AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 15, 1999.

REGISTRATION NO. 333-86963

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2
TO
FORM S-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

PACKAGING CORPORATION OF AMERICA

(Exact name of registrant as specified in its charter)

DELAWARE	2631	36-4277050
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1900 WEST FIELD COURT
LAKE FOREST, ILLINOIS 60045
TELEPHONE: (847) 482-3000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Copies to:

RICHARD B. WEST	JAMES S. ROWE	MICHAEL A. BECKER
PACKAGING CORPORATION OF AMERICA	KIRKLAND & ELLIS	GERARD M. MEISTRELL
1900 WEST FIELD COURT	200 EAST RANDOLPH DRIVE	CAHILL GORDON & REINDEL
LAKE FOREST, ILLINOIS 60045	CHICAGO, ILLINOIS 60601	80 PINE STREET
TELEPHONE: (847) 482-2000	TELEPHONE: (312) 861-2000	NEW YORK, NEW YORK 10005
(Name, address, including zip code, and telephone number, including area code, of agent for service)		TELEPHONE: (212) 701-3000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. / /

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR

DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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SUBJECT TO COMPLETION. DATED OCTOBER 15, 1999.

THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL NOR DOES IT SEEK AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

42,875,000 Shares

[LOGO]

PACKAGING CORPORATION OF AMERICA

Common Stock

This is an initial public offering of shares of common stock of Packaging Corporation of America. This prospectus relates to an offering of 34,300,000 shares in the United States. In addition, 8,575,000 shares are being offered outside the United States in an international offering.

PCA is offering 8,125,000 of the shares to be sold in the offerings. Tenneco Packaging Inc., the selling stockholder, is offering an additional 34,750,000 shares. PCA will not receive any of the proceeds from the sale of the shares being sold by the selling stockholder.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between $16.00 and $19.00. The common stock has been approved for listing, subject to official notice of issuance, on the New York Stock Exchange under the symbol "PKG".

SEE "RISK FACTORS" ON PAGE 10 TO READ ABOUT MATERIAL RISKS YOU SHOULD CONSIDER BEFORE BUYING SHARES OF THE COMMON STOCK.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to PCA	$	$
Proceeds, before expenses, to the selling stockholder	$	$

To the extent that the underwriters sell more than 42,875,000 shares of common stock, the underwriters have the option to purchase up to an additional 6,410,240 shares from the selling stockholder at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 1999.

GLOBAL COORDINATOR
GOLDMAN, SACHS & CO.

GOLDMAN, SACHS & CO.

MORGAN STANLEY DEAN WITTER

SALOMON SMITH BARNEY

DEUTSCHE BANC ALEX. BROWN

J.P. MORGAN & CO.

Prospectus dated , 1999.

[PICTURES DEPICTING REPRESENTATIVE
CORRUGATED PACKAGING PRODUCTS]

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY CONTAINS BASIC INFORMATION ABOUT PACKAGING CORPORATION OF AMERICA AND THE OFFERINGS. IT MAY NOT CONTAIN ALL OF THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ THIS ENTIRE PROSPECTUS, INCLUDING THE FINANCIAL DATA AND RELATED NOTES AND THE DOCUMENTS TO WHICH WE REFER YOU, BEFORE MAKING AN INVESTMENT DECISION. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS APPEARING ELSEWHERE IN THIS PROSPECTUS. UNLESS OTHERWISE INDICATED, ALL SHARE AND PER SHARE DATA IN THIS PROSPECTUS HAVE BEEN ADJUSTED TO REFLECT A 220-FOR-ONE SPLIT OF OUR COMMON STOCK WHICH BECAME EFFECTIVE ON   , 1999 AND TO REFLECT THE FILING OF THE SECOND RESTATED CERTIFICATE OF INCORPORATION OF PCA TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF OUR COMMON STOCK AND PREFERRED STOCK.

OUR BUSINESS

OVERVIEW

PCA is the sixth largest producer of containerboard in the United States and the sixth largest manufacturer of corrugated packaging products, based on 1998 production capacity. Our sales were $1.571 billion in 1998 and $806.2 million on a pro forma basis for the six months ended June 30, 1999.

PRODUCTS

PCA produces corrugated containers as well as the containerboard used to manufacture corrugated containers. Corrugated containers are the most commonly used type of paper packaging. According to the Fibre Box Handbook, over 90% of the goods shipped in most developed countries get to market using corrugated packaging. Corrugated containers, sometimes referred to as cardboard boxes, are made by combining multiple layers of heavyweight paper known as containerboard and fabricating them into finished boxes.

CONTAINERBOARD

The two types of containerboard are linerboard and medium. Linerboard is used for the two flat outer facings while medium is used to form the fluted inner or middle layer of the corrugated sheet. Kraft linerboard and semi-chemical medium are common types of linerboard and medium that are made from a high percentage of virgin, as opposed to recycled, fiber. Virgin fiber is produced by chemically processing wood into pulp. By industry definition, kraft linerboard must contain no less than 80% virgin fiber and semi-chemical medium no less than 75% virgin fiber. All other containerboard is referred to as recycled. The recycled fiber used to make recycled containerboard comes primarily from used corrugated containers as well as other recovered and reprocessed papers.

CORRUGATED CONTAINERS

Converting plants fabricate corrugated sheets and produce corrugated containers. Converting plants may be either corrugator plants or sheet plants. Corrugator plants perform both a combining operation and a boxmaking operation. In the combining operation, corrugated medium is fluted into a wavy sheet and laminated to linerboard to produce corrugated, or combined sheets. In the boxmaking operation, the combined sheet is then printed, cut, folded and joined to create the finished boxes. Sheet plants purchase already combined sheets and form them into finished boxes.

OPERATIONS

PCA produces kraft linerboard and semi-chemical medium at four mill locations. In 1998, our mills produced 2.1 million tons of containerboard, which accounted for 6% of U.S. capacity.

PCA also operates 67 converting facilities in 25 states. Of these facilities, 39 are corrugator plants, 26 are sheet plants and two are small, specialty operations. These specialty operations include a collating and distribution packaging center, as well as a machine rebuild facility. Our corrugator plants convert approximately 75% to 80% of the containerboard we produce into finished corrugated containers. As a result, we are considered an integrated producer. By industry standards, integrated producers own their own containerboard mills and use at least 50% of the containerboard production from those mills in their converting operations. In 1998, our converting plants shipped approximately 25 billion square feet of corrugated packaging products. This represented 6% of all corrugated packaging products shipped in the United States.

PCA currently owns approximately 540,000 acres of timberland and has the rights to cut the wood from an additional 150,000 acres through long term lease agreements. Over 90% of our wood supply is within 100 miles of our mill sites. This close proximity minimizes handling and transportation costs and ensures us a reliable supply of wood fiber. We have recently sold 260,000 acres of our timberland and have agreed to sell an additional 145,000 acres of our timberland. The proceeds from these sales have been and will be used to pay down debt. The timberland we have sold and have agreed to sell is located in geographic areas where we feel we can adequately satisfy our wood requirements by purchasing wood from third parties or by entering into supply agreements with the purchasers of our timberland.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

LOW-COST PRODUCER

Because containerboard is a commodity, containerboard producers compete primarily on price. Therefore, having a low manufacturing cost operation is an important competitive advantage. PCA's Counce and Tomahawk mills represent two-thirds of PCA's containerboard production capacity. Based on studies by Jacobs-Sirrine, an industry consulting firm, these two mills were ranked in the lowest quartile for cash manufacturing costs in the industry. One of these studies was a single-client study that we paid Jacobs-Sirrine to perform in February 1998. The other was a multi-client study issued by Jacobs-Sirrine in the fourth quarter of 1998 that was available for purchase by the general public.

INTEGRATED OPERATIONS

The high level of integration between our containerboard and converting operations helps to provide a stable and predictable demand for our containerboard mill production. It also helps to dampen earnings fluctuations. According to Pulp & Paper Week, from 1995 to 1998, industry containerboard prices declined by 31% and earnings from our containerboard mills were adversely affected. During the same period, our average corrugated container price fell by only 11%. We were able to maintain relatively stable margins and earnings in our converting operations since the costs for the containerboard purchased by our converting plants were lower, which offset the decline in corrugated container prices.

DIVERSIFIED CUSTOMER BASE

PCA's corrugated container customer base is broadly diversified across industries and geographic locations. During the past year, we sold corrugated products to over 9,000 customers, which required us to ship to over 15,000 separate customer locations. This broad customer base reduces our dependence on any single customer or market. No customer represents more than 6% of our total sales and our top 10 customers represent only about 20% of our total sales.

FOCUS ON VALUE-ADDED PRODUCTS AND SERVICES

Through acquisitions and capital investments, we have broadened our ability to provide specialized printing and package design, product features and superior customer service. As a result, our corrugated container selling price per thousand square feet has consistently exceeded the industry average since 1995.

RECENT DEVELOPMENTS

THIRD QUARTER RESULTS

For the quarter ended September 30, 1999, PCA recorded sales of $443.5 million and operating income of $63.8 million. Operating income increased $32.8 million, or 106%, compared to operating income for the comparable period of 1998 of $31.0 million, which excludes a $16.9 million gain on the sale of non-strategic woodlands. Operating income increased $16.1 million, or 34%, compared to the second quarter of 1999. Prices and volumes increased for both containerboard and corrugated packaging products and PCA's containerboard inventory levels continued to decline.

TIMBERLAND SALES

In August 1999, PCA entered into agreements with various buyers to sell 405,000 of its 950,000 acres of owned and leased timberlands for $266 million. PCA completed the sale of a majority of these acres in October and received $207 million in proceeds, all of which has been used to pay down senior debt. We expect to complete the sale of the remaining acres by mid-November, and will use the proceeds from the sale of these acres to pay down senior debt.

EQUITY SPONSOR

Madison Dearborn Partners, LLC, a private equity investment firm, was the financial sponsor for the transactions by which PCA acquired its current operations. Madison Dearborn, through limited partnerships of which it is the general partner, has approximately $4 billion of assets under management. Madison Dearborn focuses on investments in several specific sectors including natural resources, communications, consumer, health care and industrial. Madison Dearborn's objective is to invest, in partnership with outstanding management teams, in companies which have the potential for significant long-term equity appreciation. Since 1980, Madison Dearborn's principals have invested approximately $2 billion in more than 100 management buyout and private equity transactions in which the firm acted as a leading investor. PCA is Madison Dearborn's largest equity investment to date.

THE TRANSACTIONS

On April 12, 1999, Tenneco Packaging Inc., currently a wholly owned subsidiary of Tenneco Inc., sold its containerboard and corrugated packaging products business to PCA, an entity formed by Madison Dearborn in January 1999, for $2.2 billion, consisting of $246.5 million in cash, the assumption of $1.76 billion of debt incurred by TPI immediately prior to the contribution, and a 45% common equity interest in PCA valued at $193.5 million. PCA Holdings LLC, an entity organized and controlled by Madison Dearborn, acquired the remaining 55% common equity interest in PCA for $236.5 million in cash, which was used to finance in part the transactions.

The financing of the transactions consisted of (1) borrowings under a new $1.46 billion senior credit facility for which J.P. Morgan Securities Inc. and BT Alex. Brown Incorporated (the predecessor to Deutsche Banc Alex. Brown) were co-lead arrangers, (2) the offering of $550 million of 9 5/8% senior subordinated notes due 2009 and $100 million of 12 3/8% senior exchangeable preferred stock due 2010, (3) a cash equity investment of $236.5 million by PCA Holdings and (4) an equity investment by TPI valued at $193.5 million.

The senior credit facility was entered into to finance in part the transactions and to pay related fees and expenses and to provide future borrowings to PCA for general corporate purposes, including working capital. The senior credit facility consists of three term loan facilities in an original aggregate principal amount of $1.21 billion and a revolving credit facility with up to $250 million in availability. PCA's total borrowings under the senior credit facility as of June 30, 1999 consisted of $1.135 billion of term loans. No amounts were outstanding under the revolving credit facility as of that date.

The following sets forth the current common stock ownership of PCA, before giving effect to the sale of common stock in the offerings:

[GRAPH]

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(1) The other investors in PCA Holdings are Sixty Wall Street Fund, L.P., J.P. Morgan Capital Corporation, BT Capital Investors, L.P. and other investors, none of whom own more than 0.5% of the equity interests of PCA Holdings.

(2) PCA has also issued options to management to purchase common stock, which, if exercised, would result in management owning in the aggregate approximately 9.6% of the common equity of PCA.

(3) On July 15, 1999, Tenneco announced its intention to spin-off TPI to its stockholders in the fall of 1999. Upon completion of the spin-off, TPI will no longer be controlled by Tenneco.

(4) PCA was formed in January 1999 and acquired the containerboard and corrugated packaging products business of The Containerboard Group of TPI in April 1999 as a result of the transactions. The Containerboard Group of TPI is often referred to in this prospectus as the Group.

After giving effect to the offerings and assuming the exercise in full of the underwriters' over-allotment option from TPI, TPI will not own any shares of common stock of PCA, PCA Holdings will own 49.0% of the outstanding common stock and management will own 3.0% of the outstanding common stock, without giving effect to the exercise of any options issued to management in June 1999, or 8.9% of the outstanding common stock assuming the exercise in full of these options.

THE OFFERINGS

Shares offered in the U.S. offering.........	34,300,000
Shares offered in the international offering.................................	8,575,000
Total shares offered...................	42,875,000
Shares offered by PCA......................	8,125,000
Shares offered by selling stockholder.......	34,750,000
Total shares offered...................	42,875,000
Shares outstanding after the offerings......	102,725,000
Proposed New York Stock Exchange symbol.....	PKG
Use of proceeds............................	PCA will use the net proceeds from the sale of its shares to redeem all of its outstanding 12 3/8% senior exchangeable preferred stock due 2010. PCA will not receive any of the proceeds from the sale of the shares being sold by the selling stockholder.

Except as otherwise indicated, we have presented the information in this prospectus assuming that the underwriters do not exercise their option to purchase additional shares from the selling stockholder in the offerings.

The number of shares outstanding after the offerings is based on the shares outstanding as of September 1, 1999 and does not take into account the 6,576,460 shares of common stock issuable upon the exercise by management of outstanding options, all of which will become exercisable upon completion of the offerings.

PRINCIPAL EXECUTIVE OFFICES

Our principal executive offices are located at 1900 West Field Court, Lake Forest, Illinois 60045 and our telephone number is (847) 482-3000.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

Set forth below are the summary historical and pro forma financial data of PCA and The Containerboard Group of TPI, which we refer to in this prospectus as the Group. The historical financial data as of and for the years ended December 31, 1996, 1997 and 1998 has been derived from the audited combined financial statements of the Group, which was acquired by PCA in the transactions, and the related notes thereto included elsewhere in this prospectus. The historical financial data as of and for the years ended December 31, 1994 and 1995 has been derived from the unaudited financial statements of the Group. The historical financial data for the six months ended June 30, 1998 and the period from January 1, 1999 to April 11, 1999 has been derived from the unaudited condensed combined financial statements of the Group included elsewhere in this prospectus. The historical financial data as of June 30, 1999 and for the period from April 12, 1999 to June 30, 1999 has been derived from the unaudited consolidated financial statements of PCA included elsewhere in this prospectus. The unaudited pro forma financial data as of and for the six months ended June 30, 1999 and for the year ended December 31, 1998 was derived from the unaudited pro forma financial information included elsewhere in this prospectus. The information in the following table should be read in conjunction with "The Transactions," "Unaudited Pro Forma Financial Information," "Selected Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," the historical combined financial statements of the Group and the related notes, and the historical consolidated financial statements of PCA and the related notes contained elsewhere in this prospectus.

	GROUP					PCA
	YEAR ENDED DECEMBER 31,					PRO FORMA YEAR ENDED DEC. 31,
	1994	1995	1996	1997	1998	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					
STATEMENT OF INCOME DATA:						
Net sales	$ 1,441,673	$ 1,844,708	$ 1,582,222	$ 1,411,405	$ 1,571,019	$ 1,571,019
Cost of sales	(1,202,996)	(1,328,838)	(1,337,410)	(1,242,014)	(1,289,644)	(1,270,184)
Gross profit	238,677	515,870	244,812	169,391	281,375	300,835
Selling and administrative expenses	(71,312)	(87,644)	(95,283)	(102,891)	(108,944)	(102,568)
Corporate overhead/ allocation(3)	(34,678)	(38,597)	(50,461)	(61,338)	(63,114)	(63,114)
Restructuring/ impairment charge(4)	--	--	--	--	(14,385)	(14,385)
Other income (expense)	(4,701)	(16,915)	56,243	44,681	26,818	41,592
Income (loss) before interest, income taxes and extraordinary item	127,986	372,714	155,311	49,843	121,750	162,360
Interest expense, net	(740)	(1,485)	(5,129)	(3,739)	(2,782)	(159,476)
Income (loss) before income taxes and extraordinary item	127,246	371,229	150,182	46,104	118,968	2,884
Income tax benefit (expense)	(50,759)	(147,108)	(59,816)	(18,714)	(47,529)	(516)
Income (loss) before extraordinary item	76,487	224,121	90,366	27,390	71,439	2,368
Extraordinary item	--	--	--	--	--	--
Net income (loss)	$ 76,487	$ 224,121	$ 90,366	$ 27,390	$ 71,439	$ 2,368

	GROUP		PCA(2)	
	SIX MONTHS ENDED JUNE 30, 1998	JAN. 1, 1999 THROUGH APRIL 11, 1999	APRIL 12, 1999 THROUGH JUNE 30, 1999	PRO FORMA SIX MONTHS ENDED JUNE 30, 1999
STATEMENT OF INCOME DATA:				
Net sales	$ 777,042	$ 433,182	$ 373,035	$ 806,217
Cost of sales	(629,281)	(367,483)	(297,055)	(660,410)
Gross profit	147,761	65,699	75,980	145,807
Selling and administrative expenses	(52,432)	(30,584)	(25,136)	(54,316)
Corporate overhead/ allocation(3)	(32,373)	(14,890)	(5,188)	(20,078)
Restructuring/ impairment charge(4)	--	(230,112)	--	--
Other income (expense)	16,015	(2,207)	(266)	(104)
Income (loss) before interest, income taxes and extraordinary item	78,971	(212,094)	45,390	71,309
Interest expense, net	(1,681)	(221)	(34,079)	(78,195)

Income (loss) before income taxes and extraordinary item	77,290	(212,315)	11,311	(6,886)
Income tax benefit (expense)	(30,822)	83,716	(4,545)	2,541
Income (loss) before extraordinary item	46,468	(128,599)	6,766	(4,345)
Extraordinary item	--	(6,327)	--	--
Net income (loss)	$ 46,468	$ (134,926)	$ 6,766	$ (4,345)

	GROUP					PCA
	YEAR ENDED DECEMBER 31,					PRO FORMA YEAR ENDED DEC. 31,
	1994	1995	1996	1997	1998	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					
Basic earnings per share(7):						
Income (loss) before extraordinary item..........	$ .81	$ 2.37	$ .96	$ .29	$ .76	$ .02
Extraordinary item...........	--	--	--	--	--	--
Net income (loss) per common share......................	$ .81	$ 2.37	$ .96	$ .29	$ .76	$ .02
Diluted earnings per share(7):						
Income (loss) before extraordinary item..........	$ .81	$ 2.37	$ .96	$ .29	$ .76	$ .02
Extraordinary item...........	--	--	--	--	--	--
Net income (loss) per common share......................	$ .81	$ 2.37	$ .96	$ .29	$ .76	$ .02
Weighted average common shares outstanding..................	94,600	94,600	94,600	94,600	94,600	102,725
OTHER DATA:						
EBITDA (1).....................	$ 178,148	$ 435,620	$ 234,041	$ 137,595	$ 218,700	$ 310,901
Rent expense on operating leases bought out as part of the transactions(1)..............	93,600	94,900	94,700	73,900	72,500	--
Net cash provided by operating activities....................	107,642	336,599	55,857	107,213	195,401	170,581
Net cash used for investing activities....................	(113,119)	(371,068)	(74,232)	(111,885)	(177,733)	(93,535)
Net cash (used for) provided by financing activities..........	6,112	36,454	16,767	3,646	(17,668)	(22,030)
Capital expenditures...........	$ 110,853	$ 252,745	$ 168,642	$ 110,186	$ 103,429	$ 103,429

	GROUP		PCA(2)	
	SIX MONTHS ENDED JUNE 30, 1998	JAN. 1, 1999 THROUGH APRIL 11, 1999	APRIL 12, 1999 THROUGH JUNE 30, 1999	PRO FORMA SIX MONTHS ENDED JUNE 30, 1999
Basic earnings per share(7):				
Income (loss) before extraordinary item..........	$ .49	$ (1.36)	$ .04	$ (.04)
Extraordinary item...........	--	(.07)	--	--
Net income (loss) per common share......................	$ .49	$ (1.43)	$ .04	$ (.04)
Diluted earnings per share(7):				
Income (loss) before extraordinary item..........	$ .49	$ (1.36)	$ .04	$ (.04)
Extraordinary item...........	--	(.07)	--	--
Net income (loss) per common share......................	$ .49	$ (1.43)	$ .04	$ (.04)
Weighted average common shares outstanding..................	94,600	94,600	93,582	102,725
OTHER DATA:				
EBITDA (1).....................	$ 126,356	$ (181,189)	$ 79,042	$ 149,117
Rent expense on operating leases bought out as part of the transactions(1)..............	35,946	17,746	--	--
Net cash provided by operating activities....................	103,803	153,649	147,630	154,627
Net cash used for investing activities....................	(51,841)	(1,121,145)	(26,053)	(45,794)
Net cash (used for) provided by financing activities..........	(51,962)	967,496	(74,723)	(83,365)
Capital expenditures...........	$ 46,557	$ 1,128,255	$ 23,419	$ 46,141

	JUNE 30, 1999	
	ACTUAL	PRO FORMA
BALANCE SHEET DATA:		
Working capital(5)	$ 152,646	$ 155,795
Total assets	2,428,619	2,445,083
Total long-term obligations(6)	1,781,968	1,685,468
Total stockholders' equity	341,762	457,875

NOTES TO SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA
(DOLLARS IN THOUSANDS)

1) PCA calculates "EBITDA" as income (loss) before interest, income taxes and extraordinary item, as reported, plus depreciation, depletion and amortization as reported in the statement of cash flows, as presented in the following table:

	GROUP					PCA	GROUP		PCA(2)	
	YEAR ENDED DECEMBER 31,					PRO FORMA YEAR ENDED DEC. 31,	SIX MONTHS ENDED JUNE 30,	JAN. 1, 1999 THROUGH APRIL 11,	APRIL 12, 1999 THROUGH JUNE 30,	PRO FORMA SIX MONTHS ENDED JUNE 30,
	1994	1995	1996	1997	1998	1998	1998	1999	1999	1999
	(IN THOUSANDS)									
Income (loss) before interest, income taxes and extraordinary item	$127,986	$372,714	$155,311	$ 49,843	$121,750	$162,360	$ 78,971	$(212,094)	$ 45,390	$ 71,309
Add: Depreciation, depletion and amortization	50,162	62,906	78,730	87,752	96,950	148,541	47,385	30,905	33,652	77,808
EBITDA	$178,148	$435,620	$234,041	$137,595	$218,700	$310,901	$126,356	$(181,189)	$ 79,042	$149,117

For the historical periods, income (loss) before interest, income taxes and extraordinary item, includes charges for rent expense on operating leases bought out as part of the transactions. As a result of the lease buy out, PCA will no longer incur this rent expense, but will record non-cash charges for depreciation and depletion related to these assets, which are now owned rather than leased. This depreciation/depletion expense will be similar, but not identical, to the amount of rent expense. On a pro forma basis for 1998, the incremental depreciation/depletion was $7,200 less than the historical rent expense, resulting in a net increase of $4,284 to pro forma 1998 net income. To better understand historical EBITDA in relation to pro forma EBITDA for the periods presented, we believe it may be useful to add back this rent expense to reported EBITDA for the historical periods.

PCA's EBITDA is included in this prospectus because it is a financial measure used by PCA's management to assess PCA's operating results and liquidity, and because several of the indebtedness covenants in PCA's senior credit facility and in the notes indenture are based upon a calculation that utilizes EBITDA.

EBITDA should not be considered in isolation or viewed as a substitute for cash flow from operations, net income or other measures of performance as defined by generally accepted accounting principles, or as a measure of a company's overall profitability or liquidity. In addition, EBITDA does not represent the cash available to investors because capital expenditures, debt service and income taxes are not deducted when calculating EBITDA.

PCA understands that EBITDA as used herein is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation.

In analyzing 1998 pro forma EBITDA for liquidity purposes, PCA also believes that the following additional adjustments should be considered by investors:

Pro forma EBITDA for 1998	$ 310,901
Adjustments:	
Other income(a)	(41,592)
Non-recurring restructuring charge(b)	14,385
Reduction in corporate overhead(c)	32,954
Cost savings from restructuring(d)	10,800
Adjusted pro forma EBITDA for 1998	$ 327,448

a) Other income for 1998 consists substantially of nonrecurring items, such as gains on the sale of non-strategic woodlands and a recycled paperboard joint venture investment, that PCA believes are not relevant in analyzing recurring EBITDA.

b) During the fourth quarter of 1998, the Group adopted a restructuring plan to eliminate approximately 100 personnel and close down four facilities associated with the Group's business. As of December 31, 1998, substantially all actions specified in the plan had been completed. A charge of $14,385 was recorded for severance benefits, exit costs and asset impairments, and is reflected in the Group's 1998 operating profit. PCA believes that this non-recurring charge is not relevant in analyzing recurring EBITDA.

c) As part of Tenneco, the Group was allocated $63,114 of Tenneco corporate and TPI overhead expenses based on a variety of allocation methods. In analyzing the carved-out business on a stand-alone basis, PCA estimates that these costs will be approximately $30,160 for the first year following the closing of the transactions. The determination of that estimate is based on detailed analyses that consider (1) compensation and benefits for TPI and new employees who are employed by PCA in corporate functions such as in information technology, human resources, finance and legal, and (2) non-payroll costs incurred by these departments. Where applicable, the estimates consider the terms of transition service arrangements between PCA and TPI.

d) The restructuring referred to in Note (b) above will result in reduced cost of sales and selling and administrative expenses. This adjustment represents the Group's estimate of the cost savings that would have been achieved in 1998 if the restructuring had been in effect for all of 1998.

2) There was no activity for PCA from January 25, 1999, its date of inception, through April 11, 1999.

3) The corporate overhead allocation represents the amounts charged by Tenneco and TPI to the Group for its share of Tenneco's and TPI's corporate expenses. On a stand-alone basis, management estimates that PCA's overhead expense will be $30,160 for the first twelve months following the acquisition.

4) This line item consists of non-recurring charges recorded in the fourth quarter of 1998 and the first quarter of 1999 pertaining to a restructuring charge and an impairment charge, respectively. For further information about these charges, refer to Notes 7 and 14 to the Group's audited combined financial statements and Note 7 to PCA's unaudited consolidated financial statements.

5) Working capital represents (a) total current assets excluding cash and cash equivalents less (b) total current liabilities excluding the current maturities of long-term debt.

6) Total long-term obligations includes long-term debt, the current maturities of long-term debt, and redeemable preferred stock.

7) Earnings per share through April 11, 1999 has been calculated using the historical earnings of the Group and the number of common shares resulting from the closing of the acquisition on April 12, 1999 (94,600,000 common shares). For the PCA historical period from April 12, 1999 to June 30, 1999, earnings available to common stockholders includes a reduction for $2,749 of preferred stock dividends. For both pro forma periods, there is no reduction for preferred dividends because the preferred stock redemption to be completed using proceeds from the offerings is treated as if it occurred at the beginning of 1998.

   For all periods presented through April 11, 1999, basic and diluted earnings per share are the same because there are no potentially dilutive other securities. For the PCA historical period from April 12, 1999 to June 30, 1999 and both pro forma periods, diluted earnings per share includes the dilutive effect of the 6,576,460 options granted in June 1999. This dilutive effect is calculated using the treasury stock method and the expected initial public offering price.

RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS IN ADDITION TO THE OTHER INFORMATION SET FORTH IN THIS PROSPECTUS BEFORE DECIDING WHETHER TO MAKE AN INVESTMENT IN THE COMMON STOCK. IF ANY OF THE EVENTS DESCRIBED BELOW ACTUALLY OCCUR, OUR BUSINESS, FINANCIAL CONDITION OR OPERATING RESULTS COULD BE ADVERSELY AFFECTED IN A MATERIAL WAY. THIS COULD CAUSE THE TRADING PRICE OF OUR COMMON STOCK TO DECLINE, PERHAPS SIGNIFICANTLY.

INDUSTRY RISKS

INDUSTRY EARNINGS CYCLICALITY--PERIODIC IMBALANCES OF SUPPLY AND DEMAND AFFECT THE PRICE AT WHICH WE CAN SELL CONTAINERBOARD AND OUR EARNINGS.

The price at which we can sell containerboard could fall if industry oversupply conditions return or economic conditions deteriorate. This could significantly reduce our cash flow and could have a material adverse effect on our results of operations and our financial condition.

Historically, prices for containerboard have reflected changes in containerboard supply and demand. Changes in containerboard supply result from capacity additions or reductions, as well as changes in inventory levels. Containerboard demand is dependent upon both domestic demand for corrugated packaging products and the demand for linerboard exports, which represent about 20% of total U.S. linerboard shipments, according to the Pulp & Paper 1999 North American Fact Book. Domestic demand for corrugated packaging is the more stable factor. It generally corresponds to changes in the rate of growth in the U.S. economy.

From 1994 to 1996, capacity additions outpaced both domestic and export demand for containerboard. This excess supply led to lower industry operating rates and declining prices from late-1995 until mid-1997. Although prices generally improved from mid-1997 through mid-1998, the containerboard market was still adversely affected by weaker containerboard exports. This weakness was most apparent in shipments to Asia during the second half of 1998.

The supply/demand balance has improved in recent months and the average price of linerboard has risen approximately 25% since January 1999. However, industry oversupply conditions could return or economic conditions could deteriorate in the future.

PCA produced approximately 2.1 million tons of containerboard in 1998. If the price per ton of containerboard sold by PCA decreased by $10 per ton, PCA's operating income would have decreased by about $21 million.

COMPETITION--THE INTENSITY OF COMPETITION IN OUR INDUSTRY COMBINED WITH THE COMMODITY NATURE OF CONTAINERBOARD COULD RESULT IN DOWNWARD PRESSURE ON PRICING, WHICH COULD HAVE AN ADVERSE EFFECT ON OUR OPERATING RESULTS.

PCA operates in an industry that is highly competitive, with no single containerboard or corrugated packaging producer having a dominant position. PCA's primary competition for sales of containerboard are a number of large, diversified paper companies, including Georgia-Pacific Corporation, International Paper Company, Smurfit-Stone Container Corporation, Temple-Inland Inc., Weyerhaeuser Company and Willamette Industries, Inc. All of the companies other than Willamette are larger than PCA based on 1998 production capacity. On a national level, our primary competitors for corrugated packaging include Four M Corporation, Gaylord Container Corporation, Georgia-Pacific Corporation, International Paper Company, Smurfit-Stone Container Corporation, Temple-Inland Inc., Weyerhaeuser Company and Willamette Industries, Inc. Many of these companies are larger than PCA based on 1998 production capacity. The intensity of competition, together with the commodity nature of containerboard, can lead to lower prices.

PCA produced approximately 2.1 million tons of containerboard in 1998. If the price per ton of containerboard sold by PCA decreased by $10 per ton, PCA's operating income would have decreased by about $21 million.

We can not assure you that containerboard and corrugated packaging pricing will not decline in the future.

CLUSTER RULE COMPLIANCE--PCA WILL INCUR INCREASED CAPITAL COSTS TO MEET CLUSTER RULE REQUIREMENTS.

We currently expect to spend approximately $60 million between 1999 and 2005 to achieve compliance with new Cluster Rule requirements. Our costs to achieve Cluster Rule compliance could be significantly higher than our estimate.

In April 1998, the United States Environmental Protection Agency finalized the Cluster Rules, which govern all pulp and paper mill operations, including those at our mills. Over the next several years, the Cluster Rules will limit our allowable discharges of air and water pollutants. As a result, we and our competitors are required to incur costs to ensure compliance with these new rules During 1997 and 1998, we spent approximately $3 million on Cluster Rule compliance. We currently estimate that total capital costs for Cluster Rule compliance will be $13 million for 1999 and $18 million for 2000.

COMPANY RISKS

LEVERAGE--OUR BUSINESS MAY BE ADVERSELY IMPACTED AS A RESULT OF OUR SUBSTANTIAL LEVERAGE, WHICH REQUIRES THE USE OF A SUBSTANTIAL PORTION OF OUR EXCESS CASH FLOW AND MAY LIMIT OUR ACCESS TO ADDITIONAL CAPITAL.

After the offerings, we will continue to have a significant amount of indebtedness, and we have the right to incur additional indebtedness. The following chart shows important credit statistics as of the closing of the transactions on April 12, 1999 and as of June 30, 1999:

	AT APRIL 12, 1999	AT JUNE 30, 1999
	(IN MILLIONS)	
Total indebtedness	$ 1,769.0	$ 1,685.5
Preferred stock	$ 100.0	$ 100.0
Stockholders' equity	$ 325.8	$ 341.8

For the period from January 1, 1999 to April 11, 1999, earnings were insufficient to cover fixed charges by $212.3 million. On a pro forma basis for the six months ended June 30, 1999, earnings were insufficient to cover (1) fixed charges by $6.9 million and (2) fixed charges and preferred stock dividends by $13.1 million.

Our substantial indebtedness could have important consequences to you. For example, it could:

- prevent us from satisfying our obligations with respect to our outstanding indebtedness, which could lead to an event of default and an acceleration of that indebtedness;

- increase our vulnerability to general adverse economic and industry conditions by limiting our flexibility in planning for and reacting to changes in our business and industry;

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital,

capital expenditures, research and development efforts and other general corporate purposes;

- limit our ability to make strategic acquisitions or take other corporate action;

- place us at a competitive disadvantage compared to our competitors that have proportionately less debt; and

- limit our ability to borrow additional funds and increase the cost of funds that we can borrow.

ADDITIONAL BORROWINGS AVAILABLE--WE AND OUR SUBSIDIARIES MAY BE ABLE TO INCUR SUBSTANTIALLY MORE DEBT, WHICH COULD INCREASE THE RISKS CREATED BY OUR SUBSTANTIAL INDEBTEDNESS.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. For example, the senior credit facility permits additional borrowings of up to $250.0 million, all of which are currently available for borrowing, and the indenture governing our notes also permits us to incur additional indebtedness. If new debt is added to our or our subsidiaries' current debt levels, the related risks that we and they now face could intensify.

RESTRICTIONS IMPOSED BY THE SENIOR CREDIT FACILITY AND THE INDENTURE GOVERNING OUR NOTES-- OUR OPERATING FLEXIBILITY IS LIMITED IN SIGNIFICANT RESPECTS BY THE RESTRICTIVE COVENANTS IN OUR SENIOR CREDIT FACILITY AND THE INDENTURE GOVERNING OUR NOTES.

Our senior credit facility and the indenture governing our notes impose restrictions on us that could increase our vulnerability to general adverse economic and industry conditions by limiting our flexibility in planning for and reacting to changes in our business and industry. Specifically, these restrictions limit our ability, among other things, to:

- incur additional indebtedness;	- enter into transactions with affiliates;
- pay dividends and make distributions;	- enter into sale and leaseback transactions;
- issue stock of subsidiaries;	- make capital expenditures;
- make investments;	- merge or consolidate our company; and
- repurchase stock;	- transfer and sell assets.
- create liens;	

COST OF RAW MATERIALS--AN UNEXPECTED INCREASE IN THE COST OF WOOD FIBER COULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS.

We may not have continued access to sufficient quantities of wood fiber at current prices. Wood fiber is the largest component we use in producing containerboard. We presently satisfy about 20% of our fiber needs with wood cut from company-owned or leased timberland. We purchase wood fiber from others to meet about 60% of our fiber requirements. The remaining 20% of our fiber needs are met with recycled fiber. We are more dependent on purchased wood fiber than some of our competitors. As a result, we may be more vulnerable than some competitors to increases in the market price for wood fiber.

In addition, we have recently sold 260,000 acres of our timberland and have agreed to sell an additional 145,000 acres of our timberland. We have entered into a five year wood fiber supply agreement covering approximately 200,000 of the 260,000 acres of timberland we have sold. If, however, we cannot negotiate a wood fiber purchase agreement with the other buyers of this timberland or locate other sources of wood fiber at costs comparable to our current levels, our vulnerability to market price increases will increase. PCA spends approximately $150 million annually for purchased wood fiber. If the price of all wood fiber purchased increased by 10%, our annual fiber cost would increase by about $15 million.

DEPENDENCE UPON KEY PERSONNEL--A LOSS OF KEY PERSONNEL COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

Our success is highly dependent on the skills, experience and efforts of Paul T. Stecko, our Chairman of the Board and Chief Executive Officer, William J. Sweeney, our Executive Vice President-Corrugated Products and Mark W. Kowlzan, our Vice President-Containerboard/Wood Products. These executives are not bound by employment contracts. The loss of services of one or more of these individuals could have a material adverse effect on our company.

In addition, as our business develops and expands, we believe that our future success will depend on our continued ability to attract and retain highly skilled and qualified personnel. We cannot assure you that we will be able to continue to employ key personnel or that we will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on our business, financial condition and results of operations.

ENVIRONMENTAL MATTERS--PCA MAY INCUR SIGNIFICANT ENVIRONMENTAL REMEDIATION COSTS 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. Because environmental regulations are constantly evolving, we have incurred, and will continue to incur, costs to maintain compliance with those laws. Although we have established reserves to provide for future environmental liability, these reserves may not be adequate.

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, we could receive notifications of cleanup liability in the future and this liability could be material. From January 1994 through June 1999, remediation costs at our mills and converting plants totaled about $2.3 million. As of June 30, 1999, we maintained a reserve of $83,000 for environmental remediation liability as well as a general overall environmental reserve of $3,369,000, which includes funds relating to onsite landfills and surface impoundments as well as on-going and anticipated remedial projects. We currently estimate that total capital costs for environmental matters, including Cluster Rule compliance, will be $16 million for 1999 and $22 million for 2000.

We could also incur environmental liabilities as a result of claims by third parties for civil damages, including liability for personal injury or property damage, arising from releases of hazardous substances or contamination on properties on which we now conduct or formerly conducted operations.

TECHNOLOGY, FINANCIAL AND ADMINISTRATIVE REQUIREMENTS--WE MAY INCUR INCREASED COSTS TO OBTAIN NECESSARY TECHNOLOGICAL, FINANCIAL AND ADMINISTRATIVE SERVICES AFTER OUR TRANSITION AGREEMENT WITH TPI EXPIRES.

Before the transactions, the Group operated as a division of TPI, which is a subsidiary of Tenneco. Tenneco provided the Group with treasury, tax and selected administrative, financial reporting and information system services. As part of the sale of the Group, we negotiated a Technology, Financial and Administrative Transition Services Agreement with TPI for TPI and its affiliates to provide these services to PCA for a period of twelve months. PCA has an option to extend this agreement for an additional six months.

To continue to operate, we will need to extend the agreement with TPI, locate another service provider or develop the capability to provide these services internally. We may not be able to obtain these services at comparable costs after expiration of the existing agreement.

This agreement covers storage and maintenance services for management and operating data, telecommunications and data communications support services, technical computer assistance for personal and mainframe computer users, and disaster planning and recovery services, payroll and related functions, periodic financial reporting, bank account reconciliation, fixed asset accounting, and treasury and cash management administration. This agreement establishes fixed hourly rates for providing these services. The rates charged reflect TPI's actual costs, including TPI's overhead, for providing these services, but do not reflect any Tenneco corporate overhead. There is a cost cap to ensure that TPI uses its resources efficiently and we have the right to cancel any services with 90-days notification.

Under the existing agreement, we will pay TPI up to $13.0 million annually. If our cost to obtain these services increases by 10%, our annual costs for these services would increase by $1.3 million.

UNCERTAINTY OF FUTURE BUSINESS WITH TPI AND ITS AFFILIATE, TENNECO AUTOMOTIVE--IF WE ARE UNABLE TO RENEW OUR PURCHASE/SUPPLY AGREEMENTS WITH TPI AND TENNECO AUTOMOTIVE THERE MAY BE AN ADVERSE EFFECT ON OUR EARNINGS.

We have agreed to supply TPI and Tenneco Automotive, Inc. with their containerboard and corrugated packaging requirements for five years, through April 11, 2004. The agreements cover all containerboard and corrugated products that were purchased by TPI and its affiliates during the 12 months before April 12, 1999. We may not be able to extend these agreements beyond five years, and the loss of TPI and Tenneco Automotive as customers could have an adverse impact on our earnings if we are unable to replace that business at comparable profit levels.

As a result of these agreements, TPI and its affiliates are our largest customer for all products, which includes both linerboard and corrugated products, and our largest customer for corrugated products only. For the six months ended June 30, 1999, TPI and its affiliates accounted for $43.7 million, or 5.4%, of our sales of all products and $37.8 million, or 5.6%, of our sales of corrugated products.

Prices under these agreements were established based on prices charged to these customers before the closing of the transactions and will be adjusted if the published market price for containerboard changes. In addition, we may change prices annually for changes in the actual cost of items other than containerboard. We believe that the pricing, terms and conditions for these agreements are competitive by market standards for customers with comparable volume and product specifications.

If PCA had to replace all of its business with TPI and its affiliates with new business which was only 75% as profitable, PCA's annual operating income would decrease by approximately $2 million.

CONTROLLING STOCKHOLDER; POTENTIAL CONFLICTS--THE INTERESTS OF OUR CONTROLLING STOCKHOLDER COULD CONFLICT WITH THOSE OF THE OTHER HOLDERS OF THE COMMON STOCK.

After the offerings, PCA Holdings will beneficially own 49.0% of the outstanding common stock of PCA. As a result, PCA Holdings will effectively have the ability to elect all of the members of our board of directors, appoint new management and approve any action requiring the approval of our stockholders. The directors have the authority to make decisions affecting our capital structure, including the issuance of additional indebtedness and the declaration of dividends. The interests of PCA Holdings could conflict with the interests of the other holders of the common stock.

YEAR 2000 ISSUE--OUR FAILURE, OR THE FAILURE OF OUR SUPPLIERS OR CUSTOMERS, TO ADDRESS INFORMATION TECHNOLOGY ISSUES RELATED TO THE YEAR 2000 COULD ADVERSELY AFFECT OUR OPERATIONS.

PCA has substantially completed an inventory of its information technology and non-information technology systems to identify and assess Year 2000 issues and is in the process of remediating or replacing any non-compliant systems. As of August 31, 1999, 85% of our information technology systems and 100% of our non-information technology systems were Year 2000 compliant. We have sent Year 2000 compliance surveys to our significant suppliers and other vendors to determine whether they will be able to resolve in a timely manner any Year 2000 problems that may affect PCA. We have identified three suppliers, each of which is a supplier to a local corrugated products plant, which did not sufficiently respond to our Year 2000 compliance survey. Although not considered critical, contingency plans have been developed to address possible supply problems with these three suppliers. We have identified alternative sources of supply and alternative manufacturing locations as contingency plans to address any failure of supply associated with these suppliers. We have not attempted to evaluate the Year 2000 compliance of our customers because we do not think it is practicable to do so.

The potential effect if we or third parties with whom we do business are unable to timely resolve Year 2000 issues is not determinable, but we believe that our most reasonably likely Year 2000 worst case scenario would involve:

- short-term down time for some of our equipment as a result of process control device malfunctions at our mills and corrugated products plants;

- temporary disruption of deliveries of supplies and products due to truck shortages;

- transferring production from the three plants associated with the three suppliers who did not sufficiently respond to our Year 2000 compliance survey; and

- possible errors and delays, as well as increased labor costs, associated with manually taking orders, scheduling, production reporting and processing billing and shipping information if our customers experience system failures.

Based on current estimates, we expect to incur costs of approximately $5 million to address Year 2000 issues. As of August 31, 1999, we had paid $4.5 million of those costs.

INVESTMENT RISKS

USE OF PROCEEDS--WE EXPECT TO USE SUBSTANTIALLY ALL OF THE NET PROCEEDS OF THE PRIMARY OFFERINGS TO REDEEM ALL OF OUR OUTSTANDING SENIOR EXCHANGEABLE PREFERRED STOCK AND, AS A RESULT, WE MAY BE UNABLE TO MEET OUR FUTURE CAPITAL AND LIQUIDITY REQUIREMENTS.

We expect to use substantially all of the net proceeds of the primary offerings of our common stock to redeem all of our outstanding senior exchangeable preferred stock. As a result, little or none of the net proceeds will be available to fund current or future operations. We expect that our principal sources of funds following the offerings will be cash generated from operating activities and, if necessary, borrowings under our senior credit facility. We cannot assure you that these funds will provide us with sufficient liquidity and capital resources for us to meet our current and future financial obligations, or to provide funds for our working capital, capital expenditures and other needs for the foreseeable future. We may require additional equity or debt financing to meet our working capital requirements or to fund our capital expenditures. Additional financing may not be available if and when required or, if available, may not be on terms satisfactory to us.

ABSENCE OF PUBLIC MARKET--THE ABSENCE OF A PUBLIC MARKET FOR OUR COMMON STOCK CREATES UNCERTAINTY IN THE MARKET PRICE.

Immediately before the offerings, you could not buy or sell our common stock publicly. We and the selling stockholder will negotiate and determine the initial public offering price with the representatives of the underwriters based on several factors including:

- prevailing market conditions;

- PCA's historical performance;

- estimates of the business potential and earnings prospects of PCA;

- an assessment of PCA's management; and

- consideration of the above factors in relation to the market valuation of companies in related businesses.

The negotiated initial public offering price may not accurately reflect the true market value of PCA.

ABSENCE OF PUBLIC MARKET--YOU MAY NOT BE ABLE TO RESELL YOUR COMMON STOCK, OR MAY HAVE TO SELL IT AT A DISCOUNT IF AN ACTIVE TRADING MARKET IS NOT DEVELOPED AND MAINTAINED.

No public market currently exists for our common stock. Although we intend to list the common stock on the New York Stock Exchange, a liquid market for the common stock may not develop or be maintained. As a result, you may not be able to sell your shares of common stock or may have to sell them at a discount.

PRICE AND VOLUME FLUCTUATIONS--THE TRADING VOLUME AND PRICE OF OUR COMMON STOCK COULD FLUCTUATE SUBSTANTIALLY.

The market for our shares may be subject to extreme price and volume fluctuations. We believe that a number of factors, both within and outside our control, could cause the trading volume and price of our common stock to fluctuate, perhaps substantially. Important factors that could cause our common stock to fluctuate include:

- announcements of developments related to our business or our competitors' or customers' businesses;

- fluctuations in our financial results;

- general conditions or developments in the containerboard and corrugated packaging products business;

- potential sales of our common stock into the marketplace by us or our stockholders; and

- a shortfall in revenue, gross margin, earnings or other financial results or changes in research analysts' expectations.

AVAILABILITY OF SIGNIFICANT AMOUNTS OF COMMON STOCK FOR SALE--THE MARKET PRICE OF OUR COMMON STOCK COULD BE ADVERSELY AFFECTED AS A RESULT OF THE AVAILABILITY OF A SIGNIFICANT AMOUNT OF OUR COMMON STOCK FOR SALE.

The future sale of a substantial number of shares of common stock in the public market following the offerings, or the perception that future sales could occur, could adversely affect the prevailing market price of our common stock. Approximately 102,725,000 shares of our common stock will be outstanding after completion of the offerings and approximately 6,576,460 additional shares of common stock will be subject to currently exercisable options. All 42,875,000 shares of common stock being offered in the offerings will be eligible for immediate resale in the public market without restriction, except for shares purchased by one of our affiliates.

Our officers and directors and all of our existing stockholders have agreed with the underwriters not to offer, sell, hedge, or contract to sell, hedge or otherwise dispose of any of their shares of common stock or any other securities of PCA that they own that are substantially similar to the common stock for a period of at least 180 days after the date of the offerings without the prior written approval of Goldman, Sachs & Co. After the 180 day lock-up period expires, these shares will be freely tradeable, subject to limitations imposed by Rule 144 and Rule 701 under the Securities Act and, in some cases, to transfer restrictions contained in management equity agreements.

Beginning 180 days after the completion of the offerings, PCA Holdings, which currently holds 50,306,960 shares of our common stock, will have the right to require us to register its shares of common stock under the Securities Act at our expense.

CHARTER DOCUMENTS--SOME OF THE PROVISIONS OF OUR CHARTER DOCUMENTS COULD DISCOURAGE POTENTIAL ACQUISITION PROPOSALS AND COULD DELAY, DETER OR PREVENT A CHANGE IN CONTROL.

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

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. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or discouraging a third party from acquiring, a majority of PCA's outstanding voting stock.

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements about us that are subject to risks and uncertainties. Forward-looking statements include information concerning our future financial condition and business strategy. Statements that contain words such as "believes," "expects," "anticipates," "intends," "estimates" or similar expressions are forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. While we believe these expectations and projections are reasonable, forward-looking statements are inherently subject to risks, uncertainties and assumptions about us, including, among other things, those risks identified under the caption "Risk Factors."

THE TRANSACTIONS

In July 1998, Tenneco announced its intent to pursue strategic alternatives which could result in the separation of Tenneco's automotive, specialty packaging and containerboard and corrugated packaging products businesses. Tenneco analyzed various alternatives for the separation of TPI's containerboard and corrugated packaging products business, which we often refer to in this prospectus as the Group, including a sale, merger, spin-off or initial public offering. TPI entered into negotiations with Madison Dearborn for the sale of the Group in January 1999. Madison Dearborn, a private equity investment firm that invests in this sector, believed that the Group represented an attractive investment opportunity.

On January 25, 1999, TPI entered into a contribution agreement to sell the Group to PCA, an entity formed by Madison Dearborn in January 1999, for $2.2 billion, consisting of $246.5 million in cash, the assumption of $1.76 billion of debt incurred by TPI immediately prior to the contribution, and a 45% common equity interest in PCA valued at $193.5 million. Under the terms of the contribution agreement, PCA Holdings, an entity organized and controlled by Madison Dearborn, acquired the remaining 55% common equity interest in PCA for $236.5 million in cash, which was used to finance in part the transactions.

The financing of the transactions consisted of (1) borrowings under the senior credit facility, (2) the offering of the senior subordinated notes, (3) the offering of the senior exchangeable preferred stock, (4) a cash equity investment of $236.5 million by PCA Holdings and (5) an equity investment by TPI valued at $193.5 million.

The senior credit facility was entered into to finance in part the transactions and to pay related fees and expenses and to provide future borrowings to PCA for general corporate purposes, including working capital. The senior credit facility consists of three term loan facilities in an original aggregate principal amount of $1.21 billion and a revolving credit facility with up to $250 million in availability. PCA's total borrowings under the senior credit facility as of June 30, 1999 consisted of $1.135 billion of term loans. No amounts were outstanding under the revolving credit facility as of that date.

The following table sets forth the sources and uses of funds for the transactions.

DOLLARS IN THOUSANDS	
SOURCES OF FUNDS:	
Senior credit facility	
Revolving credit facility (a)	$ 9,000
Term Loan A	460,000
Term Loan B	375,000
Term Loan C	375,000
Notes	550,000
Preferred stock	100,000
PCA Holdings equity investment	236,500
TPI equity investment	193,500
Total	$2,299,000
USES OF FUNDS:	
Acquisition consideration (b)	$2,200,000
Estimated fees, expenses and working capital (c)	99,000
Total	$2,299,000

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(a) Immediately after the closing of the transactions, we had $241 million in additional availability under our new revolving credit facility. As of June 30, 1999, we had $250 million in availability and no borrowings outstanding under the revolving credit facility. If we had, the interest rate would have been 7.75% per annum on any amounts borrowed.

(b) The acquisition consideration does not include the impact of a post-closing price adjustment based on changes to the net working capital of the containerboard business from September 30, 1998 through the closing. On August 25, 1999, PCA Holdings and TPI agreed that the acquisition consideration should be reduced as a result of this adjustment by an amount equal to $20 million plus interest through the date of payment by TPI. On September 23, 1999, TPI paid PCA $20.7 million, representing the $20 million adjustment and $0.7 million of interest. PCA recorded $11.9 million of this amount on the June 30, 1999 balance sheet, representing the amount that was previously agreed to, and recorded the remaining amount in September 1999.

(c) Includes a fee paid to Madison Dearborn at the closing of the transactions of $15 million plus out-of-pocket expenses incurred in connection with the transactions.

Before the closing of the transactions in April 1999, it was agreed that after the closing, members of PCA's management would have the right to acquire PCA common stock at the same price per share being paid by PCA Holdings in the transactions, and receive options with an exercise price equal to the amount being paid by PCA Holdings for common stock in the transactions. After the closing of the transactions, PCA offered to 125 members of management of PCA shares of common stock of PCA at the same price per share paid by PCA Holdings. These employees included five executive officers, 11 senior managers and 109 facility and key managers. Of these employees, 113 elected to purchase common stock in the offering. PCA sold a total of 3,132,800 shares of common stock in the management offering. The proceeds were used to redeem 1,723,040 shares from PCA Holdings and 1,409,760 shares from TPI. PCA also issued to management options to purchase 6,576,460 shares.

Before the closing of the transactions, TPI agreed under the terms of the contribution agreement to purchase certain timberland that was leased by TPI for use by the containerboard business and buy-out all remaining mill operating leases (collectively, the "Lease Buy-out"). As a result of the Lease Buy-out, PCA owned approximately 800,000 acres of timberland, had lease or harvest rights to 150,000 acres of timberland and owned all of its mills.

USE OF PROCEEDS

The net proceeds to PCA from the sale of the 8,125,000 shares of common stock being offered by it in the offerings are estimated to be approximately $132,588,000 at an assumed initial public offering price of $17.50 per share, after deducting the estimated underwriting discounts and offering expenses of $9,600,000 payable by PCA.

PCA will use the net proceeds to redeem all outstanding shares of its 12 3/8% senior exchangeable preferred stock due 2010 (1,058,094 shares as of October 1, 1999) at a redemption price of 112.375% of its liquidation preference, plus accrued and unpaid dividends through the date of redemption. If the redemption occurred on November 1, 1999, the redemption price would be 112.375% of $105,809,375, plus $1,091,159 of accrued and unpaid dividends, or $119,994,444.

Any net proceeds received by PCA in excess of the amounts required to redeem the outstanding senior exchangeable preferred stock will be used to pay down debt or for general corporate purposes, including working capital. Any proceeds used to pay down debt would be applied ratably to the following term loans oustanding under PCA's senior credit facility:

- Term Loan A, which matures in quarterly installments from September 1999 through 2005, with an interest rate of 8.0625% and $427,685,950 outstanding as of September 1, 1999;

- Term Loan B, which matures in quarterly installments from September 1999 through 2007, with an interest rate of 8.5625% and $348,657,025 outstanding as of September 1, 1999; and

- Term Loan C, which matures in quarterly installments from September 1999 through 2008, with an interest rate of 8.8125% and $348,657,025 outstanding as of September 1, 1999.

PCA entered into the senior credit facility on April 12, 1999. The proceeds of the loans made under the senior credit facility were used to finance a portion of the transactions and related expenses, to refinance outstanding indebtedness and liabilities and for general corporate purposes including working capital.

PCA will not receive any of the proceeds from the sale of the shares by the selling stockholder in the offerings.

DILUTION

The net tangible book value of PCA as of June 30, 1999 was approximately $340.1 million, or $3.60 per share of common stock. Net tangible book value per share represents the amount of our stockholders' equity, less intangible assets, divided by 94,600,000 shares of common stock outstanding as of June 30, 1999.

After giving effect to the sale of the 8,125,000 shares of common stock being offered by PCA at an assumed initial public offering price of $17.50 per share, after deducting estimated underwriting discounts and commissions and offering expenses payable by PCA, and after using most of the net proceeds to redeem the senior exchangeable preferred stock, the pro forma net tangible book value of PCA as of June 30, 1999 would have been approximately $456.2 million, or $4.44 per share of common stock. This represents an immediate increase in pro forma net tangible book value of $.84 per share to existing stockholders and an immediate dilution of $13.06 per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share....		$ 17.50
Net tangible book value per share at June 30, 1999..	$ 3.60	
Increase per share attributable to new investors.....................................	.84	
Pro forma net tangible book value per share after the offerings...................................		4.44
Net tangible book value dilution per share to new investors.......................................		$ 13.06

The following table summarizes on a pro forma basis, as of June 30, 1999, the differences between the existing stockholders and new investors with respect to the number of shares of common stock purchased from PCA, the aggregate consideration paid and the average price per share paid, before deducting estimated underwriting discounts and commissions and offering expenses payable by PCA:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing stockholders..................	94,600,000	92.1%	$337,745,000	70.4%	$ 3.57
New investors..........................	8,125,000	7.9	142,188,000	29.6	17.50
Total................................	102,725,000	100.0%	$479,933,000	100.0%	

The foregoing discussion and tables assume no exercise of any stock options outstanding as of June 30, 1999. As of June 30, 1999, there were options outstanding to purchase a total of 6,576,460 shares of common stock with a weighted average exercise price of approximately $4.55 per share. To the extent that any of these options are exercised, there will be further dilution to new investors.

DIVIDEND POLICY

We intend to retain all earnings for the foreseeable future for use in the operation and expansion of our business and to repay existing indebtedness. Accordingly, we currently have no plans to pay dividends on our common stock. The payment of any future dividends will be determined by PCA's board of directors in light of conditions then existing, including PCA's earnings, financial condition and capital requirements, restrictions in financing agreements, business conditions and other factors. Under the terms of the agreements governing our outstanding indebtedness, we are prohibited or restricted from paying dividends on our common stock. In addition, under Delaware law, we are prohibited from paying any dividends unless we have "capital surplus" or "net profits" available for this purpose, as these terms are defined under Delaware law.

CAPITALIZATION

The following table sets forth the capitalization of PCA as of June 30, 1999 on an actual basis, and as adjusted to reflect the sale of the 8,125,000 shares of common stock offered by PCA in the offerings at an assumed initial public offering price of $17.50 per share, after deducting the estimated underwriting discounts and offering expenses payable by us, the application of the net proceeds therefrom as described in "Use of Proceeds." The information in this table should be read in conjunction with "Unaudited Pro Forma Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," the audited combined financial statements of the Group and the related notes and the audited financial statements of PCA and the related note, which appear elsewhere in this prospectus.

	JUNE 30, 1999	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Cash	$ 46,855	$ 64,319
Debt:		
Senior credit facility		
Revolving credit facility (a)	--	--
Term Loan A	431,488	431,488
Term Loan B	351,756	351,756
Term Loan C	351,756	351,756
Notes	550,000	550,000
Other	468	468
Total debt	1,685,468	1,685,468
Senior exchangeable preferred stock, liquidation preference $100 per share; 3,000,000 shares authorized, 1,000,000 shares issued and outstanding, actual; no shares issued and outstanding, as adjusted	96,500	--
Stockholders' equity:		
Junior preferred stock, liquidation preference $1.00 per share, 100 shares authorized, issued and outstanding (b)	--	--
Common stock, par value $.01 per share, 300,000,000 shares authorized; 94,600,000 shares issued and outstanding, actual; 102,725,000 shares issued and outstanding, as adjusted (c)	946	1,027
Additional paid-in capital (c)	336,799	469,306
Retained earnings	4,017	(12,458)
Total stockholders' equity	341,762	457,875
Total capitalization	$ 2,123,730	$ 2,143,343

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(a) As of June 30, 1999, we had $250 million in availability and no borrowings outstanding under our revolving credit facility. If we had, the interest rate would have been 7.75% per annum on any amounts borrowed.

(b) Any references to preferred stock contained in this prospectus do not include the 100 shares of junior preferred stock unless otherwise indicated. PCA Holdings and TPI collectively hold all of the shares of junior preferred stock. Following the offerings, PCA Holdings will hold all of the shares of junior preferred stock. Holders of the junior preferred stock are not entitled to receive any dividends or distributions, and have no voting rights. Shares of junior preferred stock may not be reissued after being reacquired in any manner by PCA.

(c) The as adjusted amount does not include the 6,576,460 shares of common stock issuable upon exercise of stock options issued under PCA management equity agreements at an exercise price of approximately $4.55 per share. All of these options will become exercisable upon completion of the offerings.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information has been derived by the application of pro forma adjustments, which give effect to the April 12, 1999 transactions, to the historical combined financial statements of the Group, which was acquired by PCA in the transactions, and the historical consolidated financial statements of PCA, both of which are included elsewhere in this prospectus. The transactions include the following related events:

- borrowings under the senior credit facility;

- the Lease Buy-out;

- TPI's contribution of the containerboard and corrugated packaging products business to PCA in exchange for TPI's equity investment and cash;

- issuance of PCA common stock to PCA Holdings in exchange for cash;

- PCA's issuance of the notes and preferred stock; and

- PCA's grant of options to management.

The unaudited pro forma statements of income for the year ended December 31, 1998 and the six months ended June 30, 1999 give effect to the transactions as if the transactions had been consummated on January 1, 1998. The pro forma adjustments exclude the impacts, if any, resulting from the potential effect of interest rate hedges on the senior credit facility.

See "The Transactions" for more information about the sale of equity to PCA management. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-- Market Risk and Risk Management Policies" for more information about the interest rate hedges on the senior credit facility.

The transactions represented a series of related transactions that fall within the scope of EITF Issue No. 88-16, BASIS IN LEVERAGED BUY-OUT TRANSACTIONS. However, in accordance with the guidance in EITF 88-16, because a change in control was deemed not to have occurred due to the existence of certain participating veto rights held by PCA directors designated by TPI, the transactions are considered a recapitalization-restructuring for which a change in accounting basis is not appropriate. Accordingly, PCA has recorded the Group net assets contributed by TPI at their historical values.

The pro forma financial information also reflects the issuance by PCA of 8,125,000 shares of common stock in the offerings and the application of the net proceeds therefrom as described in "Use of Proceeds."

The unaudited pro forma financial information is for comparative purposes only and does not purport to represent what PCA's results of operations would actually have been had the transactions in fact occurred on the assumed dates or to project PCA's results of operations for any future period. The unaudited pro forma financial information should be read in conjunction with the Group's historical combined financial statements and related notes, PCA's historical consolidated financial statements and related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and other financial information included elsewhere in this prospectus.

The pro forma and other adjustments, as described in the accompanying notes to the unaudited pro forma balance sheet and statements of income, are based on available information and assumptions that management believes are reasonable.

PACKAGING CORPORATION OF AMERICA
UNAUDITED PRO FORMA BALANCE SHEET

	PCA JUNE 30, 1999	PRO FORMA ADJUSTMENTS	PCA PRO FORMA
		(IN THOUSANDS)	
ASSETS			
Current assets:			
Cash and cash equivalents	$ 46,855	$ 17,464(a)	$ 64,319
Accounts receivable, net	197,631		197,631
Receivables from affiliated companies	--		--
Notes receivable	701		701
Inventories	152,815		152,815
Prepaid expenses and other current assets	15,334		15,334
TOTAL CURRENT ASSETS	413,336	17,464	430,800
Property, plant and equipment, at cost:			
Land, timber, timberlands and buildings	708,367		708,367
Machinery and equipment	1,868,973		1,868,973
Other, including construction in progress	129,306		129,306
Less: Accumulated depreciation and depletion	(790,128)		(790,128)
PROPERTY, PLANT AND EQUIPMENT, NET	1,916,518		1,916,518
Intangible assets	1,649		1,649
Other long-term assets	96,122	(1,000)(c)	95,122
Investments	994		994
TOTAL ASSETS	$ 2,428,619	$ 16,464	$2,445,083
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 7,703	$	$ 7,703
Accounts payable	117,935		117,935
Payables to Tenneco affiliates	--		--
Accrued interest	30,682		30,682
Accrued liabilities	65,218	(400)(c) (2,749)(a)	62,069
TOTAL CURRENT LIABILITIES	221,538	(3,149)	218,389
Long-term liabilities:			
Long-term debt	1,677,765		1,677,765
Deferred taxes	84,107		84,107
Other liabilities	6,947		6,947
TOTAL LONG-TERM LIABILITIES	1,768,819		1,768,819
Mandatorily redeemable preferred stock, liquidation preference $100 per share, 3,000,000 shares authorized, 1,000,000 shares issued and outstanding, actual; no shares issued and outstanding, as adjusted	96,500	(96,500)(a)	--
Stockholders' equity:			
Junior preferred stock, liquidation preference $1.00 per share, 100 shares authorized, issued and outstanding	--		--
Common stock, par value $.01 per share, 300,000,000 shares authorized; 94,600,000 shares issued and outstanding, actual; 102,725,000 shares issued and outstanding, pro forma (b)	946	81(a)	1,027
Additional paid in capital (b)	336,799	132,507(a)	469,306
Retained earnings	4,017	(600)(c) (15,875)(a)	(12,458)
TOTAL STOCKHOLDERS' EQUITY	341,762	116,113	457,875
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,428,619	$ 16,464	$2,445,083

PACKAGING CORPORATION OF AMERICA
NOTES TO UNAUDITED PRO FORMA BALANCE SHEET
(DOLLARS IN THOUSANDS)

(a) Assumes the net proceeds from the sale of 8,125,000 new shares of common stock will be mainly used to redeem all of the outstanding shares of PCA's 12 3/8% senior exchangeable preferred stock due 2010 (1,000,000 shares as of June 30, 1999) at a redemption price of 112.375% of its liquidation preference, plus accrued and unpaid dividends, as follows:

	ISSUANCE OF COMMON STOCK	REDEMPTION OF PREFERRED STOCK	NET ADJUSTMENT
Cash	$ 132,588	$ (115,124)	$ 17,464
Accrued dividends	--	(2,749)	(2,749)
Preferred stock	--	(96,500)	(96,500)
Common stock	81	--	81
Additional paid-in capital	132,507	--	132,507
	--	(3,500)	--
Retained earnings	--	(12,375)	(15,875)

(b) Common stock and additional paid-in capital as of June 30, 1999 have been adjusted for the 220-for-one stock split.

(c) Represents the accelerated vesting of the bonus paid to PCA's CEO as a result of the completion of the offerings of PCA's common stock. As this charge is non-recurring, it has not been reflected as an adjustment to the unaudited pro forma statement of income.

PACKAGING CORPORATION OF AMERICA
UNAUDITED PRO FORMA STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1998

	GROUP HISTORICAL	PRO FORMA ADJUSTMENTS: APRIL 12, 1999 TRANSACTION	PRO FORMA ADJUSTMENTS: STOCK OFFERINGS	PCA PRO FORMA(L)
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Net sales	$ 1,571,019	$ --	$ --	$ 1,571,019
Cost of sales	(1,289,644)	7,200(a) 12,260(b)	-- --	(1,270,184)
Gross profit	281,375	19,460	--	300,835
Selling and administrative expenses	(108,944)	1,449(b) (1,973)(c) 2,500(d) 4,400(e)	--	(102,568)
Corporate overhead allocation	(63,114)	--	--	(63,114)
Non-recurring restructuring charge	(14,385)	--	--	(14,385)
Other income	26,818	14,774(g)	--	41,592
Income before interest and income taxes	121,750	40,610	--	162,360
Interest expense, net	(2,782)	(156,694)(h)	--	(159,476)
Income before income taxes	118,968	(116,084)	--	2,884
Income tax (expense) benefit	(47,529)	47,013(i)	--	(516)
Net income	71,439	(69,071)	--	2,368
Preferred dividends and accretion of preferred stock issuance costs	--	(12,693)(k)	12,693(n)	--
Net income available to common stockholders	$ 71,439	$ (81,764)	$ 12,693	$ 2,368
Basic net income per common share (o)				$ .02
Diluted net income per common share (o)				$ .02

PACKAGING CORPORATION OF AMERICA

UNAUDITED PRO FORMA STATEMENT OF INCOME

SIX MONTHS ENDED JUNE 30, 1999

	GROUP JANUARY 1, 1999 THROUGH APRIL 11, 1999	PCA APRIL 12, 1999 THROUGH JUNE 30, 1999(M)	PRO FORMA ADJUSTMENTS APRIL 12, 1999 TRANSACTION	PRO FORMA ADJUSTMENTS STOCK OFFERINGS	PCA PRO FORMA
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Net sales	$ 433,182	$ 373,035	$ --	$ --	$ 806,217
Cost of sales	(367,483)	(297,055)	688(a) 3,440(b)	--	(660,410)
Gross profit	65,699	75,980	4,128	$ --	145,807
Selling and administrative expenses	(30,584)	(25,136)	367(b) (493)(c) 701(d) 829(e)	--	(54,316)
Corporate overhead allocation	(14,890)	(5,188)	--	--	(20,078)
Non-recurring impairment charge	(230,112)	--	230,112(f)	--	--
Other income (expense), net	(2,207)	(266)	2,369(g)	--	(104)
Income (loss) before interest, income taxes and extraordinary item	(212,094)	45,390	238,013	--	71,309
Interest expense, net	(221)	(34,079)	(43,895)(h)	--	(78,195)
Income (loss) before income taxes and extraordinary item	(212,315)	11,311	194,118	--	(6,886)
Income tax benefit (expense)	83,716	(4,545)	(76,630)(i)	--	2,541
Income (loss) before extraordinary item	(128,599)	6,766	117,488	--	(4,345)
Extraordinary item	(6,327)	--	6,327(j)	--	--
Net income (loss)	(134,926)	6,766	123,815	--	(4,345)
Preferred dividends and accretion of preferred stock issuance costs	--	(2,749)	(3,598)(k)	6,347(n)	--
Net income (loss) available to common stockholders	$(134,926)	$ 4,017	$120,217	$ 6,347	$ (4,345)
Basic net income (loss) per common share(o)					$ (.04)
Diluted net income (loss) per common share(o)					$ (.04)

PACKAGING CORPORATION OF AMERICA

NOTES TO UNAUDITED PRO FORMA STATEMENT OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE DATA)

(a) To record the estimated depletion/depreciation on the timber and mill assets acquired in the Lease Buy-out, and to remove the operating lease expense related to those leases, resulting in a net decrease to cost of sales as follows:

	YEAR ENDED DECEMBER 31, 1998	JANUARY 1, 1999 THROUGH APRIL 11, 1999
New depreciation/depletion	$ 65,300	$ 17,058
Eliminate lease expense	(72,500)	(17,746)
	$ (7,200)	$ (688)

(b) Because the contributed net assets have a carrying value greater than their fair value, as determined by the value of the acquisition consideration, an asset impairment was recorded by TPI in connection with the transactions relating to the Group's fixed and intangible assets. The pre-tax impairment charge was reflected in the Group's separate financial statements in the first quarter of 1999 and consisted of the following components:

Write-off remaining goodwill	$ 46,206
Reduction in property, plant and equipment	183,906
	$ 230,112

The following adjustment reflects reduced depreciation and amortization resulting from this impairment charge:

	YEAR ENDED DECEMBER 31, 1998	JANUARY 1, 1999 THROUGH APRIL 11, 1999
Goodwill amortization	$ 1,449	$ 367
Property, plant and equipment depreciation	12,260	3,440
	$ 13,709	$ 3,807

(c) To eliminate the deferred gain amortization related to the Meridian lease that is part of the Lease Buy-out.

(d) To reduce OPEB expense relating to the portion of the Group post-retirement health care benefit obligations being retained by TPI as part of the transactions and not assumed by PCA.

(e) To eliminate specialty rebates provided by the Group on boxes sold to Tenneco affiliates. As part of the transactions, TPI has agreed that PCA will no longer provide these rebates.

(f) The impairment charge recorded by the Group in the six months ended June 30, 1999 is eliminated with a pro forma adjustment because it is directly related to the transactions and is non-recurring.

(g) To eliminate the discount expense recognized on the sale of factored receivables because the receivables were acquired by PCA in connection with the transactions.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

(h) To record interest expense and amortization of deferred financing costs on the debt incurred to finance the transactions, calculated as follows:

	YEAR ENDED DECEMBER 31, 1998	JANUARY 1, 1999 THROUGH APRIL 11, 1999
Revolving Credit Facility ($9,000 @7.75%)	$ 698	$ 195
Term Loan A ($460,000 @ 7.75%)	35,185	9,399
Term Loan B ($375,000 @ 8.25%)	30,879	8,599
Term Loan C ($375,000 @ 8.50%)	31,815	8,860
Senior Subordinated Notes ($550,000 @ 9.625%)	52,938	14,829
	151,515	41,882
Eliminate interest on debt not assumed	(2,782)	(221)
Amortization of deferred financing costs	7,125	1,999
Amortization of settlement payment on interest rate protection agreement related to the notes	836	235
Pro forma interest adjustment	$ 156,694	$ 43,895

The above interest amounts on the Revolving Credit Facility and Term Loans assume a Eurodollar rate, equivalent to LIBOR, of 5% and give effect to the principal payments required on the Term Loans during the first 18 months. The effect on interest expense pertaining to the variable rate Revolving Credit Facility and Term Loans of a 1/8(th) of one percent variance in interest rates would be $1,515 and $726 for the year ended December 31, 1998 and the six months ended June 30, 1999, respectively.

(i) To record the income tax effect on all pro forma adjustments, at an effective tax rate of 40.5% for December 31, 1998, and 39.5% for June 30, 1999. The tax rate is higher than the federal statutory rate of 35% due to state income taxes.

(j) To eliminate the extraordinary loss, net of taxes, on the early extinguishment of debt as part of the transactions.

(k) To record dividends on the preferred stock and accretion of the preferred stock issuance costs as follows:

	YEAR ENDED DECEMBER 31, 1998	JANUARY 1, 1999 THROUGH APRIL 11, 1999
Preferred stock dividend	$ 12,375	$ 3,439
Accretion of preferred stock issuance costs	318	159
	$ 12,693	$ 3,598

(IN THOUSANDS, EXCEPT PER SHARE DATA)

(l) There are no historical financial statements for PCA for 1998 because PCA was not incorporated until January 25, 1999.

(m) There was no activity for PCA from January 25, 1999, its date of inception, through April 11, 1999.

(n) The pro forma financial information also reflects the redemption of the preferred stock using proceeds from the offerings. As a result, dividends on the preferred stock and accretion of the preferred stock issuance costs are eliminated.

(o) All share and per share data have been adjusted to reflect a 220-for-one split of PCA's common stock which became effective on , 1999. The following table sets forth the computation of basic and diluted income per share:

	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999
Numerator:		
Net income (loss)	$ 2,368	$ (4,345)
Denominator:		
Basic common shares outstanding	102,725	102,725
Effect of dilutive securities:		
Stock options	2,921	N/A
Diluted common shares outstanding	105,646	102,725
Basic income (loss) per common share	$ .02	$ (.04)
Diluted income (loss) per common share	$ .02	$ (.04)

The effect of options for the six months ended June 30, 1999 has not been included as it would be anti-dilutive.

SELECTED FINANCIAL AND OTHER DATA

The following table sets forth the selected historical financial and other data of PCA and the Group, and pro forma financial and other data of PCA. The selected historical financial and other data as of and for the years ended December 31, 1996, 1997 and 1998 was derived from the audited combined financial statements of the Group and the related notes thereto included elsewhere in this prospectus. The selected historical financial and other data as of and for the years ended December 31, 1994 and 1995 was derived from the unaudited combined financial statements of the Group. The historical financial data for the six months ended June 30, 1998 and for the period from January 1, 1999 to April 11, 1999 has been derived from the unaudited condensed combined financial statements of the Group included elsewhere in this prospectus. The historical financial data as of June 30, 1999 and for the period from April 12, 1999 to June 30, 1999 has been derived from the unaudited consolidated financial statements of PCA included elsewhere in this prospectus. The unaudited pro forma financial and other data as of and for the six months ended June 30, 1999 and for the year ended December 31, 1998 was derived from the unaudited pro forma financial information of PCA included elsewhere in this prospectus. The pro forma financial data does not purport to represent what PCA's financial position or results of operations would actually have been had the transactions in fact occurred on the assumed dates or to project PCA's financial position or results of operations for any future date or period. The information contained in the following table also should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Unaudited Pro Forma Financial Information," the historical combined financial statements of the Group including the notes thereto and the historical consolidated financial statements of PCA including the notes thereto, contained elsewhere in this prospectus.

	GROUP					PCA	GROUP	
	YEAR ENDED DECEMBER 31,					PRO FORMA YEAR ENDED DEC. 31,	SIX MONTHS ENDED JUNE	JAN. 1, 1999 THROUGH APRIL 11,
	1994	1995	1996	1997	1998	1998	30, 1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
STATEMENT OF INCOME DATA:								
Net sales................	$ 1,441,673	$ 1,844,708	$ 1,582,222	$ 1,411,405	$ 1,571,019	$1,571,019	$ 777,042	$ 433,182
Cost of sales............	(1,202,996)	(1,328,838)	(1,337,410)	(1,242,014)	(1,289,644)	(1,270,184)	(629,281)	(367,483)
Gross profit...........	238,677	515,870	244,812	169,391	281,375	300,835	147,761	65,699
Selling and administrative expenses...............	(71,312)	(87,644)	(95,283)	(102,891)	(108,944)	(102,568)	(52,432)	(30,584)
Corporate overhead/ allocation(3)..........	(34,678)	(38,597)	(50,461)	(61,338)	(63,114)	(63,114)	(32,373)	(14,890)
Restructuring/ impairment charge(4)..............	--	--	--	--	(14,385)	(14,385)	--	(230,112)
Other income (expense)(5)..........	(4,701)	(16,915)	56,243	44,681	26,818	41,592	16,015	(2,207)
Income (loss) before interest, income taxes and extraordinary item...	127,986	372,714	155,311	49,843	121,750	162,360	78,971	(212,094)
Interest expense, net....	(740)	(1,485)	(5,129)	(3,739)	(2,782)	(159,476)	(1,681)	(221)
Income (loss) before income taxes and extraordinary item...	127,246	371,229	150,182	46,104	118,968	2,884	77,290	(212,315)
Income tax benefit (expense).............	(50,759)	(147,108)	(59,816)	(18,714)	(47,529)	(516)	(30,822)	83,716
Income (loss) before extraordinary item...	76,487	224,121	90,366	27,390	71,439	2,368	46,468	(128,599)
Extraordinary item.....	--	--	--	--	--	--	--	(6,327)
Net income (loss)......	$ 76,487	$ 224,121	$ 90,366	$ 27,390	$ 71,439	$ 2,368	$ 46,468	$ (134,926)

	PCA(2)	
	APRIL 12, 1999 THROUGH JUNE 30, 1999	PRO FORMA SIX MONTHS ENDED JUNE 30, 1999
STATEMENT OF INCOME DATA:		
Net sales................	$ 373,035	$ 806,217
Cost of sales............	(297,055)	(660,410)
Gross profit...........	75,980	145,807
Selling and administrative expenses...............	(25,136)	(54,316)

Corporate overhead/ allocation(3)	(5,188)	(20,078)
Restructuring/ impairment charge(4)	--	--
Other income (expense)(5)	(266)	(104)
Income (loss) before interest, income taxes and extraordinary item	45,390	71,309
Interest expense, net	(34,079)	(78,195)
Income (loss) before income taxes and extraordinary item	11,311	(6,886)
Income tax benefit (expense)	(4,545)	2,541
Income (loss) before extraordinary item	6,766	(4,345)
Extraordinary item	--	--
Net income (loss)	$ 6,766	$ (4,345)

	GROUP					PCA	GROUP	
	YEAR ENDED DECEMBER 31,					PRO FORMA YEAR ENDED DEC. 31, 1998	SIX MONTHS ENDED JUNE 30, 1998	JAN. 1, 1999 THROUGH APRIL 11, 1999
	1994	1995	1996	1997	1998			
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
Basic earnings per share(9):								
Income (loss) before extraordinary item...	$ .81	$ 2.37	$ .96	$ .29	$ .76	$ .02	$ .49	$ (1.36)
Extraordinary item.....	--	--	--	--	--	--	--	(.07)
Net income (loss) per common share.........	$ .81	$ 2.37	$ .96	$ .29	$ .76	$ .02	$ .49	$ (1.43)
Diluted earnings per share(9):								
Income (loss) before extraordinary item...	$ .81	$ 2.37	$ .96	$ .29	$ .76	$ .02	$ .49	$ (1.36)
Extraordinary item.....	--	--	--	--	--	--	--	(.07)
Net income (loss) per common share.........	$ .81	$ 2.37	$ .96	$ .29	$ .76	$ .02	$ .49	$ (1.43)
Weighted average common shares outstanding.....	94,600	94,600	94,600	94,600	94,600	102,725	94,600	94,600
OTHER DATA:								
EBITDA(1)................	$ 178,148	$ 435,620	$ 234,041	$ 137,595	$ 218,700	$ 310,901	$ 126,356	$ (181,189)
Rent expense on operating leases bought out as part of the transactions(1)........	93,600	94,900	94,700	73,900	72,500	--	35,946	17,746
Net cash provided by operating activities...	107,642	336,599	55,857	107,213	195,401	170,581	103,803	153,649
Net cash used for investing activities...	(113,119)	(371,068)	(74,232)	(111,885)	(177,733)	(93,535)	(51,841)	(1,121,145)
Net cash (used for) provided by financing activities............	6,112	36,454	16,767	3,646	(17,668)	(22,030)	(51,962)	967,496
Depreciation, depletion, amortization..........	50,162	62,906	78,730	87,752	96,950	148,541	47,385	30,905
Capital expenditures.....	110,853	252,745	168,642	110,186	103,429	103,429	46,557	1,128,255
BALANCE SHEET DATA:								
Working capital (deficit)(6)..........	$ (101,281)	$ (150,429)	$ (102,278)	$ 34,314	$ 80,027		$ 64,887	
Total assets............	863,568	1,202,536	1,261,051	1,317,263	1,367,403		1,341,300	
Total long-term obligations (7)........	20,267	21,739	20,316	27,864	17,552		16,621	
Total stockholders' equity (8)............	389,981	640,483	784,422	854,060	908,392		851,487	

	PCA(2)	
	APRIL 12, 1999 THROUGH JUNE 30, 1999	PRO FORMA SIX MONTHS ENDED JUNE 30, 1999
Basic earnings per share(9):		
Income (loss) before extraordinary item...	$ .04	$ (.04)
Extraordinary item.....	--	--
Net income (loss) per common share.........	$ .04	$ (.04)
Diluted earnings per share(9):		
Income (loss) before extraordinary item...	$ .04	$ (.04)
Extraordinary item.....	--	--
Net income (loss) per common share.........	$ .04	$ (.04)
Weighted average common shares outstanding.....	93,582	102,725
OTHER DATA:		
EBITDA(1)................	$ 79,042	$ 149,117
Rent expense on operating		

leases bought out as part of the transactions(1)........	--	--
Net cash provided by operating activities...	147,630	154,627
Net cash used for investing activities...	(26,053)	(45,794)
Net cash (used for) provided by financing activities............	(74,723)	(83,365)
Depreciation, depletion, amortization..........	33,652	77,808
Capital expenditures.....	23,419	46,141
BALANCE SHEET DATA:		
Working capital (deficit)(6)..........	$ 152,646	$ 155,795
Total assets............	2,428,619	2,445,083
Total long-term obligations (7)........	1,781,968	1,685,468
Total stockholders' equity (8)............	341,762	457,875

NOTES TO SELECTED FINANCIAL AND OTHER DATA

(DOLLARS IN THOUSANDS)

1) PCA calculates "EBITDA" as income (loss) before interest, income taxes and extraordinary item, as reported, plus depreciation, depletion and amortization as reported in the statement of cash flows, as presented in the following table:

	GROUP					PCA	GROUP	
	YEAR ENDED DECEMBER 31,					PRO FORMA YEAR ENDED DEC. 31, 1998	SIX MONTHS ENDED JUNE 30, 1998	JAN. 1, 1999 THROUGH APRIL 11, 1999
	1994	1995	1996	1997	1998			
Income (loss) before interest, income taxes and extraordinary item....................	$ 127,986	$ 372,714	$ 155,311	$ 49,843	$ 121,750	$ 162,360	$ 78,971	$(212,094)
Add: Depreciation, depletion and amortization...........	50,162	62,906	78,730	87,752	96,950	148,541	47,385	30,905
EBITDA....................	$ 178,148	$ 435,620	$ 234,041	$ 137,595	$ 218,700	$ 310,901	$ 126,356	$(181,189)

	PCA(2)	
	APRIL 12, 1999 THROUGH JUNE 30, 1999	PRO FORMA SIX MONTHS ENDED JUNE 30, 1999
Income (loss) before interest, income taxes and extraordinary item....................	$ 45,390	$ 71,309
Add: Depreciation, depletion and amortization...........	33,652	77,808
EBITDA....................	$ 79,042	$ 149,117

For the historical periods, income (loss) before interest, income taxes and extraordinary item includes charges for rent expense on operating leases bought out as part of the transactions. As a result of the Lease Buy-out, PCA will no longer incur this rent expense, but will record non-cash charges for depreciation and depletion related to these assets, which are now owned rather than leased. This depreciation/depletion expense will be similar, but not identical, to the amount of rent expense. On a pro forma basis for 1998, the incremental depreciation/depletion was $7,200 less than the historical rent expense, resulting in a net increase of $4,284 to pro forma 1998 net income. To better understand historical EBITDA in relation to pro forma EBITDA for the periods presented, we believe it may be useful to add back this rent expense to reported EBITDA for the historical periods.

PCA's EBITDA is included in this prospectus because it is a financial measure used by PCA's management to assess the company's operating results and liquidity, and because several of the indebtedness covenants in PCA's senior credit facility and in the notes indenture are based upon a calculation that utilizes EBITDA.

EBITDA should not be considered in isolation or viewed as a substitute for cash flow from operations, net income or other measures of performance as defined by generally accepted accounting principles, or as a measure of a company's overall profitability or liquidity. In addition, EBITDA does not represent the cash available to investors because capital expenditures, debt service and income taxes are not deducted when calculating EBITDA.

PCA understands that EBITDA as used herein is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation.

In analyzing 1998 pro forma EBITDA for liquidity purposes, PCA also believes that the following additional adjustments should be considered by investors:

Pro forma EBITDA for 1998..	$ 310,901
Adjustments:	
Other income(a)..	(41,592)
Non-recurring restructuring charge(b)......................................	14,385
Reduction in corporate overhead(c)...	32,954
Cost savings from restructuring(d)...	10,800

Adjusted pro forma EBITDA for 1998	$ 327,448

(DOLLARS IN THOUSANDS)

(a) Other income for 1998 consists substantially of nonrecurring items, such as gains on the sale of non-strategic woodlands and a recycled paperboard joint venture investment, that PCA believes are not relevant in analyzing recurring EBITDA.

(b) During 1998, TPI adopted a restructuring plan to eliminate approximately 100 personnel and close down four facilities associated with the Group's business. As of December 31, 1998, substantially all actions specified in the plan had been completed. A charge of $14,385 was recorded for severance benefits, exit costs and asset impairments, and is reflected in the Group's 1998 operating profit. PCA believes that this non-recurring charge is not relevant in analyzing recurring EBITDA.

(c) As part of Tenneco, the Group was allocated $63,114 of Tenneco corporate and TPI overhead expenses based on a variety of allocation methods. In analyzing the carved-out business on a stand-alone basis, PCA estimates that these costs will be approximately $30,160 for the first year following the closing of the transactions. The determination of that estimate is based on detailed analyses that consider (1) compensation and benefits for TPI and new employees who are employed by PCA in corporate functions such as in information technology, human resources, finance and legal, and (2) non-payroll costs incurred by these departments. Where applicable, the estimates consider the terms of transition service arrangements between PCA and TPI.

(d) The restructuring referred to in Note (b) above will result in reduced cost of sales and selling and administrative expenses. This adjustment represents the Group's estimate of the cost savings that would have been achieved in 1998 if the restructuring had been in effect for all of 1998.

2) There was no activity for PCA from January 25, 1999, its date of inception, through April 11, 1999.

3) The corporate overhead allocation represents the amounts charged by Tenneco and TPI to the Group for its share of Tenneco's and TPI's corporate expenses. On a stand-alone basis, management estimates that PCA's overhead expense will be $30,160 for the first twelve months following the acquisition.

4) This line item consists of non-recurring charges recorded in the fourth quarter of 1998 and first quarter of 1999 pertaining to a restructuring charge and an impairment charge, respectively. For further information about these charges, refer to Notes 7 and 14 to the Group's audited combined financial statements and Note 7 to PCA's unaudited consolidated financial statements.

5) Other income, net consists of nonrecurring items, the largest components of which are as follows:

Fiscal year 1994	No individually significant items that are considered non-recurring.
Fiscal year 1995	No individually significant items that are considered non-recurring.
Fiscal year 1996	A $50,000 gain on the sale of recycled paperboard mills.
Fiscal year 1997	A $37,730 gain on the refinancing of operating leases.

(DOLLARS IN THOUSANDS)

Fiscal year 1998	A $16,944 gain on the sale of non-strategic woodlands and a $15,060 gain on the sale of the Caraustar recycled paperboard joint venture interest.
Six months ended June 30, 1998	$15,060 gain on the sale of the Caraustar recycled paperboard joint venture interest.
Six months ended June 30, 1999	No individually significant items that are considered non-recurring.

6) Working capital represents (a) total current assets excluding cash and cash equivalents less (b) total current liabilities excluding the current maturities of long-term debt.

7) Total long-term obligations include long-term debt, the current maturities of long-term debt and redeemable preferred stock. The amount excludes amounts due to TPI or other Tenneco affiliates as part of the Group's interdivision account or other financing arrangement.

8) Represents the Group's interdivision account with TPI for the historical period through April 11, 1999.

9) Earnings per share through April 11, 1999 has been calculated using the historical earnings of the Group and the number of common shares resulting from the closing of the acquisition on April 12, 1999 (94,600,000 common shares). For the PCA historical period from April 12, 1999 to June 30, 1999, earnings available to common stockholders includes a reduction for $2,749 of preferred stock dividends. For both pro forma periods, there is no reduction for preferred dividends because the preferred stock redemption to be completed using proceeds from the offerings is treated as if it occurred at the beginning of 1998.

For all periods presented through April 11, 1999, basic and diluted earnings per share are the same because there are no potentially dilutive other securities. For the PCA historical period from April 12, 1999 to June 30, 1999 and both pro forma periods, diluted earnings per share includes the dilutive effect of the 6,576,460 options granted in June 1999. This dilutive effect is calculated using the treasury stock method and the expected initial public offering price.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion 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 prospectus.

OVERVIEW

In connection with the transactions, PCA acquired The Containerboard Group of TPI, which consisted of its containerboard and corrugated packaging products business and which we refer to in this prospectus as the Group. Since its formation in January 1999 and through the closing of the acquisition on April 12, 1999, PCA did not have any significant operations. Accordingly, the historical financial results described below are those of the Group.

The Group has historically operated as a division of TPI, and has not historically operated as a separate, stand-alone entity. As a result, the historical financial information included in this prospectus does not necessarily reflect what the Group's financial position and results of operations would have been had the Group been operated as a separate, stand-alone entity during the periods presented.

As a division of TPI, the Group was allocated corporate overhead expenses in the amounts of $50.5 million, $61.3 million and $63.1 million for the years ended December 31, 1996, 1997 and 1998, respectively. These expenses were allocated to the Group based upon the relative level of effort and time spent on Group activities by the Tenneco affiliates. This was generally measured using a formula based upon the Group's percentage of Tenneco's total fixed assets, revenues and payroll. PCA estimates that these expenses will be approximately $30.2 million on a stand-alone basis for the first twelve months following the acquisition, based on detailed analyses of compensation benefits for employees who are now employed by PCA as a result of the acquisition and related non-payroll costs incurred after the acquisition. In addition, future operating results are expected to be affected by changes in depreciation and amortization expense related to impaired assets, elimination of certain lease financing costs and intercompany transactions with affiliates of Tenneco, and other items resulting from the acquisition. See "Unaudited Pro Forma Financial Information" included elsewhere in this prospectus. We cannot assure you that we will be able to realize all of the benefits we expect as a stand-alone entity.

The acquisition was accounted for using historical values for the contributed assets. Purchase accounting was not applied because, under the applicable accounting guidance, a change of control was deemed not to have occurred as a result of the participating veto rights held by TPI after the closing of the transactions under the terms of the stockholders agreement.

GENERAL

The market for containerboard is highly cyclical. Historically, prices for containerboard have reflected changes in containerboard supply that result from capacity additions and reductions, as well as changes in inventory levels.

Containerboard demand is dependent upon both domestic demand for corrugated packaging products and linerboard export activity. Domestic demand for corrugated packaging products is the more stable factor. It generally corresponds to changes in the rate of growth in the U.S. economy. Exports represent about 20% of total linerboard shipments.

From 1994 to 1996, capacity additions outpaced both domestic and export demand for containerboard. This excess supply led to lower industry operating rates and declining prices from late-1995 until mid-1997. Although prices generally improved from mid-1997 through mid-1998, the containerboard market was adversely affected by weaker containerboard exports. This weakness was most apparent in shipments to Asia in the second half of 1998, which resulted in lower prices.

While export shipments for the first six months of 1999 continued to be lower than the first six months of 1998, the supply/demand balance has improved in recent months, and the average price of linerboard has risen approximately 25% since January 1999. However, industry oversupply conditions could return or economic conditions could deteriorate in the future.

In recent months, several major containerboard manufacturers have announced production curtailments and mill shutdowns, and only minimal capacity additions have been publicly announced through 2001 according to the American Forest & Paper Association.

Pulp & Paper Week, an industry publication, reported in its July 1999 update that major containerboard producers had implemented average price increases for kraft linerboard and corrugating medium of $38 and $50 per ton, respectively. According to Pulp & Paper Week, after giving effect to the price increases, average prices in July 1999 for linerboard and corrugating medium were 13% and 25% higher, respectively, than July 1998 prices. Pulp & Paper Week also reported in its July 1999 update that almost all integrated and independent box converters have announced price increases for corrugated products of 10% to 13% beginning in August 1999.

RESULTS OF OPERATIONS

The historical results of operations of the Group and PCA are set forth below:

	GROUP					PCA	
	FOR THE YEAR ENDED DECEMBER 31,			FOR THE SIX MONTHS ENDED	FOR THE PERIOD FROM JANUARY 1, 1999 THROUGH	FOR THE PERIOD FROM APRIL 12, 1999 THROUGH	FOR THE PRO FORMA SIX MONTHS ENDED
	1996	1997	1998	JUNE 30, 1998	APRIL 11, 1999	JUNE 30, 1999	JUNE 30, 1999
	(IN MILLIONS)						
Net Sales	$ 1,582.2	$ 1,411.4	$ 1,571.0	$ 777.0	$ 433.2	$ 373.0	$ 806.2
Operating Income (Loss)	$ 155.3	$ 49.8	$ 121.7	$ 79.0	$ (212.1)	$ 45.4	$ 71.3
Interest Expense	(5.1)	(3.7)	(2.8)	(1.7)	(0.2)	(34.1)	(78.2)
Income (Loss) Before Taxes and Extraordinary Item	150.2	46.1	118.9	77.3	(212.3)	11.3	(6.9)
Provision for Income Taxes	(59.8)	(18.7)	(47.5)	(30.8)	83.7	(4.5)	2.5
Income (Loss) Before Extraordinary Item	$ 90.4	$ 27.4	$ 71.4	$ 46.5	$ (128.6)	$ 6.8	$ (4.3)
Extraordinary Item	--	--	--	--	(6.3)	--	--
Net Income (Loss)	$ 90.4	$ 27.4	$ 71.4	$ 46.5	$ (134.9)	$ 6.8	$ (4.3)

Operating income included several significant unusual or non-recurring items for each of the periods presented. Excluding these items, operating income would have been as follows:

	GROUP					PCA	
	FOR THE YEAR ENDED DECEMBER 31,			FOR THE SIX MONTHS ENDED	FOR THE PERIOD FROM JANUARY 1, 1999 THROUGH	FOR THE PERIOD FROM APRIL 12, 1999 THROUGH	FOR THE PRO FORMA SIX MONTHS ENDED
	1996	1997	1998	JUNE 30, 1998	APRIL 11, 1999	JUNE 30, 1999	JUNE 30, 1999
	(IN MILLIONS)						
Operating Income (Loss) as Reported	$ 155.3	$ 49.8	$ 121.7	$ 79.0	$ (212.1)	$ 45.4	$ 71.3
Recycled Paperboard Mills Divestiture							
Divestiture Gain (1)	(50.0)	--	(15.1)	(15.1)	--	--	--
Earnings	(4.0)	--	--	--	--	--	--
Joint Venture Income (1)	(0.6)	(1.7)	(0.3)	(0.3)	--	--	--
Non-Strategic Woodlands Divestitures (1)	--	(4.4)	(16.9)	--	--	--	--
Mill Lease Refinancing (1)	--	(37.7)	--	--	--	--	--
Restructuring Charge	--	--	14.4	--	--	--	--
Impairment Charge	--	--	--	--	230.1	--	--
Adjusted Operating Income	$ 100.7	$ 6.0	$ 103.8	$ 63.6	$ 18.0	$ 45.4	$ 71.3

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(1) Included in other income as part of the audited financial statements.

RECYCLED PAPERBOARD MILLS DIVESTITURE

In 1996, the Group sold two recycled paperboard mills, located in Rittman, Ohio and Tama, Iowa, and a recycling center and brokerage operation to a joint venture with Caraustar Industries. The Group received cash and a 20 percent interest in the joint venture and recognized a gain of $50.0 million in the second quarter as a result of the transaction.

Operating income for the recycled paperboard business reported in 1996 before the formation of the joint venture was approximately $4.0 million.

In 1998, the Group divested its 20 percent interest in the joint venture with Caraustar and recognized a $15.1 million gain in the second quarter on the divestiture.

The Group's share of operating income from the joint venture was $0.6 million, $1.7 million and $0.3 million, respectively, for the years ended December 31, 1996, 1997 and 1998.

NON-STRATEGIC WOODLANDS DIVESTITURES

In the third quarter of 1998, the Group recognized a $16.9 million gain on the sale of approximately 18,500 acres of woodlands used as a fiber source for the Counce mill. These woodlands were not considered a strategic fiber source for the Counce operation.

In the third quarter of 1997, the Group recognized a $4.4 million gain on the sale of non-strategic woodlands known as the Willow Flowage property located near the Tomahawk mill.

MILL LEASE REFINANCING

On January 31, 1997, TPI entered into an operating lease agreement with Credit Suisse Leasing 92A, L.P., as lessor, and a group of financial institutions led by Citibank, N.A., as agent. The agreement refinanced previous operating leases between General Electric Credit Corporation and

TPI, which were entered into at the same time as General Electric Credit's purchase of certain assets from Georgia-Pacific Corporation in January 1991. Through this refinancing, several capital lease obligations were extinguished as the assets were incorporated into the new operating lease. In connection with this refinancing, certain fixed assets and deferred credits were eliminated, resulting in a net gain recognized in the first quarter of 1997 of approximately $37.7 million.

RESTRUCTURING CHARGE

In the fourth quarter of 1998, the Group recorded a pre-tax restructuring charge of $14.4 million. This charge was recorded following the approval by Tenneco's board of directors of a comprehensive restructuring plan for all of Tenneco's operations, including those of the Group. In connection with this restructuring plan, the Group has or will eliminate a total of 109 positions, including the closing of four converting facilities. The following table reflects the components of this charge:

	RESTRUCTURING CHARGE	FOURTH QUARTER 1998 ACTIVITY	DECEMBER 31, 1998 BALANCE	JANUARY 1, 1999-- APRIL 11, 1999 ACTIVITY	APRIL 11, 1999 BALANCE	TPI BALANCE RETAINED	RECLASSIFICATION	APRIL 12, 1999-- JUNE 30, 1999 ACTIVITY	JUNE 30, 1999 BALANCE
	(IN MILLIONS)								
Cash Charges:									
Severance.........	$ 5.2	$(0.9)	$4.3	$(1.3)	$3.0	$(1.9)	$ --	$(0.7)	$0.4
Facility Exit Costs and Other...........	3.8	(0.4)	3.4	(0.7)	2.7	--	(0.7)	--	2.0
Total Cash Charges.........	9.0	(1.3)	7.7	(2.0)	5.7	(1.9)	(0.7)	(0.7)	2.4
Non-cash Charges:									
Asset Impairments.....	5.4	(3.8)	1.6	(1.5)	0.1	--	0.7	(0.1)	0.7
	$14.4	$(5.1)	$9.3	$(3.5)	$5.8	$(1.9)	$ --	$(0.8)	$3.1

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(1) Includes activity for both the Group (January 1, 1999 through April 11, 1999) and PCA (April 12, 1999 through June 30, 1999).

The fixed assets at the closed facilities were written down to their estimated fair value. No significant cash proceeds are expected from the ultimate disposal of these assets. Of the $2.4 million remaining cash charges at June 30, 1999, approximately $1.4 million is expected to be spent in the second half of 1999.

IMPAIRMENT CHARGE

As a result of the transactions, the Group recorded a non-cash impairment charge of $230.1 million in the first quarter of 1999, which is described in Note 14 of the Group's audited combined financial statements and Note 7 of PCA's unaudited consolidated financial statements.

EXTRAORDINARY LOSS

During the first quarter of 1999, the Group extinguished $16.6 million of debt incurred to finance a boiler at the Counce mill. In connection with that extinguishment, an extraordinary loss of $10.5 million was recorded, which was $6.3 million net of the related tax effect.

PRO FORMA SIX MONTHS ENDED JUNE 30, 1999 COMPARED TO REPORTED SIX MONTHS ENDED JUNE 30, 1998

NET SALES

Net sales increased by $29.2 million, or 3.8%, for the pro forma six months ended June 30, 1999 from the comparable period in 1998. The increase was the result of increased sales volume of both corrugated products and containerboard, partially offset by lower prices for both corrugated products and containerboard.

Average prices for corrugated products decreased by 3.6% for the pro forma six months ended June 30, 1999 from the comparable period in 1998, while corrugated products volume increased by 9.6%, from 12.1 billion square feet in 1998 to 13.3 billion square feet in 1999.

Average containerboard prices for third party sales decreased by 6.7% for the pro forma six months ended June 30, 1999 from the comparable period in 1998, while volume to external domestic and export customers increased 7.5%, to 264,030 tons in 1999 from 245,657 tons in 1998.

According to Pulp & Paper Week, an industry publication, average linerboard and semi-chemical medium prices for 42 lb. Liner-East and 26 lb. Medium-East, which are representative benchmark grades, were $378 and $322, respectively, per ton in the first six months of 1999. This compares to $388 and $337, respectively, per ton in the first six months of 1998. According to the Fibre Box Association, average sales prices for corrugated products decreased by 3.2% in the first six months of 1999 from the first six months of 1998.

INCOME BEFORE INTEREST EXPENSE AND INCOME TAXES AND EXTRAORDINARY ITEM (OPERATING INCOME)

Adjusted operating income increased by $7.7 million, or 12.1%, for the pro forma six months ended June 30, 1999 from the comparable period in 1998.

Gross profit decreased $2.0 million, or 1.3%, for the pro forma six months ended June 30, 1999 from the comparable period in 1998. Gross profit as a percentage of sales declined from 19.0% of sales in the first six months of 1998 to 18.1% of sales in the pro forma first six months of 1999, primarily due to the price decreases for corrugated products and containerboard described above.

Selling and administrative expenses increased by $1.9 million, or 3.6%, for the pro forma six months ended June 30, 1999 from the comparable period in 1998, primarily as a result of increased sales commissions and Year 2000 remediation expenses.

Corporate overhead for the pro forma six months ended June 30, 1999 decreased by $12.3 million, or 38.0%, primarily reflecting a full six months of TPI overhead allocations in 1998 compared to approximately three and one-half months of TPI overhead allocations in 1999.

INTEREST EXPENSE AND INCOME TAXES

Interest expense increased by $76.5 million, or 4,551.7%, for the pro forma six months ended June 30, 1999 from the comparable period in 1998, primarily due to interest expense related to the senior credit facility term loans and senior subordinated notes utilized to finance the transactions.

The Group's effective tax rate was 36.9% for the pro forma six months ended June 30, 1999 and 39.9% for the comparable period in 1998. The tax rate was higher than the federal statutory rate of 35% due to state income taxes.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

NET SALES

Net sales increased by $159.6 million, or 11.3%, from 1997 to 1998. The increase was primarily the result of increases in prices for both corrugated products and containerboard and, to a lesser extent, increases in shipments of corrugated products.

Average prices for corrugated products increased by 7.0% in 1998 from 1997, while corrugated volume increased by 4.6% in 1998, from 23.9 billion square feet in 1997 to 25.0 billion square feet in 1998.

Average containerboard prices for external third party sales increased by 11.7% in 1998 from 1997, while volume to external domestic and export customers decreased 8.4%, to 527,000 tons in 1998 from 575,000 tons in 1997.

According to Pulp & Paper Week, an industry publication, average linerboard and semi-chemical medium prices for 42 lb. Liner-East and 26 lb. Medium-East, which are representative benchmark grades, were $373 and $315, respectively, per ton in 1998. This compares to $333 and $268, respectively, per ton in 1997. According to the Fibre Box Association, average sale prices for corrugated products increased by 4.0% in 1998 from 1997.

INCOME BEFORE INTEREST EXPENSE AND INCOME TAXES (OPERATING INCOME)

Adjusted operating income increased by $97.8 million, or 1,630.0%, from 1997 to 1998 as a result of both higher sales prices and sales volumes, which primarily contributed to the gross margin improvement of $112.0 million, or 66.1%.

Gross margins improved from 12.0% of sales in 1997 to 17.9% of sales in 1998, primarily due to the price increases described above. These price increases were partially offset by a higher level of depreciation attributable to the Group's capital expenditure program and to higher costs incurred as a result of changes in product mix.

Selling and administrative expenses increased by $6.1 million, or 5.9%, from 1997 to 1998, primarily as a result of costs incurred to support the increased focus on graphics design and other value added product services in corrugated products.

Corporate allocations increased by $1.8 million, or 2.9%, primarily as a result of the Group's increased use of the Tenneco shared services center located in The Woodlands, Texas.

INTEREST EXPENSE AND INCOME TAXES

The Group's interest expense for 1998 and 1997 primarily related to the cost of debt incurred to finance a boiler at the Counce mill. The interest expense declined by approximately $1.0 million, or 25.6%, in 1998, as a portion of this debt was retired during the year.

The Group's effective tax rate was 40.0% in 1998 and 40.6% in 1997. The tax rate is higher than the federal statutory rate of 35% due to state income taxes.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

NET SALES

Net sales decreased by $170.8 million, or 10.8%, from 1996 to 1997. Approximately $48.3 million of the decrease was the result of the divestiture in June 1996 of two recycled paperboard mills. The balance of the decrease was primarily the result of decreases in prices for both corrugated products and containerboard, partially offset by increases in shipments of corrugated products and containerboard to external third parties.

Average prices for corrugated products decreased by 7.8% in 1997 from 1996, while corrugated volume increased by 1.3% in 1997 from 23.6 billion square feet in 1996 to 23.9 billion square feet in 1997.

Average containerboard prices for external third party sales decreased by 10.2% in 1997 from 1996, while volume to external domestic and export customers increased 30.4%, to 575,000 tons in 1997 from 441,000 tons in 1996.

According to Pulp & Paper Week, average linerboard and semi-chemical medium prices for 42 lb. Liner-East and 26 lb. Medium-East, which are representative benchmark grades, were $333 and $268, respectively, per ton in 1997. This compares to $382 and $315, respectively, per ton in 1996. According to the Fibre Box Association, average sale prices for corrugated products decreased by 10.3% in 1997 from 1996.

INCOME BEFORE INTEREST EXPENSE AND INCOME TAXES (OPERATING INCOME)

Excluding a one-time $50.0 million gain and $4.6 million of income from recycled paperboard mill operations in 1996, adjusted operating income declined $94.7 million, or 94.0% from 1996 to 1997. This decline was primarily the result of the lower pricing described above, partially offset by variable cost reductions at the mills resulting in a net decline in gross profit of $75.4 million, or 30.8%.

These factors, combined with the impact of the 1996 divestiture of the recycled paperboard mills, contributed to a decline in gross margins from 15.5% in 1996 to 12.0% in 1997.

Selling and administrative expenses increased by $7.6 million, or 8.0%, from 1996 to 1997. This increase was primarily the result of greater expenses incurred to increase the number of sales and design personnel for the corrugated products business.

Corporate allocations increased by $10.9 million, or 21.6%, from 1996 to 1997. The increase was the result of an overall increase in TPI's overhead, and consequently higher allocations to the Group.

INTEREST EXPENSE AND INCOME TAXES

The Group's interest expense declined by $1.4 million, or 27.1%, from 1996 to 1997, primarily as a result of the termination of capital leases that were extinguished when the new mill operating lease agreement was entered into in January 1997.

The Group's effective tax was 40.6% in 1997 and 39.8% in 1996. The tax rate was higher than the federal statutory rate of 35% due to state income taxes.

LIQUIDITY AND CAPITAL RESOURCES

HISTORICAL

As a division of TPI, the Group did not maintain separate cash accounts other than for petty cash. The Group's disbursements for payroll, capital projects, operating supplies and expenses were processed and funded by TPI through centrally managed accounts. In addition, cash receipts from the collection of accounts receivable and the sales of assets were remitted directly to bank accounts controlled by TPI.

Because of TPI's centrally managed cash system, in which the cash receipts and disbursements of TPI's various divisions were commingled, it was not feasible to segregate cash received from TPI, such as financing for the business, from cash transmitted to TPI, such as a distribution. Accordingly, the net effect of these cash transactions with TPI is represented as a single line item within the financing section of the statement of cash flows. Similarly, the activity of the interdivision account presents the net transfer of funds and charges between TPI and the Group as a single line item.

Effective April 12, 1999, PCA maintains its own cash accounts.

The following table sets forth the Group's cash flows for the periods shown:

	GROUP					PCA	
	FOR THE YEAR ENDED DECEMBER 31,			FOR THE SIX MONTHS ENDED	FOR THE PERIOD JANUARY 1, 1999 THROUGH	FOR THE PERIOD APRIL 12, 1999 THROUGH	FOR THE PRO FORMA SIX MONTHS ENDED
	1996	1997	1998	JUNE 30, 1998	APRIL 11, 1999	JUNE 30, 1999	JUNE 30, 1999
	(IN MILLIONS)						
CASH PROVIDED (USED) BY:							
Operating Activities......	$ 55.8	$ 107.2	$ 195.4	$ 103.8	$ 153.6	$ 147.6	$ 154.6
Investing Activities......	(74.2)	(111.9)	(177.7)	(51.8)	(1,121.1)	(26.0)	(45.8)
Financing Activities......	16.8	3.7	(17.7)	(52.0)	967.5	(74.7)	(83.4)
Net Cash Change...........	$ (1.6)	$ (1.0)	$ --	$ --	$ --	$ 46.9	$ 25.4

OPERATING ACTIVITIES

Cash flow provided by operating activities increased $50.8 million, or 48.9%, for the six months ended June 30, 1999 from the comparable period in 1998. The increase was primarily due to increases in depreciation, depletion and amortization and reduced working capital.

Cash flow provided by operating activities increased by $88.2 million, or 82.3%, from 1997 to 1998. The increase was due primarily to higher net income of $44.0 million, collection of a higher level of receivables and increased non-cash charges for restructuring and depreciation.

Cash provided by operating activities increased by $51.4 million, or 91.9%, from 1996 to 1997. The lower net income of $63.0 million resulting from lower pricing was more than offset by a deferred tax increase of $76.8 million resulting from accelerated depreciation on tax owned assets and higher depreciation, depletion and amortization.

INVESTING ACTIVITIES

Net cash used for investing activities decreased $6.0 million, or 11.7%, for the pro forma six months ended June 30, 1999 from the comparable period in 1998, primarily as a result of lower capital expenditures.

Cash used for investing activities increased by $65.8 million, or 58.9%, from 1997 to 1998. The increase was primarily attributable to a prepaid lease payment made in late-December 1998 of $84.2 million to acquire timberland as part of the Lease Buy-out. Proceeds from assets sales were $15.8 million higher in 1998, due to the 1998 timberland sale transaction previously described. During 1997 and 1998, additions to property, plant and equipment totaled $110.2 million and $103.4 million, respectively.

Net cash used for investing activities increased by $37.7 million, or 50.7%, from 1996 to 1997. During 1996 and 1997, additions to property, plant and equipment totaled $168.6 million and $110.2 million, respectively. The higher level of capital expenditures in 1996 was attributable to the rebuild of a machine at the Counce mill, for which a total of $78.4 million in capital expenditures was spent, with the majority of the spending occurring in 1996. Included in the 1996 investing activities are $122.7 million of proceeds from disposals compared to $10.5 million in 1997. The proceeds from disposals were primarily related to the sale of the 80% interest in the recycled paperboard assets to Caraustar Industries. Cash expended for other long-term assets decreased $16.5 million, primarily due to lower cash funding of pension assets.

As of June 30, 1999, PCA had commitments for capital expenditures of $62.4 million. PCA believes operating cash flow from continuing operations will be sufficient to fund these commitments.

FINANCING ACTIVITIES

Cash used for financing activities increased $31.4 million, or 60.4%, for the pro forma six months ended June 30, 1999 from the comparable period in 1998. The increase was primarily attributable to the transactions.

Cash provided by financing activities decreased by $21.4 million, or 584.6%, from 1997 to 1998, primarily reflecting the change in the net transfer of funds between the Group and TPI. The Group also retired $10.3 million of debt during 1998, which related to the financing of a boiler at the Counce mill.

Cash provided by financing activities decreased by $13.1 million, or 78.3%, from 1996 to 1997, primarily due to changes in the net transfer of funds between the Group and TPI.

AFTER THE TRANSACTIONS

Following the transactions, PCA's primary sources of liquidity are cash flow from operations and borrowings under PCA's new revolving credit facility. PCA's primary uses of cash are for debt service and capital expenditures. PCA expects to be able to fund its debt service and capital expenditures from these sources.

PCA incurred substantial indebtedness in connection with the transactions. On April 12, 1999, PCA had approximately $1.769 billion of indebtedness outstanding as compared to historical indebtedness outstanding of approximately $0.5 million. PCA's significant debt service obligations following the transactions could have material consequences to PCA's securityholders, including holders of common stock. See "Risk Factors."

Concurrently with the transactions, PCA issued the notes and preferred stock and entered into the senior credit facility. The senior credit facility provides for three term loans in an aggregate amount of $1.21 billion and a revolving credit facility with up to $250.0 million in availability. Upon the closing of the acquisition, PCA borrowed the full amount available under the term loans and $9.0 million under the revolving credit facility. The following table provides the interest rate as of September 1, 1999 for each of the term loans and the revolving credit facility:

BORROWING ARRANGEMENT	INTEREST RATE
Term Loan A	8.0625%
Term Loan B	8.5625%
Term Loan C	8.8125%
Revolver	
Revolver--Eurodollar	8.0625%
Revolver--Base Rate	9.75%

The borrowings under the revolving credit facility are available to fund PCA's working capital requirements, capital expenditures and other general corporate purposes. The Term Loan A must be repaid in quarterly installments from September 1999 through 2005. The Term Loan B must be repaid in quarterly installments from September 1999 through 2007. The Term Loan C must be repaid in quarterly installments from September 1999 through 2008. The revolving credit facility will terminate in 2005. See "Description of Certain Indebtedness--Description of Senior Credit Facility."

PCA made voluntary prepayments using timberland proceeds or excess cash to permanently reduce its borrowings under the term loans on the following dates in the following amounts:

- May 18, 1999--$75.0 million;
- July 15, 1999--$10.0 million;
- September 16, 1999--$1.3 million;
- September 29, 1999--$13.7 million;
- October 1, 1999--$194.6 million; and
- October 14, 1999--$27.5 million.

In addition, PCA repaid the $9.0 million drawn on the revolver using excess cash.

The instruments governing PCA's indebtedness and the preferred stock, including the senior credit facility, the indenture governing the notes and the certificate of designation governing the preferred stock, contain financial and other covenants that restrict, among other things, the ability of PCA and its subsidiaries to:

- incur additional indebtedness,
- pay dividends or make certain other restricted payments,
- consummate certain asset sales,
- incur liens,
- enter into certain transactions with affiliates, or
- merge or consolidate with any other person or sell or otherwise dispose of all or substantially all of the assets of PCA.

These limitations, together with the highly leveraged nature of PCA, could limit corporate and operating activities. See "Risk Factors--Company Risks--Leverage."

PCA intends to use the net proceeds received by it from the offerings to redeem all of the outstanding shares of preferred stock at an aggregate redemption price of approximately $120 million, assuming that the preferred stock is redeemed on or about November 1, 1999.

PCA estimates that it will make approximately $118 million in capital expenditures in 1999. These expenditures will be used primarily for cost reduction, business growth, maintenance and environmental and other regulatory compliance.

In August 1999, PCA signed purchase and sales agreements with various buyers to sell 405,000 acres of its 800,000 acres of owned timberland. PCA has completed the sale of approximately 260,000 of these acres and expects to complete the sale of the remaining acres by mid-November 1999. The net proceeds of these sales have been and will be used to reduce borrowings under the senior credit facility.

In addition, PCA is permitted under the terms of the senior credit facility and the indenture governing the notes to use net proceeds in excess of $500.0 million, if any, to redeem up to $100.0 million of the notes, or to pay a dividend on or repurchase its equity interests. Under the terms of the notes indenture, PCA may use the net proceeds of a timberland sale to redeem not more than 35% of the aggregate principal amount of notes issued and outstanding under the notes indenture, excluding notes held by PCA and its subsidiaries. PCA must make the redemption within 60 days of the timberland sale and must pay a redemption price equal to 109.625% of the principal amount of notes to be redeemed plus accrued and unpaid interest and liquidated damages, if any, to the date of redemption.

PCA may only use the net proceeds of a timberland sale to pay a dividend or repurchase its equity interests if PCA's debt to cash flow ratio at the time of payment or repurchase, after giving effect to the payment or repurchase, the application of the proceeds of the timberland sale, and any increase in fiber, stumpage or similar costs as a result of the timberland sale, would be no greater than 4.5 to 1 and PCA's debt and preferred stock to cash flow ratio no greater than 5.0 to 1. The senior credit facility imposes similar restrictions on the ability of PCA to use the net proceeds of a timberland sale to make these payments or repurchases.

PCA believes that cash generated from operations will be adequate to meet its anticipated debt service requirements, capital expenditures and working capital needs for the next 12 months, and that cash generated from operations and amounts available under the revolving credit facility will be adequate to meet its anticipated debt service requirements, capital expenditures and working capital needs for the foreseeable future. There can be no assurance, however, that PCA's business will generate sufficient cash flow from operations or that future borrowings will be available under the senior credit facility or otherwise to enable it to service its indebtedness, including the senior credit facility and the notes, to retire or redeem the notes when required or to make anticipated capital expenditures. PCA's future operating performance and its ability to service or refinance the notes and to service, extend or refinance the senior credit facility will be subject to future economic conditions and to financial, business and other factors, many of which are beyond PCA's control. See "Risk Factors."

ENVIRONMENTAL MATTERS

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. Because environmental regulations are constantly evolving, we have incurred, and will continue to incur, costs to maintain compliance with those laws. In particular, the United States Environmental Protection Agency recently finalized the Cluster Rules which govern pulp and paper mill operations, including those at the Counce, Filer City, Valdosta and Tomahawk mills. Over the next several years, the Cluster Rules will affect our allowable discharges of air and water pollutants, and require us to spend money to ensure compliance with those new rules.

As is the case with any industrial operation, we have, 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 we currently own or operate, former facilities and off-site facilities where we have disposed of hazardous substances. Because liability under these 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, we could receive notifications of cleanup liability in the future and this liability could be material. Under the terms of the contribution agreement, TPI has agreed to retain all liability for all former facilities and all sites associated with pre-closing off-site waste disposal. TPI has also retained environmentally impaired real property in Filer City, Michigan unrelated to current mill operations.

YEAR 2000 ISSUE

YEAR 2000 ISSUE. Year 2000 issues address the ability of electronic processing equipment to process date sensitive information and recognize the last two digits of a date as occurring in or after the year 2000. Many of our computer software and hardware systems, and some of our non-information technology infrastructure and manufacturing equipment, that utilize date-sensitive data, were structured to use a two-digit data field. As a result, these IT and non-IT systems will not be able to properly recognize dates in or after the Year 2000. If we are unable to complete the remediation or replacement of critical IT and non-IT systems in a timely manner, or if those with whom we conduct business are unsuccessful in implementing timely solutions, Year 2000 issues could have a material adverse effect on our results of operations.

YEAR 2000 PROGRAM. Our predecessor, TPI, created a Year 2000 management team in June of 1998 to address the Year 2000 issue. The Year 2000 program, started by TPI and continued by PCA, involves three primary phases:

- identifying and testing all information technology systems and all non-information technology infrastructure and equipment that have a potential Year 2000 issue;

- remediating or replacing all non-compliant systems and equipment; and

- testing all remediated or replaced systems and equipment.

In addition, our Year 2000 efforts have involved assessing and monitoring the Year 2000 readiness of our major suppliers and vendors, responding to customer inquiries regarding our state of readiness, tracking Year 2000 related expenditures and developing contingency or continuity plans.

STATE OF READINESS. PCA has completed the initial phase of identifying non-compliant systems and has substantially completed the final two phases of its program, namely the remediation or replacement of non-compliant systems and the testing of those systems. As of August 31, 1999:

- we had completed 98% of programming, remediation, replacement and testing of non-compliant IT systems;

- all of our corrugated products and mill manufacturing equipment process control systems had been upgraded, if necessary, and were Year 2000 compliant; and

- all of our corrugated products and mill non-IT infrastructure components, such as elevators, telephones, security systems, and heating, ventilation and air conditioning had been remediated, where necessary, and were Year 2000 compliant.

We expect to conclude the programming, remediation, replacement and testing of the remaining 2% of non-compliant IT systems by the end of 1999.

In addition, we have developed and are testing a standard purchasing, accounts payable and maintenance tracking system for our mills. We have installed this system in two mills and expect to have it installed in all remaining mills. It is anticipated that all mills will be Year 2000 compliant by the end of 1999. In conjunction with our Year 2000 project we have also implemented new order entry, corrugator scheduling, converting scheduling, shop floor manufacturing, shipping, inventory management and invoicing systems as part of an overall modernization project for our corrugated products plants.

We hired an external consultant to validate the results of our assessment of our Year 2000 readiness. As of August 31, 1999, the consultant had conducted a Year 2000 compliance audit of all of our mills and all of our corrugated packaging plants. The consultant did not identify any Year 2000 non-compliance issues.

In August 1998, we began identifying and surveying all of our major suppliers. We completed an evaluation of these major suppliers in August 1999 and identified three suppliers, each of which is a supplier to a local corrugated products plant, which did not sufficiently respond to our Year 2000 compliance survey. Although not considered critical, contingency plans have been developed to address possible supply problems with these three suppliers. We have not attempted to evaluate the Year 2000 compliance of our customers because we do not think it is practical to do so.

YEAR 2000 COSTS. Based on current estimates, we expect to incur costs of approximately $5.3 million to address Year 2000 issues, of which $4.5 million had been paid as of August 31, 1999. Approximately 20% to 30% of the remaining costs will be reimbursed by TPI under a transition services agreement. We are expensing these costs as they are incurred, except in instances where we determine that replacing existing computer systems or equipment is more effective and efficient, particularly where additional functionality is available.

YEAR 2000 RISKS. At this time, we believe we will be able to resolve our own Year 2000 issues. However, it is possible that there will be unanticipated problems with systems that we have renovated and tested. Further, although we are monitoring the Year 2000 readiness of our major suppliers we cannot control the outcome of their compliance efforts. The potential effect if we or third parties with whom we do business are unable to timely resolve Year 2000 issues is not determinable but we believe that our most reasonably likely Year 2000 worst case scenario would involve:

- short-term down time for some of our equipment as a result of process control device malfunctions at our mills and corrugated products plants;

- temporary disruption of deliveries of supplies and products due to truck shortages;

- transferring production from the three plants associated with the three suppliers who did not sufficiently respond to our Year 2000 compliance survey; and

- possible errors and delays, as well as increased labor costs, associated with manually taking orders, scheduling, production reporting and processing billing and shipping information if our customers experience system failures.

CONTINGENCY PLANNING. We have developed contingency plans to minimize the impact of any Year 2000 problems. Each of our mills and corrugated packaging plants has developed its own business continuity plan. Where practicable, we have identified alternative methods to perform mission critical functions such as order processing, shipping finished goods, production scheduling and ship floor data control. We have also identified alternative suppliers and alternative manufacturing sites to address potential supply problems. We are creating an event management team, made up of individuals with various areas of technological expertise. This team will be dedicated to identifying and resolving any Year 2000 issues that arise between mid-December 1999 and mid-January 2000.

IMPACT OF INFLATION

PCA does not believe that inflation has had a material impact on its financial position or results of operations during the past three years.

MARKET RISK AND RISK MANAGEMENT POLICIES

Historically, PCA has not had any material market risk due to the fact that its debt financing and risk management activities were conducted by TPI or Tenneco. As a result of the transactions, 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.

On March 5, 1999, PCA entered into an interest rate protection agreement with J.P. Morgan Securities Inc. to lock in then current interest rates on 10-year U.S. Treasury notes. PCA entered into this agreement to protect it against increases in the 10-year U.S. Treasury note rate, which served as a reference in determining the interest rate applicable to the notes, which have a comparable term. The agreement has a notional amount of $450.0 million and a 10-year U.S. Treasury note reference rate of 5.41%. As a result of a decrease in the interest rate on 10-year U.S. Treasury notes, PCA was obligated to make a single payment of approximately $8.4 million to J.P. Morgan Securities Inc. upon settlement of the agreement which was made on the date of the closing of the notes offering.

Under the terms of the senior credit facility, PCA is required to maintain for at least two years after the closing of the transactions interest rate protection agreements establishing a fixed maximum interest rate with respect to at least 50% of the outstanding term loans under the senior credit facility.

As a result, PCA has entered into three interest rate collar agreements which protect against rising interest rates and simultaneously guarantee a minimum interest rate. The notional amount of these collars is $720 million. The weighted average floor of the interest rate collar agreements is 4.97% and the weighted average ceiling of the interest rate collar agreements is 6.75%. The interest rate on approximately 60% of PCA's term loan obligations at June 30, 1999 are capped. PCA receives payments under the collar agreements if the LIBOR rate exceeds the ceiling. Correspondingly, PCA makes payments under the collar agreements if the LIBOR rate goes below the floor. In both cases, the amount received or paid is based on the notional amount and the difference between the actual LIBOR rate and the ceiling or floor rate. The weighted average duration of the interest rate collar agreements is approximately four years.

PCA's earnings are affected by changes in short-term interest rates as a result of borrowings under the term loans. If LIBOR interest rates for these borrowings increase one percent, PCA's interest expense would increase, and income before income taxes would decrease, by approximately $11.4 million annually until the LIBOR rate exceeds the ceiling rate. At that point, only 40% of the debt would result in additional interest rate expense. As of June 30, 1999, the interest rate on the term loans was based on a LIBOR rate of 5.0%, which was adjusted to 5.3% on July 12, 1999. The effect of the interest rate change to the fair market value of the outstanding debt is insignificant. This analysis does not consider any other impacts on fair value that could exist in such an interest rate environment. In the event of a change in interest rates, management could take actions to further mitigate its exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in PCA's financial structure.

NEW ACCOUNTING STANDARDS

For a description of changes in accounting principles affecting PCA, see Note 2 to the Group's audited combined financial statements included elsewhere in this prospectus. None of the new accounting standards required to be adopted on January 1, 1999 had any material impact on the Group's or PCA's results of operations. In addition, management does not expect that new accounting standards currently pending will materially impact PCA's operating results.

GENERAL

PCA is the sixth largest producer of containerboard and corrugated products in the United States, based on production capacity as reported in the Pulp & Paper 1999 North American Fact Book. With 1998 net sales of $1.6 billion, PCA produced 2.1 million tons of containerboard and shipped about 25 billion square feet of corrugated products.

In 1998, we produced over 1.3 million tons of kraft linerboard at our mills located in Counce, TN and Valdosta, GA. We also produced 800,000 tons of semi-chemical medium at our mills located in Tomahawk, WI and Filer City, MI. About 20% of our 1998 total fiber requirements were met with wood from our owned or leased timberland, which are generally located within 100 miles of our mills.

Our converting operations produce a wide variety of corrugated packaging products, including conventional shipping containers used to protect and transport manufactured goods. We also produce multi-color boxes and displays with strong visual appeal that help to merchandise the packaged product in retail locations. Finally, we are a large producer of meat boxes and wax-coated boxes for the agricultural industry.

INDUSTRY OVERVIEW

CORRUGATED CONTAINERS

According to the Fibre Box Association, the value of industry shipments of corrugated containers was over $20 billion in 1998. According to this source, corrugated container volume has grown at a compound annual rate of 3.1% since 1975. Demand for corrugated containers has increased in all but four years during this 23-year period. At no time during this period did demand for corrugated containers decrease in consecutive years.

Most converting plants are either corrugator plants or sheet plants. There are approximately 612 corrugator plants in the United States. Corrugater plants have equipment on-site that flutes the medium and combines it with linerboard to create corrugated sheets. These sheets are then converted into corrugated containers on-site.

There are approximately 860 sheet plants in the United States. Sheet plants purchase corrugated sheets from corrugator plants and convert these sheets into finished corrugated containers. According to the Fibre Box Association, corrugator plants account for 84% of the industry's corrugated container shipments, while sheet plants contribute the remaining 16%.

The primary end-use markets for corrugated containers are shown below:

Food, beverages and agricultural products............................	39.2%
Paper and fiber products...	22.6%
Petroleum, plastic, synthetic and rubber products....................	10.3%
Glass, pottery, fabricated metal and metal containers................	6.8%
Electrical and electronic machinery and appliances...................	3.7%

High-volume, national account customers typically seek suppliers with multiple plant locations that can provide broad geographic coverage, an array of manufacturing capabilities and flexibility to provide products in critical situations. Local accounts tend to place a greater emphasis on local sales and customer service support, quick order turnaround and specialized services. All types of customers value price, quality and dependability.

Corrugated containers are generally delivered by truck. Compared to many other products, the amount of corrugated containers that can fit into a truckload weighs much less. This, coupled with the relatively low price per ton of corrugated containers, make shipping costs account for a relatively high portion of total costs. As a result, converting plants tend to be located in close proximity to customers to minimize freight costs. Most converters serve markets within a 150-mile radius of their plants and employ a locally based sales force to solicit accounts in that market area.

The corrugated products industry is highly fragmented, with an estimated 715 companies in the United States. The top five U.S. integrated corrugated manufacturers produce approximately 60% of total U.S. industry production. Integrated producers accounted for approximately three-quarters of total corrugated container shipments.

CONTAINERBOARD

Containerboard, which includes both linerboard and corrugating medium, is the principal raw material used to manufacture corrugated containers. Linerboard is used as the inner and outer facings, or liners, of a corrugated container. Corrugating medium is fluted and laminated to linerboard in corrugator plants to produce corrugated sheets. The sheets are subsequently printed, cut, folded and glued in corrugator plants or sheet plants to produce corrugated containers.

Containerboard may be manufactured from both softwood and hardwood fibers, as well as from recycled fibers from used corrugated containers and waste clippings from corrugated converting operations. Kraft linerboard is made predominantly from softwoods like pine. Semi-chemical medium is made from hardwoods such as oak. Wood may be brought to the mill as logs to be chipped, or as already-chipped wood. The chips are chemically treated and cooked to form virgin fiber, also known as wood pulp. This pulp can be processed alone or blended with some percentage of recycled fiber on paper machines. The pulp is mixed with water and flows onto a moving wire screen, which allows the water to drain and concentrates the fibers. What remains is a paper mat that is compressed by a series of presses and then dried. The paper is wound into large rolls, which are slit to size as required by converters, and shipped to them.

Linerboard is made in a range of grades or basis weights. 42 lb. linerboard is the most common weight, but linerboard is produced in weights that vary from under 26 lb. to over 90 lb. The number represents the weight in pounds per thousand square feet of that linerboard. Producers also market linerboard by performance characteristics, appearance and color. The following table describes different product weight, performance and color characteristics:

CATEGORY	PRODUCTS	DESCRIPTION
Weights (lb./1,000 sq. ft.)......	26 - 38 lb.	Lightweights
	41 - 56	Middleweights
	61 - 90	Heavyweights
	>90	Super heavyweights
Performance.....................	High ring crush	stacking or compression strength
	Tare weight	minimal variations in basis weight
	Wet strength	strength while wet
Color...........................	Mottled white	bleached pulp applied to unbleached sheet; mottled appearance
	White top	even, white surface appearance
	Full bleached	solid white throughout

The market demand for high performance grades, lightweights and white linerboard continue to grow at a faster rate because customers are seeking better strength characteristics at a lower cost as well as improved appearance.

Recycled linerboard production has also grown rapidly in recent years due to favorable economics, customer demand for recycled packaging, and improved quality and performance characteristics. Recycled linerboard accounted for approximately 18% of total U.S. linerboard production in 1998. A recycled linerboard mill is typically smaller and less capital-intensive than kraft linerboard mills. These mills are likely to be located near a major urban area where the supply of recycled material is abundant and converter operations are more geographically concentrated.

U.S. linerboard producers export nearly 20% of their production. The top three markets are Europe, Asia and Latin America, which together consumed about 90% of the U.S. linerboard exports during 1998. Linerboard exports have grown at an average rate of 6% a year during the last 15 years, reaching a record 4.6 million tons in 1997. Due to the strong U.S. dollar and weak Asian markets, exports of linerboard were significantly lower in 1998 at 3.7 million tons. The market for exported medium is considerably smaller than for linerboard. About 2.5% of the corrugating medium produced in the United States is exported.

Despite recent consolidation activity, the containerboard industry remains relatively fragmented, with the top five producers accounting for 53% of production capacity and the top ten accounting for 72%.

Containerboard is a commodity-like product whose price tends to be highly cyclical. Historically, pricing for containerboard has reflected changes in containerboard supply that resulted from capacity additions and reductions, as well as changes in inventory levels and demand. The supply/demand balance has improved in recent months and the average price of linerboard has risen about 25% since January. In 1999, several major containerboard manufacturers announced production curtailments and mill shutdowns. These reductions represent nearly 2 million tons or 5% of North American capacity. Only minimal capacity additions have been publicly announced through 2001 according to the American Forest & Paper Association.

BUSINESS STRATEGY

Our on-going operating strategy focuses on three elements:

- Building upon our low cost mill status and continuing to reduce manufacturing costs in our containerboard mills;

- Focusing our sales and marketing efforts for corrugated containers on value-added, higher margin products and customers; and

- Emphasizing investment and growth in our corrugated container operations to further increase our level of integration.

COMPETITIVE STRENGTHS

- LOW-COST PRODUCER. Based on two studies performed in 1998 by Jacobs-Sirrine, an industry consulting firm, PCA's two largest containerboard mills were ranked in the lowest quartile for cash manufacturing costs in the industry. One of these studies was a single-client study that we paid Jacobs-Sirrine to perform in February 1998. The other was a multi-client study issued by Jacobs-Sirrine in the fourth quarter of 1998 that was available for purchase by the general public. The Counce and Tomahawk mills represent two-thirds of PCA's production capacity. Counce produces linerboard and Tomahawk makes semi-chemical medium. The industry uses cash manufacturing cost per ton as a measure of operating cost effectiveness for containerboard mill production. Cash manufacturing costs are the out-of-pocket costs associated with producing containerboard, which include costs for fiber, chemicals, energy, other materials and consumables, hourly labor and salaried supervision.

Valdosta, our second kraft linerboard mill, uses only virgin fiber. In February 1998, Jacobs-Sirrine also ranked it as a low cost, or first quartile, mill. In the fourth quarter 1998 study, Valdosta's ranking fell to below average cost, or third quartile. This was due primarily to a decline in recycled fiber prices. This decline improved the relative cost position of recycled mills. Recycled fiber costs have increased recently to nearly the same level as in February 1998. This recycled fiber cost increase has improved Valdosta's cost position, returning it to the lowest cost quartile.

Filer City, our smallest mill, produces semi-chemical medium. Filer City ranks as an average cost mill in both of the Jacobs-Sirrine studies.

Fiber represents the single largest cost element in manufacturing containerboard. Our mills are located near abundant supplies of wood fiber. Additionally, our ability to vary the percentage of softwood, hardwood and recycled fiber enables us to react to changes in fiber prices and minimize fiber costs. Overall, our fiber costs are among the lowest in the industry.

In recent years, we have also made significant productivity and efficiency gains. These include labor savings, higher machine speeds, reduced waste and lower chemical and energy costs.

- INTEGRATED OPERATIONS. Our level of containerboard integration with our converting facilities is approximately 75% to 80%. This high level of integration provides a stable and predictable demand for our containerboard mill production. The remaining 20% to 25% of production is sold externally, with about two-thirds going to domestic corrugated converters and one-third to the export market. According to Pulp & Paper Week, during the period of 1995 to 1998, industry containerboard prices declined by 31% while our average corrugated box price fell by only 11%. The relative earnings stability of our converting plants acts to somewhat offset the more cyclical earnings of our mills. Containerboard pricing behaves much as a commodity and is highly dependent on the relative balance of containerboard supply and demand. Corrugated container demand has been fairly stable over the past 20 years and tracks general economic growth as measured by Gross Domestic Product and industrial production.

- DIVERSIFIED CUSTOMER BASE. Our broad customer base enables us to minimize our dependence on any one industry, geography or individual customer. We have focused our sales efforts on smaller, local accounts, which usually demand more customized products and services than higher volume national accounts. Approximately 75% of our current revenues are derived from local accounts.

- FOCUS ON VALUE-ADDED PRODUCTS AND SERVICES. We have pursued a strategy of providing our customers with value-added products, enhanced graphics and superior customer service. Since 1995, we have acquired nine converting facilities. Four of these acquisitions significantly increased our graphics capabilities, while five sheet plant acquisitions improved our ability to provide shorter production runs and faster turnaround times in those markets. We have also established five geographically dispersed graphics design centers that use sophisticated computer design software to create visually appealing customized boxes. Our close proximity to our customers, our broad geographic coverage and our ability to provide value-added products and services has consistently resulted in a higher selling price than the industry average.

OPERATIONS AND PRODUCTS

MILLS

Our two linerboard mills can manufacture a broad range of linerboard grades ranging from 26 lb. to 96 lb. Our two semi-chemical medium mills can manufacture grades ranging in weight from 21 lb. to 47 lb. All four of our mills have completed an extensive independent review process to become ISO 9002 certified. ISO 9002 is an international quality certification that verifies a facility maintains and follows stringent procedures for manufacturing, sales and customer service.

COUNCE. Our Counce, Tennessee mill is one of the five largest linerboard mills in the United States out of approximately 70 linerboard mills. Its production capacity is approximately 937,000 tons per year. In 1998, we produced 880,600 tons of kraft linerboard on two paper machines at Counce. We produced a broad range of basis weights from 31 lb. to 96 lb. Our Counce mill machines also produce a variety of performance and specialty grades of linerboard including high-ring crush and wet strength. In 1998 we developed the capability to produce linerboard grades with a mottled white printing surface. Mottled white has a marble-like coloration and is typically priced from $130 to $175 per ton higher than kraft linerboard, but is more expensive to produce.

VALDOSTA. Our Valdosta, Georgia mill is a kraft linerboard mill and has a production capacity of approximately 450,000 tons per year. In 1998, our single paper machine at Valdosta produced approximately 424,500 tons of linerboard. Valdosta primarily produces middleweight linerboard ranging from 42 lb. to 56 lb., and heavyweight/super heavyweight linerboard ranging from 61 lb. to 96 lb.

TOMAHAWK. Our Tomahawk, Wisconsin mill is the second largest medium mill in the United States out of 69 medium mills. Its production capacity is 533,000 tons per year. In 1998, we produced approximately 503,900 tons of semi-chemical medium at Tomahawk using three paper machines, one of which is the third largest corrugated medium machine in the United States. These machines produce a broad range of basis weights from 23 lb. to 47 lb. Our Tomahawk mill also produces a variety of performance and specialty grades of semi-chemical medium. This includes high ring crush, wet strength, tare weight and super heavyweight.

FILER CITY. Our Filer City, Michigan mill is a semi-chemical medium operation. In 1998, Filer City produced approximately 295,500 tons of medium on three paper machines. In July 1998, we shut down one machine at Filer City. Mill production capacity at Filer City is now 280,000 tons a year. Filer City produces a range of medium grades in basis weights from 21 lb. to 40 lb.

CORRUGATED PRODUCTS

We operate 39 corrugator plants, 28 sheet/specialty plants and five graphic design centers. The 39 corrugator plants have a corrugator on site and manufacture both combined sheets and finished boxes. Twenty-six sheet plants purchase combined sheets and create finished boxes. Two other small specialty facilities include a collating and distribution packaging center, as well as a machine rebuild facility. The five graphic design centers are located in Westmont, Illinois; Cincinnati, Ohio; Dallas, Texas; North Brunswick, New Jersey; and Southgate, California.

These graphic design centers were established in response to customers' increasing need for sophisticated, high impact graphics on their corrugated boxes. Customers are increasingly using special in-store corrugated displays to market their products and are requiring more intricate packaging designs. In response, our graphic design centers offer state-of-the-art computers and equipment that are capable of 24-hour design turnaround and reduced product delivery times.

Our converting locations are spread throughout the United States. Each corrugator plant serves a market radius that typically averages 150 miles. Our sheet plants are generally located in close proximity to our larger corrugating facilities which enables us to offer additional services and converting capabilities such as small volume, quick turnaround items.

We produce a wide variety of products ranging from basic corrugated shipping containers to specialized packaging such as wax-coated boxes for the agriculture industry. We also have multi-color printing capabilities to make high-impact graphics boxes and displays that offer customers more attractive packaging.

TIMBERLAND

We currently own, lease, manage or have cutting rights to approximately 690,000 acres of timberland located near our Counce, Valdosta and Tomahawk mills. The acreage we control includes 540,000 acres of owned land and another 150,000 acres of long term leases. Virtually all of these leases have terms over 20 years.

Over 90% of our timberland is located within 100 miles of our mills which results in lower wood transportation costs and a secure source of wood fiber. In 1998, 20% of our total fiber requirements were supplied by wood from timberland owned or leased by us.

In addition to the timberland we manage ourselves, we have initiated a Forest Management Assistance Program. Through this program we provide professional forestry assistance to private timberland owners to improve harvest yields and to optimize their harvest schedule. We have managed the regeneration of over 97,000 acres by supplying pine seedlings. In exchange for our expertise, we are given the right of first refusal over timber sales from those lands. These private lands include over 200,000 acres of timberland. We expect to harvest over 150,000 cords of wood from these forests annually.

We also participate in the Sustainable Forestry Initiative, which is organized by the American Forest and Paper Association. This initiative is aimed at ensuring the long-term health and conservation of America's forestry resources. Activities include limiting tree harvest sizes, replanting harvest acreage, and participating in flora and fauna research and protecting water streams.

We believe that the wood supplies near our Valdosta, Filer City and Tomahawk mills are very good and will remain so for the foreseeable future. As a result, we have sold and are considering the sale of a large percentage of our timberland in these regions. We currently believe that we will be able to purchase our wood requirements at competitive prices. At Counce, where pine is in shorter supply, we would consider selling a significant portion of our timberland if we could obtain a competitively priced, long-term supply agreement from the buyer.

SOLID WOOD AND RECYCLING FACILITIES

We own three sawmills located in Ackerman, Mississippi; Selmer, Tennessee; and Fulton, Mississippi. These three sawmills produce approximately 150 million board feet annually of lumber used to make furniture and building products. We also have an air-dry yard operation in Burnsville, Mississippi that holds newly cut lumber while it dries. Finally, we have a 50% interest in a wood chipping joint venture in Fulton, Mississippi that provides us with wood chips for use at our Counce Mill. The solid wood products group enables us to maximize the value of our timber through lumber sales, when appropriate, and also provides us with a supply of wood chips.

We also operate three paper recycling centers, one in Jackson, Tennessee and two in Nashville, Tennessee. These recycling centers collect old corrugated containers, newspapers and other paper and provide a source of recycled fiber to our nearby Counce mill.

PERSONNEL

An on-site mill manager oversees each of our mills. The mill manager's operating staff includes personnel who support mill operations and woodlands, as well as support groups for scheduling and shipping, technical services and process control, maintenance and reliability, and engineering and technology. Our administrative support groups include accounting, information systems, payroll and human resources. All of the groups mentioned above report to each respective mill manager. Headquarters corporate support, located in Lake Forest, Illinois includes the containerboard sales group and the production scheduling group, which processes customer orders. We also maintain a 14-member corporate mill engineering staff that provides engineering, procurement, construction and start-up services for the four mills.

Each of our converting plants is managed by a team, which usually includes a general manager, a sales manager, a production manager, a controller and a customer service manager. We also have a centralized technical support group comprised of 14 packaging engineers and technicians. This group provides services to our 67 converting facilities that include testing, engineering, manufacturing and technical support. Our technical support group also works with our customers on location to assure that our customers' quality and performance standards are consistently met. Our converting plants are grouped into seven geographic areas. Plants in each area report to an area general manager.

SALES AND MARKETING

Our containerboard sales group is responsible for the sale of linerboard and corrugating medium to our own corrugating plants, to other domestic customers and to the export market. This group handles order processing for all shipments of containerboard from our own mills to our own converting plants. These personnel also coordinate and execute all containerboard trade agreements with other containerboard manufacturers.

Our corrugated products are sold through a direct sales and marketing organization of approximately 350 sales personnel. Sales representatives and a sales manager at each manufacturing facility serve local and regional accounts. Corporate account managers serve large national accounts at multiple customer locations. Additionally, our graphic design centers maintain an on-site dedicated graphics sales force. General marketing support is located at our corporate headquarters.

In addition to the 350 direct sales and marketing personnel, we have almost 100 support personnel that are new product development engineers and product graphics and design specialists. These individuals are located at both the corrugating facilities as well as the graphic design centers.

DISTRIBUTION

Finished goods produced in our mills are shipped by rail or truck. Our individual mills do not own or maintain outside warehousing facilities. We do use several third-party warehouses for short-term storage.

Our corrugated containers are usually delivered by truck due to our large number of customers and their demand for timely service. Shipping costs represent a relatively high percentage of our total costs due to the high bulk and relatively low value of corrugated containers. As a result, our converting plants typically service customers within a 150 miles radius.

CUSTOMERS

CONTAINERBOARD. Our converting plants, either directly or through exchange agreements, consume more than three-quarters of our mills' containerboard production. These exchanges, or trades, allow us to swap containerboard produced in our mills for containerboard manufactured at other companies' locations. Trades, which are common in the industry, reduce the distance the rolls of containerboard have to be shipped, and, in turn, overall freight costs. Trades also encourage more efficient production for the industry, since companies can trade for containerboard grades they cannot manufacture as efficiently on their own equipment.

The containerboard that we do not consume directly or through trades is sold to independent domestic converters and export customers. We also sell containerboard to manufacturers of fiber drums, air bags, protective packaging and other specialty products.

CORRUGATED PACKAGING. About three-quarters of our corrugated packaging customers are regional and local accounts, and they are broadly diversified across industries and geographic locations. Based on an internal customer survey conducted in 1998, we estimate that nearly 40% of our customers have purchased from us for over five years. Our top ten corrugated products customers accounted for about 20% of our 1998 gross revenues and no single customer represented over 6% of our gross revenues.

RAW MATERIALS

FIBER SUPPLY. Fiber is the single largest cost in the manufacture of containerboard. To reduce our fiber costs we have invested in processes and equipment to ensure a high degree of fiber flexibility. Our mills have the capability to shift a portion of their fiber consumption between softwood, hardwood and recycled sources. With the exception of our Valdosta mill, all of our mills can utilize some recycled fiber in their containerboard production. Our ability to use various types of virgin and recycled fiber helps mitigate the impact of changes in the prices of various fibers.

ENERGY SUPPLY. Energy at the mills is obtained through purchased electricity or through various fuels which are then converted to steam or electricity on-site. Fuel sources include coal, natural gas, oil, bark and byproducts of the containerboard manufacturing and pulping process. These fuels are burned in boilers to produce steam. Steam turbine generators are used to produce electricity.

Our two kraft linerboard mills at Counce and Valdosta generate approximately 60% to 70% of their energy requirements from their own byproducts. Presently, 50% of our electricity consumption for the four mills is generated on-site.

COMPETITION

CONTAINERBOARD. Containerboard is generally considered a commodity-type product and can be purchased from numerous suppliers. While the containerboard industry has been consolidating over the last two decades, it is still relatively fragmented compared with other basic manufacturing industries such as steel, automotive, commodity chemicals and petroleum. Approximately 59 companies currently produce containerboard and the top five represent 53% of total industry shipments. As a result, no single company has a dominant position in the industry. PCA's primary competition for our external sales of containerboard are a number of large, diversified paper companies, including Georgia-Pacific Corporation, International Paper Company, Smurfit-Stone Container Corporation, Temple-Inland Inc., Weyerhaeuser Company and Willamette Industries, Inc., as well as other regional manufacturers.

CORRUGATED CONTAINERS. Corrugated containers are produced by more than 715 U.S. companies operating nearly 1,500 plants. While the capability to make corrugated containers are offered by these hundreds of companies, very few boxes are produced as standard, or stock, items. Most corrugated containers are custom manufactured to the customer's specifications for that container. Finished containers are shipped to the customer flat, to be assembled for filling at the customer's operation. Corrugated producers generally sell within a 150-mile radius of their plants and compete with other corrugated facilities in their local market. In fact, the Fibre Box Association tracks industry data by 47 distinct market regions.

The larger, multi-plant integrated companies may also solicit larger, multi-plant users of boxes who purchase for all their user facilities on a consolidated basis. These customers are often referred to as national or corporate accounts. Typically, prices charged to national accounts reflect the benefit to the corrugated manufacturer of the volume and scale economies these large accounts bring.

Corrugated container businesses seek to differentiate themselves through pricing, quality, service, design and product innovation. We compete for both local and national account business and we compete against producers of other types of packaging products. On a national level, our competitors include Four M Corporation, Gaylord Container Corporation, Georgia-Pacific Corporation, International Paper Company, Smurfit-Stone Container Corporation, Temple-Inland Inc., Weyerhaeuser Company and Willamette Industries, Inc. However, with our strategic focus on local and regional accounts, we believe we compete as much with the smaller, independent converters as with the larger, integrated producers.

EMPLOYEES

As of June 30, 1999, we had approximately 7,700 employees. Approximately 2,100 of these employees were salaried and approximately 5,600 were hourly. Approximately 75% of our hourly employees are represented by unions. Our unionized employees are represented primarily by the Paper, Allied Industrial, Chemical, Energy Workers International Union, the Graphic Communications International Union and the United Steel Workers of America.

Contracts for our unionized mill employees expire between October 2000 and September 2003. Contracts for unionized converting plant employees expire between November 1999 and August 2005. We are currently in negotiations to renew or extend any union contracts expiring in the near future.

There have been no instances of significant work stoppages in the past 15 years. We believe we have satisfactory relations with our employees.

ENVIRONMENTAL MATTERS

Compliance with environmental requirements is a significant factor in our business operations. We commit substantial resources to maintaining environmental compliance and managing environmental risk. 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. We believe that we are currently in material compliance with all applicable environmental rules and regulations. Because environmental regulations are constantly evolving, we have incurred, and will continue to incur, costs to maintain compliance with those laws. We work diligently to anticipate and budget for the impact of applicable environmental regulations and do not currently expect that future environmental compliance obligations will materially affect our business or financial condition.

In April 1998, the United States Environmental Protection Agency finalized the Cluster Rules, which govern all pulp and paper mill operations, including those at our mills. Over the next several years, the Cluster Rules will affect our allowable discharges of air and water pollutants. As a result, PCA and its competitors are required to incur costs to ensure compliance with these new rules. Our current spending projections to complete Cluster Rule compliance implementation at our four mills is about $60 million from 1999 to 2005. During 1997 and 1998, we spent approximately $3 million on Cluster Rule compliance. We currently estimate total capital costs for environmental matters, including Cluster Rule compliance, at $16 million for 1999 and $22 million for 2000.

As is the case with any industrial operation, we have in the past incurred costs associated with the remediation of soil or groundwater contamination. From January 1994 through June 1999, remediation costs at our mills and converting plants totaled about $2.3 million. We do not believe that any on-going remedial projects are material in nature. As of June 30, 1999, we maintained a reserve of $83,000 for environmental remediation liability as well as a general overall environmental reserve of $3,369,000, which includes funds relating to onsite landfill and surface impoundments as well as on-going and anticipated remedial projects. We believe these reserves are adequate.

We could also incur environmental liabilities as a result of claims by third parties for civil damages, including liability for personal injury or property damage, arising from releases of hazardous substances or contamination. We are not aware of any claims of this type currently pending against us.

In the transactions, TPI agreed to retain all liability for all former facilities and all sites associated with pre-closing waste disposal. TPI also retained environmental liability for a closed landfill located near the Filer City mill.

PROPERTIES

MILLS. The table below provides a summary of our containerboard mills, the principal products produced, each mill's capacity and their capacity utilization.

LOCATION	FUNCTION	CAPACITY	UTILIZATION (%)*
Counce, TN................................	Kraft Linerboard mill	937,000	94%
Filer City, MI............................	Semi-chemical Medium mill	280,000	93%
Tomahawk, WI..............................	Semi-chemical Medium mill	533,000	95%
Valdosta, GA..............................	Kraft Linerboard mill	450,000	95%
Total.................................		2,200,000	

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*UTILIZATION IS DEFINED AS 1998 TONS PRODUCED DIVIDED BY ANNUAL CAPACITY.

Each of the mills is currently subject to a mortgage held by Morgan Guaranty Trust Company of New York on behalf of the lenders under the senior credit facility.

OTHER FACILITIES. In addition to our mills, we own 37 corrugator plants and seven specialty plants. We also own three sawmills, an air-drying yard, one recycling facility, one warehouse and miscellaneous other property, which includes sales offices and woodlands forest management offices. These sales offices and woodlands forest management offices generally have one to four employees and serve as administrative offices. We lease two corrugator plants, 21 sheet specialty plants, five regional design centers, two recycling facilities and numerous other distribution centers, warehouses and facilities. PCA has no owned or leased properties outside of the continental United States. All of our owned real property is subject to a first priority mortgage held by Morgan Guaranty Trust Company of New York on behalf of the lenders under the senior credit facility.

TIMBERLAND. We own or lease approximately 690,000 acres of timberland as shown below:

	OWN	LEASE	TOTAL
Counce, TN	303,000	56,000	359,000
Tomahawk, WI	147,000	--	147,000
Valdosta, GA	90,000	94,000	184,000
Total Acres	540,000	150,000	690,000

All of our owned timberland is subject to a mortgage held by Morgan Guaranty Trust Company of New York on behalf of the lenders under the senior credit facility. Lease agreements are generally for 35 to 66 years and offer fiber harvest rights on the leased properties.

HEADQUARTERS. We currently lease and will continue to lease our executive and administrative offices in Lake Forest, Illinois from Tenneco Packaging, Inc. for up to four years.

We currently believe that our facilities and properties are sufficient to meet our operating requirements for the foreseeable future.

LEGAL PROCEEDINGS

In May 1999, we were served with a complaint filed in the United States District Court for the Eastern District of Pennsylvania (WINOFF INDUSTRIES, INC. V. STONE CONTAINER CORPORATION, ET AL.) alleging civil violations of Section 1 of the Sherman Act in connection with the pricing and production of linerboard from October 1, 1993 through November 30, 1995. Plaintiffs purport to represent a nationwide class of purchasers of corrugated containers, and the complaint names ten major linerboard manufacturers as defendants. The complaint seeks treble damages for allegedly unlawful corrugated container price increases, plus attorneys' fees. We believe the allegations have no merit, are vigorously defending ourselves, and believe the outcome of this litigation should not have a material adverse effect on our financial position, results of operations, or cash flow.

We are also party to various legal actions arising in the ordinary course of our business. These legal actions cover a broad variety of claims spanning our entire business. We believe that the resolution of these legal actions will not, individually or in the aggregate, have a material adverse effect on our financial condition or results of operations.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The names, ages and positions of the persons who are the directors and executive officers of PCA are provided below:

NAME	AGE	POSITION
Paul T. Stecko........................	54	Chairman of the Board and Chief Executive Officer
William J. Sweeney....................	59	Executive Vice President--Corrugated Products
Richard B. West.......................	47	Chief Financial Officer, Vice President and Secretary
Mark W. Kowlzan.......................	44	Vice President--Containerboard/Wood Products
Andrea L. Davey.......................	43	Vice President--Human Resources
Dana G. Mead..........................	63	Director
Theodore R. Tetzlaff..................	55	Director
Samuel M. Mencoff.....................	43	Director and Vice President
Justin S. Huscher.....................	45	Director and Assistant Secretary
Thomas S. Souleles....................	31	Director and Assistant Secretary

PAUL T. STECKO has served as Chief Executive Officer of PCA since January 1999 and as Chairman of the Board of PCA since March 1999. From November 1998 to April 1999, Mr. Stecko served as President and Chief Operating Officer of Tenneco. From January 1997 to that time, Mr. Stecko served as Chief Operating Officer of Tenneco. From December 1993 through January 1997, Mr. Stecko served as President and Chief Executive Officer of TPI. Prior to joining Tenneco, Mr. Stecko spent 16 years with International Paper Company. Mr. Stecko is a member of the board of directors of Tenneco, American Forest and Paper Association and State Farm Mutual Insurance Company.

WILLIAM J. SWEENEY has served as Executive Vice President--Corrugated Products of PCA since April 1999. From May 1997 to April 1999, Mr. Sweeney served as Executive Vice President-- Paperboard Packaging of TPI. From May 1990 to May 1997, Mr. Sweeney served as Senior Vice President and General Manager--Containerboard Products of TPI. From 1983 to that time, Mr. Sweeney served as General Manager and Vice President of Stone Container Corporation. From 1978 to 1983, Mr. Sweeney served as Sales Manager, Operations Manager and Division Vice President at Continental Group and from 1967 to that time, as Sales Manager and General Manager of Boise Cascade Corporation.

RICHARD B. WEST has served as Chief Financial Officer of PCA since March 1999, as Secretary since April 1999 and also as Vice President since July 1999. From March 1999 to June 1999, Mr. West also served as Treasurer of PCA. Mr. West served as Vice President of Finance-- Paperboard Packaging of TPI from 1995 to April 1999. Prior to joining Tenneco, Mr. West spent 20 years with International Paper Company where he served as an Internal Auditor, Internal Audit Manager and Manufacturing Controller for the Printing Papers Group and Director/Business Process Redesign.

MARK W. KOWLZAN has served as Vice President--Containerboard/Wood Products of PCA since April 1999. From 1998 to April 1999, Tenneco employed Mr. Kowlzan as Vice President and General Manager--Containerboard/Wood Products and from May 1996 to 1998, as Operations Manager and Mill Manager of the Counce mill. Prior to joining Tenneco, Mr. Kowlzan spent 15 years at International Paper Company, where he held a series of operational positions within its mill organization.

ANDREA L. DAVEY has served as Vice President--Human Resources of PCA since April 1999. From 1994 to April 1999 Ms. Davey was employed principally by Tenneco where she held the positions of Director of Field Employee Relations, Director of Training and Development, Director of Compensation and Benefits, and Project Manager of HRIS project and also served in the capacity of Vice President--Human Resources, Paperboard Packaging from May 1997 to April 1999. From 1992 to joining Tenneco in 1994, Ms. Davey served as Director of Human Resources for the Bakery division of Sara Lee Corporation. From 1989 to that time, she served as Human Resource Manager for the Converting Group of International Paper Company. Prior to that time, Ms. Davey spent five years with ITT Corporation, where she served as Human Resources Manager.

DANA G. MEAD has served as a director of PCA since March 1999. Mr. Mead is also Chairman and Chief Executive Officer of Tenneco and has served as a director and an executive officer of Tenneco since April 1992, when he joined Tenneco as Chief Operating Officer. Prior to joining Tenneco, Mr. Mead served as an Executive Vice President of International Paper Company, a manufacturer of paper, pulp and wood products, from 1988, and served as Senior Vice President of that company from 1981. He is also a director of Textron, Inc., Zurich Allied AG and Pfizer Inc.

THEODORE R. TETZLAFF has served as a director of PCA since March 1999. Mr. Tetzlaff has been a Partner in the law firm of Jenner & Block, Chicago, since 1976 and Chairman of its Executive Committee and Operations & Finance Committee since July 1997. Mr. Tetzlaff is also General Counsel of Tenneco, serving in that capacity since June 1992. Mr. Tetzlaff has served as a director of Case Corp. since 1994. He was formerly Vice President, Legal and External Affairs, of Cummins Engine Company, Inc. from 1980 to 1982. Mr. Tetzlaff is also a director of Continental Materials Corp. and a Commissioner of the Public Building Commission of Chicago.

SAMUEL M. MENCOFF has served as a director and Vice President of PCA since January 1999. Mr. Mencoff has been employed principally by Madison Dearborn Partners, Inc. since 1993 and currently serves as a Managing Director. From 1987 until 1993, Mr. Mencoff served as Vice President of First Chicago Venture Capital. Mr. Mencoff is a member of the operating committee of the general partner of Golden Oak Mining Company, L.P. and a member of the board of directors of Bay State Paper Holding Company, Buckeye Technologies, Inc. and Riverwood Holding, Inc.

JUSTIN S. HUSCHER has served as a director of PCA since March 1999 and also as an Assistant Secretary of PCA since April 1999. Mr. Huscher has been employed principally by Madison Dearborn Partners, Inc. since 1993 and currently serves as a Managing Director. From 1990 until 1993, Mr. Huscher served as Senior Investment Manager of First Chicago Venture Capital. Mr. Huscher is a member of the operating committee of the general partner of Golden Oak Mining Company, L.P. and a member of the board of directors of Bay State Paper Holding Company.

THOMAS S. SOULELES has served as a director of PCA since March 1999 and also as an Assistant Secretary of PCA since April 1999. From January 1999 to April 1999, Mr. Souleles served as a Vice President and Secretary of PCA. Mr. Souleles has been employed principally by Madison Dearborn Partners, Inc. since 1995 and currently serves as a Director. Prior to joining Madison Dearborn Partners, Inc., Mr. Souleles attended Harvard Law School and Harvard Graduate School of Business Administration where he received a J.D. and an M.B.A. Mr. Souleles is a member of the board of directors of Bay State Paper Holding Company.

Each director of PCA listed above was elected under the terms of a stockholders agreement among TPI, PCA and PCA Holdings that was entered into in connection with the transactions. Upon consummation of the offerings, the voting provisions of the stockholders agreement will terminate. See "Certain Relationships and Related Transactions--Stockholders Agreement." PCA anticipates that Dana G. Mead and Theodore R. Tetzlaff will resign upon consummation of the offerings and that two directors not otherwise affiliated with PCA or any of its stockholders will be elected by the board of directors following completion of the offerings.

COMPENSATION OF EXECUTIVE OFFICERS

None of the executive officers of PCA received compensation from PCA prior to the closing of the transactions on April 12, 1999. Before the closing of the transactions, PCA's chief executive officer and its four other most highly compensated executive officers, Mr. Stecko, Mr. Sweeney, Mr. West, Mr. Kowlzan and Ms. Davey, were employed by, and received compensation from, Tenneco Inc. or its affiliates. Each of these named executive officers is currently receiving substantially the same base salary and annual perquisite allowance, and is entitled to the same annual cash bonus target from PCA, as they were receiving from Tenneco or its affiliates prior to the closing of the transactions. For fiscal year 1999, the annual base salaries of Mr. Sweeney, Mr. West, Mr. Kowlzan and Ms. Davey are $355,380, $198,018, $194,800 and $150,496, respectively; the corresponding annual bonus targets are $175,000, $115,000, $115,000 and $65,000, respectively, and the annual perquisite allowances are $30,000, $12,000, $20,000, and $12,000, respectively.

Under the terms of letter agreements entered into with Mr. Stecko on January 25, 1999 and May 19, 1999, PCA pays Mr. Stecko a base salary of $600,000 per annum, subject to increases approved by the Board, and has agreed to pay Mr. Stecko an annual bonus of not less than $500,000 with respect to each of the fiscal years 1999, 2000 and 2001, and an annual perquisite allowance of not less than $60,000 payable in cash. In addition, upon commencement of Mr. Stecko's employment with us, we paid Mr. Stecko a signing bonus payment of $1 million, the net proceeds of which, under the terms of the letter agreements, will be invested in common stock of PCA. If PCA terminates Mr. Stecko without cause, he is entitled to receive an amount equal to three times the sum of his base salary plus the amount of the highest annual bonus paid to him during the previous three year period.

Under the terms of a memorandum from PCA to Mr. Sweeney, dated April 16, 1999, PCA agreed to pay Mr. Sweeney a bonus in the amount of $500,000 if either PCA terminates Mr. Sweeney before April 12, 2002 for any reason other than for cause or he is still employed by PCA on April 12, 2002. If Mr. Sweeney dies before April 12, 2002, the bonus will be paid to his beneficiaries on a pro rata basis. Mr. Sweeney agreed to use the after-tax proceeds of this bonus to pay off the outstanding balance, if any, of the loan he received from Morgan Guaranty Trust Company of New York to purchase equity of PCA during the June 1999 management equity issuance.

COMPENSATION OF DIRECTORS

PCA does not currently compensate directors for serving as a director or on committees of the board of directors or pay directors any fees for attendance at meetings of the board, although PCA may elect to compensate directors in the future using cash or equity. All directors will be reimbursed for reasonable out-of-pocket expenses incurred in connection with their attendance at board and committee meetings.

MANAGEMENT EQUITY AGREEMENTS

PCA entered into management equity agreements in June 1999 with 125 of its management-level employees, including the named executive officers. Under these agreements, PCA sold 3,132,800 shares of common stock to 113 of these employees at approximately $4.55 per share, the same price per share at which PCA Holdings purchased equity in the transactions. PCA guaranteed bank financing in the amount of $5,200,000 in the aggregate to enable some of these members of PCA's management to purchase equity under their respective management equity agreements. The amount of bank financing guaranteed by PCA with respect to any employee did not exceed 50% of the purchase price paid by the employee under his or her management equity agreement. The capital stock purchased under the management equity agreements is subject to vesting and is subject to repurchase upon a termination of employment by PCA.

The management equity agreements also provide for the grant of options to purchase up to an aggregate of 6,576,460 shares of PCA's common stock at the same price per share at which PCA Holdings purchased common stock in the transactions. These options will become exercisable upon completion of the offerings. The option shares are subject to contractual restrictions on transfer for a period of up to 18 months following completion of the offering. Mr. Stecko, Mr. Sweeney, Mr. West, Mr. Kowlzan and Ms. Davey were issued options to acquire 1,386,000, 587,400, 215,600, 350,900 and 140,580 shares of common stock, respectively, under the management equity agreements.

LONG-TERM EQUITY INCENTIVE PLAN

Prior to the closing of the offerings, PCA will adopt the Packaging Corporation of America 1999 Long-Term Equity Incentive Plan. The equity incentive plan provides for grants of stock options, stock appreciation rights, or SARs, restricted stock and performance awards. Directors, officers and employees of PCA and its subsidiaries, as well as others who engage in services for PCA, are eligible for grants under the plan. The purpose of the equity incentive plan is to provide these individuals with incentives to maximize stockholder value and otherwise contribute to the success of PCA and to enable PCA to attract, retain and reward the best available persons for positions of responsibility.

A total of 4,400,000 shares of our common stock, representing approximately 4% of our currently outstanding common stock on a fully-diluted basis, will be available for issuance under the equity incentive plan, subject to adjustment in the event of a reorganization, stock split, merger or similar change in the corporate structure of PCA or the outstanding shares of common stock. These shares may be, in whole or in part, authorized and unissued or held as treasury shares.

The compensation committee of our board of directors will administer the equity incentive plan. Our board also has the authority to administer the plan and to take all actions that the compensation committee is otherwise authorized to take under the plan. Grants will be awarded under the equity incentive plan entirely in the discretion of the compensation committee. As a result, we are unable to determine at this time the recipients, amounts and values of future benefits to be received under the plan. We anticipate that in connection with the offerings, we will grant options to purchase an aggregate of approximately 500,000 shares of our common stock to approximately 200 employees. All of these options will have an exercise price equal to the initial public offering price of the common stock in the offerings and will be subject to annual vesting over a four-year period.

The following is a summary of the material terms of the equity incentive plan, but does not include all of the provisions of the plan. For further information about the plan, we refer you to the equity incentive plan, which we have filed as an exhibit to the registration statement of which this prospectus is a part.

TERMS OF THE EQUITY INCENTIVE PLAN

ELIGIBILITY. Directors, officers and employees of PCA and its subsidiaries, as well as other individuals performing significant services for us, or to whom we have extended an offer of employment, will be eligible to receive grants under the equity incentive plan. However, only employees may receive grants of incentive stock options. In each case, the compensation committee will select the actual grantees. As of September 1, 1999, there were approximately 350 employees expected to be eligible to participate in the equity incentive plan.

STOCK OPTIONS. Under the equity incentive plan, the compensation committee may award grants of incentive stock options conforming to the provisions of Section 422 of the Internal Revenue Code and other, non-qualified stock options. The compensation committee may not, however, award to any one person in any calendar year options to purchase common stock equal to more than 20% of the total number of shares authorized under the plan. The compensation committee also may not grant incentive stock options first exercisable in any calendar year for shares of common stock with a fair market value greater than $100,000, determined at the time of grant.

The compensation committee will determine the exercise price of any option in its discretion. However, the exercise price of an incentive option may not be less than 100% of the fair market value of a share of common stock on the date of grant, and the exercise price of an incentive option awarded to a person who owns stock constituting more than 10% of PCA's voting power may not be less than 110% of the fair market value on the date of grant.

Unless the compensation committee determines otherwise, the exercise price of any option may be paid in any of the following ways:

- in cash,

- by delivery of shares of common stock with a fair market value equal to the exercise price,

- by simultaneous sale through a broker of shares of common stock acquired upon exercise, and/or

- by having PCA withhold shares of common stock otherwise issuable upon exercise.

If a participant elects to deliver or withhold shares of common stock in payment of any part of an option's exercise price, the compensation committee may in its discretion grant the participant a "reload option." The reload option entitles its holder to purchase a number of shares of common stock equal to the number so delivered or withheld. The reload option may also include, if the compensation committee chooses, the right to purchase a number of shares of common stock equal to the number delivered or withheld in satisfaction of any of PCA's tax withholding requirements in connection with the exercise of the original option. The terms of each reload option will be the same as those of the original exercised option, except that the grant date will be the date of exercise of the original option, and the exercise price will generally be the fair market value of the common stock on the date of grant of the reload option.

The compensation committee will determine the term of each option in its discretion. However, no term may exceed ten years from the date of grant or, in the case of an incentive stock option granted to a person who owns stock constituting more than 10% of the voting power of PCA, five years from the date of grant. In addition, all options under the equity incentive plan, whether or not then exercisable, generally cease vesting when a grantee ceases to be a director, officer or employee of, or to otherwise perform services for, PCA or its subsidiaries. Options generally expire 90 days after the date of cessation of service, provided that the grantee does not compete with PCA during this 90-day period.

There are, however, exceptions depending upon the circumstances of cessation. In the case of a grantee's death or disability, all options will become fully vested and exercisable and remain so for up to 180 days after the date of death or disability. In the event of retirement, a grantee's vested options will remain exercisable for up to 90 days after the date of retirement, while his or her unvested options may become fully vested and exercisable in the discretion of the compensation committee. Upon termination for cause, all options will terminate immediately. If there is a change in control of PCA and a grantee is terminated from service with PCA and its subsidiaries within one year thereafter, all options will become fully vested and exercisable and remain so for up to one year after the date of termination. In addition, the compensation committee has the authority to grant options that will become fully vested and exercisable automatically upon a change in control of PCA, whether or not the grantee is subsequently terminated.

SARS. The compensation committee may grant SARs under the equity incentive plan alone or in tandem with stock options. SARs will be subject to the terms and conditions determined by the compensation committee in its discretion. SARs granted in tandem with options become exercisable only when, to the extent and on the conditions that the related options are exercisable, and they expire at the same time the related options expire. The exercise of an option results in the immediate forfeiture of any related SAR to the extent the option is exercised, and the exercise of an SAR results in the immediate forfeiture of any related option to the extent the SAR is exercised.

Upon exercise of an SAR, the grantee will receive an amount in cash and/or shares of common stock or other PCA securities equal to the difference between the fair market value of a share of common stock on the date of exercise and the exercise price of the SAR or, in the case of an SAR granted in tandem with options, of the option to which the SAR relates, multiplied by the number of shares as to which the SAR is exercised.

RESTRICTED STOCK. Under the equity incentive plan, the compensation committee may award restricted stock to eligible participants. Restricted Stock will be subject to the conditions and restrictions determined by the compensation committee in its discretion, and will be restricted for the duration determined by the committee, which will generally be at least six months. A grantee will be required to pay PCA at least the aggregate par value of any shares of restricted stock within ten days of the date of grant, unless the shares are treasury shares. Unless the compensation committee determines otherwise, all restrictions on a grantee's restricted stock will lapse when the grantee ceases to be a director, officer or employee of, or to otherwise perform services for, PCA and its subsidiaries, if the cessation occurs due to a termination within one year after a change in control of PCA or due to death, disability or, in the discretion of the compensation committee, retirement. If termination of employment or service occurs for any other reason, all of a grantee's restricted stock as to which the applicable restrictions have not lapsed will be forfeited immediately.

PERFORMANCE AWARDS. Under the equity incentive plan, the compensation committee may grant performance awards contingent upon achievement by the grantee, PCA and/or its subsidiaries or divisions of set goals and objectives regarding specified performance criteria, such as return on equity, over a specified performance cycle, as designated by the compensation committee. Performance awards may include:

- specific dollar-value target awards;

- performance units, the value of which is established by the compensation committee at the time of grant; and/or

- performance shares, the value of which is equal to the fair market value of a share of common stock on the date of grant. The value of a performance award may be fixed or fluctuate on the basis of specified performance criteria. A performance award may be paid out in cash and/or shares of common stock or other PCA securities.

Unless the compensation committee determines otherwise, if a grantee ceases to be a director, officer or employee of, or to otherwise perform services for, PCA and its subsidiaries prior to completion of a performance cycle, and the reason for that cessation is because of termination within one year after a change in control of PCA or due to death, disability or retirement, the grantee will receive the portion of the performance award payable to him or her based on achievement of the applicable performance criteria over the elapsed portion of the performance cycle. If termination of employment or service occurs for any other reason prior to completion of a performance cycle, the grantee will become ineligible to receive any portion of a performance award.

VESTING, WITHHOLDING TAXES AND TRANSFERABILITY OF ALL AWARDS. The terms and conditions of each award made under the equity incentive plan, including vesting requirements, will be set forth consistent with the plan in a written notice to the grantee. Except in limited circumstances, no award under the equity incentive plan may vest and become exercisable within six months of the date of grant, unless the compensation committee determines otherwise.

Unless the compensation committee determines otherwise, a participant may elect to deliver shares of common stock, or to have PCA withhold shares of common stock otherwise issuable upon exercise of an option or SAR or upon grant or vesting of restricted stock, in order to satisfy PCA's required withholding obligations in connection with any such exercise, grant or vesting.

Unless the compensation committee determines otherwise, no award made under the equity incentive plan will be transferable other than by will or the laws of descent and distribution or to a grantee's family member by gift, and each award may be exercised only by the grantee, his or her qualified family member transferee, or any of their respective executors, administrators, guardians or legal representatives.

AMENDMENT AND TERMINATION OF THE EQUITY INCENTIVE PLAN. The board may amend or terminate the equity incentive plan in its discretion, except that no amendment will become effective without prior approval of PCA's stockholders if such approval is necessary for continued compliance with any stock exchange listing requirements. Furthermore, any termination may not materially and adversely affect any outstanding rights or obligations under the equity incentive plan without the affected participant's consent. If not previously terminated by the Board, the equity incentive plan will terminate on the tenth anniversary of its adoption.

ONE MILLION DOLLAR COMPENSATION LIMIT

The Revenue Reconciliation Act of 1993 limits the annual deduction a publicly held company may take for compensation paid to its chief executive officer or any of its four other highest compensated officers in excess of $1,000,000 per year, excluding for this purpose compensation that is "performance-based" within the meaning of Code Section 162(m).

Compensation paid under the equity incentive plan will not qualify as performance-based except to the extent paid pursuant to grants made under the plan following approval of the plan by PCA's stockholders in accordance with Code Section 162(m)(4)(c) and the related Treasury Regulations, and except to the extent certain other requirements are satisfied. However, based on a special rule contained in regulations issued under Section 162(m), the $1 million deduction limitation described above should not apply to any options, SARs or restricted stock granted, or cash-based compensation paid, prior to PCA's annual meeting of stockholders in 2003, to the extent such grants or payments are made under the equity incentive plan.

BOARD COMMITTEES

Upon completion of the offerings, PCA will have two standing committees--an audit committee and a compensation committee. Upon completion of the offerings, each of these committees will consist of a majority of nonmanagment directors.

The audit committee will review and recommend to the board internal accounting and financial controls for PCA and accounting principles and auditing practices and procedures to be used in the preparation of PCA's financial statements. The audit committee will also make recommendations to the board concerning the engagement of independent public accountants and the scope of their audits. The members of the audit committee have yet to be determined.

The compensation committee will administer PCA's benefit plans and make recommendations concerning the compensation of employees. The compensation committee will consist of Samuel M. Mencoff, chairman, Thomas S. Souleles and a third director to be named.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

CONTRIBUTION AGREEMENT

TPI, PCA Holdings and PCA entered into a contribution agreement governing the sale of the containerboard and corrugated packaging products business to PCA. PCA Holdings owns approximately 53% of the outstanding common stock of PCA and TPI owns approximately 44% of the outstanding common stock of PCA. Under the terms of the contribution agreement, the following occurred:

- PCA paid to Madison Dearborn, the entity that controls PCA Holdings, a transaction fee of $15.0 million and reimbursed Madison Dearborn for out-of-pocket expenses.

- PCA paid $2.0 million of the legal and accounting fees and expenses of TPI incurred in connection with the transactions.

- TPI agreed to indemnify PCA, PCA Holdings and their affiliates for any breaches of representations, warranties and covenants it made in the contribution agreement relating to the condition of the business as of the closing of the transactions and liabilities of the containerboard and corrugated packaging products business which it agreed to retain. TPI's indemnification obligation in respect of breaches of its representations and warranties generally survives for 18 months from the closing and is subject to a $12.5 million deductible and a $150.0 million cap.

- PCA agreed to indemnify TPI and its affiliates against those liabilities it agreed to assume. PCA generally agreed to assume all liabilities relating to the business. PCA did not generally assume, however, liabilities relating to tax and employee benefit matters arising before the closing or with respect to assets not conveyed to PCA. These liabilities were retained by TPI. TPI also retained all environmental liability for all former facilities, sites associated with pre-closing waste disposal and a closed landfill located near the Filer City mill.

- TPI agreed that, for a period of five years from the closing, it would not engage in the business conducted by PCA as of the closing anywhere in the U.S. or induce any customer of PCA to terminate its relationship with PCA.

STOCKHOLDERS AGREEMENT

PCA, PCA Holdings and TPI entered into a stockholders agreement under which they agreed to limit their ability to sell or transfer their common stock and to provide for preemptive rights upon future issuances of common stock by PCA. Under the terms of the stockholders agreement, PCA's board of directors consists of six individuals--three directors designated by PCA Holdings (Messrs. Mencoff, Huscher and Souleles), two directors designated by TPI (Messrs. Mead and Tetzlaff) and the Chief Executive Officer of PCA (Mr. Stecko). TPI and PCA Holdings agreed to vote their shares in future elections to maintain this board composition. The stockholders agreement also identifies company actions which TPI and PCA Holdings have agreed shall be subject to the approval of at least four of the five directors designated by TPI and PCA Holdings as described above, including:

(1) the approval of the adoption of, or any material change to, PCA's annual business plan,

(2) the purchase or sale of assets having a fair market value in excess of $32.5 million, other than in the ordinary course of business or in connection with a sale of timberland,

(3) the acquisition of another business or participation in any joint venture involving consideration in excess of $32.5 million, and

(4) the taking of actions that would have a disproportionate impact on TPI or would otherwise be outside of the ordinary course of business.

The stockholders agreement will terminate as a result of the offerings.

REGISTRATION RIGHTS AGREEMENT

PCA, PCA Holdings and TPI entered into a registration rights agreement under which TPI, PCA Holdings and their affiliates and transferees have "demand" registration rights, which entitle them to cause PCA to register their securities of PCA under the Securities Act. In addition, TPI, PCA Holdings and their affiliates and transferees have "piggyback" registration rights, which entitle them to cause PCA to include their securities in a registration in which PCA proposes to register any of its securities under the Securities Act. TPI and its affiliates, on the one hand, and PCA Holdings and its affiliates, on the other hand, are each entitled to demand:

(1) three "long form" registrations on Form S-1, or a similar long form, in which PCA will pay the registration expenses, other than underwriting discounts and commissions,

(2) an unlimited number of "short form" registrations on Form S-2 or S-3, or a similar short form, in which PCA will pay the registration expenses, other than underwriting discounts and commissions, and

(3) an unlimited number of "long form" registrations on Form S-1, or a similar long form, in which the requesting holders will pay the registration expenses.

TPI and PCA Holdings also agreed in the registration rights agreement that TPI and its affiliates will have first priority to participate in any registration of PCA's securities during the 14-month period following the closing of the transactions. After that time, PCA Holdings, TPI and their affiliates will have equal priority, before any other holders of PCA's securities, to participate in the registrations. TPI exercised one of its "demand" registration rights under this agreement in order to effect the registration of its shares of common stock for sale in the offerings.

MANAGEMENT EQUITY AGREEMENTS

Each of PCA's executive officers entered into management equity agreements with PCA in June 1999 under which the executive officers, or their respective designees, purchased PCA common stock at approximately $4.55 per share as follows:

- Paul T. Stecko--704,000 shares;

- William J. Sweeney--281,380 shares;

- Richard B. West--99,220 shares;

- Mark W. Kowlzan--162,800 shares; and

- Andrea L. Davey--66,000 shares.

The executive officers, or their respective designees, borrowed funds from Morgan Guaranty Trust Company of New York, an affiliate of J.P. Morgan Securities Inc., to finance up to 50% of the cost of purchasing the shares. PCA guaranteed repayment of each of these loans. PCA has not been required to make any payments with respect to these guarantees.

SERVICES AGREEMENT

PCA entered into a holding company support agreement with PCA Holdings under which PCA agreed to reimburse PCA Holdings for all fees, costs and expenses, up to an aggregate amount of $250,000 per year, related to PCA Holdings' investment in PCA. These expenses include PCA Holdings' general operating expenses, franchise tax obligations, accounting, legal, corporate reporting and administrative expenses, and any other expenses incurred by PCA Holdings as a result of its investment in PCA.

PURCHASE/SUPPLY AGREEMENTS

PCA entered into separate purchase/supply agreements with the following parties: TPI; Tenneco Automotive Inc., an affiliate of TPI; and Tenneco Packaging Specialty and Consumer Products Inc., an affiliate of TPI. Under the purchase/supply agreements, each TPI entity agreed to purchase a substantial percentage of its requirements for containerboard and corrugated packaging products from PCA at the prices charged by PCA to TPI and its affiliates as of the closing. As a result of these agreements, TPI and its affiliates, collectively, are PCA's largest customer of its overall business and PCA's largest customer of its corrugated products business. PCA's net sales to TPI and its subsidiaries were approximately $76.9 million for the year ended December 31, 1998 and $37.3 million for the six month period ended June 30, 1999. PCA's net sales to other Tenneco entities were approximately $14.2 million for the year ended December 31, 1998 and approximately $6.4 million for the six month period ended June 30, 1999.

TRANSITION AGREEMENTS

PCA and TPI entered into a facility use agreement which provides for PCA's use of a designated portion of TPI's headquarters located in Lake Forest, Illinois for a period of up to four years following the closing of the transactions. Under the facility use agreement, PCA is required to pay TPI rent plus additional charges for the provision of building and business services. The rent is calculated based on PCA's proportionate square footage usage of the property.

PCA also entered into a transition services agreement with TPI which provides for the performance of transitional services by TPI and its affiliates to PCA that PCA currently requires to operate the containerboard and corrugated packaging products business. TPI charges PCA an amount substantially equal to its actual cost of providing the services, which cost includes TPI's overhead expenses, but does not include Tenneco's overhead expenses. The exact charge to PCA is the lesser of (1) TPI's actual cost and (2) 105% of the cost as forecasted by TPI with respect to providing services within the following categories: payroll, general accounting, tax support, treasury/ cash management, insurance/risk management, procurement and, human resources and telecommunication and information services. The initial term of the transition services agreement is for one year, but may be extended by PCA for additional one year terms for a cost increase of 15% per year. PCA may terminate any of the provided services on 90 days notice to TPI. In addition, TPI agreed in the transition services agreement to reimburse PCA for up to $10.0 million in expenditures incurred by PCA relating to system enhancement and Year 2000 compliance. PCA agreed to provide administrative and transitional services to TPI's former folding carton business under the terms of the transition services agreement.

PCA, Tenneco and TPI entered into a human resources agreement under which TPI transferred the employment of all of its active employees engaged in the containerboard and corrugated packaging products business to PCA as of the closing at the same rate of pay. Under the human resources agreement, the employees are entitled to continue their participation in TPI and Tenneco welfare and pension plans for a period of up to five years following the closing of the transactions depending on the plan. PCA has agreed to reimburse Tenneco for associated costs. In addition, PCA has agreed to pay Tenneco an annualized fee of at least $5.2 million for continued participation. PCA assumed all of the existing collective bargaining agreements with respect to containerboard business employees as of the closing. PCA intends to adopt compensation and benefit plans with respect to its employees as contemplated under the terms of the transactions.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of PCA's common stock as of September 1, 1999, and as adjusted to reflect the sale of the common stock being offered hereby, assuming full exercise of the underwriters' over-allotment options, by (1) each person or group of affiliated persons who is known by PCA to own beneficially more than 5% of the common stock, (2) each of PCA's directors, (3) each of PCA's executive officers, (4) all directors and executive officers of PCA as a group and (5) TPI. Except as otherwise noted and subject to community property laws, the persons or entities in this table have sole voting and investment power with respect to all the shares of common stock owned by them.

NAME	SHARES BENEFICIALLY OWNED BEFORE THE OFFERINGS (1)		SHARES BEING OFFERED	SHARES BENEFICIALLY OWNED AFTER THE OFFERINGS (1)	
	NUMBER	PERCENT		NUMBER	PERCENT
PCA Holdings LLC (2) .... c/o Madison Dearborn Partners, LLC Three First National Plaza Chicago, IL 60602	50,306,960	53.2%	--	50,306,960	49.0%
Paul T. Stecko (3)...........................	2,090,000	2.2%	--	2,090,000	2.0%
William J. Sweeney (4)........................	868,780	*	--	868,780	*
Richard B. West (5)...........................	314,820	*	--	314,820	*
Mark W. Kowlzan (6)...........................	513,700	*	--	513,700	*
Andrea L. Davey (7)...........................	206,580	*	--	206,580	*
Dana G. Mead..................................	--	--	--	--	--
Theodore R. Tetzlaff..........................	--	--	--	--	--
Samuel M. Mencoff (8).........................	44,131,010	46.7%	--	44,131,010	43.0%
Justin S. Huscher (9).........................	44,131,010	46.7%	--	44,131,010	43.0%
Thomas S. Souleles (10).......................	44,131,010	46.7%	--	44,131,010	43.0%
All directors and executive officers as a group (10 persons) (11)....................	48,124,890	49.5%	--	48,124,890	45.7%
Tenneco Packaging Inc. (12)................... 1900 West Field Court Lake Forest, IL 60045	41,160,240	43.5%	41,160,240	--	--

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* Denotes ownership of less than one percent.

(1) Includes the number of shares and percentage ownership represented by the shares determined to be beneficially owned by a person in accordance with the rules of the Securities and Exchange Commission. The number of shares beneficially owned by a person includes shares of common stock that are subject to options held by that person that are currently exercisable or exercisable within 60 days of September 1, 1999. These shares are deemed outstanding for the purpose of computing the percentage of outstanding shares owned by that person. These shares are not deemed outstanding, however, for the purposes of computing the percentage ownership of any other person.

(2) The members of PCA Holdings include Madison Dearborn Capital Partners III, L.P. ("MDCP III"), two funds affiliated with MDCP III, J.P. Morgan Capital Corporation ("J.P. Morgan Capital"), an affiliated fund of J.P. Morgan Capital and BT Capital Investors, L.P. ("BT Capital"). MDCP III and its affiliated funds may be deemed to have beneficial ownership of

44,131,010 shares of common stock of PCA held by PCA Holdings, xJ.P. Morgan Capital and its affiliated fund may be deemed to have beneficial ownership of 4,888,950 shares of common stock of PCA and BT Capital may be deemed to have beneficial ownership of 880,000 shares of common stock of PCA. Shares beneficially owned by MDCP III and its affiliated funds may be deemed to be beneficially owned by Madison Dearborn Partners III, L.P., the general partner or manager, as applicable, of each fund ("MDP III"), and by Madison Dearborn, the general partner of MDP III.

(3) Mr. Stecko owns 132,000 shares of common stock of PCA and the Paul T. Stecko 1999 Dynastic Trust owns 572,000 shares of common stock of PCA. Mr. Stecko may be deemed to have beneficial ownership of the shares of common stock of PCA owned by the Paul T. Stecko 1999 Dynastic Trust. Mr. Stecko also has an option to acquire 1,386,000 shares of common stock of PCA, which will become exercisable upon the closing of the offerings.

(4) Mr. Sweeney may be deemed to have beneficial ownership of the 281,380 shares of common stock of PCA owned by the William J. Sweeney 1999 Irrevocable Trust. Mr. Sweeney also has an option to acquire 587,400 shares of common stock of PCA, which will become exercisable upon the closing of the offerings.

(5) Mr. West has an option to acquire 215,600 shares of common stock of PCA, which will become exercisable upon the closing of the offerings.

(6) Mr. Kowlzan has an option to acquire 350,900 shares of common stock of PCA, which will become exercisable upon closing of the offerings.

(7) Ms. Davey may be deemed to have beneficial ownership of the 66,000 shares of common stock of PCA owned by the Andrea Lora Davey Trust dated February 19, 1994. Andrea L. Davey also has an option to acquire 140,580 shares of common stock of PCA, which will become exercisable upon the closing of the offerings.

(8) Mr. Mencoff is a Managing Director of Madison Dearborn and may therefore be deemed to share beneficial ownership of the shares owned by Madison Dearborn. Mr. Mencoff expressly disclaims beneficial ownership of the shares owned by Madison Dearborn.

(9) Mr. Huscher is a Managing Director of Madison Dearborn and may therefore be deemed to share beneficial ownership of the shares owned by Madison Dearborn. Mr. Huscher expressly disclaims beneficial ownership of the shares owned by Madison Dearborn.

(10) Mr. Souleles is a Director of Madison Dearborn and may therefore be deemed to share beneficial ownership of the shares owned by Madison Dearborn. Mr. Souleles expressly disclaims beneficial ownership of the shares owned by Madison Dearborn.

(11) Includes 2,680,480 shares issuable upon exercise of stock options, which will become exercisable upon the closing of the offerings.

(12) Assuming no exercise of the underwriters' over-allotment options, TPI would beneficially own 6,410,240 shares, or 6.2% of the outstanding common stock of PCA upon the closing of the offerings.

DESCRIPTION OF CAPITAL STOCK

GENERAL

Upon completion of the offerings, PCA's restated certificate of incorporation will authorize the issuance of up to 300,000,000 shares of common stock, par value $0.01 per share, 3,000,000 shares of senior exchangeable preferred stock, par value $0.01 per share, and 100 shares of junior preferred stock, par value $0.01 per share. As of September 1, 1999, 94,600,000 shares of common stock, 1,000,000 shares of senior exchangeable preferred stock and 100 shares of junior preferred stock were outstanding. As of September 1, 1999, PCA had 115 holders of common stock.

COMMON STOCK

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. Subject to preferences to which holders of senior exchangeable 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. See "Dividend Policy." 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 senior exchangeable preferred stock and junior preferred stock. 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. All outstanding shares of common stock are, and the shares of common stock offered by PCA in the offerings, when issued and paid for, will be, fully paid and nonassessable. 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 PCA may designate in the future.

PREFERRED STOCK

Upon the redemption of the senior exchangeable preferred stock with the net proceeds of the offerings, PCA's certificate of incorporation will authorize 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. The purpose of authorizing the board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays and uncertainties associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or discourage a third party from acquiring, a majority of PCA's outstanding voting stock. All of our currently outstanding shares of senior exchangeable preferred stock will be redeemed upon the completion of the offerings, and we have no present plans to issue any new shares of preferred stock. See "Risk Factors--Investment Risks--Charter Documents" and "Use of Proceeds."

REGISTRATION RIGHTS

PCA, PCA Holdings and TPI are parties to a registration rights agreement which provides TPI and PCA Holdings and their respective affiliates and transferees with "demand" registration rights, entitling them to cause PCA to register all or part of the common stock and or other securities of PCA held by them under the Securities Act of 1933, as well as "piggyback" registration rights. TPI exercised one of its "demand" registration rights in order to effect the offerings of its common stock described herein. After the offerings, if TPI, together with its affiliates, no longer holds shares of PCA with a fair market value of at least $500,000, it will no longer have "demand" registration rights under the registration rights agreement. PCA Holdings and its affiliates will continue to be entitled to demand (1) three "long form" registrations in which PCA will pay the registration expenses, other than underwriting discounts and commissions, (2) an unlimited number of "short form" registrations in which PCA will pay the registration expenses, other than underwriting discounts and commissions and (3) an unlimited number of "long form" registrations in which the PCA Holdings will pay the registration expenses.

EFFECT OF CERTIFICATE OF INCORPORATION AND BYLAWS

PCA's restated certificate of incorporation and its second amended and restated 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.

The restated certificate will provide that stockholder action can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting. The restated certificate and bylaws will provide that, except as otherwise required by law, special meetings of the stockholders can only be called by a resolution adopted by a majority of the board or by the chief executive officer of PCA. Stockholders will not be permitted to call a special meeting or require the board to call a special meeting.

The restated bylaws will establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders of PCA, including proposed nominations of persons for election to the board. Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given to the secretary of PCA timely written notice, in proper form, of the stockholders intention to bring that business before the meeting. Although the restated bylaws will not give the board the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to come before a special or annual meeting, the bylaws may have the effect of precluding the conduct of proposed business at a meeting if the proper procedures are not followed or may discourage or defer a potential acquiror from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of PCA.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for our common stock is First Chicago Trust Company of New York. The address of the Transfer Agent and Registrar is 525 Washington Boulevard, Jersey City, New Jersey 07310 and the telephone number is (201) 324-0498.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to the offerings, there was no public market for our common stock. Future sales of substantial amounts of common stock in the public market, or the perception that such future sales could occur, could adversely affect the market price of our common stock.

Upon completion of the offerings, we will have outstanding an aggregate of 102,725,000 shares of common stock, assuming the issuance of 8,125,000 shares of common stock offered hereby and no exercise of options prior to completion of the offerings. Of these shares, the 42,875,000 shares sold in the offerings will be freely tradable without restriction or further registration under the Securities Act of 1933, except for any shares purchased by "affiliates" of PCA as that term is defined in Rule 144 under the Securities Act. Sales by affiliates of PCA would be subject to the limitations and restrictions described below.

The remaining 59,850,000 shares of common stock held by existing stockholders were issued and sold by us in reliance on exemptions from the registration requirements of the Securities Act. All of the shares will be subject to 180 day "lock-up" agreements beginning on the date of this prospectus. Upon expiration of these lock-up agreements, the shares will become eligible for sale subject to the limitations of Rule 144 and Rule 701 and, in some cases, to contractual restrictions on transfer.

As of September 1, 1999, a total of 3,132,800 shares of common stock have been issued to members of management under management equity agreements. All of these shares are subject to restrictions on transfer following the offerings. Under these agreements, a stockholder may transfer up to 50% of his or her shares beginning 180 days after the completion of the offerings, and the remaining 50% over the twelve-month period following the 180th day after completion of the offerings. Based on the shares of common stock issued to members of management under management equity agreements as of September 1, 1999, 180 days after the effective date of the offerings, a total of approximately 1,566,400 shares of the common stock issued under the management equity agreements would be available for resale in the public market.

In addition, as of September 1, 1999, there were a total of 6,576,460 shares of common stock subject to outstanding options under our 1999 Management Equity Compensation Plan, all of which will become vested and exercisable upon completion of the offerings. However, all of these shares are subject to 180 day lock-up agreements and to restrictions on transfer contained in the agreements pursuant to which the options were acquired. Under these agreements, an option holder may transfer up to 50% of his or her option shares beginning 180 days after the completion of the offerings and the remaining 50% over the twelve-month period following the 180th day after completion of the offerings. Based on the options outstanding as of September 1, 1999, 180 days after the effective date of the offerings, a total of approximately 3,288,230 shares of common stock subject to outstanding options would be available for resale in the public market.

PCA's officers and directors and all of PCA's existing stockholders have agreed not to offer, sell, hedge, contract to sell, hedge or otherwise dispose of any of their shares of common stock or any other securities of PCA that they own that are substantially similar to the common stock, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or any substantially similar securities (other than pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this prospectus), for a period of 180 days after the date of the offerings. Goldman, Sachs & Co., however, may in its sole discretion, at any time without notice, release all or any portion of the shares subject to lock-up agreements.

RULE 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year would be entitled to sell in "brokers' transactions" or to market makers, within any three-month period, a number of shares of common stock that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately 1,027,250 shares immediately after the offerings; or

- the average weekly trading volume in the common stock on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are generally subject to the availability of current public information about PCA.

All of the currently outstanding shares of PCA were issued on or after April 12, 1999. Accordingly, no shares of common stock may be sold under Rule 144 prior to April 12, 2000.

RULE 144(k)

Under Rule 144(k), a person who is not deemed to have been an affiliate of PCA at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, is entitled to sell the shares without having to comply with the manner of sale, public information, volume limitation or notice filing provisions of Rule 144. No shares of common stock of PCA are currently eligible for sale under Rule 144(k).

RULE 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchase shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of the offerings is entitled to sell the shares 90 days after the effective date of the offerings in reliance on Rule 144, without having to comply with the holding period and notice filing requirements of Rule 144 and, in the case of non-affiliates, without having to comply with the public information, volume limitation or notice filing provisions of Rule 144.

The Commission has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934, along with the shares acquired upon exercise of the options whether exercised before or after the date of this prospectus. Securities issued in reliance on Rule 701 are restricted securities and, subject to the lock-up agreements and other contractual restrictions described above, beginning December 10, 1999, may be sold by persons other than "affiliates", as defined in Rule 144, subject only to the "manner of sale" provisions of Rule 144 and by "affiliates" under Rule 144 without compliance with its one year minimum holding period requirements.

Upon the expiration of the lock-up agreements and contractual restrictions on transfer described above, approximately 9,709,260 shares of common stock of PCA will be eligible for resale under Rule 701, which includes 3,132,800 shares held by management employees and 6,576,460 shares issuable upon exercise of stock options.

REGISTRATION OF FORM S-8

After completion of the offerings, PCA intends to file a registration statement on Form S-8 covering the sale of up to 4,400,000 shares of common stock reserved for issuance under the equity incentive plan. We anticipate that of the 4,400,000 shares reserved for issuance under the plan, we will issue options to employees to purchase an aggregate of approximately 500,000 shares of common stock in connection with the offerings. All of these options will vest in annual installments over a four-year period, and none of these options will be immediately exercisable. As a result of the filing of the Form S-8 registration statement, which will become effective upon filing, the shares of common stock that may ultimately be acquired upon exercise of these options or other awards under the plan will be available for sale in the public market unless they are subject to vesting restrictions or unless they are acquired by affiliates of PCA.

REGISTRATION RIGHTS

Beginning 180 days after the completion of the offerings, PCA Holdings, which currently holds 50,306,960 shares of common stock, will have rights that require us to register its shares of common stock under the Securities Act at our expense. See "Certain Relationships and Related Transactions--Registration Rights Agreement."

DESCRIPTION OF CERTAIN INDEBTEDNESS

DESCRIPTION OF SENIOR CREDIT FACILITY

In connection with the transactions, PCA entered into a senior credit facility on April 12, 1999 which consists of:

- a Term Loan A facility of $460.0 million in term loans;

- a Term Loan B facility of $375.0 million in term loans;

- a Term Loan C facility of $375.0 million in term loans; and

- a revolving credit facility of up to $250.0 million in revolving credit loans and letters of credit.

As of September 1, 1999, PCA had no borrowings outstanding under the revolving credit facility.

The borrowings under the senior credit facility bear interest at a floating rate and may be maintained as base rate loans or as Eurodollar loans. Base rate loans bear interest at the base rate, which is the higher of (1) the applicable prime lending rate of the administrative agent or (2) the Federal Reserve reported overnight funds rate plus 1/2 of 1%, plus, in each case, an applicable margin. Eurodollar loans bear interest at the Eurodollar rate as described in the senior credit facility, plus an applicable margin.

The revolving credit facility must be repaid on or before April 12, 2005. Prior to that date, funds may be borrowed, repaid and reborrowed, without premium or penalty under the terms of the senior credit facility. The term loans mature, and as a result must be repaid, in quarterly installments on March 31, June 30, September 30 and December 31 of each year, beginning on September 30, 1999. Term Loan A will mature in quarterly installments from September 1999 through 2005. Term Loan B will mature in quarterly installments from September 1999 through 2007. Term Loan C will mature in quarterly installments from September 1999 through 2008.

Voluntary prepayments of amounts outstanding under the senior credit facility are permitted at any time, so long as PCA gives notice as required by the senior credit facility. However, if a prepayment is being made with respect to a Eurodollar loan and the prepayment is made on a date other than an interest payment date, PCA must pay a fee to compensate the lender for losses and expenses incurred by the lender as a result of the prepayment.

PCA made voluntary prepayments using timberland proceeds or excess cash to permanently reduce its borrowings under the term loans on the following dates in the following amounts:

- May 18, 1999--$75.0 million;

- July 15, 1999--$10.0 million;

- September 16, 1999--$1.3 million;

- September 29, 1999--$13.7 million;

- October 1, 1999--$194.6 million; and

- October 14, 1999--$27.5 million.

As a result of these prepayments, no quarterly installments are due until September 2000 for Term Loan A and September 2001 for Term Loans B and C.

The senior credit facility requires PCA to prepay the term loan facilities and reduce commitments under the revolving credit facility with all or a portion of the proceeds from designated financing or other transactions.

In August 1999, PCA signed purchase and sales agreements with various buyers to sell 405,000 acres of timberland. PCA has completed the sale of approximately 260,000 of these acres and expects to complete the sale of the remaining acres by mid-November 1999. The net proceeds of these sales have been and will be used to reduce borrowings under the senior credit facility.

DESCRIPTION OF SENIOR SUBORDINATED NOTES

PCA has issued $550,000,000 aggregate principal amount of 9 5/8% senior subordinated notes due 2009. Interest on the notes is payable each April 1 and October 1, beginning October 1, 1999. The notes are guaranteed by each of PCA's current and future domestic subsidiaries, other than any receivables subsidiary.

At any time after April 1, 2004, PCA may redeem some or all of the notes, at a redemption price of 104.8125% of the principal amount, declining ratably to par after April 1, 2007, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date.

At any time prior to April 1, 2002, PCA may use the proceeds of offerings of its equity securities or that of its parent or timberland sales in excess of $500 million to redeem, on one or more occasions, up to 35% of the aggregate principal amount of the notes issued, at a redemption price of 109.625% of the principal amount, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date.

At any time prior to April 1, 2004, if PCA undergoes specific kinds of changes in control, PCA may redeem all but not less than all of the notes, at a redemption price of the greater of (1) 101% of the principal amount or (2) the excess over the principal amount of the notes of the present value on the redemption date of 104.8125% plus all required interest payments due on the notes through April 1, 2004, in each case plus accrued and unpaid interest and liquidation damages, if any, to the redemption date.

If PCA undergoes specific kinds of changes of control, the holders of the notes may require PCA to offer to purchase some or all of the notes at a price equal to 101% of the principal amount.

The indenture governing the notes contains covenants that, among other things, restrict PCA's ability to incur more debt, pay dividends on or purchase stock, make investments, use assets as security in other transactions and sell assets or merge with or into other companies.

U.S. FEDERAL TAX CONSEQUENCES FOR NON-UNITED STATES HOLDERS OF COMMON STOCK

The following is a summary of the material United States federal income and estate tax consequences of the ownership and disposition of common stock generally applicable to non-United States holders. A non-United States holder is any beneficial owner of common stock that, for United States federal income tax purposes, is a non-resident alien individual, a foreign corporation, a foreign partnership or a foreign estate or trust as those terms are defined in the Internal Revenue Code of 1986, as amended (the "Code"). This discussion is based on the Code, existing, proposed and temporary regulations promulgated thereunder, and administrative and judicial interpretations, all as of the date of this prospectus, and all of which are subject to change either retroactively or prospectively. Moreover, this discussion does not address all aspects of United States federal income and estate taxation that may be relevant to non-United States holders in light of their particular circumstances and does not address any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction or the application of any particular tax treaty. Further, it does not discuss special rules applicable to non-United States holders that are, for example, banks, insurance companies, dealers in securities and holders of securities held as part of a straddle, hedge or conversion transaction. ALL PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE UNITED STATES FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF OWNING AND DISPOSING OF COMMON STOCK.

GAIN ON DISPOSITION OF COMMON STOCK

A non-United States holder generally will not be subject to United States federal income tax with respect to gain realized upon the sale or other disposition of common stock unless:

(1) the gain is effectively connected with a United States trade or business of the non-United States holder (or, if a tax treaty applies, attributable to a permanent establishment in the United States maintained by that non-United States holder);

(2) the non-United States holder is an individual who holds the common stock as a capital asset, is present in the United States for a period or periods aggregating 183 days or more during the taxable year in which the sale or disposition occurs, and other conditions are met;

(3) the non-United States holder is an individual subject to tax pursuant to the provisions of United States tax law applicable to United States expatriates; or

(4) PCA is or has been a "United States real property holding corporation" for United States federal income tax purposes at any time during the shorter of the five-year period preceding the disposition or the holder's holding period and (a) PCA's common stock is not regularly traded on an established securities market or (b) the non-United States holder owns more than 5% of PCA's common stock, as discussed below under "Foreign Investment in Real Property Tax Act."

FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT

Under the Foreign Investment in Real Property Tax Act, as amended ("FIRPTA"), non-United States holders who would not otherwise be subject to federal income tax on gain from dispositions of PCA common stock may, nonetheless, be subject to United States federal income tax on disposition gain if PCA is a "United States real property holding corporation" anytime during the five years preceding the disposition or the holder's holding period, if shorter. In general, PCA will be a United States real property holding corporation if 50% or more of the fair market value of its assets constitute United States real property interests within the meaning of the Code. Although

PCA owns substantial amounts of United States real property, PCA believes that it was not a United States real property holding corporation at the time of the transactions in April 1999 and that PCA is not currently a United States real property holding corporation. Because the determination of whether PCA is a United States real property holding corporation turns on the relative value of PCA's United States real property interests and its other assets, and because the FIRPTA rules are complex, PCA can give no assurances that it is not a United States real property holding corporation or that it will not become one.

Even if PCA is or becomes a United States real property holding corporation, FIRPTA will not apply to cause a non-United States holder to be taxed on the disposition of PCA common stock so long as PCA common stock is regularly traded on an established securities market and the non-United States holder does not own more than 5% of PCA's common stock anytime during the five years preceding the disposition or the holder's holding period, if shorter, counting both direct and indirect ownership under the applicable ownership attribution rules of the Code. Similarly, even if PCA is a United States real property holding corporation, non-United States holders will not be subject to 10% withholding on the disposition of PCA common stock so long as PCA's common stock is regularly traded on an established securities market.

WITHHOLDING ON DIVIDEND DISTRIBUTIONS

PCA currently has no plans to pay dividends on its common stock. If PCA were to pay dividends on its common stock in the future, a non-United States holder would generally be subject to a United States federal withholding tax of 30% on the dividends unless (1) an applicable tax treaty reduces or eliminates withholding, (2) the dividends are effectively connected with a United States trade or business (or, if a tax treaty applies, attributable to a permanent establishment in the United States maintained by such non-United States holder), in which case regular graduated federal income tax rates would apply and, in the case of a non-United States holder that is a corporation, a branch profits tax may apply or (3) if the alien holder is an individual subject to tax pursuant to the provisions of the United States tax law applicable to United States expatriates, in which case regular graduated federal income tax rates would apply. PCA is required to withhold 30% of any dividend distribution to a non-United States holder unless the non-United States holder provides PCA or its paying agent with a properly executed IRS Form 1001 or 4224 claiming an exemption from or a reduction in the rate of withholding based upon one of the exceptions noted above, including under the benefit of an applicable tax treaty. Under new withholding regulations applicable to payments made after December 31, 2000, a non-United States holder must supply PCA or its paying agent with an IRS Form W-8BEN to claim such an exemption from or reduction in withholding.

ESTATE TAX

An individual non-United States holder who is treated as the owner of PCA's common stock at the time of that individual's death or has made certain lifetime transfers of an interest in the common stock will be required to include the value of the common stock and the lifetime transfers in that individual's gross estate for United States federal estate tax purposes and may be subject to United States federal estate tax, unless an applicable tax treaty provides otherwise. For United States federal estate tax purposes, a "non-United States holder" is an individual who is neither a citizen nor a domiciliary of the United States. Whether an individual is considered a "domiciliary" of the United States for estate tax purposes is generally determined on the basis of all of the facts and circumstances.

LEGAL MATTERS

Some of the legal matters in connection with the issuance of the common stock will be passed upon for PCA by Kirkland & Ellis, Chicago, Illinois. Some of the partners of Kirkland & Ellis, through an investment partnership, beneficially own, indirectly through PCA Holdings, an aggregate of approximately 0.2% of the common stock. Some of the legal matters in connection with the offerings will be passed upon for the underwriters by Cahill Gordon & Reindel (a partnership including a professional corporation), New York, New York.

EXPERTS

The balance sheet of Packaging Corporation of America as of January 31, 1999, appearing in this prospectus has been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and is included in reliance upon the authority of such firm as experts in accounting and auditing.

The combined financial statements of The Containerboard Group, a division of TPI, as of December 31, 1998, 1997 and 1996, and for each of the three years in the period ended December 31, 1998, included in this prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect to the combined financial statements, and are included herein in reliance upon the authority of the firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1, including exhibits and schedules, under the Securities Act of 1933, with respect to the shares of common stock to be sold in the offerings. This prospectus, which forms a part of the registration statement, does not contain all of the information set forth in the registration statement. For further information with respect to us and the common stock offered in this prospectus, we refer you to the registration statement, including the exhibits thereto, and the financial statements and notes filed as a part thereof. With respect to each document filed with the Commission as an exhibit to the registration statement, we refer you to the exhibit for a more complete description of the matter involved.

We will be filing quarterly and annual reports, proxy statements and other information with the Commission. Any reports or documents we file with the Commission, including the registration statement, may be inspected and copied at the Public Reference Section of the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 (telephone number: 1-800-SEC-0330), and at the Regional Offices of the Commission at 7 World Trade Center, 13th Floor, New York, New York 10048 and Citicorp Center, 14th Floor, 500 West Madison Street, Chicago, Illinois 60661. Copies of the reports or other documents may be obtained at prescribed rates from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, the Commission maintains a web site that contains reports and other information that is filed through the Commission's Electronic Data Gathering Analysis and Retrieval System. The web site can be accessed at http://www.sec.gov.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Tenneco Inc.:

We have audited the accompanying combined statements of assets, liabilities and interdivision account of THE CONTAINERBOARD GROUP (a division of Tenneco Packaging Inc., which is a Delaware corporation and a wholly owned subsidiary of Tenneco Inc.) as of December 31, 1998, 1997 and 1996, and the related combined statements of revenues, expenses and interdivision account and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Containerboard Group as of December 31, 1998, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Chicago, Illinois
February 26, 1999

THE CONTAINERBOARD GROUP
(A DIVISION OF TENNECO PACKAGING INC.)

COMBINED STATEMENTS OF
ASSETS, LIABILITIES AND INTERDIVISION ACCOUNT

	DECEMBER 31, 1998	1997	1996
ASSETS			
(In thousands)			
Current assets:			
Cash	$ 1	$ 1	$ 1,027
Accounts receivable (net of allowance for doubtful accounts of $5,220 in 1998, $5,023 in 1997 and $5,010 in 1996)	13,971	27,080	16,982
Receivables from affiliated companies	10,390	19,057	10,303
Notes receivable	27,390	573	547
Inventories:			
Raw materials	86,681	100,781	99,459
Work in process and finished goods	48,212	38,402	36,995
Materials and supplies	44,310	42,043	35,834
Inventory, gross	179,203	181,226	172,288
Excess of FIFO over LIFO cost	(28,484)	(25,445)	(28,308)
Inventory, net	150,719	155,781	143,980
Prepaid expenses and other current assets	41,092	35,019	35,536
Total current assets	243,563	237,511	208,375
Property, plant and equipment, at cost:			
Land, timber, timberlands and buildings	287,510	280,060	269,134
Machinery and equipment	1,289,459	1,175,805	1,082,912
Other, including construction in progress	100,136	130,696	140,522
Less-Accumulated depreciation and depletion	(735,749)	(656,915)	(582,437)
Property, plant and equipment, net	941,356	929,646	910,131
Intangibles	50,110	56,470	55,660
Other long-term assets	131,092	77,312	72,076
Investments	1,282	16,324	14,809
Total assets	$1,367,403	$1,317,263	$1,261,051
LIABILITIES AND INTERDIVISION ACCOUNT			
Current liabilities:			
Accounts payable	$ 87,054	$ 124,633	$ 111,588
Payables to Tenneco affiliates	7,091	6,164	29,402
Current portion of long-term debt	617	3,923	1,603
Current portion of deferred gain	--	1,973	1,973
Accrued liabilities	69,390	70,426	166,663
Total current liabilities	164,152	207,119	311,229
Long-term liabilities:			
Long-term debt	16,935	23,941	18,713
Deferred taxes	254,064	174,127	87,165
Deferred gain	-	34,262	36,235
Other	23,860	23,754	23,287
Total long-term liabilities	294,859	256,084	165,400
Interdivision account	908,392	854,060	784,422
Total liabilities and interdivision account	$1,367,403	$1,317,263	$1,261,051

The accompanying notes to combined financial statements
are an integral part of these statements.

THE CONTAINERBOARD GROUP
(A DIVISION OF TENNECO PACKAGING INC.)

COMBINED STATEMENTS OF
REVENUES, EXPENSES AND INTERDIVISION ACCOUNT

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
Net sales	$ 1,571,019	$ 1,411,405	$ 1,582,222
Cost of sales	(1,289,644)	(1,242,014)	(1,337,410)
Gross profit	281,375	169,391	244,812
Selling and administrative expenses	(108,944)	(102,891)	(95,283)
Restructuring, impairment and other	(14,385)	--	--
Other income, net	26,818	44,681	56,243
Corporate allocations	(63,114)	(61,338)	(50,461)
Income before interest, taxes and extraordinary item	121,750	49,843	155,311
Interest expense, net	(2,782)	(3,739)	(5,129)
Income before taxes and extraordinary item	118,968	46,104	150,182
Provision for income taxes	(47,529)	(18,714)	(59,816)
Income before extraordinary item	71,439	27,390	90,366
Extraordinary loss	--	--	--
Net income	71,439	27,390	90,366
Interdivision account, beginning of period	854,060	784,422	640,483
Interdivision account activity, net	(17,107)	42,248	53,573
Interdivision account, end of period	$ 908,392	$ 854,060	$ 784,422
Basic and diluted earnings per share (unaudited):			
Income before extraordinary item	$ .76	$ .29	$ .96
Extraordinary item	--	--	--
Net income per common share	.76	.29	.96
Weighted average common shares outstanding	94,600	94,600	94,600

The accompanying notes to combined financial statements
are an integral part of these statements.

THE CONTAINERBOARD GROUP
(A DIVISION OF TENNECO PACKAGING INC.)

COMBINED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
Cash flows from operating activities:			
Net income	$ 71,439	$ 27,390	$ 90,366
Adjustments to reconcile net income to net cash provided by operating activities--			
Depreciation, depletion and amortization	96,950	87,752	78,730
Extraordinary loss-early debt extinguishment			
Restructuring and other	14,385	--	--
Gain on sale of joint venture interest	(15,060)	--	--
Gain on sale of timberlands	(16,944)	--	--
Gain on sale of assets	--	--	(51,268)
Gain on lease refinancing	--	(37,730)	--
Gain on Willow Flowage	--	(4,449)	--
Gain on sale of mineral rights	--	(1,646)	--
Amortization of deferred gain	(1,973)	(1,973)	(1,973)
Increase (decrease) in deferred income taxes	71,342	85,070	8,318
Undistributed earnings of affiliated companies	302	(2,264)	(536)
Increase (decrease) in other noncurrent reserves	107	467	(27,287)
Changes in noncash components of working capital, excluding transactions with Tenneco			
Decrease (increase) in current assets--			
Accounts receivable	12,100	(26,092)	38,261
Inventories, net	5,062	(10,932)	1,287
Prepaid expenses and other	4,572	782	(8,070)
(Decrease) increase in current liabilities--			
Accounts payable	(37,580)	13,045	(47,930)
Accrued liabilities	(9,301)	(22,207)	(24,041)
Net cash provided by operating activities	195,401	107,213	55,857
Cash flows from investing activities:			
Additions to property, plant and equipment	(103,429)	(110,186)	(168,642)
Prepaid Meridian Lease	(84,198)	--	--
Acquisition of businesses	--	(5,866)	--
Other long-term assets	(10,970)	(6,983)	(23,478)
Proceeds from disposals	26,214	10,460	122,654
Other transactions, net	(5,350)	690	(4,766)
Net cash used for investing activities	(177,733)	(111,885)	(74,232)

THE CONTAINERBOARD GROUP
(A DIVISION OF TENNECO PACKAGING INC.)

COMBINED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
Cash flows from financing activities:			
Proceeds from long-term debt issued	$ --	$ 1,146	$ 430
Payments on long-term debt	(10,346)	(1,618)	(1,886)
(Decrease) increase in interdivision account	(17,109)	19,907	168,074
Working capital transactions with Tenneco and affiliated companies--			
Decrease (increase) in receivables from affiliated companies	8,667	(8,754)	(1,781)
Decrease (increase) in factored receivables	192	16,204	(25,563)
Increase (decrease) in accounts payable to affiliated companies	928	(23,239)	(8,007)
Dividends paid to Tenneco	--	--	(114,500)
Net cash (used for) provided by financing activities	(17,668)	3,646	16,767
Net decrease in cash	--	(1,026)	(1,608)
Cash, beginning of period	1	1,027	2,635
Cash, end of period	$ 1	$ 1	$ 1,027

The accompanying notes to combined financial statements
are an integral part of these statements.

THE CONTAINERBOARD GROUP
(A DIVISION OF TENNECO PACKAGING INC.)

NOTES TO COMBINED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION

The Containerboard Group (the "Group") is a division of Tenneco Packaging Inc. ("Packaging") which is a wholly owned subsidiary of Tenneco Inc. ("Tenneco"). The Group is comprised of mills and corrugated products operations.

The Mill operations ("The Mills") consist of two Kraft linerboard mills located in Counce, Tennessee, and Valdosta, Georgia, and two medium mills located in Filer City, Michigan, and Tomahawk, Wisconsin. The Mills also include two recycling centers located in Nashville, Tennessee, and Jackson, Tennessee. The Mills also control and manage approximately 950,000 acres of timberlands. The Mills transfer the majority of their output to The Corrugated Products operations ("Corrugated").

Corrugated operations consist of 39 corrugated combining plants, 28 specialty/sheet and other plants and 5 design centers. All plants are located in North America. Corrugated combines linerboard and medium (primarily from The Mills) into sheets that are converted into corrugated shipping containers, point-of-sale graphics packaging, point-of-purchase displays and other specialized packaging. Corrugated sells to diverse customers primarily in North America.

The Group's sales to other Packaging entities and other Tenneco entities are included in the accompanying combined financial statements. The net sales to other Packaging entities for the years ended December 31, 1998, 1997 and 1996, were approximately $76,906,000, $69,981,000 and $76,745,000, respectively. The net sales to other Tenneco entities for the years ended December 31, 1998, 1997 and 1996, were approximately $14,251,000, $13,108,000 and $10,376,000, respectively. The profit relating to these sales are included in the accompanying combined financial statements.

As a result of the Group's relationship with Packaging, the combined statements of assets, liabilities and interdivision account and the related combined statements of revenues, expenses and interdivision account are not necessarily indicative of what actually would have occurred had the Group been a stand-alone entity. Additionally, these combined financial statements are not necessarily indicative of the future financial position or results of operations of the Group.

2. SUMMARY OF ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying combined financial statements include the selected assets, liabilities, revenues and expenses of the Group. All significant intragroup accounts and transactions have been eliminated.

REVENUE RECOGNITION

The Group recognizes revenue as products are shipped to customers.

ACCOUNTS RECEIVABLE

A substantial portion of the Group's trade accounts receivable are sold by Packaging, generally without recourse, to a financing subsidiary of Tenneco Inc. Expenses relating to cash discounts, credit losses, pricing adjustments and other allowances on these factored receivables are

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

accrued and charged to the Group. The amount of trade accounts receivable sold was approximately $150,099,000, $149,907,000 and $133,703,000 at December 31, 1998, 1997 and 1996, respectively.

INVENTORIES

Inventories for raw materials and finished goods are valued using the last-in, first-out ("LIFO") cost method and include material, labor and manufacturing-related overhead costs. Supplies and materials inventories are valued using a moving average cost. All inventories are stated at the lower of cost or market.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Interest costs relating to construction in progress are capitalized based upon the total amount of interest cost (including interest costs on notes payable to Tenneco) incurred by Packaging.

The amount of interest capitalized related to construction in progress at the Group was approximately $576,000, $975,000 and $5,207,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. The following useful 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 software	3 to 7 years
Leasehold improvements	Period of the lease

Timber depletion is provided on the basis of timber cut during the period related to the estimated quantity of recoverable timber. Assets under capital leases are depreciated on the straight-line method over the term of the lease.

Expenditures for repairs and maintenance are expensed as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. In the event that facts and circumstances indicate that the carrying amount of any long-lived assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to discounted cash flows is required.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

DEFERRED GAIN

In 1992, Packaging entered into a sale-leaseback transaction for financial reporting purposes involving certain of its timberlands. The deferred gain recognized upon sale is being amortized on a straight-line basis over the initial lease term.

This deferred gain relates to a lease which was prepaid by the Group in December, 1998 (Note 12). The 1998 financial statements have reclassed the current and long-term portions of the deferred gain against the prepaid payment in Prepaid Expenses and Other Current Assets and Other Long-Term Assets.

CHANGES IN ACCOUNTING PRINCIPLES

In June, 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes new accounting and reporting standards requiring that all derivative instruments (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. This statement is effective for all fiscal years beginning after June 15, 1999. The adoption of this new standard is not expected to have a significant effect on the Group's financial position or results of operations.

In April, 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities," which requires costs of start-up activities to be expensed as incurred. This statement is effective for fiscal years beginning after December 15, 1998. The statement requires capitalized costs related to start-up activities to be expensed as a cumulative effect of a change in accounting principle when the statement is adopted. Tenneco currently expects to adopt this new accounting principle in the first quarter of 1999. The adoption of this new standard is not expected to have a significant effect on the Group's financial position or results of operations.

In March, 1998, the AICPA issued SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which establishes new accounting and reporting standards for the costs of computer software developed or obtained for internal use. This statement will be applied prospectively and is effective for fiscal years beginning after December 15, 1998. The adoption of this new standard is not expected to have a significant effect on the Group's financial position or results of operations.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

FREIGHT TRADES

The Group regularly trades containerboard with other manufacturers primarily to reduce shipping costs. The freight trade transactions are accounted for primarily as transactions in the inventory accounts; the impact on income is not material.

ENVIRONMENTAL LIABILITIES

The estimated landfill closure and postclosure maintenance costs expected to be incurred upon and subsequent to the closing of existing operating landfill areas are accrued based on the landfill capacity used to date. Amounts are estimates using current technologies for closure and monitoring and are not discounted.

The potential costs related to the Group 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. Liabilities recorded by the Group for environmental contingencies are estimates of the probable costs based upon available information and assumptions relating to the Group. Because of these uncertainties, however, the Group's estimates may change. The Group believes that any additional costs identified as further information becomes available would not have a material effect on the combined statements of assets, liabilities and interdivision account or revenues, expenses and interdivision account of the Group.

COMBINED STATEMENTS OF CASH FLOWS

As a division of Packaging, the Group does not maintain separate cash accounts other than for petty cash. The Group's disbursements for payroll, capital projects, operating supplies and expenses are processed and funded by Packaging through centrally managed accounts. In addition, cash receipts from the collection of accounts receivable and the sales of assets are remitted directly to bank accounts controlled by Packaging. In this type of centrally managed cash system in which the cash receipts and disbursements of Packaging's various divisions are commingled, it is not feasible to segregate cash received from Packaging (e.g., as financing for the business) from cash transmitted to Packaging (e.g., as a distribution). Accordingly, the net effect of these cash transactions with Packaging are presented as a single line item within the financing section of the cash flow statements. Similarly, the activity of the interdivision account presents the net transfer of funds and charges between Packaging and the Group as a single line item.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred. The amounts charged were $3,728,000, $4,345,000 and $4,789,000 in 1998, 1997 and 1996, respectively.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS

Goodwill and intangibles, net of amortization, by major category are as follows:

(IN THOUSANDS)	1998	1997	1996
Goodwill	$ 48,046	$ 52,958	$ 51,721
Intangibles	2,064	3,512	3,939
	$ 50,110	$ 56,470	$ 55,660

Goodwill is being amortized on a straight-line basis over 40 years. Such amortization amounted to $1,449,000, $1,452,000 and $1,440,000 for 1998, 1997 and 1996, respectively. Goodwill totaling approximately $3,463,000 was written off in 1998 related to a closed facility (Note 7).

The Group has capitalized certain intangible assets, primarily trademarks and patents, based on their estimated fair value at the date of acquisition. Amortization is provided for these intangible assets on a straight-line basis over periods ranging from 3 to 10 years. Covenants not to compete are amortized on a straight-line basis over the terms of the respective agreements. Such amortization amounted to $1,127,000, $1,234,000 and $1,416,000 in 1998, 1997 and 1996, respectively.

Intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. In the event that facts and circumstances indicate that the carrying amount of any intangible assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows through the remaining amortization period associated with the asset would be compared to the asset's carrying amount to determine if a write-down to discounted cash flows is required.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS

The prior years' financial statements have been reclassified, where appropriate, to conform to the 1998 presentation.

SEGMENT INFORMATION

The Group adopted SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information," in 1998 and determined that the Group is primarily engaged in one line of business: the manufacture and sale of packaging materials, boxes and containers for industrial and consumer markets. No single customer accounts for more than 10% of total revenues. The Group has no foreign operations.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

EARNINGS PER SHARE (UNAUDITED)

Earnings per share has been calculated using the historical earnings of the Group and the number of common shares resulting from the April 12, 1999 transaction (430,000 common shares), as adjusted to reflect the anticipated 220-for-one stock split. For all periods presented, basic and diluted earnings per share are the same because there are no potentially dilutive other securities.

3. INVESTMENTS IN JOINT VENTURES

The Group has a 50% U.S. joint venture with American Cellulose Corporation to manufacture and market hardwood chips. The net investment, which was accounted for under the equity method, was $1,282,000, $1,310,000 and $1,519,000 as of December 31, 1998, 1997 and 1996, respectively. In the second quarter of 1996, Packaging entered into an agreement to form a joint venture with Caraustar Industries whereby Packaging sold its two recycled paperboard mills and a fiber recycling operation and brokerage business to the joint venture in return for approximately $115 million and a 20% equity interest in the joint venture. In June, 1998, Packaging sold its remaining 20% equity interest in the joint venture to Caraustar Industries. The net investment, which was accounted for under the equity method, was $0, $15,014,000 and $13,290,000 as of December 31, 1998, 1997 and 1996, respectively.

4. LONG-TERM DEBT AND CAPITALIZED LEASE OBLIGATIONS

	1998	1997	1996
(IN THOUSANDS)			
Capital lease obligations, interest at 8.5% for 1998 and 1997 and a weighted average interest rate of 8.2% for 1996 due in varying amounts through 2000	$ 18	$ 32	$ 18,658
Non-interest-bearing note, due in annual installments of $70,000 through July 1, 2004, net of discount imputed at 10.0% of $182,000, $216,000 and $249,000 in 1998, 1997 and 1996, respectively	308	344	381
Notes payable, interest at an average rate of 13.5%, 13.3% and 8.8% for 1998, 1997 and 1996, respectively, with varying amounts due through 2010	16,553	26,187	680
Other obligations	673	1,301	597
Total	17,552	27,864	20,316
Less--Current portion	617	3,923	1,603
Total long-term debt	$ 16,935	$ 23,941	$ 18,713

4. LONG-TERM DEBT AND CAPITALIZED LEASE OBLIGATIONS (CONTINUED)

In January, 1997, the General Electric Capital Corporation ("GECC") operating leases were refinanced. Through this refinancing, several capital lease obligations were extinguished as the assets were incorporated into the new operating lease (Note 12).

Annual payments for debt during the next five years and thereafter are: $617,000 (1999), $214,000 (2000), $3,569,000 (2001), $4,387,000 (2002), $4,240,000 (2003) and $4,525,000 (2004 and thereafter).

In 1997, Tenneco contributed the Counce Limited Partnership to Packaging which included notes payable totaling approximately $26,187,000.

In February, 1999, Tenneco Inc. paid off the remaining note payable as it relates to the Counce Limited Partnership. The payment was $27,220,000, including a $10,456,000 premium payment for the early extinguishment of debt.

5. PENSION AND OTHER BENEFIT PLANS

Substantially all of the Group's salaried and hourly employees are covered by retirement plans sponsored by Packaging and Tenneco. Benefits generally are based on years of service and, for most salaried employees, on final average compensation. Packaging's funding policies are to contribute to the plans, at a minimum, amounts necessary to satisfy the funding requirements of federal laws and regulations. The assets of the plans consist principally of listed equity and fixed and variable income securities, including Tenneco Inc. common stock.

The Group's eligible salaried employees participate in the Tenneco Retirement Plan (the "Retirement Plan"), a defined benefit plan, along with other Tenneco divisions and subsidiaries. The pension expense allocated to the Group by Packaging for this plan was approximately $5,595,000, $3,197,000 and $3,111,000 for the years ended December 31, 1998, 1997 and 1996, respectively. Amounts allocated are principally determined based on payroll. This plan is overfunded and a portion of the prepaid pension costs has not been allocated to the Group.

The Group's eligible hourly employees participate in the Tenneco Packaging Pension Plan for Certain Hourly Rated Employees, also a defined benefit plan, along with other Packaging divisions. As stated, due to the fact that other divisions within Packaging participate in the plan, certain of the disclosures required by SFAS No. 132, "Employers' Disclosures About Pension and Other Postretirement Benefits", such as a summary of the change in benefit obligation and the change in plan assets, are not available. The net pension (income) cost actuarially allocated to the Group for this plan was $(466,000), $144,000 and $2,373,000 for the years ended December 31, 1998, 1997 and 1996, respectively. This plan is overfunded, and a portion of the related pension asset of $35,603,000, $35,137,000 and $34,429,000 for December 31, 1998, 1997 and 1996, respectively, has been actuarially allocated to the Group and is included in Other Long-Term Assets.

However, in connection with the pending sale of the Group as described in Note 14 to these financial statements, the pension asset allocated to the Group will be excluded from the sale transaction and remain with Tenneco.

5. PENSION AND OTHER BENEFIT PLANS (CONTINUED)

Actuarially allocated net pension cost for the Group's defined benefit plans, excluding the Retirement Plan, consists of the following components:

	FOR THE YEARS ENDED DECEMBER 31		
	1998	1997	1996
(IN THOUSANDS)			
Service cost-benefits earned during the year	$ 3,112	$ 3,652	$ 4,021
Interest cost on projected benefit obligations	6,990	6,675	6,174
Expected return on plan assets	(11,312)	(10,819)	(8,389)
Amortization of-			
Transition liability	(164)	(164)	(164)
Unrecognized loss	--	--	10
Prior service cost	908	800	721
Net pension (income) cost	$ (466)	$ 144	$ 2,373

The funded status of the Group's allocation of defined benefit plans, excluding the Retirement Plan, reconciles with amounts recognized in the statements of assets and liabilities and interdivision account as follows:

	1998	1997	1996
(IN THOUSANDS)			
Actuarial present value at September 30--			
Vested benefit obligation	$ (98,512)	$ (86,865)	$ (79,818)
Accumulated benefit obligation	(108,716)	(95,711)	(87,481)
Projected benefit obligation	$(108,716)	$ (96,118)	$ (88,555)
Plan assets at fair value at September 30	146,579	141,961	118,968
Unrecognized transition liability	(1,092)	(1,256)	(1,420)
Unrecognized net gain	(14,623)	(21,573)	(5,111)
Unrecognized prior service cost	13,455	12,123	10,547
Prepaid pension cost at December 31	$ 35,603	$ 35,137	$ 34,429

The weighted average discount rate used in determining the actuarial present value of the benefit obligations was 7.00% for the year ended December 31, 1998, and 7.75% for the years ended December 31, 1997 and 1996. The weighted average expected long-term rate of return on plan assets was 10% for 1998, 1997 and 1996.

Middle management employees participate in a variety of incentive compensation plans. These plans provide for incentive payments based on the achievement of certain targeted operating results and other specific business goals. The targeted operating results are determined each

5. PENSION AND OTHER BENEFIT PLANS (CONTINUED)

year by senior management of Packaging. The amounts charged to expense for these plans were $5,920,000, $6,407,000 and $6,722,000 in 1998, 1997 and 1996, respectively.

In June, 1992, Tenneco initiated an Employee Stock Purchase Plan ("ESPP"). The plan allows U.S. and Canadian employees of the Group to purchase Tenneco Inc. common stock through payroll deductions at a 15% discount. Each year, an employee in the plan may purchase shares with a discounted value not to exceed $21,250. The weighted average fair value of the employee purchase right, which was estimated using the Black-Sholes option pricing model and the assumptions described below except that the average life of each purchase right was assumed to be 90 days, was $6.31, $11.09 and $10.77 in 1998, 1997 and 1996, respectively. The ESPP was terminated as of September 30, 1996. Tenneco adopted a new employee stock purchase plan effective April 1, 1997. Under the respective ESPPs, Tenneco sold 133,223 shares, 85,024 shares and 73,140 shares to Group employees in 1998, 1997 and 1996, respectively.

In December, 1996, Tenneco adopted the 1996 Stock Ownership Plan, which permits the granting of a variety of awards, including common stock, restricted stock, performance units, stock appreciation rights, and stock options to officers and employees of Tenneco. Tenneco can issue up to 17,000,000 shares of common stock under this plan, which will terminate December 31, 2001.

The fair value of each stock option issued by Tenneco to the Group during 1998, 1997 and 1996 is estimated on the date of grant using the Black-Sholes option pricing model using the following weighted average assumptions for grants in 1998, 1997 and 1996, respectively: (a) risk-free interest rate of 5.7%, 6.7% and 6.0%, (b) expected lives of 10.0 years, 19.7 years and 5.0 years; (c) expected volatility of 25.6%, 27.8% and 24.6%; and (d) dividend yield of 3.2%, 2.9% and 3.2%. The weighted-average fair value of options granted during the year is $10.91, $13.99 and $11.51 for 1998, 1997 and 1996, respectively.

The Group applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," to its stock-based compensation plans. The Group recognized after-tax stock-based compensation expense of approximately $210,000 in 1998, 1997 and 1996. Had compensation costs for the Group's stock-based compensation plans been determined in accordance with SFAS 123, "Accounting for Stock-Based Compensation," based on the fair value at the grant dates for the awards under those plans, the Group's pro forma net income for the years ended December 31, 1998, 1997 and 1996, would have been lower by $7,828,000, $8,205,000 and $1,874,000, respectively.

6. POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, the Group provides certain health care and life insurance benefits for certain retired and terminated employees. A substantial number of the Group's employees may become eligible for such benefits if they reach normal retirement age while working for the Group. The cost of these benefits for salaried employees is allocated to the Group by Packaging through a payroll charge and the interdivision account. Amounts

6. POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS (CONTINUED)
allocated are principally determined based on payroll. The net obligation for these salaried benefits is maintained by Packaging and is not included in the liabilities section of the accompanying combined statements of assets, liabilities and interdivision account for the Group's share of the obligation.

Currently, the Group's postretirement benefit plans are not funded and a portion of the related postretirement obligation has been actuarially allocated to the Group. However, due to the fact that other divisions participate in the plan, certain of the disclosures required by SFAS No. 132, such as a summary of the change in benefit obligation, are not available. The obligation of the plans, related to hourly employees, reconciles with amounts recognized on the accompanying combined statements of assets, liabilities and interdivision account at December 31, 1998, 1997 and 1996, as follows:

(IN THOUSANDS)	1998	1997	1996
Actuarial present value at September 30--			
Accumulated postretirement benefit obligation--			
Retirees and beneficiaries	$ (8,401)	$ (7,199)	$ (8,213)
Fully eligible active plan participants	(3,582)	(4,081)	(4,283)
Other active plan participants	(2,950)	(2,426)	(1,738)
Total	(14,933)	(13,706)	(14,234)
Plan assets at fair value at September 30	--	--	--
Funded status	(14,933)	(13,706)	(14,234)
Claims paid during the fourth quarter	473	178	142
Unrecognized prior service cost	--	(293)	(797)
Unrecognized net gain	(1,764)	(2,861)	(2,205)
Accrued postretirement benefit cost at December 31	$ (16,224)	$ (16,682)	$ (17,094)

The net periodic postretirement benefit costs as determined by actuaries for hourly employees for the years 1998, 1997 and 1996 consist of the following components:

(IN THOUSANDS)	1998	1997	1996
Service cost	$ 159	$ 105	$ 144
Interest cost	1,024	1,065	1,012
Amortization of net (gain) loss	(138)	(80)	55
Amortization of prior service cost	(293)	(504)	(643)
Net periodic postretirement benefit cost	$ 752	$ 586	$ 568

The amounts expensed by the Group may be different because it was allocated by Packaging.

6. POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS (CONTINUED)

The weighted average assumed health care cost trend rate used in determining the 1998 and 1997 accumulated postretirement benefit obligation was 5% in 1997, remaining at that level thereafter.

The weighted average assumed health care cost trend rate used in determining the 1996 accumulated postretirement benefit obligation was 6.0% in 1996 declining to 5.0% in 1997 and remaining at that level thereafter.

Increasing the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation as of September 30, 1998, 1997 and 1996, by approximately $1,268,000, $868,000 and $1,103,000, respectively, and would increase the net postretirement benefit cost for 1998, 1997 and 1996 by approximately $130,000, $75,000 and $102,000, respectively.

The discount rate (which is based on long-term market rates) used in determining the accumulated postretirement benefit obligations was 7.00% for 1998 and 7.75% for 1997 and 1996.

7. RESTRUCTURING AND OTHER CHARGES

In the fourth quarter of 1998, the Group recorded a pretax restructuring charge of approximately $14 million. This charge was recorded following the approval by Tenneco's Board of Directors of a comprehensive restructuring plan for all of Tenneco's operations, including those of the Group. In connection with this restructuring plan, the Group will close four corrugated facilities and eliminate 109 positions. The following table reflects components of this charge:

COMPONENT	RESTRUCTURING CHARGE	FOURTH-QUARTER ACTIVITY	DECEMBER 31, 1998 BALANCE
(IN THOUSANDS)			
Cash charges--			
Severance..............................	$ 5,135	$ 852	$ 4,283
Facility exit costs and other.........	3,816	369	3,447
Total cash charges................	8,951	1,221	7,730
Noncash charges--			
Asset impairments.....................	5,434	3,838	1,596
	$ 14,385	$ 5,059	$ 9,326

Asset impairments include goodwill totaling approximately $5,043,000 related to two of the facilities. The fixed assets at the closed facilities were written down to their estimated fair value. No significant cash proceeds are expected from the ultimate disposal of these assets. Of the $7,730,000 remaining cash charges at December 31, 1998, approximately $7,300,000 is

7. RESTRUCTURING AND OTHER CHARGES (CONTINUED)
expected to be spent in 1999. The actions contemplated by the restructuring plan should be completed during the second quarter of 1999.

8. INCOME TAXES

The Group's method of accounting for income taxes requires that a deferred tax be recorded to reflect the tax expense (benefit) resulting from the recognition of temporary differences. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in differences between income for tax purposes and income for financial statement purposes in future years.

As a division, this Group is not a taxable entity. For purposes of these combined financial statements, income taxes have been allocated to the Group and computed on a separate return basis. These income taxes represent liabilities to Packaging and do not reflect any tax attributes of the Tenneco consolidated tax group.

Following is an analysis of the components of combined income tax expense (benefit):

(IN THOUSANDS)	1998	1997	1996
Current--			
U.S.	$ (21,105)	$ (58,813)	$ 45,641
State and local	(2,708)	(7,545)	5,855
	(23,813)	(66,358)	51,496
Deferred--			
U.S.	63,230	75,399	7,374
State and local	8,112	9,673	946
	71,342	85,072	8,320
Income tax expense	$ 47,529	$ 18,714	$ 59,816

The primary difference between income taxes computed at the statutory U.S. federal income tax rate and the income tax expense in the combined statements of revenues, expenses and interdivision account is due to the effect of state income taxes.

8. INCOME TAXES (CONTINUED)

The components of the deferred tax assets (liabilities) at December 31, 1998, 1997 and 1996, were as follows:

	1998	1997	1996
(IN THOUSANDS)			
Current deferred taxes--			
Accrued liabilities	$ 10,232	$ 6,374	$ 7,046
Employee benefits and compensation	(5,969)	(4,946)	(929)
Reserve for doubtful accounts	1,275	1,230	1,261
Inventory	707	614	38
Pensions and postretirement benefits	(2,994)	(4,196)	(5,053)
State deferred tax	10,096	5,724	511
Other	(76)	(123)	(89)
Total current deferred taxes	13,271	4,677	2,785
Noncurrent deferred taxes--			
Pension and postretirement benefits	13,898	7,934	8,012
Excess of financial reporting over tax basis in plant and equipment	(293,830)	(210,797)	(121,707)
Accrued liabilities	1,336	1,701	1,947
Capital leases	9,333	7,517	24,672
Other	15,199	19,518	(89)
Total noncurrent deferred taxes	(254,064)	(174,127)	(87,165)
Net deferred tax liabilities	$(240,793)	$(169,450)	$ (84,380)

9. ASSETS, LIABILITIES AND OTHER INCOME, NET DETAIL

PREPAID EXPENSES AND OTHER CURRENT ASSETS

The components of prepaid expenses and other current assets include:

	1998	1997	1996
(IN THOUSANDS)			
Prepaid stumpage	$ 15,189	$ 19,231	$ 15,595
Prepaid taxes	13,272	7,549	7,044
Current portion--Meridian Lease, net of deferred gain	5,193	--	--
Prepaid professional services/leases	2,356	1,918	5,506
Other	5,082	6,321	7,391
Total	$ 41,092	$ 35,019	$ 35,536

9. ASSETS, LIABILITIES AND OTHER INCOME, NET DETAIL (CONTINUED)

OTHER LONG-TERM ASSETS

The components of the other long-term assets include:

(IN THOUSANDS)	1998	1997	1996
Prepaid pension cost	$ 35,603	$ 35,137	$ 34,429
Leased timberlands and mills	14,636	11,857	9,510
Long-term portion--Meridian Lease, net of deferred gain	44,743	--	--
Deferred software	15,864	11,088	6,047
Timberland rights	10,919	9,775	8,615
Capitalized fees	--	474	3,962
Other	9,327	8,981	9,513
Total	$ 131,092	$ 77,312	$ 72,076

ACCRUED LIABILITIES

The components of accrued liabilities include:

(IN THOUSANDS)	1998	1997	1996
Accrued payroll, vacation and taxes	$ 42,282	$ 48,119	$ 49,162
Accrued insurance	6,012	5,248	4,296
Accrued volume discounts and rebates	5,727	4,428	3,515
Restructuring	9,326	--	--
Current portion of accrued postretirement benefit cost	1,460	875	892
Deferred lease credits	1,918	1,014	94,360
Other	2,665	10,742	14,438
Total	$ 69,390	$ 70,426	$ 166,663

As part of the refinancing of the GECC leases in January, 1997 (Note 12), certain deferred lease credits were eliminated.

9. ASSETS, LIABILITIES AND OTHER INCOME, NET DETAIL (CONTINUED)

OTHER LONG-TERM LIABILITIES

The components of the other long-term liabilities include:

(IN THOUSANDS)	1998	1997	1996
Accrued postretirement benefit cost	$ 14,764	$ 15,807	$ 16,202
Environmental liabilities	6,599	5,421	6,673
Other	2,497	2,526	412
Total	$ 23,860	$ 23,754	$ 23,287

OTHER INCOME, NET

The components of other income (expense), net include:

(IN THOUSANDS)	1998	1997	1996
Discount on sale of factored receivables	$ (14,774)	$ (12,006)	$ (12,351)
Gain on sale of timberlands	16,944	--	--
Gain on sale of joint venture interest	15,060	--	--
Gain on operating lease refinancing	--	37,730	--
Gain on Willow Flowage	--	4,449	--
Gain on sale of mineral rights	--	1,646	--
Capitalization of barter credits	--	1,563	--
Sylva Mill rebate income	--	--	4,500
Gain on sale of recycled mills	--	--	50,000
Other	9,588	11,299	14,094
Total	$ 26,818	$ 44,681	$ 56,243

10. RELATED-PARTY TRANSACTIONS

FUNDING OF CASH REQUIREMENTS

As discussed in Note 2, Packaging provides centralized treasury functions and financing for the Group including funding of its cash requirements for processing of accounts payable and payroll requirements.

CORPORATE ALLOCATIONS

Packaging and Tenneco affiliates provide services to the Group which are typical of a consolidated entity with operations in several businesses. These services included general management, investor and media relations, legal, human resources, accounting, public company reporting, data processing systems, support, training, finance, treasury, and

10. RELATED-PARTY TRANSACTIONS (CONTINUED)

insurance management. These expenses were allocated to the Group in the aggregate, not individually, from Packaging and Tenneco affiliates, based upon the relative level of effort and time spent on Group activities. This was generally measured using a formula based upon the Group's percentage of Tenneco's fixed assets, revenues and payroll. The Group believes the method for the historical allocations was reasonable.

As a stand-alone entity, the Group does not expect that it will incur a similar level of costs due to a less complex corporate structure and a different level of need for such services. The Group estimates it will incur approximately $30 million in stand-alone overhead costs in the first year following the acquisition and believes this is representative of what the costs would have been as a stand-alone entity for historical periods.

Certain receivables and transactions resulting from the financing relationship between Packaging and Tenneco are not reflected in the accompanying financial statements.

INSURANCE AND BENEFITS

The Group is self-insured for medical benefits and workers' compensation. Expenses related to workers' compensation, health care claims for hourly and salaried workers and postretirement health care benefits for hourly and salaried workers are determined by Packaging and are allocated to the Group. The Group incurred charges of $32,151,000, $34,004,000 and $32,298,000 in 1998, 1997 and 1996, respectively, for health care and $5,109,000, $9,209,000 and $8,853,000 in 1998, 1997 and 1996, respectively, for workers' compensation.

In general, all costs and expenses incurred and allocated are based on the relationship the Group has with Tenneco. If the Group had been a stand-alone entity, the costs and expenses would differ.

11. COMMITMENTS AND CONTINGENCIES

The Group had authorized capital expenditures of approximately $49,392,000 as of December 31, 1998, in connection with the expansion and replacement of existing facilities.

The Group is involved in various legal proceedings and litigation arising in the ordinary course of business. In the opinion of management and in-house legal counsel, the outcome of such proceedings and litigation will not materially affect the Group's financial position or results of operations.

12. LEASES

Rental expense included in the combined financial statements was $96,193,340, $95,284,000 and $118,821,000 for 1998, 1997 and 1996, respectively. These costs are primarily included in cost of goods sold.

On January 31, 1997, Packaging executed an operating lease agreement with Credit Suisse Leasing 92A, L.P., and a group of financial institutions led by Citibank, N.A. The agreement refinanced the previous operating leases between GECC and Packaging which were entered

12. LEASES (CONTINUED)

into at the same time as GECC's purchase of certain assets from Georgia-Pacific in January, 1991. Through this refinancing, several capital lease obligations were extinguished as the assets were incorporated into the new operating lease. Also with this refinancing, certain fixed assets and deferred credits were eliminated resulting in a net gain of approximately $38 million in the first quarter of 1997.

Aggregate minimum rental commitments under noncancelable operating leases are as follows (in thousands):

1999	$ 83,804
2000	81,368
2001	79,428
2002	686,390
2003	26,975
Thereafter	113,154
Total	$1,071,119

Minimum rental commitments under noncancelable operating leases include $68 million for 1999, $68 million for 2000, $68 million for 2001, $676 million for 2002, $18 million for 2003 and $34 million for years thereafter, payable to credit Suisse Leasing 92A, L.P. and Citibank, N.A., along with John Hancock, Metropolitan Life and others (the "Lessors") for certain mill and timberland assets. The remaining terms of such leases extend over a period of up to five years.

Following the initial lease period, Packaging may, under the provision of the lease agreements, extend the leases on terms mutually negotiated with the Lessors or purchase the leased assets under conditions specified in the lease agreements. If the purchase options are not exercised or the leases are not extended, Packaging will make a residual guarantee payment to the Lessors of approximately $653 million, included in the schedule above, which will be refunded up to the total amount of the residual guarantee payment based on the Lessors' subsequent sales price for the leased assets. Throughout the lease period, Packaging is required to maintain the leased properties which includes reforestation of the timberlands harvested.

Packaging's various lease agreements require that it comply with certain covenants and restrictions, including financial ratios that, among other things, place limitations on incurring additional "funded debt" as defined by the agreements. Under the provisions of the lease agreements, in order to incur funded debt, Packaging must maintain a pretax cash flow coverage ratio, as defined, on a cumulative four quarter basis of a minimum of 2.0, subsequently modified to 1.75 as of December 31, 1998. Packaging was in compliance with all of its covenants at December 31, 1998.

In December, 1998, the Group made a payment of $84 million to acquire the Meridian timberlands utilized by the Group. This transaction was undertaken in preparation for the separation of the Group's assets from Tenneco. Subsequent to year end, the Group paid a fee of $50,000 to effect the conveyance of the Meridian timberlands to the Group.

12. LEASES (CONTINUED)

In connection with the pending sale of the Group described in Note 14 to these financial statements, Tenneco may purchase the Tomahawk and Valdosta mills and selected timberland assets currently under lease prior to the sale.

13. SALE OF ASSETS

In the second quarter of 1996, Packaging entered into an agreement to form a joint venture with Caraustar Industries whereby Packaging sold its two recycled paperboard mills and a fiber recycling operation and brokerage business to the joint venture in return for cash and a 20% equity interest in the joint venture. Proceeds from the sale were approximately $115 million and the Group recognized a $50 million pretax gain ($30 million after taxes) in the second quarter of 1996.

In June, 1998, Packaging sold its remaining 20% equity interest in the joint venture to Caraustar Industries for cash and a note of $26,000,000. The Group recognized a $15 million pretax gain on this transaction.

At December 31, 1998, the balance of the note with accrued interest is $26,756,000.

14. SALE OF COMPANY AND RELATED IMPAIRMENT (UNAUDITED)

On January 26, 1999, Tenneco announced that it had entered into an agreement to contribute a majority interest in the Group to a new joint venture with Madison Dearborn Partners, in exchange for cash and debt assumption totaling approximately $2 billion, and a 45% common equity interest in the joint venture. The owned and leased assets to be contributed included the Group's four linerboard and medium mills, 67 plants, three sawmills, an air-drying yard, three recycling facilities, miscellaneous other property, which includes sales offices and woodlands forest management offices, numerous distribution centers, warehouses and five design centers and an ownership or controlling interest in approximately 950,000 acres of timberland. The transactions closed on April 12, 1999.

In connection with the transactions, Packaging borrowed approximately $1.8 billion, most of which was used to acquire assets used by the Group pursuant to operating leases and timber cutting rights, with the remainder remitted to Tenneco for corporate debt reduction.

Tenneco then contributed the Group's assets (subject to the new indebtedness and the Group's liabilities) to a joint venture, Packaging Corporation of America ("PCA") in exchange for (a) a 45% common equity interest in PCA valued at approximately $200 million and (b) approximately $240 million in cash. As a result of the sale transaction, Tenneco recognized a pretax loss in the first quarter of 1999 of approximately $293 million. Part of that loss consisted of an impairment charge relating to the Group's property, plant and equipment and intangible assets, which was pushed down to the Group's March 31, 1999 financial statements. The amount of the impairment charge is approximately $230.1 million.

14. SALE OF COMPANY AND RELATED IMPAIRMENT (UNAUDITED) (CONTINUED)

The impairment charge of $230.1 million recorded in the Group's financial statements has been allocated to the following financial statement line items (in thousands):

Intangibles	$ 46,206
Machinery and equipment	183,906
Total	$ 230,112

The impairment charge will first be applied against the goodwill specifically attributable to the containerboard assets and the remaining amount will be applied against plant, property and equipment.

The Group's financial statements reflect $230.1 million of the $293.0 million charge representing the impairment attributable to the assets reflected in the Group's financial statements. Tenneco has informed us that the remaining $62.9 million charge primarily includes liabilities for direct incremental costs of sales, severance costs and other contractual obligations directly related to the containerboard transaction, and the impairment of other containerboard-related assets not contributed to the joint venture. The $62.9 million charge is not part of the Group's financial statements.

On August 25, 1999, PCA and Packaging agreed that the acquisition consideration should be reduced as a result of a postclosing price adjustment by an amount equal to $20 million plus interest through the date of payment by Packaging. The Group recorded $11.9 million of this amount as part of the impairment charge discussed above representing the amount that was previously estimated by Packaging. PCA intends to record the remaining amount in September 1999.

15. EXTRAORDINARY LOSS (UNAUDITED)

During the first quarter of 1999 the Group extinguished $16.6 million of debt related to mill assets. In connection with that extinguishment an extraordinary loss of $10.5 million was recorded ($6.3 million, net of the related tax effect).

16. SALE OF TIMBERLAND (UNAUDITED)

In August 1999, PCA signed purchase and sales agreements with various buyers to sell approximately 400,000 acres of timberland. PCA expects to close these transactions by the end of October 1999.

17. SUMMARIZED COMBINED FINANCIAL INFORMATION ABOUT GUARANTOR SUBSIDIARIES

The following is summarized aggregated financial information for Dahlonega Packaging Corporation, Dixie Container Corporation, PCA Hydro, Inc., PCA Tomahawk Corporation and PCA Valdosta Corporation, each of which was a wholly-owned subsidiary of Packaging and included in the Group's combined financial statements. In conjunction with the sale of the Group as described in Note 14, each of these companies became subsidiaries of PCA and

17. SUMMARIZED COMBINED FINANCIAL INFORMATION ABOUT GUARANTOR SUBSIDIARIES (CONTINUED)

fully, unconditionally, jointly and severally guaranteed $550 million in subordinated debt issued by PCA in conjunction with the transaction. Separate financial statements of the guarantor subsidiaries are not presented because, in the opinion of management, such financial statements are not material to investors.

	DECEMBER 31,		
	1998	1997	1996
(IN THOUSANDS)			
Current assets	$ 49,463	$ 42,844	$ 42,664
Non-current assets	13,985	46,399	45,051
Total assets	63,448	89,243	87,715
Current liabilities	13,826	12,687	10,542
Non-current liabilities	7,264	4,785	4,559
Total liabilities	21,090	17,472	15,101
Interdivision Account	$ 42,358	$ 71,771	$ 72,614

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
(IN THOUSANDS)			
Net sales	$ 32,970	$ 25,758	$ 24,666
Gross profit	1,172	3,253	4,719
Net loss	(866)	(1,217)	(351)

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Packaging Corporation of America

We have audited the accompanying balance sheet of Packaging Corporation of America as of January 31, 1999. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Packaging Corporation of America at January 31, 1999 in conformity with generally accepted accounting principles.

Ernst & Young LLP

Chicago, Illinois
August 23, 1999

PACKAGING CORPORATION OF AMERICA
BALANCE SHEET
JANUARY 31, 1999

Shareholders' equity:		
Preferred Stock, par value $1.00, authorized--100 shares; issued--none...............	$	--
Common Stock, par value $1.00, authorized--10 shares; issued--none..................	$	--
		---
Total shareholders' equity..	$	--

PACKAGING CORPORATION OF AMERICA
NOTE TO BALANCE SHEET

1. GENERAL

Packaging Corporation of America (PCA) was incorporated on January 25, 1999 pursuant to the General Corporation Law of the State of Delaware. PCA was formed to acquire The Containerboard Group of Tenneco Packaging Inc., which was completed on April 12, 1999.

PCA had no operations from the date of incorporation on January 25, 1999 to January 31, 1999.

PACKAGING CORPORATION OF AMERICA
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

		GROUP (NOTE 1)
	JUNE 30, 1999	DECEMBER 31, 1998
	(IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 46,855	$ 1
Accounts receivable (net of allowance for doubtful accounts of $4,367 as of June 30, 1999 and $5,220 in 1998)	197,631	13,971
Receivables from affiliated companies	--	10,390
Notes receivable	701	27,390
Inventories	152,815	150,719
Prepaid expenses and other current assets	15,334	41,092
TOTAL CURRENT ASSETS	413,336	243,563
Property, plant and equipment, at cost:		
Land, timber, timberlands and buildings	708,367	287,510
Machinery and equipment	1,868,973	1,289,459
Other, including construction in progress	129,306	100,136
Less: Accumulated depreciation and depletion	(790,128)	(735,749)
PROPERTY, PLANT AND EQUIPMENT, NET	1,916,518	941,356
Intangible assets	1,649	50,110
Other long-term assets	96,122	131,092
Investments	994	1,282
TOTAL ASSETS	$ 2,428,619	$ 1,367,403
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 7,703	$ 617
Accounts payable	117,935	87,054
Payables to Tenneco affiliates	--	7,091
Accrued interest	30,682	--
Accrued liabilities	65,218	69,390
TOTAL CURRENT LIABILITIES	221,538	164,152
Long-term liabilities:		
Long-term debt	1,677,765	16,935
Deferred taxes	84,107	254,064
Other liabilities	6,947	23,860
TOTAL LONG-TERM LIABILITIES	1,768,819	294,859
Mandatorily redeemable preferred stock (liquidation preference $100 per share, 3,000,000 shares authorized, 1,000,000 shares issued and outstanding)	96,500	--
Stockholders' equity:		
Interdivision account	--	908,392
Junior preferred stock (liquidation preference $1.00 per share, 100 shares authorized, issued and outstanding)	--	--
Common stock (par value $.01 per share, 300,000,000 shares authorized, 94,600,000 shares issued and outstanding)	946	--
Additional paid in capital	336,799	--
Retained earnings	4,017	--
TOTAL STOCKHOLDERS' EQUITY	341,762	908,392
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,428,619	$ 1,367,403

See notes to consolidated financial statements.

Note: The balance sheet at December 31, 1998 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles of complete financial statements.

PACKAGING CORPORATION OF AMERICA
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	GROUP (NOTE 1)		
	SIX MONTHS ENDED JUNE 30, 1998	JANUARY 1, 1999 THROUGH APRIL 11, 1999	APRIL 12, 1999 THROUGH JUNE 30, 1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net sales	$ 777,042	$ 433,182	$ 373,035
Cost of sales	(629,281)	(367,483)	(297,055)
Gross profit	147,761	65,699	75,980
Impairment loss	--	(230,112)	--
Selling and administrative expenses	(52,432)	(30,584)	(25,136)
Other income (expense), net	16,015	(2,207)	(266)
Corporate allocations/overhead	(32,373)	(14,890)	(5,188)
Income (loss) before interest, taxes and extraordinary item	78,971	(212,094)	45,390
Interest expense, net	(1,681)	(221)	(34,079)
Income (loss) before taxes and extraordinary item	77,290	(212,315)	11,311
Provision for taxes	(30,822)	83,716	(4,545)
Income (loss) before extraordinary item	46,468	(128,599)	6,766
Extraordinary item, net of tax	--	(6,327)	--
Net income (loss)	46,468	(134,926)	6,766
Preferred dividends and accretion of preferred stock issuance costs	--	--	(2,749)
Net income (loss) available to common stockholders	$ 46,468	$ (134,926)	$ 4,017
Basic earnings per share:			
Income (loss) before extraordinary item	$ .49	$ (1.36)	$ .04
Extraordinary item	--	(.07)	--
Net income (loss) per common share	$ .49	$ (1.43)	$ .04
Diluted earnings per share:			
Income (loss) before extraordinary item	$ .49	$ (1.36)	$ .04
Extraordinary item	--	(.07)	--
Net income (loss) per common share	$ .49	$ (1.43)	$ .04
Weighted average common shares outstanding	94,600	94,600	93,582

See notes to consolidated financial statements.

PACKAGING CORPORATION OF AMERICA
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	GROUP (NOTE 1)		
	SIX MONTHS ENDED JUNE 30, 1998	JANUARY 1, 1999 THROUGH APRIL 11, 1999	APRIL 12, 1999 THROUGH JUNE 30, 1999
		(IN THOUSANDS)	
Cash Flows from Operating Activities:			
Net income	$ 46,468	$ (134,926)	$ 6,766
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation, depletion and amortization	47,385	30,905	33,652
Extraordinary loss - early debt extinguishment	--	6,327	--
(Gain)/loss on sale of assets	(15,060)	230,112	--
Amortization of deferred gain	(986)	(493)	--
Increase in deferred income taxes	37,789	9,782	4,320
Undistributed earnings of affiliated companies	13	(106)	394
Increase in other noncurrent reserves	1,002	56	--
Changes in components of working capital, excluding transactions with Tenneco -			
Decrease (increase) in current assets -			
Accounts receivable	3,817	(8,183)	(4,621)
Inventories, net	(8,259)	(7,514)	5,418
Prepaid expenses and other	(1,470)	4,201	(289)
(Decrease) increase in current liabilities -			
Accounts payable	(3,836)	26,996	45,800
Accrued liabilities	(3,060)	(3,508)	56,190
Net cash provided by operating activities	103,803	153,649	147,630
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(46,557)	(1,128,255)	(23,419)
Other long-term assets	(5,553)	2,284	(4,426)
Proceeds from disposals	4,301	825	--
Other, net	(4,032)	4,001	1,792
Net cash used for investing activities	(51,841)	(1,121,145)	(26,053)
Cash Flows from Financing Activities:			
Proceeds from preferred stock	--	--	96,500
Proceeds from long-term debt issued	130	1,760,000	9,000
Payments on long-term debt	(10,348)	(27,550)	(84,000)
Financing costs	--	--	(97,819)
Amortization of financing costs	--	--	1,596
Decrease in interdivision account	(49,041)	(616,769)	--
Working capital transactions with Tenneco and affiliated companies -			
Decrease (increase) in receivables from affiliated companies	(3,725)	1,353	--
(Decrease) increase in factored receivables	1,941	(150,099)	--
Increase in accounts payable to affiliated companies	9,081	561	--
Net cash (used for) provided by financing activities	(51,962)	967,496	(74,723)
Increase in cash and cash equivalents	0	0	46,854
Cash and cash equivalents at beginning of period	1	1	1
Cash and cash equivalents at end of period	$ 1	$ 1	$ 46,855

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 1999

1. BASIS OF PRESENTATION

On April 12, 1999, Tenneco Packaging Inc. ("TPI"), currently a wholly owned subsidiary of Tenneco Inc. ("Tenneco"), sold its containerboard and corrugating packaging products business (the "Group") to Packaging Corporation of America ("PCA"). The Group is the predecessor to PCA. Under the terms of the agreement, PCA Holdings, LLC, an entity organized and controlled by Madison Dearborn Partners, LLC, acquired a 55% common equity interest in PCA, and TPI contributed the Group, which included $1.76 billion of debt incurred by TPI immediately prior to the contribution to PCA, in exchange for $246.5 million in cash and a 45% common equity interest in PCA.

PCA's consolidated financial statements as of June 30, 1999 and for the period from April 12, 1999 to June 30, 1999, and the Group's (i.e., predecessor's) combined financial statements for the six months ended June 30, 1998 and for the period from January 1, 1999 to April 11, 1999, are unaudited but include all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of such financial statements. These financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with Article 10 of SEC Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results during the period ended June 30, 1999 are not necessarily indicative of the results that may be expected for the period ending December 31, 1999.

As a result of the Group's relationship with TPI, the Group's combined consolidated balance sheets and the related combined consolidated income statements are not necessarily indicative of what actually would have occurred had the Group been a stand-alone entity. Additionally, these combined financial statements are not necessarily indicative of the future financial position or results of operations of PCA.

2. SUMMARY OF ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SEGMENT INFORMATION

The Group adopted SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information," in 1998 and determined that the Group was primarily engaged in one line of business: the manufacture and sale of packaging materials, boxes and containers for industrial and consumer markets. PCA also believes that it is primarily engaged in this single line of business. No single customer accounts for more than 10% of total revenues. PCA has no foreign operations.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

EARNINGS PER SHARE

All share and per share data included in these unaudited financial statements have been adjusted to reflect a 220-for-one split of the company's common stock which became effective on , 1999.

The following table sets forth the computation of basic and diluted income per share (in thousands, except per share data):

	SIX MONTHS ENDED JUNE 30, 1998	JANUARY 1, 1999 THROUGH APRIL 11, 1999	APRIL 12, 1999 THROUGH JUNE 30, 1999
Numerator:			
Net income applicable to common stockholders.....	$ 46,468	$ (134,926)	$ 4,017
Denominator:			
Basic common shares outstanding............	94,600	94,600	93,582
Effect of non-vested stock..................	--	--	1,018
Effect of dilutive securities:			
Stock options (Note 6)...................	--	--	949
Dilutive common shares outstanding............	94,600	94,600	95,549
Basic income (loss) per common share.............	$ .49	$ (1.43)	$ .04
Diluted income (loss) per common share.............	$ .49	$ (1.43)	$ .04

3. INVENTORY

The components of inventories are as follows:

	JUNE 30, 1999	GROUP (NOTE 1) DECEMBER 31, 1998
	(IN THOUSANDS)	
Raw materials.........................	$ 68,476	$ 86,681
Work in process and finished goods.....	56,749	48,212
Supplies..............................	50,656	44,310
Inventories at FIFO cost..............	175,881	179,203
Excess of FIFO cost over LIFO cost.....	(23,066)	(28,484)
Inventory, net......................	$ 152,815	$ 150,719

4. LONG-TERM DEBT

		GROUP (NOTE 1)
	JUNE 30, 1999	DECEMBER 31, 1998
	(IN THOUSANDS)	
Senior credit facility--		
Revolving credit facility, interest at LIBOR + 2.75%, due April 12, 2005	$ --	$ --
Term Loan A, interest at LIBOR + 2.75%, due in varying quarterly installments through April 12, 2005	431,488	--
Term Loan B, interest at LIBOR + 3.25%, due in varying quarterly installments through April 12, 2007	351,756	--
Term Loan C, interest at LIBOR + 3.50%, due in varying quarterly installments through April 12, 2008	351,756	--
Senior subordinated notes, interest at 9 5/8%, payable semi-annually, due April 1, 2009	550,000	--
Capital lease obligations, interest at 8.5%, due in varying amounts through 2000	11	18
Non-interest bearing note, due in annual installments of $70 through July 1, 2004, net of discount imputed at 10% of $169 and $182 in 1999 and 1998, respectively	321	308
Notes payable, interest at an average rate of 13.5%, due in varying amounts through 2010	--	16,553
Other	136	673
Total	1,685,468	17,552
Less: Current portion	7,703	617
Total long-term debt	$ 1,677,765	$ 16,935

As of June 30, 1999, annual payments for debt during the next five years and thereafter were: $7,703, $51,827, $82,197, $102,197, $117,197 and $1,324,347.

PCA prepaid $75,000 of the term loans on May 18, 1999, and $10,000 on July 15, 1999. Accordingly, no quarterly installments are due until June, 2000 for Term Loan A and September, 2001, for Term Loans B and C.

In February, 1999, Tenneco paid off the remaining note payable as part of the transactions. The payment was $27,220, including a $10,456 premium payment for early extinguishment of debt.

5. MANDATORILY REDEEMABLE PREFERRED STOCK

On April 12, 1999, PCA issued 1,000,000 shares of Preferred Stock, liquidation preference of $100 per share. 3,000,000 shares are authorized and 1,000,000 shares are issued and outstanding. PCA incurred $3.5 million of issuance costs related to this transaction. These costs are being amortized through 2010, at which time the Preferred Stock is required to be redeemed.

6. STOCKHOLDERS' EQUITY

On April 12, 1999, PCA issued 100 shares of Junior Preferred Stock, liquidation preference of $1.00 per share. Holders of the Junior Preferred Stock are not entitled to receive any dividends or distributions. Holders of the Junior Preferred Stock have the right to elect one director to PCA's board of directors. Under the terms of the stockholders' agreement, the holders of the Junior Preferred Stock have agreed to elect the individual serving as PCA's chief executive officer to fill this director position. Shares of Junior Preferred Stock may not be reissued after being reacquired in any manner by PCA.

In June 1999, the Company granted options to management for the purchase of 6,576,460 shares of common stock at the fair market value at the date of grant. Except as noted below, these options vest as follows:

June 2000	20%
June 2001	20%
June 2002	20%
June 2003	20%
June 2004	20%

These options vest immediately upon the closing of an initial public offering of PCA's equity. However, the option shares are subject to certain contractual restrictions on transfer following their acquisition upon exercise of the underlying options. At June 30, 1999, 6,576,460 options were outstanding, none of which were exercisable.

7. SALE OF THE GROUP AND RELATED IMPAIRMENT

On January 26, 1999, Tenneco announced that it had entered into an agreement to contribute a majority interest in the Group to a new joint venture with Madison Dearborn Partners, in exchange for cash and debt assumption totaling approximately $2 billion, and a 45% common equity interest in the joint venture. The owned and leased assets to be contributed include the Group's four linerboard and medium mills, 67 plants, three sawmills, an air-drying yard, three recycling facilities, miscellaneous other property, which includes sales offices and woodlands forest management offices, numerous distribution centers, warehouses and five design centers and an ownership or controlling interest in approximately 950,000 acres of timberland. The transaction closed on April 12, 1999.

In connection with the transaction, TPI borrowed approximately $1.8 billion, most of which was used to acquire assets used by the Group pursuant to operating leases and timber cutting rights, with the remainder remitted to Tenneco.

Tenneco then contributed the Group's assets (subject to the new indebtedness and the Group's liabilities) to PCA in exchange for (a) a 45% common equity interest in PCA valued at approximately $200 million and (b) $246.5 million in cash. As a result of the transaction, Tenneco recognized a pretax loss in the first quarter of 1999 of approximately $293 million. Part of that loss consisted of an impairment charge relating to the Group's property, plant and equipment and intangible assets, which was pushed down to the Group's March 31, 1999

7. SALE OF THE GROUP AND RELATED IMPAIRMENT (CONTINUED)
financial statements. The amount of the impairment charge is approximately $230.1 million and was allocated to the following financial statement line items:

(IN THOUSANDS)	
Intangibles	$ 46,206
Machinery and equipment	183,906
Total	$ 230,112

The impairment charge was first applied against the goodwill specifically attributable to the containerboard assets and the remaining amount was applied against property, plant and equipment.

The Group's financial statements reflect $230.1 million of the $293.0 million charge representing the impairment attributable to the assets reflected in the Group's financial statements. Tenneco has informed PCA that the remaining $62.9 million charge primarily includes liabilities for direct incremental costs of sales, severance costs and other contractual obligations directly related to the containerboard transaction, and the impairment of other containerboard-related assets not contributed to PCA. The $62.9 million charge is not part of the Group's financial statements.

8. EXTRAORDINARY LOSS

During the first quarter of 1999 the Group extinguished $16.6 million of debt related to mill assets. In connection with that extinguishment an extraordinary loss of $10.5 million was recorded ($6.3 million, net of the related tax effect).

9. SUMMARIZED COMBINED FINANCIAL INFORMATION ABOUT GUARANTOR SUBSIDIARIES

The following is summarized aggregated financial information for Dahlonega Packaging Corporation, Dixie Container Corporation, PCA Hydro, Inc., PCA Tomahawk Corporation and PCA Valdosta Corporation, each of which was a wholly-owned subsidiary of TPI and included in the Group's combined financial statements. In connection with the sale of the Group to PCA, each of these companies became subsidiaries of PCA and fully, unconditionally, jointly and severally guaranteed $550 million in senior subordinated notes issued by PCA in connection with the transaction. Separate financial statements of the guarantor subsidiaries are not

9. SUMMARIZED COMBINED FINANCIAL INFORMATION ABOUT GUARANTOR SUBSIDIARIES (CONTINUED)

presented because, in the opinion of management, such financial statements are not material to investors.

(IN THOUSANDS)	JUNE 30, 1999 (UNAUDITED)
Current assets	$ 15,730
Non-current assets	14,118
Total assets	29,848
Current liabilities	3,744
Non-current liabilities	5,438
Total liabilities	9,182
Net assets	$ 20,666

(IN THOUSANDS)	SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)	SIX MONTHS ENDED JUNE 30, 1998 (UNAUDITED)
Net sales	$ 20,898	$ 15,279
Gross profit	1,459	492
Net (loss)	(527)	(388)

10. SUBSEQUENT EVENT

In August 1999, PCA signed purchase and sales agreements with various buyers to sell approximately 400,000 acres of timberland. PCA expects to close these transactions by the end of October 1999.

UNDERWRITING

PCA, the selling stockholder and the underwriters for the U.S. offering (the "U.S. Underwriters") named below have entered into an underwriting agreement with respect to the shares being offered in the United States. Subject to certain conditions, each U.S. Underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Salomon Smith Barney Inc., Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc. are the representatives of the U.S. Underwriters.

Underwriters	Number of Shares
Goldman, Sachs & Co.	
Morgan Stanley & Co. Incorporated	
Salomon Smith Barney Inc.	
Deutsche Bank Securities Inc.	
J.P. Morgan Securities Inc.	
Total	34,300,000

If the U.S. Underwriters sell more shares than the total number set forth in the table above, the U.S. Underwriters have an option to buy up to an additional 5,128,192 shares from the selling stockholder to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the U.S. Underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the U.S. Underwriters by PCA and by the selling stockholder. Such amounts are shown assuming both no exercise and full exercise of the U.S. Underwriters' option to purchase 5,128,192 additional shares.

	Paid by PCA	
	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

	Paid by the Selling Stockholder	
	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial offering price, the representatives may change the offering price and the other selling terms.

PCA and the selling stockholder have entered into an underwriting agreement with the underwriters for the sale of 8,575,000 shares outside of the United States. The terms and conditions of both offerings are the same and the sale of shares in both offerings are conditioned on each other. Goldman Sachs International, Morgan Stanley & Co. International Limited, Salomon Brothers International Limited, Deutsche Bank AG London and J.P. Morgan Securities Ltd. are representatives of the underwriters for the international offering outside the United States (the "International Underwriters"). The selling stockholder has granted the International Underwriters a similar option to purchase up to an aggregate of an additional 1,282,048 shares.

The underwriters for both of the offerings have entered into an agreement in which they agree to restrictions on where and to whom they and any dealer purchasing from them may offer shares as a part of the distribution of the shares. The underwriters also have agreed that they may sell shares among each of the underwriting groups.

PCA's officers and directors and all of PCA's existing stockholders have agreed with the underwriters not to offer, sell, hedge, or contract to sell, hedge or otherwise dispose of any of their shares of common stock or any other securities of PCA that they own that are substantially similar to the common stock, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or any substantially similar securities (other than pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this prospectus), for a period of 180 days after the date of the offerings. Goldman, Sachs & Co., however, may in its sole discretion, at any time without notice, release all or any portion of the shares subject to lock-up agreements. See "Shares Eligible for Future Sale" for a discussion of transfer restrictions.

At the request of PCA, the underwriters have agreed to reserve up to 1,286,250 shares of common stock for sale to salaried and hourly employees of PCA at the initial public offering price set forth on the cover of this prospectus. The number of shares available for sale to the general public in the offerings will be reduced by the number of reserved shares sold to these employees. Any reserved shares not so purchased will be offered to the general public on the same basis as the other shares offered hereby.

Prior to the offerings, there has been no public market for the shares. The initial public offering price will be negotiated among the selling stockholder, PCA and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be PCA's historical performance, estimates of the business potential and earnings prospects of PCA, an assessment of PCA's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

The common stock will be listed on the New York Stock Exchange under the symbol "PKG". In order to meet one of the requirements for listing the common stock on the NYSE, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial holders.

In connection with the offerings, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offerings. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common stock while the offerings are in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

PCA and the selling stockholder estimate that the total expenses of the offerings, excluding underwriting discounts and commissions, will be approximately $. Under the terms of the registration rights agreement, PCA has agreed to pay some of the expenses of the selling stockholder, other than underwriting discounts and commissions, in connection with the offerings.

PCA and the selling stockholder have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

This prospectus may be used by the underwriters and other dealers in connection with offers and sales of the shares, including sales of shares initially sold by the underwriters in the offering being made outside of the United States, to persons located in the United States.

Goldman, Sachs & Co. is a lender under PCA's senior credit facility. Goldman, Sachs & Co. represented Tenneco in connection with the sale of the Group to PCA. Additionally, J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc. (under the name BT Alex. Brown Incorporated) were co-lead arrangers, Bankers Trust Company, an affiliate of Deutsche Bank Securities Inc. was the syndication agent, and Morgan Guaranty Trust Company of New York, an affiliate of J.P. Morgan Securities Inc., was the administrative agent, for the lenders' syndicate to the senior credit facility.

J.P. Morgan Capital Corporation and Sixty Wall Street Fund, L.P., affiliates of J.P. Morgan Securities Inc., and BT Capital Investors, L.P., an affiliate of Deutsche Bank Securities Inc., are co-investors with Madison Dearborn Capital Partners III, L.P. in PCA Holdings, and, as of September 1, 1999, may be deemed to own beneficially 3,666,713 shares, 1,222,273 shares and 880,000 shares of the common stock of PCA, respectively. J.P. Morgan Capital Corporation, Sixty Wall Street Fund, L.P. and BT Capital Investors, L.P. have agreed not to sell, transfer, assign or hypothecate for 90 days following the effective date of the offerings either their membership interests in PCA Holdings LLC or any shares of common stock of PCA issuable upon redemption of these interests in order to comply with the provisions of Rule 2710 of the Conduct Rules of the National Association of Securities Dealers, Inc. regarding underwriter compensation. J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc. (through its affiliates) were the initial purchasers of the notes and the senior exchangeable preferred stock issued in connection with the closing of the transactions and have engaged, and may in the future engage (directly or through affiliates), in commercial banking and/or investment banking transactions with PCA and its affiliates.

[MAP DEPICTING LOCATION OF CORRUGATED PLANTS,
MARKETING DESIGN CENTERS, TECHNICAL CENTER,
SHEET/SPECIALTY PLANTS AND MILLS/WOODLANDS]

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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Through and including , 1999 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

42,875,000 Shares

PACKAGING CORPORATION
OF AMERICA

Common Stock

[LOGO]

GOLDMAN, SACHS & CO.
MORGAN STANLEY DEAN WITTER
SALOMON SMITH BARNEY
DEUTSCHE BANC ALEX. BROWN
J.P. MORGAN & CO.

Representatives of the Underwriters

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following is a statement of estimated expenses, to be paid solely by PCA, of the issuance and distribution of the securities being registered hereby:

Securities and Exchange Commission registration fee	$ 271,385
NASD filing fee	30,500
New York Stock Exchange listing fee	466,100
Blue Sky fees and expenses (including attorneys' fees and expenses)	5,000
Printing expenses	300,000
Accounting fees and expenses	195,000
Transfer agent's fees and expenses	5,500
Legal fees and expenses	370,000
Miscellaneous expenses	200,000
Total	$1,843,485

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

CERTIFICATE OF INCORPORATION

The Restated Certificate of Incorporation of PCA provides that to the fullest extent permitted from time to time by the General Corporation Law of the State of Delaware ("DGCL"), a director of PCA shall not be liable to the company or its stockholders for monetary damages for a breach of fiduciary duty as a director.

BY-LAWS

The Second Amended and Restated By-laws of PCA will provide that PCA shall indemnify its directors and officers to the maximum extent permitted from time to time by the DGCL.

DELAWARE GENERAL CORPORATION LAW

Section 145 of the DGCL provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Section 145 further provides that a corporation similarly may indemnify any such person serving in any such capacity who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor, against expenses actually and reasonably incurred in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or such other court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 102(b)(7) of the DGCL permits a corporation to include in its certificate of incorporation a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided, however, that such provision shall not eliminate or limit the liability of a director (1) for any breach of the director's duty of loyalty to the corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under Section 174 of the DGCL, which relates to unlawful payment of dividends and unlawful stock purchases and redemptions, or (4) for any transaction from which the director derived an improper personal benefit.

INSURANCE

The directors and officers of PCA are covered under directors' and officers' liability insurance policies maintained by PCA with coverage up to $50 million.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The share numbers set forth below do not give effect to the proposed stock split referred to in this registration statement.

During the last three years, PCA has issued the following securities without registration under the Securities Act of 1933:

(1) On April 12, 1999, in transactions exempt from registration under Section 4(2) of the Securities Act of 1933, PCA issued:

(a) an aggregate of 236,500 shares of common stock to PCA Holdings LLC for an aggregate of $236.5 million;

(b) an aggregate of 193,500 shares of common stock valued at $193.5 million to TPI in partial consideration for the contribution of its containerboard and corrugated packaging products business to PCA;

(c) an aggregate of 55 shares, liquidation preference $1.00 per share, of junior preferred stock to PCA Holdings for nominal consideration; and

(d) an aggregate of 45 shares, liquidation preference $1.00 per share, of junior preferred stock to TPI for nominal consideration.

(2) On April 12, 1999, in a transaction exempt from registration under Section 4(2) of the Securities Act of 1933, PCA sold to J.P. Morgan Securities Inc. and BT Alex. Brown Incorporated, pursuant to a Purchase Agreement, dated as of March 30, 1999:

(a) an aggregate of $550 million aggregate principal amount of 9 5/8% senior subordinated notes due 2009 for an aggregate consideration of $550 million less underwriting discounts and commissions of $16.5 million; and

(b) an aggregate of $100 million aggregate liquidation preference of 12 3/8% senior exchangeable preferred stock due 2010 for an aggregate consideration of $100 million less underwriting discounts and commissions of $3.5 million.

The notes and preferred stock were immediately resold by the initial purchasers in transactions not involving a public offering.

(3) In June 1999, in transactions exempt from registration under Rule 701 of the Securities Act of 1933, PCA sold an aggregate of 14,240 shares of common stock to employees of PCA for an aggregate of $14.2 million in cash. The proceeds were used to redeem 7,832 shares from PCA Holdings and 6,408 shares from TPI. PCA also issued options to management employees to purchase 29,893 shares of common stock.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(A) EXHIBITS.

EXHIBIT NUMBER	DESCRIPTION
1.1	Form of U.S. Underwriting Agreement.
1.2	Form of International Underwriting Agreement.
2.1	Contribution Agreement, dated as of January 25, 1999, among Tenneco Packaging Inc. ("TPI"), PCA Holdings LLC ("PCA Holdings") and Packaging Corporation of America ("PCA").+
2.2	Letter Agreement Amending the Contribution Agreement, dated as of April 12, 1999, among TPI, PCA Holdings and PCA.+
3.1	Restated Certificate of Incorporation of PCA.+
3.2	Form of Certificate of Amendment to Restated Certificate of Incorporation of PCA.
3.3	Form of Second Amended and Restated By-laws of PCA.
4.1	Indenture, dated as of April 12, 1999, by and among PCA, Dahlonega Packaging Corporation ("Dahlonega"), Dixie Container Corporation ("Dixie"), PCA Hydro Inc. ("PCA Hydro"), PCA Tomahawk Corporation ("PCA Tomahawk"), PCA Valdosta Corporation ("PCA Valdosta") and United States Trust Company of New York.+
4.2	Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of Preferred Stock and Qualifications, Limitations and Restrictions Thereof of 12 3/8% Senior Exchangeable Preferred Stock due 2010 and 12 3/8% Series B Senior Exchangeable Preferred Stock due 2010 of PCA.+
4.3	Exchange Indenture, dated as of April 12, 1999, by and among PCA and U.S. Trust Company of Texas, N.A.+
4.4	Notes Registration Rights Agreement, dated as of April 12, 1999, by and among PCA, Dahlonega, Dixie, PCA Hydro, PCA Tomahawk, PCA Valdosta, J.P. Morgan Securities Inc. ("J.P. Morgan") and BT Alex. Brown Incorporated ("BT").+
4.5	Preferred Stock Registration Rights Agreement, dated as of April 12, 1999, by and among PCA, J.P. Morgan and BT.+
4.6	Form of Rule 144A Global Note and Subsidiary Guarantee.+
4.7	Form of Regulation S Global Note and Subsidiary Guarantee.+
4.8	Form of Rule 144A Global Certificate.+
4.9	Form of certificate representing shares of common stock.
5.1	Opinion of Kirkland & Ellis.
10.1	Purchase Agreement, dated as of March 30, 1999, by and among PCA, Dahlonega, Dixie, PCA Hydro, PCA Tomahawk, PCA Valdosta, J.P. Morgan and BT.+
10.2	Credit Agreement, dated as of April 12, 1999, among TPI, the lenders party thereto from time to time, J.P. Morgan, BT, Bankers Trust Company and Morgan Guaranty Trust Company of New York ("Morgan Guaranty").+

EXHIBIT NUMBER	DESCRIPTION
10.3	Subsidiaries Guaranty, dated as of April 12, 1999, made by Dahlonega, Dixie, PCA Hydro, PCA Tomahawk, PCA Valdosta and Morgan Guaranty.+
10.4	Pledge Agreement, dated as of April 12, 1999, among PCA, Dahlonega, Dixie, PCA Hydro, PCA Tomahawk, PCA Valdosta and Morgan Guaranty.+
10.5	TPI Security Agreement, dated as of April 12, 1999, between TPI and Morgan Guaranty.+
10.6	PCA Security Agreement, dated as of April 12, 1999, among PCA, Dahlonega, Dixie, PCA Hydro, PCA Tomahawk, PCA Valdosta and Morgan Guaranty.+
10.7	Stockholders Agreement, dated as of April 12, 1999, by and among TPI, PCA Holdings and PCA.+
10.8	Registration Rights Agreement, dated as of April 12, 1999, by and among TPI, PCA Holdings and PCA.+
10.9	Holding Company Support Agreement, dated as of April 12, 1999, by and between PCA Holdings and PCA.+
10.10	Facility Use Agreement, dated as of April 12, 1999, by and between TPI and PCA.+
10.11	Human Resources Agreement, dated as of April 12, 1999, by and among Tenneco Inc., TPI and PCA.+
10.12	Purchase/Supply Agreement, dated as of April 12, 1999, between PCA and Tenneco Packaging Speciality and Consumer Products Inc.+
10.13	Purchase/Supply Agreement, dated as of April 12, 1999, between PCA and TPI.+
10.14	Purchase/Supply Agreement, dated as of April 12, 1999, between PCA and Tenneco Automotive Inc.+
10.15	Technology, Financial and Administrative Transition Services Agreement, dated as of April 12, 1999, between TPI and PCA.+
10.16	Letter Agreement Regarding Terms of Employment, dated as of January 25, 1999, between PCA and Paul T. Stecko.+
10.17	Letter Agreement Regarding Terms of Employment, dated as of May 19, 1999, between PCA and Paul T. Stecko.+
10.18	1999 Long-Term Equity Incentive Plan, effective as of October 19, 1999.
10.19	Management Equity Agreement, dated as of June 1, 1999, among PCA, Paul T. Stecko and the Paul T. Stecko 1999 Dynastic Trust.+
10.20	Form of Management Equity Agreement, dated as of June 1, 1999, among PCA and the members of management party thereto.+
10.21	Memorandum Regarding Special Retention Bonus, dated as of April 16, 1999, from PCA to William J. Sweeney.+
10.22	Amended and Restated 1999 Management Equity Compensation Plan, effective as of June 2, 1999.+
21.1	Subsidiaries of the Registrants.+
23.1	Consent of Arthur Andersen LLP.
23.2	Consent of Ernst & Young LLP.
23.3	Consent of Kirkland & Ellis (included in Exhibit 5.1).
24.1	Powers of Attorney (included in the signature pages to the registration statement).*
27.1	Financial Data Schedule.*

+ Incorporated herein by reference to the same numbered exhibit to PCA's Registration Statement on Form S-4 (Registration No. 333-79511).

* Previously filed.

(B) FINANCIAL STATEMENT SCHEDULES.

The following consolidated financial statement schedules of PCA for the three years ended December 31, 1998 are included in this registration statement.

Schedule II - Packaging Corporation of America - Valuation and Qualifying Accounts.

ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE	BALANCE BEGINNING OF YEAR	PROVISION (BENEFIT)	ADDITIONS/DEDUCTIONS FROM RESERVES *	TRANSLATION ADJUSTMENTS	BALANCE END OF YEAR
1998................................	5,023	2,710	(2,513)	--	5,220
1997................................	5,010	611	(598)	--	5,023
1996................................	5,239	1,018	(1,247)	--	5,010

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* Consists primarily of write-offs and recoveries of bad debts.

All other 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 and therefore has been omitted.

We have audited in accordance with generally accepted auditing standards the financial statements of The Containerboard Group (a division of Tenneco Packaging Inc., which is a Delaware corporation and a wholly owned subsidiary of Tenneco Inc.), included in this registration statement and have issued our report thereon dated February 26, 1999. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed above is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Chicago, Illinois
August 26, 1999

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant, pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by any such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether or not such indemnification is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Packaging Corporation of America has duly caused this Amendment No. 2 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Lake Forest, State of Illinois, on October 15, 1999.

Packaging Corporation of America

By: /s/ RICHARD B. WEST

Name: Richard B. West

Title: Chief Financial Officer and Secretary

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to the Registration Statement has been signed below by the following persons in the capacities indicated on October 15, 1999.

SIGNATURE	TITLE
/s/ PAUL T. STECKO* Paul T. Stecko	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ RICHARD B. WEST Richard B. West	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)
/s/ DANA G. MEAD* Dana G. Mead	Director
/s/ THEODORE R. TETZLAFF* Theodore R. Tetzlaff	Director
/s/ SAMUEL M. MENCOFF* Samuel M. Mencoff	Director
/s/ JUSTIN S. HUSCHER* Justin S. Huscher	Director
/s/ THOMAS S. SOULELES* Thomas S. Souleles	Director

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*By: /s/ RICHARD B. WEST

Richard B. West

ATTORNEY-IN-FACT

EXHIBIT 1.1

PACKAGING CORPORATION OF AMERICA

Common Stock

UNDERWRITING AGREEMENT
(U.S. VERSION)

October [ ], 1999

Goldman, Sachs & Co.
Morgan Stanley & Co. Incorporated
Salomon Smith Barney Inc.
Deutsche Bank Securities Inc.
J.P. Morgan Securities Inc.
As representatives of the several Underwriters
named in Schedule I hereto
c/o Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004.

Ladies and Gentlemen:

Packaging Corporation of America, a Delaware corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of 6,500,000 shares of common stock, par value $.01 per share (the "Stock"), of the Company and Tenneco Packaging Inc., a stockholder of the Company (the "Selling Stockholder"), proposes, subject to the terms and conditions stated herein, to sell to the Underwriters an aggregate of 27,800,000 shares and, at the election of the Underwriters, up to 5,128,192 additional shares of Stock. The aggregate of 34,300,000 shares to be sold by the Company and the Selling Stockholder is herein called the "Firm Shares" and the aggregate of 5,128,192 additional shares to be sold by the Selling Stockholder is herein called the "Optional Shares". The Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 2 hereof are herein collectively called the "Shares". Tenneco Inc., a Delaware corporation (the "Parent"), owns 100% of the capital stock of the Selling Stockholder.

It is understood and agreed to by all parties that the Company, the Parent and the Selling Stockholder are concurrently entering into an agreement (the "International Underwriting Agreement") providing for the sale by the Company and the Selling Stockholder of up to a total of 9,857,048 shares of Stock (the "International Shares"), including the overallotment option thereunder, through arrangements with certain underwriters outside the United States (the "International Underwriters"), for whom Goldman Sachs International, Morgan Stanley & Co. International Limited, Salomon Brothers International Limited, Deutsche Bank AG London and J.P. Morgan Securities Ltd. are acting as lead managers. Anything herein or therein to the contrary notwithstanding, the respective closings under this Agreement and the International Underwriting Agreement are hereby expressly made conditional on one another. The Underwriters hereunder and the International Underwriters are simultaneously entering into an Agreement between U.S. and International Underwriting Syndicates (the "Agreement between Syndicates") which provides, among other things, for the transfer of shares of Stock between the two syndicates. Two forms of prospectus are to be used in connection with the offering and sale of shares of Stock contemplated by the foregoing, one relating to the Shares hereunder and the other relating to the International Shares. The latter form of prospectus will be identical to the former except for certain substitute or additional pages. Except as used in Sections 2, 3, 4, 9 and 11 herein, and except as the context may otherwise require, references hereinafter to the Shares shall include all the shares of Stock which may be sold pursuant to either this Agreement or the International Underwriting Agreement, and references herein to any prospectus whether in preliminary or final form, and whether as amended or supplemented, shall include both the U.S. and the international versions thereof.

1. (a) The Company represents and warrants to, and agrees with, each of the Underwriters that:

(i) A registration statement on Form S-1 (File No. 333-86963) as amended by any pre-effective amendments filed prior to the execution and delivery of this Agreement by each of the Underwriters (the "Initial Registration Statement") in respect of the Shares has been filed with the Securities and Exchange Commission (the "Commission"); the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto, to you for each of the other Underwriters, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement"), filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Act"), which became effective upon filing, no other document with respect to the Initial Registration Statement has heretofore been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in the Initial Registration Statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Act is hereinafter called a "Preliminary Prospectus"; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective, as amended at the time such part of the Initial Registration Statement became effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, are hereinafter collectively called the "Registration Statement"; and such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, is hereinafter called the "Prospectus");

(ii) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Goldman, Sachs & Co. expressly for use therein or by the Selling Stockholder expressly for use therein;

(iii) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; PROVIDED, HOWEVER, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Goldman, Sachs & Co. expressly for use therein or by the Selling Stockholder expressly for use therein;

(iv) Neither the Company nor any of its subsidiaries has sustained since the date of the latest audited financial statements included in the Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any change in the capital stock (other than pursuant to the grant or exercise of options under plans described in the Prospectus) or increase in the long-term debt of the Company or any of its subsidiaries or any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Prospectus;

(v) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as would not have a material adverse effect on the business, senior management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, taken as a whole (a "Material Adverse Effect"); and any real property and buildings held under lease or cutting rights by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases or other agreements with such exceptions as would not, singly or in the aggregate, have a Material Adverse Effect;

(vi) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business, other than where the failure to be so qualified or in good standing would not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect; and each subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business, other than where the failure to be so qualified or in good standing would not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(vii) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly authorized and are validly issued, fully paid and non-assessable and conform to the description of the Stock contained in the Prospectus; and all of the issued shares of capital stock of each subsidiary of the Company have been duly authorized, validly issued, fully paid and non-assessable and (except for directors' qualifying shares) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, security interests and claims other than liens, encumbrances, security interests and claims created pursuant to the senior bank financing as described in the Prospectus;

(viii) The unissued Firm Shares to be issued and sold by the Company to the Underwriters hereunder and under the International Underwriting Agreement have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein and therein, will be duly and validly issued and fully paid and non-assessable and will conform to the description of the Stock contained in the Prospectus;

(ix) This Agreement and the International Underwriting Agreement have each been duly authorized, executed and delivered by the Company. The issue and sale of the Shares to be sold by the Company hereunder and under the International Underwriting Agreement and the compliance by the Company with all of the provisions of this Agreement and the International Underwriting Agreement and the consummation of the transactions herein and therein contemplated will not (a) violate the certificate or articles of incorporation or by-laws of the Company or any of its subsidiaries, (b) constitute a violation by the Company or any of its subsidiaries of any applicable provision of any law, statute or regulation, except for violations which would not, singly or in the aggregate, have a Material Adverse Effect, or (c) breach, or result in a default under, any agreement known to the Company's executive officers to be material to the Company and its subsidiaries taken as a whole, except for conflicts or breaches which would not, singly or in the aggregate, have a Material Adverse Effect; and no consent, approval, authorization, order, license, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement and the International Underwriting Agreement, except the registration under the Act of the Shares and such consents, approvals, authorizations, orders, licenses, registrations or qualifications (i) as may be required under state or foreign securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters and the International Underwriters, (ii) as have been obtained or (iii) the failure to obtain of which would not, singly or in the aggregate, have a Material Adverse Effect;

(x) Neither the Company nor any of its subsidiaries is, or with the giving of notice or lapse of time or both would be, in violation of or in default under, its certificate or articles of incorporation or by-laws or any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them or any of their respective properties is bound, except, in the case of any indenture, mortgage, deed of trust, loan agreement or other agreement, for violations and defaults which would not, singly or in the aggregate, have a Material Adverse Effect;

(xi) The statements set forth in the Prospectus under the caption "Description of Capital Stock", insofar as they purport to constitute a summary of the terms of the Stock, and under the caption "U.S. Federal Tax Consequences for Non-United States Holders of Common Stock", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate and complete in all material respects;

(xii) Other than as set forth in the Prospectus, there are no legal or governmental investigations of which the Company has received notice or proceedings pending against or affecting the Company or any of its subsidiaries or any of their respective properties which, if determined adversely to the Company or any of its subsidiaries, would, singly or in the aggregate, reasonably be expected to have Material Adverse Effect; and, to the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others; and there are no court and administrative orders, writs, judgments and decrees specifically directed to the Company or any of its subsidiaries and known to the Company's executive officers to be material to the Company and its subsidiaries taken as a whole;

(xiii) Each of the Company and its subsidiaries owns, possesses or has obtained all licenses, permits, certificates, consents, orders, approvals and other authorizations from, and has made all declarations and filings with, all federal, state, local and other governmental authorities (including foreign regulatory agencies), all self-regulatory organizations and all courts and other tribunals, domestic or foreign, necessary to own or lease, as the case may be, and to operate its properties and to carry on its business as conducted as of the date hereof and as of each Time of Delivery (as defined in Section 4 hereof), in each case except as disclosed in the Prospectus or except where such failure to own, possess or obtain necessary licenses, permits, certificates, consents, orders, approvals or authorizations or failure to make necessary declarations and filings would not, singly or in the aggregate, have a Material Adverse Effect, and neither the Company nor any such subsidiary has received any actual notice of any proceeding relating to revocation or modification of any such license, permit, certificate, consent, order, approval or other authorization, except as described in the Prospectus or except as would not, singly or in the aggregate, have a Material Adverse Effect; and each of the Company and its subsidiaries is in compliance with all laws and regulations (other than Environmental Laws (as defined herein)) relating to the conduct of its business as conducted as of the date hereof and as of each Time of Delivery, except as disclosed in the Prospectus or except where the failure to comply would not, singly or in the aggregate, have a Material Adverse Effect;

(xiv) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or other approval, except as disclosed in the Prospectus or except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failures to comply with the terms and conditions of such permits, licenses or other approvals would not, singly or in the aggregate, have a Material Adverse Effect;

(xv) In the ordinary course of its business, the Company conducts a periodic review of the effect of Environmental Laws on the business, operations and properties of the Company and its subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities; on the basis of such review, the Company has reasonably concluded that, except as disclosed in the Prospectus, such associated costs and liabilities would not, singly or in the aggregate, have a Material Adverse Effect;

(xvi) The Company is not and, after giving effect to the offering and sale of the Shares, will not be an "investment company", as such term is defined in the Investment Company Act of 1940, as amended (the "Investment Company Act");

(xvii) Neither the Company nor any of its affiliates does business with the government of Cuba or with any person or affiliate located in Cuba within the meaning of Section 517.075, Florida Statutes;

(xviii) Arthur Anderson LLP, who has certified certain historical financial information of the containerboard and corrugated packaging products group of the Selling Stockholder and its subsidiaries, and Ernst & Young LLP, who has certified certain historical financial information of the Company and its subsidiaries, are each, to the Company's knowledge, independent public accountants as required by the Act and the rules and regulations of the Commission thereunder; and

(xix) The Company has reviewed its operations and that of its subsidiaries and any vendors and suppliers with which the Company or any of its subsidiaries has a material relationship to evaluate the extent to which the business or operations of the Company or any of its subsidiaries will be affected by the Year 2000 Problem. As a result of such review, except as disclosed in the Prospectus, the Company has no reason to believe, and does not believe, that the Year 2000 Problem will have a Material Adverse Effect or result in any material loss or interference with the Company's business or operations. The "Year 2000 Problem" as used herein means any significant risk that computer hardware or software used in the receipt, transmission, processing, manipulation, storage, retrieval, retransmission or other utilization of data or in the operation of mechanical or electrical systems of any kind will not, in the case of dates or time periods occurring after December 31, 1999, function at least as effectively as in the case of dates or time periods occurring prior to January 1, 2000.

(b) The Selling Stockholder and the Parent, jointly and severally, represent and warrant to, and agree with, each of the Underwriters and the Company that:

(i) The Selling Stockholder has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware;

(ii) All consents, approvals, authorizations and orders necessary for the execution and delivery by the Selling Stockholder of this Agreement and the International Underwriting Agreement, and for the sale and delivery of the Shares to be sold by the Selling Stockholder hereunder and under the International Underwriting Agreement, have been obtained; and the Selling Stockholder has full right, power and authority (a) to enter into this Agreement and the International Underwriting Agreement and each such agreement has been duly executed and delivered by the Selling Stockholder and (b) to sell, assign, transfer and deliver the Shares to be sold by the Selling Stockholder hereunder and under the International Underwriting Agreement;

(iii) The sale of the Shares to be sold by the Selling Stockholder hereunder and under the International Underwriting Agreement and the compliance by the Selling Stockholder with all of the provisions of this Agreement and the International Underwriting Agreement and the consummation of the transactions herein and therein contemplated will not (a) violate the certificate of incorporation or by-laws of the Selling Stockholder, (b) constitute a violation by the Selling Stockholder of any applicable provision of any law, statute or regulation, except for violations which would not affect the ability of the Selling Stockholder to deliver the Shares or otherwise consummate the transactions pursuant to and in accordance with this Agreement and the International Underwriting Agreement, or (c) breach, or result in a default under, any agreement known to the Selling Stockholder's executive officers to be material to the Selling Stockholder, except for conflicts or breaches which would not affect the ability of the Selling Stockholder to deliver the Shares or otherwise consummate the transactions pursuant to and in accordance with this Agreement and the International Underwriting Agreement);

(iv) The Selling Stockholder has, and immediately prior to each Time of Delivery (as defined in Section 4 hereof) the Selling Stockholder will have, good and valid title to the Shares to be sold by the Selling Stockholder hereunder and under the International Underwriting Agreement, free and clear of all liens, encumbrances, equities or claims (other than the restrictions on transfer specifically set forth in the Stockholders Agreement dated as of April 12, 1999 by and among the Selling Stockholder, the Company and PCA Holdings LLC, which restrictions will cease to be effective at the Time of Delivery in respect of Shares delivered and paid for pursuant hereto and thereto); and, upon delivery of such Shares and payment therefor pursuant hereto and thereto, good and valid title to such Shares, free and clear of all liens, encumbrances, security interests and claims, will pass to the several Underwriters or the International Underwriters, as the case may be;

(v) During the period beginning on the date hereof and continuing to and including the date 180 days after the date of the Prospectus, not to offer, sell, hedge, contract to sell, hedge or otherwise dispose of, except as provided hereunder or under the International Underwriting Agreement, any securities of the Company that are substantially similar to the Shares (it being understood that such securities do not include the Company's 12 3/8% Senior Exchangeable Preferred Stock due 2010), including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Stock or any such substantially similar securities (other than pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this Agreement), without your prior written consent, except that the Selling Stockholder may transfer such securities to Parent or to any Affiliate of Parent who agrees in a writing in form and substance satisfactory to the Representatives to be bound by the terms and conditions of this Agreement;

(vi) The Selling Stockholder has not taken and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(vii) To the extent that any statements or omissions made in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto are made in reliance upon and in conformity with written information furnished to the Company by the Selling Stockholder expressly for use therein, such Preliminary Prospectus and the Registration Statement did, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus, when they become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(viii) In order to document the Underwriters' compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 with respect to the transactions herein contemplated, the Selling Stockholder will deliver to you prior to or at the First Time of Delivery (as hereinafter defined) a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof); and

(ix) The Shares are subject to the interests of the Underwriters hereunder and the International Underwriters under the International Underwriting Agreement; the obligations of the Selling Stockholder hereunder shall not be terminated by operation of law, whether by the dissolution of the Selling Stockholder, or by the occurrence of any other event; and if the Selling Stockholder should be dissolved, or if any other such event should occur, before the delivery of the Shares hereunder, certificates representing the Shares shall be delivered by or on behalf of the Selling Stockholder in accordance with the terms and conditions of this Agreement and of the International Underwriting Agreement.

(c) The Parent represents and warrants to, and agrees with, each of the Underwriters and the Company that:

(i) The Parent has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, and all of the issued shares of capital stock of the Selling Stockholder have been duly and validly issued and are fully paid and non-assessable;

(ii) All consents, approvals, authorizations and orders necessary for the execution and delivery by the Parent of this Agreement and the International Underwriting Agreement have been obtained; and the Parent has full right, power and authority to enter into this Agreement and the International Underwriting Agreement and each such agreement has been duly executed and delivered by the Parent;

(iii) The compliance by the Parent with all of the provisions of this Agreement and the International Underwriting Agreement and the consummation of the transactions herein and therein contemplated will not (a) violate the certificate of incorporation or by-laws of the Parent, (b) constitute a violation by the Parent of any applicable provision of any law, statute or regulation, except for violations which would not affect the ability of the Parent to deliver the Shares or otherwise consummate the transactions pursuant to and in accordance with this Agreement and the International

Underwriting Agreement, or (c) breach, or result in a default under, any agreement known to the Parent's executive officers to be material to the Parent, except for conflicts or breaches which would not affect the ability of the Parent to deliver the Shares or otherwise consummate the transactions pursuant to and in accordance with this Agreement and the International Underwriting Agreement; and

(iv) The Parent has not taken and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

2. Subject to the terms and conditions herein set forth, (a) the Company and the Selling Stockholder agree, severally and not jointly, to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company and the Selling Stockholder, at a purchase price per share of $, the number of Firm Shares (to be adjusted by you so as to eliminate fractional shares) determined by multiplying the aggregate number of Firm Shares to be sold by the Company and the Selling Stockholder as set forth opposite their respective names in Schedule II hereto by a fraction, the numerator of which is the aggregate number of Firm Shares to be purchased by such Underwriter as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the aggregate number of Firm Shares to be purchased by all of the Underwriters from the Company and the Selling Stockholder hereunder and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Selling Stockholder agrees to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Selling Stockholder, at the purchase price per share set forth in clause (a) of this Section 2, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Selling Stockholder hereby grants to the Underwriters the right to purchase at their election up to 5,128,192 Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering sales of shares in excess of the number of Firm Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Selling Stockholder, given within a period of 30 calendar days after the date of this Agreement and setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Selling Stockholder otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus.

4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as Goldman, Sachs & Co. may request upon at least forty-eight hours' prior notice to the Company and the Selling Stockholder shall be delivered by or on behalf of the Company and the Selling Stockholder to Goldman, Sachs & Co., through the facilities of The Depository Trust Company ("DTC"), for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the respective accounts specified by the Company and the Selling Stockholder to Goldman, Sachs & Co. at least forty-eight hours in advance. The Company and the Selling Stockholder will cause the certificates representing the Shares to be made available for checking and packaging at least twenty-four hours prior to each Time of Delivery (as defined below) with respect thereto at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York City time, on ...., 1999 or such other time and date as Goldman, Sachs & Co., the Company and the Selling Stockholder may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York City time, on the date specified by Goldman, Sachs & Co. in the written notice given by Goldman, Sachs & Co. of the Underwriters' election to purchase such Optional Shares, or such other time and date as Goldman, Sachs & Co. and the Selling Stockholder may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery", such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery".

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross-receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 7(l) hereof, will be delivered at the offices of Cahill Gordon & Reindel, 80 Pine Street, New York, New York 10005 (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at each Time of Delivery. A meeting will be held at the Closing Location at ....p.m., New York City time, on the New York Business Day next preceding each Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or Prospectus prior to the last Time of Delivery which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when any amendment to the Registration

Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish you copies thereof; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus or suspending any such qualification, promptly to use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) Prior to 11:00 A.M., New York City time, on the New York Business Day next succeeding the date of this Agreement and from time to time, to furnish the Underwriters with copies of the Prospectus in New York City in such quantities as you may reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such period to amend or supplement the Prospectus in order to comply with the Act, to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with

Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

(e) During the period beginning on the date hereof and continuing to and including the date 180 days after the date of the Prospectus, not to offer, sell, hedge, contract to sell, hedge or otherwise dispose of, except as provided hereunder and under the International Underwriting Agreement, any securities of the Company that are substantially similar to the Shares (it being understood that such securities do not include the Company's 12 3/8% Senior Exchangeable Preferred Stock due 2010), including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Stock or any such substantially similar securities (other than pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this Agreement), without your prior written consent;

(f) To furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to its stockholders consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail;

(g) During a period of three years from the effective date of the Registration Statement, to furnish to you copies of all reports or other communications (financial or other) furnished to stockholders, and to deliver to you (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; and (ii) such additional information concerning the business and financial condition of the Company as you may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its subsidiaries are consolidated in reports furnished to its stockholders generally or to the Commission);

(h) To use the net proceeds received by it from the sale of the Firm Shares pursuant to this Agreement and the International Underwriting Agreement in the manner specified in the Prospectus under the caption "Use of Proceeds";

(i) To use its best efforts to list, subject to notice of issuance, the Shares on the New York Stock Exchange (the "Exchange"); and

(j) If the Company elects to rely upon Rule 462(b), the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 P.M., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the

Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 111(b) under the Act.

6. The Company and the Selling Stockholder, jointly and severally, covenant and agree with one another and with the several Underwriters that (a) the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants; (ii) the fees, disbursements and expenses of one firm selected as counsel for the Selling Stockholder in connection with the registration of the Shares; (iii) all expenses, including registration and filing fees, in connection with the preparation, printing, filing and distribution of the registration statement, any preliminary prospectus or final prospectus, term sheets and any other offering documents, and amendments and supplements thereto, and the mailing and delivering of copies thereof to any underwriters and dealers; (iv) the cost of printing or producing any underwriting agreements and blue sky or legal investment memoranda, and any other documents in connection with the offering, sale or delivery of the Shares; (v) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws, including the fees, disbursements and expenses of counsel for the underwriters in connection with such qualification and in connection with blue sky and legal investment surveys; (vi) the filing fees incident to securing any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Shares; (vii) transfer agents' and registrars' fees and expenses and the fees and expenses of any other agent or trustee appointed in connection with such offering; (viii) all security engraving and security printing expenses; (ix) all fees, disbursements and expenses payable in connection with the listing of the Shares on any securities exchange or automated interdealer quotation system and the rating of such Shares; and (x) other out-of-pocket expenses of the Selling Stockholder with respect to participating in such registration to the extent the Company is contractually obligated to pay such expenses; and (b) the Selling Stockholder will pay or cause to be paid all expenses and taxes incident to the sale and delivery of the Shares to be sold by the Selling Stockholder to the Underwriters hereunder. Notwithstanding the foregoing, the Selling Stockholder and the Company shall each be responsible for its own internal administrative and similar costs. In connection with clause (b) of the preceding sentence, Goldman, Sachs & Co. agrees to pay New York State stock transfer tax, and the Selling Stockholder agrees to reimburse Goldman, Sachs & Co. for associated carrying costs if such tax payment is not rebated on the day of payment and for any portion of such tax payment not rebated. It is understood, however, that, except as provided in this Section, and Sections 8 and 11 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make. Notwithstanding any other provision in this Agreement to the contrary, the Company and the Selling Shareholder agree that, as between them, the responsibility for expenses, including the expenses described in this Section 6, shall be determined as set forth in the Registration Rights Agreement dated April 12, 1999 among the Company, the Selling Shareholder and PCA Holdings LLC, and, further, that if a party is required under this Agreement to pay an amount for which the other party is responsible under such Registration Rights Agreement, the responsible party shall, upon demand, reimburse the other party.

7. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all rep-

resentations and warranties and other statements of the Company, of the Parent and of the Selling Stockholder herein are, at and as of such Time of Delivery, true and correct, the condition that the Company, the Parent and the Selling Stockholder shall have performed all of its and their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; if the Company has elected to rely upon Rule 462(b), the Rule 462(b) Registration Statement shall have become effective by 10:00 P.M., Washington, D.C. time, on the date of this Agreement; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Cahill Gordon & Reindel, counsel for the Underwriters, shall have furnished to you such written opinion or opinions (a draft of each such opinion is attached as Annex II(a) hereto), dated such Time of Delivery, with respect to such matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Kirkland & Ellis, counsel for the Company, shall have furnished to you their written opinion (a draft of such opinion is attached as Annex II(b) hereto), dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) The Company has been duly incorporated under the General Corporation Law of the State of Delaware;

(ii) The Company is existing and in good standing under the General Corporation Law of the State of Delaware (for purposes of the opinions in this paragraph, such counsel being entitled to rely exclusively upon the certificates issued by the governmental authorities in the State of Delaware);

(iii) As of the date of such Time of Delivery, the authorized capital stock of the Company consists of (A) 300,000,000 shares of common stock, par value $0.01 per share, and (B) 3,000,100 shares of preferred stock consisting of (x) 3,000,000 shares of Senior Exchangeable Preferred Stock due 2010, par value $0.01 per share, and (y) 100 shares of Junior Preferred Stock, par value $0.01 per share; the outstanding capital stock of the Company (including the Shares being delivered at such Time of Delivery) has been duly authorized and is validly issued, fully paid and non-assessable;

(iv) The issuance of the Shares to be sold by the Company has been duly authorized and, when appropriate certificates representing such Shares are duly countersigned by the Company's transfer agent and registrar and delivered against payment of the agreed consideration therefor in accordance with the terms of this Agreement and the International Underwriting Agreement, will be validly issued, fully paid and non-assessable, and nothing has come to the attention of such counsel that has caused such counsel to conclude that the issuance of such Shares will be subject to any preemptive or similar rights;

(v) Each of Dahlonega Packaging Corporation, PCA Hydro, Inc., PCA Tomahawk Corporation and PCA Valdosta Corporation is existing and in good standing under the General Corporation Law of the State of Delaware; Dixie Container Corporation is existing and in good standing under the Virginia Stock Corporation Act (for purposes of the opinions in this paragraph, such counsel being entitled to rely exclusively upon the certificates issued by the governmental authorities in the required jurisdictions);

(vi) As of the date of such Time of Delivery, based solely upon review of the stock ledgers of each of the subsidiaries of the Company, the Company is the record holder of all of the outstanding shares of capital stock of each of its subsidiaries;

(vii) The Company has the corporate power to enter into and perform its obligations under this Agreement and the International Underwriting Agreements and to issue, sell and deliver the Firm Shares as contemplated by this Agreement and the International Underwriting Agreement; the Company has the corporate power to own and lease its properties and to conduct its business as described in the Prospectus;

(viii) The Board of Directors of the Company has adopted by requisite vote the resolutions necessary to authorize the execution, delivery and performance of this Agreement and the International Underwriting Agreement; no approval by the stockholders of the Company is required, except as shall have been obtained;

(ix) The Company has duly executed and delivered this Agreement and the International Underwriting Agreement;

(x) To such counsel's actual knowledge, no legal or governmental investigations or proceedings are pending or overtly threatened to which the Company or any of its subsidiaries is a party or to which the property or assets of the Company or any of its subsidiaries is subject (i) that would be required under Item 103 of Regulation S-K under the Act to be disclosed in a registration statement or a prospectus delivered at the time of confirmation of the sale of any offering of securities registered under the Act that are not described in the Prospectus or (ii) which seeks to restrain, enjoin or prevent the consummation of or otherwise challenge the issuance or sale of the Shares or the consummation of the other transactions contemplated by this Agreement or the International Underwriting Agreement;

(xi) The issue and sale of the Shares to be sold by the Company in accordance with the provisions of this Agreement and the International Underwriting Agreement and the consummation by the Company of the transactions herein and therein contemplated will not (a) violate the certificate or articles of incorporation or by-laws of the Company or any of its subsidiaries, (b) constitute a violation by the Company or any of its subsidiaries of any applicable provision of any law, statute or regulation (except with respect to compliance with any disclosure requirement or any prohibition against fraud or misrepresentation or as to whether performance of the indemnification or contribution provisions in this Agreement or the International Underwriting Agreement would be permitted, as to which such counsel need express no opinion) or (c) breach, or result in a default under, any existing obligation of the Company and its subsidiaries under any of its Other Specified Agreement (a list of which is attached to such counsel's opinion);

(xii) To such counsel's knowledge, no consent, approval, authorization, order, registration or qualification of or with any court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement and the International Underwriting Agreement, except the registration under the Act and the Securities Exchange Act of 1934, as amended, of the Shares, and such consents, approvals, authorizations, orders, registrations or qualifications (a) as may be required under state or foreign securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters and the International Underwriters, (b) as have been obtained or (c) the failure to obtain which would not have, singly or in the aggregate, a Material Adverse Effect;

(xiii) The statements set forth in the Prospectus under the caption "Description of Capital Stock", insofar as they purport to constitute a summary of the terms of the Stock, are correct in all material respects;

(xiv) The Company is not an "investment company", as such term is defined in the Investment Company Act; and

(xv) Based upon such counsel's participation in conferences and its document review, its understanding of applicable law and the experience it has gained in its practice thereunder and relying as to matters of fact upon the statements of officers and other representatives of the Company, such counsel can advise that nothing has come to its attention that has caused it to conclude that (i) the Registration Statement or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than financial statements and related notes and other financial and accounting data included in the Registration Statement, as to which no advice need be given) at its effective date contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than financial statements and related notes and other financial and accounting data included in the Prospectus, as to which no advice need be given) at the date it bears or on the date of this letter contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (iii) as of the effective date, either the Registration Statement or the Prospectus (other than financial statements and related notes and other financial and accounting data included in the Registration Statement, as to which no advice need be given) appeared on its face not to be responsive in all material respects to the requirements of Form S-1.

In rendering such opinion, such counsel may state that they express no opinion as to any laws other than the internal laws of the State of New York, the General Corporation Law of the State of Delaware and the federal law of the United States;

(d) John R. Olsen, Corporate Counsel of the Company, shall have furnished to you his written opinion, dated such Time of Delivery, in form and substance satisfactory to you, to the effect that the Company has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each jurisdiction other than Delaware in which it owns or leases properties or conducts any business, other than where the failure to be so qualified or in good standing would not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect (such counsel being entitled to rely in respect of the opinion in this clause upon certificates issued by governmental authorities in the required jurisdictions and upon opinions of local counsel and in respect of matters of fact upon certificates of officers of the Company);

(e) Jenner & Block, counsel for the Parent and the Selling Stockholder, shall have furnished to you its written opinion (a draft of such opinion is attached as Annex II(c) hereto), dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) This Agreement and the International Underwriting Agreement have been duly executed and delivered by or on behalf of the Selling Stockholder and the Parent; and the sale of the Shares to be sold by the Selling Stockholder hereunder and thereunder and the compliance by the Parent and the Selling Stockholder with all of the provisions of this Agreement and the International Underwriting Agreement and the consummation of the transactions herein and therein contemplated will not (a) violate the certificate of incorporation or by-laws of the Parent or the Selling Stockholder, (b) constitute a violation by the Parent or the Selling Stockholder of any applicable provision of any law, statute or regulation known to such counsel, except for violations which would not affect the ability of the Selling Stockholder or the Parent to deliver the Shares or otherwise consummate the transactions pursuant to and in accordance with this Agreement and the International Underwriting Agreement, or (c) breach, or result in a default under, any agreement known to such counsel and the executive officers of the Parent or the Selling Stockholder to be material to the Parent or the Selling Stockholder, except for conflicts or breaches which would not affect the ability of the Selling Stockholder or the Parent to deliver the Shares or otherwise consummate the transactions pursuant to and in accordance with this Agreement and the International Underwriting Agreement;

(ii) No consent, approval, authorization, order, license, registration or qualification of or with any court or governmental agency or body is required for the consummation by the Parent and the Selling Stockholder of the transactions contemplated by this Agreement and the International Underwriting Agreement to be performed by them in connection with the Shares to be sold by the Selling Stockholder hereunder or thereunder, except such as have been obtained under the Act and such as may be required under state or foreign securities or Blue Sky laws in connection with the purchase and distribution of such Shares by the Underwriters or the International Underwriters;

(iii) Immediately prior to such Time of Delivery the Selling Stockholder had good and valid title to the Shares to be sold at such Time of Delivery by the Selling Stockholder under this Agreement and the International Underwriting Agreement, free and clear of all liens, encumbrances, security interests and claims, and full right, power and authority to sell, assign, transfer and deliver the Shares to be sold by the Selling Stockholder hereunder and thereunder; and

(iv) Good and valid title to such Shares, free and clear of all liens, encumbrances, security interests and claims, has been transferred to each of the several Underwriters or International Underwriters, as the case may be, who have purchased such Shares in good faith and without notice of any such lien, encumbrance, equity or claim or any other adverse claim within the meaning of the Uniform Commercial Code.

In rendering such opinion, such counsel may state that they express no opinion as to the laws of any jurisdiction outside the United States and such counsel may rely upon a certificate of the Selling Stockholder in respect of matters of fact (including as to ownership of, and liens, encumbrances, security interests and claims on, the Shares sold by the Selling Stockholder), provided that such counsel shall state that they believe that both you and they are justified in relying upon such certificate;

(f) On the date of the Prospectus at a time prior to the execution of this Agreement, at 9:30 a.m., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and also at each Time of Delivery, each of Arthur Andersen LLP and Ernst & Young LLP shall have furnished to you a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to you, to the effect set forth in Annex I hereto (the executed copy of the letter delivered prior to the execution of this Agreement is attached as Annex I(a) hereto and a draft of the form of letter to be delivered on the effective date of any post-effective amendment to the Registration Statement and as of each Time of Delivery is attached as Annex I(b) hereto);

(g) (i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus, and (ii) since the respective dates as of which information is given in the Prospectus there shall not have been any change in the capital stock (other than pursuant to the grant or exercise of options under plans described in the Prospectus) or increase in the long-term debt of the Company or any of its subsidiaries or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Representatives so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(h) On or after the date hereof (i) no downgrading shall have occurred in the rating accorded the Company's debt securities or preferred stock by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act, and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities or preferred stock;

(i) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities on the New York Stock Exchange; (iii) a general moratorium on commercial banking activities declared by either Federal or New York State authorities; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, if the effect of any such event specified in this clause (iv) in the judgment of the Representatives makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(j) The Shares to be sold by the Company and the Selling Stockholder at such Time of Delivery shall have been duly listed, subject to notice of issuance, on the Exchange;

(k) The Company has obtained and delivered to the Underwriters executed copies of an agreement from the persons named in Schedule III hereto to the effect set forth in Subsection 1(b)(v) hereof in form and substance satisfactory to you;

(l) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses on the New York Business Day next succeeding the date of this Agreement; and

(m) The Company, the Parent and the Selling Stockholder shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company, of the Parent and of the Selling Stockholder, respectively, satisfactory to you as to the accuracy of the representations and warranties of the Company, the Parent and the Selling Stockholder, respectively, herein at and as of such Time of Delivery, as to the performance by the Company, the Parent and the Selling Stockholder of all of their respective obligations hereunder to be performed at or prior to such Time of Delivery, and as to such other matters as you may reasonably request, and the Company shall have furnished or caused to be furnished certificates as to the matters set forth in subsections (a) and (f) of this Section, and as to such other matters as you may reasonably request.

8. (a) The Company and the Selling Stockholder, jointly and severally, will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; PROVIDED, HOWEVER, that the Company and the Selling Stockholder shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Goldman, Sachs & Co. expressly for use therein; PROVIDED, FURTHER, that the liability of the Selling Stockholder pursuant to this subsection (a) shall not exceed the product of the number of Shares sold by the Selling Stockholder, including any Optional Shares, and the initial public offering price of the Shares as set forth in the Prospectus.

(b) Each Underwriter will indemnify and hold harmless the Company and the Selling Stockholder against any losses, claims, damages or liabilities to which the Company or the Selling Stockholder may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through Goldman, Sachs & Co. expressly for use therein; and will reimburse the Company and the Selling Stockholder for any legal or other expenses reasonably incurred by the Company or the Selling Stockholder in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (which shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholder on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Selling Stockholder on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholder on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering of the Shares purchased under this Agreement (before deducting expenses) received by the Company and the Selling Stockholder bear to the total underwriting discounts and commissions received by the Underwriters with respect to the Shares purchased under this Agreement, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Stockholder on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Selling Stockholder and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by PRO RATA allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company and the Selling Stockholder under this Section 8 shall be in addition to any liability which the Company and the Selling Stockholder may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company or the Selling Stockholder within the meaning of the Act.

9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion

arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company and the Selling Stockholder shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company and the Selling Stockholder that you have so arranged for the purchase of such Shares, or the Company and the Selling Stockholder notify you that they have so arranged for the purchase of such Shares, you or the Company and the Selling Stockholder shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company and the Selling Stockholder as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all of the Shares to be purchased at such Time of Delivery, then the Company and the Selling Stockholder shall have the right to require each non-defaulting Underwriter to purchase the number of Shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company and the Selling Stockholder as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all of the Shares to be purchased at such Time of Delivery, or if the Company and the Selling Stockholder shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Selling Stockholder to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company or the Selling Stockholder, except for the expenses to be borne by the Company and the Selling Stockholder and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company, the Parent, the Selling Stockholder and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pur-

suant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, the Parent or the Selling Stockholder, or any officer or director or controlling person of the Company, or any controlling person of the Parent or the Selling Stockholder, and shall survive delivery of and payment for the Shares. No indemnity, agreement, representation, warranty, statement or other provision of this Agreement shall, solely as among the Company, the Parent and/or the Selling Stockholder, amend or modify any other agreement by and among the Company, the Parent and/or the Selling Stockholder; and each indemnity, agreement, representation, warranty and other statement of the Company, the Parent or the Selling Stockholder set forth herein shall not, solely as among such parties and the several Underwriters, be affected or governed by any such agreement.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, neither the Company nor the Selling Stockholder shall then be under any liability to any Underwriter except as provided in Sections 6 and 8 hereof; but, if for any other reason any Shares are not delivered by or on behalf of the Company and/or the Selling Stockholder as provided herein, the Company will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company and the Selling Stockholder shall then be under no further liability to any Underwriter in respect of the Shares not so delivered except as provided in Sections 6 and 8 hereof.

12. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by Goldman, Sachs & Co. on behalf of you as the representatives.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the representatives in care of Goldman, Sachs & Co., 32 Old Slip, 21st Floor, New York, New York 10005, Attention: Registration Department; if to the Selling Stockholder shall be delivered or sent by mail, telex or facsimile transmission to counsel for the Selling Stockholder at its address set forth in Schedule II hereto; and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 8 (c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire or telex constituting such Questionnaire, which address will be supplied to the Company or the Selling Stockholder by you upon request. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company, the Parent and the Selling Stockholder and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Company and each person who controls the Company, the Parent, the Selling Stockholder or any Underwriter, and

their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence for purposes of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

15. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us ten counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters, the Company, the Parent and the Selling Stockholder. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters (U.S. Version), the form of which shall be submitted to the Company and the Selling Stockholder for examination upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

PACKAGING CORPORATION OF AMERICA

By:

Name:
Title:

TENNECO PACKAGING INC.

By:

Name:
Title:

TENNECO INC.

By:

Name:
Title:

Accepted as of the date hereof
in New York, New York:

Goldman, Sachs & Co.
Morgan Stanley & Co. Incorporated
Salomon Smith Barney Inc.
Deutsche Bank Securities Inc.
J.P. Morgan Securities Inc.

By:

(Goldman, Sachs & Co.)

SCHEDULE I

Underwriter	Total Number of Firm Shares to Be Purchased	Number of Optional Shares to Be Purchased if Maximum Option Exercised
Goldman, Sachs & Co.		
Morgan Stanley & Co. Incorporated		
Salomon Smith Barney Inc.		
Deutsche Bank Securities Inc.		
J.P. Morgan Securities Inc.		
[Names of other Underwriters]		
Total	34,300,000	5,128,192

SCHEDULE II

Underwriter	Total Number of Firm Shares to Be Sold	Number of Optional Shares to Be Sold if Maximum Option Exercised
The Company	6,500,000	0
The Selling Stockholder	27,800,000	5,128,192
Total	34,300,000	5,128,192

SCHEDULE III

LOCKUP AGREEMENTS

Packaging Corporation of America
PCA Holdings LLC
Madison Dearborn Partners, LLC
Madison Dearborn Capital Partners III, L.P.
Madison Dearborn Special Equity III, L.P.
Special Advisors Fund I, LLC
J.P. Morgan Capital Corporation
Sixty Wall Street Fund, L.P.
BT Capital Investors, L.P.
Randolph Street Partners II
Tenneco Inc.
Tenneco Packaging Inc.
Paul T. Stecko
William J. Sweeney
Richard B. West
Mark W. Kowlzan
Andrea L. Davey
Dana G. Mead
Theodore R. Tetzlaff
Samuel M. Mencoff
Justin S. Huscher
Thomas S. Souleles
Paul T. Stecko 1999 Dynastic Trust

Each of the signatories to the Management Equity Agreement Among Packaging Corporation of America and each of the persons listed on the signature pages thereto, dated as of June 1, 1999.

Pursuant to Section 7(f) of the Underwriting Agreement, the accountants shall furnish letters to the Underwriters to the effect that:

(i) They are independent certified public accountants with respect to the Company and its subsidiaries within the meaning of the Act and the applicable published rules and regulations thereunder;

(ii) In their opinion, the financial statements and any supplementary financial information and schedules (and, if applicable, financial forecasts and/or pro forma financial information) examined by them and included in the Prospectus or the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations thereunder; and, if applicable, they have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited consolidated interim financial statements, selected financial data, pro forma financial information, financial forecasts and/or condensed financial statements derived from audited financial statements of the Company for the periods specified in such letter, as indicated in their reports thereon, copies of which have been furnished to the representatives of the Underwriters (the "Representatives") and are attached hereto;

(iii) They have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus as indicated in their reports thereon copies of which are attached hereto and on the basis of specified procedures including inquiries of officials of the Company who have responsibility for financial and accounting matters regarding whether the unaudited condensed consolidated financial statements referred to in paragraph (vi)(A)(i) below comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations, nothing came to their attention that caused them to believe that the unaudited condensed consolidated financial statements do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations;

(iv) The unaudited selected financial information with respect to the consolidated results of operations and financial position of the Company for the five most recent fiscal years included in the Prospectus agrees with the corresponding amounts (after restatements where applicable) in the audited consolidated financial statements for such five fiscal years which were included or incorporated by reference in the Company's Annual Reports on Form 10-K for such fiscal years;

(v) They have compared the information in the Prospectus under selected captions with the disclosure requirements of Regulation S-K and on the basis of limited procedures specified in such letter nothing came to their attention as a result of the foregoing procedures that caused them to believe that this information does not conform in all material respects with the disclosure requirements of Items 301, 302, 402 and 503(d), respectively, of Regulation S-K;

(vi) On the basis of limited procedures, not constituting an examination in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements and other information referred to below, a reading of the latest available interim financial statements of the Company and its subsidiaries, inspection of the minute books of the Company and its subsidiaries since the date of the latest audited financial statements included in the Prospectus, inquiries of officials of the Company and its subsidiaries responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) (i) the unaudited consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations, or (ii) any material modifications should be made to the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus for them to be in conformity with generally accepted accounting principles;

(B) any other unaudited income statement data and balance sheet items included in the Prospectus do not agree with the corresponding items in the unaudited consolidated financial statements from which such data and items were derived, and any such unaudited data and items were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited consolidated financial statements included in the Prospectus;

(C) the unaudited financial statements which were not included in the Prospectus but from which were derived any unaudited condensed financial statements referred to in clause (A) and any unaudited income statement data and balance sheet items included in the Prospectus and referred to in clause (B) were not determined on a basis substantially consistent with the basis for the audited consolidated financial statements included in the Prospectus;

(D) any unaudited pro forma consolidated condensed financial statements included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the published rules and regulations thereunder or the pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements;

(E) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the consolidated capital stock (other than issuances of capital stock upon exercise of options and stock appreciation rights, upon earn-outs of performance shares and upon conversions of convertible securities, in each case which were outstanding on the date of the latest financial statements included in the Prospectus) or any increase in the consolidated long-term debt of the Company and its subsidiaries, or any decreases in consolidated net current assets or stockholders' equity or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(F) for the period from the date of the latest financial statements included in the Prospectus to the specified date referred to in clause (E) there were any decreases in consolidated net revenues or operating profit or the total or per share amounts of consolidated net income or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Representatives, except in each case for decreases or increases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(vii) In addition to the examination referred to in their report(s) included in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraphs (iii) and (vi) above, they have carried out certain specified procedures, not constituting an examination in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Representatives, which are derived from the general accounting records of the Company and its subsidiaries, which appear in the Prospectus, or in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Representatives, and have compared certain of such amounts, percentages and financial information with the accounting records of the Company and its subsidiaries and have found them to be in agreement.

EXHIBIT 1.2

PACKAGING CORPORATION OF AMERICA

Common Stock

UNDERWRITING AGREEMENT
(INTERNATIONAL VERSION)

October [ ], 1999

Goldman Sachs International
Morgan Stanley & Co. International Limited
Salomon Brothers International Limited
Deutsche Bank AG London
J.P. Morgan Securities Ltd.
As representatives of the several Underwriters
named in Schedule I hereto
c/o Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB, England

Ladies and Gentlemen:

Packaging Corporation of America, a Delaware corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of 1,625,000 shares of common stock, par value $.01 per share (the "Stock"), of the Company and Tenneco Packaging Inc., a stockholder of the Company (the "Selling Stockholder"), proposes, subject to the terms and conditions stated herein, to sell to the Underwriters an aggregate of 6,950,000 shares and, at the election of the Underwriters, up to 1,282,048 additional shares of Stock. The aggregate of 8,575,000 shares to be sold by the Company and the Selling Stockholder is herein called the "Firm Shares" and the aggregate of 1,282,048 additional shares to be sold by the Selling Stockholder is herein called the "Optional Shares". The Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 2 hereof are herein collectively called the "Shares". Tenneco Inc., a Delaware corporation (the "Parent"), owns 100% of the capital stock of the Selling Stockholder.

It is understood and agreed to by all parties that the Company, the Parent and the Selling Stockholder are concurrently entering into an agreement, a copy of which is attached hereto (the "U.S. Underwriting Agreement"), providing for the sale by the Company and the

Selling Stockholder of up to a total of 39,428,192 shares of Stock (the "U.S. Shares"), including the overallotment option thereunder, through arrangements with certain underwriters in the United States (the "U.S. Underwriters"), for whom Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Salomon Smith Barney Inc., Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc. are acting as representatives. Anything herein or therein to the contrary notwithstanding, the respective closings under this Agreement and the U.S. Underwriting Agreement are hereby expressly made conditional on one another. The Underwriters hereunder and the U.S. Underwriters are simultaneously entering into an Agreement between U.S. and International Underwriting Syndicates (the "Agreement between Syndicates") which provides, among other things, for the transfer of shares of Stock between the two syndicates and for consultation by the Lead Managers hereunder with Goldman, Sachs & Co. prior to exercising the rights of the Underwriters under Section 7 hereof. Two forms of prospectus are to be used in connection with the offering and sale of shares of Stock contemplated by the foregoing, one relating to the Shares hereunder and the other relating to the U.S. Shares. The latter form of prospectus will be identical to the former except for certain substitute or additional pages. Except as used in Sections 2, 3, 4, 9 and 11 herein, and except as context may otherwise require, references hereinafter to the Shares shall include all of the shares of Stock which may be sold pursuant to either this Agreement or the U.S. Underwriting Agreement, and references herein to any prospectus whether in preliminary or final form, and whether as amended or supplemented, shall include both the U.S. and the international versions thereof.

In addition, this Agreement incorporates by reference certain provisions from the U.S. Underwriting Agreement (including the related definitions of terms, which are also used elsewhere herein) and, for purposes of applying the same, references (whether in these precise words or their equivalent) in the incorporated provisions to the "Underwriters" shall be to the Underwriters hereunder, to the "Shares" shall be to the Shares hereunder as just defined, to "this Agreement" (meaning therein the U.S. Underwriting Agreement) shall be to this Agreement (except where this Agreement is already referred to or as the context may otherwise require) and to the representatives of the Underwriters or to Goldman, Sachs & Co. shall be to the addressees of this Agreement and to Goldman Sachs International ("GSI"), and, in general, all such provisions and defined terms shall be applied MUTATIS MUTANDIS as if the incorporated provisions were set forth in full herein having regard to their context in this Agreement as opposed to the U.S. Underwriting Agreement.

1. The Company, the Parent and the selling stockholder hereby make to the Underwriters the same respective representations, warranties and agreements as are set forth in Section 1 of the U.S. Underwriting agreement, which Section is incorporated herein by this reference.

2. Subject to the terms and conditions herein set forth, (a) the Company and the Selling Stockholder agree, severally and not jointly, to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company and the Selling Stockholder, at a purchase price per share of $, the number of Firm Shares (to be adjusted by you so as to eliminate fractional shares) determined by multiplying the aggregate number of Firm Shares to be sold by the Company and the Selling Stockholder as set forth opposite their respective names in Schedule II hereto by a fraction,

the numerator of which is the aggregate number of Firm Shares to be purchased by such Underwriter as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the aggregate number of Firm Shares to be purchased by all of the Underwriters from the Company and the Selling Stockholder hereunder and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Selling Stockholder agrees to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Selling Stockholder, at the purchase price per share set forth in clause (a) of this Section 2, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Selling Stockholder hereby grants to the Underwriters the right to purchase at their election up to 1,282,048 Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering sales of shares in excess of the number of Firm Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Selling Stockholder, given within a period of 30 calendar days after the date of this Agreement and setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Selling Stockholder otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by GSI of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus and in the forms of Agreement among Underwriters (International Version) and Selling Agreements, which have been previously submitted to the Company by you. Each Underwriter hereby makes to and with the Company and the Selling Stockholder the representations and agreements of such Underwriter as a member of the selling group contained in Sections 3(d) and 3(e) of the form of Selling Agreements.

4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as Goldman, Sachs & Co. may request upon at least forty-eight hours' prior notice to the Company and the Selling Stockholder shall be delivered by or on behalf of the Company and the Selling Stockholder to Goldman, Sachs & Co., through the facilities of The Depository Trust Company ("DTC"), for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the respective accounts specified by the Company and the Selling Stockholder to Goldman, Sachs & Co. at least forty-eight hours in advance. The Company and the Selling Stockholder will cause the certificates representing the Shares to be made available for checking and packaging at least twenty-four hours prior to each Time of Delivery (as defined below) with respect thereto at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Shares,

9:30 a.m., New York City time, on ...., 1999 or such other time and date as Goldman, Sachs & Co., the Company and the Selling Stockholder may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York City time, on the date specified by Goldman, Sachs & Co. in the written notice given by Goldman, Sachs & Co. of the Underwriters' election to purchase such Optional Shares, or such other time and date as Goldman, Sachs & Co. and the Selling Stockholder may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery", such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery".

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 of the U.S. Underwriting Agreement, including the cross-receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 7(l) of the U.S. Underwriting Agreement, will be delivered at the offices of Cahill Gordon & Reindel, 80 Pine Street, New York, New York 10005 (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at each Time of Delivery. A meeting will be held at the Closing Location at .... p.m., New York City time, on the New York Business Day next preceding each Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Company hereby makes with the Underwriters the same agreements as are set forth in Section 5 of the U.S. Underwriting Agreement, which Section is incorporated herein by this reference.

6. The Company, the Selling Stockholder and the Underwriters hereby agree with respect to certain expenses on the same terms as are set forth in Section 6 of the U.S. Underwriting Agreement, which Section is incorporated herein by this reference.

7. Subject to the provisions of the Agreement between Syndicates, the obligations of the Underwriters hereunder shall be subject, in their discretion, at each Time of Delivery, to the condition that all representations and warranties and other statements of the Company, of the Parent and of the Selling Stockholder herein are, at and as of such Time of Delivery, true and correct, the condition that the Company, the Parent and the Selling Stockholder shall have performed all of their respective obligations hereunder theretofore to be performed, and additional conditions identical to those set forth in Section 7 of the U.S. Underwriting Agreement, which Section is incorporated herein by this reference.

8. (a) The Company and the Selling Stockholder, jointly and severally, will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material

fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; PROVIDED, HOWEVER, that the Company and the Selling Stockholder shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through GSI expressly for use therein; PROVIDED, FURTHER, that the liability of the Selling Stockholder pursuant to this subsection (a) shall not exceed the product of the number of Shares sold by the Selling Stockholder, including any Optional Shares, and the initial public offering price of the Shares as set forth in the Prospectus.

(b) Each Underwriter will indemnify and hold harmless the Company and the Selling Stockholder against any losses, claims, damages or liabilities to which the Company or the Selling Stockholder may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through GSI expressly for use therein; and will reimburse the Company and the Selling Stockholder for any legal or other expenses reasonably incurred by the Company or the Selling Stockholder in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (which shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholder on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Selling Stockholder on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholder on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering of the Shares purchased under this Agreement (before deducting expenses) received by the Company and the Selling Stockholder bear to the total underwriting discounts and commissions received by the Underwriters with respect to the Shares purchased under this Agreement, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Stockholder on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Selling Stockholder and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by PRO RATA allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company and the Selling Stockholder under this Section 8 shall be in addition to any liability which the Company and the Selling Stockholder may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company or the Selling Stockholder within the meaning of the Act.

9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company and the Selling Stockholder shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company and the Selling Stockholder that you have so arranged for the purchase of such Shares, or the Company and the Selling Stockholder notify you that they have so arranged for the purchase of such Shares, you or the Company and the Selling Stockholder shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company and the Selling Stockholder as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all of the Shares to be purchased at such Time of Delivery, then the Company and the Selling Stockholder shall have the right to require each non-defaulting Underwriter to purchase the number of Shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company and the Selling Stockholder as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all of the Shares to be purchased at such Time of Delivery, or if the Company and the Selling Stockholder shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Selling Stockholder to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company or the Selling Stockholder, except for the expenses to be borne by the Company and the Selling Stockholder and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company, the Parent, the Selling Stockholder and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, the Parent or the Selling Stockholder, or any officer or director or controlling person of the Company, or any controlling person of the Parent or the Selling Stockholder, and shall survive delivery of and payment for the Shares. No indemnity, agreement, representation, warranty, statement or other provision of this Agreement shall, solely as among the Company, the Parent and the Selling Stockholder, amend or modify any other agreement by and among the Company, the Parent and the Selling Stockholder; and each indemnity, agreement, representation, warranty and other statement of the Company, the Parent or the Selling Stockholder set forth herein shall not, solely as among such parties and the several Underwriters, be affected or governed by any such agreement.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, neither the Company nor the Selling Stockholder shall then be under any liability to any Underwriter except as provided in Sections 6 and 8 hereof; but, if for any other reason any Shares are not delivered by or on behalf of the Company and/or the Selling Stockholder as provided herein, the Company will reimburse the Underwriters through GSI for all out-of-pocket expenses approved in writing by GSI, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company and the Selling Stockholder shall then be under no further liability to any Underwriter in respect of the Shares not so delivered except as provided in Sections 6 and 8 hereof.

12. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by GSI on behalf of you as the representatives of the Underwriters.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to the Underwriters in care of GSI, Peterborough Court, 133 Fleet Street, London EC4A 2BB, England, Attention: Equity Capital Markets, Telex No. 94012165, facsimile transmission No. (071) 774-1550; if to the Selling Stockholder shall be delivered or sent by mail, telex or facsimile transmission to counsel for the Selling Stockholder at its address set forth in Schedule II hereto; and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 8(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company or the Selling Stockholder by GSI upon request. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company, the Parent and the Selling Stockholder and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Company and each person who controls the Company, the Parent, the Selling Stockholder or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence for purposes of this Agreement.

15. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, UNITED STATES OF AMERICA.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us ten counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters, the Company, the Parent and the Selling Stockholder. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters (International Version), the form of which shall be submitted to the Company and the Selling Stockholder for examination upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

PACKAGING CORPORATION OF AMERICA

By:

Name:
Title:

TENNECO PACKAGING INC.

By:

Name:
Title:

TENNECO INC.

By:

Name:
Title:

Accepted as of the date hereof
in [   ]:

Goldman Sachs International
Morgan Stanley & Co. International Limited
Salomon Brothers International Limited
Deutsche Bank AG London
J.P. Morgan Securities Ltd.

By: Goldman Sachs International

By:

   (Attorney-in-Fact)

On behalf of each of the Underwriters

SCHEDULE I

Underwriter	Total Number of Firm Shares to Be Purchased	Number of Optional Shares to Be Purchased if Maximum Option Exercised
Goldman Sachs International		
Morgan Stanley & Co. International Limited		
Salomon Brothers International Limited		
Deutsche Bank AG London		
J.P. Morgan Securities Ltd		
[Names of other Underwriters]		
Total	8,575,000	1,282,048

SCHEDULE II

Underwriter	Total Number of Firm Shares to Be Sold	Number of Optional Shares to Be Sold if Maximum Option Exercised
The Company	1,625,000	0
The Selling Stockholder	6,950,000	1,282,048
Total	8,575,000	1,282,048

EXHIBIT 3.2

FORM OF
CERTIFICATE OF AMENDMENT
TO
RESTATED CERTIFICATE OF INCORPORATION
OF
PACKAGING CORPORATION OF AMERICA

* * * * *

Adopted in accordance with the provisions
of Section 242 of the General Corporation Law
of the State of Delaware

* * * * *

Richard B. West, being the Chief Financial Officer, Vice President and Secretary of Packaging Corporation of America, a corporation duly organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "CORPORATION"), does hereby certify as follows:

FIRST: That the Restated Certificate of Incorporation of the Corporation be, and hereby is, amended by deleting Article Four in its entirety and substituting in lieu thereof a new Article Four to read as follows:

ARTICLE FOUR

4.1 AUTHORIZED SHARES. The total number of shares of stock which the Corporation has authority to issue is 303,000,100 shares, consisting of 3,000,000 shares of Preferred Stock, with a par value of $0.01 per share, the terms of which may be designated by the board of directors pursuant to SECTION 4.2 (the "PREFERRED STOCK"), 100 shares of Junior Preferred Stock, with a par value of $0.01 per share (the "JUNIOR PREFERRED STOCK") and 300,000,000 shares of Common Stock, with a par value of $0.01 per share (the "COMMON STOCK").

4.2 PREFERRED STOCK. The Preferred Stock may be issued and reissued from time to time in one or more series. The board of directors of the Corporation is hereby authorized to provide for the issuance and reissuance of shares of Preferred Stock in one or more series and, by filing a certificate pursuant to the applicable law of the State of Delaware (hereinafter referred to as a "PREFERRED STOCK DESIGNATION"), to establish from time to time the number of shares to be included in each such series, and to fix the designations, powers, preferences and rights of the shares of each such series and the qualifications, limitations and restrictions thereof. The authority of the board of directors with respect to each series shall include, but not be limited to, determination of the following:

A. The designation of the series, which may be by distinguishing number, letter or title.

B. The number of shares of the series, which number the board of directors may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding).

C. The amounts payable on, and the preferences, if any, of shares of the series in respect of dividends, and whether such dividends, if any, shall be cumulative or noncumulative.

D. Dates at which dividends, if any, shall be payable.

E. The redemption rights and price or prices, if any, for shares of the series.

F. The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series.

G. The amounts payable on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

H. Whether the shares of the series shall be convertible into or exchangeable for shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made.

I. Restrictions on the issuance of shares of the same series or of any other class or series.

J. The voting rights, if any, of the holders of shares of the series.

4.3 JUNIOR PREFERRED STOCK.

A. GENERAL. Except as otherwise may be required by law, all shares of Junior Preferred Stock shall be identical in all respects and shall entitle the holders thereof to the same rights, preferences and privileges, subject to the same qualifications, limitations and restrictions as set forth herein.

B. VOTING RIGHTS. Unless otherwise agreed to in writing by all of the holders of Junior Preferred Stock, until such time when the Stockholders Agreement, dated as of April 12, 1999, among Tenneco Packaging Inc., PCA Holdings LLC and the Corporation (as the same may be amended from time to time, the "STOCKHOLDERS AGREEMENT"), or Section 3.3 thereof is terminated or is no longer effective, whether by its terms or pursuant to agreement of the parties thereto, the holders of the shares of Junior Preferred Stock shall have the right, voting separately as a class, to elect one director (the "CEO DIRECTOR") to the board of directors of the Corporation. Except as set forth in the immediately preceding sentence and except as otherwise required by applicable law, holders of Junior Preferred Stock shall not be entitled to vote at or receive notice of any meeting of stockholders.

C. DIVIDENDS. The holders of the shares of Junior Preferred Stock, as such, shall not be entitled to receive any dividends or other distributions in respect thereof (except as provided below in SECTION 4.3(D) hereof).

D. LIQUIDATION. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and after the payment of any preferential amounts to be distributed to the holders of the Preferred Stock, before any payment or distribution of assets of the Corporation shall be made or set apart for payment to the holders of any shares of Common Stock, the holders of the shares of Junior Preferred Stock shall be entitled to receive $1.00 per share (the "LIQUIDATION PREFERENCE"), but such holders shall not be entitled to any further payment. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the shares of Junior Preferred Stock shall be insufficient to pay in full the Liquidation Preference and the liquidation preference on all other shares of any class or series of stock of the Corporation that ranks on a parity with the Junior Preferred Stock as to amounts distributable upon liquidation, dissolution or winding up of the Corporation, then such assets, or the proceeds thereof, shall be distributed to the holders of the shares of Junior Preferred Stock and any such other parity stock ratably in accordance with the respective amounts that would be payable on such shares of Junior Preferred Stock and any such other parity stock if all amounts payable thereon were paid in full. For purposes of this SECTION 4.3(D), a consolidation or merger of the Corporation or a sale, lease, exchange or transfer of all or substantially all of the Corporation's assets shall not be deemed to be a liquidation, dissolution or winding up of the Corporation.

E. TRANSFER. Except as contemplated by Section 8.1 of the Stockholders Agreement, the shares of Junior Preferred Stock are not transferrable by the original holders thereof without the prior written approval of all of the holders of Junior Preferred Stock; provided that shares of Junior Preferred Stock may be redeemed, at the election of the Corporation, at any time, at a price of $1.00 per share.

F. RETIREMENT. Shares of Junior Preferred Stock which shall have been issued, redeemed or otherwise reacquired in any manner by the Corporation shall, upon such acquisition, be retired automatically (without any further action by the Corporation or the board of directors of the Corporation) and shall not be reissued by the Corporation.

4.4 COMMON STOCK.

A. VOTING RIGHTS. Except as otherwise provided by the General Corporation Law of the State of Delaware or by a Preferred Stock Designation, all of the voting power of the Corporation shall be vested in the holders of the Common Stock, and each holder of Common Stock shall have one (1) vote for each share of Common Stock held by such holder on all matters voted upon by the stockholder, and holders of Preferred Stock and, except as expressly provided in SECTION 4.3, the Junior Preferred Stock shall not be entitled to vote at or receive notice of any meeting of stockholders.

B. DIVIDENDS. Subject to the express terms of any Preferred Stock Designation, the board of directors may declare a dividend upon the Common Stock out of the unrestricted and unreserved surplus of the Corporation. The holders of the Common Stock shall share ratably in any such dividend in proportion to the number of shares of Common Stock held by each.

C. LIQUIDATION. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and after the payment of any preferential amounts to be distributed to the holders of Preferred Stock and Junior Preferred Stock, the remaining assets of the Corporation shall be distributed ratably among the holders of the Common Stock in proportion to the number of shares held by each. For purposes of this SECTION 4.3(C), a consolidation or merger of the Corporation or a sale, lease, exchange or transfer of all or substantially all of the Corporation's assets shall not be deemed to be a liquidation, dissolution or winding up of the Corporation.

D. DIRECTOR APPROVAL. In addition to any other vote of the board of directors required by applicable law, the Corporation shall not take any action which, as of the time the proposed action is taken, requires the affirmative vote of at least four of the five TPI/PCA Directors (as defined in the Stockholders Agreement) under Section 3.6 of the Stockholders Agreement without such affirmative vote, so long as the applicable provision of such section of the Stockholders Agreement is effective and enforceable by the parties to such agreement and has not otherwise terminated by its terms, by operation of law or by agreement of the parties thereunder.

E. REGISTRATION OF TRANSFER. The Corporation shall keep at its principal office (or such other place as the Corporation reasonably designates) a register for the registration of shares of the Common Stock. Upon the surrender of any certificate representing shares of any class of Common Stock at such place, the Corporation shall, at the request of the registered holder of such certificate, execute and deliver a new certificate or certificates in exchange therefor representing in the aggregate the number of shares of such class represented by the surrendered certificate, and the Corporation forthwith shall cancel such surrendered certificate. Each such new certificate will be registered in such name and will represent such number of shares of such class as is requested by the holder of the surrendered certificate and will be substantially identical in form to the surrendered certificate. The issuance of new certificates shall be made without charge to the holders of the surrendered certificates for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such issuance.

F. REPLACEMENT. Upon receipt of evidence reasonably satisfactory to the Corporation (an affidavit of the registered holder will be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing one or more shares of any class of Common Stock, and in the case of any such loss, theft or destruction, upon receipt of indemnity reasonably satisfactory to the Corporation (provided that if the holder is a financial institution or other institutional investor its own agreement will be satisfactory), or, in the case of any such mutilation upon surrender of such certificate, the Corporation shall (at its expense) execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares of such class represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

G. NOTICES. All notices referred to herein shall be in writing, shall be delivered personally or by first class mail, postage prepaid, and shall be deemed to have been given when so delivered or mailed to the Corporation at its principal executive offices and to any stockholder at such holder's address as it appears in the stock records of the Corporation (unless otherwise specified in a written notice to the Corporation by such holder).

4.5 STOCK SPLIT. Immediately upon the filing of this Certificate of Amendment to Restated Certificate of Incorporation with the Secretary of State of the State of Delaware (the "EFFECTIVE TIME"), each share of Common Stock outstanding at the Effective Time shall be, without further action by the Corporation or any of the holders thereof, changed and converted into a number of shares of Common Stock equal to that number determined by multiplying each outstanding share of Common Stock by 220. Each certificate then outstanding representing shares of Common Stock shall automatically represent from and after the Effective Time that number of shares of Common Stock equal to the number of shares shown on the face of the certificate multiplied by 220.

SECOND: That the Restated Certificate of Incorporation of the Corporation be, and hereby is, amended by deleting Article Seven in its entirety and substituting in lieu thereof a new Article Seven to read as follows:

ARTICLE SEVEN

Subject to any rights of holders of any series of Preferred Stock, from and after the date on which the Common Stock of the Corporation is registered pursuant to the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), (i) any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected in lieu thereof by any consent in writing by such stockholders, (ii) special meetings of stockholders of the Corporation may be called only by either the board of directors pursuant to a resolution adopted by the affirmative vote of the majority of the total number of directors then in office or by the chief executive officer of the Corporation and (iii) advance notice of stockholder nominations of persons for election to the board of directors of the Corporation and of business to be brought before any annual meeting of the stockholders by the stockholders of the Corporation shall be given in the manner provided in the by-laws of the Corporation.

THIRD: That the board of directors of the Corporation approved the foregoing amendment by unanimous written consent pursuant to the provisions of Section 141(f) and 242 of the General Corporation Law of the State of Delaware and directed that such amendment be submitted to the stockholders of the Corporation entitled to vote thereon for their consideration and adoption thereof.

FOURTH: That the stockholders entitled to vote thereon adopted the foregoing amendment by written consent in accordance with Section 228 and 242 of the General Corporation Law of the State of Delaware.

* * * * *

IN WITNESS WHEREOF, the undersigned does hereby certify under penalties of perjury that this Certificate of Amendment to the Restated Certificate of Incorporation of the Corporation is the act and deed of the undersigned and the facts stated herein are true and accordingly has hereunto set his hand this ___ day of October 1999.

PACKAGING CORPORATION OF AMERICA,
a Delaware corporation

By: ____________________________
Name: Richard B. West
Its: Secretary

EXHIBIT 3.3

FORM OF

SECOND AMENDED AND RESTATED BY-LAWS

OF

PACKAGING CORPORATION OF AMERICA

A Delaware Corporation

(Effective as of October ___, 1999)

ARTICLE I

OFFICES

SECTION 1. REGISTERED OFFICE. The registered office of the Corporation in the State of Delaware shall be located at the Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, Delaware, County of New Castle. The name of the Corporation's registered agent at such address shall be The Corporation Trust Company. The registered office and/or registered agent of the Corporation may be changed from time to time by action of the board of directors (the "BOARD" or the "BOARD OF DIRECTORS").

SECTION 2. OTHER OFFICES. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. PLACE AND TIME OF MEETINGS. An annual meeting of the stockholders shall be held each year within one hundred fifty (150) days after the close of the immediately preceding fiscal year of the Corporation for the purpose of electing directors and conducting such other proper business as may come before the meeting, or at such other time as may be determined by the chief executive officer or president of the Corporation. The date, time and place of the annual meeting shall be determined by the chief executive officer or the president of the Corporation; provided, that if the chief executive officer or the president does not act, the Board of Directors shall determine the date, time and place of such meeting. At the annual meeting, stockholders shall elect directors and transact such other business as properly may be brought before the annual meeting pursuant to SECTION 11 of this ARTICLE II.

SECTION 2. SPECIAL MEETINGS. Special meetings of stockholders may be called for any purpose and may be held at such time and place, within or without the State of Delaware, as shall be stated in a notice of meeting or in a duly executed waiver of notice thereof. Such meetings may be called at any time by the Board of Directors, the chief executive officer or the president and shall be called by the chief executive officer or the president upon the written request of holders of shares entitled to cast not less than a majority in voting power of the outstanding shares of common stock of the Corporation, such written request shall state the purpose or purposes of the meeting and shall be delivered to the chief executive officer or the president.

SECTION 3. PLACE OF MEETINGS. The Board of Directors may designate any place, either within or without the State of Delaware, as the place of meeting for any annual meeting or for any special meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal executive office of the Corporation. If for any reason any annual meeting shall not be held during any year, the business thereof may be transacted at any special meeting of the stockholders.

SECTION 4. NOTICE. Whenever stockholders are required or permitted to take action at a meeting, written or printed notice stating the place, date, time, and, in the case of special meetings, the purpose or purposes, of such meeting, shall be given to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the stockholder at his, her or its address as the same appears on the records of the Corporation. If sent by facsimile transmission, such notice shall be deemed to be delivered when the facsimile transmission is promptly confirmed by telephone confirmation thereof. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 5. STOCKHOLDERS LIST. The officer having charge of the stock ledger of the Corporation shall make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at such meeting arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 6. QUORUM. The holders of a majority of the outstanding shares of capital stock entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders, except as otherwise provided by statute or by the certificate of incorporation. If a quorum is not present, the holders of a majority of the shares present in person or represented by proxy at the meeting, and entitled to vote at the meeting, may adjourn the meeting to another time and/or place. When a specified item of business requires a vote by a class or series (if the Corporation shall then have outstanding shares of more than one class or series) voting as a class or series, the holders of a majority of the shares of such class or series shall constitute a quorum (as to such class or series) for the transaction of such item of business.

SECTION 7. ADJOURNED MEETINGS. When a meeting is adjourned to another time and place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 8. VOTE REQUIRED. All matters and questions (other than the election of directors) shall, unless otherwise provided by the certificate of incorporation of the Corporation, these by-laws, the rules or regulations of any stock exchange applicable to the Corporation, as otherwise provided by law or pursuant to any regulation applicable to the Corporation or its securities, be decided by the affirmative vote of the holders of a majority in voting power of the shares of stock of the Corporation which are present in person or by proxy and entitled to vote thereon.

SECTION 9. VOTING RIGHTS. Except as otherwise provided by the General Corporation Law of the State of Delaware, by the certificate of incorporation of the Corporation or any amendments thereto or these by-laws, every stockholder shall at every meeting of the stockholders be entitled to cast one (1) vote in person or by proxy for each share of common stock held by such stockholder.

SECTION 10. PROXIES. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him or her by proxy, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally. Any proxy is suspended when the person granting the proxy is present at a meeting of stockholders and elects to vote, except that when such proxy is coupled with an interest and the fact of the interest appears on the face of the proxy, the agent named in the proxy shall have all voting and other rights referred to in the proxy, notwithstanding the presence of the person granting the proxy. At each meeting of the stockholders, and before any voting commences, all proxies submitted at or before the meeting shall be submitted to the secretary or a person designated by the secretary, and no shares may be represented or voted under a proxy that has been found to be invalid or irregular.

SECTION 11. ACTION BY WRITTEN CONSENT. Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken and bearing the dates of signature of the stockholders who signed the consent or consents, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in the state of Delaware, or the Corporation's principal place of business, or an officer or agent of the Corporation having custody of the book or books in which proceedings of meetings of the stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested provided, however, that no consent or consents delivered by certified or registered mail shall be deemed delivered until such consent or consents are actually received at the registered office. All consents properly delivered in accordance with this section shall be deemed to be recorded when so delivered. No written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered to the Corporation as required by this section, written consents signed by the holders of a sufficient number of shares to take such corporate action are so recorded. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the Corporation as provided herein. Any action taken pursuant to such written consent or consents of the stockholders shall have the same force and effect as if taken by the stockholders at a meeting thereof.

SECTION 12. BUSINESS BROUGHT BEFORE AN ANNUAL MEETING. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) brought before the meeting by or at the direction of the Board of Directors or (iii) otherwise properly brought before the meeting by a stockholder who was a stockholder of record at the time of giving notice provided for in this by-law. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than sixty (60) days nor more than ninety (90) days prior to the first anniversary of the prior year's annual meeting; PROVIDED, HOWEVER, that in the event that the annual meeting is changed by more than thirty (30) days from such anniversary date, notice by the stockholder to be timely must be not later than the close of business on the 10th day following the date on which such notice of the date of the annual meeting was mailed or such public announcement was made. A stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting, (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (iii) the class and number of shares of the Corporation which are beneficially owned by the stockholder and (iv) any material interest of the stockholder in such business. Notwithstanding anything in these by-laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this section. The presiding officer of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of this section; if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. For purposes of this section, "public announcement" shall mean disclosure in a press release reported by Dow Jones News Service, Associated Press or a comparable national news service. Nothing in this section shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT").

ARTICLE III

DIRECTORS

SECTION 1. GENERAL POWERS. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to such powers as are herein and in the certificate of incorporation expressly conferred upon it, the Board of Directors shall have and may exercise all the powers of the Corporation, subject to the provisions of the laws of Delaware, the certificate of incorporation and these by-laws.

SECTION 2. NUMBER, ELECTION AND TERM OF OFFICE. The number of directors which shall constitute the first Board of Directors shall be six. Thereafter, subject to any rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors which shall constitute the Board of Directors shall be fixed from time to time by resolution adopted by the affirmative vote of a majority of the total number of directors then in office. The directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the annual meeting of the stockholders and entitled to vote in the election of directors; provided that, whenever the holders of any class or series of capital stock of the Corporation are entitled to elect one or more directors pursuant to the provisions of the certificate of incorporation of the Corporation (including, but not limited to, for purposes of these by-laws, pursuant to any duly authorized certificate of designation), such directors shall be elected by a plurality of the votes of such class or series present in person or represented by proxy at the meeting and entitled to vote in the election of such directors. The directors shall be elected in this manner at the annual meeting of stockholders, except as provided in SECTION 4 of this ARTICLE III, and each director shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

SECTION 3. REMOVAL AND RESIGNATION. Any director or the entire Board of Directors may be removed at any time, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors. Whenever the holders of any class or series are entitled to elect one or more directors by the provisions of the Corporation's certificate of incorporation, the provisions of this section shall apply, in respect to the removal without cause of a director or directors so elected, to the vote of the holders of the outstanding shares of that class or series and not to the vote of the outstanding shares as a whole. Any director may resign at any time upon written notice to the corporation.

SECTION 4. VACANCIES. Subject to any rights of holders of any series of Preferred Stock to fill such newly created directorships or vacancies, any newly created directorships resulting from any increase in the authorized number of directors and any vacancies in the Board of Directors resulting from death, resignation, disqualification or removal from office for cause shall, unless otherwise provided by law or by resolution approved by the affirmative vote of a majority of the total number of directors then in office, be filled only by resolution approved by the affirmative vote of a majority of the total number of directors then in office. Any director so chosen shall hold office until his successor shall have been duly elected and qualified, unless he shall resign, die, become disqualified or be removed for cause.

SECTION 5. ANNUAL MEETINGS. The annual meeting of each newly elected Board of Directors shall be held without other notice than this by-law immediately after, and at the same place as, the annual meeting of stockholders, unless otherwise provided by resolution of the Board.

SECTION 6. OTHER MEETINGS; NOTICE. Meetings, other than the annual meeting, of the Board may be called upon one day's prior written notice to all directors stating the purpose or purposes thereof. Such notice shall be effective upon receipt, in the case of personal delivery or facsimile transmission, and three business days after deposit with the U.S. Postal Service, postage prepaid, if mailed.

SECTION 7. CHAIRMAN OF THE BOARD, QUORUM, REQUIRED VOTE AND ADJOURNMENT. The Board of Directors shall elect, by the affirmative vote of a majority of the total number of directors then in office, a chairman of the board, who shall preside at all meetings of the stockholders and Board of Directors at which he or she is present and shall have such powers and perform such duties as the Board of Directors may from time to time prescribe. If the chairman of the board is not present at a meeting of the stockholders or the Board of Directors, the chief executive officer (if the chief executive officer is a director and is not also the chairman of the board) shall preside at such meeting, and, if the chief executive officer is not present at such meeting, a majority of the directors present at such meeting shall elect one of their members to so preside. A majority of the total number of directors then in office shall constitute a quorum for the transaction of business. Unless by express provision of an applicable law, the certificate of incorporation or these by-laws a different vote is required, the vote of a majority of directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 8. NOMINATIONS.

(a) Only persons who are nominated in accordance with the procedures set forth in these by-laws shall be eligible to serve as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this by-law, who is entitled to vote generally in the election of directors at the meeting and who shall have complied with the notice procedures set forth below in SECTION 8(b).

(b) In order for a stockholder to nominate a person for election to the Board of Directors of the Corporation at a meeting of stockholders, such stockholder shall have delivered timely notice of such stockholder's intent to make such nomination in writing to the secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation (i) in the case of an annual meeting, not less than 60 nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is changed by more than 30 days from such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure of the meeting was made, and (ii) in the case of a special meeting at which directors are to be elected, not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public announcement of the meeting was made. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election as a director at such meeting all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to the stockholder giving the notice (A) the name and address, as they appear on the Corporation's books, of such stockholder and (B) the class and number of shares of the Corporation which are beneficially owned by such stockholder and also which are owned of record by such stockholder; and (iii) as to the beneficial owner, if any, on whose behalf the nomination is made, (A) the name and address of such person and (B) the class and number of shares of the Corporation which are beneficially owned by such person. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee.

(c) No person shall be eligible to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this section. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by this section, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. A stockholder seeking to nominate a person to serve as a director must also comply with all applicable requirements of the Exchange Act, and the rules and regulations thereunder with respect to the matters set forth in this section.

SECTION 9. TELEPHONIC MEETINGS; WRITTEN CONSENTS. Except as may otherwise be provided by applicable law, any action required or permitted to be taken at any meeting of the Board or any committee thereof may be taken without a meeting pursuant to a written consent, in compliance with the General Corporation Law of the State of Delaware and such written consent is filed with the minutes of the proceedings of the Board or such committee. Any meeting of the Board or any committee thereof may be held by conference telephone or similar communication equipment, so long as all Board or committee members participating in the meeting can hear one another clearly, and participation in a meeting by use of conference telephone or similar communication equipment shall constitute presence in person at such meeting.

SECTION 10. COMMITTEES. The Board of Directors may, by resolution passed by a majority of the total number of directors then in office, designate one or more committees, each committee to consist of one or more of the directors of the Corporation, which to the extent provided in such resolution or these by-laws shall have and may exercise the powers of the Board of Directors in the management and affairs of the Corporation except, as otherwise limited by law. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

SECTION 11. COMMITTEE RULES. Each committee of the Board of Directors may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by a resolution of the Board of Directors designating such committee. Unless otherwise provided in such a resolution, the presence of at least a majority of the members of the committee shall be necessary to constitute a quorum. Unless otherwise provided in such a resolution, in the event that a member and that member's alternate, if alternates are designated by the Board of Directors, of such committee is or are absent or disqualified, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member.

SECTION 12. WAIVER OF NOTICE AND PRESUMPTION OF ASSENT. Any member of the Board of Directors or any committee thereof who is present at a meeting shall be conclusively presumed to have waived notice of such meeting except when such member attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Such member shall be conclusively presumed to have assented to any action taken unless his or her dissent shall be entered in the minutes of the meeting or unless his or her written dissent to such action shall be filed with the person acting as the secretary of the meeting before the adjournment thereof or shall be forwarded by registered mail to the secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to any member who voted in favor of such action.

ARTICLE IV

OFFICERS

SECTION 1. NUMBER. The officers of the Corporation shall be elected by the Board of Directors and shall consist of a chief executive officer, a president, one or more vice-presidents, a secretary, a treasurer and such other officers and assistant officers as may be deemed necessary or desirable by the Board of Directors. Any number of offices may be held by the same person. In its discretion, the Board of Directors may choose not to fill any office for any period as it may deem advisable, except that the offices of chief executive officer and secretary shall be filled as expeditiously as possible.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers of the Corporation shall be elected annually by the Board of Directors at its first meeting held after each annual meeting of stockholders or as soon thereafter as conveniently may be. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

SECTION 3. REMOVAL. Any officer or agent elected by the Board of Directors may be removed by the Board of Directors with or without cause, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 4. VACANCIES. Any vacancy occurring in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term by the Board of Directors then in office.

SECTION 5. COMPENSATION. Compensation of all executive officers shall be fixed by the Board of Directors, and no officer shall be prevented from receiving such compensation by virtue of his or her also being a director of the Corporation.

SECTION 6. THE CHIEF EXECUTIVE OFFICER. The chief executive officer, if there shall be one, shall, in the absence of the chairman of the board, preside at all meetings of the stockholders at which he is present; subject to the powers of the Board of Directors, shall have general charge of the business, affairs and property of the Corporation, and control over its officers, agents and employees; and shall see that all orders and resolutions of the Board of Directors are carried into effect. The chief executive officer shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. The chief executive officer shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or as may be provided in these by-laws.

SECTION 7. PRESIDENT. The president, if there shall be one, shall, in the absence or disability of the chief executive officer, act with all of the powers and be subject to all the restrictions of the chief executive officer. The president shall also perform such other duties and have such other powers as the Board of Directors, the chief executive officer or these by-laws may, from time to time, prescribe.

SECTION 8. VICE-PRESIDENTS. The vice-president, or if there shall be more than one, the vice-presidents in the order determined by the Board of Directors or by the chief executive officer, shall, in the absence or disability of the president, act with all of the powers and be subject to all the restrictions of the president. The vice-presidents shall also perform such other duties and have such other powers as the Board of Directors, the chief executive officer or these by-laws may, from time to time, prescribe. The vice-presidents may also be designated as executive vice-presidents or senior vice-presidents, as the Board of Directors may from time to time prescribe.

SECTION 9. THE SECRETARY AND ASSISTANT SECRETARIES. The secretary shall attend all meetings of the Board of Directors, all meetings of the committees thereof and all meetings of the stockholders and record all the proceedings of the meetings in a book or books to be kept for that purpose or shall ensure that his or her designee attends each such meeting to act in such capacity. Under the chief executive officer's supervision, the secretary shall give, or cause to be given, all notices required to be given by these by-laws or by law; shall have such powers and perform such duties as the Board of Directors, the chief executive officer or these by-laws may, from time to time, prescribe; and shall have custody of the corporate seal of the Corporation. The secretary, or an assistant secretary, shall have authority to affix the corporate seal to any instrument requiring it and when so affixed, it may be attested by his or her signature or by the signature of such assistant secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his or her signature. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the Board of Directors, shall, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the Board of Directors, the chief executive officer or secretary may, from time to time, prescribe.

SECTION 10. THE TREASURER AND ASSISTANT TREASURER. The treasurer shall have the custody of the corporate funds and securities; shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation; shall deposit all monies and other valuable effects in the name and to the credit of the Corporation as may be ordered by the Board of Directors; shall cause the funds of the Corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; shall render to the chief executive officer and the Board of Directors, at its regular meeting or when the Board of Directors so requires, an account of the Corporation; and shall have such powers and perform such duties as the Board of Directors, the chief executive officer, the president or these by-laws may, from time to time, prescribe. If required by the Board of Directors, the treasurer shall give the Corporation a bond (which shall be rendered every six years) in such sums and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of treasurer and for the restoration to the Corporation, in case of death, resignation, retirement, or removal from office, of all books, papers, vouchers, money, and other property of whatever kind in the possession or under the control of the treasurer belonging to the Corporation. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the Board of Directors, shall in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer. The assistant treasurers shall perform such other duties and have such other powers as the Board of Directors, the chief executive officer, the president or treasurer may, from time to time, prescribe.

SECTION 11. OTHER OFFICERS, ASSISTANT OFFICERS AND AGENTS. Officers, assistant officers and agents, if any, other than those whose duties are provided for in these by-laws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the Board of Directors.

SECTION 12. ABSENCE OR DISABILITY OF OFFICERS. In the case of the absence or disability of any officer of the Corporation and of any person hereby authorized to act in such officer's place during such officer's absence or disability, the Board of Directors may by resolution delegate the powers and duties of such officer to any other officer or to any director, or to any other person whom it may select.

ARTICLE V

INDEMNIFICATION OF OFFICERS, DIRECTORS AND OTHERS

SECTION 1. NATURE OF INDEMNITY. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "PROCEEDING"), by reason of the fact that he, or a person of whom he or she is the legal representative, is or was a director or officer, of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, fiduciary, or agent of another corporation or of a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless by the Corporation to the fullest extent which it is empowered to do so unless prohibited from doing so by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended against all expense, liability and loss (including attorneys' fees actually and reasonably incurred by such person in connection with such proceeding) and such indemnification shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in SECTION 2 hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding initiated by such person only if such proceeding was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this ARTICLE V shall be a contract right. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

SECTION 2. PROCEDURE FOR INDEMNIFICATION OF DIRECTORS AND OFFICERS. Any indemnification of a director or officer of the Corporation under SECTION 1 of this ARTICLE V or advance of expenses under SECTION 5 of this ARTICLE V shall be made promptly, and in any event within 30 days, upon the written request of the director or officer. If a determination by the Corporation that the director or officer is entitled to indemnification pursuant to this ARTICLE V is required, and the Corporation fails to respond within thirty days to a written request for indemnity, the Corporation shall be deemed to have approved the request. If the Corporation denies a written request for indemnification or advancing of expenses, in whole or in part, or if payment in full pursuant to such request is not made within 30 days, the right to indemnification or advances as granted by this ARTICLE V shall be enforceable by the director or officer in any court of competent jurisdiction. Such person's costs and expenses incurred in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

SECTION 3. ARTICLE NOT EXCLUSIVE. The rights to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this ARTICLE V shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 4. INSURANCE. The Corporation may purchase and maintain insurance on its own behalf and on behalf of any person who is or was a director, officer, employee, fiduciary, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, whether or not the Corporation would have the power to indemnify such person against such liability under this ARTICLE V.

SECTION 5. EXPENSES. Expenses incurred by any person described in SECTION 1 of this ARTICLE V in defending a proceeding shall be paid by the Corporation in advance of such proceeding's final disposition upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

SECTION 6. EMPLOYEES AND AGENTS. Persons who are not covered by the foregoing provisions of this ARTICLE V and who are or were employees or agents of the Corporation, or who are or were serving at the request of the Corporation as employees or agents of another corporation, partnership, joint venture, trust or other enterprise, may be indemnified to the extent authorized at any time or from time to time by the Board of Directors.

SECTION 7. CONTRACT RIGHTS. The provisions of this ARTICLE V shall be deemed to be a contract right between the Corporation and each director or officer who serves in any such capacity at any time while this ARTICLE V and the relevant provisions of the General Corporation Law of the State of Delaware or other applicable law are in effect, and any repeal or modification of this ARTICLE V or any such law shall not affect any rights or obligations then existing with respect to any state of facts or proceeding then existing.

SECTION 8. MERGER OR CONSOLIDATION. For purposes of this ARTICLE V, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this ARTICLE V with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.

ARTICLE VI

CERTIFICATES OF STOCK

SECTION 1. FORM. Every holder of stock in the Corporation shall be entitled to have a certificate, signed by, or in the name of the Corporation by the chief executive officer, any vice-president and the secretary or an assistant secretary of the Corporation, certifying the number of shares owned by such holder in the Corporation. If such a certificate is countersigned (i) by a transfer agent or an assistant transfer agent other than the Corporation or its employee or (ii) by a registrar, other than the Corporation or its employee, the signature of any such chief executive officer, president, vice president, secretary or assistant secretary may be facsimiles. In case any officer or officers who have signed, or whose facsimile signature or signatures have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation whether because of death, resignation or otherwise before such certificate or certificates have been delivered by the Corporation, such certificate or certificates may nevertheless be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer or officers of the Corporation. All certificates for shares shall be consecutively numbered or otherwise identified. The name of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the books of the Corporation. Shares of stock of the Corporation shall only be transferred on the books of the Corporation by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the Corporation of the certificate or certificates for such shares endorsed by the appropriate person or persons, with such evidence of the authenticity of such endorsement, transfer, authorization, and other matters as the Corporation may reasonably require, and accompanied by all necessary stock transfer stamps. In that event, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate or certificates, and record the transaction on its books. The Board of Directors may appoint a bank or trust company organized under the laws of the United States or any state thereof to act as its transfer agent or registrar, or both in connection with the transfer of any class or series of securities of the Corporation.

SECTION 2. LOST CERTIFICATES. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the Corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificate or certificates, or his or her legal representative, to give the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against the Corporation on account of the loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 3. FIXING A RECORD DATE FOR STOCKHOLDER MEETINGS. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the next day preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 4. FIXING A RECORD DATE FOR ACTION BY WRITTEN CONSENT. In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, if permitted by the certificate of incorporation, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by statute, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by statute, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

SECTION 5. FIXING A RECORD DATE FOR OTHER PURPOSES. In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment or any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purposes of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 6. REGISTERED STOCKHOLDERS. Prior to the surrender to the Corporation of the certificate or certificates for a share or shares of stock with a request to record the transfer of such share or shares, the Corporation may treat the registered owner as the person entitled to receive dividends, to vote, to receive notifications, and otherwise to exercise all the rights and powers of an owner. Except as otherwise required by applicable law, the Corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof.

SECTION 7. SUBSCRIPTIONS FOR STOCK. Unless otherwise provided for in the subscription agreement, subscriptions for shares shall be paid in full at such time, or in such installments and at such times, as shall be determined by the Board of Directors. Any call made by the Board of Directors for payment on subscriptions shall be uniform as to all shares of the same class or as to all shares of the same series. In case of default in the payment of any installment or call when such payment is due, the Corporation may proceed to collect the amount due in the same manner as any debt due the Corporation.

ARTICLE VII

GENERAL PROVISIONS

SECTION 1. DIVIDENDS. Dividends upon the capital stock of the Corporation, subject to the provisions of the certificate of incorporation and these by-laws, may be declared by the Board of Directors at any regular or special meeting, pursuant to applicable law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or any other purpose and the directors may modify or abolish any such reserve in the manner in which it was created.

SECTION 2. ISSUANCE OF STOCK. The shares of all classes of stock of the Corporation may be issued by the Corporation from time to time for such consideration as from time to time may be fixed by the Board of Directors of the Corporation, provided that shares of stock having a par value shall not be issued for a consideration less than such par value, as determined by the Board. At any time, or from time to time, the Corporation may grant rights or options to purchase from the Corporation any shares of its stock of any class or classes to run for such period of time, for such consideration, upon such terms and conditions, and in such form as the Board of Directors may determine. The Board of Directors shall have authority, as provided by law, to determine that only a part of the consideration which shall be received by the Corporation for the shares of its stock which it shall issue from time to time, shall be capital; provided, however, that, if all the shares issued shall be shares having a par value, the amount of the part of such consideration so determined to be capital shall be equal to the aggregate par value of such shares. The excess, if any, at any time, of the total net assets of the Corporation over the amount so determined to be capital, as aforesaid, shall be surplus. All classes of stock of the Corporation shall be and remain at all times nonassessable.

SECTION 3. CHECKS, DRAFTS OR ORDERS. All checks, drafts, or other orders for the payment of money by or to the Corporation and all notes and other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation, and in such manner, as shall be determined by resolution of the Board of Directors or a duly authorized committee thereof.

SECTION 4. CONTRACTS. In addition to the powers otherwise granted to the officers pursuant to ARTICLE IV hereof, the Board of Directors may authorize any officer or officers, or any agent or agents, of the Corporation to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

SECTION 5. LOANS. The Corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the Corporation or of its subsidiaries, including any officer or employee who is a director of the Corporation or its subsidiaries, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the Corporation. The loan, guaranty or other assistance may be with or without interest, and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Corporation. Nothing contained in this section shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any statute.

SECTION 6. FISCAL YEAR. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

SECTION 7. The Board of Directors may provide a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 8. VOTING SECURITIES OWNED BY CORPORATION. Voting securities in any other corporation held by the Corporation shall be voted by the chief executive officer, unless the Board of Directors specifically confers authority to vote with respect thereto, which authority may be general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

SECTION 9. INSPECTION OF BOOKS AND RECORDS. The Board of Directors shall have power from time to time to determine to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by the laws of the State of Delaware, unless and until authorized so to do by resolution of the Board of Directors or of the stockholders of the Corporation.

SECTION 10. SECTION HEADINGS. Section headings in these by-laws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

SECTION 11. INCONSISTENT PROVISIONS. In the event that any provision of these by-laws is or becomes inconsistent with any provision of the certificate of incorporation, the General Corporation Law of the State of Delaware or any other applicable law, the provision of these by-laws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

ARTICLE VIII

AMENDMENTS

These by-laws may be amended, altered, or repealed and new by-laws adopted at any meeting of the Board of Directors by a majority vote. The fact that the power to adopt, amend, alter, or repeal the by-laws has been conferred upon the Board of Directors shall not divest the stockholders of the same powers.

TEMPORARY CERTIFICATE--EXCHANGEABLE FOR DEFINITIVE ENGRAVED CERTIFICATE WHEN READY FOR DELIVERY

[LOGO] COMMON STOCK

NUMBER
PCA

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

CUSIP 695156 10 9
SEE REVERSE FOR
CERTAIN DEFINITIONS

THIS CERTIFIES that

IS THE OWNER OF

FULLY PAID AND NONASSESSABLE SHARES OF COMMON STOCK, PAR VALUE $.01 PER SHARE
OF PACKAGING CORPORATION OF AMERICA
(the "Corporation"), transferable on the books of the Corporation by the holder hereof in person or by attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

DATED:

[SEAL]

Chief Financial Officer
and Secretary

Chairman of the Board
and Chief Executive Officer

COUNTERSIGNED AND REGISTERED:
FIRST CHICAGO TRUST COMPANY
OF NEW YORK

TRANSFER AGENT
AND REGISTRAR

AUTHORIZED SIGNATURE

PACKAGING CORPORATION OF AMERICA

The Corporation will furnish without charge to each stockholder who so requests, a copy of the designations, powers, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Any such requests may be addressed to the Secretary of the Corporation.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws and regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - ...... Custodian......
(Cust) (Minor)
under Uniform Gifts to Minors
Act............................
(State)

Additional abbreviations may also be used though not in the above list.

For value received________________________hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

- --

| |

- --

- --

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL
ZIP CODE OF ASSIGNEE)

- --

- --

- --Shares

of the Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint
----

Attorney to transfer the said Stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated
----------------------------- -----------------------------------
(Signature)

Signature(s) Guaranteed:

- -- -----------------------------------

SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17ADI5

THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

EXHIBIT 5.1

[LOGO]

200 East Randolph Drive
Chicago, Illinois 60601

(312) 861-2000

Facsimile:
(312) 861-2200

October 14, 1999

Packaging Corporation of America
1900 West Field Court
Lake Forest, Illinois 60045

Ladies and Gentlemen:

We are acting as special counsel to Packaging Corporation of America, a Delaware corporation (the "Company"), in connection with the proposed registration by the Company of 49,285,240 shares of its Common Stock, par value $.01 per share (the "Common Stock"), including 6,410,240 shares of its Common Stock to cover over-allotments, if any, pursuant to a Registration Statement on Form S-1, originally filed with the Securities and Exchange Commission (the "Commission") on September 13, 1999 under the Securities Act of 1933, as amended (the "Act") (such Registration Statement, as amended or supplemented, is hereinafter referred to as the "Registration Statement"). Of the shares of Common Stock to be registered pursuant to the Registration Statement, up to 8,125,000 shares are being offered by the Company (the "Primary Shares") and up to 41,160,240 shares are being offered by a selling stockholder (the "Secondary Shares").

In that connection, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, corporate records and other instruments as we have deemed necessary for the purposes of this opinion, including (i) the corporate and organizational documents of the Company, including the Certificate of Amendment to Restated Certificate of Incorporation of the Company (the "Certificate of Amendment") to be filed with the Secretary of State of the State of Delaware prior to the sale of the Primary Shares and the Secondary Shares and (ii) minutes and records of the corporate proceedings of the Company with respect to the issuance and sale of the Primary Shares and the original issuance of the Secondary Shares.

For purposes of this opinion, we have assumed the authenticity of all documents submitted to us as originals, the conformity to the originals of all documents submitted to us as copies and the authenticity of the originals of all documents submitted to us as copies. We have also assumed the legal capacity of all natural persons, the genuineness of the signatures of persons signing all documents in connection with which this opinion is rendered, the authority of such persons signing on behalf of the parties thereto other than the Company and the due authorization, execution and delivery of all documents by the parties thereto other than the Company. We have not independently established or verified any facts relevant to the opinions expressed herein, but have relied upon statements and representations of officers and other representatives of the Company and others.

Based upon and subject to the foregoing qualifications, assumptions and limitations and the further limitations set forth below, we are of the opinion that:

(1) Upon filing of the Certificate of Amendment with the Secretary of State of the State of Delaware, the Primary Shares will be duly authorized, and, when the Registration Statement becomes effective under the Act, when the Board of Directors of the Company has taken all necessary action to approve the issuance and sale of the Primary Shares and when appropriate certificates representing the Primary Shares are duly countersigned and registered by the Company's transfer agent/registrar and delivered to the Company's underwriters against payment of the agreed consideration therefor in accordance with the Underwriting Agreement (U.S. Version) and the Underwriting Agreement (International Version), the Primary Shares will be validly issued, fully paid and nonassessable.

(2) The Secondary Shares have been duly authorized, validly issued and fully paid and are nonassessable.

Our opinions expressed above are subject to the qualifications that we express no opinion as to the applicability of, compliance with, or effect of (i) any bankruptcy, insolvency, reorganization, fraudulent transfer, fraudulent conveyance, moratorium or other similar law affecting the enforcement of creditors' rights generally, (ii) general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law), (iii) public policy considerations which may limit the rights of parties to obtain certain remedies and (iv) any laws except the General Corporation Law of the State of Delaware.

We hereby consent to the filing of this opinion with the Commission as Exhibit 5.1 to the Registration Statement. We also consent to the reference to our firm under the heading "Legal Matters" in the Registration Statement. In giving this consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission. This opinion and consent may be incorporated by reference in a subsequent registration

[LOGO]

statement on Form S-1 filed pursuant to Rule 462(b) under the Act with respect to the registration of additional securities for sale in the offerings contemplated by the Registration Statement.

We do not find it necessary for the purposes of this opinion, and accordingly we do not purport to cover herein, the application of the securities or "Blue Sky" laws of the various states to the issuance and sale of the Primary Shares and the sale of the Secondary Shares.

This opinion is limited to the specific issues addressed herein, and no opinion may be inferred or implied beyond that expressly stated herein. We assume no obligation to revise or supplement this opinion should the General Corporation Law of the State of Delaware be changed by legislative action, judicial decision or otherwise.

This opinion is furnished to you in connection with the filing of the Registration Statement, and is not to be used, circulated, quoted or otherwise relied upon for any other purposes.

Sincerely,

/s/ KIRKLAND & ELLIS

Kirkland & Ellis

EXHIBIT 10.18

PACKAGING CORPORATION OF AMERICA

1999 LONG-TERM EQUITY INCENTIVE PLAN

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PACKAGING CORPORATION OF AMERICA
1999 LONG-TERM EQUITY INCENTIVE PLAN

1. PURPOSE.

This plan shall be known as the Packaging Corporation of America 1999 Long-Term Equity Incentive Plan (the "Plan"). The purpose of the Plan shall be to promote the long-term growth and profitability of Packaging Corporation of America (the "Company") and its Subsidiaries by (i) providing certain directors, officers and employees of, and certain other individuals who perform services for, or to whom an offer of employment has been extended by, the Company and its Subsidiaries with incentives to maximize stockholder value and otherwise contribute to the success of the Company and (ii) enabling the Company to attract, retain and reward the best available persons for positions of responsibility. Grants of incentive or non-qualified stock options, stock appreciation rights ("SARs"), either alone or in tandem with options, restricted stock, performance awards, or any combination of the foregoing may be made under the Plan.

2. DEFINITIONS.

(a) "BOARD OF DIRECTORS" and "BOARD" mean the board of directors of the Company.

(b) "CAUSE" means the occurrence of one or more of the following events:

(i) a participant's theft or embezzlement, or attempted theft or embezzlement, of money or property of the Company or its Subsidiaries, perpetration or attempted perpetration of fraud, or participation in a fraud or attempted fraud, on the Company or its Subsidiaries or unauthorized appropriation of, or attempt to misappropriate, any tangible or intangible assets or property of the Company or its Subsidiaries;

(ii) any act or acts of disloyalty, misconduct or moral turpitude by a participant injurious to the interest, property, operations, business or reputation of the Company or its Subsidiaries or conviction of a participant of a crime the commission of which results in injury to the Company or its Subsidiaries; or

(iii) a participant's failure or inability (other than by reason of his or her permanent disability) to carry out effectively his or her duties and obligations to the Company or its Subsidiaries or to participate effectively and actively in the management of the Company or its Subsidiaries, as determined in the reasonable judgment of the Board.

(c) "CHANGE IN CONTROL" means the occurrence of one of the following events:

(i) if any "person" or "group" as those terms are used in Sections 13(d) and 14(d) of the Exchange Act or any successors thereto, other than an Exempt Person, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act or any successor thereto), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities; or

(ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board and any new directors whose election by the Board or nomination for election by the Company's stockholders was approved by at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election was previously so approved, cease for any reason to constitute a majority thereof; or

(iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation (A) which would result in all or a portion of the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) by which the corporate existence of the Company is not affected and following which the Company's chief executive officer and directors retain their positions with the Company (and constitute at least a majority of the Board); or

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets, other than a sale to an Exempt Person.

(d) "CODE" means the Internal Revenue Code of 1986, as amended.

(e) "COMMITTEE" means the Compensation Committee of the Board, which shall consist solely of two or more members of the Board.

(f) "COMMON STOCK" means the Common Stock, par value $.01 per share, of the Company, and any other shares into which such stock may be changed by reason of a recapitalization, reorganization, merger, consolidation or any other change in the corporate structure or capital stock of the Company.

(g) "COMPETITION" is deemed to occur if a person whose employment with the Company or its Subsidiaries has terminated obtains a position as a full-time or part-time employee of, as a member of the board of directors of, or as a consultant or advisor with or to, or acquires an ownership interest in excess of 5% of, a corporation, partnership, firm or other entity that engages in any of the businesses of the Company or any Subsidiary with which the person was involved in a management role at any time during his or her last five years of employment with or other service for the Company or any Subsidiaries.

(h) "DISABILITY" means a disability that would entitle an eligible participant to payment of monthly disability payments under any Company disability plan or as otherwise determined by the Committee.

(i) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(j) "EXEMPT PERSON" means (i) PCA Holdings LLC, Madison Dearborn Partners, Inc. and Madison Dearborn Partners LLC, (ii) any person, entity or group under the control of any party included in clause (i), or (iii) any employee benefit plan of the Company or a trustee or other administrator or fiduciary holding securities under an employee benefit plan of the Company.

(k) "FAMILY MEMBER" has the meaning given to such term in General Instructions A.1(a)(5) to Form S-8 under the Securities Act of 1933, as amended, and any successor thereto.

(l) "FAIR MARKET VALUE" of a share of Common Stock of the Company means, as of the date in question, the officially-quoted closing selling price of the stock (or if no selling price is quoted, the bid price) on the principal securities exchange on which the Common Stock is then listed for trading (including for this purpose the Nasdaq National Market) (the "Market") for the applicable trading day or, if the Common Stock is not then listed or quoted in the Market, the Fair Market Value shall be the fair value of the Common Stock determined in good faith by the Board; provided, however, that when shares received upon exercise of an option are immediately sold in the open market, the net sale price received may be used to determine the Fair Market Value of any shares used to pay the exercise price or applicable withholding taxes and to compute the withholding taxes.

(m) "INCENTIVE STOCK OPTION" means an option conforming to the requirements of Section 422 of the Code and any successor thereto.

(n) "NON-EMPLOYEE DIRECTOR" has the meaning given to such term in Rule 16b-3 under the Exchange Act and any successor thereto.

(o) "NON-QUALIFIED STOCK OPTION" means any stock option other than an Incentive Stock Option.

(p) "OTHER COMPANY SECURITIES" mean securities of the Company other than Common Stock, which may include, without limitation, unbundled stock units or components thereof, debentures, preferred stock, warrants and securities convertible into or exchangeable for Common Stock or other property.

(q) "RETIREMENT" means retirement as defined under any Company pension plan or retirement program or termination of one's employment on retirement with the approval of the Committee.

(r) "SUBSIDIARY" means a corporation or other entity of which outstanding shares or ownership interests representing 50% or more of the combined voting power of such corporation or other entity entitled to elect the management thereof, or such lesser percentage as may be approved by the Committee, are owned directly or indirectly by the Company.

3. ADMINISTRATION.

The Plan shall be administered by the Committee; provided that the Board may, in its discretion, at any time and from time to time, resolve to administer the Plan, in which case the term "Committee" shall be deemed to mean the Board for all purposes herein. Subject to the provisions of the Plan, the Committee shall be authorized to (i) select persons to participate in the Plan, (ii) determine the form and substance of grants made under the Plan to each participant, and the conditions and restrictions, if any, subject to which such grants will be made, (iii) certify that the conditions and restrictions applicable to any grant have been met, (iv) modify the terms of grants made under the Plan, (v) interpret the Plan and grants made thereunder, (vi) make any adjustments necessary or desirable in connection with grants made under the Plan to eligible participants located outside the United States and (vii) adopt, amend, or rescind such rules and regulations, and make such other determinations, for carrying out the Plan as it may deem appropriate. Decisions of the Committee on all matters relating to the Plan shall be in the Committee's sole discretion and shall be conclusive and binding on all parties. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with applicable federal and state laws and rules and regulations promulgated pursuant thereto. No member of the Committee and no officer of the Company shall be liable for any action taken or omitted to be taken by such member, by any other member of the Committee or by any officer of the Company in connection with the performance of duties under the Plan, except for such person's own willful misconduct or as expressly provided by statute.

The expenses of the Plan shall be borne by the Company. The Plan shall not be required to establish any special or separate fund or make any other segregation of assets to assume the payment of any award under the Plan, and rights to the payment of such awards shall be no greater than the rights of the Company's general creditors.

4. SHARES AVAILABLE FOR THE PLAN.

Subject to adjustments as provided in Section 15, an aggregate of 4,200,000 shares of Common Stock (the "Shares") may be issued pursuant to the Plan. Such Shares may be in whole or in part authorized and unissued or held by the Company as treasury shares. If any grant under the Plan expires or terminates unexercised, becomes unexercisable or is forfeited as to any Shares, or is tendered or withheld as to any shares in payment of the exercise price of the grant or the taxes payable with respect to the exercise, then such unpurchased, forfeited, tendered or withheld Shares shall thereafter be available for further grants under the Plan unless, in the case of options granted under the Plan, related SARs are exercised.

Without limiting the generality of the foregoing provisions of this Section 4 or the generality of the provisions of Sections 3, 6 or 17 or any other section of this Plan, the Committee may, at any time or from time to time, and on such terms and conditions (that are consistent with and not in contravention of the other provisions of this Plan) as the Committee may, in its sole discretion, determine, enter into agreements (or take other actions with respect to the options) for new options containing terms (including exercise prices) more (or less) favorable than the outstanding options.

5. PARTICIPATION.

Participation in the Plan shall be limited to those directors (including Non-Employee Directors), officers (including non-employee officers) and employees of, and other individuals performing services for, or to whom an offer of employment has been extended by, the Company and its Subsidiaries selected by the Committee (including participants located outside the United States). Nothing in the Plan or in any grant thereunder shall confer any right on a participant to continue in the employ as a director or officer of or in the performance of services for the Company or shall interfere in any way with the right of the Company to terminate the employment or performance of services or to reduce the compensation or responsibilities of a participant at any time. By accepting any award under the Plan, each participant and each person claiming under or through him or her shall be conclusively deemed to have indicated his or her acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Committee.

Incentive Stock Options or Non-qualified Stock Options, SARs, alone or in tandem with options, restricted stock awards, performance awards, or any combination thereof, may be granted to such persons and for such number of Shares as the Committee shall determine (such individuals to whom grants are made being sometimes herein called "optionees" or "grantees," as the case may be). Determinations made by the Committee under the Plan need not be uniform and may be made selectively among eligible individuals under the Plan, whether or not such individuals are similarly situated. A grant of any type made hereunder in any one year to an eligible participant shall neither guarantee nor preclude a further grant of that or any other type to such participant in that year or subsequent years.

6. INCENTIVE AND NON-QUALIFIED OPTIONS AND SARs.

The Committee may from time to time grant to eligible participants Incentive Stock Options, Non-qualified Stock Options, or any combination thereof; provided that the Committee may grant Incentive Stock Options only to eligible employees of the Company or its subsidiaries (as defined for this purpose in Section 424(f) of the Code or any successor thereto). In any one calendar year, the Committee shall not grant to any one participant options or SARs to purchase a number of shares of Common Stock in excess of 20% of the total number of Shares authorized under the Plan pursuant to Section 4. The options granted shall take such form as the Committee shall determine, subject to the following terms and conditions.

It is the Company's intent that Non-qualified Stock Options granted under the Plan not be classified as Incentive Stock Options, that Incentive Stock Options be consistent with and contain or be deemed to contain all provisions required under Section 422 of the Code and any successor thereto, and that any ambiguities in construction be interpreted in order to effectuate such intent. If an Incentive Stock Option granted under the Plan does not qualify as such for any reason, then to the extent of such non-qualification, the stock option represented thereby shall be regarded as a Non-qualified Stock Option duly granted under the Plan, provided that such stock option otherwise meets the Plan's requirements for Non-qualified Stock Options.

(a) PRICE. The price per Share deliverable upon the exercise of each option ("exercise price") shall be established by the Committee, except that in the case of the grant of any Incentive Stock Option, the exercise price may not be less than 100% of the Fair Market Value of a share of Common Stock as of the date of grant of the option, and in the case of the grant of any Incentive Stock Option to an employee who, at the time of the grant, owns more than 10% of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, the exercise price may not be less than 110% of the Fair Market Value of a share of Common Stock as of the date of grant of the option, in each case unless otherwise permitted by Section 422 of the Code or any successor thereto.

(b) PAYMENT. Options may be exercised, in whole or in part, upon payment of the exercise price of the Shares to be acquired. Unless otherwise determined by the Committee, payment shall be made (i) in cash (including check, bank draft, money order or wire transfer of immediately available funds), (ii) by delivery of outstanding shares of Common Stock with a Fair Market Value on the date of exercise equal to the aggregate exercise price payable with respect to the options' exercise, (iii) by simultaneous sale through a broker reasonably acceptable to the Committee of Shares acquired on exercise, as permitted under Regulation T of the Federal Reserve Board, (iv) by authorizing the Company to withhold from issuance a number of Shares issuable upon exercise of the options which, when multiplied by the Fair Market Value of a share of Common Stock on the date of exercise, is equal to the aggregate exercise price payable with respect to the options so exercised or (v) by any combination of the foregoing. Options may also be exercised upon payment of the exercise price of the Shares to be acquired by delivery of the optionee's promissory note, but only to the extent specifically approved by and in accordance with the policies of the Committee.

In the event a grantee elects to pay the exercise price payable with respect to an option pursuant to clause (ii) above, (A) only a whole number of share(s) of Common Stock (and not fractional shares of Common Stock) may be tendered in payment, (B) such grantee must present evidence acceptable to the Company that he or she has owned any such shares of Common Stock tendered in payment of the exercise price (and that such tendered shares of Common Stock have not been subject to any substantial risk of forfeiture) for at least six months prior to the date of exercise, and (C) Common Stock must be delivered to the Company. Delivery for this purpose may, at the election of the grantee, be made either by (A) physical delivery of the certificate(s) for all such shares of Common Stock tendered in payment of the price, accompanied by duly executed instruments of transfer in a form acceptable to the Company, or (B) direction to the grantee's broker to transfer, by book entry, such shares of Common Stock from a brokerage account of the grantee to a brokerage account specified by the Company. When payment of the exercise price is made by delivery of Common Stock, the difference, if any, between the aggregate exercise price payable with respect to the option being exercised and the Fair Market Value of the shares of Common Stock tendered in payment (plus any applicable taxes) shall be paid in cash. No grantee may tender shares of

Common Stock having a Fair Market Value exceeding the aggregate exercise price payable with respect to the option being exercised (plus any applicable taxes).

In the event a grantee elects to pay the exercise price payable with respect to an option pursuant to clause (iv) above, (A) only a whole number of Share(s) (and not fractional Shares) may be withheld in payment and (B) such grantee must present evidence acceptable to the Company that he or she has owned a number of shares of Common Stock at least equal to the number of Shares to be withheld in payment of the exercise price (and that such owned shares of Common Stock have not been subject to any substantial risk of forfeiture) for at least six months prior to the date of exercise. When payment of the exercise price is made by withholding of Shares, the difference, if any, between the aggregate exercise price payable with respect to the option being exercised and the Fair Market Value of the Shares withheld in payment (plus any applicable taxes) shall be paid in cash. No grantee may authorize the withholding of Shares having a Fair Market Value exceeding the aggregate exercise price payable with respect to the option being exercised (plus any applicable taxes). Any withheld Shares shall no longer be issuable under such option (except pursuant to any Reload Option (as defined below) with respect to any such withheld Shares).

(c) TERMS OF OPTIONS. The term during which each option may be exercised shall be determined by the Committee, but if required by the Code and except as otherwise provided herein, no option shall be exercisable in whole or in part more than ten years from the date it is granted, and no Incentive Stock Option granted to an employee who at the time of the grant owns more than 10% of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries shall be exercisable more than five years from the date it is granted. All rights to purchase Shares pursuant to an option shall, unless sooner terminated, expire at the date designated by the Committee. The Committee shall determine the date on which each option shall become exercisable and may provide that an option shall become exercisable in installments. The Shares constituting each installment may be purchased in whole or in part at any time after such installment becomes exercisable, subject to such minimum exercise requirements as may be designated by the Committee. Prior to the exercise of an option and delivery of the Shares represented thereby, the optionee shall have no rights as a stockholder with respect to any Shares covered by such outstanding option (including any dividend or voting rights).

(d) LIMITATIONS ON GRANTS. If required by the Code, the aggregate Fair Market Value (determined as of the grant date) of Shares for which an Incentive Stock Option is exercisable for the first time during any calendar year under all equity incentive plans of the Company and its Subsidiaries (as defined in Section 422 of the Code or any successor thereto) may not exceed $100,000.

(e) TERMINATION; CHANGE IN CONTROL.

(i) DEATH OR DISABILITY. If a participant ceases to be a director, officer or employee of, or to perform other services for, the Company and any Subsidiary due to death or Disability, all of the participant's options and SARs shall become fully vested and exercisable and shall remain so for a period of 180 days from the date of such death or Disability, but in no event after the expiration date of the options or SARs. Notwithstanding the foregoing, if the Disability giving rise to the termination of employment is not within the meaning of Section 22(e)(3) of the Code or any successor thereto, Incentive Stock Options not exercised by such participant within 90 days after the date of termination of employment will cease to qualify as Incentive Stock Options and will be treated as Non-qualified Stock Options under the Plan if required to be so treated under the Code.

(ii) RETIREMENT. If a participant ceases to be a director, officer or employee of, or to perform other services for, the Company and any Subsidiary upon the occurrence of his or her Retirement, (A) all of the participant's options and SARs that were exercisable on the date of Retirement shall remain exercisable for, and shall otherwise terminate at the end of, a period of 90 days after the date of Retirement, but in no event after the expiration date of the options or SARs; provided that the participant does not engage in Competition during such 90-day period unless he or she receives written consent to do so from the Board or the Committee, and (B) all of the participant's options and SARs that were not exercisable on the date of Retirement shall be forfeited immediately upon such Retirement; provided, however, that such options and SARs may become fully vested and exercisable in the discretion of the Committee. Notwithstanding the foregoing, Incentive Stock Options not exercised by such participant within 90 days after Retirement will cease to qualify as Incentive Stock Options and will be treated as Non-qualified Stock Options under the Plan if required to be so treated under the Code.

(iii) DISCHARGE FOR CAUSE. If a participant ceases to be a director, officer or employee of, or to perform other services for, the Company or a Subsidiary due to Cause, or if a participant does not become a director, officer or employee of, or does not begin performing other services for, the Company or a Subsidiary for any reason, all of the participant's options and SARs shall expire and be forfeited immediately upon such cessation or non-commencement, whether or not then exercisable.

(iv) OTHER TERMINATION. Unless otherwise determined by the Committee, if a participant ceases to be a director, officer or employee of, or to otherwise perform services for, the Company or a Subsidiary for any reason other than death, Disability, Retirement or Cause, (A) all of the participant's options and SARs that were exercisable on the date of such cessation shall remain exercisable for, and shall otherwise terminate at the end of, a period of 90 days after the date of such cessation, but in no event after the expiration date of the options or SARs; provided that the participant does not engage in Competition during such 90-day period unless he or she receives written consent to do so from the Board or the Committee, and (B) all of the participant's options and SARs that were not exercisable on the date of such cessation shall be forfeited immediately upon such cessation.

(v) CHANGE IN CONTROL. If there is a Change in Control of the Company and a participant is terminated from being a director, officer or employee of, or from performing other services for, the Company or a subsidiary within one year after such Change in Control, all of the participant's options and SARs shall become fully vested and exercisable upon such termination and shall remain so for one year after the date of termination, but in no event after the expiration date of the options or SARS. In addition, the Compensation Committee shall have the authority to grant options that become fully vested and exercisable automatically upon a Change in Control, whether or not the grantee is subsequently terminated.

(f) GRANT OF RELOAD OPTIONS. The Committee may provide (either at the time of grant or exercise of an option), in its discretion, for the grant to a grantee who exercises all or any portion of an option ("Exercised Options") and who pays all or part of such exercise price with shares of Common Stock, of an additional option (a "Reload Option") for a number of shares of Common Stock equal to the sum (the "Reload Number") of the number of shares of Common Stock tendered or withheld in payment of such exercise price for the Exercised Options plus, if so provided by the Committee, the number of shares of Common Stock, if any, tendered or withheld by the grantee or withheld by the Company in connection with the exercise of the Exercised Options to satisfy any federal, state or local tax withholding requirements. The terms of each Reload Option, including the date of its expiration and the terms and conditions of its exercisability and transferability, shall be the same as the terms of the Exercised Option to which it relates, except that (i) the grant date for each Reload Option shall be the date of exercise of the Exercised Option to which it relates and (ii) the exercise price for each Reload Option shall be the Fair Market Value of the Common Stock on the grant date of the Reload Option.

7. STOCK APPRECIATION RIGHTS.

The Committee shall have the authority to grant SARs under this Plan, either alone or to any optionee in tandem with options (either at the time of grant of the related option or thereafter by amendment to an outstanding option). SARs shall be subject to such terms and conditions as the Committee may specify.

No SAR may be exercised unless the Fair Market Value of a share of Common Stock of the Company on the date of exercise exceeds the exercise price of the SAR or, in the case of SARs granted in tandem with options, any options to which the SARs correspond. Prior to the exercise of the SAR and delivery of the cash and/or Shares represented thereby, the participant shall have no rights as a stockholder with respect to Shares covered by such outstanding SAR (including any dividend or voting rights).

SARs granted in tandem with options shall be exercisable only when, to the extent and on the conditions that any related option is exercisable. The exercise of an option shall result in an immediate forfeiture of any related SAR to the extent the option is exercised, and the exercise of an SAR shall cause an immediate forfeiture of any related option to the extent the SAR is exercised.

Upon the exercise of an SAR, the participant shall be entitled to a distribution in an amount equal to the difference between the Fair Market Value of a share of Common Stock on the date of exercise and the exercise price of the SAR or, in the case of SARs granted in tandem with options, any option to which the SAR is related, multiplied by the number of Shares as to which the SAR is exercised. The Committee shall decide whether such distribution shall be in cash, in Shares having a Fair Market Value equal to such amount, in Other Company Securities having a Fair Market Value equal to such amount or in a combination thereof.

All SARs will be exercised automatically on the last day prior to the expiration date of the SAR or, in the case of SARs granted in tandem with options, any related option, so long as the Fair Market Value of a share of Common Stock on that date exceeds the exercise price of the SAR or any related option, as applicable. An SAR granted in tandem with options shall expire at the same time as any related option expires and shall be transferable only when, and under the same conditions as, any related option is transferable.

8. RESTRICTED STOCK.

The Committee may at any time and from time to time grant Shares of restricted stock under the Plan to such participants and in such amounts as it determines. Each grant of restricted stock shall specify the applicable restrictions on such Shares, the duration of such restrictions (which shall be at least six months except as otherwise determined by the Committee or provided in the third paragraph of this Section 8), and the time or times at which such restrictions shall lapse with respect to all or a specified number of Shares that are part of the grant.

The participant will be required to pay the Company the aggregate par value of any Shares of restricted stock (or such larger amount as the Board may determine to constitute capital under Section 154 of the Delaware General Corporation Law, as amended, or any successor thereto) within ten days of the date of grant, unless such Shares of restricted stock are treasury shares. Unless otherwise determined by the Committee, certificates representing Shares of restricted stock granted under the Plan will be held in escrow by the Company on the participant's behalf during any period of restriction thereon and will bear an appropriate legend specifying the applicable restrictions thereon, and the participant will be required to execute a blank stock power therefor. Except as otherwise provided by the Committee, during such period of restriction the participant shall have all of the rights of a holder of Common Stock, including but not limited to the rights to receive dividends and to vote, and any stock or other securities received as a distribution with respect to such participant's restricted stock shall be subject to the same restrictions as then in effect for the restricted stock.

Except as otherwise provided by the Committee, immediately prior to a Change in Control or at such time as a participant ceases to be a director, officer or employee of, or to otherwise perform services for, the Company and its Subsidiaries due to death, Disability or Retirement during any period of restriction, all restrictions on Shares granted to such participant shall lapse. At such time as a participant ceases to be, or in the event a participant does not become, a director, officer or employee of, or otherwise performing services for, the Company or its Subsidiaries for any other reason, all Shares of restricted stock granted to such participant on which the restrictions have not lapsed shall be immediately forfeited to the Company.

9. PERFORMANCE AWARDS.

Performance awards may be granted to participants at any time and from time to time as determined by the Committee. The Committee shall have complete discretion in determining the size and composition of performance awards granted to a participant and the appropriate period over which performance is to be measured (a "performance cycle"). Performance awards may include (i) specific dollar-value target awards (ii) performance units, the value of each such unit being determined by the Committee at the time of issuance, and/or (iii) performance Shares, the value of each such Share being equal to the Fair Market Value of a share of Common Stock.

The value of each performance award may be fixed or it may be permitted to fluctuate based on a performance factor (e.g., return on equity) selected by the Committee.

The Committee shall establish performance goals and objectives for each performance cycle on the basis of such criteria and objectives as the Committee may select from time to time, including, without limitation, the performance of the participant, the Company, one or more of its Subsidiaries or divisions or any combination of the foregoing. During any performance cycle, the Committee shall have the authority to adjust the performance goals and objectives for such cycle for such reasons as it deems equitable.

The Committee shall determine the portion of each performance award that is earned by a participant on the basis of the Company's performance over the performance cycle in relation to the performance goals for such cycle. The earned portion of a performance award may be paid out in Shares, cash, Other Company Securities, or any combination thereof, as the Committee may determine.

A participant must be a director, officer or employee of, or otherwise perform services for, the Company or its Subsidiaries at the end of the performance cycle in order to be entitled to payment of a performance award issued in respect of such cycle; provided, however, that except as otherwise determined by the Committee, if a participant ceases to be a director, officer or employee of, or to otherwise perform services for, the Company and its Subsidiaries upon his or her death, Retirement, or Disability prior to the end of the performance cycle, the participant shall earn a proportionate portion of the performance award based upon the elapsed portion of the performance cycle and the Company's performance over that portion of such cycle.

In the event of a Change in Control, a participant shall earn no less than the portion of the performance award that the participant would have earned if the applicable performance cycle(s) had terminated as of the date of the Change in Control.

10. WITHHOLDING TAXES.

(a) PARTICIPANT ELECTION. Unless otherwise determined by the Committee, a participant may elect to deliver shares of Common Stock (or have the Company withhold shares acquired upon exercise of an option or SAR or deliverable upon grant or vesting of restricted stock, as the case may be) to satisfy, in whole or in part, the amount the Company is required to withhold for taxes in connection with the exercise of an option or SAR or the delivery of restricted stock upon grant or vesting, as the case may be. Such election must be made on or before the date the amount of tax to be withheld is determined. Once made, the election shall be irrevocable. The fair market value of the shares to be withheld or delivered will be the Fair Market Value as of the date the amount of tax to be withheld is determined. In the event a participant elects to deliver, or to have the Company withhold shares of Common Stock pursuant to this Section 10(a), such delivery or withholding must be made subject to the conditions and pursuant to the procedures set forth in Section 6(b) with respect to the delivery or withholding of Common Stock in payment of the exercise price of options.

(b) COMPANY REQUIREMENT. The Company may require, as a condition to any grant or exercise under the Plan or to the delivery of certificates for Shares issued hereunder, that the grantee make provision for the payment to the Company, either pursuant to Section 10(a) or this Section 10(b), of federal, state or local taxes of any kind required by law to be withheld with respect to any grant or delivery of Shares. The Company, to the extent permitted or required by law, shall have the right to deduct from any payment of any kind (including salary or bonus) otherwise due to a grantee, an amount equal to any federal, state or local taxes of any kind required by law to be withheld with respect to any grant or delivery of Shares under the Plan.

11. WRITTEN NOTICE; VESTING.

Each employee to whom a grant is made under the Plan shall be sent a written notice from the Company that shall contain such provisions, including without limitation vesting requirements, consistent with the provisions of the Plan, as may be approved by the Committee. Unless the Committee determines otherwise and except as otherwise provided in Sections 6, 7, 8 and 9 in connection with a Change of Control or certain occurrences of termination, no grant under this Plan may be exercised, and no restrictions relating thereto may lapse, within six months of the date such grant is made.

12. TRANSFERABILITY.

Unless the Committee determines otherwise, no option, SAR, performance award or restricted stock granted under the Plan shall be transferable by a participant other than by will or the laws of descent and distribution or to a participant's Family Member by gift. Unless the Committee determines otherwise, an option, SAR or performance award may be exercised only by the optionee or grantee thereof; by his or her Family Member if such person has acquired the option, SAR or performance award by gift; by the executor or administrator of the estate of any of the foregoing or any person to whom the Option is transferred by will or the laws of descent and distribution; or by the guardian or legal representative of any of the foregoing; provided that Incentive Stock Options may be exercised by any Family Member, guardian or legal representative only if permitted by the Code and any regulations thereunder.

13. LISTING, REGISTRATION AND QUALIFICATION.

If the Committee determines that the listing, registration or qualification upon any securities exchange or under any law of Shares subject to any option, SAR, performance award or restricted stock grant is necessary or desirable as a condition of, or in connection with, the granting of same or the issue or purchase of Shares thereunder, no such option or SAR may be exercised in whole or in part, no such performance award may be paid out, and no Shares may be issued, unless such listing, registration or qualification is effected free of any conditions not acceptable to the Committee.

14. TRANSFER OF EMPLOYEE.

The transfer of an employee from the Company to a Subsidiary, from a Subsidiary to the Company, or from one Subsidiary to another shall not be considered a termination of employment; nor shall it be considered a termination of employment if an employee is placed on military or sick leave or such other leave of absence which is considered by the Committee as continuing intact the employment relationship.

15. ADJUSTMENTS.

In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, distribution of assets, or any other change in the corporate structure or shares of the Company, the Committee shall make such adjustment as it deems appropriate in the number and kind of Shares or other property reserved for issuance under the Plan, in the number and kind of Shares or other property covered by grants previously made under the Plan, and in the exercise price of outstanding options and SARs. Any such adjustment shall be final, conclusive and binding for all purposes of the Plan. In the event of any merger, consolidation or other reorganization in which the Company is not the surviving or continuing corporation or in which a Change in Control is to occur, all of the Company's obligations regarding options, SARs, performance awards, and restricted stock that were granted hereunder and that are outstanding on the date of such event shall, on such terms as may be approved by the Committee prior to such event, be assumed by the surviving or continuing corporation or canceled in exchange for property (including cash).

Without limitation of the foregoing, in connection with any transaction of the type specified by clause (iii) of the definition of a Change in Control in Section 2(c), the Committee may, in its discretion, (i) cancel any or all outstanding options under the Plan in consideration for payment to the holders thereof of an amount equal to the portion of the consideration that would have been payable to such holders pursuant to such transaction if their options had been fully exercised immediately prior to such transaction, less the aggregate exercise price that would have been payable therefor, or (ii) if the amount that would have been payable to the option holders pursuant to such transaction if their options had been fully exercised immediately prior thereto would be equal to or less than the aggregate exercise price that would have been payable therefor, cancel any or all such options for no consideration or payment of any kind. Payment of any amount payable pursuant to the preceding sentence may be made in cash or, in the event that the consideration to be received in such transaction includes securities or other property, in cash and/or securities or other property in the Committee's discretion.

16. AMENDMENT AND TERMINATION OF THE PLAN.

The Board of Directors or the Committee, without approval of the stockholders, may amend or terminate the Plan, except that no amendment shall become effective without prior approval of the stockholders of the Company if stockholder approval would be required by applicable law or regulations, including if required for continued compliance with the performance-based compensation exception of Section 162(m) of the Code or any successor thereto, under the provisions of Section 422 of the Code or any successor thereto, or by any listing requirement of the principal stock exchange on which the Common Stock is then listed.

17. AMENDMENT OR SUBSTITUTION OF AWARDS UNDER THE PLAN.

The terms of any outstanding award under the Plan may be amended from time to time by the Committee in its discretion in any manner that it deems appropriate (including, but not limited to, acceleration of the date of exercise of any award and/or payments thereunder or of the date of lapse of restrictions on Shares); provided that, except as otherwise provided in Section 15, no such amendment shall adversely affect in a material manner any right of a participant under the award without his or her written consent, and provided further that the Committee shall not reduce the exercise price of any options or SARs awarded under the Plan without approval of the stockholders of the Company. The Committee may, in its discretion, permit holders of awards under the Plan to surrender outstanding awards in order to exercise or realize rights under other awards, or in exchange for the grant of new awards, or require holders of awards to surrender outstanding awards as a condition precedent to the grant of new awards under the Plan.

18. COMMENCEMENT DATE; TERMINATION DATE.

The date of commencement of the Plan shall be October 19, 1999.

Unless previously terminated upon the adoption of a resolution of the Board terminating the Plan, the Plan shall terminate at the close of business on October 19, 2009; provided that the Board may, prior to such termination, extend the term of the Plan for up to five years for the grant of awards other than Incentive Stock Options. No termination of the Plan shall materially and adversely affect any of the rights or obligations of any person, without his or her written consent, under any grant of options or other incentives theretofore granted under the Plan.

19. GOVERNING LAW.

The Plan shall be governed by the corporate laws of the State of Delaware, without giving effect to any choice of law provisions.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made a part of this registraton statement.

ARTHUR ANDERSEN LLP

Chicago, Illinois
October 15, 1999

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated August 23, 1999 in Amendment No. 2 to the Registration Statement (Form S-1 No. 333-86963) and related Prospectus of Packaging Corporation of America for the initial registration of its common stock.

ERNST & YOUNG LLP

Chicago, Illinois
October 15, 1999