UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

OR

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

FOR THE TRANSITION PERIOD FROM ______________ TO ______________

COMMISSION FILE NUMBER 1-15399

PACKAGING CORPORATION OF AMERICA

(Exact Name of Registrant as Specified in its Charter)

DELAWARE (State or other Jurisdiction of Incorporation or Organization)	36-4277050 (IRS Employer Identification No.)
1900 WEST FIELD COURT LAKE FOREST, ILLINOIS (Address of Principal Executive Offices)	60045 (Zip Code)

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

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

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

As of September 30, 2000, the Registrant had outstanding 106,052,100 shares of common stock, par value $0.01 per share.

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PACKAGING CORPORATION OF AMERICA
CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)	SEPTEMBER 30, 2000 (UNAUDITED)	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 36,673	$ 10,300
Accounts receivable (net of allowance for doubtful accounts of $6,087 and $4,681 as of September 30, 2000 and December 31, 1999, respectively)	227,227	208,356
Notes receivable	550	698
Inventories	159,555	163,858
Prepaid expenses and other current assets	12,086	11,304
Deferred income taxes	--	8,411
TOTAL CURRENT ASSETS	436,091	402,927
Timber and timberlands, at cost, less depletion	184,481	202,582
Property, plant and equipment, net	1,445,785	1,460,024
Intangible assets (net of accumulated amortization of $1,324 and $1,154 as of September 30, 2000 and December 31, 1999, respectively)	1,362	1,532
Other long-term assets	96,957	86,143
TOTAL ASSETS	$2,164,676	$2,153,208
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 12,362	$ 829
Accounts payable	109,576	127,365
Accrued interest	28,105	13,633
Accrued liabilities	85,397	85,643
Deferred income taxes	12,865	--
TOTAL CURRENT LIABILITIES	248,305	227,470
Long-term liabilities:		
Long-term debt	1,194,042	1,329,202
Deferred income taxes	91,584	69,804
Other liabilities	7,590	7,511
TOTAL LONG-TERM LIABILITIES	1,293,216	1,406,517
Mandatorily redeemable preferred stock (liquidation preference $100 per share, 3,000,000 shares authorized, 0 shares and 1,058,094 shares issued and outstanding as of September 30, 2000 and December 31, 1999, respectively)	--	102,522
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, 106,079,570 shares and 94,600,000 shares issued as of September 30, 2000 and December 31, 1999, respectively)	1,061	946
Additional paid in capital	511,309	384,549
Retained earnings	111,099	31,204
Common stock held in treasury, at cost (27,470 shares at September 30, 2000)	(314)	--
TOTAL STOCKHOLDERS' EQUITY	623,155	416,699
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,164,676	$2,153,208

See notes to consolidated financial statements.

PACKAGING CORPORATION OF AMERICA

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	THREE MONTHS ENDED SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 1999
Net sales	$ 468,177	$ 443,503
Cost of sales	(330,932)	(343,532)
Gross profit	137,245	99,971
Selling and administrative expenses	(28,992)	(28,147)
Other income (expense), net	(2,165)	322
Corporate overhead	(9,520)	(8,321)
Income before interest and taxes	96,568	63,825
Interest expense, net	(29,885)	(39,547)
Income before taxes	66,683	24,278
Provision for taxes	(26,674)	(10,110)
Net income	40,009	14,168
Preferred dividends and accretion of preferred stock issuance costs	--	(3,131)
Net income available to common shareholders	$ 40,009	$ 11,037
Weighted average common shares outstanding:		
Basic	105,964	91,467
Diluted	108,295	97,051
Basic earnings per common share:		
Net income per common share	$ 0.38	$ 0.12
Diluted earnings per common share:		
Net income per common share	$ 0.37	$ 0.11

See notes to consolidated financial statements.

PACKAGING CORPORATION OF AMERICA

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	NINE MONTHS ENDED SEPTEMBER 30, 2000 (UNAUDITED)	GROUP (NOTE 1) JAN 1, 1999 THROUGH APRIL 11, 1999	APRIL 12, 1999 THROUGH SEPTEMBER 30, 1999 (UNAUDITED)
Net sales	$ 1,397,003	$ 433,182	$ 816,538
Cost of sales	(1,026,474)	(367,483)	(640,587)
Gross profit	370,529	65,699	175,951
Impairment loss	--	(230,112)	--
Selling and administrative expenses	(83,702)	(30,584)	(53,283)
Other income (expense), net	(98)	(2,207)	56
Corporate allocations / overhead	(28,884)	(14,890)	(13,509)
Income (loss) before interest, taxes and extraordinary item	257,845	(212,094)	109,215
Interest expense, net	(92,278)	(221)	(73,626)
Income (loss) before taxes and extraordinary item	165,567	(212,315)	35,589
Provision for income taxes	(67,035)	83,716	(14,655)
Income (loss) before extraordinary item	98,532	(128,599)	20,934
Extraordinary item, net of tax	--	(6,327)	--
Net income (loss)	98,532	(134,926)	20,934
Preferred dividends and accretion of preferred stock issuance costs	(18,637)	--	(5,809)
Net income (loss) available to common shareholders	$ 79,895	$(134,926)	$ 15,125
Weighted average common shares outstanding:			
Basic	104,471	94,600	92,451
Diluted	106,799	94,600	96,282
Basic earnings per common share:			
Net income (loss) before extraordinary item	$ 0.76	$ (1.36)	$ 0.16
Extraordinary item	--	(0.07)	--
Net income (loss) per common share	$ 0.76	$ (1.43)	$ 0.16
Diluted earnings per common share:			
Net income (loss) before extraordinary item	$ 0.75	$ (1.36)	$ 0.16
Extraordinary item	--	(0.07)	--
Net income (loss) per common share	$ 0.75	$ (1.43)	$ 0.16

See notes to consolidated financial statements.

PACKAGING CORPORATION OF AMERICA

CONSOLIDATED STATEMENTS OF CASH FLOW

(IN THOUSANDS)	NINE MONTHS ENDED SEPTEMBER 30, 2000 (UNAUDITED)	GROUP (NOTE 1) JAN. 1, 1999 THROUGH APRIL 11, 1999	APRIL 12, 1999 THROUGH SEPTEMBER 30, 1999 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 98,532	$ (134,926)	$ 20,934
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, depletion and amortization	106,087	30,905	72,006
Amortization of financing costs	5,456	--	3,946
Extraordinary loss--early debt extinguishment	--	6,327	--
Amortization of deferred gain	--	(493)	--
Increase in deferred income taxes	43,056	9,782	11,309
Undistributed earnings of affiliated companies	(346)	(106)	729
(Gain) loss on disposal of property, plant and equipment	1,578	230,112	(1,016)
Other, net	80	56	274
Changes in components of working capital:			
(Increase) decrease in current assets--			
Accounts receivable	(18,723)	(8,183)	(33,172)
Inventories	4,303	(7,514)	2,805
Prepaid expenses and other	(1,183)	4,201	683
Increase (decrease) in current liabilities--			
Accounts payable	(17,789)	26,996	27,912
Accrued liabilities	17,500	(3,508)	62,758
NET CASH PROVIDED BY OPERATING ACTIVITIES	238,551	153,649	169,168
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(85,148)	(1,128,255)	(49,216)
Other long term assets	(3,112)	2,284	(6,936)
Proceeds from disposals of property, plant and equipment	2,091	825	1,314
Payment to Pactiv for contribution of assets to PCA	--	--	(246,500)
Investments in joint ventures	(500)	--	--
Other, net	(819)	4,001	(391)
NET CASH USED FOR INVESTING ACTIVITIES	(87,488)	(1,121,145)	(301,729)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from preferred stock	--	--	96,500
Redemption of preferred stock	(124,432)	--	--
Proceeds from long-term debt issued	605	1,760,000	9,000
Payments on long-term debt	(127,825)	(27,550)	(109,061)
Proceeds from initial public offering	126,364	--	--
Financing costs	--	--	(89,179)
Proceeds from final settlement of purchase price	--	--	20,000
PCA Holdings equity investment	--	--	236,500
Purchase of treasury stock	(314)	--	--
Issuance of common stock upon exercise of stock options	912	--	--
Decrease in interdivision account	--	(616,769)	--
Working capital transactions with Tenneco and affiliated companies--			
Decrease in receivables from affiliated companies	--	1,353	--
Decrease in factored receivables	--	(150,099)	--
Increase in accounts payable to affiliated companies	--	561	--
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(124,690)	967,496	163,760
NET INCREASE IN CASH	26,373	0	31,199
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	10,300	1	1
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 36,673	$ 1	$ 31,200

See notes to consolidated financial statements.

PACKAGING CORPORATION OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2000

1. BASIS OF PRESENTATION

On April 12, 1999, Pactiv Corporation ("Pactiv"), formerly known as Tenneco Packaging Inc., sold its containerboard and corrugated packaging products business (the "Group") to Packaging Corporation of America ("PCA") for $2.2 billion. The Group is the predecessor to PCA. The $2.2 billion purchase price paid to Pactiv for the Group consisted of $246.5 million in cash, the assumption of $1.8 billion of debt incurred by Pactiv immediately prior to the closing, and the issuance of a 45% common equity interest in PCA. PCA Holdings, an entity organized and controlled by Madison Dearborn Partners, LLC, acquired the remaining 55% common equity interest in PCA for $236.5 million in cash. These events are collectively referred to as the "Transactions." Because significant veto rights were retained by Pactiv, the carryover basis of accounting was used and no goodwill was recognized. Fees of $23.8 million were incurred as part of the Transactions and were recorded as a charge to stockholders' equity.

On August 25, 1999, PCA Holdings and Pactiv agreed that the acquisition consideration should be reduced as a result of a post-closing price adjustment by $20.0 million. On September 23, 1999, Pactiv paid PCA $20.7 million, representing the $20.0 million adjustment and $0.7 million of interest through the date of payment by Pactiv.

PCA's consolidated financial statements as of September 30, 2000 and for the period from April 12, 1999 to September 30, 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 September 30, 2000 are not necessarily indicative of the results that may be expected for the period ending December 31, 2000.

As a result of the Group's relationship with Pactiv, the 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 amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

SEGMENT INFORMATION

PCA 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. PCA has no foreign operations.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS

In July, 2000, the Financial Accounting Standards Board ("FASB") Emerging Issues Task Force ("EITF") reached a final consensus on Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs". The Task Force concluded that all shipping and handling billings to a customer in a sales transaction should be classified as revenue, whereas all shipping and handling costs should be classified as cost of sales. The consensus should be applied in the fourth quarter of fiscal years beginning after December 15, 1999. The Company intends to adopt this guidance in the fourth quarter of 2000. Amounts will be reclassified in all prior periods presented in accordance with Issue No. 00-10.

In December, 1999, the Securities and Exchange Commission's staff issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." The SAB defines basic criteria that must be met before revenue can be recognized. This SAB is effective October 1, 2000. The Company believes that application of this SAB is not expected to have a material impact on PCA's financial position or results of operations.

In June, 1998, Financial Accounting Standards No. 133 ("FAS 133"), "Accounting for Derivative Instruments and Hedging Activities" was issued and is effective for the Company January 1, 2001. FAS 133, as amended by Financial Accounting Standards No. 138, requires the Company to recognize all derivatives as either assets or liabilities and to measure those instruments at fair value. It further provides criteria for derivative instruments to be designated as fair value, cash flow or foreign currency hedges and establishes respective accounting standards for reporting changes in the fair value of the derivative instruments. Upon adoption, the Company will be required to adjust hedging instruments to fair value in the balance sheet and recognize the offsetting gains or losses as adjustments to be reported in net income or other comprehensive income, as appropriate. The Company does not expect the adoption of FAS 133 to have a material impact on its consolidated financial position or results of operations.

3. EARNINGS PER SHARE

Earnings per share for the 1999 periods has been calculated using the historical earnings of the Group and PCA, and the number of shares resulting from the April 12, 1999 transaction (430,000 common shares), as adjusted to reflect the 220-for-one stock split which became effective on October 19, 1999.

3. EARNINGS PER SHARE (CONTINUED)

The following tables set forth the computation of basic and diluted income per common share for the periods presented.

THREE MONTHS ENDED

(IN THOUSANDS, EXCEPT PER SHARE DATA)	THREE MONTHS ENDED SEPT. 30, 2000	THREE MONTHS ENDED SEPT. 30, 1999
Numerator:		
Net income available to common stockholders	$40,009	$11,037
Denominator:		
Basic common shares outstanding	105,964	91,467
Effect of dilutive securities:		
Stock options	2,331	2,451
Non-vested stock	--	3,133
Dilutive common shares outstanding	108,295	97,051
Basic income per common share	$ 0.38	$ 0.12
Diluted income per common share	$ 0.37	$ 0.11

NINE MONTHS ENDED

		GROUP (NOTE 1)	
(IN THOUSANDS, EXCEPT PER SHARE DATA)	NINE MONTHS ENDED SEPT. 30, 2000	JAN 1, 1999 THROUGH APRIL 11, 1999	APRIL 12, 1999 THROUGH SEPT. 30, 1999
Numerator:			
Net income (loss) available to common stockholders	$79,895	$(134,926)	$15,125
Denominator:			
Basic common shares outstanding	104,471	94,600	92,451
Effect of dilutive securities:			
Stock options	2,019	--	1,682
Non-vested stock	309	--	2,149
Dilutive common shares outstanding	106,799	94,600	96,282
Basic income (loss) per common share	$ 0.76	$ (1.43)	$ 0.16
Diluted income (loss) per common share	$ 0.75	$ (1.43)	$ 0.16

4. INVENTORIES

The components of inventories are as follows:

(IN THOUSANDS)	SEPTEMBER 30, 2000	DECEMBER 31, 1999 (AUDITED)
Raw materials	$ 70,225	$ 74,881
Work in progress	5,982	5,021
Finished goods	52,857	56,049
Supplies and materials	50,230	49,605
Inventories at FIFO cost	179,294	185,556
Excess of FIFO over LIFO cost	(19,739)	(21,698)
Inventory, net	$159,555	$163,858

An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Because these are subject to many forces beyond management's control, interim results are subject to the final year-end LIFO inventory valuation.

5. LONG-TERM DEBT

(IN THOUSANDS)	SEPTEMBER 30, 2000	DECEMBER 31, 1999 (AUDITED)
Senior credit facility--		
Term Loan A, weighted average interest at LIBOR (6.66% at Sept. 30, 2000) +1.75%, due in varying quarterly installments through June 30, 2006	$ 522,122	$ 296,148
Term Loan B, weighted average interest at LIBOR (6.66% at Sept. 30, 2000) + 2.00%, due in varying quarterly installments through June 30, 2007	133,878	241,426
Term Loan C, weighted average interest at LIBOR (5.95% at December 31, 1999) + 3.50%, due in varying quarterly installments through April 12, 2008	--	241,426
Senior subordinated notes, interest at 9 5/8% payable semi-annually, due April 1, 2009	550,000	550,000
Other	404	1,031
Total	1,206,404	1,330,031
Less: Current portion	(12,362)	(829)
Total long-term debt	$1,194,042	$1,329,202

5. LONG-TERM DEBT (CONTINUED)

On June 29, 2000, the Company completed the refinancing of its $735.0 million senior secured term debt and $150.0 million senior secured revolving credit facility. The new debt structure was originally at the prime rate until July 5, 2000, when the base rate loans were converted into eurodollar loans. The new refinancing lowered the Company's margins over LIBOR on Term Loans A and B and eliminated Term Loan C, resulting in an average margin reduction of about 100 basis points. The Company incurred approximately $3.4 million in bank syndication and arrangement fees, which were rolled into the current debt structure.

As of September 30, 2000, annual payments for debt during the next five years and all years thereafter are: $12.4 million; $100.4 million; $108.9 million; $118.9 million; $124.0 million and $741.8 million.

6. STOCKHOLDERS' EQUITY

On February 2, 2000, PCA completed an initial public offering of its common stock in which Pactiv Corporation sold 35,000,000 of its 41,160,240 shares of common stock in PCA, and PCA issued an additional 11,250,000 shares. The net proceeds to PCA were approximately $126.4 million at an initial public offering price of $12.00 per share, after deducting underwriting discounts and offering expenses.

PCA used substantially all of 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 March 3, 2000) at a redemption price of 112.375% of its liquidation preference, plus accrued and unpaid dividends through March 3, 2000, the date of redemption. The total paid to redeem the senior exchangeable preferred stock was $124.4 million, which included $5.5 million of accrued and unpaid dividends.

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 and had, prior to February 2, 2000, the right to elect one director to PCA's board of directors. Shares of Junior Preferred Stock may not be reissued after being reacquired in any manner by PCA.

7. 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 $10.6 million was recorded ($6.3 million, net of the related tax effects).

8. 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 Pactiv 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 Transactions. Effective January 1, 2000, Dahlonega Packaging Corporation, PCA Tomahawk Corporation and PCA Valdosta Corporation were

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

merged into PCA. Separate financial statements of the guarantor subsidiaries are not presented because, in the opinion of management, such financial statements are not material to investors.

(IN THOUSANDS)	SEPTEMBER 30, 2000	DECEMBER 31, 1999 (AUDITED)
Current assets	$126	$12,703
Non-current assets	389	14,115
Total assets	515	26,818
Current liabilities	48	2,902
Non-current liabilities	159	4,414
Total liabilities	207	7,316
Net assets	$308	$19,502

(IN THOUSANDS)	NINE MONTHS ENDED SEPT. 30, 2000	1999
Net sales	$--	$33,322
Pre-tax profit	38	2,540
Net income	24	(706)

9. SUBSEQUENT EVENT

On September 26, 2000, PCA entered into an agreement with Southern Timber Ventures, LLC to sell approximately 385,000 acres of timberland. PCA expects to receive from the sale approximately $250.0 million in cash and a 33 1/3% equity ownership interest in Southern Timber Ventures, LLC. PCA expects to close the sale by the end of November, 2000 and to use the net proceeds to make voluntary prepayments on the term loans under its senior credit facility.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

On April 12, 1999, Pactiv Corporation, formerly known as Tenneco Packaging Inc., sold its containerboard and corrugated packaging products business to Packaging Corporation of America for $2.2 billion. We refer to that business in this report as the Group. The $2.2 billion purchase price paid to Pactiv consisted of $246.5 million in cash, the assumption of $1.8 billion of debt incurred by Pactiv immediately prior to the closing, and the issuance of a 45% common equity interest in PCA. PCA Holdings, an entity organized and controlled by Madison Dearborn Partners, LLC, acquired the remaining 55% common equity interest in PCA for $236.5 million in cash. We refer to these events in this report as the Transactions.

From its formation in January 1999 through the closing of the Transactions on April 12, 1999, PCA did not have any significant operations. Accordingly, the historical financial results for the periods prior to April 12, 1999 described below are those of the Group. The historical financial results for the three months and nine months ended September 30, 1999 include the pro forma results of the Group through April 11, 1999, assuming the Transactions had occurred on January 1, 1999.

The Group operated as a division of Pactiv, and did not operate as a separate, stand-alone entity. As a result, the historical financial information of the Group does not reflect what the Group's financial position and results of operations would have been had the Group operated as a separate, stand-alone entity during the periods presented.

PCA's acquisition of the Group as part of the Transactions 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 Pactiv after the closing of the Transactions under the terms of a stockholders agreement.

GENERAL

The market for containerboard has historically been cyclical. 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. Exports represent about 20% of total linerboard shipments.

Pulp & Paper Week, an industry publication, in its October 23, 2000 publication, reported that average linerboard and semi-chemical medium prices for 42 lb. Liner-East and 26 lb. Medium-East, which are representative benchmark grades, remained at $475 and $445 per ton, respectively, from the previous month. The reported price for 42 lb. Liner-East has remained unchanged for eight consecutive months while the reported price for 26 lb Medium-East decreased $15 per ton during the third quarter. According to Pulp & Paper Week, average prices in October, 2000 for linerboard and corrugating medium were 12% and 11% higher, respectively, than October, 1999 prices.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1999

NET SALES

Net sales increased by $24.7 million, or 5.6%, for the three months ended September 30, 2000 from the comparable period in 1999. The increase was the result of increases in sales prices of containerboard and corrugated products.

Total corrugated products volume decreased 2.7% for the three months ended September 30, 2000 from the comparable period in 1999. The decrease was due to the fact that the third quarter of 2000 had two fewer workdays, those days not falling on a holiday or weekend, than the third quarter of 1999. On a comparable shipments-per-workday basis, corrugated products volume was up 0.4% from the third quarter of 1999.

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 $475 and $452, respectively, per ton for the three months ended September 30, 2000. This compares to $425 and $400, respectively, per ton for the three months ended September 30, 1999.

INCOME BEFORE INTEREST EXPENSE AND TAXES

Operating income increased by $32.7 million, or 51.3%, for the three months ended September 30, 2000 compared to the three months ended September 30, 1999. The increase in operating income was primarily attributable to the price increases described above.

Gross margins increased $37.3 million, or 37.3%, for the three months ended September 30, 2000 from the comparable period in 1999. Gross margins increased to 29.3% of sales in the third quarter of 2000 from 22.5% of sales in the third quarter of 1999 due to the price increases described above.

Selling and administrative expenses increased $0.8 million, or 3.0%, for the three months ended September 30, 2000 compared to the three months ended September 30, 1999. The increase was primarily the result of increased salary and selling expenses.

Corporate overhead for the three months ended September 30, 2000 increased by $1.2 million, or 14.4%, from the comparable period in 1999. The third quarter 1999 expenses were lower as a result of some information systems costs being reimbursed to PCA by Pactiv in accordance with the terms of the Transactions.

INTEREST EXPENSE AND INCOME TAXES

Interest expense decreased by $9.7 million, or 24.4%, for the three months ended September 30, 2000 from the three months ended September 30, 1999, primarily as a result of voluntary prepayments PCA made on its term loans under the senior credit facility.

PCA's effective tax rate was 40.0% for the three months ended September 30, 2000 and 41.6% for the comparable period in 1999. The tax rate is higher than the federal statutory rate of 35.0% due to state income taxes.

NINE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO PRO FORMA NINE MONTHS ENDED SEPTEMBER 30, 1999

NET SALES

Net sales increased by $147.3 million, or 11.8%, for the nine months ended September 30, 2000 from the comparable pro forma period in 1999. The increase was primarily the result of increases in sales prices of containerboard and corrugated products.

Total corrugated products volume was essentially flat for the nine months ended September 30, 2000 from the comparable period in 1999. On a comparable shipments-per-workday basis, corrugated products volume was up 0.5% from the first nine months of 1999.

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 $466 and $446, respectively, per ton for the nine months ended September 30, 2000. This compares to $394 and $348, respectively, per ton for the nine months ended September 30, 1999.

INCOME BEFORE INTEREST EXPENSE AND TAXES

Operating income increased by $122.7 million, or 90.8%, for the nine months ended September 30, 2000 compared to the pro forma nine months ended September 30, 1999. The increase in operating income was primarily attributable to the price increases described above.

Gross margins increased $123.9 million, or 50.3%, for the nine months ended September 30, 2000 from the comparable pro forma period in 1999. Gross margins increased to 26.5% of sales in the first nine months of 2000 from 19.7% of sales in the pro forma first nine months of 1999 due primarily to the price increases described above.

Selling and administrative expenses increased $0.4 million, or 0.5%, for the nine months ended September 30, 2000 compared to the pro forma nine months ended September 30, 1999. The increase was primarily the result of increased salary and selling expenses.

Corporate overhead for the nine months ended September 30, 2000 increased by $0.5 million, or 1.7%, from the comparable pro forma period in 1999. The increase reflects the lower expenses during the pro forma nine months ended September 30, 1999 due to the reimbursement of some information systems costs to PCA by Pactiv described above, partially offset by the difference between the overhead charged to the Group by Pactiv and Pactiv's parent at the time, Tenneco Inc., from January 1, 1999 through April 11, 1999 and reduced overhead expenses incurred by PCA as a stand-alone entity in the first nine months of 2000.

INTEREST EXPENSE AND INCOME TAXES

Interest expense decreased by $25.5 million, or 21.6%, for the nine months ended September 30, 2000 from the pro forma nine months ended September 30, 1999, primarily as a result of voluntary prepayments PCA made on its term loans under the senior credit facility.

PCA's effective tax rate was 40.5% for the nine months ended September 30, 2000 and 43.8% for the comparable pro forma period in 1999. The tax rate is higher than the federal statutory rate of 35.0% due to state income taxes.

PREFERRED STOCK DIVIDENDS AND ACCRETION OF PREFERRED STOCK ISSUANCE COSTS

Preferred stock dividends and accretion of preferred stock issuance costs increased $9.3 million for the nine months ended September 30, 2000 compared to the pro forma nine months ended September 30, 1999. The increase was attributable to PCA's redemption of its 12 3/8% senior exchangeable preferred stock on March 3, 2000 at a redemption price of 112.375% of its liquidation preference and the write-off of the remaining preferred stock issuance costs. The redemption fee amounted to $13.1 million and the write-off of the remaining preferred stock issuance costs was recorded as a $3.2 million non-cash charge. The total of these non-recurring charges reduced net income available to common shareholders by $16.3 million or $0.15 per diluted common share for the nine months ended September 30, 2000.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operating activities increased $129.7 million, or 119.1%, for the nine months ended September 30, 2000 from the comparable pro forma period in 1999. The increase was primarily due to increases in net income and deferred income taxes. The pro forma nine months ended September 30, 1999 include adjustments to working capital, which reflect the retention of liabilities by Pactiv, in accordance with the terms of the sale of the business to PCA on April 12, 1999.

Net cash used for investing activities increased $12.5 million, or 16.7%, for the nine months ended September 30, 2000 compared to the pro forma nine months ended September 30, 1999, primarily as a result of increased capital expenditures.

Net cash used for financing activities increased $25.3 million, or 25.5%, for the nine months ended September 30, 2000 from the comparable pro forma period in 1999. The increase was primarily attributable to voluntary prepayments made on PCA's term loans under its senior credit facility.

As of September 30, 2000, PCA had commitments for capital expenditures of $47.9 million. PCA believes operating cash flow from continuing operations will be sufficient to fund these commitments.

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

PCA incurred substantial indebtedness in connection with the Transactions. On April 12, 1999, PCA had approximately $1.8 billion of indebtedness outstanding as compared to indebtedness of $17.6 million as of December 31, 1998. As of September 30, 2000, PCA's level of indebtedness had been reduced to approximately $1.2 billion through voluntary prepayments of its senior bank debt. PCA's significant debt service obligations could have material consequences to PCA's securityholders.

Concurrently with the Transactions, PCA issued 9 5/8% senior subordinated notes and 12 3/8% senior exchangeable preferred stock and entered into a senior credit facility. The senior credit facility provided for three term loans in an aggregate amount of $1.2 billion and a revolving credit facility with up to $250.0 million in availability. Upon the closing of the Transactions, PCA borrowed the full amount under the term loans and $9.0 million under the revolving credit facility. Effective December 14, 1999, PCA elected to reduce its availability under the revolving credit facility from $250.0 million to $150.0 million.

PCA completed an initial public offering of its common stock on February 2, 2000 in which Pactiv Corporation sold 35,000,000 of its 41,160,240 shares of common stock in PCA, and PCA issued an additional 11,250,000 shares. The net proceeds to PCA were approximately $126.4 million at an initial public offering price of $12.00 per share, after deducting the underwriting discounts and offering expenses. PCA used substantially all of the net proceeds to redeem all outstanding shares of its 12 3/8% senior exchangeable preferred stock, plus accrued and unpaid dividends through March 3, 2000, the date of redemption.

PCA completed the refinancing of its $735.0 million senior secured term debt and $150.0 million senior secured revolving credit facility on June 29, 2000. Completion of the refinancing eliminated Term Loan C.

The following table provides the weighted average interest rate as of September 30, 2000 for each of the term loans and the revolving credit facility.

BORROWING ARRANGEMENT	WEIGHTED AVERAGE INTEREST RATE
Term Loan A	8.41%
Term Loan B	8.66%
Revolver:	
Revolver-Eurodollar	N/A
Revolver-Base Rate	N/A

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 2001 through June 2006. The Term Loan B must be repaid in quarterly installments from September 2002 through June 2007. The revolving credit facility will terminate in 2006.

For the period April 12, 1999 through September 30, 2000, PCA made voluntary prepayments totaling $554.0 million using proceeds from sales of its timberland or excess cash to permanently reduce its borrowings under the term loans.

As a result of these voluntary prepayments, no quarterly installments are due on the term loans until September 2001. As of September 30, 2000, PCA had $150.0 million in availability and no borrowings outstanding under the revolving credit facility.

On September 26, 2000, PCA entered into an agreement with Southern Timber Ventures, LLC to sell approximately 385,000 acres of timberland. PCA expects to receive from the sale approximately $250.0 million in cash and a 33 1/3% equity ownership interest in Southern Timber Ventures, LLC. PCA expects to close the sale by the end of November, 2000 and to use the net proceeds to make voluntary prepayments on the term loans under its senior credit facility.

The instruments governing PCA's indebtedness, including the senior credit facility and the indenture governing the notes, 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,

- merge or consolidate with any other person or sell or otherwise dispose of all or substantially all of the assets of PCA, or

- use proceeds from timberlands disposition for corporate uses other than to reduce debt.

These limitations, together with the highly leveraged nature of PCA, could limit corporate and operating activities.

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 the notes when required or to make anticipated capital expenditures. PCA's future operating performance and its ability to service or refinance the notes, to service, extend or refinance the senior credit facility and to pay cash dividends, will be subject to future economic conditions and to financial, business and other factors, many of which are beyond PCA's control.

MARKET RISK AND RISK MANAGEMENT POLICIES

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 derivative instruments in order to minimize these risks, but not for trading purposes.

Currently, PCA maintains two interest rate collar agreements. These LIBOR interest rate collar agreements protect against rising interest rates while simultaneously guaranteeing minimum interest rates. The notional amount of these collars was $325.0 million as of September 30, 2000, resulting in the interest rates on approximately 49.5% of PCA's term loan obligations being capped. The weighted average floor of the interest rate collar agreements is 4.95% and the weighted average ceiling is 6.75%. On January 18, 2000, PCA terminated $110.0 million of interest rate collar agreements and received $1.9 million. The senior credit facility also provides PCA with the right to lock-in LIBOR interest rates for any amount and for terms of one, two, three or six month periods. With approval of the lenders, PCA can lock-in LIBOR interest rates for either a two-week or twelve-month period.

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 $3.6 million annually. As of September 30, 2000, the interest rate on the term loans was based on a weighted average LIBOR rate of 6.66%. 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.

ENVIRONMENTAL MATTERS

PCA is 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, PCA has 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 PCA's allowable discharges of air and water pollutants, and require PCA to spend money to ensure compliance with those new rules.

As is the case with any industrial operation, PCA has, in the past, incurred costs associated with the remediation of soil or groundwater contamination, as required by the federal Comprehensive Environmental Response, Compensation and Liability Act, commonly known as the federal "Superfund" law, and analogous state laws. Cleanup requirements arise with respect to properties PCA currently owns or operates, former facilities and off-site facilities where PCA has 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, PCA could receive notifications of cleanup liability in the future and this liability could be material. Under the terms of the contribution agreement entered into in connection with the Transactions, Pactiv agreed to retain all liability for all former facilities and all sites associated with pre-closing off-site waste disposal. Pactiv also retained environmentally impaired real property in Filer City, Michigan unrelated to current mill operations.

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.

FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements include statements about our future financial condition, our industry and our business strategy. Statements that contain words such as "anticipate", "believe", "expect", "intend", "estimate", "hope" or similar expressions, are forward-looking statements. These forward-looking statements are based on the current expectations of PCA. Because forward-looking statements involve inherent risks and uncertainties, the plans, actions and actual results of PCA could differ materially. Among the factors that could cause plans, actions and results to differ materially from PCA's current expectations are those identified under the caption "Risk Factors" in PCA's Registration Statements on Form S-4 and Form S-1, each filed with the Securities and Exchange Commission and available at the SEC's website at "www.sec.gov".

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

For a discussion of market risks related to PCA, see Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations--Market Risk and Risk Management Policies" in this Quarterly Report on Form 10-Q.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

In May 1999, PCA was served with a complaint filed in the United States District Court for the Eastern District of Pennsylvania (WINOFF INDUSTRIES, INC., ET AL. 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. The case was consolidated with other similar cases by the Judicial Panel on Multidistrict Litigation, all of which are now referred to as MDL 1261, IN RE LINERBOARD ANTITRUST LITIGATION. Plaintiffs purport to represent nationwide classes of purchasers of corrugated containers and sheets, and they name nine major linerboard manufacturers as defendants. Plaintiffs seek treble damages for allegedly unlawful corrugated container and sheet price increases, plus attorneys' fees. PCA believes the allegations have no merit, is vigorously defending itself, and believes the outcome of this litigation should not have a material adverse effect on its financial condition or results of operations.

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

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) The following exhibits are included in this Quarterly Report on Form 10-Q:

10.1 First Amendment dated as of September 11, 2000 to the Amended and Restated Credit Agreement dated as of June 29, 2000, among PCA, Various Lenders, J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc., as Co-Lead Arrangers and Joint Book Runners, Deutsche Bank Securities Inc., as Syndication Agent, Goldman Sachs Credit Partners L.P., as Documentation Agent, and Morgan Guaranty Trust Company of New York, as Administrative Agent.

27.1 Financial Data Schedule.

(b) Reports on Form 8-K:

None.

SIGNATURE

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

PACKAGING CORPORATION OF AMERICA
(Registrant)

By: /s/ RICHARD B. WEST

Richard B. West
CHIEF FINANCIAL OFFICER, VICE PRESIDENT AND SECRETARY (PRINCIPAL FINANCIAL OFFICER AND AUTHORIZED OFFICER)

Date: November 13, 2000

FIRST AMENDMENT

FIRST AMENDMENT (this "Amendment"), dated as of September 11, 2000, among PACKAGING CORPORATION OF AMERICA, a Delaware corporation (the "BORROWER"), the various lenders party to the Credit Agreement referred to below (the "LENDERS"), J.P. MORGAN SECURITIES INC. and DEUTSCHE BANK SECURITIES INC., as Co-Lead Arrangers and Joint Book Runners (in such capacity, each a "CO-LEAD ARRANGER" and, collectively, the "CO-LEAD ARRANGERS"), DEUTSCHE BANK SECURITIES INC., as Syndication Agent (in such capacity, the "SYNDICATION AGENT"), GOLDMAN SACHS CREDIT PARTNERS L.P., as Documentation Agent (in such capacity, the "DOCUMENTATION AGENT") and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Administrative Agent (in such capacity, the "ADMINISTRATIVE AGENT"). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided such terms in the Credit Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, the Borrower, the Lenders, the Co-Lead Arrangers, the Syndication Agent, the Documentation Agent and the Administrative Agent are party to an Amended and Restated Credit Agreement, dated as of June 29, 2000 (the "CREDIT AGREEMENT"); and

WHEREAS, the Borrower and the undersigned Lenders wish to provide the amendment provided for herein;

NOW, THEREFORE, it is agreed:

1. The definition of "AVAILABLE J.V. BASKET AMOUNT" is hereby amended by deleting the reference to "$25,000,000" contained therein and inserting "$50,000,000" in lieu thereof.

2. The Borrower hereby represents and warrants that (i) no Default or Event of Default exists as of the Amendment Effective Date (as defined below) after giving effect to this Amendment and (ii) on the Amendment Effective Date, both before and after giving effect to this Amendment, all representations and warranties (other than those representations made as of a specified date) contained in the Credit Agreement and in the other Credit Documents are true and correct in all material respects.

3. This Amendment shall become effective on the date (the "Amendment Effective Date") when the Required Lenders and the Borrower shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered (including by way of facsimile transmission) the same to the Administrative Agent at its Notice Office;

4. This Amendment is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Credit Agreement or any other Credit Document.

5. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with the Borrower and the Administrative Agent.

6. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

***

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date hereof.

PACKAGING CORPORATION OF AMERICA

By: /s/ Pamela A. Larson

Name: Pamela A. Larson
Title: Treasurer

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,
Individually and as
Administrative Agent

By: /s/ Colleen Galle

Name: Colleen Galle
Title: Vice President

BANKERS TRUST COMPANY, Individually

By: /s/ Robert R. Telesca

Name: ROBERT R. TELESCA
Title: ASSISTANT VICE PRESIDENT

GOLDMAN SACHS CREDIT PARTIES L.P. as
Documentation Agent

By:

Name:
Title:

ABN AMRO BANK N.V.   ABN AMRO BANK N.V.

By: /s/ Angela Reitz   By: /s/ Laurie D. Flom
-------------------------   --
Name: Angela Reitz   Name: Laurie D. Flom
Title: Vice President   Title: Group Vice President

BANK OF AMERICA, N.A.

By: /s/ Michael J. Balok

Name: Michael J. Balok
Title: Managing Director

THE GOVERNOR AND COMPANY OF THE BANK OF IRELAND

By: /s/ Geraldine Hannon /s/ Mary [ILLEGIBLE]

Name: Geraldine Hannon Mary [ILLEGIBLE]
Title: Associate Director   Senior [ILLEGIBLE]

BANK OF MONTREAL

By:

Name:
Title:

THE BANK OF NOVA SCOTIA

By:

Name:
Title:

BANK OF SCOTLAND

By: /s/ Joseph Fratus

Name: JOSEPH FRATUS
Title: VICE PRESIDENT

BANK ONE, N.A. (CHICAGO MAIN OFFICE)

By: /s/ Erik C. Back

Name: ERIK C. BACK
Title: VICE PRESIDENT

BW CAPITAL MARKETS, INC.

By: /s/ Adele Savoretti /s/ Thomas A. Lowe

Name: Adele Savoretti   THOMAS A. LOWE
Title: Vice President   VICE PRESIDENT

COBANK, ACB

By: /s/ Brian J. Klatt

Name: Brian J. Klatt
Title: Vice President

CREDIT INDUSTRIEL ET COMMERCIAL

By: /s/ Sean Mounier /s/ Anthony Rock

Name: Sean Mounier Anthony Rock
Title: First Vice President Vice President

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ R. Hurst

Name: Rod Hurst
Title: Vice President

CYPRESSTREE INVESTMENT FUND, LLC
BY: CYPRESSTREE INVESTMENT MANAGEMENT
COMPANY, INC. ITS MANAGING MEMBER

By: /s/ Jonathan D. Sharkey

Name: JONATHAN D. SHARKEY
Title: PRINCIPAL

CYPRESSTREE INVESTMENT MANAGEMENT COMPANY,
INC. as Attorney-in-Fact and on behalf of
FIRST ALLMERICA LIFE INSURANCE COMPANY as
Portfolio Manager

By: /s/ Jonathan D. Sharkey

Name: JONATHAN D. SHARKEY
Title: PRINCIPAL

THE DAI-ICHI KANGYO BANK, LTD.

By: /s/ [ILLEGIBLE]

Name: [ILLEGIBLE]
Title: General Manager

ERSTE BANK DER OESTERREICHSCHEN SPARKASSEN

By: /s/ Rima Terradista	/s/ John S. Runnion
Name: RIMA TERRADISTA	John S. Runnion
Title: Vice President	First Vice President Erste Bank New York Branch

FIRST UNION NATIONAL BANK

By: /s/ J. Andrew [ILLEGIBLE]

Name: J. Andrew [ILLEGIBLE]
Title: Vice President

FLEET NATIONAL BANK

By: /s/ CB Moore

Name: CB Moore
Title: Vice President

THE FUJI BANK, LIMITED

By: /s/ Peter L. Chinnici

Name: Peter L. Chinnici
Title: Senior Vice President & Group Head

GALAXY CLO 1999-1, LTD.
By: SAI Investment Adviser, Inc.
Its Collateral Manager

By: /s/ Thomas G. Brandt

Name: Thomas G. Brandt
Title: Authorized Agent

GOLDMAN SACHS CREDIT PARTNERS, L.P.

By: /s/ Elizabeth Fischer

Name: ELIZABETH FISCHER
Title: AUTHORIZED SIGNATORY

IKB DEUTSCHE INDUSTRIEBANK AG

By: /s/ Edwin Brecht /s/ Manfred Ziway

Name: Edwin Brecht Manfred Ziway
Title: Executive Director Director

IMPERIAL BANK, A CALIFORNIA BANKING CORPORATION

By:

Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED,
CHICAGO BRANCH

By: /s/ Walter R. Wolff

Name: Walter R. Wolff
Title: Joint General Manager

KEMPER FLOATING RATE FUND

By: /s/ Kelly D. Bobson

Name: Kelly D. Bobson
Title: Managing Director

KZH PONDVIEW LLC

By:

Name:
Title:

KZH CNC LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

KZH CYPRESSTREE-1 LLC

By: /s/ Kimberly Rowe

Name: KIMBERLY ROWE
Title: AUTHORIZED AGENT

KZH CRESCENT-3 LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

SEQUILS IV, LTD

By: TCW Advisors, Inc. as its
Collateral Manager

By: /s/ Mark Gold

Name: Mark Gold
Title: Managing Director

SEQUILS I, LTD

By: TCW Advisors, Inc. as its
Collateral Manager

By: /s/ Mark Gold

Name: Mark Gold
Title: Managing Director

By: /s/ Jonathan Berg

Name: Jonathan Berg
Title: Assistant Vice President

KZH ING-1 LLC

By:

Name:
Title:

KZH STERLING LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

BANK OF SCOTLAND

By:

Name:
Title:

KZH CRESCENT LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

KZH WATERSIDE LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

KZH CRESCENT-2 LLC

By: /s/ Susan Lee

Name: Susan Lee
Title: Authorized Agent

LLOYDS TSB BANK PLC

By: /s/ Ian Dimmock /s/ David Rodway

Name: IAN DIMMOCK DAVID RODWAY
Title: Vice President Assistant Director
Acquisition Finance
D080 R156

KZH SOLEIL LLC

By:

Name:
Title:

KZH WATERSIDE LLC

By:

Name:
Title:

MICHIGAN NATIONAL BANK

By: /s/ John M. [ILLEGIBLE]

Name: John M. [ILLEGIBLE]
Title: Vice President

THE MITSUBISHI TRUST AND BANKING CORPORATION

By:

Name:
Title:

MUIRFIELD TRADING LLC

By: /s/ Ann E. Morris

Name: ANN E. MORRIS
Title: ASST. VICE PRESIDENT

NATEXIS BANQUE BFCE

By: /s/ JORDAN SADLER

Name: JORDAN SADLER
Title: ASSISTANT VICE PRESIDENT

NATEXIS BANQUE BFCE

By: /s/ Frank H. Madden, Jr.

Name: FRANK H. MADDEN, JR.
Title: VICE PRESIDENT & GROUP MANAGER

NATIONAL CITY BANK

By: /s/ Jennifer L. Kofod

Name: JENNIFER L. KOFOD
Title: ACCOUNT OFFICER

NORTH AMERICAN SENIOR FLOATING RATE FUND
By: CYPRESSTREE INVESTMENT MANAGEMENT COMPANY,
INC. as Portfolio Manager

By: /s/ Jonathan D. Sharkey

Name: JONATHAN D. SHARKEY
Title: PRINCIPAL

THE NORTHERN TRUST COMPANY

By:

Name:
Title:

OLYMPIC FUNDING TRUST, SERIES 1999-1

By: /s/ Ann E. Morris

Name: ANN E. MORRIS
Title: AUTHORIZED AGENT

PINEHURST TRADING, INC.

By: /s/ Ann E. Morris

Name: ANN E. MORRIS
Title: ASST. VICE PRESIDENT

PPM SPYGLASS FUNDING TRUST

By: /s/ Ann E. Morris

Name: ANN E. MORRIS
Title: AUTHORIZED AGENT

THE SAKURA BANK, LIMITED

By:

Name:
Title:

THE SUMITOMO BANK, LIMITED

By: /s/ Suresh S. Tata

Name: SURESH S. TATA
Title: SENIOR VICE PRESIDENT

SUMITOMO TRUST & BANKING CO., LTD. NEW YORK BRANCH

By: /s/ Stephen Stratico

Name: Stephen Stratico
Title: Vice President

SUMMIT BANK

By: /s/ Richard J. Banning

Name: RICHARD J. BANNING
Title: VICE PRESIDENT

TORONTO DOMINION (TEXAS), INC.

By: /s/ Alva J. Jones

Name: Alva J. Jones
Title: Vice President

TRANSAMERICA BUSINESS CREDIT CORPORATION

By: /s/ Steve Guetschins

Name: Steve Guetschins
Title: SVP

VARIABLE INSURANCE PRODUCTS FUND II: ASSET MANAGER GROWTH PORTFOLIO

By:

Name:
Title:

VARIABLE INSURANCE PRODUCTS FUND II: ASSET MANAGER PORTFOLIO

By:

Name:
Title:

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Harry G. Montgomery

Name: Harry G. Montgomery
Title: Vice President

PROMETHEUS INVESTMENT FUNDING NO.1 LTD.
By: CPF Asset Advisory LP, as its Asset Manager

By: /s/ Sylvia K. Cheng

Name: Sylvia K. Cheng
Title: Director

By: /s/ Vicky S. Soo

Name: VICKY S. SOO
Title: ASSOCIATE DIRECTOR

PEOPLE'S BANK

By: /s/ Walter W. Kaercher

Name: Walter W. Kaercher
Title: Vice President

SRS 2000 LLC

By: /s/ Ann E. Morris

Name: ANN E. MORRIS
Title: ASST. VICE PRESIDENT

STEIN ROE & FARNHAM CLO 1 LTD.,
By: Stein Roe & Farnham Incorporated, as
Portfolio Manager

By: /s/ James R. Fellows

Name: James R. Fellows
Title: Sr. Vice President & Portfolio Manager

BANK OF CANTON OF CALIFORNIA

By: /s/ Ben C. Hom

Name: Ben C. Hom
Title: SVP & Senior Credit Officer

RZB FINANCE LLC

By: /s/ Dieter Beintrexler

Name: DIETER BEINTREXLER
Title: PRESIDENT

By: /s/ Astrid Wilke

Name: Astrid Wilke
Title: Vice President

SEQUILS PILGRIM-1, LTD.
By: Pilgrim Investment, Inc., as its
investment manager

By: /s/ William Nutting, Jr.

Name: WILLIAM NUTTING, JR.
Title: ASST. VICE PRESIDENT

GMAC Commercial Credit, LLC

By: /s/ [ILLEGIBLE]

Name: [ILLEGIBLE]
Title: SVP

WINGED FOOT FUNDING TRUST

By: /s/ Ann E. Morris

Name: ANN E. MORRIS
Title: AUTHORIZED AGENT

INDOSUEZ CAPITAL FUNDING IIA, LIMITED
By: Indosuez Capital as Portfolio Advisor

By: /s/ Melissa Marano

Name: Melissa Marano
Title: Vice President

INDOSUEZ CAPITAL FUNDING IV, L.P.
By: Indosuez Capital as Portfolio Advisor

By: /s/ Melissa Marano

Name: Melissa Marano
Title: Vice President

WACHOVIA BANK, N.A.

By: /s/ Debra L. Coheley

Name: DEBRA L. COHELEY
Title: SENIOR VICE PRESIDENT

For purposes of the Credit Documents to which the Subsidiary Guarantors are party, by their respective signatures below, each Subsidiary Guarantor hereby consents and agrees to the entering into of this Amendment and acknowledges and affirms that the each of the Subsidiaries Guaranty and Security Documents (as amended, modified or supplemented prior to the date hereof) remains in full force and effect in accordance with its terms on the date hereof and after giving effect to this Amendment:

DIXIE CONTAINER CORPORATION

By: /s/ Richard [ILLEGIBLE]

Name: Richard [ILLEGIBLE]
Title: Chief Financial Officer, Vice President and Secretary

PCA HYDRO, INC.

By: /s/ Richard [ILLEGIBLE]

Name: Richard [ILLEGIBLE]
Title: Chief Financial Officer, Vice President and Secretary

5
1,000

9-MOS
DEC-31-2000
JAN-01-2000
SEP-30-2000
36,673
42
233,864
6,087
159,555
436,091
2,559,759
929,493
2,164,676
248,305
1,206,000
0
0
747
622,408
2,164,676
1,397,003
1,397,003
1,026,474
1,026,474
0
1,186
92,278
165,567
67,035
98,532
0
0
0
98,532
0.76
0.75