carter, 60, Senior Vice President - Containerboard Mill Operations - Mr. Carter has served as Senior Vice President - Containerboard Mill Operations since July 2013. Prior to this, he served as Vice President – Containerboard Mill Operations since January 2011. From March 2010 to January 2011, Mr. Carter served as PCA's Director of Papermaking Technology. Prior to joining PCA in 2010, Mr. Carter spent 28 years with various pulp and paper companies in managerial and technical positions of increasing responsibility, most recently as Vice President and General Manager of the Calhoun, Tennessee mill of Abitibi Bowater from 2007 to 2010 and as manager of SP Newsprint's Dublin, Georgia mill from 1999 to 2007.

Kent A. Pflederer, 49, Senior Vice President, General Counsel and Secretary - Mr. Pflederer has served as Senior Vice President, General Counsel and Corporate Secretary since January 2013 and has led our legal department since June 2007. Prior to joining PCA, Mr. Pflederer served as Senior Counsel, Corporate and Securities, at Hospira, Inc. from 2004 to 2007 and served in the corporate and securities practice at Mayer Brown, LLP from 1996 to 2004.

Bruce A. Ridley, 64, Senior Vice President – Environmental Health and Safety and Operational Services - Mr. Ridley has served as Senior Vice President – Environmental Health and Safety and Operational Services since May 2019. Mr. Ridley previously served as Vice President of Operations from 2012 to 2019 and at PCA's Tomahawk, Wisconsin containerboard mill as the Operations Manager and Mill Manager from 1999 to 2011. Before joining PCA, he held several positions of increasing responsibility at multiple locations during his 19 years with International Paper Co. and two years with Champion International.

Robert A. Schneider, 54, Senior Vice President and Chief Information Officer - Mr. Schneider has served as Senior Vice President and Chief Information Officer since May 2019. He previously served as Vice President and Chief Information Officer from 2000 to 2019. Mr. Schneider joined the company in 1989 and has held various management and other positions of increasing responsibility in information systems for PCA.

D. Ray Shirley, 48, Senior Vice President – Corporate Engineering and Process Technology - Mr. Shirley has served as PCA's Senior Vice President – Corporate Engineering and Process Technology since May 2019. Mr. Shirley previously served as PCA's Vice President – Containerboard Mills Engineering and Process Technology from 2012 to 2019 and as Mill Manager at PCA's Counce, Tennessee containerboard mill from 2010 to 2012. He has served in various management roles within the company, including the Operations Manager at the Filer City, Michigan containerboard mill. Before joining PCA in 1996, Mr. Shirley worked for Georgia-Pacific Corporation.

Thomas W.H. Walton, 60, Senior Vice President - Sales and Marketing, Corrugated Products - Mr. Walton has served as Senior Vice President - Sales and Marketing, Corrugated Products since October 2009. Prior to this, he served as a Vice President and Area General Manager within the Corrugated Products Group since 1998. Mr. Walton joined the company in 1981 and has also held positions in production, sales, and general management.

Available Information

PCA's internet website address is www.packagingcorp.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. In addition, our Code of Ethics may be accessed in the Investor Relations section of PCA's website. PCA's website and the information contained or incorporated therein are not intended to be incorporated into this report.

Item 1A. RISK FACTORS

Some of the statements in this report and, in particular, statements found in Management's Discussion and Analysis of Financial Condition and Results of Operations, that are not historical in nature are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements about our expectations regarding our future liquidity, earnings, expenditures, and financial condition. These statements are often identified by the words "will," "should," "anticipate," "believe," "expect," "intend," "estimate," "hope," or similar expressions. These statements reflect management's current views with respect to future events and are subject to risks and uncertainties. There are important factors that could cause actual results to differ materially from those in forward-looking statements, many of which are beyond our control. These factors, risks and uncertainties include, but are not limited to, the factors described below.

Our actual results, performance, or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, and accordingly, we can give no assurances that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on our results of operations or financial condition. In view of these uncertainties, investors are cautioned not to place undue reliance on these forward-looking statements. We expressly disclaim any obligation to publicly revise or otherwise update any forward-looking statements that have been made to reflect the occurrence of events after the date hereof.

In addition to the risks and uncertainties we discuss elsewhere in this Form 10-K (particularly in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations") or in our other filings with the Securities and Exchange Commission (SEC), the following are important factors that could cause our actual results to differ materially from those we project in any forward-looking statement.

Industry Cyclicity - Changes in the prices of our products could materially affect our financial condition, results of operations, and liquidity. Macroeconomic conditions and fluctuations in industry capacity can create changes in prices, sales volumes, and margins for most of our products, particularly commodity grades of packaging and paper products. Prices for all of our products are driven by many factors, including demand for our products, industry capacity and decisions made by other producers with respect to capacity, and other competitive conditions in our industry. These factors are affected by general global and domestic economic conditions. We have little influence over the timing and extent of price changes of our products, which may be unpredictable and volatile. In addition, as many of our customer contracts include price adjustment provisions based upon published index prices for containerboard or certain grades of UFS papers, our selling prices are influenced by index levels published by trade publications. Changes in how these index levels are determined or maintained may affect our sales prices. If supply exceeds demand, industry operating conditions deteriorate or other factors result in lower prices for our products, our earnings and operating cash flows would be harmed.

General Economic Conditions - If business, political, and economic conditions change in an adverse manner, our business, results of operations, liquidity, and financial position may be harmed. General global and domestic economic conditions directly affect the levels of demand and production of consumer goods, levels of employment, the availability and cost of credit, and ultimately, the profitability of our business. If economic conditions deteriorate and result in higher unemployment rates, lower disposable income, unfavorable currency exchange rates, lower corporate earnings, lower business investment, and lower consumer spending, we may experience lower demand for our products, which is largely driven by demand for products of our customers which utilize our products. If economic conditions result in higher inflation, we may experience higher production and transportation costs, which we may not be able to recover through higher prices or otherwise. In addition, changes in trade policy, including renegotiating or potentially terminating existing bilateral or multilateral agreements as well as the imposition of tariffs, could impact global markets and demand for our and our customers' products and the costs associated with certain of our capital investments. Further changes in tax laws or tax rates may have a material impact on our future cash taxes, effective tax rate or deferred tax assets and liabilities. These conditions are beyond our control and may have a material impact on our business, results of operations, liquidity, and financial position.

Competition - The intensity of competition in the industries in which we operate could result in downward pressure on pricing and volume, which could lower earnings and operating cash flows. Our industries are highly competitive, with no single containerboard, corrugated packaging, or UFS paper producer having a dominant position. Containerboard and commodity UFS paper products cannot generally be differentiated by producer, which tends to intensify price competition. The corrugated packaging industry is also sensitive to changes in economic conditions, as well as other factors including innovation, design, quality, and service. To the extent that one or more competitors are more successful than we are with respect to any key competitive factor, our business could be adversely affected. Our packaging products also compete, to some extent, with various other packaging materials, including products made of paper, plastics, wood, and various types of metal. If we are unable to successfully compete, we may lose market share or may be required to charge lower sales prices for our products, both of which would reduce our earnings and operating cash flows.

UFS paper products compete with electronic data transmission and document storage alternatives. Increasing shifts to electronic alternatives have had and will continue to have an adverse effect on usage of these products. As a result of such competition, the industry is experiencing decreasing demand for existing UFS paper products. As the use of these alternatives grows, demand for UFS paper products is likely to further decline. Declines in demand for our paper products may adversely affect our earnings and operating cash flows.

Some of our competitors are larger than we are and may have greater financial and other resources, greater manufacturing economies of scale, greater energy self-sufficiency, or lower operating costs, compared to our company. We may be unable to compete effectively with these companies particularly during economic downturns. Some of the factors that may adversely affect our ability to compete in the markets in which we participate include the entry of new competitors into the markets we serve, increased competition from overseas producers, our competitors' pricing strategies, changes in customer preferences, and the cost-efficiency of our facilities.

Inflation and Other General Cost Increases - We may not be able to offset higher costs. We are subject to both contractual, inflationary, and other general cost increases, including with regard to our labor costs and purchases of raw materials and transportation services. General economic conditions may result in higher inflation, which may increase our exposure to higher costs. If we are unable to offset these cost increases by price increases, growth, and/or cost reductions in our operations, these inflationary and other general cost increases could have a material adverse effect on our operating cash flows, profitability, and liquidity.

In 2019, our total company costs including cost of sales (COS) and selling, general, and administrative expenses (SG&A) was \$5.9 billion, and excluding non-cash costs (depreciation, depletion and amortization, pension and postretirement expense, and share-based compensation expense) was \$5.4 billion. A 1% increase in COS and SG&A costs would increase costs by \$59 million and cash costs by \$54 million.

Cost of Fiber - An increase in the cost of fiber could increase our manufacturing costs and lower our earnings. The market price of wood fiber varies based upon availability, source, and the costs of fuels used in the harvesting and transportation of wood fiber. The cost and availability of wood fiber can also be impacted by weather, general logging conditions, geography, and regulatory activity.

The availability and cost of recycled fiber depends heavily on recycling rates and the domestic and global demand for recycled products. We purchase recycled fiber for use at five of our six containerboard mills and both paper mills. In 2019, we purchased approximately 790,000 tons of recycled fiber, net of the recycled fiber generated by our corrugated box plants. The amount of recycled fiber purchased each year varies based upon production and the prices of both recycled fiber and wood fiber.

Periods of supply and demand imbalance have created significant price volatility. Periods of higher recycled fiber costs and unusual price volatility have occurred in the past, including during 2019 as demand for domestic recycled fiber from Chinese producers continued to remain low. Prices for recycled fiber may continue to fluctuate significantly in the future, which could result in higher costs and lower earnings. A \$10 per ton price increase in recycled fiber for our containerboard mills, would result in approximately \$7 million of additional expense based on 2019 consumption.

Cost of Purchased Fuels and Chemicals - An increase in the cost of purchased fuels and chemicals could lead to higher manufacturing costs, resulting in reduced earnings. We have the ability to use various types of purchased fuels in our manufacturing operations, including natural gas, bark, and other purchased fuels. Fuel prices, in particular prices for oil and natural gas, have fluctuated in the past. New and more stringent environmental regulations may discourage, reduce the availability of, or make more expensive, the use of certain fuels, particularly coal and fossil fuels. In addition, costs for key chemicals used in our manufacturing operations also fluctuate. These fluctuations impact our manufacturing costs and result in earnings volatility. If fuel and chemical prices rise, our production costs and transportation costs will increase and cause higher manufacturing costs and reduced earnings if we are unable to recover such increases through higher prices of our products. A \$0.10 per million MMBTU increase in natural gas prices would result in approximately \$3 million of additional expense, based on 2019 usage.

Transportation Costs - Reduced truck and rail availability could lead to higher costs or poorer service, resulting in lower earnings, and harm our ability to distribute our products. We ship our products primarily by truck and rail. We have experienced lower availability of third-party trucking services and service issues, interruptions, and delays in rail services. We have also experienced higher costs for transportation services in general. If these factors persist, we could experience even higher transportation costs in the future and difficulties shipping our products in a timely manner. We may not be able to recover higher transportation costs through higher prices or otherwise, which would result in lower earnings.

Material Disruption of Manufacturing - A material disruption at one of our manufacturing facilities could prevent us from meeting customer demand, reduce our sales, and/or negatively affect our results of operations and financial condition. Our business depends on continuous operation of our facilities, particularly at our mills. Any of our manufacturing facilities, or any of our machines within such facilities, could cease operations unexpectedly for a significant period of time due to a number of events, including:

- Unscheduled maintenance outages.
- Prolonged power failures.
- Equipment or information system breakdowns or failures.
- Explosion of a boiler or other major facilities.
- Disruption in the supply of raw materials, such as wood fiber, energy, or chemicals.
- A spill or release of pollutants or hazardous substances.
- Closure or curtailment related to environmental concerns.
- Labor difficulties.
- Disruptions in the transportation infrastructure, including roads, bridges, railroad tracks, and tunnels.
- Fires, floods, earthquakes, hurricanes, or other catastrophic events.
- Terrorism or threats of terrorism.
- Other operational problems.

These events could harm our ability to produce our products and serve our customers and may lead to higher costs and reduced earnings.

Environmental Matters - PCA may incur significant environmental liabilities with respect to both past and future operations. We are subject to, and must comply with, a variety of federal, state and local environmental laws, particularly those relating to air and water quality, waste disposal and the cleanup of contaminated soil and groundwater. Failure to comply with these regulations could result in fines, which may be significant, or other adverse regulatory action. Because environmental regulations are constantly evolving, we have incurred, and will continue to incur, costs to maintain compliance with those laws. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental Matters" for estimates of expenditures we expect to make for environmental compliance in the next few years. New and more stringent environmental regulations may be adopted and may require us to incur additional operating expenses and/or significant additional capital expenditures to modify or replace certain of our boilers and other equipment. In addition, environmental regulations may increase the cost of our raw materials and purchased energy. Although we have established reserves to provide for known environmental liabilities, these reserves may change over time due to the enactment of new environmental laws or regulations or changes in existing laws or regulations, which might require additional significant environmental expenditures.

Mergers and Acquisitions - Our acquired businesses may underperform relative to our expectations, and we may not be able to successfully integrate these businesses into our own. We have completed several mergers and acquisitions and investments in recent years. Our success will depend in part on our ability to successfully integrate, and receive the intended benefits from, these acquisitions. There may be difficulties, costs and delays involved in the integration of these businesses into ours. Integration requires modification of operational and financial systems and may result in significant additional expenses. If the acquired businesses underperform relative to our expectations, or if we fail to successfully integrate these businesses, our business, financial condition and results of operations may be materially and adversely affected.

Customer Concentration - We rely on certain large customers. Our packaging and paper segments each have large customers, the loss of which could adversely affect the segment's sales and profitability. In particular, because our businesses operate in highly competitive industry segments, we regularly bid for new business or for renewal of existing business. The loss of business from our larger customers, or the renewal of business on less favorable terms, may adversely impact our financial results.

Office Depot, Inc. is our largest customer in the Paper segment. Effective January 1, 2020, we have a revised agreement with Office Depot in which we will continue to supply commodity and non-commodity office papers to Office Depot through December 31, 2022. Office Depot is not subject to a minimum volume commitment and is entitled to receive rebates for achieving certain volume thresholds. If the agreement is not renewed by the parties, Office Depot's obligation to purchase paper would phase down over a two-year period beginning on January 1, 2023.

In 2019, sales to Office Depot represented 50% of our Paper segment sales and 7% of our consolidated sales. If these sales are reduced, including if we are unable to renew the agreement at historical volume levels, we would need to find new customers. We may not be able to fully replace any lost sales, and any new sales may be at lower prices or higher costs. Any significant deterioration in the financial condition of Office Depot affecting its ability to pay or any other change that makes Office Depot less willing to purchase our products will harm our business and results of operations.

Labor Relations - If we experience strikes or other work stoppages, our business will be harmed. Our workforce is highly unionized and operates under various collective bargaining agreements. We must negotiate to renew or extend any union contracts that have recently expired or are expiring in the near future. While we believe that we have satisfactory labor relations, we may not be able to successfully negotiate new agreements without work stoppages or labor difficulties in the future or renegotiate them on favorable terms. If we are unable to successfully renegotiate the terms of any of these agreements, or if we experience any extended interruption of operations at any of our facilities as a result of strikes or other work stoppages, our business, results of operations and financial condition may be harmed.

Reliance on Personnel - We may fail to attract and retain qualified personnel, including key management personnel. Our ability to operate and grow our business depends on our ability to attract and retain employees with the skills necessary to operate and maintain our facilities, produce our products and serve our customers. The increasing demand for qualified personnel may make it more difficult for us to attract and retain qualified employees. Changing demographics and labor work force trends may make it difficult for us to replace retiring employees at our manufacturing and other facilities. If we fail to attract and retain qualified personnel, or if we experience labor shortages, we may experience higher costs and other difficulties, and our business may be adversely impacted.

In addition, we rely on key executive and management personnel to manage our business efficiently and effectively. As our business has grown in size and geographic scope, we have relied on these individuals to manage increasingly complex operations. The loss of any of our key personnel could adversely affect our business.

Cyber Security - Risks related to security breaches of company, customer, employee, and vendor information, as well as the technology that manages our operations and other business processes, could adversely affect our business. We rely on various information technology systems to capture, process, store, and report data and interact with customers, vendors, and employees. Despite careful security and controls design, implementation, updating, and internal and independent third-party assessments, our information technology systems, and those of our third party providers, could become subject to cyber-attacks or security breaches. Network, system, and data breaches could result in misappropriation of sensitive data or operational disruptions including interruption to systems availability and denial of access to and misuse of applications required by our customers to conduct business with us. Misuse of internal applications; theft of intellectual property, trade secrets, or other corporate assets; and inappropriate disclosure of confidential information could stem from such incidents. Delayed sales, slowed production, or other issues resulting from these disruptions could result in lost sales, business delays, and negative publicity and could have a material adverse effect on our operations, financial condition, or operating cash flows.

Debt obligations - Our debt service obligations may reduce our operating flexibility. At December 31, 2019, we had \$2.5 billion of debt outstanding and a \$329.2 million undrawn revolving credit facility, after deducting letters of credit. All debt is comprised of fixed-rate senior notes. We and our subsidiaries are not restricted from incurring, and may incur, additional indebtedness in the future.

Our current borrowings, plus any future borrowings, may affect our ability to operate our business, including, without limitation:

- Result in significant cash requirements to make interest and maturity payments on our outstanding indebtedness;
- Increase our vulnerability to adverse changes in our business or industry conditions;
- Increase our vulnerability to increases in interest rates;
- Limit our ability to obtain additional financing for working capital, capital expenditures, general corporate, and other purposes;
- Limit our flexibility in planning for, or reacting to, changes in our business and our industry; and
- Limit our flexibility to make acquisitions.

Further, if we cannot service our indebtedness, we may have to take actions to secure additional cash by selling assets, seeking additional equity or reducing investments, which may not be achievable on acceptable terms or at all.

Pension Plans – Our pension plans may require additional funding. We record a liability associated with our pensions equal to the excess of the benefit obligations over the fair value of the assets funding the plans. The actual required amounts and timing of future cash contributions will be sensitive to changes in the applicable discount rates and returns on plan assets, and could also be impacted by future changes in the laws and regulations applicable to plan funding. Fluctuations in the market performance of our plan assets will affect our pension plan costs in future periods. Changes in assumptions regarding expected long-term rate of return on plan assets, our discount rate, expected compensation levels, or mortality will also increase or decrease pension costs.

Market Price of our Common Stock - The market price of our common stock may be volatile, which could cause the value of the stock to decline. Securities markets worldwide periodically experience significant price declines and volume fluctuations due to macroeconomic factors and other factors beyond our control. This market volatility, as well as general economic, market, or political conditions, could reduce the market price of our common stock with little regard to our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors, and in response, the market price of our common stock could decrease significantly.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

We own and lease properties in our business. Primarily all of our leases are non-cancelable and are accounted for as operating leases. These leases are not subject to early termination except for standard nonperformance clauses.

Information concerning capacity and utilization of our principal operating facilities, the segments that use those facilities, and a map of geographical locations is presented in “Part I, Item 1. Business” of this Form 10-K. We assess the condition and capacity of our manufacturing, distribution, and other facilities needed to meet our operating requirements. Our properties have been generally well maintained and are in good operating condition. In general, our facilities have sufficient capacity and are adequate for our production and distribution requirements.

We currently own buildings and land for six containerboard mills and two paper mills. Additionally, we have 95 corrugated manufacturing operations, of which the buildings and land for 53 are owned, including 45 combining operations, or corrugated plants, one corrugated sheet-only manufacturer, and seven sheet plants. We lease the buildings for 17 corrugated plants and 25 sheet plants. We own warehouses and miscellaneous other properties, including sales offices and woodlands management offices. We lease space for regional design centers and numerous other distribution centers, warehouses, and facilities. The equipment in these leased facilities is, in virtually all cases, owned by us, except for forklifts and other rolling stock, which are generally leased.

We lease the cutting rights to approximately 73,000 acres of timberland located near our Valdosta mill (66,000 acres) and our Counce mill (7,000 acres). On average, these cutting rights agreements have terms with approximately 18 years remaining. Additionally, we previously leased 3,000 acres of land where we operated fiber farms as a source of future fiber supply; however, we exited the leases in conjunction with the conversion of the No. 3 machine at the Wallula mill to kraft linerboard.

Our corporate headquarters is located in Lake Forest, Illinois. The headquarter facility is owned, and we lease additional neighboring office space through the next two years with provisions for two additional five year lease extensions.

Item 3. *LEGAL PROCEEDINGS*

Information concerning legal proceedings can be found in Note 21, Commitments, Guarantees, Indemnifications, and Legal Proceedings, of the Notes to Consolidated Financial Statements in “Part II, Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

Item 4. *MINE SAFETY DISCLOSURE*

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

PCA's common stock is listed on the New York Stock Exchange (NYSE) under the symbol "PKG".

Stockholders

On February 21, 2020, there were 96 holders of record of our common stock.

Purchases of Equity Securities

Stock Repurchase Program

On February 25, 2016, PCA announced that its Board of Directors authorized the repurchase of \$200.0 million of the Company's outstanding common stock. At the time of the announcement, there was no remaining authority under previously announced programs. Repurchases may be made from time to time in open market or privately negotiated transactions in accordance with applicable securities regulations. The timing and amount of repurchases will be determined by the Company in its discretion based on factors such as PCA's stock price and market and business conditions.

The Company did not repurchase any shares of its common stock under this authority during the years ended December 31, 2019, 2018, and 2017. As of December 31, 2019, we are authorized to repurchase \$193.0 million of the Company's common stock.

Pursuant to its equity incentive plan, the Company withholds shares from vesting employee equity awards to cover employee tax liabilities. Total shares withheld in 2019 were 87,668 to cover \$8.2 million in employee tax liabilities. Total shares withheld in 2018 were 69,255 to cover \$7.9 million of employee tax liabilities. Total shares withheld in 2017 were 97,946 for \$10.8 million in employee tax liabilities.

The following table presents information related to our repurchases of common stock made under repurchase plans authorized by PCA's Board of Directors, and shares withheld to cover taxes on vesting of equity awards, during the three months ended December 31, 2019:

Issuer Purchases of Equity Securities

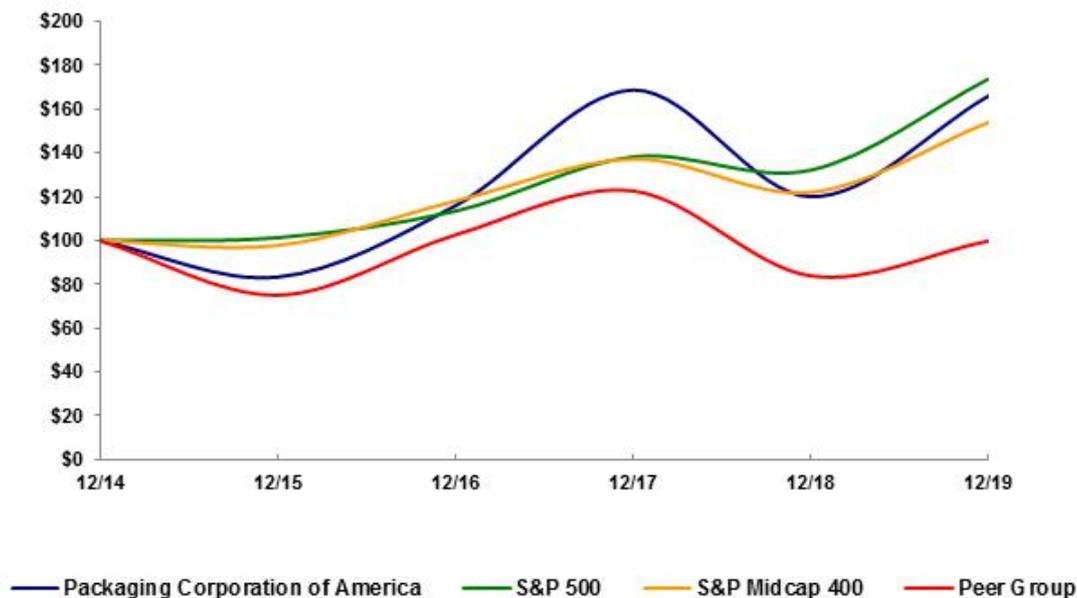
Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in millions)
October 1-31, 2019	—	\$ —	—	\$ 193.0
November 1-30, 2019	65	111.33	—	193.0
December 1-31, 2019	698	111.99	—	193.0
Total	763	\$ 111.93	—	\$ 193.0

(a) 763 shares were withheld from employees to cover income and payroll taxes on equity awards that vested during the period.

Performance Graph

The graph below compares PCA's cumulative 5-year total shareholder return on common stock with the cumulative total returns of the S&P 500 index; the S&P Midcap 400 index; and a customized peer group of three companies that includes: International Paper Company, WestRock Company, and Domtar Corporation. The graph tracks the performance of a \$100 investment (including the reinvestment of all dividends) in our common stock, in each index, and in each peer group's common stock from December 31, 2014, through December 31, 2019. The stock price performance included in this graph is not necessarily indicative of future stock price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Packaging Corporation of America, the S&P 500 Index, the S&P Midcap 400 Index, and a Peer Group



*\$100 invested on 12/31/14 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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	Cumulative Total Return					
	December 31,					
	2014	2015	2016	2017	2018	2019
Packaging Corporation of America	\$ 100.00	\$ 83.41	\$ 116.02	\$ 168.80	\$ 120.08	\$ 166.13
S&P 500	100.00	101.38	113.51	138.29	132.23	173.86
S&P Midcap 400	100.00	97.82	118.11	137.30	122.08	154.07
Peer Group	100.00	75.15	102.67	122.72	83.96	99.89

The information in the graph and table above is not deemed "filed" with the Securities and Exchange Commission and is not to be incorporated by reference in any of PCA's filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date of this Annual Report on Form 10-K, except to the extent that PCA specifically incorporates such information by reference.

Item 6. SELECTED FINANCIAL DATA

The following table sets forth selected historical financial data of PCA (dollars and shares in millions, except per share data). The information contained in the table should be read in conjunction with the disclosures in “Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations” and “Part II, Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Statement of Income Data (a):					
Net sales	\$ 6,964.3	\$ 7,014.6	\$ 6,444.9	\$ 5,779.0	\$ 5,741.7
Net income	696.4	738.0	668.6	449.6	436.8
Net income per common share:					
— basic	7.36	7.82	7.09	4.76	4.47
— diluted	7.34	7.80	7.07	4.75	4.47
Weighted average common shares outstanding:					
— basic	93.8	93.7	93.5	93.5	96.6
— diluted	94.1	93.9	93.7	93.7	96.7
Cash dividends declared per common share	3.16	3.00	2.52	2.36	2.20
Balance Sheet Data (a):					
Total assets	\$ 7,235.8	\$ 6,569.7	\$ 6,197.5	\$ 5,777.0	\$ 5,272.3
Total long-term obligations (b)	2,494.3	2,502.7	2,650.7	2,667.4	2,319.7
Stockholders' equity	3,071.0	2,672.4	2,182.6	1,759.8	1,633.3

- (a) Effective January 1, 2019, the Company adopted ASU 2016-02 (Topic 842): *Leases*, which requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under the previous guidance. We elected to apply this guidance as of its effective date and did not restate comparative periods. See Note 2, Summary of Significant Accounting Policies, and Note 3, Leases, for more information.

Effective January 1, 2016, the Company adopted Accounting Standards Update (ASU) 2015-03 (Topic 835): *Simplifying the Presentation of Debt Issuance Costs*. We applied this guidance retrospectively, as required, and reclassified the debt issuance costs from “Other long-term assets” to “Long-term debt” on our Consolidated Balance Sheet to conform with current period presentation. Total assets for all periods presented have been updated to reflect this adoption.

Net income and net income per common share are impacted by a lower U.S. corporate federal statutory income tax rate of 21% in 2019 and 2018 and 35% in all prior years presented in this table. In addition, both 2018 and 2017 include a tax benefit of \$2.0 million and \$122.1 million, respectively, related to the enactment in December 2017 of the Tax Cuts and Jobs Act (H.R.1). See Note 8, Income Taxes, for more information.

- (b) Includes long-term debt and finance lease obligations.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of historical results of operations and financial condition should be read in conjunction with the audited financial statements and the notes thereto which appear elsewhere in this Form 10-K. This discussion includes forward-looking statements regarding our expectations with respect to our future performance, liquidity, and capital resources. Such statements, along with any other non-historical statements in the discussion, are forward-looking. See our discussion regarding forward-looking statements included under "Part I, Item 1A. Risk Factors" of this Form 10-K. For our discussion and analysis of our results of operations, financial condition and cash flows for the year ended December 31, 2017, the earliest of the years presented in the accompanying audited financial statements included in Item 8 herein, please refer to our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission on February 28, 2019. Such information is presented in Item 7 of such report under the subcaptions "Results of Operations —Year Ended December 31, 2018, Compared with Year Ended December 31, 2017" and "Liquidity and Capital Resources" and is incorporated by reference herein.

Overview

PCA is the third largest producer of containerboard products and the third largest producer of uncoated freesheet paper in North America. We operate six containerboard mills, two paper mills, and 95 corrugated products manufacturing plants. Our containerboard mills produce linerboard and corrugating medium, which are papers primarily used in the production of corrugated products. Our corrugated products manufacturing plants produce a wide variety of corrugated packaging products, including conventional shipping containers used to protect and transport manufactured goods, multi-color boxes and displays with strong visual appeal that help to merchandise the packaged product in retail locations, and honeycomb protective packaging. In addition, we are a large producer of packaging for meat, fresh fruit and vegetables, processed food, beverages, and other industrial and consumer products. We also manufacture and sell UFS papers, including both commodity and specialty papers, which may have custom or specialized features such as colors, coatings, high brightness, and recycled content. We are headquartered in Lake Forest, Illinois and operate primarily in the United States.

Executive Summary

Net sales were \$6.96 billion for the year ended December 31, 2019 and \$7.01 billion in 2018. We reported \$696 million of net income, or \$7.34 per diluted share, in 2019, compared to \$738 million, or \$7.80 per diluted share, in 2018. Net income included \$29 million of expense for special items in 2019, compared to \$22 million of expense for special items in 2018. Special items in both periods are described later in this section. Excluding special items, we recorded \$726 million of net income, or \$7.65 per diluted share, in 2019, compared to \$760 million, or \$8.03 per diluted share, in 2018. The decrease was driven primarily by lower prices and mix in our Packaging segment, lower volumes in our Paper segment, and higher operating and converting costs, partially offset by higher volumes in our Packaging segment, higher prices and mix in our Paper segment, lower annual outage expense, and lower freight and logistic expenses. For additional detail on special items included in reported GAAP results, as well as segment income (loss) excluding special items, earnings before non-operating pension expense, interest, income taxes, and depreciation, amortization, and depletion (EBITDA), and EBITDA excluding special items, see "Item 7. Reconciliations of Non-GAAP Financial Measures to Reported Amounts."

Packaging segment income from operations was \$963 million in 2019, compared to \$1,045 million in 2018. Packaging segment EBITDA excluding special items was \$1,310 million in 2019, compared to \$1,401 million in 2018. The decrease was driven primarily by lower domestic and export containerboard prices and mix and higher operating and converting costs, partially offset by higher sales and production volumes, higher corrugated products prices and mix, lower annual outage expense, and lower freight and logistic expenses.

Paper segment income from operations was \$175 million in 2019, compared to \$98 million in 2018. Paper segment EBITDA excluding special items was \$213 million in 2019, compared to \$165 million in 2018. The increase was due primarily to higher paper prices and mix, lower operating costs, and lower freight and logistic expenses, partially offset by lower sales and production volumes, and higher annual outage expense.

During the second quarter of 2018, the Company discontinued production of paper grades at its Wallula, Washington mill and converted the No. 3 paper machine to a 400,000 ton-per-year virgin kraft linerboard machine. The Company incurred charges in the Packaging and Paper segments relating to these activities during 2019 and 2018 as described below under "Special Items and Earnings per Diluted Share, Excluding Special Items."

Special Items and Earnings per Diluted Share, Excluding Special Items

Earnings per diluted share, excluding special items, in 2019 and 2018 were as follows:

	Year Ended December 31,	
	2019	2018
Earnings per diluted share	\$ 7.34	\$ 7.80
Special items:		
Debt refinancing (a)	0.28	—
DeRidder mill fixed asset disposals (b)	0.02	—
Wallula mill restructuring (c)	0.01	0.24
Facilities closure and other costs (d)	—	0.01
Tax reform (e)	—	(0.02)
Total special items expense	0.31	0.23
Earnings per diluted share, excluding special items	\$ 7.65	\$ 8.03

- (a) Includes \$38.7 million of charges related to the Company's November 2019 debt refinancing, which included premiums paid to redeem the debt being refinanced and the write-offs of remaining balances of treasury locks and unamortized debt issuance costs. Also includes \$3.2 million of income tax benefit from the stranded tax effects in Accumulated Other Comprehensive Income related to the write-offs of the treasury locks in connection with the debt refinancing.
- (b) Includes \$3.0 million of charges for the disposal of fixed assets related to the containerboard mill conversion at our DeRidder, Louisiana mill.
- (c) For 2019 and 2018, includes \$1.0 million and \$30.0 million, respectively, of charges related to the second quarter 2018 discontinuation of uncoated free sheet and coated one-side paper grades at the Wallula, Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard.
- (d) Includes \$1.8 million of charges consisting of closure costs related to corrugated products facilities and a corporate administration facility.
- (e) Includes \$2.0 million of income tax benefit for the re-measurement of our net deferred tax liability for the reduction in the U.S. corporate federal statutory income tax rate related to our 2017 measurement period adjustments in accordance with SEC Staff Accounting Bulletin No. 118 (SAB 118), *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*.

Management excludes special items, as it believes these items are not necessarily reflective of the ongoing results of operations of our business. We present these measures because they provide a means to evaluate the performance of our segments and our company on an ongoing basis using the same measures that are used by our management, because these measures assist in providing a meaningful comparison between periods presented and because these measures are frequently used by investors and other interested parties in the evaluation of companies and the performance of their segments. A reconciliation of diluted earnings per share to diluted earnings per share excluding special items is included above and the reconciliations of other non-GAAP measures used in this Management's Discussion and Analysis of Financial Condition and Results of Operations, to the most comparable measure reported in accordance with GAAP, are included later in Item 7 under "Reconciliations of Non-GAAP Financial Measures to Reported Amounts." Any analysis of non-GAAP financial measures should be done in conjunction with results presented in accordance with GAAP. The non-GAAP measures are not intended to be substitutes for GAAP financial measures and should not be used as such.

Industry and Business Conditions

Trade publications reported North American industry-wide corrugated products total shipments were flat during 2019, compared to 2018. Reported industry containerboard production decreased 3.7% compared to 2018, and reported industry containerboard inventories at the end of 2019 were approximately 2.5 million tons, down 5.1% compared to 2018. Reported containerboard export shipments decreased 13.1% compared to 2018. Prices reported by trade publications decreased by \$10 per ton for linerboard in March, May, and June 2019, and corrugating medium decreased \$20 per ton in January and \$10 per ton in May and June 2019. Additionally, prices decreased by \$10 per ton for linerboard and \$15 per ton for corrugating medium in January 2020.

The market for communication papers competes heavily with electronic data transmission and document storage alternatives. Increasing shifts to these alternatives have reduced usage of traditional print media and communication papers. Trade publications reported North American uncoated freesheet paper shipments were down 10.9% in 2019, compared to 2018. Average copy paper prices reported by a trade publication for cut size office papers increased \$3 per ton in the first quarter and

\$35 per ton in the second quarter, followed by a decrease of \$35 per ton in the third quarter and \$13 per ton in the fourth quarter of 2019.

Outlook

Looking ahead to the first quarter of 2020, in our Packaging segment we expect lower prices as the remaining impact of the published domestic containerboard price decreases from 2019 are fully realized as well as the negative impact from the decreases in the published index prices for kraft linerboard and medium reported in January 2020. We also expect export prices to continue to decline. Containerboard volumes will be lower due to scheduled maintenance outages at our three largest mills during the quarter, but we do expect higher corrugated products shipments driven by higher demand. In our Paper segment, volumes are expected to be lower partly due to timing, as we shipped higher than expected volumes during the fourth quarter as well as the scheduled outage we have at our Jackson Mill. Expenses relating to our scheduled maintenance outage activities will be significantly higher with four outages scheduled in the first quarter versus one in the fourth quarter of 2019. Freight costs will be higher due to rail rate increases in certain areas and scheduled outage-related increases. Labor and benefits costs will be higher with annual wage increases and other timing-related expenses. We also expect input cost inflation with purchased electricity and most of our chemical and repair and materials costs, while seasonally colder weather will increase energy and wood costs. We also expect our tax rate and depreciation expense to be slightly higher. Considering these items, we expect first quarter earnings to be lower than fourth quarter 2019.

Results of Operations

Year Ended December 31, 2019, Compared with Year Ended December 31, 2018

The historical results of operations of PCA for the years ended December 31, 2019 and 2018 are set forth below (dollars in millions):

	Year Ended December 31,		Change
	2019	2018	
Packaging	\$ 5,932.2	\$ 5,938.5	\$ (6.3)
Paper	964.3	1,002.0	(37.7)
Corporate and other and eliminations	67.8	74.1	(6.3)
Net sales	\$ 6,964.3	\$ 7,014.6	\$ (50.3)
Packaging	\$ 963.4	\$ 1,045.4	\$ (82.0)
Paper	175.4	97.7	77.7
Corporate and other	(85.1)	(75.4)	(9.7)
Income from operations	1,053.7	1,067.7	(14.0)
Non-operating pension expense	(7.9)	(2.1)	(5.8)
Interest expense, net	(128.8)	(95.1)	(33.7)
Income before taxes	917.0	970.5	(53.5)
Income tax expense	(220.6)	(232.5)	11.9
Net income	\$ 696.4	\$ 738.0	\$ (41.6)
Net income excluding special items (a)	\$ 725.5	\$ 760.4	\$ (34.9)
EBITDA (a)	\$ 1,441.2	\$ 1,478.6	\$ (37.4)
EBITDA excluding special items (a)	\$ 1,445.2	\$ 1,497.2	\$ (52.0)

(a) See "Reconciliations of Non-GAAP Financial Measures to Reported Amounts" included in this Item 7 for a reconciliation of non-GAAP measures to the most comparable GAAP measure.

Net Sales

Net sales decreased \$50 million, or 0.7%, to \$6,964 million in 2019, compared to \$7,015 million in 2018.

Packaging. Net sales decreased \$7 million, or 0.1%, to \$5,932 million, compared to \$5,939 million in 2018, due to lower prices and mix (\$31 million), primarily for domestic and export containerboard, partially offset by increased volumes (\$24 million), primarily due to corrugated products. In 2019, our domestic containerboard prices decreased 3.6% and export prices decreased 20.5% compared to 2018. Containerboard outside shipments decreased 12.2%, and total corrugated products shipments were up 0.9% in total and per day workday, compared to 2018. Prices reported by trade publications decreased by

\$10 per ton for linerboard in March, May, and June 2019, and corrugating medium decreased \$20 per ton in January and \$10 per ton in May and June 2019, which drove lower selling prices for containerboard and corrugated products.

Paper. Net sales decreased \$38 million, or 3.8%, to \$964 million, compared to \$1,002 million in 2018. The decrease was due to lower volume (\$97 million), partially offset by higher prices and mix (\$59 million).

Gross Profit

Gross profit decreased \$1 million in 2019, compared to 2018. The decrease was driven primarily by lower prices and mix in our Packaging segment, lower volumes in our Paper segment, and higher operating and converting costs, partially offset by higher volumes in our Packaging segment, higher prices and mix in our Paper segment, lower annual outage expense, and lower freight and logistic expenses. In 2019, gross profit included no significant special items, compared to \$15 million related to the conversion of the No. 3 machine at the Wallula mill in 2018.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses (SG&A) increased \$21 million in 2019, compared to 2018. The increase in 2019 was primarily due to higher employee salaries and fringes (\$20 million).

Other Expense, Net

Other expense, net for the years ended December 31, 2019 and 2018 are set forth below (dollars in millions):

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Asset disposals and write-offs	\$ (25.0)	\$ (17.3)
Wallula mill restructuring	(0.7)	(14.9)
Facilities closure and other costs	(0.3)	(1.6)
Insurance deductible for property damage	—	(0.5)
Acquisition and integration related costs	—	(0.2)
Other	(6.7)	(6.7)
Total	<u>\$ (32.7)</u>	<u>\$ (41.2)</u>

We discuss these items in more detail in Note 7, Other (Expense) Income, Net of the Condensed Notes to the Consolidated Financial Statements in “Part II, Item 8. Financial Statements” of this Form 10-K.

Income from Operations

Income from operations decreased \$14 million, or 1.3%, for the year ended December 31, 2019, compared to 2018. Income from operations in 2019 included \$4 million of expense for special items compared to \$32 million in 2018. Special items in 2019 consisted of \$3 million of charges for the disposal of fixed assets related to the containerboard mill conversion at our DeRidder, Louisiana mill and \$1 million of charges related to the conversion of the Wallula, Washington mill No. 3 paper machine. 2018 special items included \$30 million of charges related to the conversion of the Wallula No. 3 paper machine and \$2 million related to facilities closures and other costs.

Packaging. Segment income from operations decreased \$82 million to \$963 million, compared to \$1,045 million in 2018. The decrease in 2019 related primarily to higher operating and converting costs (\$101 million), lower domestic and export containerboard prices and mix (\$63 million), and other fixed costs (\$26 million), partially offset by higher containerboard and corrugated products sales and production volumes (\$69 million), lower annual outage expense (\$24 million), and higher corrugated products prices and mix (\$4 million). Special items in 2019 included expense of \$3 million for the disposal of fixed assets related to the containerboard mill conversion at our DeRidder, Louisiana mill and \$1 million of charges related to the conversion of the Wallula No. 3 paper machine. Special items in 2018 included \$12 million of charges related to the conversion of the Wallula No. 3 paper machine and \$2 million related to facilities closures and other costs.

Paper. Segment income from operations increased \$78 million to \$175 million, compared to \$98 million in 2018. The increase primarily related to higher paper prices and mix (\$58 million), lower operating costs (\$22 million), lower depreciation expense (\$12 million), and lower freight expense (\$6 million), partially offset by lower sales and production volumes (\$31 million), higher annual outage expense (\$4 million), and other fixed costs (\$3 million). There were an insignificant amount of

special items in the Paper segment in 2019, compared to \$18 million in 2018 related to the conversion of the Wallula No.3 paper machine to virgin kraft linerboard.

Non-Operating Pension Expense, Interest Expense, Net and Income Taxes

During 2019, non-operating pension expense increased \$6 million compared to 2018. The increase in non-operating pension expense was primarily related to the 2018 asset performance (i.e. lower asset balances resulted in lower than expected return) and the amortization of the 2018 losses.

Interest expense, net, during 2019 increased \$34 million compared to 2018. The increase is primarily related to the \$38 million of charges from the Company's November 2019 debt refinancing, partially offset by higher interest income as a result of higher cash balances in 2019 and lower interest, as the Company repaid \$150 million of notes in March 2018.

During 2019, we recorded \$221 million of income tax expense, compared with \$232 million of income tax expense during 2018. The effective tax rate for 2019 and 2018 was 24.1% and 24.0%, respectively.

Liquidity and Capital Resources

Sources and Uses of Cash

Our primary sources of liquidity are net cash provided by operating activities and available borrowing capacity under our revolving credit facility. We ended the year with \$680 million of cash and cash equivalents, \$146 million of marketable debt securities, and \$329 million of unused borrowing capacity under the revolving credit facility, net of letters of credit. Currently, our primary uses of cash are for operations, capital expenditures, acquisitions, debt service, common stock dividends, and repurchases of common stock. We believe that net cash generated from operating activities, cash on hand, available borrowings under our revolving credit facility and available capital through access to capital markets will be adequate to meet our liquidity and capital requirements, including payments of any declared common stock dividends, for the foreseeable future. As our debt or credit facilities become due, we will need to repay, extend or replace such facilities. Our ability to do so will be subject to future economic conditions and financial, business, and other factors, many of which are beyond our control.

Below is a summary table of our cash flows, followed by a discussion of our sources and uses of cash through operating activities, investing activities, and financing activities (dollars in millions):

	Year Ended December 31,	
	2019	2018
Net cash provided by (used for):		
Operating activities	\$ 1,207.4	\$ 1,180.1
Investing activities	(546.6)	(608.2)
Financing activities	(342.8)	(427.3)
Net increase (decrease) in cash and cash equivalents	<u>\$ 318.0</u>	<u>\$ 144.6</u>

Operating Activities

Our operating cash flow is primarily driven by our earnings and changes in operating assets and liabilities, such as accounts receivable, inventories, accounts payable and other accrued liabilities, as well as other factors described below. Cash requirements for operating activities are subject to PCA's operating needs and the timing of collection of receivables and payments of payables and expenses.

During 2019, net cash provided by operating activities was \$1,207 million, compared to \$1,180 million for 2018, an increase of \$27 million. Cash increased by \$62 million due to favorable changes in operating assets and liabilities, primarily due to the following:

- a) a decrease in accounts receivable in 2019 compared to 2018 due to lower net sales in 2019 as previously discussed and the timing of collections in the Packaging segment, and
- b) a net decrease in inventory in 2019 compared to 2018 primarily due to less containerboard inventory on hand in the Packaging segment, partially offset by higher levels of finished goods in the Paper segment.

These favorable changes were partially offset by the following:

- a) higher taxes paid in 2019 compared to 2018 due to the 2018 use of a federal overpayment from the 2017 tax year resulting from Federal Tax Reform, and
- b) a larger decrease in accounts payable levels in 2019 compared to 2018 related to the timing of payments.

Cash from operations excluding changes in cash used for operating assets and liabilities decreased \$35 million, primarily due to lower income from operations as discussed above, as well as higher pension contributions made in 2019 compared to 2018 of \$36 million, partially offset by a higher deferred tax provision in 2019 compared to 2018.

Investing Activities

We used \$547 million for investing activities in 2019, compared to \$608 million in 2018. In 2019, we spent \$400 million for internal capital investments, compared to \$552 million in 2018. During 2019, we did not acquire any businesses, compared to \$56 million for acquisitions in 2018 (Englander dZignPak). In October 2019, we used \$146 million of cash-on-hand to invest in available-for-sale (AFS) marketable debt securities. For more information, see Note 12, Cash, Cash Equivalents, and Marketable Debt Securities, of the Notes to Consolidated Financial Statements in “Part II, Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

The details of capital expenditures for property and equipment, excluding acquisitions, by segment for the years ended December 31, 2019 and 2018 are included in the table below (dollars in millions).

	Year Ended December 31,	
	2019	2018
Packaging	\$ 367.4	\$ 504.0
Paper	23.8	12.6
Corporate and Other	8.3	34.8
	<u>\$ 399.5</u>	<u>\$ 551.4</u>

We expect capital investments in 2020 to be between \$400 million and \$425 million. These expenditures could increase or decrease as a result of a number of factors, including our financial results, strategic opportunities, future economic conditions, and our regulatory compliance requirements. We currently estimate capital expenditures to comply with environmental regulations will be about \$10 million in 2020. Our estimated environmental expenditures could vary significantly depending upon the enactment of new environmental laws and regulations. For additional information, see “Environmental Matters” in this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

At December 31, 2019, the Company had commitments for capital expenditures of \$213 million. The Company believes that cash-on-hand combined with cash flow from operations will be sufficient to fund these commitments.

Financing Activities

In 2019, net cash used for financing activities was \$343 million, compared to \$427 million of cash used for financing activities in 2018, a decrease of \$84 million. We paid \$31 million more in dividends on our common stock in 2019 (\$299 million in total) than in 2018 (\$268 million in total) and paid \$124 million less in 2019 than in 2018 on our long-term debt, net of proceeds received. In 2019, we refinanced \$900 million principal amount of our long term debt. Payments to redeem our old debt, including redemption premiums, exceeded the proceeds received from issuing the new debt by \$27 million. We also paid \$8 million of debt issuance costs. See Note 11 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for more information on the debt refinancing. In 2018, we repaid at maturity \$150 million principal amount of long-term debt from cash on hand.

Commitments

Contractual Obligations

The table below sets forth our enforceable and legally binding obligations as of December 31, 2019 for the categories described below. Some of the amounts included in the table are based on management's estimates and assumptions about these obligations, including their duration, the possibility of renewal, anticipated actions by third parties, and other factors. Because these estimates and assumptions are necessarily subjective, our actual payments may vary from those reflected in the table. Purchase orders made in the ordinary course of business are excluded from the table below. Any amounts for which we are liable under purchase orders are reflected on the Consolidated Balance Sheets as accounts payable and accrued liabilities (dollars in millions):

	Payments Due by Period				
	Total	Less Than 1 Year 2020	1-3 Years 2021-2022	3-5 Years 2023-2024	More Than 5 Years 2025 & After
4.50% Senior Notes, due November 2023	\$ 700.0	\$ —	\$ —	\$ 700.0	\$ —
3.65% Senior Notes, due September 2024	400.0	—	—	400.0	—
3.40% Senior Notes, due December 2027	500.0	—	—	—	500.0
3.00% Senior Notes, due December 2029	500.0	—	—	—	500.0
4.05% Senior Notes, due December 2049	400.0	—	—	—	400.0
Total long-term debt (a)	2,500.0	—	—	1,100.0	1,400.0
Interest on long-term debt (b)	973.1	96.4	188.6	157.1	531.0
Finance lease obligations, including interest	23.2	2.7	5.4	5.4	9.7
Operating leases (c)	271.5	71.2	103.4	48.9	48.0
Capital commitments	212.6	212.6	—	—	—
Purchase commitments:					
Raw materials (d)	288.6	39.1	79.3	63.7	106.5
Energy related (e)	30.4	12.8	11.1	3.7	2.8
Other liabilities reflected on our Consolidated Balance Sheet (f):					
Compensation and benefits (g)	378.2	55.6	121.9	135.6	65.1
Other (h)	66.3	13.6	8.3	2.8	41.6
	<u>\$ 4,743.9</u>	<u>\$ 504.0</u>	<u>\$ 518.0</u>	<u>\$ 1,517.2</u>	<u>\$ 2,204.7</u>

- (a) The table assumes our long-term debt is held to maturity. See Note 11, Debt, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" of this Form 10-K. Amounts reported are gross amounts and do not include unamortized debt discounts of \$6.9 million at December 31, 2019.
- (b) Amounts represent estimated future interest payments as of December 31, 2019, assuming our long-term debt is held to maturity. All interest rates are fixed.
- (c) We enter into operating leases for real estate and equipment in the normal course of business. Some lease agreements provide us with the option to renew the lease or purchase the leased property. In calculating our future operating lease obligations, we include the obligations associated with the non-cancellable period of the lease along with all the additional obligations covered by an option to extend the lease, if we are reasonably certain to exercise that option. The exercising of lease renewal options is based on whether future economic benefit is expected to be derived from the lease renewal.
- (d) Included among our raw materials purchase obligations are contracts to purchase approximately \$279.9 million of wood fiber. Purchase prices under most of these agreements are set quarterly, semiannually, or annually based on regional market prices, and the estimate is based on contract terms or first quarter 2020 pricing. Except for deposits required pursuant to wood supply contracts, these obligations are not recorded in our consolidated financial statements until contract payment terms take effect. Our log, fiber, and wood chip obligations are subject to change based on, among other things, the effect of governmental laws and regulations, disruptions to our manufacturing operations, and log and fiber availability.

- (e) We enter into utility contracts for the purchase of electricity and natural gas. We also purchase these services under utility tariffs. The contractual and tariff arrangements include multiple-year commitments and minimum annual purchase requirements. Our payment obligations were based upon prices in effect on December 31, 2019, or contract language, if available.
- (f) Long-term deferred income taxes of \$340.1 million and unrecognized tax benefits of \$5.4 million, including interest and penalties, are excluded from this table, because the timing of their future cash outflows are uncertain.
- (g) Amounts primarily consist of pension and postretirement obligations. We have minimum qualified pension contributions of approximately \$19.8 million in 2020. See Note 13, Employee Benefit Plans and Other Postretirement Benefits, of the Notes to Consolidated Financial Statements in “Part II, Item 8. Financial Statements and Supplementary Data” of this Form 10-K, for additional information.
- (h) Amounts primarily consist of workers compensation, environmental, and asset retirement obligations.

Off-Balance-Sheet Arrangements

The Company does not have any off-balance sheet arrangements as of December 31, 2019.

Inflation and Other General Cost Increases

We are subject to both contractual, inflation, and other general cost increases. If we are unable to offset these cost increases by price increases, growth, and/or cost reductions in our operations, these inflation and other general cost increases could have a material adverse effect on our operating cash flows, profitability, and liquidity.

In 2019, our total company costs including cost of sales (COS) and selling, general, and administrative expenses (SG&A) was \$5.9 billion, and excluding non-cash costs (depreciation, depletion and amortization, pension and postretirement expense, and share-based compensation expense) was \$5.4 billion. A 1% increase in COS and SG&A costs would increase costs by \$59 million and cash costs by \$54 million.

Certain items of product input costs have historically been subject to more cost volatility including fiber, purchased energy, and chemicals.

Energy

In 2019, our mills, including both packaging and paper mills, consumed about 97 million MMBTU's of fuel, including internally generated and externally purchased, to produce both steam and electricity. The following table for 2019 provides the total MMBTU's purchased externally by fuel type each quarter and the average cost per MMBTU by fuel type for the year. Our mills represent about 90% of our total purchased fuel costs. The cost per MMBTU includes the cost of the fuel plus our transportation and delivery costs.

Fuel Type	2019 Fuel Purchased (millions of MMBTU's)					2019 Avg. Cost / MMBTU
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	
Natural gas	7.53	6.56	5.77	6.80	26.66	\$ 3.35
Purchased bark	1.92	1.89	1.82	2.05	7.68	2.34
Other purchased fuels	0.23	0.19	0.17	0.19	0.78	5.19
Total mills	9.68	8.64	7.76	9.04	35.12	\$ 3.17

In addition, the mills purchased 23.02 million CkWh (hundred kilowatt-hours) of electricity in 2019. The purchases by quarter and the average cost per CkWh were as follows:

Purchased electricity	2019 Purchased Electricity (millions of CkWh)					2019 Avg. Cost / CkWh
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	
Purchased electricity	5.67	5.71	5.96	5.68	23.02	\$ 5.29

Environmental Matters

Environmental compliance requirements are a significant factor affecting our business. We employ processes in the manufacture of containerboard, paper, and pulp, which result in various discharges, emissions and waste disposal. These processes are subject to numerous federal, state, local and foreign environmental laws and regulations. We operate and expect to continue to operate, under environmental permits and similar authorizations from various governmental authorities that regulate such discharges, emissions, and waste disposal. The most significant of these laws affecting the Company are:

- Resource Conservation and Recovery Act (RCRA);
- Clean Water Act (CWA);
- Clean Air Act (CAA);
- The Emergency Planning and Community Right-to-Know-Act (EPCRA);
- Toxic Substance Control Act (TSCA); and
- Safe Drinking Water Act (SDWA).

We believe that we are currently in material compliance with these and all applicable environmental rules and regulations. Because environmental regulations are constantly evolving, the Company has incurred, and will continue to incur, costs to maintain compliance with these and other environmental laws. The Company works diligently to anticipate and budget for the impact of applicable environmental regulations, and does not currently expect that future environmental compliance obligations will materially affect its business or financial condition. For the years ended December 31, 2019, 2018, and 2017, we spent \$41 million, \$40 million, and \$39 million, respectively, to comply with the requirements of these and other environmental laws. Additionally, we had \$9 million of environmental capital expenditures in 2019, \$7 million in 2018, and \$9 million in 2017.

In January 2013, the U.S. Environmental Protection Agency (the “EPA”) established a three-year deadline for compliance with the Boiler MACT regulations, establishing air emissions standards and certain other requirements for industrial boilers. PCA's compliance actions involved modifying or replacing certain boilers, and all PCA mills are in full compliance with Boiler MACT requirements. On July 29, 2016, the U.S. Court of Appeals for the District of Columbia Circuit issued a ruling on the consolidated cases challenging Boiler MACT. The court vacated key portions of the rule, including emission limits for certain subcategories of solid fuel boilers, and remanded issues to the EPA for further rulemaking. At this time, we cannot predict with certainty how this decision will impact our existing Boiler MACT compliance efforts or whether we will incur additional costs to comply with any revised standards.

As is the case with any industrial operation, PCA has, in the past, incurred costs associated with the remediation of soil or groundwater contamination, as required by the federal Comprehensive Environmental Response, Compensation and Liability Act, commonly known as the federal “Superfund” law, and analogous state laws. Cleanup requirements arise with respect to properties the Company currently owns or operates, former facilities and off-site facilities where the Company has disposed of hazardous substances. As part of the sale to PCA of the containerboard and corrugated products business of Pactiv Corporation in April 1999, Pactiv agreed to retain all liability for all former facilities and all sites associated with pre-closing off-site waste disposal. Pactiv also retained environmentally impaired real property in Filer City, Michigan unrelated to current mill operations. In addition, OfficeMax (now an indirect, wholly owned subsidiary of Office Depot) retains responsibility for certain environmental liabilities related to some of the businesses, facilities, and assets we acquired from Boise. Generally, this responsibility relates to hazardous substance releases and other environmental incidents that arose before 2004. Some of these liabilities could be significant; however, Office Depot may not have sufficient funds to satisfy its indemnification obligations, and in some cases, we may not be entitled to such indemnification.

Because liability for remediation costs under environmental laws is strict, meaning that liability is imposed without fault, joint and several, meaning that liability is imposed on each party without regard to contribution, and retroactive, PCA could receive notifications of cleanup liability in the future and this liability could be material. From 2006 through 2019, there were no significant environmental remediation costs at PCA's mills and corrugated plants. As of December 31, 2019, we maintained an environmental reserve of \$24.6 million relating to on-site landfills and surface impoundments as well as ongoing and anticipated remedial projects. The Company believes that it is not reasonably possible that future environmental expenses above the \$24.6 million accrued at December 31, 2019, will have a material impact on its financial condition, results of operations, and cash flows.

While legislation regarding the regulation of greenhouse gas emissions has been proposed at the federal level, it is uncertain whether such legislation will be passed and, if so, what the breadth and scope of such legislation will be. The result of the regulation of greenhouse gas emissions could be an increase in our future environmental compliance costs, through caps, taxes or additional capital expenditures to modify facilities, which may be material. However, climate change legislation and the resulting future energy policy could also provide us with opportunities if the use of renewable energy is encouraged. We currently self-generate a significant portion of our power requirements at our mills using bark, black liquor and biomass as fuel, which are derived from renewable resources. While we believe we are well-positioned to take advantage of any renewable energy incentives, it is uncertain what the ultimate costs and opportunities of any climate change legislation will be and how our business and industry will be affected.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, PCA evaluates its estimates, including those related to business combinations, goodwill and intangible assets, pensions and other postretirement benefits, environmental liabilities, income taxes, and long-lived asset impairment, among others. PCA bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting estimates are those that are most important to the portrayal of our financial condition and results. These estimates require management's most difficult, subjective, or complex judgments. We review the development, selection, and disclosure of our critical accounting estimates with the Audit Committee of our Board of Directors. The Company believes that of its significant accounting policies, the following involve a higher degree of judgment and/or complexity:

Pensions

The Company accounts for defined benefit pension plans in accordance with Accounting Standards Codification (ASC) 715, *Compensation - Retirement Benefits*. The calculation of pension expense and pension liabilities requires decisions about a number of key assumptions that can significantly affect expense and liability amounts, including discount rates, expected return on plan assets, expected rate of compensation increases, longevity and service lives of participants, expected contributions, and other factors. The pension assumptions used to measure pension expense and liabilities are discussed in Note 13, Employee Benefit Plans and Other Postretirement Benefits.

We recognize the funded status of our pension plans on our Consolidated Balance Sheet and recognize the actuarial and experience gains and losses and the prior service costs and credits as a component of "Accumulated Other Comprehensive Loss" in our Consolidated Statement of Changes in Stockholders' Equity. Actual results that differ from assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense in future periods. At December 31, 2019, we had approximately \$158.9 million of actuarial losses and prior service costs, net of tax, recorded in "Accumulated other comprehensive loss" on our Consolidated Balance Sheet. Accumulated losses in excess of 10% of the greater of the projected benefit obligation or the market-related value of assets will be recognized on a straight-line basis over the average remaining service period of active employees in PCA plans (which is between seven and ten years) and over the average remaining lifetime of inactive participants of Boise plans (which is between 24 and 27 years), to the extent that losses are not offset by gains in subsequent years. While we believe that the assumptions used to measure our pension obligations are reasonable, differences in actual experience or changes in assumptions may materially affect our pension obligations and future expense.

We believe that the accounting estimate related to pensions is a critical accounting estimate because it is highly susceptible to change from period to period. As discussed above, the future effects of pension plans on our financial position and results of operations will depend on economic conditions, employee demographics, mortality rates, retirement rates, investment performance, and funding decisions, among other factors. The following table presents selected assumptions used and expected to be used in the measurement of pension expense in the following periods (dollars in millions):

	Year Ending December 31,	Year Ended December 31,	
	2020	2019	2018
Pension expense	\$ 21.9	\$ 32.7	\$ 27.0
Assumptions			
Discount rate	3.25%	4.31%	3.66%
Expected rate of return on plan assets	5.29%	6.06%	6.06%

A change of 0.25% in either direction to the discount rate or the expected rate of return on plan assets would have had the following effect on 2019 and 2020 pension expense (dollars in millions):

	Base Expense	Increase (Decrease) in Pension Expense(a)	
		0.25% Increase	0.25% Decrease
2019			
Discount rate	\$ 32.7	\$ (2.3)	\$ 2.4
Expected rate of return on plan assets	32.7	(2.2)	2.2
2020			
Discount rate	\$ 21.9	\$ (2.5)	\$ 2.7
Expected rate of return on plan assets	21.9	(2.7)	2.7

(a) The sensitivities shown above are specific to 2019 and 2020. The sensitivities may not be additive, so the impact of changing multiple factors simultaneously cannot be calculated by combining the individual sensitivities shown.

For more information related to our pension benefit plans, see Note 13, Employee Benefit Plans and Other Postretirement Benefits, of the Notes to Consolidated Financial Statements in “Part II, Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

Goodwill Impairment

Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. At December 31, 2019, we had \$918.7 million of goodwill, of which \$863.5 million was recorded in the Packaging segment and \$55.2 million was recorded in our Paper segment.

We maintain two reporting units for purposes of our goodwill impairment testing, Packaging and Paper, which are the same as our operating segments discussed in Note 20, Segment Information, of the Notes to Consolidated Financial Statements in “Part II, Item 8. Financial Statements and Supplementary Data” of this Form 10-K. We test goodwill for impairment annually in the fourth quarter or sooner if events or changes in circumstances indicate that the carrying value of the asset may exceed fair value.

Under ASU 2017-04 (Topic 350), *Intangibles - Goodwill and Other – Simplifying the Test for Goodwill Impairment*, companies are no longer required to determine the fair value of individual assets and liabilities of a reporting unit to measure goodwill impairment, thus eliminating Step Two of the analysis that was required under the prior guidance. Under ASU 2017-04, goodwill impairment testing is performed by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. The Company adopted this ASU prospectively beginning with its annual goodwill impairment test in the fourth quarter of 2017.

The update to the standard does not eliminate the optional qualitative assessment of goodwill impairment that is often used to determine if the quantitative assessment is necessary. The qualitative assessment requires the evaluation of certain events and circumstances such as macroeconomic conditions, industry and market considerations, cost factors and overall financial performance, as well as company and reporting unit specific items. If, after assessing these qualitative factors, the Company determines that it is more likely than not that the carrying value of the reporting unit is less than its fair value, then no further testing is required. Otherwise, the Company would perform a quantitative analysis.

The quantitative analysis requires companies to compare the fair value of the reporting units to which goodwill was assigned to their respective carrying values. In calculating fair value, we use the income approach as our primary indicator of fair value. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. These estimates are based on a number of factors including industry experience, business expectations and the economic environment. If the fair value exceeds the carrying value, no further work is required and no impairment loss is recognized. If the carrying value exceeds the fair value, the goodwill of the reporting unit is potentially impaired, and the carrying value of goodwill is then reduced to the implied value, or to zero if the fair value of the assets exceeds the fair value of the reporting unit, through an impairment charge.

During the annual goodwill impairment test performed in the fourth quarter of 2019, we assessed qualitative factors to determine whether it was more likely than not that the fair value of each reporting unit was less than its carrying value. Based on the results of the qualitative impairment test, we determined that it was more likely than not that the carrying value was less than the fair value of the Packaging and Paper reporting units.

If management's estimates of future operating results materially change or if there are changes to other assumptions, the estimated fair value of our goodwill could change significantly. Such change could result in impairment charges in future periods, which could have a significant noncash impact on our operating results and financial condition. We cannot predict the occurrence of future events that might adversely affect the reported value of our goodwill. As additional information becomes known, we may change our estimates.

Long-Lived Asset Impairment

An impairment of a long-lived asset exists when the carrying value of an asset is not recoverable through future undiscounted cash flows from operations and when the carrying value of the asset exceeds its fair value. Long-lived asset impairment is a critical accounting estimate, as it is susceptible to change from period to period.

We review the carrying value of long-lived assets, including intangible assets, for impairment when events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. For purposes of testing for impairment, we group our long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows from other assets and liabilities. Our asset groupings vary based on the related business in which the long-lived asset is employed and the interrelationship between those long-lived assets in producing net cash flows. Asset groupings could change in the future if changes in the operations of the business or business environment affect the way particular long-lived assets are employed or the interrelationships between assets. To estimate whether the carrying value of an asset or asset group is impaired, we estimate the undiscounted cash flows that could be generated under a range of possible outcomes. To measure future cash flows, we are required to make assumptions about future production volumes, future product pricing, and future expenses to be incurred. In addition, estimates of future cash flows may change based on the availability of fiber, environmental requirements, capital spending, and other strategic management decisions. We estimate the fair value of an asset or asset group based on quoted market prices for similar assets and liabilities or inputs that are observable either directly (Level 1 measurement) or indirectly (the amount for which the asset(s) could be bought or sold in a current transaction with a third party) when available (Level 2 measurement). When quoted market prices are not available, we use a discounted cash flow model to estimate fair value (Level 3 measurement).

We periodically assess the estimated useful lives of our assets. Changes in circumstances, such as changes to our operational or capital strategy, changes in regulation, or technological advances, may result in the actual useful lives differing from our estimates. Revisions to the estimated useful lives of assets requires judgment and constitutes a change in accounting estimate, which is accounted for prospectively by adjusting or accelerating depreciation and amortization rates. In 2019 and 2018, we recognized incremental depreciation expense of \$0.3 million and \$14.5 million, respectively, primarily related to the second quarter 2018 discontinuation of uncoated free sheet and coated one-side white paper grades at the Wallula, Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard. Additionally, in conjunction with the conversion of the No. 3 paper machine, we recognized an impairment loss of \$3.1 million associated with the fiber farm asset group during 2018.

New and Recently Adopted Accounting Standards

For a listing of our new and recently adopted accounting standards, see Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements in “Part II, Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

Reconciliations of Non-GAAP Financial Measures to Reported Amounts

Net income excluding special items, EBITDA, and EBITDA excluding special items are non-GAAP financial measures. Management excludes special items, as it believes that these items are not necessarily reflective of the ongoing operations of our business. These measures are presented because they provide a means to evaluate the performance of our segments and our Company on an ongoing basis using the same measures that are used by our management, because these measures assist in providing a meaningful comparison between periods and because these measures are frequently used by investors and other interested parties in the evaluation of companies and the performance of their segments. Any analysis of non-GAAP financial measures should be done in conjunction with results presented in accordance with GAAP. The non-GAAP measures are not intended to be substitutes for GAAP financial measures and should not be used as such. Reconciliations of the non-GAAP measures to the most comparable measure reported in accordance with GAAP for the years ended December 31, 2019 and 2018 follow (dollars in millions):

	Year Ended December 31,					
	2019			2018		
	Income before Taxes	Income Taxes	Net Income	Income before Taxes	Income Taxes	Net Income
As reported in accordance with GAAP	\$ 917.0	\$ (220.6)	\$ 696.4	\$ 970.5	\$ (232.5)	\$ 738.0
Special items:						
Wallula mill restructuring (a)	1.0	(0.3)	0.7	30.0	(7.5)	22.5
Facilities closure and other costs (b)	0.3	(0.1)	0.2	1.8	(0.5)	1.3
Debt refinancing (c)	38.7	(12.8)	25.9	—	—	—
DeRidder fixed asset disposals (d)	3.0	(0.7)	2.3	—	—	—
Insurance deductible for property damage (e)	—	—	—	0.5	(0.1)	0.4
Acquisition and integration related costs (f)	—	—	—	0.2	—	0.2
Tax reform (g)	—	—	—	—	(2.0)	(2.0)
Total special items	43.0	(13.9)	29.1	32.5	(10.1)	22.4
Excluding special items	\$ 960.0	\$ (234.5)	\$ 725.5	\$ 1,003.0	\$ (242.6)	\$ 760.4

- (a) Includes charges related to the second quarter 2018 discontinuation of uncoated free sheet and coated one-side paper grades at the Wallula, Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard.
- (b) For 2019, includes charges consisting of closure costs related to corrugated products facilities, partially offset by income from the sale of a building related to a closed corrugated products facility. For 2018, includes charges consisting of closure costs related to corrugated products facilities and a corporate administration facility.
- (c) Includes charges related to the Company’s November 2019 debt refinancing, which included redemption premiums and the write-offs of remaining balances of treasury locks and unamortized debt issuance costs. Also includes income tax benefit from the stranded tax effects in Accumulated Other Comprehensive Income related to the write-offs of the treasury locks in connection with the debt refinancing.
- (d) Includes charges for the disposal of fixed assets related to the containerboard mill conversion at our DeRidder, Louisiana mill.
- (e) Includes costs for the property damage insurance deductible for a weather-related incident at one of the corrugated products facilities.
- (f) Includes charges for acquisition and integration costs related to recent acquisitions.
- (g) Includes \$2.0 million of income tax benefit for the re-measurement of our net deferred tax liability for the reduction in the U.S. corporate federal statutory income tax rate related to our 2017 measurement period adjustments in accordance with SEC Staff Accounting Bulletin No. 118 (SAB 118), *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*.

The following table reconciles net income to EBITDA and EBITDA excluding special items for the periods indicated (dollars in millions):

	Year Ended December 31,	
	2019	2018
Net income	\$ 696.4	\$ 738.0
Non-operating pension expense	7.9	2.1
Interest expense, net	128.8	95.1
Provision for income taxes (a)	220.6	232.5
Depreciation, amortization, and depletion	387.5	410.9
EBITDA	\$ 1,441.2	\$ 1,478.6
Special items:		
Wallula mill restructuring	\$ 0.7	\$ 16.3
Facilities closure and other costs	0.3	1.6
DeRidder mill fixed asset disposals	3.0	—
Acquisition and integration related costs	—	0.2
Insurance deductible for property damage	—	0.5
EBITDA excluding special items	\$ 1,445.2	\$ 1,497.2

- (a) The U.S. corporate federal statutory income tax rate in both 2019 and 2018 was 21%. Income tax expense for 2019 included a tax benefit of \$3.2 million from the stranded tax effects in Accumulated Other Comprehensive Income related to the write-offs of the treasury locks in connection with the Company's November 2019 debt refinancing. Income tax expense for 2018 included a tax benefit of \$2.0 million related to the enactment in December 2017 of the Tax Cuts and Jobs Act (H.R.1). See Note 8, Income Taxes, for more information.

The following table reconciles segment income (loss) to EBITDA and EBITDA excluding special items (dollars in millions):

	Year Ended December 31,	
	2019	2018
Packaging		
Segment income	\$ 963.4	\$ 1,045.4
Depreciation, amortization, and depletion	342.8	342.0
EBITDA	1,306.2	1,387.4
Facilities closure and other costs	0.3	1.6
Wallula mill restructuring	0.5	11.3
DeRidder mill fixed asset disposals	3.0	—
Acquisition and integration related costs	—	0.2
Insurance deductible for property damage	—	0.5
EBITDA excluding special items	\$ 1,310.0	\$ 1,401.0
Paper		
Segment income	\$ 175.4	\$ 97.7
Depreciation, amortization, and depletion	37.7	62.0
EBITDA	213.1	159.7
Wallula mill restructuring	0.2	5.0
EBITDA excluding special items	\$ 213.3	\$ 164.7
Corporate and Other		
Segment loss	\$ (85.1)	\$ (75.4)
Depreciation, amortization, and depletion	7.0	6.9
EBITDA	(78.1)	(68.5)
EBITDA excluding special items	\$ (78.1)	\$ (68.5)
EBITDA	\$ 1,441.2	\$ 1,478.6
EBITDA excluding special items	\$ 1,445.2	\$ 1,497.2

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

PCA is exposed to the impact of interest rate changes and changes in the market value of its financial instruments. PCA periodically enters into derivatives in order to minimize these risks, but not for trading purposes. We were not party to any derivative-based arrangements at December 31, 2019. For a discussion of derivatives and hedging activities, see Note 16, Derivative Instruments and Hedging Activities, of the Notes to Consolidated Financial Statements in “Part II, Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

At December 31, 2019, the interest rates on 100% of PCA’s outstanding debt are fixed.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors

Packaging Corporation of America:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Packaging Corporation of America and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases effective January 1, 2019 due to the adoption of Accounting Standards Update 2016-02, *Leases (Topic 842)*, and its subsequent amendments.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally

accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of the value of the pension obligation

As discussed in Note 13 to the consolidated financial statements, the Company's estimated pension benefit obligation totaled \$1,420 million as of December 31, 2019. The pension benefit obligation is measured at the actuarial present value as of a date of all benefits attributed by the pension benefit formula to employee service rendered before that date. The determination of the Company's pension benefit obligation is dependent, in part, on the selection of certain actuarial assumptions, including the discount rate.

We identified the evaluation of the value of the pension benefit obligation as a critical audit matter because of the specialized skills required to measure the value of the pension benefit obligation. In addition, the measurement of the pension benefit obligation is sensitive to minor changes in the discount rate assumption.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's pension benefit obligation valuation process, including controls related to the development of the discount rate. We involved an actuarial professional with specialized skills and knowledge, who assisted in understanding and assessing the actuarial methods and assumptions used to measure the pension benefit obligation. In addition, the actuarial professional assisted with our evaluation of the discount rate by assessing:

- changes in the discount rate from the prior year against changes in published indices,
- the pattern of cash flows, including consideration of the plan type and plan provisions, and
- the selected yield curve and its consistency with the prior year and spot rates.

/s/ KPMG LLP

We have served as the Company's auditor since 2014.

Chicago, Illinois
February 26, 2020

Packaging Corporation of America

Consolidated Statements of Income and Comprehensive Income
(dollars in millions, except per-share data)

	Year Ended December 31,		
	2019	2018	2017
Statements of Income			
Net sales	\$ 6,964.3	\$ 7,014.6	\$ 6,444.9
Cost of sales	(5,320.3)	(5,369.3)	(4,974.1)
Gross profit	1,644.0	1,645.3	1,470.8
Selling and administrative expenses	(557.6)	(536.4)	(519.9)
Other expense, net	(32.7)	(41.2)	(18.4)
Income from operations	1,053.7	1,067.7	932.5
Non-operating pension expense	(7.9)	(2.1)	(1.3)
Interest expense, net	(128.8)	(95.1)	(102.6)
Income before taxes	917.0	970.5	828.6
Provision for income taxes	(220.6)	(232.5)	(160.0)
Net income	<u>\$ 696.4</u>	<u>\$ 738.0</u>	<u>\$ 668.6</u>
Net income per common share:			
Basic	<u>\$ 7.36</u>	<u>\$ 7.82</u>	<u>\$ 7.09</u>
Diluted	<u>\$ 7.34</u>	<u>\$ 7.80</u>	<u>\$ 7.07</u>
Dividends declared per common share	<u>\$ 3.16</u>	<u>\$ 3.00</u>	<u>\$ 2.52</u>
Statements of Comprehensive Income:			
Net income	\$ 696.4	\$ 738.0	\$ 668.6
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	\$ —	\$ (0.1)	\$ (0.2)
Reclassification adjustments to cash flow hedges included in net income, net of tax of \$7.9 million, \$1.3 million, and \$2.2 million for 2019, 2018, and 2017, respectively	10.2	4.0	3.5
Amortization of pension and postretirement plans actuarial loss and prior service cost, net of tax of \$3.2 million, \$4.0 million, and \$4.9 million for 2019, 2018, and 2017, respectively	9.6	11.8	8.2
Changes in unfunded employee benefit obligations, net of tax of \$13.6 million, (\$0.8) million, and \$18.0 million for 2019, 2018, and 2017, respectively	(40.5)	2.4	(28.8)
Other comprehensive income (loss)	(20.7)	18.1	(17.3)
Comprehensive income	<u>\$ 675.7</u>	<u>\$ 756.1</u>	<u>\$ 651.3</u>

See notes to consolidated financial statements.

Packaging Corporation of America

Consolidated Balance Sheets
(dollars and shares in millions, except per-share data)

	December 31,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 679.5	\$ 361.5
Short-term marketable debt securities	87.9	—
Accounts receivable, net of allowance for doubtful accounts and customer deductions of \$12.6 million and \$13.6 million as of December 31, 2019 and 2018, respectively	845.6	901.9
Inventories	794.1	795.6
Prepaid expenses and other current assets	44.8	39.4
Federal and state income taxes receivable	26.5	16.7
Total current assets	2,478.4	2,115.1
Property, plant and equipment, net	3,151.7	3,108.6
Goodwill	918.7	917.3
Other intangible assets, net	338.8	378.2
Operating lease right-of-use assets	234.3	—
Long-term marketable debt securities	58.1	—
Other long-term assets	55.8	50.5
Total assets	\$ 7,235.8	\$ 6,569.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Operating lease obligations	\$ 62.6	\$ —
Finance lease obligations	1.5	1.4
Accounts payable	351.9	382.2
Dividends payable	76.6	76.1
Accrued liabilities	217.5	222.4
Accrued interest	13.7	11.5
Total current liabilities	723.8	693.6
Long-term liabilities:		
Long-term debt	2,476.8	2,483.7
Operating lease obligations	177.6	—
Finance lease obligations	16.0	17.6
Deferred income taxes	340.1	285.2
Compensation and benefits	375.5	357.5
Other long-term liabilities	55.0	59.7
Total long-term liabilities	3,441.0	3,203.7
Commitments and contingent liabilities		
Stockholders' equity:		
Common stock, par value \$0.01 per share, 300.0 million shares authorized, 94.7 million and 94.5 million shares issued as of December 31, 2019 and 2018, respectively	0.9	0.9
Additional paid in capital	524.8	494.5
Retained earnings	2,704.8	2,315.8
Accumulated other comprehensive loss	(159.5)	(138.8)
Total stockholders' equity	3,071.0	2,672.4
Total liabilities and stockholders' equity	\$ 7,235.8	\$ 6,569.7

See notes to consolidated financial statements.

Packaging Corporation of America

Consolidated Statements of Cash Flows
(dollars in millions)

	Year Ended December 31,		
	2019	2018	2017
Cash Flows from Operating Activities:			
Net income	\$ 696.4	\$ 738.0	\$ 668.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion, and amortization of intangibles	387.5	410.9	391.4
Amortization of deferred financing costs	23.4	8.6	10.0
Loss on early extinguishment of debt	22.2	—	—
Share-based compensation expense	30.4	23.5	20.6
Deferred income tax provision (benefit)	60.3	38.7	(84.5)
Net loss on impairment of assets	—	3.1	13.5
Pension and post-retirement benefits expense, net of contributions	(26.9)	3.1	(20.4)
Other, net	4.8	7.1	3.0
Changes in operating assets and liabilities, net of acquisitions:			
Decrease (increase) in assets —			
Accounts receivable	56.4	(56.1)	(115.1)
Inventories	1.4	(35.6)	(21.0)
Prepaid expenses and other current assets	(6.9)	(2.1)	(5.2)
(Decrease) increase in liabilities —			
Accounts payable	(32.4)	(17.6)	41.0
Accrued liabilities	(0.1)	5.5	8.4
Federal and state income tax payable / receivable	(9.1)	53.0	(54.2)
Net cash provided by operating activities	1,207.4	1,180.1	856.1
Cash Flows from Investing Activities:			
Additions to property, plant, and equipment	(399.5)	(551.4)	(343.0)
Acquisitions of businesses, net of cash acquired	—	(56.3)	(273.8)
Additions to other long term assets	(3.8)	(4.5)	(7.8)
Proceeds from asset disposals	4.1	1.5	16.6
Purchases of marketable debt securities, net of redemptions	(146.1)	—	—
Other, net	(1.3)	2.5	(1.1)
Net cash used for investing activities	(546.6)	(608.2)	(609.1)
Cash Flows from Financing Activities:			
Proceeds from issuance of debt	895.8	—	997.8
Repayments of debt and capital lease obligations	(923.4)	(151.3)	(1,011.9)
Financing costs paid	(8.3)	—	(6.8)
Common stock dividends paid	(298.7)	(268.1)	(237.6)
Shares withheld to cover employee restricted stock taxes	(8.2)	(7.9)	(10.8)
Other, net	—	—	(0.1)
Net cash used for financing activities	(342.8)	(427.3)	(269.4)
Net increase (decrease) in cash and cash equivalents	318.0	144.6	(22.4)
Cash and cash equivalents, beginning of year	361.5	216.9	239.3
Cash and cash equivalents, end of year	\$ 679.5	\$ 361.5	\$ 216.9

See notes to consolidated financial statements.

Packaging Corporation of America

Consolidated Statements of Changes in Stockholders' Equity
(dollars in millions and shares in thousands)

	Common Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at January 1, 2017	94,213	\$ 0.9	\$ 451.4	\$ 1,447.1	\$ (139.6)	\$ 1,759.8
Common stock withheld and retired to cover taxes on vested stock awards	(98)	—	(0.7)	(10.1)	—	(10.8)
Common stock dividends declared	—	—	—	(238.2)	—	(238.2)
Share-based compensation expense	235	—	20.6	—	—	20.6
Other	—	—	(0.1)	—	—	(0.1)
Comprehensive income	—	—	—	668.6	(17.3)	651.3
Balance at December 31, 2017	94,350	0.9	471.2	1,867.4	(156.9)	2,182.6
Common stock withheld and retired to cover taxes on vested stock awards	(69)	—	(0.5)	(7.4)	—	(7.9)
Common stock dividends declared	—	—	—	(284.0)	—	(284.0)
Share-based compensation expense	216	—	23.5	—	—	23.5
Adoption of ASC 606	—	—	—	1.6	—	1.6
Other	—	—	0.3	0.2	—	0.5
Comprehensive income	—	—	—	738.0	18.1	756.1
Balance at December 31, 2018	94,497	0.9	494.5	2,315.8	(138.8)	2,672.4
Common stock withheld and retired to cover taxes on vested stock awards	(87)	—	(0.7)	(7.5)	—	(8.2)
Common stock dividends declared	—	—	—	(299.7)	—	(299.7)
Share-based compensation expense	245	—	31.0	—	—	31.0
Other	—	—	—	(0.2)	—	(0.2)
Comprehensive income	—	—	—	696.4	(20.7)	675.7
Balance at December 31, 2019	94,655	\$ 0.9	\$ 524.8	\$ 2,704.8	\$ (159.5)	\$ 3,071.0

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Nature of Operations and Basis of Presentation

Packaging Corporation of America (“we,” “us,” “our,” “PCA,” or the “Company”) was incorporated on January 25, 1999. In April 1999, PCA acquired the containerboard and corrugated packaging products business of Pactiv Corporation (Pactiv), formerly known as Tenneco Packaging, Inc., a wholly owned subsidiary of Tenneco Inc. We are a large, diverse manufacturer of both packaging and paper products. We are headquartered in Lake Forest, Illinois and we operate primarily in the United States. We have approximately 15,500 employees.

We report our business in three reportable segments: Packaging, Paper, and Corporate and Other. Our Packaging segment produces a wide variety of containerboard and corrugated packaging products. The Paper segment manufactures and sells a range of communication-based papers. During the second quarter of 2018, the Company discontinued the production of uncoated free sheet and coated one-side white paper grades at the Wallula, Washington mill and converted the No. 3 machine at the mill from production of white papers to production of virgin kraft linerboard. Before May 2018, operating results for the Wallula mill were included in the Paper segment. After May 2018, operating results for the Wallula mill are primarily included in the Packaging segment. Corporate and other includes support staff services and related assets and liabilities, transportation assets, and activity related to other ancillary support operations. For more information about our segments, see Note 20, Segment Information.

In these consolidated financial statements, certain amounts in prior periods’ consolidated financial statements have been reclassified to conform with the current period presentation.

The consolidated financial statements include the accounts of PCA and its majority-owned subsidiaries after elimination of intercompany balances and transactions.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. These estimates and assumptions are based on management’s best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. We adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in these estimates will be reflected in the consolidated financial statements in future periods.

Revenue Recognition

In accordance with ASU 2014-09 (Topic 606): *Revenue from Contracts with Customers*, we recognize revenue when control of the promised goods or services is transferred to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The timing of revenue recognition for most goods and services occurs when performance obligations under the terms of a contract with a customer are satisfied. This occurs with the transfer of control of our products at a specific point in time. For most packaging and paper products, revenue is recognized when the product is shipped from the mill or from our manufacturing facility to our customer. Shipping and handling fees billed to a customer are recorded on a gross basis in “Net sales”, with the corresponding shipping and handling costs included in “Cost of sales” in the concurrent period as the revenue is recorded. We present taxes collected from customers and remitted to governmental authorities on a net basis in our Consolidated Statements of Income. See Note 4, Revenue, for more information.

Planned Major Maintenance Costs

The Company accounts for its planned major maintenance activities in accordance with ASC 360, *Property, Plant, and Equipment*, using the deferral method. All maintenance costs incurred during the year are expensed in the year in which the maintenance activity occurs.

Share-Based Compensation

We recognize compensation expense for awards granted under the PCA long-term equity incentive plans based on the fair value on the grant date. We recognize the cost of the equity awards expected to vest over the period the awards vest. See Note 15, Share-Based Compensation, for more information.

Research and Development

Research and development costs are expensed as incurred. The amount charged to expense was \$16.0 million, \$14.4 million, and \$12.8 million for the years ended December 31, 2019, 2018, and 2017, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of three months or less at the date of purchase. Cash equivalents are stated at cost, which approximates market. Cash and cash equivalents totaled \$679.5 million and \$361.5 million at December 31, 2019 and 2018, respectively, which included cash equivalents of \$410.7 million and \$311.1 million, respectively. At December 31, 2019 and 2018, we had \$2.4 million and \$2.3 million, respectively, of cash at our operations outside the United States.

Marketable Debt Securities

The Company's marketable debt securities have been classified and accounted for as available-for-sale (AFS) in accordance with ASU 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The Company classifies its marketable debt securities as either short-term or long-term based on each security's underlying contractual maturity date. Our investments in AFS securities are reported at fair value. Unrealized gains and losses on AFS securities are recognized in accumulated other comprehensive income (loss) (AOCI). Realized gains and losses on the sale of AFS securities are accounted for using the specific identification method.

Changes in the fair value of marketable debt securities impact net income only when such securities are sold or an other-than-temporary impairment is recognized. The Company regularly reviews its investment portfolio to determine if any marketable debt security is other-than-temporarily impaired. In making this judgment, PCA evaluates, among other things, the duration and the extent to which the fair value of a marketable debt security is less than its cost; the financial condition of the issuer and any changes thereto; and the intent to sell, or whether we will more likely than not be required to sell, the marketable debt security before recovery of its amortized cost basis. We recorded no other-than-temporary impairment charges on our AFS securities for the year ended December 31, 2019. We did not have any marketable debt securities for the year ended December 31, 2018. See Note 12, Cash, Cash Equivalents, and Marketable Debt Securities, for more information.

Trade Accounts Receivable, Allowance for Doubtful Accounts, and Customer Deductions

Trade accounts receivable are stated at the amount we expect to collect. The collectability of our accounts receivable is based upon a combination of factors. In circumstances where a specific customer is unable to meet its financial obligations to PCA (e.g., bankruptcy filings, substantial downgrading of credit sources), a specific reserve for bad debts is recorded against amounts due to the Company to reduce the net recorded receivable to the amount the Company reasonably believes will be collected. For all other customers, reserves for bad debts are recognized based on historical collection experience. If collection experience deteriorates (i.e., higher than expected defaults or an unexpected material adverse change in a major customer's ability to meet its financial obligations to the Company), the estimate of the recoverability of amounts due could be reduced by a material amount. We periodically review our allowance for doubtful accounts and adjustments to the valuation allowance are recorded as income or expense. Trade accounts receivable balances that remain outstanding after we have used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2019 and 2018, the allowance for doubtful accounts was \$4.2 million and \$4.6 million, respectively.

The customer deductions reserve represents the estimated amount required for customer returns, allowances, and earned discounts. Based on the Company's experience, customer returns, allowances, and earned discounts have averaged approximately 1% of gross selling price. Accordingly, PCA reserves 1% of its open customer accounts receivable balance for these items. The reserves for customer deductions of \$8.4 million and \$9.0 million at December 31, 2019 and 2018, respectively, are also included as a reduction of the accounts receivable balance.

Derivative Instruments and Hedging Activities

The Company records its derivatives, if any, in accordance with ASC 815, *Derivatives and Hedging*. The guidance requires the Company to recognize derivative instruments as either assets or liabilities on the balance sheet at fair value. The accounting for changes in the fair value of a derivative depends on the intended use and designation of the derivative instrument. For a derivative designated as a fair value hedge, the gain or loss on the derivative is recognized in earnings in the period of change at fair value together with the offsetting gain or loss on the hedged item. For a derivative instrument designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of AOCI and is subsequently recognized in earnings when the hedged exposure affects earnings. The ineffective portion of the gain or loss is recognized in earnings. We were not party to any derivative-based arrangements at December 31, 2019 and 2018.

Fair Value Measurements

PCA measures the fair value of its financial instruments and marketable debt securities in accordance with ASC 820, *Fair Value Measurements and Disclosures*. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. It is determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes the following hierarchy that prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1 — Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 — Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Valuations based on unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets that are measured at fair value using the net asset value (NAV) per share as a practical expedient are not categorized within the fair value hierarchy.

Financial instruments and marketable debt securities measured at fair value on a recurring basis include the fair values of our marketable debt securities and our pension and postretirement benefit assets and liabilities. See Note 12, Cash, Cash Equivalents, and Marketable Debt Securities, and Note 13, Employee Benefit Plans and Other Postretirement Benefits, for more information. Other assets and liabilities measured and recognized at fair value on a nonrecurring basis include assets acquired and liabilities assumed in acquisitions and our asset retirement obligations. Given the nature of these assets and liabilities, evaluating their fair value from the perspective of a market participant is inherently complex. Assumptions and estimates about future values can be affected by a variety of internal and external factors. Changes in these factors may require us to revise our estimates and could require us to retroactively adjust provisional amounts that we recorded for the fair values of assets acquired and liabilities assumed in connection with business combinations. These adjustments could have a material effect on our financial condition and results of operations. See Note 5, Acquisitions, and Note 14, Asset Retirement Obligations, for more information.

Inventory Valuation

We value our raw materials, work in process, and finished goods inventories using lower of cost, as determined by the average cost method, or market. Supplies and materials are valued at the first-in, first-out (FIFO) or average cost methods.

The components of inventories were as follows (dollars in millions):

	December 31,	
	2019	2018
Raw materials	\$ 271.5	\$ 307.8
Work in process	11.0	13.9
Finished goods	207.7	199.0
Supplies and materials	303.9	274.9
Inventories	<u>\$ 794.1</u>	<u>\$ 795.6</u>

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Cost includes expenditures for major improvements and replacements and the amount of interest cost associated with significant capital additions. Repairs and maintenance costs are expensed as incurred. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in "Net income" in our Consolidated Statements of Income.

Property, plant, and equipment consisted of the following (dollars in millions):

	December 31,	
	2019	2018
Land and land improvements	\$ 177.5	\$ 161.9
Buildings	837.4	795.5
Machinery and equipment	5,727.4	5,481.6
Construction in progress	174.0	176.7
Other	81.5	75.4
Property, plant and equipment, at cost	6,997.8	6,691.1
Less accumulated depreciation	(3,846.1)	(3,582.5)
Property, plant and equipment, net	\$ 3,151.7	\$ 3,108.6

The amount of interest capitalized from construction in progress was \$3.4 million, \$4.5 million, and \$2.5 million for the years ended December 31, 2019, 2018, and 2017, respectively.

Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Assets under finance leases are depreciated on the straight-line method over the term of the lease or the useful life, if shorter. The following lives are used for the various categories of assets:

Buildings and land improvements	5 to 40 years
Machinery and equipment	3 to 25 years
Trucks and automobiles	3 to 10 years
Furniture and fixtures	3 to 20 years
Computers and hardware	3 to 10 years
Leasehold improvements	Period of the lease or useful life, if shorter

The amount of depreciation expense was \$346.8 million, \$361.7 million, and \$347.8 million for the years ended December 31, 2019, 2018, and 2017, respectively. In 2019, 2018, and 2017, we recognized incremental depreciation expense of \$0.3 million, \$14.5 million, and \$10.5 million, respectively, primarily related to the second quarter 2018 discontinuation of paper grades at the Wallula, Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard.

Pursuant to the terms of an industrial revenue bond, title to certain property, plant, and equipment was transferred to a municipal development authority in 2009 in order to receive a property tax abatement. The title of these assets will revert back to PCA upon retirement or cancellation of the bond. The assets are included in the consolidated balance sheets under the caption "Property, plant, and equipment, net" as all risks and rewards remain with the Company.

Leases

We determine if an arrangement is, or contains, a lease at the inception date based on the presence of identified assets and our right to obtain substantially all of the economic benefit from or to direct the use of such assets. When we determine a lease exists, we record a right-of-use asset and corresponding lease liability on our consolidated balance sheets. Right-of-use assets represent our right to use an underlying asset for the lease term. Lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets are recognized at commencement date at the value of the lease liability and are adjusted for any prepayments, lease incentives received, and initial direct costs incurred. Lease liabilities are recognized at lease commencement date based on the present value of remaining lease payments over the lease term. As the discount rate implicit in the lease is not readily determinable in most of our leases, we use our incremental borrowing rate

based on the information available at commencement date in determining the present value of lease payments. Our lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

Operating lease balances are included in Operating lease right-of-use assets with the related liabilities included in Current Operating lease obligations and Long-term Operating lease obligations. Assets under finance leases are included in Property, plant and equipment, net, with the related liabilities included in Current Finance lease obligations and Long-term Finance lease obligations.

We do not record lease contracts with a term of 12 months or less on our consolidated balance sheets.

We recognize fixed lease expense for operating leases on a straight-line basis over the lease term. For finance leases, we recognize amortization expense on the right-of-use asset and interest expense on the lease liability over the lease term.

We have lease agreements with non-lease components that relate to lease components (e.g., common area maintenance such as cleaning or landscaping, insurance, etc.). We account for each lease and any non-lease components associated with that lease as a single lease component for all underlying asset classes. Accordingly, all costs associated with a lease contract are accounted for as lease costs.

Long-Lived Asset Impairment

Long-lived assets other than goodwill and other intangibles are reviewed for impairment in accordance with provisions of ASC 360, *Property, Plant and Equipment*. In the event that facts and circumstances indicate that the carrying amount of any long-lived assets may be impaired, an evaluation of recoverability is performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset (or group of assets) is compared to the assets (or group of assets) carrying amount to determine if a write-down to fair value is required.

Goodwill and Intangible Assets

The Company has capitalized certain intangible assets, primarily goodwill, customer relationships, and trademarks and trade names, based on their estimated fair value at the date of acquisition. Amortization is provided for customer relationships on a straight-line basis over periods ranging from ten to 40 years, and trademarks and trade names over periods ranging from five to 20 years.

Goodwill, which amounted to \$918.7 million and \$917.3 million for the years ended December 31, 2019 and 2018, respectively, is not amortized but is subject to an annual impairment test in accordance with ASC 350, *Intangibles – Goodwill and Other*. We test goodwill for impairment annually in the fourth quarter or sooner if events or changes in circumstances indicate that the carrying value of the asset may exceed fair value. Additionally, we evaluate the remaining useful lives of our finite-lived purchased intangible assets to determine whether any adjustments to the useful lives are necessary. The Company concluded that none of the goodwill or intangible assets were impaired in the 2019, 2018, and 2017 annual impairment tests. See Note 9, Goodwill and Intangible Assets, for additional information.

Pension and Postretirement Benefits

Several estimates and assumptions are required to record pension costs and liabilities, including discount rate, return on assets, and longevity and service lives of employees. We review and update these assumptions annually unless a plan curtailment or other event occurs, requiring that we update the estimates on an interim basis. While we believe the assumptions used to measure our pension and postretirement benefit obligations are reasonable, differences in actual experience or changes in assumptions may materially affect our pension and postretirement benefit obligations and future expense. See Note 13, Employee Benefit Plans and Other Postretirement Benefits, for additional information.

For postretirement health care plan accounting, the Company reviews external data and its own historical trends for health care costs to determine the health care cost trend rate assumption.

Environmental Matters

Environmental expenditures that extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. Liabilities are recorded for environmental contingencies when such costs are probable and reasonably estimable. These liabilities are adjusted as further information develops or circumstances change. Environmental

expenditures related to existing conditions resulting from past or current operations from which no current or future benefit is discernible are expensed as incurred.

Asset Retirement Obligations

The Company accounts for its retirement obligations related predominantly to landfill closure, wastewater treatment pond dredging, closed-site monitoring costs, and certain leasehold improvements under ASC 410, *Asset Retirement and Environmental Obligations*, which requires recognition of legal obligations associated with the retirement of long-lived assets whether these assets are owned or leased. These legal obligations are recognized at fair value at the time that the obligations are incurred. When we record the liability, we capitalize the cost by increasing the carrying amount of the related long-lived asset, which is amortized to expense over the useful life of the asset. See Note 14, Asset Retirement Obligations, for additional information.

Deferred Debt Issuance Costs

PCA has capitalized certain costs related to obtaining its financing. These costs are amortized to interest expense using the effective interest rate method over the terms of the related financing, which range from 10 to 30 years. At December 31, 2019 and 2018 deferred debt issuance costs were \$16.3 million and \$12.6 million, respectively, and were recorded in “Long-Term Debt” on our Consolidated Balance Sheets.

Cutting Rights and Fiber Farms

We lease the cutting rights to approximately 73,000 acres of timberland. Additionally, we previously leased 3,000 acres of land where we operated fiber farms as a source of future fiber supply; however, we exited the leases in conjunction with the conversion of the No. 3 machine at the Wallula mill to produce virgin kraft linerboard. Management performed a recoverability test on the associated fiber farms in 2018 and 2017 and deemed the asset group to not be fully recoverable. As a result of the recoverability calculation on the fiber farm asset group, the Company recorded an impairment loss of \$3.1 million and \$13.5 million in 2018 and 2017, respectively.

For our cutting rights, we capitalize the annual lease payments and reforestation costs associated with these leases. Costs are recorded as depletion when the timber or fiber is harvested and used in operations or sold to customers. Capitalized long-term lease costs for our cutting rights, primarily recorded in “Other long-term assets” on our Consolidated Balance Sheets, were \$21.6 million and \$22.4 million as of December 31, 2019 and 2018, respectively. The amount of depletion expense was \$2.7 million, \$7.6 million, and \$5.2 million for the years ended December 31, 2019, 2018, and 2017, respectively.

Deferred Software Costs

PCA capitalizes costs related to the purchase and development of software, which is used in its business operations. The costs attributable to these software systems are amortized over their estimated useful lives based on various factors such as the effects of obsolescence, technology, and other economic factors. Net capitalized software costs recorded in “Other long-term assets” on our Consolidated Balance Sheets were \$1.4 million and \$1.6 million for the years ended December 31, 2019 and 2018, respectively. Software amortization expense was \$0.9 million, \$2.1 million, and \$2.3 million for the years ended December 31, 2019, 2018, and 2017, respectively.

During 2019, the Company early adopted ASU 2018-15, *Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which includes amendments to align the accounting for costs incurred to implement a cloud computing arrangement that is a service contract with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Capitalized costs associated with cloud computing arrangements were immaterial for 2019.

Income Taxes

PCA utilizes the liability method of accounting for income taxes whereby it recognizes deferred tax assets and liabilities for the future tax consequences of temporary differences between the tax basis of assets and liabilities and the reported amounts in the financial statements. Deferred tax assets will be reduced by a valuation allowance if, based upon management's estimates, it is more likely than not that a portion of the deferred tax assets will not be realized in a future period. The estimates utilized in the recognition of deferred tax assets are subject to revision in future periods based on new facts or circumstances. PCA's practice is to recognize interest and penalties related to unrecognized tax benefits in income tax expense.

Trade Agreements

PCA regularly trades containerboard with other manufacturers primarily to reduce shipping costs. These agreements are entered into with other producers on an annual basis, pursuant to which both parties agree to ship an identical number of tons of containerboard to each other within the agreement period. These agreements lower transportation costs by allowing each party's containerboard mills to ship containerboard to the other party's closer corrugated products plant. PCA tracks each shipment to ensure that the other party's shipments to PCA match PCA's shipments to the other party during the agreement period. Such transfers are possible because containerboard is a commodity product with no distinguishing product characteristics. These transactions are accounted for at carrying value, and revenue is not recorded as the transactions do not represent the culmination of an earnings process. The transactions are recorded into inventory accounts, and no sale or income is recorded until such inventory is converted to a finished product and sold to an end-use customer.

Business Combinations

The Company accounts for acquisitions under ASC 805, *Business Combinations* and ASU 2017-01 (Topic 805): *Clarifying the Definition of a Business*. ASC 805 requires separate recognition of assets acquired and liabilities assumed from goodwill at the acquisition date fair values. ASU 2017-01 (Topic 805) provides additional guidance to assist entities with evaluating whether transfers of assets and activities should be accounted for as acquisitions of assets or businesses. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and liabilities assumed. During the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated financial statements.

Recently Adopted Accounting Standards

Effective January 1, 2019, the Company adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02 (Topic 842): *Leases*, which requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The original guidance required application on a modified retrospective basis with the earliest period presented. In July 2018, the FASB issued ASU 2018-11, *Targeted Improvements to ASC 842*, which included an option to not restate comparative periods in transition and elect to use the effective date of ASC 842, *Leases*, as the date of initial application of transition, which we elected. As a result of the adoption of ASC 842 on January 1, 2019, we recorded operating lease liabilities of \$228 million, with corresponding right-of-use assets of the same amount. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed us to carry forward the historical lease classification and not to reassess whether existing or expired contracts contain a lease. We also elected the short-term lease recognition exemption, which permits us to exclude short-term leases (i.e. leases with terms of 12 months or less) from the recognition requirements of this standard, and we elected to account for lease and non-lease components as a single lease component for all classes of underlying assets except for embedded leases. The adoption of ASC 842 had an immaterial impact on our consolidated net earnings, liquidity and debt covenants under our current agreements for the year ended December 31, 2019. See Note 3, *Leases*, for more information.

Effective January 1, 2019, we adopted ASU 2018-02 (Topic 220): *Income Statement—Reporting Comprehensive Income – Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows for optional reclassification from Accumulated Other Comprehensive Income ("AOCI") to retained earnings for the stranded tax effects resulting from the Tax Cuts and Jobs Act in December 2017 ("Tax Act"). Stranded tax effects are the difference in deferred taxes between the amount initially recorded to other comprehensive income ("OCI") at historical corporate income tax rates and the amount recorded using the newly-enacted corporate income tax rate. The cumulative tax rate adjustment to deferred taxes was required to be recorded through income tax expense from continuing operations in the period of enactment as opposed to OCI, resulting in the stranded tax effects in AOCI. The Company elected to not reclassify the stranded tax effects related to the

Tax Act. As a result, the adoption did not have an impact on the Company's financial position, results of operations, or cash flow.

Effective October 1, 2019, we early adopted ASU 2018-15, *Intangibles – Goodwill and Other – Internal Use Software* (Subtopic 350-40): *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which includes amendments to align the accounting for costs incurred to implement a cloud computing arrangement that is a service contract with the guidance on capitalizing costs associated with developing or obtaining internal-use software. The accounting for the service component of a hosting arrangement that is a service contract is not affected by the amendments in this update. This guidance will be applied prospectively. The adoption of this guidance did not have a material impact on the Company's financial condition, results of operations, or cash flows.

New Accounting Standards Not Yet Adopted

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General* (Subtopic 715-20): *Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU 2018-14 removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and adds additional disclosures. The ASU is effective for annual periods beginning after December 31, 2020, with early adoption permitted. The amendments in ASU 2018-14 would need to be applied on a retrospective basis. The Company is currently evaluating the impact of this guidance, but does not expect the guidance will have a significant impact on its related disclosures.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 removes or modifies certain disclosure requirements and adds additional requirements to improve the usefulness of the fair value measurement disclosure for financial statement users. The ASU is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. Certain amendments of ASU 2018-13 are required to be applied prospectively for the first interim period of the initial year of adoption. All other amendments need to be applied retrospectively. The Company is currently evaluating the impact of this guidance, but does not expect the guidance will have a significant impact on its related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 introduces the Current Expected Credit Losses (“CECL”) framework for evaluating credit losses on financial instruments measured at amortized cost. This new framework requires entities to incorporate forward-looking information into their estimate of current expected credit loss as of each reporting date. Although available-for-sale (“AFS”) debt securities are not within the scope of the new CECL framework, the ASU includes an amended impairment model for evaluating losses related to AFS debt securities. The guidance in this update also includes enhanced requirements for disclosures related to credit loss estimates. The ASU is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. The amendments in ASU 2016-13 would need to be applied using the modified retrospective method. The Company is currently evaluating the impact of the new guidance but does not expect this ASU to have a material impact on the Company's financial position, results of operation, or cash flow.

There were no other accounting standards recently issued that had or are expected to have a material impact on our financial position or results of operations.

3. Leases

We group our leases into two primary lease types, real estate and equipment, and into various asset classes within each type. Real estate leases primarily include manufacturing locations, office space, warehouses, and design centers, while equipment leases primarily include manufacturing equipment.

Leases with an initial term of 12 months or less and certain month-to-month leases are not recorded on the balance sheet. The lease expense for these types of leases is recognized on a straight-line basis over the lease term.

To determine the lease term, we include the non-cancellable period of the lease together with the following: all periods covered by an option to extend the lease if we are reasonably certain to exercise that option; any periods covered by an option to terminate the lease if we are reasonably certain not to exercise that option; and any periods covered by an option to extend or not to terminate the lease that are controlled by the lessor. The exercising of lease renewal options is based on whether future economic benefit is expected to be derived from the renewal. Most of our real estate leases contain at least one renewal option.

Renewal options generally range from 1 to 5 years. Although equipment leases may also contain renewal options, we typically do not expect to extend and/or exercise these renewal options unless a compelling business reason is provided to management.

Our leases may contain fixed and variable costs. Fixed costs determine the right-of-use asset. Variable costs are those costs which will vary month to month and are excluded from the calculation of the right-of-use asset. Variable lease costs are recorded to lease expense in the period in which they are incurred.

Our leases do not provide an implicit borrowing rate of return. Therefore, we use our incremental borrowing rate to calculate the present value of lease payments at inception of the lease or when a lease is modified.

Supplemental balance sheet information related to our operating leases at December 31, 2019 was as follows (dollars in millions):

Operating lease right-of-use assets	\$	234.3
Current portion of operating lease obligations	\$	62.6
Long-term portion of operating lease obligations		177.6
Total operating lease obligations	\$	240.2

Supplemental balance sheet information related to our finance leases was as follows (dollars in millions):

	Year Ended December 31,	
	2019	2018
Buildings	\$ 0.3	\$ 0.3
Machinery and equipment	28.5	28.5
Total	28.8	28.8
Less accumulated amortization	(18.1)	(16.7)
Total	\$ 10.7	\$ 12.1
Current portion of finance lease obligations	\$ 1.5	\$ 1.4
Long-term portion of finance lease obligations	16.0	17.6
Total finance lease obligations	\$ 17.5	\$ 19.0

The Company was obligated under finance leases covering buildings and machinery and equipment in the amount of \$17.5 million and \$19.0 million at December 31, 2019 and 2018, respectively. Amortization of assets under finance lease obligations is included in depreciation expense.

For both operating and finance leases, the weighted average remaining lease term in years and weighted average discount rates at December 31, 2019 were as follows:

Weighted-average remaining lease term (years):	
Operating leases	5.6
Finance leases	8.8
Weighted-average discount rate:	
Operating leases	4.23%
Finance leases	6.66%

The components of lease expense for the full year ended December 31, 2019 were as follows (dollars in millions):

Finance lease cost:	
Amortization of finance lease assets	\$ 1.5
Interest on lease liabilities	1.2
Total finance lease cost	2.7
Operating lease cost	70.2
Short-term lease cost	19.2
Variable lease cost	13.7
Total lease cost	\$ 105.8

Total lease expense, including base rent on all leases and executory costs, such as insurance, taxes, and maintenance, for the years ended December 31, 2018 and 2017 was \$115.1 million and \$100.6 million, respectively. These costs are included in “Cost of sales” and “Selling, general, and administrative expenses” in our Consolidated Statements of Income. We had an insignificant amount of sublease rental income for the year ended December 31, 2019 and no sublease rental income for the years ended December 31, 2018 and 2017.

Interest expense related to finance lease obligations for the years ended December 31, 2018 and 2017 was \$1.3 million and \$1.4 million, respectively.

Supplemental cash flow information related to leases for the full year ended December 31, 2019 was as follows (dollars in millions):

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$	(60.0)
Operating cash flows for finance leases		(1.5)
Financing cash flows for finance leases		(1.2)
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$	(27.7)
Finance leases		—
Supplemental non-cash information on changes in lease liabilities	\$	44.5
Supplemental non-cash information on changes in right-of-use assets	\$	21.4

The future minimum payments under operating and finance lease liabilities at December 31, 2019 were as follows (dollars in millions):

	<u>Operating Leases</u>	<u>Finance Leases</u>
2020	\$ 71.2	\$ 2.7
2021	60.6	2.7
2022	42.8	2.7
2023	28.7	2.7
2024	20.2	2.7
Thereafter	48.0	9.7
Total lease payments	<u>271.5</u>	<u>23.2</u>
Less imputed interest (a)	(31.3)	(5.7)
Present value of lease liabilities	<u>\$ 240.2</u>	<u>\$ 17.5</u>

(a) Calculated using the incremental borrowing rate for each lease applied to the future payments.

The future minimum payments under operating and finance lease liabilities at December 31, 2018 under ASC 840 were as follows (dollars in millions):

	Operating Leases	Finance Leases
2019	\$ 70.1	\$ 2.7
2020	58.7	2.7
2021	47.4	2.7
2022	29.9	2.7
2023	17.8	2.7
Thereafter	46.4	12.4
Total lease payments	<u>\$ 270.3</u>	<u>25.9</u>
Less imputed interest (b)		(6.9)
Present value of lease liabilities		<u>\$ 19.0</u>

(b) Calculated using the incremental borrowing rate for each lease applied to the future payments.

4. Revenue

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. Sales, value added, and other taxes collected concurrently with revenue-producing activities are excluded from revenue.

The following table presents our revenues disaggregated by product line (dollars in millions):

	Year Ended December 31,		
	2019	2018	2017 (a)
Packaging	\$ 5,932.2	\$ 5,938.5	\$ 5,312.3
Paper	964.3	1,002.0	1,051.8
Corporate and Other	67.8	74.1	80.8
Total revenue	<u>\$ 6,964.3</u>	<u>\$ 7,014.6</u>	<u>\$ 6,444.9</u>

(a) 2017 has not been adjusted under the modified retrospective method for Topic 606.

Packaging Revenue

Our containerboard mills produce linerboard and corrugating medium which are papers primarily used in the production of corrugated products. The majority of our containerboard production is used internally by our corrugated products manufacturing facilities. The remaining containerboard is sold to outside domestic and export customers. Our corrugated products manufacturing plants produce a wide variety of corrugated packaging products and retail merchandise displays. We sell corrugated products to national, regional and local accounts, which are broadly diversified across industries and geographic locations.

The Company recognizes revenue for its packaging products when performance obligations under the terms of a contract with a customer are satisfied. This occurs with the transfer of control of our products at a specific point in time. Based on our express terms and conditions of the sale of products to our customers, as well as terms included in contractual arrangements with our customers, we do not have an enforceable right of payment that includes a reasonable profit throughout the duration of the contract for products that do not have an alternative use. Revenue is recognized when the product is shipped from the mill or from our manufacturing facility to our customer. Certain customers may receive volume-based incentives, which are accounted for as variable consideration. We estimate these amounts based on the expected amount to be provided to customers and reduce revenue recognized.

Certain customers receive a portion of their packaging products as consigned inventory with billing triggered once the customer uses or consumes the designated product. Prior to invoicing, these amounts are handled as unbilled receivables. Total unbilled receivables, which are immaterial in amount, are included in the accounts receivable financial statement caption.

Paper Revenue

We manufacture and sell a range of communication-based papers. Communication papers consist of cut-size office papers, and printing and converting papers.

The Company recognizes revenue for its paper products when performance obligations under the terms of a contract with a customer are satisfied. This occurs with the transfer of control of our products at a specific point in time. Revenue is recognized when the product is shipped from the mill or from our manufacturing facility or distribution center to our customer. Certain customers may receive volume-based incentives, which are accounted for as variable consideration. We estimate these amounts based on the expected amount to be provided to customers and reduce revenue recognized.

Corporate and Other Revenue

Revenue in this segment primarily relates to Louisiana Timber Procurement Company, L.L.C. (LTP), a variable-interest entity that is 50% owned by PCA and 50% owned by Boise Cascade Company (Boise Cascade). PCA is the primary beneficiary of LTP and has the power to direct the activities that most significantly affect the economic performance of LTP. Therefore, we consolidate 100% of LTP in our financial statements. See Note 19, Transactions With Related Parties, for more information related to LTP.

The Company recognizes revenue within this segment when performance obligations under the terms of a contract with a customer are satisfied. This occurs with the transfer of control of our products at a specific point in time.

Practical Expedients and Exemption

Shipping and handling fees billed to a customer are recorded on a gross basis in "Net sales" with the corresponding shipping and handling costs included in "Cost of sales" in the concurrent period as the revenue is recorded. We expense sales commissions when incurred because the amortization period is one year or less. Sales commissions are recorded in "Selling, general, and administrative expenses".

We do not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less.

5. Acquisitions

Englander dZignPak

On October 9, 2018, PCA acquired the assets of Englander dZignPak ("Englander"), a corrugated products manufacturer, for \$56.3 million. The assets include two sheet plants located in Waco, Texas and Carrollton, Texas. Sales and total assets of the acquired company are not material to our overall sales and total assets. Operating results of the acquired assets subsequent to October 9, 2018 are included in our Packaging segment's 2018 and 2019 operating results. The total purchase price has been allocated to the assets acquired and liabilities assumed based on fair values at the date of acquisition, of which \$28.6 million was allocated to goodwill (which is deductible for tax purposes) and \$14.1 million to intangible assets (to be amortized over a weighted average life of approximately 9.7 years), primarily customer relationships, in the Packaging segment.

During the second quarter of 2019, we paid \$1.4 million to the seller related to a final working capital adjustment. We recorded the adjustment as an increase to goodwill, which increased the purchase price to \$57.7 million.

6. Earnings Per Share

The following table sets forth the computation of basic and diluted income per common share for the periods presented (dollars and shares in millions, except per share data).

	Year Ended December 31,		
	2019	2018	2017
Numerator:			
Net income	\$ 696.4	\$ 738.0	\$ 668.6
Less: distributed and undistributed earnings allocated to participating securities	(5.2)	(5.7)	(5.6)
Net income attributable to common stockholders	<u>\$ 691.2</u>	<u>\$ 732.3</u>	<u>\$ 663.0</u>
Denominator:			
Weighted average common shares outstanding	93.8	93.7	93.5
Effect of dilutive securities	0.3	0.2	0.2
Diluted common shares outstanding	<u>94.1</u>	<u>93.9</u>	<u>93.7</u>
Basic income per common share	<u>\$ 7.36</u>	<u>\$ 7.82</u>	<u>\$ 7.09</u>
Diluted income per common share	<u>\$ 7.34</u>	<u>\$ 7.80</u>	<u>\$ 7.07</u>

7. Other (Expense) Income, Net

The components of other (expense) income, net, were as follows (dollars in millions):

	Year Ended December 31,		
	2019	2018	2017
Asset disposals and write-offs (a)	\$ (25.0)	\$ (17.3)	\$ (10.5)
Wallula mill restructuring (b)	(0.7)	(14.9)	(23.1)
Facilities closure and other costs (c)	(0.3)	(1.6)	5.9
Insurance deductible for property damage (d)	—	(0.5)	—
Acquisition and integration related costs (e)	—	(0.2)	(0.8)
DeRidder mill incident (f)	—	—	9.7
Hexacomb working capital adjustment (g)	—	—	2.3
Expiration of timberland repurchase option (h)	—	—	2.0
Other	(6.7)	(6.7)	(3.9)
Total	<u>\$ (32.7)</u>	<u>\$ (41.2)</u>	<u>\$ (18.4)</u>

- (a) For 2019, includes \$3.0 million of charges for the disposal of fixed assets related to the containerboard mill conversion at our DeRidder, Louisiana mill.
- (b) Includes charges related to the discontinuation of production of uncoated free sheet and coated one-side white paper grades at the Wallula, Washington mill in the second quarter of 2018 and the conversion of the No. 3 paper machine to produce virgin kraft linerboard.
- (c) For 2019, includes charges consisting of closure costs related to corrugated products facilities, partially offset by income from the sale of a building related to a closed corrugated products facility. For 2018, includes charges consisting of closure costs related to corrugated products facilities. For 2017, includes income primarily related to the sale of land corresponding to the closure of a corrugated products facility, partially offset by closure costs related to corrugated products facilities, a paper administration facility, a corporate administration facility, and a lump sum settlement of a multiemployer pension plan withdrawal liability for one of our corrugated products facilities.
- (d) Includes charges for the property damage insurance deductible for a weather-related incident at one of our corrugated products facilities.
- (e) Includes charges for acquisition and integration costs related to recent acquisitions.
- (f) Includes the property damage and business interruption insurance recoveries and corresponding costs related to the February 2017 explosion at our DeRidder, Louisiana mill.
- (g) Includes income related to a working capital adjustment from the April 2015 sale of our Hexacomb corrugated manufacturing operations in Europe and Mexico.
- (h) Includes a gain related to the expiration of a repurchase option corresponding to timberland previously sold.

8. Income Taxes

The following is an analysis of the components of the consolidated income tax provision (dollars in millions):

	Year Ended December 31,		
	2019	2018	2017
Current income tax provision (benefit) -			
U.S. federal	\$ 123.2	\$ 150.7	\$ 209.3
State and local	37.0	42.9	34.9
Foreign	0.1	0.2	0.3
Total current provision for taxes	<u>160.3</u>	<u>193.8</u>	<u>244.5</u>
Deferred -			
U.S. federal	55.3	34.7	(90.2)
State and local	5.0	4.0	5.7
Foreign	—	—	—
Total deferred provision (benefit) for taxes	<u>60.3</u>	<u>38.7</u>	<u>(84.5)</u>
Total provision for taxes	<u>\$ 220.6</u>	<u>\$ 232.5</u>	<u>\$ 160.0</u>

On December 22, 2017, the President signed into law H.R.1 (P.L. 115-97), originally known as the “Tax Cuts and Jobs Act” (the “Tax Act”). The Tax Act significantly revised the U.S. tax code by, among other items, reducing the federal corporate tax rate from 35% to 21%, providing for the full expensing of certain depreciable property, eliminating the corporate alternative minimum tax, limiting the deductibility of interest expense, further limiting the deductibility of certain executive compensation, limiting the use of net operating loss carryforwards created in tax years beginning after December 31, 2017, and implementing a territorial tax system imposing a deemed repatriation transition tax (“Transition Tax”) on earnings of foreign subsidiaries.

Generally accepted accounting principles required companies to record the impact of the Tax Act in their financial statements for the period during which the Tax Act became law, even if provisions of the Tax Act became effective at a future date. The SEC staff issued Staff Accounting Bulletin No. 118 (SAB 118), *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*, which provided guidance on accounting for the effects and included a measurement period that ended when a company had obtained, prepared and analyzed the information necessary to finalize its accounting of the Tax Act which could not extend beyond one year.

In accordance with SAB 118, the Company recorded a final adjustment for the income tax effects of the Tax Act in the fourth quarter of 2018 totaling a net tax benefit of \$2.0 million, primarily related to the re-measurement of our U.S. deferred tax assets and liabilities to the lower enacted corporate tax rate as a result of the release of additional regulatory guidance and the completion and filing of the 2017 federal and state income tax returns during calendar year 2018. The Company recorded provisional estimates of the income tax effects of the Tax Act in the fourth quarter of 2017 totaling a net tax benefit of \$122.1 million, primarily related to the re-measurement of our U.S. deferred tax assets and liabilities to the lower enacted corporate tax rate for \$128.0 million offset by a reduction in the domestic manufacturers deduction for \$5.1 million, the Transition Tax and other current year tax reform impacts of \$0.8 million

The effective tax rate varies from the U.S. federal statutory tax rate principally due to the following (dollars in millions):

	2019	2018	2017
Provision computed at U.S. federal statutory rate (a)	\$ 192.6	\$ 203.8	\$ 290.0
Federal tax reform	—	(2.0)	(127.2)
State and local taxes, net of federal benefit	35.7	36.9	24.0
Domestic manufacturers deduction (b)	—	—	(21.1)
Other	(7.7)	(6.2)	(5.7)
Total	<u>\$ 220.6</u>	<u>\$ 232.5</u>	<u>\$ 160.0</u>

- (a) U.S. federal statutory rate of 21% in 2019 and 2018 and 35% in 2017.
(b) The domestic manufacturers deduction was eliminated after 2017 as a result of the Tax Cuts and Jobs Act.

The following details the scheduled expiration dates of our tax effected net operating loss (NOL) and other tax carryforwards at December 31, 2019 (dollars in millions):

	2020 Through 2029	2030 Through 2039	Indefinite	Total
U.S. federal NOLs	\$ 29.0	\$ —	\$ —	\$ 29.0
State taxing jurisdiction NOLs	1.6	0.2	—	1.8
U.S. federal tax credit carryforwards	0.1	—	—	0.1
U.S. federal and non-U.S. capital loss carryforwards	3.0	—	0.1	3.1
Total	\$ 33.7	\$ 0.2	\$ 0.1	\$ 34.0

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Deferred income tax assets and liabilities at December 31 are summarized as follows (dollars in millions):

	December 31,	
	2019	2018
Deferred tax assets:		
Pension and postretirement benefits	\$ 90.7	\$ 87.4
Lease obligations	59.2	—
Employee benefits and compensation	35.5	37.7
Net operating loss carryforwards	30.8	34.4
Inventories	14.1	12.6
Restricted stock and performance units	11.2	10.2
Accrued liabilities	6.1	17.1
Capital loss and general business credit carryforwards	3.2	3.3
Derivatives	0.1	4.7
Gross deferred tax assets	250.9	207.4
Valuation allowance (c)	(3.0)	(3.1)
Net deferred tax assets	\$ 247.9	\$ 204.3
Deferred tax liabilities:		
Property, plant and equipment	\$ (459.1)	\$ (422.3)
Goodwill and intangible assets	(70.8)	(67.2)
Right-of-use assets	(58.1)	—
Total deferred tax liabilities	\$ (588.0)	\$ (489.5)
Net deferred tax liabilities (d)	\$ (340.1)	\$ (285.2)

- (c) Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion of the deferred tax assets will not be realized. Both the 2019 and 2018 valuation allowance relates to capital losses. We do not expect to generate capital gains before the capital losses expire. If or when recognized, the tax benefits relating to the reversal of any or all of the valuation allowance would be recognized as a benefit to income tax expense.
- (d) As of December 31, 2019, we did not recognize U.S. deferred income taxes on our cumulative total of undistributed foreign earnings for our foreign subsidiaries. We indefinitely reinvest our earnings in operations outside the United States. It is not practicable to determine the amount of unrecognized deferred tax liability on these undistributed earnings because the actual tax liability, if any, is dependent on circumstances existing when the repatriation occurs.

Cash payments for federal, state, and foreign income taxes were \$172.7 million, \$140.8 million, and \$298.7 million for the years ended December 31, 2019, 2018, and 2017, respectively.

The following table summarizes the changes related to PCA's gross unrecognized tax benefits excluding interest and penalties (dollars in millions):

	2019	2018	2017
Balance as of January 1	\$ (4.6)	\$ (4.8)	\$ (5.2)
Increases related to prior years' tax positions	(0.1)	(0.1)	—
Increases related to current year tax positions	(0.4)	(0.3)	(0.4)
Decreases related to prior years' tax positions	—	—	—
Settlements with taxing authorities	—	—	—
Expiration of the statute of limitations	0.3	0.6	0.8
Balance at December 31	<u>\$ (4.8)</u>	<u>\$ (4.6)</u>	<u>\$ (4.8)</u>

At December 31, 2019, PCA had recorded a \$4.8 million gross reserve for unrecognized tax benefits, excluding interest and penalties. Of the total, \$4.2 million (net of the federal benefit for state taxes) would impact the effective tax rate if recognized.

PCA recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. At December 31, 2019 and 2018, we had \$1.2 million and \$1.1 million, respectively, of interest and penalties recorded for unrecognized tax benefits. During the next 12 months, it is possible that PCA's unrecognized tax benefits related to state apportionment issues could decrease by approximately \$3.1 million due to settlements with state taxing authorities.

PCA is subject to income taxation in the United States, various state and local jurisdictions, Canada and Hong Kong. A federal examination of the 2016 tax year commenced in April 2019. The tax years 2016 - 2019 remain open to federal examination. The tax years 2015 - 2019 remain open to state examinations. Some foreign tax jurisdictions are open to examination for the 2009 tax year forward. Through the Boise acquisition, PCA recorded net operating losses and credit carryforwards from 2008 through 2011 and 2013 that are subject to examinations and adjustments for at least three years following the year in which utilized.

9. Goodwill and Intangible Assets

Goodwill

Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. At December 31, 2019 and 2018, we had \$863.5 million and \$862.1 million, respectively, of goodwill recorded in our Packaging segment and \$55.2 million for both years in our Paper segment on our Consolidated Balance Sheets.

Changes in the carrying amount of our goodwill were as follows (dollars in millions):

	Packaging	Paper	Total Goodwill
Balance at January 1, 2018	\$ 828.0	\$ 55.2	\$ 883.2
Acquisitions (a)(b)	34.1	—	34.1
Balance at December 31, 2018	862.1	55.2	917.3
Acquisitions (c)	1.4	—	1.4
Balance at December 31, 2019	<u>\$ 863.5</u>	<u>\$ 55.2</u>	<u>\$ 918.7</u>

- (a) During 2018, the Company recorded a \$5.5 million adjustment to increase the goodwill balance for the Company's October 2017 acquisition of Sacramento Container.
- (b) In connection with the October 2018 acquisition of Englander, the Company recorded \$28.6 million of goodwill in the Packaging segment in 2018.
- (c) During 2019, the Company recorded a \$1.4 million adjustment to increase the goodwill balance for the Company's October 2018 acquisition of Englander.

See Note 5, Acquisitions, for more information.

Intangible Assets

Intangible assets are comprised of customer relationships and trademarks and trade names.

The weighted average useful life, gross carrying amount, and accumulated amortization of our intangible assets were as follows (dollars in millions):

	As of December 31, 2019			As of December 31, 2018		
	Weighted Average Remaining Useful Life (in Years)	Gross Carrying Amount	Accumulated Amortization	Weighted Average Remaining Useful Life (in Years)	Gross Carrying Amount	Accumulated Amortization
Customer relationships (d)(e)	10.0	\$ 503.8	\$ 180.2	10.9	\$ 504.6	\$ 144.5
Trademarks and trade names (e)	9.5	34.8	20.6	10.1	34.8	18.3
Other (e)	2.1	4.3	3.3	3.0	4.4	2.7
Total intangible assets (excluding goodwill)	9.9	\$ 542.9	\$ 204.1	10.8	\$ 543.7	\$ 165.5

(d) During 2019, a corrugated products facility sold part of its operations which included existing inventory, certain production equipment, and customer relationships corresponding to the operations sold. As a result, the gross carrying amount for the customer relationships intangible asset was decreased by \$0.7 million.

(e) In connection with the October 2018 acquisition of Englander, the Company recorded intangible assets of \$13.2 million for customer relationships, \$0.8 million for trade names, and \$0.1 million for other intangibles.

Amortization expense was \$38.6 million, \$40.5 million, and \$35.7 million for the years ended December 31, 2019, 2018, and 2017, respectively. Estimated amortization expense of intangible assets over the next five years is expected to approximate \$38.7 million (2020), \$37.9 million (2021), \$35.4 million (2022), \$34.4 million (2023), and \$33.9 million (2024).

Impairment Testing

We test goodwill for impairment annually in the fourth quarter or sooner if events or changes in circumstances indicate that the carrying value of the asset may exceed fair value. Additionally, when we experience changes to our business or operating environment, we evaluate the remaining useful lives and recoverability of our finite-lived purchased intangible assets to determine whether any adjustments to the useful lives or impairment are necessary. We completed our test in the fourth quarter and there was no indication of goodwill or intangible asset impairment.

10. Accrued Liabilities

The components of accrued liabilities were as follows (dollars in millions):

	December 31,	
	2019	2018
Compensation and benefits	\$ 124.5	\$ 136.7
Customer volume discounts and rebates	27.9	25.2
Medical insurance and workers' compensation	26.3	27.5
Franchise, property, sales and use taxes	15.3	13.4
Environmental liabilities and asset retirement obligations	5.6	5.0
Severance, retention, and relocation	3.5	2.2
Other	14.4	12.4
Total	\$ 217.5	\$ 222.4

11. Debt

At December 31, 2019 and 2018, our long-term debt and interest rates on that debt were as follows (dollars in millions):

	December 31, 2019		December 31, 2018	
	Amount	Interest Rate	Amount	Interest rate
Revolving Credit Facility, due August 2021	\$ —	—%	\$ —	—%
2.45% Senior Notes, net of discount of \$0.4 million as of December 31, 2018, due December 2020	—	—%	499.6	2.45%
3.90% Senior Notes, net of discount of \$0.1 million as of December 31, 2018, due June 2022	—	—%	399.9	3.90%
4.50% Senior Notes, net of discount of \$0.8 million and \$1.0 million as of December 31, 2019 and 2018, respectively, due November 2023	699.2	4.50%	699.0	4.50%
3.65% Senior Notes, net of discount of \$0.6 million and \$0.7 million as of December 31, 2019 and 2018, respectively, due September 2024	399.4	3.65%	399.3	3.65%
3.40% Senior Notes, net of discount of \$1.3 million and \$1.5 million as of December 31, 2019 and 2018, respectively, due December 2027	498.7	3.40%	498.5	3.40%
3.00% Senior Notes, net of discount of \$0.7 million as of December 31, 2019, due December 2029	499.3	3.00%	—	—%
4.05% Senior Notes, net of discount of \$3.5 million as of December 31, 2019, due December 2049	396.5	4.05%	—	—%
Total	2,493.1	3.77%	2,496.3	3.64%
Less current portion	—	—%	—	—%
Less unamortized debt issuance costs	16.3		12.6	
Total long-term debt	\$ 2,476.8	3.77%	\$ 2,483.7	3.64%

On November 21, 2019, the Company issued \$500.0 million of 3.00% senior notes due 2029 and \$400.0 million of 4.05% senior notes due 2049, through a registered public offering and notified the holders of its \$500.0 million of 2.45% notes due December 15, 2020 and \$400.0 million of 3.90% notes due June 15, 2022 that it would redeem those notes in December 2019. On December 6, 2019, PCA completed the redemption of the old 2.45% notes for \$509.7 million, which included a redemption premium of \$3.8 million and \$5.8 million of accrued and unpaid interest. On December 23, 2019, PCA completed the redemption of the old 3.90% notes for \$418.7 million, which included a redemption premium of \$18.4 million and \$0.3 million of accrued and unpaid interest. PCA used the proceeds of the offering of the new 3.00% and 4.05% notes and cash on hand to fund the redemptions and the \$8.3 million of debt issuance costs. The debt issuance costs will be amortized to interest expense using the effective interest method over the terms of the notes.

As of December 31, 2019, the details of our borrowings were as follows:

- **Senior Unsecured Credit Agreement.** On October 18, 2013, we entered into a \$1.65 billion senior unsecured credit facility. Loans bear interest at LIBOR plus a margin that is determined based upon our credit ratings. On August 29, 2016, we amended and restated this credit facility to include a new term loan facility (that was subsequently repaid in full in 2017) to finance an acquisition and to extend the maturity of the revolving credit facility to 2021. We have repaid all amounts borrowed under the credit facility, and the current facility now only includes a \$350.0 million unsecured revolving credit facility with variable interest (LIBOR plus a margin) due August 2021. During 2019, we did not borrow under the Revolving Credit Facility. At December 31, 2019, we had \$20.8 million of outstanding letters of credit that were considered outstanding on the revolving credit facility, resulting in \$329.2 million of unused borrowing capacity. The outstanding letters of credit were primarily for workers compensation. We are required to pay commitment fees on the unused portions of the credit facility.
- **3.90% Senior Notes.** On June 26, 2012, we issued \$400.0 million of 3.90% senior notes due June 15, 2022, through a registered public offering. The senior notes were repaid on December 23, 2019 with the proceeds received from the November 2019 note offering discussed above and cash on hand.
- **4.50% Senior Notes.** On October 22, 2013, we issued \$700.0 million of 4.50% senior notes due November 1, 2023, through a registered public offering.

- **3.65% Senior Notes.** On September 5, 2014, we issued \$400.0 million of 3.65% senior notes due September 15, 2024, through a registered public offering.
- **2.45% Senior Notes.** On December 13, 2017, we issued \$500.0 million of 2.45% senior notes due December 15, 2020, through a registered public offering. The senior notes were repaid on December 6, 2019 with the proceeds received from the November 2019 note offering discussed above and cash on hand.
- **3.40% Senior Notes.** On December 13, 2017, we issued \$500.0 million of 3.40% senior notes due December 15, 2027, through a registered public offering.
- **3.00% Senior Notes.** On November 21, 2019, we issued \$500.0 million of 3.00% senior notes due December 15, 2029, through a registered public offering.
- **4.05% Senior Notes.** On November 21, 2019, we issued \$400.0 million of 4.05% senior notes due December 15, 2049, through a registered public offering.

The instruments governing our indebtedness contain financial and other covenants that limit the ability of PCA and its subsidiaries to enter into sale and leaseback transactions, incur liens, incur indebtedness at the subsidiary level, enter into certain transactions with affiliates, merge or consolidate with any other person or sell or otherwise dispose of all or substantially all of our assets. Our credit facility also requires us to comply with certain financial covenants, including maintaining a minimum interest coverage ratio and a maximum leverage ratio. A failure to comply with these restrictions could lead to an event of default, which could result in an acceleration of any outstanding indebtedness and/or prohibit us from drawing on the revolving credit facility. Such an acceleration may also constitute an event of default under the senior notes indenture. At December 31, 2019, we were in compliance with these covenants.

At December 31, 2019, we have \$2,493.1 million of fixed-rate senior notes outstanding. At December 31, 2019, the fair value of our fixed-rate debt was estimated to be \$2,616.2 million. The difference between the book value and fair value is due to the difference between the period-end market interest rate and the stated rate of our fixed-rate debt. We estimated the fair value of our fixed-rate debt using quoted market prices (Level 2 inputs), discussed further in Note 2, Summary of Significant Accounting Policies.

Repayments, Interest, and Other

In December 2019, we used the net proceeds from the November 2019 offering of the new 3.00% and 4.05% notes and cash on hand to redeem the 2.45% notes and 3.90% notes. We completed the redemption of the old 2.45% notes and 3.90% notes for \$509.7 million and \$418.7 million, respectively, which included redemption premiums and accrued and unpaid interest.

In 2018, we used cash on hand to repay debt outstanding of \$150.0 million under the 6.50% Senior Notes due March 15, 2018 at maturity.

In 2017, we used the net proceeds from our 2.45% and 3.40% senior note offerings and other cash on hand to repay approximately \$1.0 billion of borrowings outstanding under old term loan facilities.

As of December 31, 2019, annual principal maturities for debt, excluding unamortized debt discount, are: none for 2020 through 2022; \$700.0 million for 2023; and \$1.8 billion for 2024 and thereafter.

Interest payments paid in connection with the Company's debt obligations for the years ended December 31, 2019, 2018, and 2017, were \$114.0 million (including redemption premiums of \$22.2 million), \$97.0 million, and \$96.3 million, respectively.

Included in interest expense, net, are amortization of financing costs and amortization of treasury lock settlements. Amortization of treasury lock settlements was \$18.2 million net loss in 2019 (including a \$13.1 million write-off of the remaining balance for treasury locks related to the November 2019 debt refinancing), a \$5.3 million net loss in 2018, and a \$5.7 million net loss in 2017. Amortization of financing costs in 2019, 2018, and 2017 was \$4.5 million (including a \$1.8 million write-off of deferred debt issuance costs related to the November 2019 debt refinancing), \$2.7 million, and \$4.0 million (including a \$1.8 million write-off of deferred debt issuance costs related to the December 2017 debt refinancing), respectively.

12. Cash, Cash Equivalents, and Marketable Debt Securities

The following table shows the Company's cash and available-for-sale (AFS) debt securities by major asset category at December 31, 2019 (in millions):

	Adjusted Cost Basis	Fair Value (c)	Cash and Cash Equivalents	Short-Term Marketable Debt Securities	Long-Term Marketable Debt Securities
Cash and cash equivalents	\$ 675.6	\$ 675.6	\$ 675.6	\$ —	\$ —
Level 1 (a):					
Money market funds	0.1	0.1	0.1	—	—
U.S. Treasury securities	27.1	27.1	3.1	11.5	12.5
Subtotal	27.2	27.2	3.2	11.5	12.5
Level 2 (b):					
Certificates of deposit	3.9	3.9	—	3.9	—
Commercial paper	5.6	5.6	0.7	4.9	—
U.S. government agency securities	7.0	7.0	—	3.0	4.0
Corporate debt securities	106.2	106.2	—	64.6	41.6
Subtotal	122.7	122.7	0.7	76.4	45.6
Total	\$ 825.5	\$ 825.5	\$ 679.5	\$ 87.9	\$ 58.1

(a) Valuations based on quoted prices for identical assets or liabilities in active markets.

(b) Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

(c) Unrealized gains and losses were insignificant as of December 31, 2019. Therefore, the fair value approximates the adjusted cost basis for each major asset category.

As of December 31, 2018, we did not have any investments in marketable debt securities.

For the year ended December 31, 2019, net realized gains and losses on the sales and maturities of certain marketable debt securities were insignificant.

The Company invests in highly rated securities, with the primary objective of minimizing the potential risk of principal loss. The Company's investment policy requires securities to be investment grade and limits the amount of credit exposure to any one issuer. The maturities of the Company's long-term marketable debt securities generally range from one to two years.

Fair values were determined for each individual marketable debt security in the investment portfolio. When evaluating a marketable debt security for other-than-temporary impairment, PCA reviews factors such as the duration and extent to which the fair value of the marketable debt security is less than its cost, the financial condition of the issuer and any changes thereto, the general market condition in which the issuer operates, and PCA's intent to sell or whether it will be more likely than not be required to sell, the marketable debt security before recovery of its amortized cost basis.

As of December 31, 2019, we do not consider any of our marketable debt securities to be other-than-temporarily impaired. The market value of marketable debt securities with continuous unrealized losses as of December 31, 2019 was as follows (in millions):

	2019		
	Continuous Unrealized Losses		
	Less than 12 Months	12 Months or Greater	Total
Fair value of marketable debt securities	\$ 78.1	\$ —	\$ 78.1
Unrealized losses	\$ —	\$ —	\$ —

13. Employee Benefit Plans and Other Postretirement Benefits

PCA has defined pension benefit plans for both salaried and hourly employees. The plans covering salaried employees are closed to new entrants with only certain current active participants still accruing benefits. The plans covering certain hourly employees are closed to new participants. We also have a Supplemental Executive Retirement Plan (SERP) and other

nonqualified defined benefit pension plans that provide unfunded supplemental retirement benefits to certain of our executives and former executives. The SERP provides for incremental pension benefits in excess of those offered in our principal pension plans.

Other Postretirement Benefits

PCA provides postretirement medical benefits for certain retired salaried employees and postretirement medical and life insurance benefits for certain hourly employees. The plan covering salaried employees is closed to new participants.

Obligations and Funded Status of Defined Benefit Pension and Other Postretirement Benefits Plans

The funded status of PCA's plans change from year to year based on the plan asset investment return, contributions, benefit payments, the discount rate used to measure the liability, and expected participant longevity. The following table, which includes only company-sponsored defined benefit and other postretirement benefit plans, reconciles the beginning and ending balances of the projected benefit obligation and the fair value of plan assets. We recognize the unfunded status of these plans on the Consolidated Balance Sheets, and we recognize changes in funded status in the year changes occur through the Consolidated Statements of Comprehensive Income (dollars in millions):

	Pension Plans		Postretirement Plans	
	Year Ended December 31		Year Ended December 31	
	2019	2018	2019	2018
Change in Benefit Obligation				
Benefit obligation at beginning of period	\$ 1,204.9	\$ 1,300.2	\$ 14.6	\$ 16.5
Service cost	24.5	25.0	0.3	0.3
Interest cost	47.0	42.4	0.5	0.5
Plan amendments	2.3	3.0	(0.3)	(0.4)
Actuarial (gain) loss (a)	188.6	(121.1)	0.2	(1.2)
Participant contributions	—	—	1.1	1.1
Benefits paid	(47.2)	(44.6)	(1.9)	(2.2)
Benefit obligation at plan year end	<u>\$ 1,420.1</u>	<u>\$ 1,204.9</u>	<u>\$ 14.5</u>	<u>\$ 14.6</u>
Accumulated benefit obligation portion of above	<u>\$ 1,374.4</u>	<u>\$ 1,163.3</u>		
Change in Fair Value of Plan Assets				
Plan assets at fair value at beginning of period	\$ 873.2	\$ 954.8	\$ —	\$ —
Actual return on plan assets	188.9	(59.9)	—	—
Company contributions	58.9	22.9	0.8	1.1
Participant contributions	—	—	1.1	1.1
Benefits paid	(47.2)	(44.6)	(1.9)	(2.2)
Fair value of plan assets at plan year end	<u>\$ 1,073.8</u>	<u>\$ 873.2</u>	<u>\$ —</u>	<u>\$ —</u>
Underfunded status	<u>\$ (346.3)</u>	<u>\$ (331.7)</u>	<u>\$ (14.5)</u>	<u>\$ (14.6)</u>
Amounts Recognized on Consolidated Balance Sheets				
Current liabilities	(1.4)	(1.4)	(0.7)	(0.8)
Noncurrent liabilities	(344.9)	(330.3)	(13.8)	(13.8)
Accrued obligation recognized at December 31	<u>\$ (346.3)</u>	<u>\$ (331.7)</u>	<u>\$ (14.5)</u>	<u>\$ (14.6)</u>
Amounts Recognized in Accumulated Other Comprehensive Loss (Income) (Pre-Tax)				
Prior service cost (credit)	\$ 24.7	\$ 28.7	\$ (5.3)	\$ (5.4)
Actuarial loss (gain)	239.2	194.6	(4.4)	(5.0)
Total	<u>\$ 263.9</u>	<u>\$ 223.3</u>	<u>\$ (9.7)</u>	<u>\$ (10.4)</u>

- (a) The actuarial loss in 2019 was due primarily to a decrease in the weighted average discount rate used to estimate pension benefit obligations. The actuarial gain in 2018 was due primarily to an increase in the weighted average discount rate used to estimate our pension benefit obligations.

Components of Net Periodic Benefit Cost and Other Comprehensive (Income) Loss

The components of net periodic benefit cost and other comprehensive (income) loss (pretax) were as follows (dollars in millions):

	Pension Plans			Postretirement Plans		
	Year Ended December 31,			Year Ended December 31,		
	2019	2018	2017	2019	2018	2017
Service cost	\$ 24.5	\$ 25.0	\$ 23.7	\$ 0.3	\$ 0.3	\$ 0.3
Interest cost	47.0	42.4	41.6	0.5	0.5	0.6
Expected return on plan assets	(52.1)	(56.7)	(53.9)	—	—	—
Net amortization of unrecognized amounts						
Prior service cost (credit)	6.3	6.9	5.8	(0.3)	(0.3)	(0.2)
Actuarial loss (gain)	7.0	9.4	7.6	(0.4)	(0.2)	(0.1)
Net periodic benefit cost	\$ 32.7	\$ 27.0	\$ 24.8	\$ 0.1	\$ 0.3	\$ 0.6
Changes in plan assets and benefit obligations recognized in other comprehensive (income) loss						
Actuarial net loss (gain)	\$ 51.8	\$ (4.6)	\$ 32.2	\$ 0.2	\$ (1.2)	\$ (2.2)
Prior service cost (credit)	2.3	3.0	17.4	(0.3)	(0.3)	(0.6)
Amortization of prior service cost (credit)	(6.3)	(6.9)	(5.8)	0.3	0.3	0.2
Amortization of actuarial loss (gain)	(7.0)	(9.4)	(7.6)	0.4	0.2	0.1
Total recognized in other comprehensive loss (income) (b)	\$ 40.8	\$ (17.9)	\$ 36.2	\$ 0.6	\$ (1.0)	\$ (2.5)
Total recognized in net periodic benefit cost and other comprehensive loss (income) (pre-tax)	\$ 73.5	\$ 9.2	\$ 61.0	\$ 0.7	\$ (0.7)	\$ (1.9)

- (b) Accumulated losses in excess of 10% of the greater of the projected benefit obligation or the market-related value of assets will be recognized on a straight-line basis over the average remaining service period of active employees in PCA plans (which is between seven and ten years) and over the average remaining lifetime of inactive participants of Boise plans (which is between 24 and 27 years), to the extent that losses are not offset by gains in subsequent years. The estimated net loss and prior service cost that will be amortized from “Accumulated other comprehensive loss” into net periodic benefit in 2020 is \$14.3 million.

The accumulated benefit obligations for the plans with obligations in excess of plan assets is \$1.3 billion.

Assumptions

The following table presents the assumptions used in the measurement of our benefits obligations:

	Pension Plans			Postretirement Plans		
	December 31,			December 31,		
	2019	2018	2017	2019	2018	2017
Weighted-Average Assumptions Used to Determine Benefit Obligations at December 31						
Discount rate	3.25%	4.31%	3.66%	3.18%	4.21%	3.55%
Rate of compensation increase	4.00%	4.00%	4.00%	N/A	N/A	N/A
Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for the Years Ended December 31						
Discount rate	4.31%	3.66%	4.24%	4.21%	3.57%	3.92%
Expected return on plan assets	6.06%	6.06%	6.55%	N/A	N/A	N/A
Rate of compensation increase	4.00%	4.00%	4.00%	N/A	N/A	N/A

Discount Rate Assumption. The discount rate reflects the current rate at which the pension obligations could be settled on the measurement date: December 31. The discount rate assumption used to calculate the present value of pension and

postretirement benefit obligations reflects the rates available on high-quality, fixed-income debt instruments at December 31. In all periods, the bonds included in the models reflect anticipated investments that would be made to match the expected monthly benefit payments over time. The plans' projected cash flows were duration-matched to these models to develop an appropriate discount rate.

Asset Return Assumption. The expected return on plan assets reflects the expected long-term rates of return for the categories of investments currently held in the plans as well as anticipated returns for additional contributions made in the future. The expected long-term rate of return is adjusted when there are fundamental changes in expected returns on the plan investments. The weighted-average expected return on plan assets we will use in our calculation of 2020 net periodic pension benefit cost is 5.29%.

Rate of Compensation Increase. The rate of compensation increase is determined by PCA based upon annual reviews. The compensation increase assumption is not applicable for all plans as many of our pension plans are frozen and not accruing benefits.

Health Care Cost Trend Rate Assumptions. PCA assumed health care cost trend rates for its postretirement benefits plans were as follows:

	2019	2018	2017
Health care cost trend rate assumed for next year	7.09%	7.24%	7.57%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50%	4.44%	4.44%
Year that the rate reaches the ultimate trend rate	2029	2028	2027

Postretirement Health Care Plan Assumptions. For postretirement health care plan accounting, PCA reviews external data and its own historical trends for health care costs to determine the health care cost trend rate assumption.

A one-percentage point change in assumed health care cost trend rates would have the following effects on the 2019 postretirement benefit obligation and the 2018 net postretirement benefit cost (dollars in millions):

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on postretirement benefit obligation	\$ 0.5	\$ (0.5)
Effect on net postretirement benefit cost	0.1	—

Investment Policies and Strategies

PCA has retained the services of professional advisors to oversee pension investments and provide recommendations regarding investment strategy. PCA's overall strategy and related apportionments between equity and debt securities may change from time to time based on market conditions, external economic factors, and the funded status of the plans. The general investment objective for all of our plan assets is to optimize growth of the pension plan trust assets, while minimizing the risk of significant losses to enable the plans to satisfy their benefit payment obligations over time. The objectives take into account the long-term nature of the benefit obligations, the liquidity needs of the plans, and the expected risk/return trade-offs of the asset classes in which the plans may choose to invest. Assets of our pension plans were invested in the following classes of securities at December 31, 2019 and 2018:

	Percentage of Fair Value at December 31,	
	2019	2018
Fixed income securities	50%	53%
International equity securities	27%	27%
Domestic equity securities	22%	18%
Other	1%	2%

At December 31, 2019, the targeted investment allocations differed between the acquired Boise plans and PCA's historical plans based on funded status. At December 31, 2019, PCA's historical plans, which comprised \$498.8 million of the total fair value of plan assets, targeted 52% in fixed income securities, 47% invested in equities, and 1% in other, whereas the Boise plans, which comprised \$575.0 million of the total fair value of plan assets, targeted 49% in both fixed income securities

and equities, and 2% in other. Our retirement committee reviews the investment allocations for reasonableness at a minimum, semi-annually.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risk, all of which are subject to change. Due to the level of risk associated with some investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the reported amounts.

Fair Value Measurements of Plan Assets

The following tables set forth, by level within the fair value hierarchy, discussed in Note 2, Summary of Significant Accounting Policies, the pension plan assets, by major asset category, at fair value at December 31, 2019 and 2018 (dollars in millions):

Asset Category	Fair Value Measurements at December 31, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV) (a)	Total
Cash and short-term investments	\$ —	\$ 14.9	\$ —	\$ —	\$ 14.9
<i>Common/collective trust funds:</i>					
International equities	163.0	20.8	—	102.3	286.1
Domestic equities	—	240.5	—	—	240.5
<i>Corporate and government bonds:</i>					
Fixed income	140.4	154.6	—	—	295.0
Government bonds and agencies	—	160.7	—	—	160.7
Corporate bonds	—	70.6	—	—	70.6
Municipal bonds	—	5.8	—	—	5.8
Private equity securities (b)	—	—	2.6	—	2.6
Total securities at fair value	\$ 303.4	\$ 667.9	\$ 2.6	\$ 102.3	\$ 1,076.2
Accrued expenses and receivables					(2.4)
Total fair value of plan assets					\$ 1,073.8

Asset Category	Fair Value Measurements at December 31, 2018				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV) (a)	Total
Cash and short-term investments	\$ 0.4	\$ 11.6	\$ —	\$ —	\$ 12.0
<i>Common/collective trust funds:</i>					
Domestic equities	—	154.5	—	—	154.5
International equities	136.9	17.8	—	84.1	238.8
<i>Corporate and government bonds:</i>					
Government bonds	155.0	9.4	—	—	164.4
Corporate bonds	—	64.4	—	—	64.4
Fixed income	95.7	138.8	—	—	234.5
Private equity securities (b)	—	—	3.3	—	3.3
Total securities at fair value	\$ 388.0	\$ 396.5	\$ 3.3	\$ 84.1	\$ 871.9
Receivables and accrued expenses					1.3
Total fair value of plan assets					\$ 873.2

(a) In accordance with ASC 820, *Fair Value Measurement*, certain investments that do not have readily-determinable fair values are measured at fair value using the net asset value (NAV) per share practical expedient and are not classified within the fair value hierarchy.

(b) Investments in this category are invested in the Pantheon Global Secondary Fund IV, LP. The fund specializes in investments in the private equity secondary market and occasionally directly in private companies to maximize capital growth. Fund investments are carried at fair value as determined quarterly using the market approach to estimate the fair value of private investments. The market approach utilizes prices and other relevant information generated by market transactions, type of security, size of the position, degree of liquidity, restrictions on the disposition, latest round of

financing data, current financial position, and operating results, among other factors. In circumstances where fair values are not provided with respect to any of the company's fund investments, the investment advisor will seek to determine the fair value of such investments based on information provided by the general partners or managers of such funds or from other sources. Audited financial statements are provided by fund management annually. Notwithstanding the above, the variety of valuation bases adopted and quality of management data of the ultimate underlying investee companies means that there are inherent difficulties in determining the value of the investments. Amounts realized on the sale of these investments may differ from the calculated values. Boise had originally committed to a \$15.0 million investment, with \$5.0 million of the commitment unfunded at December 31, 2019.

The following table sets forth a summary of changes in the fair value of the pension plans' Level 3 assets for the year ended December 31, 2019 (dollars in millions):

	2019	
Balance, beginning of year	\$	3.3
Acquisitions		—
Purchases		—
Sales		(0.7)
Unrealized gain		—
Balance, end of year	\$	<u>2.6</u>

Funding and Cash Flows

PCA makes pension plan contributions that are sufficient to fund its actuarially determined costs, generally equal to the minimum amounts required by the Employee Retirement Income Security Act (ERISA). From time to time, PCA may make discretionary contributions based on the funded status of the plans, tax deductibility, income from operations, and other factors. In 2019, 2018, and 2017, we made contributions of \$57.9 million, \$21.8 million, and \$42.1 million, respectively, to our qualified pension plans. We expect to contribute at least the estimated required minimum contributions to our qualified pension plans of approximately \$19.8 million in 2020.

The following are estimated benefit payments to be paid to current plan participants by year (dollars in millions). Qualified pension benefit payments are paid from plan assets, while nonqualified pension benefit payments are paid by the Company.

	Pension Plans		Postretirement Plans	
2020	\$	52.7	\$	0.7
2021		56.7		0.7
2022		60.4		0.7
2023		64.1		0.7
2024 - 2029		442.5		4.5

Defined Contribution Plans

Some of our employees participate in contributory defined contribution savings plans, available to most of our salaried and hourly employees. The defined contribution plans permit participants to make contributions by salary reduction pursuant to Section 401(k) of the Code. PCA made employer-matching contributions of \$48.9 million, \$45.6 million, and \$42.8 million in 2019, 2018, and 2017, respectively. All company-matching contributions to all employees were made in cash. We expense employer matching contributions and charge dividends on shares held by the ESOP to retained earnings. Shares of company stock held by the ESOP are included in basic shares for earnings-per-share computations. At December 31, 2019 and 2018, the ESOP held 1.5 million and 1.9 million shares of Company stock, respectively.

Certain salaried and hourly employees that are not participating in a PCA sponsored defined benefit pension plan receive a service-related company retirement contribution to their defined contribution plan account in addition to any employer matching contribution. This contribution increases with years of service and ranges from 3% to 5% of base pay. We contributed \$27.8 million, \$24.5 million, and \$22.4 million for this retirement contribution during the years ended December 31, 2019, 2018, and 2017, respectively.

Deferred Compensation Plans

Key managers can elect to participate in a deferred compensation plan. The deferred compensation plan is unfunded; therefore, benefits are paid from our general assets. At December 31, 2019 and 2018, we had \$17.4 million and \$14.2 million, respectively, of liabilities attributable to participation in our deferred compensation plan on our Consolidated Balance Sheets.

14. Asset Retirement Obligations

Our asset retirement obligations relate predominantly to landfill closure, wastewater treatment pond dredging, closed-site monitoring costs, and certain leasehold improvements. In accordance with ASC 410, *Asset Retirement and Environmental Obligations*, we recognize the fair value of these liabilities as an asset retirement obligation and capitalize that cost as part of the cost basis of the related asset in the period in which the costs are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Fair value estimates are determined using Level 3 inputs in the fair value hierarchy. The fair value of our asset retirement obligations is measured using expected future cash outflows discounted using the Company's credit-adjusted risk-free interest rate. Over time, the liability is accreted to its settlement value, and the capitalized cost is depreciated over the useful life of the related asset. These liabilities are based on the best estimate of costs and are updated periodically to reflect current technology, laws and regulations, inflation, and other economic factors. Occasionally, we become aware of events or circumstances that require us to revise our future estimated cash flows. When revisions become necessary, we recalculate our obligation and adjust our asset and liability accounts utilizing appropriate discount rates. No assets are legally restricted for purposes of settling asset retirement obligations. Upon settlement of the liability, we will recognize a gain or loss for any difference between the settlement amount and the liability recorded.

The following table describes changes to the asset retirement obligation liability (dollars in millions):

	Year Ended December 31,	
	2019	2018
Asset retirement obligation at beginning of period	\$ 30.0	\$ 35.1
Accretion expense	1.5	1.6
Payments	(3.5)	(7.9)
Revisions in estimated cash flows	(0.2)	1.2
Asset retirement obligation at end of period	\$ 27.8	\$ 30.0

We have additional asset retirement obligations with indeterminate settlement dates. The fair value of these asset retirement obligations cannot be estimated due to the lack of sufficient information to estimate the settlement dates of the obligations. These asset retirement obligations include, for example, (i) removal and disposal of potentially hazardous materials related to equipment and/or an operating facility if the equipment and/or facilities were to undergo major maintenance, renovation, or demolition and (ii) storage sites or owned facilities for which removal and/or disposal of chemicals and other related materials are required if the operating facility is closed. We will recognize a liability in the period in which sufficient information becomes available to reasonably estimate the fair value of these obligations.

15. Share-Based Compensation

The Company has a long-term equity incentive plan, which allows for grants of stock options, stock appreciation rights, restricted stock, and performance awards to directors, officers, and employees, as well as others who engage in services for PCA. The plan, as amended, terminates May 1, 2023, and authorizes 10.6 million shares of common stock for grant over the life of the plan. As of December 31, 2019, 0.4 million shares remained available for future issuance under the plan. Forfeitures are added back to the pool of shares of common stock available to be granted at a future date.

Restricted Stock

Restricted stock awards granted to officers and employees generally vest at the end of a four-year period, and restricted stock awards granted to directors vest immediately. A summary of the Company's restricted stock activity follows:

	2019		2018		2017	
	Shares	Weighted Average Grant-Date Fair Value	Shares	Weighted Average Grant-Date Fair Value	Shares	Weighted Average Grant-Date Fair Value
Restricted stock at January 1	743,591	\$ 86.90	739,732	\$ 77.23	786,079	\$ 63.44
Granted	199,499	95.48	173,144	114.63	173,199	107.57
Vested (a)	(212,809)	68.59	(165,547)	72.84	(213,992)	51.37
Forfeitures	(13,329)	98.86	(3,738)	78.66	(5,554)	69.03
Restricted stock at December 31	<u>716,952</u>	<u>\$ 94.50</u>	<u>743,591</u>	<u>\$ 86.90</u>	<u>739,732</u>	<u>\$ 77.23</u>

(a) The total fair value of awards upon vesting for the years ended December 31, 2019, 2018, and 2017 was \$19.9 million, \$18.9 million, and \$23.3 million, respectively.

Performance Units

Performance unit awards granted to certain key employees are earned based on the achievement of defined performance rankings of Return on Invested Capital (ROIC) or Total Shareholder Return (TSR) compared to ROIC and TSR for peer companies. ROIC performance unit awards vest four years after the grant date, while TSR performance unit awards vest approximately three years after the grant date. Both ROIC and TSR performance units are paid out entirely in shares of the Company's common stock. A summary of the Company's performance unit activity follows:

	2019		2018		2017	
	Units	Weighted Average Grant-Date Fair Value	Units	Weighted Average Grant-Date Fair Value	Units	Weighted Average Grant-Date Fair Value
Performance units at January 1	266,704	\$ 90.01	226,558	\$ 77.07	232,088	\$ 62.68
Granted	115,608	96.98	83,515	115.35	53,070	108.19
Vested (a)	(59,165)	67.84	(43,369)	71.19	(58,600)	56.08
Performance units at December 31	<u>323,147</u>	<u>\$ 96.56</u>	<u>266,704</u>	<u>\$ 90.01</u>	<u>226,558</u>	<u>\$ 77.07</u>

(a) The total fair value of awards upon vesting for the years ended December 31, 2019, 2018, and 2017 was \$5.5 million, \$5.4 million, and \$7.5 million, respectively. Upon vesting of the awards in 2019, 2018, and 2017, PCA issued 59,165 shares, 46,876 shares, and 67,391 shares, respectively. For 2019, 2018, and 2017, these amounts included 6,063 shares, 3,507 shares, and 8,791 shares, respectively, for dividends accrued during the vesting period.

Compensation Expense

Our share-based compensation expense is recorded in "Cost of sales" and "Selling, general, and administrative expenses" Compensation expense for share-based awards recognized in the Consolidated Statements of Income, net of forfeitures was as follows (dollars in millions):

	Year Ended December 31,		
	2019	2018	2017
Restricted stock	\$ 22.6	\$ 18.6	\$ 15.0
Performance units	7.8	4.9	5.6
Impact on income before income taxes	30.4	23.5	20.6
Income tax benefit	(7.6)	(5.9)	(7.9)
Impact on net income	<u>\$ 22.8</u>	<u>\$ 17.6</u>	<u>\$ 12.7</u>

The fair value of restricted stock is determined based on the closing price of the Company's stock on the grant date. Compensation expense, net of estimated forfeitures, is recorded over the requisite service period. As PCA's Board of Directors has the ability to accelerate the vesting of these awards upon an employee's retirement, the Company accelerates the recognition of compensation expense for certain employees approaching normal retirement age.

For performance unit awards made in 2019 and 2018, in terms of grant date value, 50% used TSR as the performance measure and 50% used ROIC as the performance measure. All units awarded before 2018 used ROIC as the performance measure. The ROIC component of performance unit awards are valued based on the closing price of the stock on the grant date. As the ROIC component contains a performance condition, compensation expense, net of estimated forfeitures, is recorded over the requisite service period based on the most probable number of awards expected to vest. The TSR component of performance unit awards is valued using a Monte Carlo simulation as the TSR component contains a market condition. The Monte Carlo simulation estimates the fair value of the TSR component based on the expected term of the award, a risk-free interest rate, expected dividends, and expected volatility of the Company's common stock and the common stock of the peer companies. Compensation expense is recorded ratably over the expected term of the award.

The unrecognized compensation expense for all share-based awards was as follows (dollars in millions):

	December 31, 2019	
	Unrecognized Compensation Expense	Remaining Weighted Average Recognition Period (in years)
Restricted stock	\$ 27.2	3.1
Performance units	17.2	2.4
Total unrecognized share-based compensation expense	\$ 44.4	2.8

We evaluate share-based compensation expense on a quarterly basis based on our estimate of expected forfeitures, review of recent forfeiture activity, and expected future turnover. We recognize the effect of adjusting the forfeiture rate for all expense amortization in the period that we change the forfeiture estimate. The effect of forfeiture adjustments was insignificant in all periods presented.

16. Derivative Instruments and Hedging Activities

Hedging Strategy

When appropriate, we use derivatives as a risk management tool to mitigate the potential impact of certain market risks. The primary risks managed by using derivative financial instruments are interest rate risks. We do not enter into derivative financial instruments for trading or speculative purposes.

Interest Rate Risk

The Company has used treasury lock derivative instruments to manage interest costs and the risk associated with changing interest rates. In connection with contemplated issuances of ten-year debt securities, PCA entered into interest rate protection agreements with counterparties in 2008, 2010, and 2011 to protect against increases in the ten-year U.S. Treasury Note rate. These treasury rates served as references in determining the interest rates applicable to the debt securities the Company issued in March 2008 and June 2012. As a result of changes in the interest rates on those treasury securities between the time PCA entered into the derivative agreements and the time PCA priced and issued the debt securities, the Company: (1) made a payment of \$4.4 million to the counterparty upon settlement of the 2008 interest rate protection agreement on March 25, 2008; (2) received a payment of \$9.9 million from the counterparties upon settlement of the 2010 interest rate protection agreements on February 4, 2011; and (3) made a payment of \$65.5 million to the counterparty upon settlement of the 2011 interest rate protection agreement on June 26, 2012. The Company recorded the effective portion of the settlements in accumulated OCI, and these amounts were amortized over the terms of the respective notes.

During the fourth quarter of 2019, the Company recorded a charge of \$13.1 million in interest expense from the write-off of the remaining treasury lock balance due to the redemption of the 3.90% notes on December 23, 2019.

Derivative Instruments

The impact of derivative instruments on the consolidated statements of income and accumulated OCI was as follows (dollars in millions):

	Net Loss Recognized in Accumulated OCI (Effective Portion) December 31,	
	2019	2018
Treasury locks, net of tax	\$ —	\$ (10.2)

	Loss Reclassified from Accumulated OCI into Income (Effective Portion) Year Ended December 31,		
	2019	2018	2017
Amortization of treasury locks (included in interest expense, net)	\$ (18.2)	\$ (5.3)	\$ (5.7)

As a result of our November 2019 debt refinancing and redemption of the 3.90% notes due June 15, 2022, the Company accelerated the amortization of the remaining treasury lock balance of \$13.1 million (\$6.5 million after tax) during the fourth quarter of 2019. The after tax amount includes \$3.2 million of income tax benefit from the stranded tax effects in accumulated OCI related to the write-off of the remaining treasury lock balance.

17. Stockholders' Equity

Dividends

During the year ended December 31, 2019, we paid \$298.7 million of dividends to shareholders. On December 10, 2019, PCA's Board of Directors approved a regular quarterly cash dividend of \$0.79 per share of common stock, which was paid on January 15, 2020 to shareholders of record as of December 20, 2019. The dividend payment was \$74.8 million.

On May 15, 2018, PCA announced an increase of its quarterly cash dividend on its common stock from an annual payout of \$2.52 per share to an annual payout of \$3.16 per share. The first quarterly dividend of \$0.79 per share was paid on July 13, 2018 to shareholders of record as of June 15, 2018.

Share Repurchase Program

On February 25, 2016, PCA announced that its Board of Directors authorized the repurchase of \$200.0 million of the Company's outstanding common stock. Repurchases may be made from time to time in open market or privately negotiated transactions in accordance with applicable securities regulations. The timing and amount of repurchases will be determined by the Company in its discretion based on factors such as PCA's stock price and market and business conditions.

The Company did not repurchase any shares of its common stock under this authority during the twelve months ended December 31, 2019 and 2018. All shares repurchased in prior years have been retired. At December 31, 2019, \$193.0 million of the authorized amount remained available for repurchase of the Company's common stock.

Accumulated Other Comprehensive Income (Loss)

Changes in AOCI, net of taxes, by component follows (dollars in millions). Amounts in parentheses indicate losses.

	Foreign Currency Translation Adjustments	Unrealized Loss On Treasury Locks, Net	Unrealized Loss on Foreign Exchange Contracts	Unfunded Employee Benefit Obligations	Total
Balance at December 31, 2018	\$ (0.4)	\$ (10.2)	\$ (0.3)	\$ (127.9)	\$ (138.8)
Other comprehensive income before reclassifications	—	—	—	(40.5)	(40.5)
Amounts reclassified from AOCI	—	10.2	0.1	9.5	19.8
Net current-period other comprehensive income	—	10.2	0.1	(31.0)	(20.7)
Balance at December 31, 2019	\$ (0.4)	\$ —	\$ (0.2)	\$ (158.9)	\$ (159.5)

The following table presents information about reclassifications out of AOCI (dollars in millions). Amounts in parentheses indicate expenses in the Consolidated Statements of Income.

Details about AOCI Components	Amounts Reclassified from AOCI		
	Year Ended December 31,		
	2019	2018	
Unrealized loss on treasury locks, net (a)	\$ (18.1)	\$ (5.3)	
	7.9	1.3	Tax benefit
	<u>\$ (10.2)</u>	<u>\$ (4.0)</u>	Net of tax
Unfunded employee benefit obligations (b)			
Amortization of prior service costs	\$ (6.0)	\$ (6.6)	
Amortization of actuarial gains / (losses)	(6.7)	(9.2)	
	(12.7)	(15.8)	Total before tax
	3.2	4.0	Tax benefit
	<u>\$ (9.5)</u>	<u>\$ (11.8)</u>	Net of tax

- (a) This AOCI component is included in interest expense, net. The remaining balances of the treasury locks were written off as a result of the Company's November 2019 debt refinancing. For a discussion of treasury lock derivative instrument activity, see Note 16, Derivative Instruments and Hedging Activities, for additional information.
- (b) These AOCI components are included in the computation of net pension and postretirement benefit costs. See Note 13, Employee Benefit Plans and Other Postretirement Benefits, for additional information.

18. Concentrations of Risk

Our Paper segment has had a long-standing commercial and contractual relationship with Office Depot, our largest customer in the paper business. This relationship exposes us to a significant concentration of business and financial risk. Our sales to Office Depot represented 7% of our total Company sales for both 2019 and 2018 and about 50% and 47% of our Paper segment sales revenue for those periods, respectively. At December 31, 2019 and 2018, we had \$76.2 million and \$66.7 million of accounts receivable due from Office Depot, respectively, which represents 9% and 7% of our total Company receivables, respectively.

In 2019, sales to Office Depot represented about 50% of our Paper segment sales. If these sales are reduced, we would need to find new customers. We may not be able to fully replace any lost sales, and any new sales may be at lower prices or higher costs. Any significant deterioration in the financial condition of Office Depot affecting its ability to pay or any other change that affects its willingness to purchase our products will harm our business and results of operations.

Labor

At December 31, 2019, we had approximately 15,500 employees and approximately 45% of these employees worked pursuant to collective bargaining agreements. Approximately 63% of our hourly employees are represented by unions. The majority of our unionized employees are represented by the United Steel Workers (USW), the International Brotherhood of Teamsters (IBT), the International Association of Machinists (IAM), and the Association of Western Pulp and Paper Workers (AWPPW). Approximately 9% of our employees work pursuant to collective bargaining agreements that will expire within the next twelve months.

19. Transactions With Related Parties

Louisiana Timber Procurement Company, L.L.C. (LTP) is a variable-interest entity that is 50% owned by PCA and 50% owned by Boise Cascade Company (Boise Cascade). LTP procures sawtimber, pulpwood, residual chips, and other residual wood fiber to meet the wood and fiber requirements of PCA and Boise Cascade in Louisiana. PCA is the primary beneficiary of LTP and has the power to direct the activities that most significantly affect the economic performance of LTP. Therefore, we consolidate 100% of LTP in our financial statements in our Corporate and Other segment. The carrying amounts of LTP's assets and liabilities (which relate primarily to non-inventory working capital items) on our Consolidated Balance Sheets were both \$3.9 million at December 31, 2019 and \$2.7 million at December 31, 2018. For 2019, 2018, and 2017, we recorded \$81.7 million, \$83.1 million, and \$86.4 million, respectively, of LTP sales to Boise Cascade in "Net Sales" in the Consolidated Statements of Income and approximately the same amount of expenses in "Cost of Sales".

Fiber purchases from related parties were \$16.8 million for both 2019 and 2018 and \$16.6 million for 2017. Most of these purchases related to chip and log purchases by LTP from Boise Cascade's wood products business. These purchases are recorded in "Cost of Sales" in the Consolidated Statements of Income.

20. Segment Information

We report our business in three reportable segments: Packaging, Paper, and Corporate and Other. These segments represent distinct businesses that are managed separately because of differing products and services. Each of these businesses requires distinct operating and marketing strategies.

During the second quarter of 2018, the Company discontinued the production of paper grades at the Wallula, Washington mill and converted the No. 3 machine at the mill to produce virgin kraft linerboard. Before May 2018, operating results for the Wallula mill were included in the Paper segment. After May 2018, operating results for the Wallula mill are primarily included in the Packaging segment.

Packaging. We manufacture and sell a wide variety of containerboard and corrugated packaging products, including conventional shipping containers used to protect and transport manufactured goods, multi-color boxes and displays with strong visual appeal that help to merchandise the packaged product in retail locations. In addition, we are a large producer of packaging for meat, fresh fruit and vegetables, processed food, beverages, and other industrial and consumer products.

Paper. We manufacture and sell a range of communication-based papers. Our papers can be manufactured as either commodity papers or specialty papers with specialized or custom features, such as colors, coatings, high brightness, or recycled content.

Corporate and Other. Our Corporate and Other segment includes corporate support staff services and related assets and liabilities, and foreign exchange gains and losses. This segment also includes transportation assets, such as rail cars and trucks, which we use to transport our products from some of our manufacturing sites and assets related to LTP. See Note 19, Transactions with Related Parties, for more information related to LTP. Sales in this segment relate primarily to LTP and our rail and truck business. We provide transportation services not only to our own facilities but also, on a limited basis, to third parties when geographic proximity and logistics are favorable. Rail cars and trucks are generally leased.

Each segments' profits and losses are measured on operating profits before interest expense, net and other and income taxes. For many of these allocated expenses, the related assets and liabilities remain in the Corporate and Other segment.

Segment sales to external customers by product line were as follows (dollars in millions):

	Year Ended December 31,		
	2019	2018	2017
Packaging	\$ 5,932.2	\$ 5,938.5	\$ 5,312.3
Paper	964.3	1,002.0	1,051.8
Corporate and Other	67.8	74.1	80.8
	<u>\$ 6,964.3</u>	<u>\$ 7,014.6</u>	<u>\$ 6,444.9</u>

Sales to foreign unaffiliated customers during the years ended December 31, 2019, 2018, and 2017 were \$394.9 million, \$487.8 million, and \$390.3 million, respectively. At December 31, 2019 and 2018, we did not have any significant long-lived assets held by foreign operations.

An analysis of operations by reportable segment is as follows (dollars in millions):

Year Ended December 31, 2019	Sales, net			Operating Income (Loss)	Depreciation, Amortization, and Depletion	Capital Expenditures (l)	Assets
	Trade	Inter- segment	Total				
Packaging	\$ 5,905.1	\$ 27.1	\$ 5,932.2	\$ 963.4	(b) \$ 342.8	\$ 367.4	\$ 5,491.5
Paper	964.3	—	964.3	175.4	(c) 37.7	23.8	791.4
Corporate and Other	94.9	133.1	228.0	(85.1)	7.0	8.3	952.9
Intersegment eliminations	—	(160.2)	(160.2)	—	—	—	—
	<u>\$ 6,964.3</u>	<u>\$ —</u>	<u>\$ 6,964.3</u>	1,053.7	<u>\$ 387.5</u>	<u>\$ 399.5</u>	<u>\$ 7,235.8</u>
Non-operating pension expense				(7.9)			
Interest expense, net				(128.8)	(d)		
Income before taxes				<u>\$ 917.0</u>			

Year Ended December 31, 2018	Sales, net			Operating Income (Loss)	Depreciation, Amortization, and Depletion	Capital Expenditures (l)	Assets
	Trade	Inter- segment	Total				
Packaging	\$ 5,912.3	\$ 26.2	\$ 5,938.5	\$ 1,045.4	(e) \$ 342.0	\$ 504.0	\$ 5,347.0
Paper	1,002.0	—	1,002.0	97.7	(f) 62.0	12.6	760.1
Corporate and Other	100.3	129.4	229.7	(75.4)	(g) 6.9	34.8	462.6
Intersegment eliminations	—	(155.6)	(155.6)	—	—	—	—
	<u>\$ 7,014.6</u>	<u>\$ —</u>	<u>\$ 7,014.6</u>	1,067.7	<u>\$ 410.9</u>	<u>\$ 551.4</u>	<u>\$ 6,569.7</u>
Non-operating pension expense				(2.1)			
Interest expense, net				(95.1)			
Income before taxes				<u>\$ 970.5</u>			

Year Ended December 31, 2017	Sales, net			Operating Income (Loss) (a)	Depreciation, Amortization, and Depletion	Capital Expenditures (l)	Assets
	Trade	Inter- segment	Total				
Packaging	\$ 5,288.6	\$ 23.7	\$ 5,312.3	\$ 950.3	(h) \$ 317.5	\$ 305.1	\$ 4,933.6
Paper	1,051.8	—	1,051.8	54.0	(i) 67.6	22.6	945.2
Corporate and Other	104.5	124.7	229.2	(71.8)	(j) 6.3	15.3	318.7
Intersegment eliminations	—	(148.4)	(148.4)	—	—	—	—
	<u>\$ 6,444.9</u>	<u>\$ —</u>	<u>\$ 6,444.9</u>	932.5	<u>\$ 391.4</u>	<u>\$ 343.0</u>	<u>\$ 6,197.5</u>
Non-operating pension expense				(1.3)			
Interest expense, net				(102.6)	(k)		
Income before taxes				<u>\$ 828.6</u>			

- (a) Effective January 1, 2018, the Company adopted ASU 2017-07, *Compensation: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* and applied this standard retrospectively to 2017. This new standard requires the presentation of non-service cost components of net periodic benefits expense to be shown separately outside the subtotal of operating income in the income statement.

The components of our financial statements affected by the change in presentation of operating and non-operating pension expense as originally reported in 2017 and as adjusted for the requirements per the new standard are as follows (dollars in millions):

Segment income (loss)	Year Ended December 31, 2017 As Reported	Non-Operating Pension Adjustment	Year Ended December 31, 2017 Adjusted
Packaging	\$ 943.7	\$ 6.6	\$ 950.3
Paper	61.5	(7.5)	54.0
Corporate	(74.0)	2.2	(71.8)
Income from operations	931.2	1.3	932.5
Non-operating pension expense	—	(1.3)	(1.3)
Interest expense, net	(102.6)	—	(102.6)
Income before taxes	<u>\$ 828.6</u>	<u>\$ —</u>	<u>\$ 828.6</u>

- (b) Includes the following:
 - o \$3.0 million of charges for the disposal of fixed assets related to the containerboard mill conversion at our DeRidder, Louisiana mill.
 - o \$0.8 million of charges related to the second quarter discontinuation of uncoated free sheet and coated one-side white paper grades at the Wallula, Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard.
 - o \$0.3 million of charges consisting of closure costs related to corrugated products facilities, partially offset by income from the sale of a building related to a closed corrugated products facility.
- (c) Includes \$0.2 million of charges related to the second quarter discontinuation of uncoated free sheet and coated one-side white paper grades at the Wallula, Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard.
- (d) Includes \$38.7 million of charges related to the Company's November 2019 debt refinancing, which included redemption premiums and the write-offs of remaining balances of treasury locks and unamortized debt issuance costs.
- (e) Includes the following:
 - o \$12.3 million of charges related to the second quarter discontinuation of uncoated free sheet and coated one-side white paper grades at the Wallula, Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard.
 - o \$1.6 million of charges consisting of closure costs related to corrugated products facilities.
 - o \$0.5 million of costs for the property damage insurance deductible for a weather-related incident at one of the corrugated products facilities.
 - o \$0.2 million of charges for acquisition and integration costs related to recent acquisitions.
- (f) Includes \$17.7 million of charges related to the second quarter discontinuation of uncoated free sheet and coated one-side white paper grades at the Wallula, Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard.
- (g) Includes \$0.2 million of charges consisting of closure costs related to a corporate administration facility.
- (h) Includes the following:
 - o \$7.2 million of income, net, primarily related to the sale of land corresponding to the closure of a corrugated products facility, partially offset by closure costs related to corrugated products facilities, and a lump sum settlement of a multiemployer pension plan withdrawal liability for one of our corrugated products facilities.
 - o \$1.7 million of charges for acquisition and integration costs related to recent acquisitions.
 - o \$2.0 million gain related to the expiration of a repurchase option corresponding to timberland previously sold.
 - o \$1.6 million of income related to a working capital adjustment from the April 2015 sale of our Hexacomb corrugated manufacturing operations in Europe and Mexico.
 - o \$5.0 million of costs for the property damage and business interruption insurance deductible corresponding to the February 2017 explosion at our DeRidder, Louisiana mill.
- (i) Includes \$33.4 million of charges related to the second quarter 2018 discontinuation of uncoated free sheet and coated one-side white paper grades at the Wallula, Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard and \$0.4 million of charges related to the closure costs of a paper administration facility.
- (j) Includes \$1.0 million of charges related to the closure costs of a corporate administration facility and \$0.7 million of income related to a working capital adjustment from the April 2015 sale of our Hexacomb corrugated manufacturing operations in Europe and Mexico.
- (k) Includes \$1.8 million of expense related to the write-off of deferred debt issuance costs in connection with the December 2017 debt refinancing.
- (l) Includes "Additions to property, plant, and equipment" and excludes cash used for "Acquisitions of businesses, net of cash acquired" as reported on our Consolidated Statements of Cash Flows.

21. Commitments, Guarantees, Indemnifications, and Legal Proceedings

We have financial commitments and obligations that arise in the ordinary course of our business. These include long-term debt (discussed in Note 11, Debt), lease obligations (discussed in Note 3, Leases), capital commitments, purchase commitments for goods and services, and legal proceedings (discussed below).

Capital Commitments

The Company had capital commitments of approximately \$212.6 million and \$112.8 million as of December 31, 2019 and 2018, respectively, in connection with the expansion and replacement of existing facilities and equipment.

Purchase Commitments

In the table below, we set forth our enforceable and legally binding purchase obligations as of December 31, 2019. Some of the amounts are based on management's estimates and assumptions about these obligations, including their duration, the possibility of renewal, anticipated actions by third parties, and other factors. Because these estimates and assumptions are necessarily subjective, our actual payments may vary from those reflected in the table. Purchase orders made in the ordinary course of business are excluded below. Any amounts for which we are liable under purchase orders are reflected on the Consolidated Balance Sheets as accounts payable and accrued liabilities. These obligations relate to various purchase agreements for items such as minimum amounts of energy and fiber purchases over periods ranging from one year to 31 years. Total purchase commitments were as follows (dollars in millions):

2020	\$	51.9
2021		47.4
2022		43.0
2023		42.8
2024		24.6
Thereafter		109.3
Total	\$	<u>319.0</u>

The Company purchased a total of \$315.0 million, \$341.9 million, and \$339.1 million during the years ended December 31, 2019, 2018, and 2017, respectively, under these purchase agreements.

Environmental Matters

On August 8, 2019, the EPA issued a notice of violation (NOV) alleging violations of the Clean Air Act, resulting from an inspection at our Wallula, Washington mill in September 2018. PCA denies the violations set forth in the NOV and has requested that the EPA's Office of Air Quality Planning and Standards provide an applicability determination to clarify that the relevant operations of PCA have not violated the regulations at issue in the NOV. While we cannot predict with certainty the ultimate resolution of this matter, we believe that we have a meritorious position that our operations have not violated the Clean Air Act, that we have taken appropriate action to address the matters raised by the EPA in the NOV, and that this matter will not result in a material adverse effect on our financial condition, results of operations, or cash flows.

The potential costs for various environmental matters are uncertain due to such factors as the unknown magnitude of possible cleanup costs, the complexity and evolving nature of governmental laws and regulations and their interpretations, and the timing, varying costs and effectiveness of alternative cleanup technologies. From 2006 through 2019, there were no significant environmental remediation costs at PCA's mills and corrugated plants. At December 31, 2019, the Company had \$24.6 million of environmental-related reserves recorded on its Consolidated Balance Sheet. Of the \$24.6 million, approximately \$15.7 million related to environmental-related asset retirement obligations discussed in Note 14, Asset Retirement Obligations, and \$8.9 million related to our estimate of other environmental contingencies. The Company recorded \$5.6 million in "Accrued liabilities" and \$19.0 million in "Other long-term liabilities" on the Consolidated Balance Sheet. Liabilities recorded for environmental contingencies are estimates of the probable costs based upon available information and assumptions. Because of these uncertainties, PCA's estimates may change. The Company believes that it is not reasonably possible that future environmental expenditures for remediation costs and asset retirement obligations above the \$24.6 million accrued as of December 31, 2019, will have a material impact on its financial condition, results of operations, or cash flows.

Guarantees and Indemnifications

We provide guarantees, indemnifications, and other assurances to third parties in the normal course of our business. These include tort indemnifications, environmental assurances, and representations and warranties in commercial agreements. At December 31, 2019, we are not aware of any material liabilities arising from any guarantee, indemnification, or financial assurance we have provided. If we determined such a liability was probable and subject to reasonable determination, we would accrue for it at that time.

DeRidder Mill Incident

On February 8, 2017, a tank located in the pulp mill at the Company's DeRidder, Louisiana facility exploded, resulting in three contractor fatalities and other injuries. The Company has been served with multiple lawsuits involving the decedents and other allegedly injured parties, alleging negligence on the part of the Company and claiming compensatory and punitive

damages. The Company is vigorously defending these lawsuits. The Company believes that these suits are covered by its liability insurance policies, subject to an aggregate \$1.0 million deductible. All lawsuits are in the early stages. Accordingly, the Company is unable to estimate a range of reasonable possible losses at this time.

The Company has also incurred property damage and business interruption losses and has claimed these losses, subject to a \$5.0 million deductible, under its property damage and business interruption insurance policy. As of December 31, 2017, the Company finalized the claim with the insurance carrier and received \$17.0 million in insurance proceeds during the first quarter of 2018. The insurance proceeds are included in net cash provided by operating activities (\$14.5 million) and in net cash used for investing activities (\$2.5 million) based on the nature of the reimbursement.

The Company has cooperated with investigations from the U.S. Occupational Health and Safety Administration (OSHA), the U.S. Chemical Safety Board (CSB) and the U.S. Environmental Protection Agency (EPA). The U.S. Chemical Safety Board completed its investigation and issued its report publishing its investigation findings during the second quarter of 2018. The Company settled with OSHA during the second quarter of 2018 and paid approximately \$40,000 in penalties for citations. The EPA investigation is ongoing.

Legal Proceedings

We are also a party to various legal actions arising in the ordinary course of our business. These legal actions include commercial liability claims, premises liability claims, and employment-related claims, among others. As of the date of this filing, we believe it is not reasonably possible that any of the legal actions against us will, either individually or in the aggregate, have a material adverse effect on our financial condition, results of operations, or cash flows.

22. Quarterly Results of Operations (unaudited, dollars in millions, except per-share and stock price information)

2019:	First (a)	Second	Third (b)	Fourth (c)	Total
Net sales	\$ 1,733.7	\$ 1,759.9	\$ 1,750.7	\$ 1,720.0	\$ 6,964.3
Gross profit	421.4	427.9	411.4	383.3	1,644.0
Income from operations	275.4	280.4	262.8	235.1	1,053.7
Net income	186.8	193.6	179.8	136.2	696.4
Basic earnings per share	1.98	2.05	1.90	1.44	7.36
Diluted earnings per share	1.97	2.04	1.89	1.43	7.34
Stock price - high	101.84	103.80	109.37	114.78	114.78
Stock price - low	81.87	87.85	96.30	100.54	81.87
2018:	First (d)	Second (e)	Third (f)	Fourth (g)	Total
Net sales	\$ 1,690.6	\$ 1,767.5	\$ 1,809.9	\$ 1,746.6	\$ 7,014.6
Gross profit	356.1	420.6	443.2	425.4	1,645.3
Income from operations	212.9	269.6	298.5	286.7	1,067.7
Net income	140.1	186.6	206.7	204.6	738.0
Basic earnings per share	1.48	1.98	2.19	2.17	7.82
Diluted earnings per share	1.48	1.97	2.18	2.16	7.80
Stock price - high	131.13	124.70	118.88	110.62	131.13
Stock price - low	109.04	107.96	107.39	77.90	77.90

Note: The sum of the quarters may not equal the total of the respective year's earnings per share on either a basic or diluted basis due to changes in the weighted average shares outstanding throughout the year.

- (a) Includes \$0.6 million of charges consisting of closure costs related to the second quarter 2018 discontinuation of uncoated free sheet and coated one-side white paper grades at the Wallula Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard (\$0.5 million after-tax or \$0.01 per diluted share).
- (b) Includes \$3.0 million of charges for the disposal of fixed assets related to the containerboard mill conversion at our DeRidder, Louisiana mill (\$2.3 million after-tax or \$0.02 per diluted share).
- (c) Includes \$0.4 million of charges consisting of closure costs related to the second quarter 2018 discontinuation of uncoated free sheet and coated one-side white paper grades at the Wallula Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard (\$0.3 million after-tax or \$0.00 per diluted share) and \$38.7 million of charges related to the Company's November 2019 debt refinancing, which included redemption premiums and

the write-offs of remaining balances of treasury locks and unamortized debt issuance costs as well as \$3.2 million of income tax benefit from the stranded tax effects in Accumulated Other Comprehensive Income related to the write-offs of the treasury locks (\$25.9 million after-tax or \$0.28 per diluted share). Also includes \$0.3 million of charges consisting of closure costs related to corrugated products facilities, partially offset by income from the sale of a building related to a closed corrugated products facility (\$0.2 million after-tax or \$0.00 per diluted share).

- (d) Includes \$0.3 million of charges consisting of closure costs related to corrugated products facilities and a corporate administration facility (\$0.2 million after-tax or \$0.00 per diluted share) and \$8.8 million of charges related to the second quarter 2018 discontinuation of uncoated free sheet and coated one-side white paper grades at the Wallula Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard (\$6.6 million after-tax or \$0.07 per diluted share).
- (e) Includes \$0.2 million of charges consisting of closure costs related to corrugated products facilities and a corporate administration facility (\$0.2 million after-tax and \$0.00 per diluted share) and \$13.6 million of charges related to the second quarter 2018 discontinuation of uncoated free sheet and coated one-side white paper grades at the Wallula Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard (\$10.2 million after-tax or \$0.11 per diluted share).
- (f) Includes \$4.0 million of charges related to the second quarter 2018 discontinuation of uncoated free sheet and coated one-side white paper grades at the Wallula Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard (\$2.9 million after-tax or \$0.04 per diluted share) and \$1.3 million of charges consisting of closure costs related to corrugated products facilities and a corporate administration facility (\$1.0 million after-tax or \$0.01 per diluted share). Also includes \$0.5 million of costs for the property damage insurance deductible for a weather-related incident at one of the corrugated products facilities (\$0.4 million after-tax or \$0.00 per diluted share) and \$0.1 million of charges for acquisition and integration costs related to recent acquisitions (\$0.01 million after-tax or \$0.00 per diluted share).
- (g) Includes \$3.6 million of charges related to the second quarter 2018 discontinuation of uncoated free sheet and coated one-side white paper grades at the Wallula, Washington mill associated with the conversion of the No. 3 paper machine to produce virgin kraft linerboard (\$2.7 million after-tax or \$0.03 per diluted share) and \$0.1 million of charges for acquisition and integration costs related to recent acquisitions (\$0.1 million after-tax or \$0.00 per diluted share). Also includes \$2.0 million of income tax benefit for the re-measurement of our net deferred tax liability to our 2017 measurement period adjustments in accordance with SEC Staff Accounting Bulletin No. 118 (SAB 118), *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* (\$0.02 per diluted share).

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

Item 9A. CONTROLS AND PROCEDURES

Controls and Procedures

PCA maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) that are designed to provide reasonable assurance that information required to be disclosed in PCA's filings under the Securities Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to PCA's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Prior to filing this report, PCA completed an evaluation under the supervision and with the participation of PCA's management, including PCA's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of PCA's disclosure controls and procedures as of December 31, 2019. The evaluation of PCA's disclosure controls and procedures included a review of the controls' objectives and design, PCA's implementation of the controls and the effect of the controls on the information generated for use in this report. Based on this evaluation, PCA's Chief Executive Officer and Chief Financial Officer concluded that PCA's disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2019.

During the quarter ended December 31, 2019, there were no changes in internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, PCA's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

PCA's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only with proper authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, PCA's internal control over financial reporting may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

PCA's management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer, assessed the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, PCA's management concluded that its internal control over financial reporting was effective as of December 31, 2019, based on the specified criteria.

KPMG LLP, the independent registered public accounting firm that audited PCA's financial statements included in this Form 10-K, has also audited the effectiveness of the Company's internal control over financial reporting. Their attestation report precedes PCA's audited financial statements included elsewhere in this report.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Information regarding PCA’s executive officers required by this Item 10 is set forth in Item 1 of Part I of this report under the caption “Executive Officers of the Registrant.”

The following information required by this Item 10 will be included in PCA’s Proxy Statement for the 2020 Annual Meeting of Stockholders and is incorporated by reference herein:

- Information regarding PCA’s directors included under the caption “Election of Directors”
- Information regarding PCA’s Audit Committee and financial experts included under the caption “Election of Directors - Audit Committee”
- Information regarding PCA’s code of ethics included under the caption “Election of Directors - Code of Ethics”
- Information regarding PCA’s stockholder nominating procedures included under the captions “Election of Directors - Nominating and Governance Committee,” “Other Information - Recommendations for Board - Nominated Director Nominees,” and “Other Information - Procedures for Nominating Directors or Bringing Business Before the 2021 Annual Meeting”
- Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 included under the caption “Delinquent Section 16(a) Reports”

Item 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation required by this Item 11 will be included in PCA’s Proxy Statement under the captions “Compensation Discussion and Analysis,” “Executive Officer and Director Compensation” (including all subcaptions and tables thereunder) and “Board Committees - Compensation Committee” and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to security ownership of certain beneficial owners and management required by this Item 12 will be included in PCA’s Proxy Statement under the caption “Ownership of Our Stock” and is incorporated herein by reference.

Authorization of Securities under Equity Compensation Plans — Securities authorized for issuance under our equity compensation plans at December 31, 2019 are as follows:

	Column		
	A	B	C
Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)
Equity compensation plans approved by securityholders	—	\$ —	423,342
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	—	\$ —	423,342

(a) Does not include 1,040,099 shares of unvested restricted stock and performance units granted pursuant to our Amended and Restated 1999 Long-Term Equity Incentive Plan.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information with respect to certain relationships and related transactions and director independence required by this Item 13 will be included in PCA's Proxy Statement under the captions "Transactions with Related Persons" and "Election of Directors - Determination of Director Independence," respectively, and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information with respect to fees and services of the principal accountant required by this Item 14 will be included in PCA's Proxy Statement under the caption "Ratification of Appointment of the Independent Registered Public Accounting Firm" under the subcaptions "- Fees to the Independent Registered Public Accounting Firm" and "- Audit Committee Preapproval Policy for Audit and Non-Audit Fees" and are incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) The following documents are filed as a part of this report:
- (1) The financial statements listed in the “Index to Financial Statements.”
 - (2) Financial Statement Schedule.

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are inapplicable or not material, or the information called for thereby is otherwise included in the financial statements or the accompanying notes to the financial statements and therefore, have been omitted.

- (3) Exhibits

Exhibit Number	Description
2.1	<u>Contribution Agreement, dated as of January 25, 1999, among Pactiv Corporation (formerly known as Tenneco Packaging Inc.) (“Pactiv”), PCA Holdings LLC (“PCA Holdings”) and Packaging Corporation of America (“PCA”). (Incorporated herein by reference to Exhibit 2.1 to PCA’s registration Statement on Form S-4, Registration No. 333-79511).</u>
2.2	<u>Letter Agreement Amending the Contribution Agreement, dated as of April 12, 1999, among Pactiv, PCA Holdings and PCA. (Incorporated herein by reference to Exhibit 2.2 to PCA’s Registration Statement on Form S-4, Registration No. 333-79511).</u>
2.3	<u>Agreement and Plan of Merger, dated September 16, 2013, between PCA, Bee Acquisition Corp. and Boise Inc. (Incorporated herein by reference to Exhibit 2.1 to PCA’s Current Report on Form 8-K filed September 17, 2013, File No. 1-15399). PCA will furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request; provided, however, that PCA may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or exhibit so furnished.</u>
3.1	<u>Restated Certificate of Incorporation of PCA. (Incorporated herein by reference to Exhibit 3.1 to PCA’s Registration Statement on Form S-4, Registration No. 333-79511).</u>
3.2	<u>Certificate of Amendment to Restated Certificate of Incorporation of PCA. (Incorporated herein by reference to Exhibit 3.2 to PCA’s Registration Statement on Form S-4, Registration No. 333-109437.)</u>
3.3	<u>Amended and Restated By-laws of PCA. (Incorporated herein by reference to Exhibit 3.1 to PCA’s Current Report on Form 8-K filed December 7, 2012, File No. 1-15399.)</u>
4.1	<u>Form of certificate representing shares of common stock. (Incorporated herein by reference to Exhibit 4.9 to PCA’s Registration Statement on Form S-1, Registration No. 333-86963.)</u>
4.2	<u>Indenture, dated as of July 21, 2003, between PCA and U.S. Bank National Association. (Incorporated herein by reference to Exhibit 4.2 to PCA’s Quarterly Report on Form 10-Q for the period ended June 30, 2003, File No. 1-15399.)</u>
4.3	<u>First Supplemental Indenture, dated as of July 21, 2003, between PCA and U.S. Bank National Association. (Incorporated herein by reference to Exhibit 4.3 to PCA’s Quarterly Report on Form 10-Q for the period ended June 30, 2003, File No. 1-15399.)</u>
4.4	<u>Officers’ Certificate, dated as of November 21, 2019, pursuant to Section 301 of the Indenture establishing 3.000% Senior Notes due 2029 and 4.050% Senior Notes due 2049. (Incorporated herein by reference to Exhibit 4.1 to PCA’s Current Report on Form 8-K filed November 21, 2019, File No. 1-15399.)</u>
4.5	<u>3.000% Senior Notes due 2029. (Incorporated herein by reference to Exhibit 4.2 to PCA’s Current Report on Form 8-K filed November 21, 2019, File No. 1-15399.)</u>
4.6	<u>4.050% Senior Notes due 2049. (Incorporated herein by reference to Exhibit 4.3 to PCA’s Current Report on Form 8-K filed November 21, 2019, File No. 1-15399.)</u>

Exhibit Number	Description
4.7	Officers' Certificate, dated as of October 22, 2013, pursuant to Section 301 of the Indenture establishing 4.500% Senior Notes due 2023. (Incorporated herein by reference to Exhibit 4.1 to PCA's Current Report on Form 8-K filed October 22, 2013, File No 1-15399.)
4.8	4.500% Senior Notes due 2023. (Incorporated herein by reference to Exhibit 4.2 to PCA's Current Report on Form 8-K filed October 22, 2013, File No 1-15399.)
4.9	Officers' Certificate, dated September 5, 2014, pursuant to Section 301 of the Indenture establishing 3.650% Senior Notes due 2024. (Incorporated herein by reference to Exhibit 4.1 to PCA's Current Report on Form 8-K filed September 5, 2014, File No. 1-15399.)
4.10	3.650% Senior Notes due 2024 (Incorporated herein by reference to Exhibit 4.2 to PCA's Current Report on Form 8-K filed September 5, 2014, File No. 1-15399).
4.11	Officer's Certificate, dated December 13, 2017, pursuant to Section 301 of the Indenture establishing 2.450% Senior Notes due 2020 (redeemed and no longer outstanding) and 3.400% Senior Notes due 2027. (Incorporated herein by reference to Exhibit 4.1 to PCA's Current Report on Form 8-K filed December 13, 2017, File No. 1-15399).
4.12	3.400% Senior Notes due 2027 (Incorporated herein by reference to Exhibit 4.3 to PCA's Current Report on Form 8-K filed December 13, 2017, File No. 1-15399).
4.13	Description of Common Stock †
10.1	Amended and Restated Credit Agreement, dated as of August 29, 2016, by and among PCA and the lenders and agents named therein. (Incorporated herein by reference to Exhibit 10.1 to PCA's Current Report on Form 8-K filed September 1, 2016, File No. 1-15399.)
10.2	Packaging Corporation of America Thrift Plan for Hourly Employees and First Amendment of Packaging Corporation of America Thrift Plan for Hourly Employees, effective February 1, 2000. (Incorporated herein by reference to Exhibit 4.5 to PCA's Registration Statement on Form S-8, Registration No. 333-33176.)
10.3	Packaging Corporation of America Retirement Savings Plan, effective February 1, 2000. (Incorporated herein by reference to Exhibit 4.6 to PCA's Registration Statement on Form S-8, Registration No. 333-33176.)*
10.4	Packaging Corporation of America Supplemental Executive Retirement Plan, as Amended and Restated Effective as of February 27, 2019. *†
10.5	Packaging Corporation of America Deferred Compensation Plan, as Amended and Restated Effective as of February 27, 2019.*†
10.6	Amended and Restated 1999 Long-Term Equity Incentive Plan, effective as of May 1, 2013, conformed to incorporate all amendments. (Incorporated herein by reference to Exhibit 10.8 to PCA's Annual Report on Form 10-K for the year ended December 31, 2016, File No. 1-15399.)*
10.7	Amended and Restated Executive Incentive Compensation Plan, effective as of December 29, 2017. (Incorporated herein by reference to Exhibit 10.10 to PCA's Annual Report on Form 10-K for the year ended December 31, 2017, File No. 1-15399.)*
10.8	Form of Restricted Stock Agreement for executive officer awards made in June 2017. (Incorporated by reference to Exhibit 10.1 to PCA's Quarterly Report on Form 10-Q for the period ended June 30, 2017, File No. 1-15399.)*

Exhibit Number	Description
10.9	Form of Performance Unit Agreement for executive officer awards made in June 2017. (Incorporated by reference to Exhibit 10.2 to PCA's Quarterly Report on Form 10-Q for the period ended June 30, 2017, File No. 1-15399).*
10.10	Performance Based Equity Award Pool for Executive Officers relating to awards made in June 2017. (Incorporated by reference to Exhibit 10.3 to PCA's Quarterly Report on Form 10-Q for the period ended June 30, 2017, File No. 1-15399).*
10.11	Trade Vendor Purchasing Agreement, dated December 6, 2019, between Boise White Paper, L.L.C. and Office Depot, Inc.**†
10.12	Form of Performance Unit Agreement for executive officer awards made in June 2016. (Incorporated by reference to Exhibit 10.2 to PCA's Quarterly Report on Form 10-Q for the period ended June 30, 2016, File No. 1-15399).*
10.13	Form of Restricted Stock Agreement for executive officer awards made in June 2016. (Incorporated by reference to Exhibit 10.1 to PCA's Quarterly Report on Form 10-Q for the period ended June 30, 2016, File No. 1-15399).*
10.14	Form of Return on Invested Capital Performance Unit Agreement for executive officer awards made in and after June 2018. (Incorporated by reference to Exhibit 10.2 to PCA's Quarterly Report on Form 10-Q for the period ended June 30, 2018, File No. 1-15399).*
10.15	Form of Total Shareholder Return Performance Unit Agreement for executive officer awards made in and after June 2018. (Incorporated by reference to Exhibit 10.3 to PCA's Quarterly Report on Form 10-Q for the period ended June 30, 2018, File No. 1-15399).*
10.16	Form of Restricted Stock Agreement for executive officer awards made in and after June 2018. (Incorporated by reference to Exhibit 10.1 to PCA's Quarterly Report on Form 10-Q for the period ended June 30, 2018, File No. 1-15399).*
21.1	Subsidiaries of the Registrant.†
23.1	Consent of KPMG LLP.†
24.1	Powers of Attorney.†
31.1	Certification of Chief Executive Officer, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.†
31.2	Certification of Chief Financial Officer, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.†
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. §1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.†
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Management contract or compensatory plan or arrangement.

** Confidential information in this exhibit has been omitted.

† Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized on February 26, 2020.

Packaging Corporation of America

/s/ MARK W. KOWLZAN

Mark W. Kowlzan

Chairman of the Board and Chief Executive Officer

/s/ ROBERT P. MUNDY

Robert P. Mundy

Executive Vice President and Chief Financial Officer

/s/ PAMELA A. BARNES

Pamela A. Barnes

Senior Vice President, Finance and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 26, 2020, by the following persons on behalf of the registrants and in the capacities indicated.

Signature	Capacity
/s/ MARK W. KOWLZAN Mark W. Kowlzan	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ ROBERT P. MUNDY Robert P. Mundy	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ PAMELA A. BARNES Pamela A. Barnes	Senior Vice President, Finance and Controller (Principal Accounting Officer)
* Cheryl K. Beebe	Director
* Duane Farrington	Director
* Donna A. Harman	Director
* Hasan Jameel	Director
* Robert C. Lyons	Director
* Thomas P. Maurer	Director
* Samuel M. Mencoff	Director
* Roger B. Porter	Director
* Thomas S. Souleles	Director
* Paul T. Stecko	Director
* James D. Woodrum	Director
/s/ ROBERT P. MUNDY Robert P. Mundy <i>(Attorney-In-Fact)</i>	

DESCRIPTION OF CAPITAL STOCK

PCA's certificate of incorporation authorizes the issuance of up to 300,000,000 shares of common stock, par value \$0.01 per share and 3,000,000 shares of preferred stock, par value \$0.01 per share. As of December 31, 2019, 94,654,516 shares of common stock were issued and outstanding and no shares of preferred stock were outstanding. All outstanding shares of common stock are duly authorized, validly issued, fully paid and non-assessable.

PCA's certificate of incorporation authorizes its board of directors, subject to any limitations prescribed by law, to issue shares of preferred stock in one or more series without stockholder approval. Each series of preferred stock will have the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as will be determined by the board of directors.

Common Stock

Voting. Each holder of common stock is entitled to one vote for each share on all matters to be voted upon by the stockholders and there are no cumulative voting rights.

Dividends. Subject to preferences to which any holders of preferred stock may be entitled, holders of common stock are entitled to receive ratably the dividends, if any, as may be declared from time to time by the board of directors out of funds legally available therefor.

Liquidation. If there is a liquidation, dissolution or winding up of PCA, holders of common stock would be entitled to share in PCA's assets remaining after the payment of liabilities and the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

Other Rights and Preferences. Holders of common stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by the rights of the holders of shares of any series of preferred stock which the board of directors of PCA may designate in the future.

Listing. PCA's common stock is listed on the New York Stock Exchange under the symbol "PKG."

Certain Anti-Takeover Effects

PCA's certificate of incorporation and its bylaws may have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of PCA.

Advance Notice of Proposals and Nominations. PCA's certificate of incorporation and bylaws provide for an advance notice procedure for stockholders to nominate persons to stand for election as a director or to bring other business before meetings of the stockholders. Any stockholder wishing to nominate persons to stand for election as a director or to bring other business before meetings must deliver advance written notice and certain other information to PCA's Secretary in accordance with our bylaws.

Limits on Special Meetings. PCA's certificate of incorporation and bylaws provide that special meetings of our stockholders may only be called by our board of directors or chief executive officer.

Business transacted at any special meeting will be limited to the purposes specified in the notice calling such meeting. Stockholders may not act by written consent.

Preferred Stock. PCA's board of directors is authorized to approve the issuance of one or more series of preferred stock without further authorization of our stockholders and to establish the rights, preferences, privileges and restrictions of the preferred stock, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences. As a result, our board of directors, without stockholder approval, could authorize the issuance of preferred stock with rights and preferences that could proportionately reduce, minimize or otherwise adversely affect the voting power and other rights of holders of common stock or other series of preferred stock or that could have the effect of delaying, deferring or preventing a change in our control.

PACKAGING CORPORATION OF AMERICA
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(As Amended and Restated Effective as of February 27, 2019)

**PACKAGING CORPORATION OF AMERICA
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

(As Amended and Restated Effective as of February 27, 2019)

INTRODUCTION

The Packaging Corporation of America Supplemental Executive Retirement Plan was originally established November 1, 2000 by Packaging Corporation of America and it was amended and restated effective as of January 1, 2005. The Company hereby again amends and restates the Plan as set forth herein effective as of February 27, 2019. The terms of the Plan, as set forth herein, shall not apply to any Participant of the Plan who terminated employment from the Company prior to January 1, 2005.

The Plan is an unfunded plan for the purpose of providing retirement benefits with respect to certain employees whose qualified plan benefits are limited by certain provisions in the Code. The portion of the Plan that provides for benefits limited by Section 415 of the Code is maintained as an “excess benefit plan” as described in Section 3(36) of ERISA. The other benefits provided for under the Plan are only available to a “select group of management or highly compensated employees” as determined by the Company, and the portion of the Plan providing such benefits is intended to satisfy the ERISA exemption requirements for a plan limited to such a group.

The Plan is intended to satisfy the requirements of Section 409A of the Code. Except as provided to the contrary in an Appendix to the Plan, the Company has determined that it does not wish to distinguish the treatment of benefits accrued and vested by December 31, 2004 from that of benefits accrued or vested after that date.

1. Definitions. In the case of any real or claimed ambiguity, the Plan Administrator shall determine the meaning and application of each term used herein in its sole discretion. Feminine or neuter pronouns shall be substituted for those of the masculine form, and the plural shall be substituted for the singular, in any place or places herein where the context may require such substitution or substitutions.

Subject to the preceding paragraph, for purposes of the Plan, the following terms shall have the following meanings:

1.1 “**Affiliate**” means any parent, subsidiary or other entity that is directly or indirectly controlled by, or controls, the Company, and any entity that is directly or indirectly controlled by the Company’s parent.

1.2 “**Board**” means the Company’s Board of Directors.

1.3 “**Code**” means the Internal Revenue Code of 1986, as amended. Any reference to any Code Section shall also mean any successor provision thereto.

1.4 “**Company**” means Packaging Corporation of America, a Delaware corporation, any successor thereto as provided in Section 6.14 and where applicable, any of its

Affiliates that adopt the Plan or have employees or former employees who are Participants under the Plan.

1.5 “**Compensation**” shall have the same meaning as “Covered Compensation” under the PCA Pension Plan; provided, however, Compensation shall be determined without regard to any limits under Sections 401 or 415 or any other applicable Section of the Code and shall include annual bonuses in the year paid (or the year in which such bonus would have been paid but for a deferral election) pursuant to the Packaging Corporation of America Executive Incentive Compensation Plan, or its successor, for such year. The Plan Administrator may for purposes of the Plan reduce a bonus pro-rata, as necessary, to reflect the actual number of months worked during the calendar year in which the Employment Termination Date occurs.

1.6 “**Employment Termination Date**” means, with respect to any Participant, the date on which such Participant experiences a Separation from Service.

1.7 “**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.

1.8 “**Monthly Career Average Compensation**” shall have the same meaning as “Average Monthly Covered Compensation” under the PCA Pension Plan paid by the Company to the Participant since January 1, 2000; provided, however, that the definition of Compensation used to calculate Average Monthly Covered Compensation shall be modified as set forth in Section 1.5 of the Plan.

1.9 “**Normal Retirement Date**” means, with respect to a Participant, the first of the month following the month in which the Participant attains 65.

1.10 “**Pactiv Pension Plan Benefit**” means the single life annuity at age 65 of the Participant’s benefit, if any, accrued under the Pactiv Retirement Plan as of April 30, 2004.

1.11 “**Pactiv SERP Benefit**” means the single life annuity at age 65 of the Participant’s benefit, if any, accrued under the Pactiv Corporation Supplemental Executive Retirement Plan as of April 30, 2004.

1.12 “**Participant**” means an employee of the Company or an Affiliate who has been designated to participate in the Plan by the Board or by the Chief Executive Officer of the Company. A Participant shall retain such status for purposes of the Plan until his or her Retirement Benefit has been distributed in full.

1.13 “**Participation Service**” shall have the same meaning as “Years of Participation” determined under the PCA Pension Plan.

1.14 “**PCA Pension Plan**” means the Packaging Corporation of America Pension Plan for Eligible Grandfathered Salaried Employees, as may be amended from time to time.

1.15 **“PCA Pension Plan Benefit”** means the single life annuity at age 65, if any, accrued under the PCA Pension Plan.

1.16 **“Plan”** shall mean the Packaging Corporation of America Supplemental Executive Retirement Plan as amended and restated effective as of February 27, 2019, as set forth herein and as may be amended from time to time.

1.17 **“Plan Administrator”** means the Benefits Administration Committee, as appointed by the Board.

1.18 **“Retirement Benefit”** shall mean the monthly benefit payable under Section 2.1 and any Appendix to the Plan.

1.19 **“Section 409A”** shall mean Section 409A of the Code and any applicable regulations, authority, or other guidance issued thereunder from time to time.

1.20 **“Service Ratio”** shall mean the quotient of the Participant’s Participation Service divided by 35.

1.21 **“Separation from Service”** means the Participant’s ceasing to be employed by the Company or one of its Affiliates for any reason whatsoever, whether voluntarily or involuntarily, including without limitation by reason of early retirement, normal retirement, or death, provided that transfer from the Company to one of its Affiliates or vice versa shall not be deemed a Separation from Service for purposes of this Plan. A Separation from Service shall also occur if (a) the Participant is on a leave of absence that exceeds six (6) months and the Participant does not have a statutory or contractual right of reemployment, in which case, Separation from Service shall be deemed to have occurred on the first day following the six-month period, (b) the Participant is on a leave of absence that exceeds six (6) months and the Participant’s statutory or contractual right of reemployment ends, in which case Separation from Service shall be deemed to have occurred on the first day following the end of the right of reemployment, or (c) the Company and the Participant reasonably anticipate that the level of services the Participant will perform for the Company (whether as an employee or an independent contractor) will permanently decrease to 20% or less of the average level of services performed for the Company over the preceding 36 months. Determination of whether a Separation from Service has occurred will be made subject to the facts and circumstances of each situation and will comply with Section 409A.

1.22 **“Specified Employee”** means a “specified employee” as defined in Treasury Regulation §1.409A-1(i) (or any successor regulation). For purposes of identifying Specified Employees, the specified employee identification date is December 31 of each year and the specified employee effective date is the following January 1.

1.23 **“Surviving Spouse”** shall mean an individual who is legally married to a Participant at the time of the Participant’s death and who survives the Participant for at least 30 days following the Participant’s death.

2. Benefits.

2.1 Amount of Retirement Benefit. Unless provided otherwise in an Appendix to the Plan, the Participant's Retirement Benefit under this Plan that would be payable if distribution were to commence on the Participant's Normal Retirement Date shall be equal to (i) minus (ii), where: (i) equals the product of the Participant's Monthly Career Average Compensation, multiplied by the Participant's Service Ratio, multiplied by 0.55; and (ii) equals the sum of the Participant's Pactiv Pension Plan Benefit plus the Participant's Pactiv SERP Benefit, plus the Participant's PCA Pension Plan Benefit. If the net Retirement Benefit payable under this Section 2.1 equals or is below zero, no benefit shall be payable under the Plan.

2.2 Vesting of Retirement Benefit. The Participant's Retirement Benefit shall be immediately vested.

2.3 Commencement of Retirement Benefit Distribution. Except as otherwise provided in Section 2.4, distribution of a Participant's Retirement Benefit shall commence upon the Participant's Employment Termination Date. If the Participant's distribution commences prior to age 62, the amount of the Retirement Benefit distributions shall be reduced consistent with the provisions set forth in the PCA Pension Plan.

2.4 Distribution Restrictions. No distribution may be made pursuant to the Plan if the Plan Administrator reasonably determines that such distribution would violate Federal securities laws or other applicable law, or violate a loan covenant or similar contractual requirement of the Company causing material harm to the Company. In any such case, distribution shall be made at the earliest date at which the Plan Administrator determines such distribution would not cause such a violation. In addition, a distribution may not be made to a Specified Employee until at least six (6) months following his or her Employment Termination Date or such other date permissible under Section 409A. Any monthly distributions that cannot be made during such time shall be accumulated and distributed at the earliest date permissible under Section 409A.

2.5 Form of Distribution. Distributions shall be made in the form of an annuity, as elected by the Participant from among the actuarially equivalent annuity options set forth in the PCA Pension Plan. In the absence of a valid election, distribution shall be made in the form of a single life annuity or, for married Participants, a 50% joint and survivor annuity. Notwithstanding any provision to the contrary, if the Participant's monthly Retirement Benefit is One Thousand Dollars (\$1,000) or less at the time distribution is to commence, such benefit shall be paid in the form of a lump sum. The Plan Administrator may, in its discretion, impose rules or limitations with respect to elections made under this Section 2.5, as permitted under Section 409A.

2.6 Death Benefit. Unless provided otherwise in an Appendix to the Plan,

(a) if a Participant dies before the full amount of his Retirement Benefit is paid, the actuarial equivalent of any remaining Retirement Benefit payable to his Surviving Spouse shall be paid to the Surviving Spouse in a lump sum as soon as practicable after the Participant's death. If the Participant has no Surviving Spouse, no further benefits will be paid from the Plan.

(b) if a Participant dies before the Participant's Employment Termination Date, the amount of the Retirement Benefit payable to the Participant's Surviving Spouse shall be calculated as if: (i) the Participant's Employment Termination Date was the date of the Participant's death, (ii) the Participant had elected a joint and 50% survivor annuity with his or her Surviving Spouse as beneficiary to commence on the Participant's Employment Termination Date and then (iii) the Participant had died on the day following the Participant's Employment Termination Date.

(c) If a Participant dies on or after the Participant's Employment Termination Date but distribution of the Participant's Retirement Benefit has not begun in accordance with Section 2.4 of the Plan, the amount of the Retirement Benefit payable to his or her Surviving Spouse shall be equal to the sum of (i) the unpaid monthly distributions for the period from the Participant's Employment Termination Date until the date of the Participant's Death and (b) the payments that were due following the Participant's death, if any, based on the form of distribution in effect upon the Participant's death.

2.7 Actuarial Equivalencies. The Plan Administrator shall determine actuarial equivalence under the Plan in the following manner:

(a) If the distribution of the Participant's Retirement Benefit commences before the Normal Retirement Date but on or after the first of the month following the month in which the Participant attains age 55, the Retirement Benefit that would otherwise be payable if distribution were to commence on the Normal Retirement Date shall be reduced by applying the early retirement factors set forth in Exhibit II of the PCA Pension Plan (the "**Early Retirement Factors**"); and

(b) If the distribution of the Participant's Retirement Benefit commences before the first of the month following the month in which the Participant attains age 55, the Retirement Benefit that would otherwise be payable if distribution were to commence on the Normal Retirement Date shall be reduced:

(i) first, by applying the Early Retirement Factors to reduce the amount of the Retirement Benefit otherwise payable if distribution were to commence on the Normal Retirement Date to the amount that would otherwise be payable commencing on the first of the month following the month in which the Participant attains age 55 (i.e., multiply such Retirement Benefit by 64%); and

(ii) next, by further reducing the Retirement Benefit determined in paragraph (i) above by applying the UP 1984 Unisex Mortality Table with a one year set back and an interest rate of 7.5% to reflect the commencement of distribution on the actual commencement date rather than the first of the month following the month in which the Participant attains age 55.

Notwithstanding the foregoing, for purposes of determining the amount of any lump sum payment that may be payable under the Plan, the interest rate used in determining actuarial equivalence from the date payable shall be the annual rate of interest on 30-year Treasury securities as specified by the Internal Revenue Service (“IRS”) for the second calendar month preceding the first day of the calendar year during which the annuity starting date would otherwise occur, and the applicable mortality table described in Rev. Rul. 2007-67, 2007-2 C.B. (page 1047), or in such other formal guidance as may be issued from time to time by the IRS.

2.8 **Withholding.** The Plan Administrator will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising under this Plan.

3. **Plan Administration and Expenses.** The Plan Administrator shall administer the Plan in accordance with its terms and purposes and shall have the authority, which may be exercised in its discretion, to interpret the Plan, to make any necessary rules and regulations, and to determine benefits under the Plan; provided that, as permitted by law, the Plan Administrator may delegate some or all of its authority under the Plan. The Plan Administrator shall also be responsible for complying with statutory reporting and disclosure requirements. Any determination made by the Plan Administrator in good faith shall be binding upon the Participant, his or her Surviving Spouse and the Company.

The Plan Administrator shall not be subject to liability with respect to the administration of the Plan. The Company shall indemnify and hold harmless the Plan Administrator and each member of the Benefits Administration Committee, or any employee of the Company, or any individual acting as an employee or agent of either of them (to the extent not indemnified or saved harmless under any liability insurance or any other indemnification arrangement) from any and all claims, losses, liabilities, costs and expenses (including attorneys’ fees) arising out of any actual or alleged act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto with respect to the administration of the Plan, except that no indemnification or defense shall be provided to any person with respect to any conduct that has been judicially determined, or agreed by the parties, to have constituted willful misconduct on the part of such person, or to have resulted in his or her receipt of personal profit or advantage to which he or she is not entitled. The rights of indemnification provided hereunder shall be in addition to any right to which any person concerned may otherwise be entitled by contract or as a matter of law, and shall inure to the benefit of the heirs, executors, and administrators of any such person.

The Company shall pay all expenses of the Plan.

4. **Claims Procedures and Decisions of Plan Administrator.** In general, distributions under this Plan are automatic and no claim for benefits need be filed. However, a Participant (or the Participant’s Surviving Spouse) may submit a claim for benefits under this Plan in writing to the Plan Administrator. The following procedure shall apply in such case:

(a) If such claim for benefits is wholly or partially denied, the Plan Administrator shall notify the claimant of the denial of the claim within a reasonable period of time, but no later than 90 days after receipt of the written claim, unless special circumstances require an extension of time for processing the claim. In such event, written notice of the extension shall be furnished to the claimant prior to the end of the 90-day period and shall indicate the special circumstances requiring the extension and the date by which a final decision is expected. In no event shall the extension period exceed 90 days from the end of the initial 90 day period. The notice of denial: (i) shall be in writing; (ii) shall be written in a manner calculated to be understood by the claimant; and (iii) shall contain (A) the specific reason or reasons for denial of the claim; (B) a specific reference to the pertinent Plan provisions upon which the denial is based; (C) a description of any additional material or information necessary for the claimant to perfect the claim; and (D) an explanation of the Plan's claims review procedure.

(b) Within 60 days of the receipt by the claimant of the written notice of denial of the claim, or if the claim has not been granted within the applicable time period, the claimant may file a written request with the Plan Administrator that it conduct a full and fair review of the denial of the claimant's claim for benefits. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review pertinent documents and may submit issues and comments in writing.

(c) The Plan Administrator shall deliver to the claimant a written decision on the claim promptly, but not later than 60 days after the receipt of the claimant's request for review, except that if there are special circumstances which require an extension of time for processing, the 60-day period shall be extended to a maximum of 120 days, in which case written notice of the extension shall be furnished to the claimant prior to the end of the 60-day period. The Plan Administrator's decision shall: (i) be written in a manner calculated to be understood by the claimant; (ii) include specific reasons for the decision; and (iii) contain specific references to the pertinent Plan provisions upon which the decision is based. If a written decision on review is not furnished to the claimant within the applicable time period, the claim shall be deemed denied on review.

5. **Amendment, Suspension and Termination.** Although the Company intends to maintain the Plan indefinitely, the Company reserves the right to amend or terminate the Plan, in whole or in part. Notwithstanding the foregoing, no modification of the Plan will, without the prior written consent of the Participant, alter or impair any rights or obligations under the Plan, except to the extent the Plan Administrator determines such amendment is necessary for the Plan to remain compliant with Section 409A. In addition, the Company may in its discretion terminate the Plan subject to the following:

(a) the Plan may be terminated within the 30 days preceding, or 12 months following, a change in control (as defined in Section 409A) provided that the full actuarial present value of the Retirement Benefit shall be distributed in full within 12 months after termination;

(b) the Plan may be terminated in the Company's discretion at any time provided that (1) all deferred compensation arrangements of similar type maintained by the

Company are terminated, (2) the actuarial present value of the Retirement Benefit shall be distributed in full at least 12 months and no more than 24 months after the termination, and (3) the Company does not adopt a new deferred compensation arrangement of similar type for a period of five (5) years following the termination of the Plan; and

(c) the Plan may be terminated within 12 months of a corporate dissolution taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. 503(b)(1)(A) provided that, subject to the Company's ability to pay benefits, the actuarial present value of the Retirement Benefit is distributed in full by the latest of the (1) the end of the calendar year of the termination, (2) the calendar year in which such Retirement Benefit is fully vested, or (3) the first calendar year in which such payment is administratively practicable.

6. General Provisions.

6.1 Nonassignability of Benefits. The benefits payable hereunder or the right to receive future benefits under the Plan may not be anticipated, alienated, pledged, encumbered, or subjected to any charge or legal process, and if any attempt is made to do so, or a person eligible for any benefit becomes bankrupt, the interest under the Plan of the person affected may be terminated by the Plan Administrator which, in its sole discretion, may cause the same to be held or applied for the benefit of one or more of the dependents of such person or make any other disposition of such benefits that it deems appropriate, in its sole discretion.

6.2 Status of Plan. The Plan shall at all times be entirely unfunded for tax purposes in that a Participant's right to receive payment of benefits hereunder from the Company shall be subject to the claims of the creditors of the Company. No Participant or any other person shall have any interest in any particular assets of the Company by reason of the right to receive a benefit under the Plan, and any such Participant or other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Plan.

6.3 No Guaranty of Benefits. Nothing contained in the Plan shall constitute a guaranty by the Company or any other entity or person that the assets of the Company will be sufficient to pay any benefit hereunder.

6.4 No Right to Employment or Other Benefits. Nothing contained herein shall be construed as conferring upon any Participant the right to continue in the employ of the Company. Any compensation deferred and any payments made under this Plan shall not be included in creditable compensation in computing benefits under any employee benefit plan of the Company except to the extent expressly provided for therein.

6.5 Governing Law. The provisions of this Plan shall be construed according to the laws of the State of Illinois to the extent such laws are not preempted by ERISA. In any question of interpretation or other matter of doubt, the Company and the Plan Administrator may rely upon the opinion of legal counsel.

6.6 Reliance on Documents and Instruments. The Plan Administrator may rely on any certificate, statement or other representation made on behalf of the Company, a Participant or a Surviving Spouse, which it in good faith believes to be genuine, and on any certificate, statement, report or other representation made to it by any agent or any attorney, accountant or other expert retained by it or the Company in connection with the operation and administration of the Plan.

6.7 Information Requests. Each Participant and Surviving Spouse and the Company shall furnish to the Plan Administrator such documents, evidence, data, and other information, as the Plan Administrator considers necessary or desirable for administering the Plan. Benefits under the Plan are conditioned on a Participant's promptly furnishing full, true and complete documents, evidence, data, and other information requested by the Plan Administrator or the Company in connection with the Plan's administration.

6.8 Mistake of Fact. Any mistake of fact or misstatement of fact shall be corrected when it becomes known and proper adjustment made by reason thereof. Without limiting the prior sentence, the Plan Administrator is expressly authorized to take reasonable steps to recover mistaken overpayments from the Plan.

6.9 Severability. If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provisions of the Plan and will be construed and enforced as if such provision had not been included herein.

6.10 Plan Bifurcation. If, at any time, it is determined by a court of law or government agency that the Plan is not a plan that is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of Title I of ERISA due to the participation of one or more Participants, the Plan shall be bifurcated into two separate and distinct plans: one maintained for the benefit of Participants who are a select group of management or highly compensated employees; the other maintained for the benefit of the remaining Participants.

6.11 Inurement. The Plan shall be binding upon and inure to the benefit of the Company and its successors and assigns, and the Participant, his or her successors, heirs, executors, administrators and beneficiaries.

6.12 Notices. Any notice required or permitted to be given pursuant to the Plan shall be in writing, and shall be signed by the person giving the notice. If such notice is mailed, it shall be sent by United States first class mail, postage prepaid, addressed to such person's last known address as shown on the records of the Company. The date of such mailing shall be deemed to be the date of notice, but the notice shall not be effective until actually received. The Company or the Participant may change the address to which notice is sent by giving notice of such change in the manner above.

6.13 Unclaimed Benefit. Each Participant shall keep the Plan Administrator informed of his or her current address and the current address of his or her Surviving Spouse. The

Plan Administrator shall not be obligated to search for the whereabouts of any person. The Plan Administrator is authorized to adopt procedures regarding unclaimed benefits that provide for the irrevocable forfeiture of a benefit if the Plan Administrator is unable to locate the Participant, or if the Participant is deceased, his or her Surviving Spouse. Such procedures shall be consistent with guidance issued by the IRS.

6.14 Successors. All obligations of the Company under the Plan will be binding on any successor to the Company, whether the existence of the successor results from a direct or indirect purchase of all or substantially all of the business of the Company, or a merger, consolidation, or otherwise.

6.15 Gender and Number. Words in the masculine generally shall include the feminine gender and the singular shall include the plural, and vice versa, unless qualified by the context. Any headings used herein are included for reference only, and are not to be construed so as to alter the terms hereof.

6.16 Interpretation under Section 409A. The Plan at all times shall be operated in accordance with the requirements of Section 409A and, in the event of any inconsistency between any provision of the Plan and Section 409A, the provisions of Section 409A shall control and the provision of the Plan shall be void and without effect. In addition, any provision that is required to appear in the Plan that is not expressly set forth herein shall be deemed set forth herein, and the Plan shall be administered in all respects as if such provision were expressly set forth herein.

6.17 No Guarantee of Tax Consequences. Neither the Plan Administrator nor the Company makes any commitment or guarantee that any amounts deferred or credited hereunder will be excludable from the Participant's gross income for federal or state income tax purposes, or that any other federal or state income tax treatment will or will not apply to or be available to any Participant.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, a duly authorized officer of the Company has executed the Plan on this _____ day of _____, 2019.

PACKAGING CORPORATION OF AMERICA

By:

Its:

Appendix A

Special Benefit for Paul T. Stecko

This Special Appendix sets forth certain special provisions of the Plan with respect to the benefits of Paul T. Stecko (“**Stecko**”).

1. Defined Terms. Unless otherwise noted, capitalized terms used in this Appendix A shall have the same meanings ascribed to them in the Plan.

2. Retirement Benefit. Notwithstanding any provision of the Plan to the contrary, Stecko’s Retirement Benefit under Section 2.1 shall be equal to the product of Stecko’s final average compensation, multiplied by his years of service, multiplied by (.0167). For purposes of this Appendix A: (i) “final average compensation” shall mean Stecko’s average base salary plus average bonus in the three of his final five years of service during which his base salary and bonus, determined independently, were highest; and (ii) “years of service” shall equal five (5) plus the elapsed time from April 12, 1999 until Stecko’s termination of service. Stecko’s Retirement Benefit shall not be reduced by his PCA Pension Plan Benefit, Pactiv Pension Plan Benefit or Pactiv SERP Benefit, and shall be nonforfeitable without regard to his reason for terminating Service. If distribution of Stecko’s Retirement Benefit commences prior to age 62, a 4% per year reduction will apply.

3. Death Benefit. Notwithstanding any provision of the Plan to the contrary, upon Stecko’s death, the actuarial equivalent of his remaining Retirement Benefit, if any shall be payable in a lump sum to (a) his Surviving Spouse, (b) if there is no Surviving Spouse, then to his living children in equal portions, or (c) if none of Stecko’s children survives him, then to his estate.

4. Form of Distribution and Permissive Election. The actuarial equivalent of Stecko’s Retirement Benefit shall be payable in the form of a lump sum upon the earliest of (i) the six-month anniversary of Stecko’s Employment Termination Date, (ii) Stecko’s death or (iii) a designated date in 2009 Stecko may designate no later than December 31, 2008 pursuant to such rules as the Company may establish. If Stecko designates a distribution date in 2009, he may accrue no additional Retirement Benefit after such distribution date.

Appendix B

Special Provisions Applicable to Thomas A. Hassfurther

This Appendix B sets forth certain special provisions of the Plan with respect to the benefits of Thomas A. Hassfurther (“**Hassfurther**”).

1. Defined Terms. Unless otherwise noted, capitalized terms used in this Appendix B shall have the same meanings ascribed to them in the Plan.

2. Participation Service. For purposes of determining Hassfurther’s Participation Service under the Plan, the maximum limit of 35 Years of Participation in the PCA Pension Plan shall be increased to a maximum limit of 45 Years of Participation. Nothing herein shall modify the definition of Service Ratio with respect to Hassfurther; thus, if Hassfurther’s Participation Service exceeds 35 Years of Participation, his Service Ratio under the Plan would exceed 1.0.

Appendix C

Special Provisions Applicable to Thomas W.H. Walton

This Appendix C sets forth certain special provisions of the Plan with respect to the benefits of Thomas W.H. Walton (“**Walton**”).

1. Defined Terms. Unless otherwise noted, capitalized terms used in this Appendix C shall have the same meanings ascribed to them in the Plan.

2. Participation Service. For purposes of determining Walton’s Participation Service under the Plan, the maximum limit of 35 Years of Participation in the PCA Pension Plan shall be increased to a maximum limit of 45 Years of Participation. Nothing herein shall modify the definition of Service Ratio with respect to Walton; thus, if Walton’s Participation Service exceeds 35 Years of Participation, his Service Ratio under the Plan would exceed 1.0.

Appendix D

Special Provisions Applicable to David Carmon

This Appendix D sets forth certain special provisions of the Plan with respect to the benefits of David Carmon (“**Carmon**”).

1. Defined Terms. Unless otherwise noted, capitalized terms used in this Appendix D shall have the same meanings ascribed to them in the Plan.

2. Compensation. For purposes of determining Carmon’s Compensation under the Plan, the bonus of \$85,000 paid to him in January of 2013, and the bonus of \$100,000 paid to him in January of 2014 shall be treated as bonuses paid pursuant to the Packaging Corporation of America Executive Incentive Compensation Plan. Therefore, they will be included in the calculation of his benefit from this Plan.

PACKAGING CORPORATION OF AMERICA

DEFERRED COMPENSATION PLAN

(As Amended and Restated Effective as of February 27, 2019)

**PACKAGING CORPORATION OF AMERICA
DEFERRED COMPENSATION PLAN**

(As Amended and Restated Effective as of February 27, 2019)

1. **Introduction and Purpose.** The Packaging Corporation of America Deferred Compensation Plan was originally established April 12, 1999 by Packaging Corporation of America. The purpose of the Plan is to provide a select group of management or highly compensated employees of the Company and its Affiliates an opportunity to defer compensation in accordance with the terms and conditions set forth herein.

The Company hereby amends and restates the Plan, effective as of February 27, 2019. The Plan was previously amended and restated, effective as of January 1, 2005, to comply with Section 409A and again amended and restated effective as of January 1, 2009. The terms of the Plan as provided herein shall apply to all Deferred Amounts attributable to any period beginning on or after January 1, 2005. Any amounts deferred and vested under the Plan on or prior to December 31, 2004, and any earnings attributable thereto, shall be grandfathered for purposes of Section 409A and shall be subject to the terms of the Plan as in effect on October 3, 2004 (“**Grandfathered Deferrals**”). Neither this restatement nor any subsequent amendment hereto shall be deemed to apply to Grandfathered Deferrals, unless such amendment explicitly states otherwise.

2. **Definitions.** As used in this Plan, the following words shall have the following meanings:

2.1 “**Affiliate**” means any parent, subsidiary, or other entity that is directly or indirectly controlled by, or controls, the Company, and any entity that is directly or indirectly controlled by the Company’s parent.

2.2 “**Board**” means the Company’s Board of Directors.

2.3 “**Bonus**” means an EICP Bonus and/or a Sign-On Bonus.

2.4 “**Code**” means the Internal Revenue Code of 1986, as amended. Any reference to any Code Section shall also mean any successor provision thereto.

2.5 “**Company**” means Packaging Corporation of America, a Delaware corporation, any successor thereto as provided in Section 12.13, and where applicable, shall include any Affiliate that adopts the Plan or has employees or former employees who are Participants in the Plan.

2.6 “**Deferral Credit**” means a Bonus deferral made pursuant to Section 4.

2.7 “**Deferred Amount**” means the amount otherwise payable to the Participant that is deferred pursuant to Section 4.

2.8 “**Deferred Compensation Account**” means a memorandum account established at the time an amount is deferred pursuant to Section 4, and maintained by the

Service shall be deemed to have occurred on the first day following the six-month period, (b) the Participant is on a leave of absence that exceeds six (6) months and the Participant's statutory or contractual right of reemployment ends, in which case Separation from Service shall be deemed to have occurred on the first day following the end of the right of reemployment, or (c) the Company and the Participant reasonably anticipate that the level of services the Participant will perform for the Company (whether as an employee or an independent contractor) will permanently decrease to 20% or less of the average level of services performed for the Company over the preceding 36 months. Determination of whether a Separation from Service has occurred will be made subject to the facts and circumstances of each situation and will comply with Section 409A.

2.21 "Sign-On Bonus" means a bonus payable as an incentive to accept employment with the Company.

2.22 "Specified Employee" means a "specified employee" as defined in Treasury Regulation §1.409A-1(i) (or any successor regulation). For purposes of identifying Specified Employees, the specified employee identification date is December 31 of each year and the specified employee effective date is the following January 1.

2.23 "Surviving Spouse" means an individual who is legally married to a Participant at the time of the Participant's death.

2.24 "Unforeseeable Emergency" means a severe financial hardship of a Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

3. **Eligibility.** U.S.-paid Executives who participate in the Company's Executive Incentive Compensation Plan and those Executives designated by the Benefits Administration Committee and the Chief Executive Officer of the Company shall be eligible to participate in the Plan. Only those Executives who are in a select group of management or are highly compensated (within the meaning of Title I of ERISA) may be designated as eligible to participate under this provision.

4. **Elections to Defer.**

4.1 **Deferrals of EICP Bonus.** A Participant may elect in a written Participation Election to defer receipt of all or a specified portion of his or her EICP Bonus to be received on account of a calendar year. The Participation Election must be submitted to the Plan Administrator pursuant to such procedures as may be established by the Plan Administrator from time to time, and specify (i) such portions of his or her EICP Bonus to be credited to his Deferred Compensation Account under the Plan as a Deferral Credit (instead of receiving current payments), and (ii) the time or events upon which such Deferred Amounts shall be distributed pursuant to Section 7.1 below.

4.2 **Timing of Election to Defer EICP Bonus.** The Plan Administrator may determine that a separate Participation Election to defer an EICP Bonus must be made with respect to each Plan Year or that a Participant's election for one Plan Year will be deemed to apply to the

following Plan Year, unless revoked or modified by such Participant. Any such Participation Election (or revocation thereof) must be made and shall be irrevocable at such times as set forth below:

(a) at any time prior to the 31st day of December prior to the beginning of the Plan Year during which the EICP Bonus to be deferred (which does not qualify as Performance Based Compensation) is otherwise earned;

(b) in the case of an EICP Bonus that is Performance Based Compensation, at any time prior to six (6) months before the end of the performance period for which it is earned, provided that such compensation has not yet become both substantially certain and readily ascertainable;

(c) in the case of the first year in which a Participant becomes eligible to participate in the Plan (as aggregated with other plans of its type as defined in Treasury Regulation §1.409A-1(c)), at any time within 30 days after the Participant first becomes eligible to participate; provided, however, that such election may apply only to compensation attributable to services to be performed after the Participation Election, and in the case of compensation based upon a performance period (other than Performance Based Compensation), may apply only to a prorated portion of such compensation based upon the number of days remaining in such performance period; and

(d) at any other time as may be permitted under Section 409A.

4.3 Deferral of Sign-On Bonus.

(a) In the case of a Sign-On Bonus that is immediately vested or may become vested within 13 months of its award, the Company may require through a non-elective deferral that all or any portion of the Participant's Sign-On Bonus shall be deferred as a Deferral Credit and distributed in such form, and at such time, as provided in Section 7. The Company's non-elective deferral of such Sign-On Bonus shall be made at such times as are permitted under Section 409A (for example, prior to the Participant having a legally binding right to such Sign-On Bonus).

(b) In the case of a Sign-On Bonus that cannot become vested within 13 months of its award due to vesting conditions (except for accelerated vesting upon death, disability or change in control, as such terms are defined in Section 409A), a Participant may elect in a written Participation Election to defer receipt of all or a specified portion of his or her Sign-On Bonus. The Participation Election shall specify (i) such portions of his or her Sign-On Bonus to be credited to his Deferred Compensation Account under the Plan as a Deferral Credit, and (ii) the time or events upon which such Deferred Amounts shall be distributed pursuant to Section 7.1 below. A Participant must make a Participation Election with respect to a Sign-On Bonus no later than 30 days after the Participant receives a legally binding right to such Sign-On Bonus, subject to the applicable vesting conditions, or at such other time as permitted under Section 409A.

5. **Crediting of Deferred Payments to the Deferred Compensation Account.** The Company shall establish a Deferred Compensation Account for each Participant. The Company may establish subaccounts, as necessary, to track Deferred Amounts attributable to any particular

Plan Year. Each Participant's Deferred Compensation Account (or subaccount) shall be credited with such Participant's Deferred Amount for such Plan Year as of the day on which the Participant would otherwise have been entitled to receive the bonus or incentive compensation to which the Deferred Amount is attributable. Adjustments as provided in Section 6 below, shall be made to the Participant's Deferred Compensation Account.

6. **Adjustments to Deferred Compensation Account.** The Plan Administrator shall credit the balance of the Participant's Deferred Compensation Account with an earnings factor (which may be positive or negative). The earnings factor will equal the amount the Participant's Deferred Compensation Account would have earned (or lost) if it had been invested in the deemed investment options listed below. Except as otherwise provided in the Plan, the Participant is permitted to select the deemed investment option used to determine the earnings factor and may change the selection at any time, in accordance with procedures set forth by the Plan Administrator. The Participant may choose more than one deemed investment option in increments of at least one (1) percent. The Plan Administrator reserves the right to change or amend any of the deemed investment options at any time.

The deemed investment options used to determine the earnings factor are:

- (a) The prime rate of interest as reported by The Chase Manhattan Bank at the first day of each calendar month.
- (b) The return for the following mutual funds currently offered in the Company Retirement Savings Plan for Salaried Employees:
 - (i) Fidelity Growth Company Fund;
 - (ii) Prudential Core Plus Bond Fund Class 5; and
 - (iii) Northern Trust Collective S&P 500 Index Fund Tier J

The Company is under no obligation to acquire or provide any of the investments designated by a Participant, and any investments actually made by the Company will be made solely in the name of the Company and will remain the property of the Company.

The crediting of an earnings factor shall occur so long as there is a balance in the Participant's Deferred Compensation Account regardless of whether the Participant has terminated employment with the Company.

7. **Payment of Deferred Amounts.**

7.1 **Timing of Distribution.** Except as otherwise provided in this Section 7, a Participant's Deferred Amount shall be paid, or commence to be paid, to the Participant, or the Participant's beneficiary, within 30 days after the earliest of:

- (a) the Participant's death;
- (b) the Participant's Employment Termination Date; or

(c)

a date specified at the time of the deferral.

7.2 **Form of Distribution.** Distributions shall be made in the form of a lump sum or in a number of annual installments not to exceed five (5). The form of distribution shall be elected by each Participant in his Participation Election, or designated by the Company pursuant to Section 4.3(a). If no election is properly made, distribution will be in the form of a lump sum payment.

7.3 **Tax Withholding.** The Company shall withhold any taxes or other amounts with respect to a Participant's Deferred Amounts required to be withheld under federal, state or local law. Such taxes shall be withheld from the Participant's non-deferred compensation to the maximum extent possible with any excess being withheld from the Participant's elected Deferred Amount. Each Participant shall bear the ultimate responsibility for payment of all taxes owed under this Plan.

7.4 **Distribution Upon Death.** In the event of the Participant's death, payment of the balance in the Participant's Deferred Compensation Account shall be made to the Participant's designated beneficiary, or if none, to the Surviving Spouse, or if none, to the Participant's estate.

7.5 **Distributions to Specified Employees.** Notwithstanding anything contained herein to the contrary, in the case of any Specified Employee, distributions pursuant to Section 7.1(b) above may not commence until (i) six (6) months after the date of the Specified Employee's Employment Termination Date or (ii) the date of the Participant's death, whichever is earlier.

7.6 **Hardship Distribution.** In the event a Participant incurs an Unforeseeable Emergency, the Plan Administrator, in its sole discretion and upon written application of such Participant, may direct immediate payment of all or a portion of the then current value of such Participant's Deferred Compensation Account; provided that such payment shall in no event exceed the amount necessary to satisfy the Unforeseeable Emergency, plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution.

7.7 **Distribution Restrictions.** No distribution may be made pursuant to the Plan if the Company reasonably determines that such distribution would (i) violate Federal securities laws or other applicable law; (ii) be nondeductible pursuant to Section 162(m) of the Code; or (iii) jeopardize the Company's ability to continue as a going concern. In any such case, distribution shall be made at the earliest date at which the Company determines such distribution would not trigger clauses (i), (ii) or (iii) above.

7.8 **Section 409A Violations.** Notwithstanding any provision of the Plan, in the event the Plan or a Deferred Amount fails to satisfy the requirements of Section 409A, a portion of the Participant's Deferred Compensation Account shall be distributed equal to the amount required to be included in income as a result of the failure to comply with Section 409A.

8. **Participant Reports.** The Plan Administrator shall provide a statement to the Participant at least annually concerning the status of his or her Deferred Compensation Account.

9. **Plan Administration and Expenses.** The Plan Administrator shall administer the Plan in accordance with its terms and purposes and shall have the authority, which may be exercised in its discretion, to interpret the Plan, to make any necessary rules and regulations, and to determine benefits under the Plan; provided that, as permitted by law, the Plan Administrator may delegate some or all of its authority under the Plan. The Plan Administrator shall also be responsible for complying with statutory reporting and disclosure requirements. Any determination made by the Plan Administrator in good faith shall be binding upon the Participant, his or her designated beneficiary, his or her Surviving Spouse and the Company.

The Plan Administrator shall not be subject to liability with respect to the administration of the Plan. The Company shall indemnify and hold harmless the Plan Administrator and each member of the Benefits Administration Committee, or any employee of the Company, or any individual acting as an employee or agent of either of them (to the extent not indemnified or saved harmless under any liability insurance or any other indemnification arrangement) from any and all claims, losses, liabilities, costs and expenses (including attorneys' fees) arising out of any actual or alleged act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto with respect to the administration of the Plan, except that no indemnification or defense shall be provided to any person with respect to any conduct that has been judicially determined, or agreed by the parties, to have constituted willful misconduct on the part of such person, or to have resulted in his or her receipt of personal profit or advantage to which he or she is not entitled. The rights of indemnification provided hereunder shall be in addition to any right to which any person concerned may otherwise be entitled by contract or as a matter of law, and shall inure to the benefit of the heirs, executors, and administrators of any such person.

The Company shall pay all expenses of the Plan.

10. **Claims Procedures and Decisions of Plan Administrator.** In general, distributions under this Plan are automatic and no claim for benefits need be filed. However, a Participant (or the Participant's designated beneficiary or Surviving Spouse) may submit a claim for benefits under this Plan in writing to the Plan Administrator. The following procedure shall apply in such case:

(a) If such claim for benefits is wholly or partially denied, the Plan Administrator shall notify the claimant of the denial of the claim within a reasonable period of time, but no later than 90 days after receipt of the written claim, unless special circumstances require an extension of time for processing the claim. In such event, written notice of the extension shall be furnished to the claimant prior to the end of the 90-day period and shall indicate the special circumstances requiring the extension and the date by which a final decision is expected. In no event shall the extension period exceed 90 days from the end of the initial 90 day period. The notice of denial: (i) shall be in writing; (ii) shall be written in a manner calculated to be understood by the claimant; and (iii) shall contain (A) the specific reason or reasons for denial of the claim; (B) a specific reference to the pertinent Plan provisions upon which the denial is based; (C) a description of any additional material or information necessary for the claimant to perfect the claim; and (D) an explanation of the Plan's claims review procedure.

(b) Within 60 days of the receipt by the claimant of the written notice of denial of the claim, or if the claim has not been granted within the applicable time period, the claimant may file a written request with the Plan Administrator that it conduct a full and fair review of the denial of the claimant's claim for benefits. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review pertinent documents and may submit issues and comments in writing.

(c) The Plan Administrator shall deliver to the claimant a written decision on the claim promptly, but not later than 60 days after the receipt of the claimant's request for review, except that if there are special circumstances which require an extension of time for processing, the 60-day period shall be extended to a maximum of 120 days, in which case written notice of the extension shall be furnished to the claimant prior to the end of the 60-day period. The Plan Administrator's decision shall: (i) be written in a manner calculated to be understood by the claimant; (ii) include specific reasons for the decision; and (iii) contain specific references to the pertinent Plan provisions upon which the decision is based. If a written decision on review is not furnished to the claimant within the applicable time period, the claim shall be deemed denied on review.

11. **Amendment, Suspension and Termination.** The Company may at any time and from time to time, alter, amend, suspend, or modify the Plan in whole or in part. Notwithstanding the foregoing, no modification of the Plan will, without the prior written consent of the Participant, alter or impair any rights or obligations of the Participant, except to the extent the Plan Administrator determines such modification is necessary to maintain compliance with Section 409A. In addition, the Company may in its discretion terminate the Plan subject to the following:

(a) the Plan may be terminated within the 30 days preceding, or 12 months following, a change in control (as defined in Section 409A) provided that all Deferred Compensation Accounts shall be distributed in full within 12 months after termination;

(b) the Plan may be terminated in the Company's discretion at any time provided that (i) all deferred compensation arrangements of similar type maintained by the Company are terminated, (ii) all Deferred Compensation Accounts shall be distributed in full at least 12 months and no more than 24 months after the termination, and (iii) the Company does not adopt a new deferred compensation arrangement of similar type for a period of five (5) years following the termination of the Plan; and

(c) the Plan may be terminated within 12 months of a corporate dissolution taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. 503(b)(1)(A), provided that all Deferred Compensation Accounts are distributed in full by the latest of the (i) the end of the calendar year of the termination, (ii) the calendar year in which such Deferred Amounts are fully vested, or (iii) the first calendar year in which such payment is administratively practicable.

12. **General Provisions.**

12.1 **Nonassignability of Benefits.** The benefits payable hereunder or the right to receive future benefits under the Plan may not be anticipated, alienated, pledged, encumbered,

12.9 Severability. If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provisions of the Plan and will be construed and enforced as if such provision had not been included herein.

12.10 Inurement. The Plan shall be binding upon and inure to the benefit of the Company and its successors and assigns, and the Participant, his or her successors, heirs, executors, administrators and beneficiaries.

12.11 Notices. Any notice required or permitted to be given pursuant to the Plan shall be in writing, and shall be signed by the person giving the notice. If such notice is mailed, it shall be sent by United States first class mail, postage prepaid, addressed to such person's last known address as shown on the records of the Company. The date of such mailing shall be deemed to be the date of notice, but the notice shall not be effective until actually received. The Company or the Participant may change the address to which notice is sent by giving notice of such change in the manner above.

12.12 Unclaimed Benefit. Each Participant shall keep the Plan Administrator informed of his or her current address and the current address of his or her beneficiary. The Plan Administrator shall not be obligated to search for the whereabouts of any person. The Plan Administrator is authorized to adopt procedures regarding unclaimed benefits that provide for the irrevocable forfeiture of a benefit if the Plan Administrator is unable to locate the Participant, or if the Participant is deceased, his or her designated beneficiary or Surviving Spouse. Such procedures shall be consistent with guidance issued by the Internal Revenue Service.

12.13 Successors. All obligations of the Company under the Plan will be binding on any successor to the Company, whether the existence of the successor results from a direct or indirect purchase of all or substantially all of the business of the Company, or a merger, consolidation, or otherwise.

12.14 Gender and Number. Words in the masculine generally shall include the feminine gender and the singular shall include the plural, and vice versa, unless qualified by the context. Any headings used herein are included for reference only, and are not to be construed so as to alter the terms hereof.

12.15 Interpretation under Section 409A. The Plan at all times shall be operated in accordance with the requirements of Section 409A and, in the event of any inconsistency between any provision of the Plan and Section 409A, the provisions of Section 409A shall control and the provision of the Plan shall be void and without effect. In addition, any provision that is required to appear in the Plan that is not expressly set forth herein shall be deemed set forth herein, and the Plan shall be administered in all respects as if such provision were expressly set forth herein.

12.16 No Guarantee of Tax Consequences. Neither the Plan Administrator nor the Company makes any commitment or guarantee that any amounts deferred or credited hereunder will be excludable from the Participant's gross income for federal or state income tax purposes, or that any other federal or state income tax treatment will or will not apply to or be available to any Participant.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, a duly authorized officer of the Company has executed the Plan on this ____ day of _____, 2019.

PACKAGING CORPORATION OF AMERICA

By:

Its:

Appendix A

Special Benefit for Paul T. Stecko

This Special Appendix sets forth certain special provisions of the Plan with respect to the benefits of Paul T. Stecko (“**Stecko**”).

1. Defined Terms. Unless otherwise noted, capitalized terms used in this Appendix A shall have the same meanings ascribed to them in the Plan.

2. Special Contribution. Notwithstanding any provision of the Plan to the contrary, Stecko’s Deferred Compensation Account shall be credited with an additional Company contribution (“**Special Contribution**”) as of the first day of each calendar month, beginning on April 1, 2009 and ending on the first day of the month in which Stecko incurs an Employment Termination Date. The amount of the Special Contribution shall be \$17,000 per month (or such other amount as may be determined by the Board from time to time).

3. Distribution of Special Contribution. Notwithstanding any provision of the Plan to the contrary, all Special Contributions shall be distributed to Stecko or his beneficiary in the form of a lump sum upon the earlier of his death or his Employment Termination Date (subject to Section 7.5 of the Plan).

4. Applicability of Plan. Special Contributions shall be subject to all provisions of the Plan, except as provided otherwise in this Appendix A.

Appendix B

Supplemental Contributions for Certain Executives

This Appendix B sets forth special provisions of the Plan with respect to the benefits of certain named Executives.

1. Defined Terms. Unless otherwise noted, capitalized terms used in this Appendix B shall have the same meanings ascribed to them in the Plan.

2. Eligibility. Participant eligibility to receive any benefit under this Appendix B shall be determined by the Board in its sole discretion. A Participant's eligibility to receive a benefit under this Appendix B for any Plan Year does not guarantee any future benefit under this Appendix B for any other Plan Year.

3. Supplemental Contribution. Notwithstanding any provision of the Plan to the contrary, a Participant's Deferred Compensation Account may be credited with an additional Company contribution ("**Supplemental Contribution**") as of the 31st day of December of any Plan Year or such other date within such Plan Year as the Board determines in its sole discretion (the "**Supplemental Contribution Date**"). A Participant who is approved for a Supplemental Contribution during a Plan Year but who incurs an Employment Termination Date prior to the Supplemental Contribution Date will not receive a Supplemental Contribution in that Plan Year or any subsequent Plan Year unless otherwise approved by the Board. The Board shall determine the amount of each eligible Participant's Supplemental Contribution in its sole discretion, which amount need not be uniform for all eligible Participants. The amount of the Supplemental Contribution for each eligible Participant may, in the Board's sole discretion, remain in effect for future Plan Years unless and until the amount is changed by future Board action.

4. Investment. Any Supplemental Contribution awarded under this Appendix B shall be invested pursuant to the deemed investment option under Section 6(a) of the Plan, unless the Board permits the Participant to designate one or more alternate deemed investments under Section 6(b) of the Plan.

5. Distribution of Supplemental Contribution. Notwithstanding any provision of the Plan to the contrary, all Supplemental Contributions shall be distributed to the Participant or his beneficiary in the form of a lump sum upon his Employment Termination Date (subject to Section 7.5 of the Plan). However, the Board in its sole discretion, may permit a Participant to elect an alternative form and time distribution as permitted under Section 409A.

6. Vesting. Any Supplemental Contribution granted to a Participant under this Appendix B shall be subject to any vesting requirements that the Board may impose in its sole discretion.

7. Board Delegation. The Board may delegate to the Company's Chief Executive Officer any of the Board's discretion and authority under this Appendix B with respect to any Executive who is not a named executive officer of the Company for Securities Exchange Commission reporting purposes.

8. Applicability of Plan. Supplemental Contributions shall be subject to all provisions of the Plan, except as provided otherwise in this Appendix B.

029329.0001:29423752.4



NOTICE: Certain identified information has been excluded from this exhibit because it both (i) is not material and (ii) would be competitively harmful if publicly disclosed. Omitted information is marked with brackets: [***].

2019 TRADE VENDOR PURCHASING AGREEMENT

VENDOR LEGAL NAME:	<input type="text" value="Boise White Paper, L.L.C."/>	Federal Tax ID:	<input type="text" value="20-1529327"/>
VENDOR # (s):	<input type="text" value="474101, 466174"/>	New:	<input type="text"/>
VENDOR TYPE:	<input type="text" value="Owned"/>	Internal Code:	<input type="text"/>
		Supplier Trait:	<input type="text"/>
D/B/A Name (if applicable):	<input type="text"/>	Parent Company (if applicable):	<input type="text" value="Packaging Corp."/>
Taxing Status:	<input type="text"/>	State of Incorporation:	<input type="text" value="DE"/>
		Dun-Bradstreet #:	<input type="text"/>

1.0 INTRODUCTION & TERM

1.1 INTRODUCTION. This 2019 Trade Vendor Purchasing Agreement (the "Agreement") is entered into by and between Office Depot, Inc., a Delaware corporation, doing business at 6600 North Military Trail, Boca Raton, FL 33496 ("Office Depot" or "OD") and the undersigned vendor ("Vendor"). For purposes herein, "Office Depot" shall include such affiliates and subsidiaries as designated by Office Depot from time to time. This Agreement, including all attachments, addenda, schedules and exhibits hereto, is between Office Depot and Vendor for the sale by Vendor and purchase by Office Depot of certain products ("Products"). This Agreement shall govern any order placed by and fulfilled to Office Depot with respect to the Vendor #(s) identified above. The parties expressly agree that all orders placed under this Agreement, whether before or after the date of execution, shall be subject to the terms and conditions of this Agreement, as amended from time to time.

1.2 TERM AND TERMINATION.

- A. Term.** This Agreement is effective as of **1/1/2020 to 12/31/2022** and shall remain in full force and effect until terminated in accordance with the terms hereof.
- B. Termination.** This Agreement may be terminated (i) immediately by either party upon written notice if the other party has breached any term, condition, warranty or covenant of this Agreement and has failed to correct such breach within ten (10) days following its receipt of notice of such breach; or (ii) by Office Depot upon sixty (60) days' written notice.

2.0 ACCOUNTS PAYABLE TERMS

2.1 OWNED VENDORS AND VIRTUAL WAREHOUSE VENDORS

PAYMENT TERMS FOR OWNED VENDORS AND VIRTUAL WAREHOUSE VENDORS ARE DETERMINED USING THE DATE OF RECEIPT OF ALL PRODUCTS FROM A PARTICULAR PURCHASE ORDER. INVOICE DATE TERMS ARE NOT ACCEPTED.

	DISCOUNT %	DISCOUNT DAYS	NET DAYS
PAYMENT TERMS:	<input type="text" value="***"/> %	<input type="text" value="***"/>	<input type="text" value="***"/>
SEASONAL PAYMENT TERMS:	<input type="text"/>	<input type="text"/>	<input type="text"/>
SEASONAL PERIOD:	<input type="text"/>	DURATION:	<input type="text"/>
	<i>(Month Date – Month Date)</i>		<i>(Year - Year)</i>

2.2 CONSIGNMENT VENDORS

INITIAL PAYMENT IS MADE N/A DAYS AFTER THE WEEK ENDING PRODUCT SALE DATE. THEREAFTER, A WEEKLY PAYMENT WILL BE ISSUED.


3.0 PROGRAM TERMS (Check here if not applicable)

Rebates and allowances for any purchase tiers achieved will be computed back to dollar one (\$1). All Vendor program funds will be collected weekly, via debit memo and reconciled based on Office Depot's internal systems and Office Depot's fiscal periods. Over and Above (O&A) program funds will be collected immediately after the program is Vendor Approved and the end date has passed, as agreed upon via the Office Depot O&A system. Office Depot may perform additional reconciliation work as it deems necessary in its sole discretion in order to ensure that all program funds have been properly accounted for. Rebates and allowances shall be based on Net Purchases and calculated by Office Depot in its sole discretion based upon its internal records. "Net Purchases" for Owned, Virtual Warehouse, and Service Vendors shall be defined as gross purchases, less returns ("RTV's"). "Net Purchases" for Consignment Vendors shall be defined as Cost of Goods Sold. Returns exclude defective Products. Office Depot will not provide proof of performance.

3.1 PROGRAM FUNDS - REBATES
A. VOLUME REBATE

_____ % OF NET PURCHASES

OR TIERED

TIER(S)	PERCENTAGE
\$ _____ - \$ _____	_____ %
\$ _____ - \$ _____	_____ %
\$ _____ - \$ _____	_____ %
\$ _____ - \$ _____	_____ %

OR \$ _____ FLAT ANNUAL DOLLAR AMOUNT

B. MARKETING/ADVERTISING REBATE

_____ % OF NET PURCHASES

OR

\$ _____ FLAT ANNUAL DOLLAR AMOUNT

C. GROWTH REBATE

_____ % OF NET PURCHASES

OR TIERED

TIER(S)	PERCENTAGE
\$ _____ - \$ _____	_____ %
\$ _____ - \$ _____	_____ %
\$ _____ - \$ _____	_____ %
\$ _____ - \$ _____	_____ %

3.2 PROGRAM FUNDS - ALLOWANCES
A. DISPLAY ALLOWANCE

_____ % OF NET PURCHASES

_____ % OF INITIAL ORDER - Will be billed and collected via Office Depot's O&A process.

\$ _____ FLAT DOLLAR AMOUNT

B. STORE ALLOWANCES

Store Allowances shall be calculated by Office Depot in its sole discretion based upon its internal records.

1. NEW / RELOCATED / REMODELED STORE ALLOWANCE:

_____ % based on the average cost of Vendor's actual on-hand inventory of each new, relocated, or remodeled store, at the time of grand opening or re-opening, as the case may be.



OR

\$ for each new, relocated, or remodeled store, at the time of grand opening or re-opening, as the case may be.

2.

C. WAREHOUSE ALLOWANCE

% based on gross receipts during each Office Depot fiscal month for all purchases under this Agreement. The Warehouse Allowance is calculated as the sum of gross receipts at Office Depot's retail warehouse locations, plus the sum of transfers from Office Depot's distribution centers to stores, related to normal replenishment activities. The Warehouse Allowance shall be calculated by Office Depot in its sole discretion based upon its internal records.

4.0 SUPPLY CHAIN TERMS

4.1 DAMAGED & DEFECTIVE PRODUCT OPTION

SECTION 4.1 DOES NOT APPLY TO BUYBACK OR END OF LIFE INVENTORY.

SELECT ONE (1) OPTION:

- OD 1 - RETURN TO VENDOR¹ - CONTACT FOR RETURNED GOODS AUTHORIZATION ("RGA")
- OD 2 - RETURN TO VENDOR¹ - USE PERMANENT RGA # _____
- OD 73 - AUTOMATIC DESTROY; DEDUCT 100% FROM PAYMENT
(NO DEDUCTIONS WILL BE MADE FOR CONSIGNMENT VENDORS)
- OD 74 - DESTROY WITHOUT CREDIT (ALLOWANCE IS REQUIRED)

A FINAL RECONCILIATION WILL BE DONE AT THE END OF OFFICE DEPOT'S FISCAL YEAR

DESTROY ALLOWANCE 0.0 % OF NET PURCHASES

¹ FOR PRODUCTS WITH A P.O. COST EQUAL TO OR LESS THAN \$5.00, OFFICE DEPOT MAY, AT ITS OPTION, AUTOMATICALLY DESTROY (DEDUCT 100% FROM PAYMENT) SUCH PRODUCTS, RATHER THAN RETURNING SUCH PRODUCTS TO THE VENDOR AS PROVIDED UNDER OPTIONS OD 1 AND OD 2 ABOVE.

4.2 VENDOR RETURNS LOCATION (REQUIRED FOR SECTION 4.1 OPTIONS OD 1 & OD 2) MUST BE US LOCATION

ATTENTION:	N/A
RETURN ADDRESS (NO P.O. BOXES)	N/A
CITY, STATE AND ZIP CODE	N/A
TELEPHONE	N/A
FAX	N/A
EMAIL ADDRESS	N/A

Vendor may update the above returns location by written notice to Office Depot, provided that such update shall not be effective unless and until accepted by Office Depot in writing.

4.3 RETURN CONSOLIDATION ALLOWANCE (NOT APPLICABLE TO VIRTUAL WAREHOUSE VENDORS)

Vendor agrees to a quarterly freight deduction of \$3.00 per unit on all damaged or defective merchandise returned under Vendor's authorization. For any merchandise returned to Vendor directly from a store, Vendor will be billed UPS published rates less a 20% discount. Vendors will NOT be billed both the \$3.00 unit charge and the UPS freight charge for the same shipment. Deductions shall be calculated by Office Depot, with supporting documentation (a copy of which shall be furnished upon Vendor's reasonable request), based solely upon Office Depot's internal records. This Section 4.3 is not applicable to Virtual Warehouse Vendors.



4.4 FREIGHT MANAGEMENT

A. VIRTUAL WAREHOUSE VENDORS ONLY MUST COMPLETE: Vendor will ship to the following locations:

- Lower 48 states Alaska Puerto Rico Hawaii US Virgin Islands

B. SELECT ONE (1) OPTION:

- o **FREIGHT COLLECT PROGRAM - FOB DESTINATION** Office Depot plans, schedules, pays carrier freight. Freight Allowance applies.

Freight Allowance: % of gross purchases

- **FREIGHT PREPAID - FOB DESTINATION** Vendor plans, schedules, and pays all freight to carrier.

Owned and Consignment Vendors Freight Prepaid Lead Time:

- "Lead Time" is comprised of two components: (1) "Processing Time," or the time from Office Depot's purchase order creation date until the date on which the freight is available for pick-up by Vendor's carrier; and (2) "Transit Time," or the time from the date on which the freight is picked-up by Vendor's carrier's until Office Depot's delivery receipt;
- Lead Time shall not exceed seven (7) calendar days;
- Lead Times shall be mutually agreed upon by the parties and documented during the Office Depot Vendor Onboarding Call, and may be revised upon mutual agreement of the parties;
- The Office Depot compliance programs are tied to Vendor's on time delivery.

Virtual Warehouse / Copy Print Vendors Freight Prepaid Lead Time: N/A Average Business Days

- For VW Vendors, "Lead Time" shall mean the time from Office Depot's purchase order creation date until the date on which Vendor provides an EDI ASN to Office Depot indicating shipment for each order line in full.
- Backorders shall be communicated via email to crfvirtualwarehouse@officedepot.com and vw.escalations@officedepot.com, providing the purchase order number, backordered item(s), and estimated product availability date.

- o **FREIGHT - BILLED TO THIRD PARTY - FOB ORIGIN (VIRTUAL WAREHOUSE / COPY PRINT VENDORS ONLY)**

Freight for orders shipped via UPS Ground or via LTL shipments will be billed directly to Office Depot from the shipper utilizing 3rd party billing account number provided by Office Depot.

Backorders, or any order related issues shall be communicated via email to crfvirtualwarehouse@officedepot.com. For backorders the purchase order number, backordered item(s), and estimated product availability date must be provided.

Lead Time: N/A Average Business Days.

For Freight Prepaid – Billed to Third Party VW Vendors, "Lead Time" shall mean the time from Office Depot's purchase order creation date until Vendor provides an EDI ASN to Office Depot indicating shipment for each order line in full.

4.5 SHRINK ALLOWANCE (NOT APPLICABLE TO VIRTUAL WAREHOUSE VENDORS)

Shrink Allowance: 0 %

The Shrink Allowance will be deducted monthly from Vendor's invoice for purchases (for owned inventory) or deducted from net sales/cogs payments (for consigned inventory) and is independent from all other allowances or program funding. Office Depot may review the shrink allowance with Vendor from time to time to determine if allowance is appropriate.



5.0 COST & LIST PRICE OF PRODUCTS; DISCONTINUED PRODUCTS

Cost and List Prices: The cost and list price of all Products purchased by Office Depot pursuant to this Agreement shall be as set forth in the "Cost and List Information" section of the Vendor Portal located at <https://partner.officedepot.com>.

Cost and List Increases:

Office Depot expects no cost increases. Only in the case of significant changes in market conditions, all cost increase proposals must be submitted for approval to Office Depot, utilizing the Cost Change Justification form and process referenced in the Vendor Portal located at <https://partner.officedepot.com> and the Operating Guidelines referenced in Section 9.0 therein (Please see Part D. Financial Policies of the Operating Guidelines). The properly completed Cost Change Justification Form must be received on/or prior to the notification dates listed in the Operating Guidelines to meet the corresponding effective dates. Concurrently with its submission of proposed Product cost increases, Vendor will provide corresponding increases to the list prices of such Products. Requests without this properly completed documentation will be automatically rejected. Office Depot will review properly completed data and validate prior to either accepting or rejecting the request. Office Depot reserves the right to request decreases if warranted by market economics. Any proprietary information included in the Cost Change Justification Form is covered under the confidentiality provisions herein

Discontinued Catalog Products: Vendor must make available sufficient quantities of all Products listed in Office Depot's "Big Book" and BSD Catalogs (collectively, "Catalog Products") to support Office Depot's sales of such Catalog Products throughout the duration of these Catalogs. Office Depot will only accept notification of Catalog Product discontinuations once per calendar year and Vendor shall provide at least one hundred eighty (180) days' written notice in advance of the January release of these catalogs. Vendor's notification of any Catalog Product discontinuation will be accompanied by Vendor's selection of one of the following two disposition methods for the discontinued Catalog Product remaining in Office Depot's inventory, to be confirmed by Office Depot's inventory management team: (i) Automatic Destroy, Deduct 100% from Payment; or (ii) Return to Vendor, Contact for RGA (Vendor pays applicable freight charges).

Discontinued Non-Catalog Products: Office Depot will only accept notification of discontinuation of Products **not** in Office Depot's "Big Book" and BSD Catalogs (collectively, "Non-Catalog Products") once per calendar quarter. Vendor shall provide written notice and Vendor shall make available sufficient quantities of any discontinued Product to support Office Depot's sales of such Non-Catalog Products per the quarterly notification guidelines detailed below. Vendor notifications of any Non-Catalog Product discontinuation will be accompanied by Vendor's selection of one of the following two disposition methods for the discontinued Product remaining in Office Depot's inventory, to be confirmed by Office Depot's inventory management team: (i) Automatic Destroy, Deduct 100% from Payment; or (ii) Return to Vendor, Contact for RGA (Vendor pays applicable freight charges).

Notification Date	Inventory Availability
Calendar Year Q1	Through July 15, Same Calendar Year
Calendar Year Q2	Through Oct 15, Same Calendar Year
Calendar Year Q3	Through Jan 15, Next Calendar Year
Calendar Year Q4	Through April 15, Next Calendar Year

6.0 ITEM, CONTENT AND IMAGE SUBMISSION

Vendor agrees to submit product content and digital assets within 48 hours of setting up an item in the Vendor Portal. Vendor will review Style Guides posted on the Vendor Portal located at <https://partner.officedepot.com> and provide Office Depot with the content and digital asset standards required by category. If Office Depot must consistently demote items for content and asset inaccuracies or incomplete information, Vendor may be subject to a penalty, as set forth in the Guidelines.



7.0 INSURANCE

During the term of this Agreement, Vendor is required to carry insurance as set forth below with a carrier acceptable to Office Depot. Vendor shall include Office Depot, Inc. as an additional insured under Vendor's liability insurance policy and shall provide evidence thereof. No such insurance policy shall be cancelable or materially modified without Office Depot receiving at least thirty (30) days prior written notice. Vendor shall provide Office Depot a copy of Vendor's Certificate of Insurance ("COI") and shall provide proof of its compliance with this Section 7.0 upon Office Depot's reasonable request. The COI shall include the following:

7.1 Combined single limit for bodily injury and property damage of \$5,000,000 each occurrence; \$5,000,000 aggregate for products/completed operations; and \$5,000,000 general aggregate. Umbrella/Excess limits may be used to comply with the general liability limit requirements.

7.2 Broad form Vendor's endorsement naming Office Depot, Inc., its subsidiaries, and affiliates as additional insureds.

7.3 Mandatory thirty (30) days' prior notice of cancellation or material modification to: Office Depot, Inc., 6600 North Military Trail, Boca Raton, FL 33496, Attn: Vendor Relations Dept. or TVA@officedepot.com.

7.4 Product liability claims shall be sent to the following address: **(REQUIRED)**

COMPANY
NAME: Boise White Paper, L.L.C.

ADDRESS: 25 Northwest Point Boulevard, Suite
100

CITY, STATE, ZIP: Elk Grove Village, IL. 60007

ATTENTION: Kirk Allen

PHONE
NUMBER: (630) 227 -3422

8.0 SAFETY DATA SHEET GUIDELINES; WERCSMART REGISTRATION

A Safety Data Sheet (SDS) is required by federal law to accompany all potential hazardous materials. A SDS provides hazard information for a specific chemical or product.

All manufacturers and Vendors of hazardous or potentially hazardous chemicals must provide SDSs, or any other materials or information required by applicable law or regulation, for their Products to Office Depot prior to the Product arriving at any Office Depot facility.

A SDS is required for each Product (SKU). Vendor is expected to affix the Office Depot SKU number to the SDS. Forward all SDS to msdsinquiry@officedepot.com.

Any Vendor that supplies Products in the following departments must register with WERCSmart at the website <https://secure.supplierwercs.com/>:

- School Supplies • Writing • Inkjet Cartridges • Breakroom • Office Essentials • Cleaning/Personal Care • Toners/Other Imaging

9.0 OFFICE DEPOT OPERATING GUIDELINES

This Agreement is subject to the Office Depot Operating Guidelines – Trade Vendor Purchasing Agreement ("Guidelines") set forth at <https://partner.officedepot.com/documents/OG-2019.htm>, which are expressly incorporated herein by reference. These Guidelines may be amended from time to time by Office Depot. By signing below, Vendor acknowledges and agrees to the terms and conditions of the Guidelines, as applicable to the Vendor. In the event of a conflict between the terms and conditions of this Agreement and the Guidelines, the terms and conditions of this Agreement shall control.



10.0 VENDOR CONTACT INFORMATION

CORPORATE ADDRESS:

CITY STATE ZIP FAX () -

WEBSITE:

PAYEE ADDRESS: **MUST BE US LOCATION**

CITY STATE ZIP E-MAIL

PHONE () - TOLL FREE () - Bank Name:

U.S. ACH Routing Number:

U.S. Bank Account Number:

Please note that Office Depot has a three (3) day settlement date for EFT. Notwithstanding anything to the contrary, any request for changes to banking information must be submitted to Office Depot AP Department for verification.

CHIEF EXECUTIVE OFFICER:

PHONE () -

E-MAIL

PRESIDENT:

PHONE () -

E-MAIL

OFFICE DEPOT ACCOUNT MANAGER:

PHONE () -

E-MAIL

VENDOR PORTAL SUPER USER:

PHONE () -

E-MAIL

EDI CONTACT:

PHONE () -

E-MAIL

SUPPLY CHAIN CONTACT:

PHONE () -

E-MAIL

A/R CONTACT:

PHONE () -

E-MAIL

CONSIGNMENT CONTACT:

PHONE () -

E-MAIL

[Remainder of Page Intentionally Left Blank – Signature Page Follows]



The signing party hereby acknowledges that he/she is an authorized representative of the Vendor named below, and, by such signature the terms and conditions contained herein are hereby ratified and confirmed as a valid and legally binding obligation of said Vendor.

VENDOR:

Boise White Paper, L.L.C.

OFFICE DEPOT, INC.

SIGNATURE DocuSigned by:
/s/ Paul LeBlanc
6D9F5276D6D1424

NAME Paul LeBlanc

TITLE Vice President, Paper

DATE 12/6/2019

SIGNATURE DocuSigned by:
/s/ Eric Meehan
CBC8B85D7EC5436

NAME Eric Meehan

TITLE VP, Merchandising

DATE 12/6/2019

DS MLM DS TPB





**ADDENDUM
TO THE
2019 TRADE VENDOR PURCHASING AGREEMENT**

This Addendum to the 2019 Trade Vendor Purchasing Agreement (“Addendum”) supplements and amends that certain 2019 Trade Vendor Purchasing Agreement (“Agreement”) between Office Depot and Vendor. This Addendum shall take effect concurrently with the Agreement. In the event that any term or condition in this Addendum conflicts with a term or condition in the Agreement, the term or condition in this Addendum shall control. Capitalized terms used but not defined in this Addendum shall have the meanings ascribed thereto in the Agreement.

The parties agree to modify the Agreement as follows:

Section A:

Notwithstanding anything to the contrary, the following provisions of the TVA Section 9.0 are expressly noted as not applicable:

Operating Guidelines – Trade Vendor Purchase Agreement

- b. Supply Chain
 - i. Freight Collect Program Terms
 - ii. Compliance Program Terms
 - iv. Virtual Warehouse Program Terms

Quality Assurance Documents

- b. Agree to Comply FAQ 2016

Social Compliance Documents

- b. FINAL Combined DIVA 2016
- c. Social Compliance Report Release Authorization ULRS SGS
- e. 2018 International Vendor Procedures
- f. 2018 Domestic Vendor Procedures

Supply Chain Procedures

- a. Office Depot Vendor Partnership Program Manual

Section B:

Notwithstanding anything to the contrary, the following provisions of the TVA Section 9.0 are amended as noted below:

Operating Guidelines – 2019 Trade Vendor Purchase Agreement

- a. Corporate Policies

Vendor certifies that Vendor has a code of conduct at least as strict as Office Depot’s Supplier Guiding Principles 2018 v1 to which Vendor adheres. So long as Vendor maintains and enforces its code of conduct, Vendor shall not be required to post and communicate Office Depot’s Supplier Guiding Principles to its personnel. Vendor will comply with Office Depot’s written Gifts and Entertainment policies.

- i. Code of Ethical Behavior

Vendor acknowledges receipt of Office Depot’s code.

- c. Electronic Data Interchange specifications

Vendor acknowledges receipt of Office Depot’s EDI specifications and Vendor will comply as applicable.

- d. Financial Policies

The parties delete Sections 7 and 8.

Quality Assurance Documents

- a. Private Brand Quality Manual

On page 17, the phrase “Forest Stewardship Council or Programme for Endorsement of Forestry Certification” shall read “Forest Stewardship Council or Programme for Endorsement of Forestry Certification or Sustainable Forestry Initiative.”

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Social Compliance Documents

a. Supplier Guiding Principles 2018 v1

Vendor certifies that Vendor has a code of conduct at least as strict as Office Depot's Supplier Guiding Principles 2018 v1 to which Vendor adheres. So long as Vendor maintains and enforces its code of conduct, Vendor shall not be required to post and communicate Office Depot's Supplier Guiding Principles to its personnel.

Section C:

The parties incorporate into the TVA the following, which terms and conditions supersede any conflicting term and condition in the TVA.

1. **Products – Commodity Papers:**

1.1 "Commodity Papers" shall include all products listed on Exhibit B (under the heading "Commodity Papers"). Boise shall update Exhibit B periodically to reflect the products sold by Boise to Office Depot.

1.2 Pricing and terms for Commodity Papers are set forth on Exhibits A and B.

1.3 Within the [***] days after Boise has announced a price increase, unless Boise otherwise agrees, Office Depot shall not purchase more than [***] of the average monthly volume purchased for Commodity Papers during the prior three months. To the extent Boise accepts orders for greater than the [***] limitation, Boise may charge Office Depot the post-increase price for the incremental volume.

2. **Products – Non-Commodity Papers:** "Non-Commodity Papers" shall include all paper products listed on Exhibit B, other than those defined as "Commodity Papers" above. Pricing and terms for Non-Commodity Papers are set forth on Exhibit A and B.

3. **Expiration and Phase-Down:**

3.1 TVA Section 1.2 A is amended by deleting the phrase "and shall remain in full force and effect until terminated in accordance with the terms hereof." TVA Section 1.2 A is subject to the two-year Phase down set forth below. TVA Section 1.2 B is deleted from the Agreement.

3.2 Unless the parties, on or before September 1, 2022, mutually agree in writing to an extension or renewal of the Agreement to provide to the contrary, on December 31, 2022, the Agreement shall enter into a two-year Phase Down period. Notwithstanding that effective date of expiration, Office Depot will continue to purchase and Boise will continue to supply product during the Phase-Down as set forth in Section 3.3 below. The Phase-Down will begin on January 1, 2023; and all other terms and conditions shall apply during the Phase-Down.

3.3 Phase-Down (2023 and beyond)– If Phase-Down is triggered under Section 3.2, on January 1, 2023, Office Depot will reduce its volume of Commodity Papers and Non-Commodity Papers over a two year period, as follows:

3.3.1 In the first 90 days after Phase-Down begins, Office Depot will purchase on a prorated basis at least 90% of the total tons Boise supplied papers sold by Office Depot in the year preceding Phase-Down;

3.3.2 In the first year of Phase-Down (calculated to include the 90 day period referenced above), Office Depot will continue to purchase 66% of the total unit volume of Boise supplied paper sold by Office Depot in the year preceding Phase-Down; and

3.3.3 In the second year of Phase-Down, Office Depot will continue to purchase 33% of the total unit volume of Boise supplied paper sold by Office Depot in the year preceding Phase-Down.

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4. **Allocation / Confidentiality of Pricing / List Prices and Increases:**

4.1 Office Depot shall not be placed on allocation unless and until the effective date of expiration in which event such allocation shall be on a ratable basis with Boise's other customers. For calendar year 2020 and each year thereafter, Boise guarantees to make available up to [***] of paper for Office Depot to purchase in any calendar quarter, but Boise's obligation is capped at [***] tons per calendar year. If Boise is unable to accept orders up to the respective volume guarantee for a particular calendar quarter or a particular calendar year, Boise shall pay Office Depot a penalty of [***] per ton of shortfall for the quarter or year, as applicable, and such tons shall count towards Office Depot's purchases from Boise for the purpose of determining (i) any quantity-based discount percentage and (ii) Office Depot's compliance with any minimum purchase requirement hereunder. Boise shall pay any penalty within 30 days after the end of the quarter or year, as applicable.

4.2 The parties shall keep the pricing terms of this agreement strictly confidential. Pricing for products shall not be disclosed within the parties' respective organizations except on a strict need-to-know basis and in no case shall any sales representatives of any party be told of the pricing under this Agreement.

4.3 TVA Section 5.1 is amended by deleting the phrase "the 'Cost and List Information' section of the Vendor Portal located at <https://partner.officedepot.com>" and replacing with the phrase "Exhibits A and B."

4.4 TVA Section 5.2 is deleted.

5. **Notice to Boise:** For purposes of Section E18 of Office Depot's Legal Term and Conditions (Part E), notices to Boise shall be sent to:

Boise White Paper, L.L.C.
Attention Vice President – Paper Business
25 NW Point Blvd., Suite 100
Elk Grove Village, IL 60007

With a copy to: Boise White Paper, L.L.C.
Attention Deputy General Counsel
1 North Field Court
Lake Forest, IL 60045

6. **Events of Default and Termination:**

6.1 Late Payment Defaults. If either party fails to pay any amount owed by it hereunder when due (a "Late Payment Default"), such amount shall accrue interest from the date on which it was due at a rate equal to ten percent per annum. Notwithstanding the foregoing, any such interest accruing within the first [***] period following the due date shall be waived so long as the party receiving the benefit of such waiver has not committed more than four Late Payment Defaults in the then-current calendar year. Any accrued interest not subject to waiver shall be payable on demand. Complaints or claims by a party under this Agreement regarding standards of performance or quality will be subject to the dispute resolution provisions hereunder, but in no event will excuse a party from paying the purchase price for delivered goods in full when due.

6.2 Vendor Compliance. Boise is exempt from Office Depot's standard Supply Chain Compliance Program (as set forth in Section b(ii) of the Office Depot Operating Guidelines). Notwithstanding such exemption, Boise will use commercially reasonable efforts to perform its obligations at a level that meets or exceeds Office Depot's standards. If Boise fails to meet such standard over a period of 60 days or more, Boise shall meet with Office Depot's supply chain team to develop an action plan to improve Boise's performance. If Boise fails to implement such action plan in good faith or Boise's performance does not improve within 60 days following such implementation, Office Depot may implement its standard Supply Chain Compliance program until Boise achieves agreed upon performance standards.

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6.3 **Terminable Defaults.** If either party commits any breach of this Agreement, other than a Late Payment Default, or if either party commits more than four Late Payment Defaults in a calendar year, the other party may, if such breach or default is not cured within 60 days after the complaining party gives notice of such breach to the party in breach, terminate this Agreement. Such remedy shall be in addition to any other remedy which may be available under applicable law or the terms hereof for such breach. Notwithstanding the foregoing, if the nature of the breach complained of is such that its cure may be reasonably expected to take more than 60 days to execute, no right to terminate shall accrue so long as the party in breach shall have commenced its efforts to effect a cure and shall be diligently pursuing such efforts.

7. **Miscellaneous.**

7.1 **Assignment.** The Agreement shall be binding upon the parties and their successors and assigns, but no party shall make any sale, assignment, or other transfer of all or any portion of its rights hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld, provided, however, that Boise may assign this Agreement without Office Depot' consent upon the sale of all, or substantially all, of its paper manufacturing assets provided that the party purchasing such assets expressly agrees in writing to assume and fully perform all of Boise's obligations hereunder. In the event of any restructuring or reorganization of Office Depot, or sale of all or a substantial portion of the assets or the business of Office Depot, Office Depot may assign this Agreement provided that the assignee expressly agrees in writing to assume and fully perform all of Office Depot's obligations hereunder.

7.2 **Order Acceptance and Timing.** The last sentence of Section E9 of Office Depot's Legal Terms and Conditions (Part E) is revised to read:

"Time is of the essence with respect to the acceptance and fulfillment of orders for Products."

7.3 **Right of Offset.** All debts and obligations of Office Depot and Boise to each other are mutual and subject to setoff. For purposes of this paragraph, "Office Depot" and "Boise" shall be deemed to include each party's respective subsidiaries and affiliates which directly or indirectly control or are controlled by that party.

7.4 **Indemnity Scope Clarification.** Boise's indemnification of Office Depot shall not cover any claim where such claim is wholly attributable to the fault of Office Depot.

8. **Prior Agreements:**

8.1 This Agreement will supersede prior agreements between Boise and Office Depot, including, but not limited to the following:

8.1.1 Paper Purchase Agreement effective June 25, 2011, between Boise and OfficeMax Incorporated, First Amendment to Paper Purchase Agreement dated June 20, 2013, Second Amendment to Paper Purchase Agreement and Termination of Office Depot TVA dated January 1, 2015, Third Amendment to Paper Purchase Agreement dated January 1, 2016, Fourth Amendment to Paper Purchase Agreement dated January 1, 2017, Fifth Amendment to Paper Purchase Agreement dated January 1, 2018, Sixth Amendment to Paper Purchase Agreement dated January 1, 2018, and Seventh Amendment to Paper Purchase Agreement dated January 1, 2019;

which prior agreement, as amended, shall terminate on December 31, 2019, notwithstanding anything to the contrary in that prior agreement and its amendments.

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8.1.2 Any domestic Vendor Profile between Boise and Office Depot, except the 2019 Trade Vendor Purchasing Agreement executed by Office Depot, Inc. and Boise White Paper, L.L.C. as supplemented and amended by the parties' Addendum to the 2019 Trade Vendor Purchasing Agreement.

VENDOR:

Boise White Paper, L.L.C.

OFFICE DEPOT, INC.

SIGNATURE _____
 DocuSigned by:
 /s/ Paul LeBlanc
 6D9F5276D6D1424

NAME _____
 Paul LeBlanc

TITLE _____
 Vice President, Paper

DATE _____
 12/6/2019

SIGNATURE _____
 DocuSigned by:
 /s/ Eric Meehan
 CBC8B85D7EC5436

NAME _____
 Eric Meehan

TITLE _____
 VP, Merchandising

DATE _____
 12/6/2019

DS DS
 MLM TPB



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EXHIBIT A

PRODUCTS LIST AND PRODUCT PRICING

1. **Commodity Papers Pricing:** Net pricing for each product identified on Exhibit B as a "Commodity Paper" shall be as set forth in this exhibit. The term "RISI" in the "pricing rule" column set forth in Exhibit B shall mean a sales price based on the pricing identified in the Paper Trader for "Std. 92 BRT XEROG" (the "RISI Reported Price"), but determined as set forth in Section 1(a) below, less a percentage discount calculated as set forth in Section 1(b) below:

1(a) Commencing as of the effective date of this Agreement,

(i) [***]

(ii) [***]

(iii) [***]

1(b) In calendar year 2020 and beyond (other than Phase-Down) – the percentage discount shall be [***] so long as Office Depot purchases from Boise at least [***] tons of paper and so long as at least [***] of those tons are Non-Commodity Papers. In the event Office Depot does not qualify by the end of the calendar year for this [***] discount, the percentage discount for the calendar year shall be decreased to [***] and Office Depot shall pay Boise the difference between [***] and [***] within 30 days after the end of the calendar year.

Notwithstanding anything to the contrary, a [***] discount shall be applied to all purchases made during any Phase-Down period.

1(c) it is understood that wherever else RISI is used in this Agreement, RISI shall mean the RISI Reported Price without giving effect to any discount. All pricing shall be rounded up or down to the nearest penny. The "Paper Trader" is a periodical published monthly by Resource Information Systems, Inc.

1(d) If RISI discontinues publishing a price for "Std. 92 BRT XEROG," the parties shall identify another publication with the highest correlation between its price for cutsize paper and RISI's cutsize paper price and the discount shall be recalculated in a fashion which generally preserves the discount from the RISI price that Office Depot had previously.

2. **Non-Commodity Papers Pricing:** Net pricing for each product identified herein as a "Non-Commodity Papers" shall be priced as follows:

2.1 Pricing for products on Exhibit B that are priced using an index, shall be determined using the pricing rule for Commodity Papers, described above.

2.2 Pricing for products identified on Exhibit B with the designation of "Boise Brand" in the pricing rule column shall be determined by the price at which Boise sells products of like kind, quality, and quantity to other unrelated purchasers and Office Depot' price for such products shall be the lowest net price at which Boise sells to similar third party purchasers.

2.3 For products produced by Boise solely for Office Depot and identified on Exhibit B with the designation as an "Office Depot" brand," Boise and Office Depot shall negotiate a price. If the parties can't agree on a price, Office Depot may solicit prices for comparable products and quantities from other producers provided that Boise shall have the right to meet any such prices.

2.4 Some products in Exhibit B are purchased from other producers and the name of the current producer is noted in the "producer" column. Such products shall be sold to Office Depot at the prices noted in the pricing rule column and may be adjusted from time to time. Boise will provide at least 30 days prior written notice of any adjustments.

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3. **Annual Rebate:**

3.1 Office Depot shall be eligible for an annual rebate, back to dollar one, calculated using a percentage from this chart in accordance with the minimum volume actually purchased in a calendar year:

<u>Rebate Percentage</u>	<u>Minimum Volume (tons)</u>
[***]	[***]
[***]	[***]
[***]	[***]

The rebate shall be paid by Boise within 30 days after the end of the calendar year in which the rebate was earned. The rebate shall be calculated using the actual net purchase price, after any returns and allowances.

4. **Promotional Pricing:**

4.1 For calendar year 2020 and each year thereafter, Boise shall pay Office Depot a minimum of [***] per year for mutually agreed upon promotional opportunities.

5. **Miscellaneous Pricing Terms:**

5.1 Prices for Grand & Toy products shall be determined by converting the prices set forth in this exhibit to Canadian dollars using the exchange rate set forth in the Wall Street Journal on the last business day of the previous month. Payments shall be made in Canadian currency.

5.2 All products shall be priced and invoiced at time of shipment, F.O.B. Boise's dock (Mill, RSC, or

Warehouse), freight prepaid and allowed. Boise shall be responsible for product quality or transit damage that may be incurred during shipment from the mill to an Office Depot facility. Office Depot shall be responsible for any damages incurred after the shipment has been delivered.

5.3 Payments shall be made via electronic funds transfers.

5.4 All discounts under this agreement shall be calculated on the fifth day of each month based on share purchased within the preceding month. At the end of each year, the parties will true-up any discounts based on annual volumes purchased.

5.5 To preserve the confidentiality of the pricing hereunder, the purchase order prices and the invoice prices will be as determined by Office Depot. If there is a discrepancy between the purchase order price or invoice price and the actual net sales price, then Boise shall rebate to Office Depot the excess of the invoice price over the actual net sales price within the first ten days of the month.

5.6 Boise and Office Depot may agree on a different price for truckload drop shipments. Truckload drop shipments are defined as customers who commit to purchasing at least three full truckloads per month for shipment direct from Boise's mill or RSC to the end user customer. In addition, orders of five (5) skids or more dropped shipped at a customer location within the 48 contiguous U.S. States shall be delivered by Boise free of charge, assuming the customer's location is equipped with standard docking equipment and personnel and has no special packaging or palletizing requirements and the total freight charge to Boise for the drop shipment is less than \$1000. In all other cases, Boise and Office Depot will agree on pricing for drop shipments.

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5.7 For purposes of the Agreement, Boise may implement a fuel surcharge only when it can document that [***] of its paper customers (by-volume, not including Office Depot) have implemented a surcharge. Boise must provide 90 day notice with proper documentation. This documentation will include the data supporting the origination of the fuel surcharge. The intent of this provision is to pass through a documented fuel surcharge that is clearly identifiable in amount and will be removed when the surcharge situation no longer exists.

Notification Date	Effective Date
Oct 1	Jan 1
Jan 1	April 1
April 1	July 1
July 1	Oct 1

5.8 All pricing to Office Depot takes into account all of the commercial customs and practices (including mode of shipping and freight) in effect prior to the effective date of this Agreement. It is the intent of the parties that they will continue to work under the same commercial customs and practices currently in place on the date of this Agreement, unless specifically addressed herein.

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EXHIBIT B

PRICE LIST

[see attached]

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Exhibit B - Commodity and Non-Commodity Cutsheet SKUs

Purchasing		Grade	***	Description	Brightness	Basis Wt	Sheet Size	Sheets / Ream	Rms / Ctn	Premium Ream-Wrap	Post Consumer content	***	***
Commodity Papers													
Boise X-9®													
Office Depot	Grand&Toy	COMM	***	Boise X-9®	92	20	8.5 x 11	500	10	-	-	***	***
Office Depot	Grand&Toy	COMM	***	Boise X-9®	92	20	8.5 x 11 - 3HP	500	10	-	-	***	***
Office Depot	Grand&Toy	COMM	***	Boise X-9®	92	20	8.5 x 14	500	10	-	-	***	***
Office Depot	Grand&Toy	COMM	***	Boise X-9®	92	20	11 x 17	500	5	-	-	***	***
Office Depot	Grand&Toy	COMM	***	Boise X-9®	92	20	8.5 x 11	500	5	-	-	***	***
Office Depot	Grand&Toy	COMM	***	Boise X-9®	92	24	8.5 x 11	500	10	-	-	***	***
Office Depot	Grand&Toy	COMM	***	Boise X-9®	92	24	8.5 x 11 - 3HP	500	10	-	-	***	***
Office Depot	-	COMM	***	Boise X-9®	92	24	11 x 17	500	5	-	-	***	***
Office Depot® Copy & Print (Red Top)													
Office Depot	-	COMM	***	Office Depot® Copy & Print	92	20	8.5 x 11	500	10	-	-	***	***
Office Depot	-	COMM	***	Office Depot® Copy & Print	92	20	8.5 x 11 - 3HP	500	10	-	-	***	***
Office Depot	-	COMM	***	Office Depot® Copy & Print	92	20	8.5 x 14	500	10	-	-	***	***
Office Depot	-	COMM	***	Office Depot® Copy & Print	92	20	11 x 17	500	5	-	-	***	***
Office Depot	-	COMM	***	Office Depot® Copy & Print	92	20	8.5 x 11	500	5	-	-	***	***
Office Depot	-	COMM	***	Office Depot® Copy & Print	92	20	8.5 x 11	500	3	-	-	***	***
Office Depot® White Copy (White Top)													
Office Depot	-	COMM	***	Office Depot® White Copy	92	20	8.5 x 11	500	10	-	-	***	***
Office Depot® Just Basics													
Office Depot	-	COMM	***	Office Depot® Just Basics	92	20	8.5 x 11	500	10	-	-	***	***
Office Depot	-	COMM	***	Office Depot® Just Basics	92	20	8.5 x 11	500	8	-	-	***	***
Office Depot	-	COMM	***	Office Depot® Just Basics	92	20	8.5 x 11	500	3	-	-	***	***
Office Depot® Copy Paper (E-Commerce only item)													
Office Depot	-	COMM	***	Office Depot® Copy Paper	92	20	8.5 x 11	500	10	-	-	***	***
Xerographic Copy Paper (white box)													
Office Depot	-	COMM	***	Xerographic Copy Paper (white box)	92	20	8.5 x 11	500	10	-	-	***	***
Grand&Toy Premium Copy													
-	Grand&Toy	COMM	***	Grand&Toy Premium Copy	92	20	8.5 x 11	500	10	-	-	***	***
-	Grand&Toy	COMM	***	Grand&Toy Premium Copy	92	20	8.5 x 11 - 3HP	500	10	-	-	***	***
-	Grand&Toy	COMM	***	Grand&Toy Premium Copy	92	20	8.5 x 14	500	10	-	-	***	***
-	Grand&Toy	COMM	***	Grand&Toy Premium Copy	92	20	11 x 17	500	5	-	-	***	***
-	Grand&Toy	COMM	***	Grand&Toy Premium Copy	92	20	8.5 x 11	500	5	-	-	***	***
-	Grand&Toy	COMM	***	Grand&Toy Premium Copy	92	20	8.5 x 14	500	5	-	-	***	***
Boise ASPEN® 30													
Office Depot	Grand&Toy	COMM	***	Boise ASPEN® 30	92	20	8.5 x 11	500	10	-	30%	***	***
Office Depot	Grand&Toy	COMM	***	Boise ASPEN® 30	92	20	8.5 x 11 - 3HP	500	10	-	30%	***	***
Office Depot	Grand&Toy	COMM	***	Boise ASPEN® 30	92	20	8.5 x 14	500	10	-	30%	***	***
Office Depot	Grand&Toy	COMM	***	Boise ASPEN® 30	92	20	11 x 17	500	5	-	30%	***	***
Office Depot	Grand&Toy	COMM	***	Boise ASPEN® 30	92	20	8.5 x 11	500	5	-	30%	***	***
Office Depot® Envirocopy® 30, 30% Recycled (Green Top)													
Office Depot	-	COMM	***	Office Depot® Envirocopy® 30, 30% Recycled	92	20	8.5 x 11	500	10	-	30%	***	***
Office Depot	-	COMM	***	Office Depot® Envirocopy® 30, 30% Recycled	92	20	8.5 x 11 - 3HP	500	10	-	30%	***	***
Office Depot	-	COMM	***	Office Depot® Envirocopy® 30, 30% Recycled	92	20	8.5 x 14	500	10	-	30%	***	***
Office Depot	-	COMM	***	Office Depot® Envirocopy® 30, 30% Recycled	92	20	11 x 17	500	5	-	30%	***	***
Office Depot	-	COMM	***	Office Depot® Envirocopy® 30, 30% Recycled	92	20	8.5 x 11	500	5	-	30%	***	***

NOTE: [***]

Exhibit B - Commodity and Non-Commodity Cutsheet SKUs

Purchasing	Grade	[***]	Description	Brightness	Basis Wt	Sheet Size	Sheets / Ream	Rms / Ctn	Premium Ream-Wrap	Post Consumer content	[***]	[***]
Non - Commodity Papers												
Office Depot® Multiuse (94 Bright)												
Office Depot	NON - COMM	[***]	Office Depot® Multiuse	94	20	8.5 x 11	500	8	-	-	[***]	[***]
Office Depot® Multipurpose (Blue Top)												
Office Depot	NON - COMM	[***]	Office Depot® Multipurpose	96	20	8.5 x 11	500	10	-	-	[***]	[***]
Office Depot	NON - COMM	[***]	Office Depot® Multipurpose	96	20	8.5 x 11 - 3HP	500	10	-	-	[***]	[***]
Office Depot	NON - COMM	[***]	Office Depot® Multipurpose	96	20	8.5 x 14	500	10	-	-	[***]	[***]
Office Depot	NON - COMM	[***]	Office Depot® Multipurpose	96	20	11 x 17	500	5	-	-	[***]	[***]
Office Depot	NON - COMM	[***]	Office Depot® Multipurpose	96	20	8.5 x 11	500	5	-	-	[***]	[***]
Boise X-9® High Bright												
Office Depot	NON - COMM	[***]	Boise X-9® High Bright	96	20	8.5 x 11	500	10	-	-	[***]	[***]
Grand&Toy Multi-purpose												
-	NON - COMM	[***]	Grand&Toy Multi-purpose	96	20	8.5 x 11	500	10	-	-	[***]	[***]
Boise X-9® Chain of Custody Certified												
Office Depot	NON - COMM	[***]	Boise X-9® FSC CoC	92	20	8.5 x 11	500	10	-	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise X-9® FSC CoC	92	20	8.5 x 11 - 3HP	500	10	-	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise X-9® FSC CoC	92	20	8.5 x 14	500	10	-	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise X-9® FSC CoC	92	20	11 x 17	500	5	-	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise X-9® FSC CoC	92	24	8.5 x 11	500	10	-	-	[***]	[***]
Boise ASPEN® 50												
Office Depot	NON - COMM	[***]	Boise ASPEN® 50	92	20	8.5 x 11	500	10	-	50%	[***]	[***]
Office Depot	NON - COMM	[***]	Boise ASPEN® 50	92	20	8.5 x 11 - 3HP	500	10	-	50%	[***]	[***]
Office Depot	NON - COMM	[***]	Boise ASPEN® 50	92	20	8.5 x 14	500	10	-	50%	[***]	[***]
Office Depot	NON - COMM	[***]	Boise ASPEN® 50	92	20	11 x 17	500	5	-	50%	[***]	[***]
Boise ASPEN® 100												
Office Depot	NON - COMM	[***]	Boise ASPEN® 100	92	20	8.5 x 11	500	10	-	100%	[***]	[***]
Office Depot	NON - COMM	[***]	Boise ASPEN® 100	92	20	8.5 x 11 - 3HP	500	10	-	100%	[***]	[***]
Office Depot	NON - COMM	[***]	Boise ASPEN® 100	92	20	8.5 x 14	500	10	-	100%	[***]	[***]
Office Depot	NON - COMM	[***]	Boise ASPEN® 100	92	20	11 x 17	500	5	-	100%	[***]	[***]
Office Depot® Envirocopy® 50 and 100, Recycled (Green Top)												
Office Depot	NON - COMM	[***]	Office Depot® Envirocopy® 50, 50% Recycled	92	20	8.5 x 11	500	10	-	50%	[***]	[***]
Office Depot	NON - COMM	[***]	Office Depot® Envirocopy® 100, 100% Recycled	92	20	8.5 x 11	500	10	-	100%	[***]	[***]
Boise X-9® SPLOX®												
Office Depot	NON - COMM	[***]	Boise X-9® SPLOX®	92	20	8.5 x 11	2500	N/A	-	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise X-9® SPLOX®	92	20	8.5 x 11 - 3HP	2500	N/A	-	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise X-9® SPLOX®	92	24	8.5 x 11	2000	N/A	-	-	[***]	[***]
Boise POLARIS® SPLOX®												
Office Depot	NON - COMM	[***]	Boise POLARIS® SPLOX®	97	20	8.5 x 11	2500	N/A	-	-	[***]	[***]
Boise ASPEN® 30 SPLOX®												
Office Depot	NON - COMM	[***]	Boise ASPEN® 30 SPLOX®	92	20	8.5 x 11	2500	N/A	-	30%	[***]	[***]
Boise POLARIS® Premium Multipurpose												
Office Depot	NON - COMM	[***]	Boise POLARIS® Premium Multipurpose	97	20	8.5 x 11	500	10	P1S / Poly	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise POLARIS® Premium Multipurpose	97	20	8.5 x 11 - 3HP	500	10	P1S	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise POLARIS® Premium Multipurpose	97	20	8.5 x 14	500	10	P1S	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise POLARIS® Premium Multipurpose	97	20	11 x 17	500	5	P1S	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise POLARIS® Premium Multipurpose	97	24	8.5 x 11	500	10	P1S / Poly	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise POLARIS® Premium Multipurpose	97	24	11 x 17	500	5	P1S	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise POLARIS® Premium Multipurpose	97	24	12 x 18	500	4	P1S	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise POLARIS® Premium Multipurpose	97	28	8.5 x 11	500	6	P1S	-	[***]	[***]
Office Depot	NON - COMM	[***]	Boise POLARIS® Premium Multipurpose	97	28	11 x 17	500	4	P1S	-	[***]	[***]

NOTE: [***]

Exhibit B - Commodity and Non-Commodity Cutsheet SKUs

Purchasing		Grade	***	Description	Brightness	Basis Wt	Sheet Size	Sheets / Ream	Rms / Ctn	Premium Ream Wrap	Post Consumer content	***	***
Non - Commodity Papers													
Boise POLARIS® Premium Inkjet													
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Premium Inkjet	97	24	8.5 x 11	500	5	Poly	-	***	***
Office Depot® Inkjet													
Office Depot	-	NON - COMM	***	Office Depot® Inkjet Print, 30% Recycled	96	24	8.5 x 11	500	5	P1S	30%	***	***
Office Depot	-	NON - COMM	***	Office Depot® Inkjet Print, 30% Recycled	96	24	8.5 x 11	500	3	P1S	30%	***	***
Office Depot	-	NON - COMM	***	Office Depot® Inkjet Pro	97	24	8.5 x 11	500	5	Poly	-	***	***
Boise POLARIS® Premium Laser/Cover													
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Premium Laser	98	24	8.5 x 11	500	8	Poly / Poly	-	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Premium Laser	98	24	8.5 x 11 - 3HP	500	8	P1S	-	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Premium Laser	98	24	8.5 x 14	500	6	P1S	-	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Premium Laser	98	24	11 x 17	500	4	P1S	-	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Premium Laser	98	28	8.5 x 11	500	6	P1S	-	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Premium Laser Cover	98	80	8.5 x 11	250	6	P1S	-	***	***
Boise ASPEN® Laser													
Office Depot	Grand&Toy	NON - COMM	***	Boise ASPEN® Laser	96	24	8.5 x 11	500	8	P1S	30%	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise ASPEN® Laser	96	24	8.5 x 14	500	6	P1S	30%	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise ASPEN® Laser	96	24	11 x 17	500	4	P1S	30%	***	***
Office Depot® Laser													
Office Depot	-	NON - COMM	***	Office Depot® Laser Print, 30% Recycled	96	24	8.5 x 11	500	5	P1S	30%	***	***
Office Depot	-	NON - COMM	***	Office Depot® Laser Print, 30% Recycled	96	24	8.5 x 11	500	3	P1S	30%	***	***
Office Depot	-	NON - COMM	***	Office Depot® Laser Pro	97	28	8.5 x 11	500	5	Poly	-	***	***
Boise POLARIS® Color Copy													
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Color Copy	98	28	8.5 x 11	500	6	Poly / Poly	-	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Color Copy	98	28	8.5 x 11 - 3HP	500	6	P1S	-	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Color Copy	98	28	8.5 x 14	500	3	P1S	-	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Color Copy	98	28	17 x 11	500	3	P1S	-	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Color Copy	98	28	18 x 12	500	3	-	-	***	***
Boise POLARIS® Color Copy Cover													
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Color Copy Cover	98	80	8.5 x 11	250	6	P1S	-	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Color Copy Cover	98	80	17 x 11	250	3	P1S	-	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise POLARIS® Color Copy Cover	98	80	18 x 12	250	3	-	-	***	***
Boise ASPEN® Color Copy													
Office Depot	Grand&Toy	NON - COMM	***	Boise ASPEN® Color Copy	96	28	8.5 x 11	500	8	P1S	100%	***	***
Office Depot® Color Copy													
Office Depot	-	NON - COMM	***	Office Depot® Color Copy	98	28	8.5 x 11	500	4	- / Poly	-	***	***
Office Depot	-	NON - COMM	***	Office Depot® Color Copy	98	28	17 x 11	500	4	-	-	***	***
Boise FIREWORX™ (Pastel)													
Office Depot	Grand&Toy	NON - COMM	***	Boise FIREWORX™ (Pastel)	N/A	20	8.5 x 11	500	10	Poly	30%	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise FIREWORX™ (Pastel)	N/A	20	8.5 x 14	500	10	-	30%	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise FIREWORX™ (Pastel)	N/A	20	11 x 17	500	5	-	30%	***	***
Office Depot	Grand&Toy	NON - COMM	***	Boise FIREWORX™ (Pastel)	N/A	24	8.5 x 11	500	10	Poly	30%	***	***
Boise FIREWORX™ (Bright)													
Office Depot	Grand&Toy	NON - COMM	***	Boise FIREWORX™ (Bright)	N/A	24	8.5 x 11	500	10	Poly	30%	***	***
Boise FIREWORX™ Assortment Packs													
Office Depot	Grand&Toy	NON - COMM	***	Boise FIREWORX™ Pastel Assortment	N/A	20	8.5 x 11	500	5	Poly	30%	***	***

Subsidiaries of the Registrant *

	State or Other Jurisdiction of Incorporation or Organization
Packaging Corporation of America (100%)	Delaware
PCA Corrugated and Display, LLC (100%)	Delaware
Polywoven Distributors PA, LLC (51%)	Pennsylvania
PCA International Inc. (100%)	Delaware
PCA International Services, LLC (100%)	Delaware
PCA Hydro Inc. (100%)	Delaware
Packaging Corporation of Asia, Limited (100%)	Hong Kong
PCA Texas Acquisition, LLC (100%)	Delaware
PCA Central California Corrugated, LLC (100%)	Delaware
Hexacomb Corporation (100%)	Illinois
Hexacomb Canada Holdings Corporation (100%)	Canada
Hexacomb Canada Corporation (100%)	Canada
Louisiana Timber Procurement Company, LLC (50%)	Delaware
Boise White Paper, LLC (100%)	Delaware
International Falls Power Company (100%)	Delaware
Minnesota, Dakota & Western Railway Company (100%)	Minnesota
B C T, Incorporated (100%)	Delaware

* The names of some of our foreign subsidiaries have been omitted. These unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary, as defined in Regular S-X, Rule 1-02 (w).

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Packaging Corporation of America:

We consent to the incorporation by reference in the registration statements (Nos. 333-179620, 333-188265, 333-206801, and 333-202723) on Form S-8 of Packaging Corporation of America and registration statement (No. 333-221917) on Form S-3 of Packaging Corporation of America of our report dated February 26, 2020, with respect to the consolidated balance sheets of Packaging Corporation of America as of December 31, 2019 and 2018, the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2019, which report appears in the December 31, 2019 annual report on Form 10-K of Packaging Corporation of America.

Our report refers to a change in the method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standards Codification Topic 842, Leases.

/s/ KPMG LLP

Chicago, Illinois
February 26, 2020

SPECIAL POWER OF ATTORNEY

The undersigned constitutes and appoints Mark W. Kowlzan, Robert P. Mundy and Kent A. Pfleederer, and each of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the Securities and Exchange Commission by Packaging Corporation of America, a Delaware corporation, together with any and all amendments to such Form 10-K, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or each of them, may lawfully do or cause to be done by virtue hereof.

DATED: February 25, 2020

/s/ CHERYL K. BEEBE

Cheryl K. Beebe

SPECIAL POWER OF ATTORNEY

The undersigned constitutes and appoints Mark W. Kowlzan, Robert P. Mundy and Kent A. Pflederer, and each of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the Securities and Exchange Commission by Packaging Corporation of America, a Delaware corporation, together with any and all amendments to such Form 10-K, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or each of them, may lawfully do or cause to be done by virtue hereof.

DATED: February 25, 2020

/s/ DUANE FARRINGTON

Duane Farrington

SPECIAL POWER OF ATTORNEY

The undersigned constitutes and appoints Mark W. Kowlzan, Robert P. Mundy and Kent A. Pflederer, and each of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the Securities and Exchange Commission by Packaging Corporation of America, a Delaware corporation, together with any and all amendments to such Form 10-K, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or each of them, may lawfully do or cause to be done by virtue hereof.

DATED: February 25, 2020

/s/ DONNA A. HARMAN

Donna A. Harman

SPECIAL POWER OF ATTORNEY

The undersigned constitutes and appoints Mark W. Kowlzan, Robert P. Mundy and Kent A. Pflederer, and each of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the Securities and Exchange Commission by Packaging Corporation of America, a Delaware corporation, together with any and all amendments to such Form 10-K, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or each of them, may lawfully do or cause to be done by virtue hereof.

DATED: February 25, 2020

/s/ HASAN JAMEEL

Hasan Jameel

SPECIAL POWER OF ATTORNEY

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DATED: February 25, 2020

/s/ MARK W. KOWLZAN

Mark W. Kowlzan

SPECIAL POWER OF ATTORNEY

The undersigned constitutes and appoints Mark W. Kowlzan, Robert P. Mundy and Kent A. Pflederer, and each of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the Securities and Exchange Commission by Packaging Corporation of America, a Delaware corporation, together with any and all amendments to such Form 10-K, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or each of them, may lawfully do or cause to be done by virtue hereof.

DATED: February 25, 2020

/s/ ROBERT C. LYONS

Robert C. Lyons

SPECIAL POWER OF ATTORNEY

The undersigned constitutes and appoints Mark W. Kowlzan, Robert P. Mundy and Kent A. Pflederer, and each of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the Securities and Exchange Commission by Packaging Corporation of America, a Delaware corporation, together with any and all amendments to such Form 10-K, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or each of them, may lawfully do or cause to be done by virtue hereof.

DATED: February 25, 2020

/s/ THOMAS P. MAURER

Thomas P. Maurer

SPECIAL POWER OF ATTORNEY

The undersigned constitutes and appoints Mark W. Kowlzan, Robert P. Mundy and Kent A. Pflederer, and each of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the Securities and Exchange Commission by Packaging Corporation of America, a Delaware corporation, together with any and all amendments to such Form 10-K, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or each of them, may lawfully do or cause to be done by virtue hereof.

DATED: February 25, 2020

/s/ SAMUEL M. MENCOFF

Samuel M. Mencoff

SPECIAL POWER OF ATTORNEY

The undersigned constitutes and appoints Mark W. Kowlzan, Robert P. Mundy and Kent A. Pfloderer, and each of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the Securities and Exchange Commission by Packaging Corporation of America, a Delaware corporation, together with any and all amendments to such Form 10-K, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or each of them, may lawfully do or cause to be done by virtue hereof.

DATED: February 25, 2020

/s/ ROGER B. PORTER

Roger B. Porter

SPECIAL POWER OF ATTORNEY

The undersigned constitutes and appoints Mark W. Kowlzan, Robert P. Mundy and Kent A. Pflederer, and each of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the Securities and Exchange Commission by Packaging Corporation of America, a Delaware corporation, together with any and all amendments to such Form 10-K, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or each of them, may lawfully do or cause to be done by virtue hereof.

DATED: February 25, 2020

/s/ THOMAS S. SOULELES

Thomas S. Souleles

SPECIAL POWER OF ATTORNEY

The undersigned constitutes and appoints Mark W. Kowlzan, Robert P. Mundy and Kent A. Pflederer, and each of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the Securities and Exchange Commission by Packaging Corporation of America, a Delaware corporation, together with any and all amendments to such Form 10-K, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or each of them, may lawfully do or cause to be done by virtue hereof.

DATED: February 25, 2020

/s/ PAUL T. STECKO

Paul T. Stecko

SPECIAL POWER OF ATTORNEY

The undersigned constitutes and appoints Mark W. Kowlzan, Robert P. Mundy and Kent A. Pflederer, and each of them, his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year ended December 31, 2019, for filing with the Securities and Exchange Commission by Packaging Corporation of America, a Delaware corporation, together with any and all amendments to such Form 10-K, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or each of them, may lawfully do or cause to be done by virtue hereof.

DATED: February 25, 2020

/s/ JAMES D. WOODRUM

James D. Woodrum

**CEO CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark W. Kowlzan, certify that:

(1) I have reviewed this annual report on Form 10-K of Packaging Corporation of America (PCA);

(2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

(3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of PCA as of, and for, the periods presented in this annual report;

(4) PCA's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PCA and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PCA, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of PCA's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in PCA's internal control over financial reporting that occurred during PCA's most recent fiscal quarter (PCA's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, PCA's internal control over financial reporting; and

(5) PCA's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PCA's auditors and the Audit Committee of PCA's Board of Directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PCA's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in PCA's internal control over financial reporting.

/s/ MARK W. KOWLZAN

Mark W. Kowlzan

Chairman of the Board and Chief Executive Officer

Date: February 26, 2020

**CFO CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert P. Mundy, certify that:

(1) I have reviewed this annual report on Form 10-K of Packaging Corporation of America (PCA);

(2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

(3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of PCA as of, and for, the periods presented in this annual report;

(4) PCA's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PCA and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PCA, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of PCA's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in PCA's internal control over financial reporting that occurred during PCA's most recent fiscal quarter (PCA's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, PCA's internal control over financial reporting; and

(5) PCA's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PCA's auditors and the Audit Committee of PCA's Board of Directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PCA's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in PCA's internal control over financial reporting.

/s/ ROBERT P. MUNDY

Robert P. Mundy
Executive Vice President and Chief Financial Officer

Date: February 26, 2020

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

We are providing this Certificate pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C., Section 1350. It accompanies the Annual Report on Form 10-K of Packaging Corporation of America for the year ended December 31, 2019.

I, Mark W. Kowlzan, Chief Executive Officer of Packaging Corporation of America (the "Company"), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Annual Report of the Company on Form 10-K for the period ended December 31, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MARK W. KOWLZAN

Mark W. Kowlzan

Chairman of the Board and Chief Executive Officer

Date: February 26, 2020

I, Robert P. Mundy, Chief Financial Officer of Packaging Corporation of America (the "Company"), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Annual Report of the Company on Form 10-K for the period ended December 31, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT P. MUNDY

Robert P. Mundy

Executive Vice President and Chief Financial Officer

Date: February 26, 2020