

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

FORM 10-K/A

AMENDMENT NO. 1

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

For the fiscal year ended December 31, 2004

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

1900 West Field Court, Lake Forest, Illinois
(Address of Principal Executive Offices)

60045
(Zip Code)

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

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$0.01 par value	New York Stock Exchange

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

None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendment to this Form 10 K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b 2 of the Exchange Act). Yes No

At June 30, 2004, the last business day of the Registrant's most recently completed second fiscal quarter, the aggregate market value of the Registrant's common equity held by nonaffiliates was approximately \$1,471,153,458. This calculation of market value has been made for the purposes of this report only and should not be considered as an admission or conclusion by the Registrant that any person is in fact an affiliate of the Registrant.

On March 8, 2005, there were 107,360,661 shares of Common Stock outstanding.

EXPLANATORY NOTE

This Amendment No. 1 to Annual Report on Form 10-K/A (Form 10-K/A) is being filed to amend the Company's Annual Report on Form 10-K for the year ended December 31, 2004, which was originally filed on March 9, 2005 (Original Form 10-K) to add as exhibits financial statements of Southern Timber Venture, LLC in accordance with the requirements of Rule 3-09 of Regulation S-X, as previously disclosed in the Original Form 10-K, and the Consent from their independent auditors. Additionally, this Form 10-K/A corrects the age for one of our Executive Officers included in Item 10 of Part III.

As a result of this amendment, the certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, filed and furnished, respectively, as exhibits to the Original Form 10-K, have been re-executed and re-filed and re-furnished as of the date of this Form 10-K/A.

Except for the amendment described above, this Form 10-K/A does not modify or update other disclosures in, or exhibits to, the Original Form 10-K filed on March 9, 2005.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information with respect to PCA's directors is included under the caption "Board of Directors" in PCA's Proxy Statement, and is incorporated herein by reference. Information regarding certain Section 16(a) compliance is included under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in PCA's Proxy Statement, and is incorporated herein by reference. Information about our code of ethics policies is included under the caption "Board of Directors—Code of Ethics" in PCA's Proxy Statement, and is incorporated herein by reference. Information about PCA's Audit Committee and financial experts is included under the captions "Board of Directors—Audit Committee" and "Ratification of Appointment of Independent Auditors" in PCA's Proxy Statement, and is incorporated herein by reference.

Executive Officers

Brief statements setting forth the age at March 9, 2005, the principal occupation, employment during the past five years, the year in which such person first became an officer of PCA, and other information concerning each of our executive officers appears below.

Paul T. Stecko is 60 years old and has served as Chief Executive Officer of PCA since January 1999 and as Chairman of PCA since March 1999. From November 1998 to April 1999, Mr. Stecko served as President and Chief Operating Officer of Tenneco Inc. From January 1997 to November 1998, 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 Tenneco Packaging Inc. Prior to joining Tenneco Packaging, Mr. Stecko spent 16 years with International Paper Company. Mr. Stecko is a member of the board of directors of Tenneco Automotive Inc., State Farm Mutual Insurance Company, American Forest and Paper Association and Cives Corporation.

William J. Sweeney is 64 years old and 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 Tenneco Packaging Inc. From May 1990 to May 1997, Mr. Sweeney served as Senior Vice President and General Manager—Containerboard Products of Tenneco Packaging. From 1983 to May 1990, 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 1978, as Sales Manager and General Manager of Boise Cascade Corporation.

Mark W. Kowlzan is 49 years old and has served as Senior Vice President—Containerboard of PCA since March 2002 and as Vice President from April 1999 to March 2002. From 1998 to April 1999, Tenneco Packaging Inc. employed Mr. Kowlzan as Vice President and General Manager—Containerboard and from May 1996 to 1998, as Operations Manager and Mill Manager of the Counce mill. Prior to joining Tenneco Packaging, Mr. Kowlzan spent 15 years at International Paper Company, where he held a series of operational positions within its mill organization.

Richard B. West is 52 years old and has served as Chief Financial Officer of PCA since March 1999, as Corporate Secretary since April 1999 and also as Senior Vice President since March 2002. From April 1999 to March 2002, Mr. West served as Vice President and 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 Tenneco Packaging Inc. from 1995 to April 1999. Prior to joining Tenneco Packaging, 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.

Stephen T. Calhoun is 59 years old and was promoted to Vice President, Human Resources of PCA in November 2002. From July 1997 to October 2002, Mr. Calhoun served as Director, Human Resources of Corporate and Containerboard Division. From April 1989 to July 1997, Mr. Calhoun was employed principally by Tenneco Packaging Inc. where he held the positions of Area Employee Relations Manager and Human Resources Manager. Prior to joining Tenneco Packaging in 1989, Mr. Calhoun spent fifteen years with the then American Can Company where he held several human resources and manufacturing positions.

Thomas A. Hassfurther is 49 years old and has served as Senior Vice President, Sales and Marketing, Corrugated Products since February 2005 and as Vice President, Sales and Marketing from March 1998 to February 2005. Mr. Hassfurther served as Vice President and Area General Manager from January 1991 to February 1998 for Tenneco Packaging Inc. From 1977 to 1990 Mr Hassfurther served as a sales representative, Sales Manager and General Manager within the Containerboard Products Group.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report:

(1) The financial statements of Southern Timber Venture, LLC for the years ended December 31, 2004 and 2003, that are required by Rule 3-09 of Regulation S-X, are included in Exhibit 99.2.

(b) **Exhibits**

Exhibit Number	Description
2.1	Contribution Agreement, dated as of January 25, 1999, among Pactiv Corporation (formerly known as Tenneco Packaging Inc.) (“Pactiv”), PCA Holdings LLC (“PCA Holdings”) and Packaging Corporation of America (“PCA”).(1)
2.2	Letter Agreement Amending the Contribution Agreement, dated as of April 12, 1999, among Pactiv, PCA Holdings and PCA.(1)
3.1	Restated Certificate of Incorporation of PCA.(1)
3.2	Certificate of Amendment to Restated Certificate of Incorporation of PCA. (Incorporated herein by reference to Exhibit 3.2 to PCA’s Registration Statement on Form S-4, Registration No. 333 109437.)
3.3	Second Amended and Restated By-laws of PCA. (Incorporated herein by reference to Exhibit 3.3 to PCA’s Registration Statement on Form S-4, Registration No. 333 109437.)
4.1	Indenture, dated as of April 12, 1999, by and among PCA, Dahlonga Packaging Corporation (“Dahlonga”), 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.(1)
4.2	Form of Rule 144A Global Note and Subsidiary Guarantee. (Incorporated herein by reference to Exhibit 4.6 to PCA’s Registration Statement on Form S-4, Registration No. 333-79511.)
4.3	Form of certificate representing shares of common stock. (Incorporated herein by reference to Exhibit 4.9 to PCA’s Registration Statement on Form S-1, Registration No. 333-86963.)
4.4	Supplemental Indenture, dated as of July 7, 2003, among PCA, PCA International, Inc., PCA International Services, LLC, Packaging Credit Company, LLC, Dixie, PCA Hydro, Tomahawk and The Bank of New York (as successor to United States Trust Company of New York). (Incorporated herein

Exhibit Number	Description
	by reference to Exhibit 4.1 to PCA’s Quarterly Report on Form 10-Q for the period ended June 30, 2003.)
4.5	Indenture, dated as of July 21, 2003, between PCA and U.S. Bank National Association. (Incorporated herein by reference to Exhibit 4.2 to PCA’s Quarterly Report on Form 10-Q for the period ended June 30, 2003.)
4.6	First Supplemental Indenture, dated as of July 21, 2003, between PCA and U.S. Bank National Association. (Incorporated herein by reference to Exhibit 4.3 to PCA’s Quarterly Report on Form 10-Q for the period ended June 30, 2003.)
4.7	Form of Rule 144A Global Note. (Incorporated herein by reference to Exhibit 4.5 to PCA’s Quarterly Report on Form 10-Q for the period ended June 30, 2003.)
10.1	Five Year Credit Agreement, dated as of July 21, 2003, by and among PCA, the banks, financial institutions and other institutional lenders and the initial issuing banks party thereto, Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Citicorp North America, Inc. and JPMorgan Chase Bank. (Incorporated herein by reference to Exhibit 10.2 to PCA’s Quarterly Report on Form 10-Q for the period ended June 30, 2003.)
10.2	Credit and Security Agreement, dated as of November 29, 2000, among Packaging Receivables Company, LLC (“PRC”), Packaging Credit Company, LLC (“PCC”), Blue Ridge Asset Funding Corporation (“Blue Ridge”), and Wachovia Bank, N.A. (“Wachovia”). (Incorporated herein by reference to Exhibit 10.23 to PCA’s Annual Report on Form 10-K for the fiscal year ended December 31, 2001.)
10.3	Receivables Sale Agreement, dated as of November 29, 2000, between PCC and PCA. (Incorporated herein by reference to Exhibit 10.24 to PCA’s Annual Report on Form 10-K for the fiscal year ended December 31, 2001.)
10.4	Purchase and Sale Agreement, dated as of November 29, 2000, between PCC and PRC. (Incorporated herein by reference to Exhibit 10.25 to PCA’s Annual Report on Form 10-K for the fiscal year ended December 31, 2001.)
10.5	Amendment No. 1 to Credit and Security Agreement, dated as of April 12, 2001, among PRC, PCC, Blue Ridge and Wachovia. (Incorporated herein by reference to Exhibit 10.1 to PCA’s Quarterly Report on Form 10-Q for the period ended September 30, 2003.)
10.6	Second Amendment to Credit and Security Agreement, dated as of January 31, 2003, among PRC, PCC, Blue Ridge and Wachovia. (Incorporated herein by reference to Exhibit 10.2 to PCA’s Quarterly Report on Form 10-Q for the period ended September 30, 2003.)

- 10.7 Third Amendment to Credit and Security Agreement, dated as of September 30, 2003, among PRC, PCC, Blue Ridge and Wachovia. (Incorporated herein by reference to Exhibit 10.3 to PCA's Quarterly Report on Form 10-Q for the period ended September 30, 2003.)
- 10.8 Registration Rights Agreement, dated as of April 12, 1999, by and among Pactiv, PCA Holdings and PCA.(1)
- 10.9 Holding Company Support Agreement, dated as of April 12, 1999, by and between PCA Holdings and PCA.(1)
- 10.10 Fourth Amendment to Credit and Security Agreement, dated as of October 10, 2003, among PRC, PCC, Blue Ridge and Wachovia. (Incorporated herein by reference to Exhibit 10.4 to PCA's Quarterly Report on Form 10-Q for the period ended September 30, 2003.)
- 10.11 Human Resources Agreement, dated as of April 12, 1999, by and among Tenneco Automotive Inc. (formerly known as Tenneco Inc.), Pactiv and PCA.(1)

Exhibit Number	Description
10.12	Fifth Amendment to Credit and Security Agreement, dated as of October 8, 2004, among PRC, PCC, Blue Ridge and Wachovia. (Incorporated herein by reference to Exhibit 10.1 to PCA's Quarterly Report on Form 10-Q for the period September 30, 2004.)
10.13	Intentionally omitted.
10.14	Intentionally omitted.
10.15	Intentionally omitted.
10.16	Letter Agreement Regarding Terms of Employment, dated as of January 25, 1999, between PCA and Paul T. Stecko.*(1)
10.17	Letter Agreement Regarding Terms of Employment, dated as of May 19, 1999, between PCA and Paul T. Stecko.*(1)
10.18	1999 Long-Term Equity Incentive Plan, effective as of October 19, 1999.* (Incorporated herein by reference to Exhibit 10.18 to PCA's Registration Statement on Form S-1, Registration No. 333-86963.)
10.19	Management Equity Agreement, dated as of June 1, 1999, among PCA, Paul T. Stecko and the Paul T. Stecko 1999 Dynastic Trust.*(1)
10.20	Form of Management Equity Agreement, dated as of June 1, 1999, among PCA and the members of management party thereto.*(1)
10.21	1999 Executive Incentive Compensation Plan, effective April 12, 1999.* (Incorporated herein by reference to Exhibit 10.16 to PCA's Registration Statement on Form S-4, Registration No. 333-109437.)
10.22	Amended and Restated 1999 Management Equity Compensation Plan, effective as of June 2, 1999.*(1)
21.1	Subsidiaries of the Registrant.+
23.1	Consent of Ernst & Young LLP.+
23.2	Consent of Grantham, Poole, Randall, Reitano, Arrington & Cunningham PLLC.
24.1	Powers of Attorney.+
31.1	Certification of Chief Executive Officer, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. §1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. §1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Risk Factors.+
99.2	Financial Statements (Southern Timber Venture, LLC for the years ended December 31, 2004 and 2003).

* Management contract or compensatory plan or arrangement.

+ Filed on March 9, 2005 with the original Annual Report on Form 10-K.

(1) Incorporated herein by reference to the same numbered exhibit to PCA's Registration Statement on Form S 4 (Registration No. 333 79511).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to Form 10-K on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized on March 31, 2005.

Packaging Corporation of America

By: /s/ Paul T. Stecko
Name: Paul T. Stecko
Title: Chairman and Chief Executive Officer

By: /s/ Richard B. West
Name: Richard B. West
Title: Senior Vice President, Chief Financial Officer and Corporate Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 31, 2005.

<u>Signature</u>	<u>Title</u>
<u>/s/ Paul T. Stecko</u> Paul T. Stecko	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
<u>/s/ Richard B. West</u> Richard B. West	Senior Vice President, Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer)
<u>*</u> Henry F. Frigon	Director
<u>*</u> Louis A. Holland	Director
<u>*</u> Samuel M. Menco	Director
<u>*</u> Thomas S. Souleles	Director
<u>*</u> Rayford K. Williamson	Director

*By: /s/ Richard B. West
Richard B. West
(Attorney-In-Fact)

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S 8 No. 333 33176) pertaining to the Packaging Corporation of America Thrift Plan for Hourly Employees, Packaging Corporation of America Retirement Savings Plan for Salaried Employees and Packaging Corporation of America 1999 Long-Term Equity Incentive Plan of our report dated February 18, 2005, with respect to the balance sheets of Southern Timber Venture, LLC as of December 31, 2004 and 2003, and the related statements of operations, members' equity, and cash flows for the years then ended, which report appears in Form 10-K/A (Amendment No. 1 to the Annual report on Form 10-K) for the year ended December 31, 2004.

/s/ GRANTHAM, POOLE, RANDALL, REITANO,
ARRINGTON & CUNNINGHAM PLLC

Jackson, Mississippi
March 31, 2005

CERTIFICATIONS

I, Paul T. Stecko, certify that:

- (1) I have reviewed this annual report on Form 10-K/A of Packaging Corporation of America (PCA);
- (2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of PCA as of, and for, the periods presented in this annual report;
- (4) PCA's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PCA and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PCA, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of PCA's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in PCA's internal control over financial reporting that occurred during PCA's most recent fiscal quarter (PCA's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, PCA's internal control over financial reporting; and
- (5) PCA's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PCA's auditors and the Audit Committee of PCA's Board of Directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PCA's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in PCA's internal control over financial reporting.

Dated: March 31, 2005

/s/ PAUL T. STECKO

Paul T. Stecko

Chairman and Chief Executive Officer

CERTIFICATIONS

I, Richard B. West, certify that:

- (1) I have reviewed this annual report on Form 10-K/A of Packaging Corporation of America (PCA);
- (2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of PCA as of, and for, the periods presented in this annual report;
- (4) PCA's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PCA and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PCA, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of PCA's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in PCA's internal control over financial reporting that occurred during PCA's most recent fiscal quarter (PCA's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, PCA's internal control over financial reporting; and
- (5) PCA's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PCA's auditors and the Audit Committee of PCA's Board of Directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PCA's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in PCA's internal control over financial reporting.

Dated: March 31, 2005

/s/ RICHARD B. WEST

Richard B. West

*Senior Vice President, Chief Financial Officer and
Corporate Secretary*

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. §1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul T. Stecko, Chief Executive Officer of Packaging Corporation of America (the "Company"), certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Annual Report of the Company on Form 10-K/A for the year ended December 31, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ PAUL T. STECKO

Paul T. Stecko
Chairman and Chief Executive Officer

March 31, 2005

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. §1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard B. West, Chief Financial Officer of Packaging Corporation of America (the "Company"), certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Annual Report of the Company on Form 10-K/A for the year ended December 31, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICHARD B. WEST

Richard B. West
*Senior Vice President, Chief Financial
Officer and Corporate Secretary*

March 31, 2005

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Southern Timber Venture, LLC Audited Financial Statements as of December 31, 2004 and 2003

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INDEPENDENT AUDITORS' REPORT

The Members
Southern Timber Venture, LLC
Jackson, Mississippi

We have audited the accompanying balance sheets of Southern Timber Venture, LLC as of December 31, 2004 and 2003 and the related statements of operations, members' equity and cash flows for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Timber Venture, LLC as of December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANTHAM, POOLE, RANDALL, REITANO, ARRINGTON & CUNNINGHAM PLLC

February 18, 2005

SOUTHERN TIMBER VENTURE, LLC
Balance Sheets
December 31, 2004 and 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Cash	\$ 23,660,670	\$ 4,762,185
Receivables	581,062	617,749
Timber receivables from PCA	193,957	—
Total current assets	24,435,689	5,379,934
Timber and Timberlands		
Timberlands	37,147,698	63,684,611
Timber, net of accumulated depletion of \$49,282,649 and \$40,746,875, respectively	46,889,915	79,904,542
Young growth	15,203,502	33,220,418
Total timber and timberlands	99,241,115	176,809,571
Property and equipment, net of accumulated depreciation of \$33,053 and \$21,820, respectively	63,899	57,950
Other assets	16,414	237,660
Total assets	\$ 123,757,117	\$ 182,485,115

LIABILITIES AND MEMBERS' EQUITY

Accrued member distributions	\$ 20,589,450	\$ —
Timber advances from PCA	—	21,004
Accounts payable	633,090	737,088
Accrued interest payable	669,752	955,573
Accrued liabilities	365,912	1,142,529
Current maturities of long-term debt	1,200,000	—
Total current liabilities	23,458,204	2,856,194
Long-term debt, less current maturities	83,800,000	140,380,000
Total liabilities	107,258,204	143,236,194
Members' equity	16,498,913	39,248,921
Total liabilities and members' equity	\$ 123,757,117	\$ 182,485,115

See accompanying notes to financial statements.

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SOUTHERN TIMBER VENTURE, LLC
Statements of Operations
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Net sales		
Timber - Packaging Corporation of America	\$ 21,841,193	\$ 19,313,753
Timber - third parties	10,429,446	16,103,541
Lease income	1,514,696	1,429,897
Total net sales	33,785,335	36,847,191
Costs and expenses		
Timber harvesting costs	16,556,793	18,451,042
Depletion	8,535,773	11,598,544
General and administrative	5,689,340	4,964,690
Total costs and expenses	30,781,906	35,014,276
Operating income	3,003,429	1,832,915
Other income (expense):		
Gain from sale of timberlands	86,579,143	3,622,194
Interest expense and early repayment fee	(18,975,705)	(11,645,800)
Interest income	58,432	41,710
Other income	84,693	—
Total other income (expenses)	67,746,563	(7,981,896)
Net earnings (loss)	\$ 70,749,992	\$ (6,148,981)

See accompanying notes to financial statements.

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SOUTHERN TIMBER VENTURE, LLC
Statement of Members' Equity
For the Years Ended December 31, 2004 and 2003

Members' equity - January 1, 2003	\$ 48,897,902
Net loss	(6,148,981)
Distributions to members	(3,500,000)
Members' equity - December 31, 2003	39,248,921
Net earnings	70,749,992

Distributions to members	(93,500,000)
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Members' equity - December 31, 2004	\$ 16,498,913
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See accompanying notes to financial statements.

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SOUTHERN TIMBER VENTURE, LLC
Statements of Cash Flows
For the Years Ended December 31, 2004 and 2003

	2004	2003
Cash flows from operating activities -		
Net earnings (loss)	\$ 70,749,992	\$ (6,148,981)
Adjustments to reconcile net earnings (loss) to cash provided by operations:		
Depletion	8,535,773	11,598,544
Amortization and depreciation	11,233	18,159
Gain from sale of timberlands	(86,579,143)	(3,622,194)
Increase (decrease) in:		
Accounts receivable	36,687	493,703
Interest receivable	1,130	(1,130)
Other assets	220,117	(221,247)
Timber advances	(214,961)	14,914
Accounts payable	(103,997)	(20,299)
Accrued interest payable	(285,822)	(39,491)
Other liabilities	(777,747)	6,448
	(8,406,738)	2,078,426
Net cash provided by (used in) operations		
Cash flows from investing activities -		
Purchase of timberlands and reforestation	(2,754,341)	(2,299,369)
Acquisition of property	(17,185)	(19,836)
Net proceeds from sale of timberlands	158,367,299	10,287,061
	155,595,773	7,967,856
Net cash provided by investing activities		
Cash flows from financing activities -		
Long-term debt repayments	(55,380,000)	(8,380,000)
Members' distributions	(72,910,550)	(3,500,000)
	(128,290,550)	(11,880,000)
Net cash used in financing activities		
Increase (decrease) in cash and cash equivalents	18,898,485	(1,833,718)
Cash and cash equivalents, beginning of year	4,762,185	6,595,903
Cash and cash equivalents, end of year	\$ 23,660,670	\$ 4,762,185
Supplemental disclosures of Cash Flow Information:		
Cash paid for interest	\$ 19,261,527	\$ 11,685,291

See accompanying notes to financial statements.

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SOUTHERN TIMBER VENTURE, LLC
Notes to Financial Statements
December 31, 2004 and 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company - Southern Timber Venture, LLC, a Delaware limited liability company, was formed during 2000 immediately prior to the acquisition of approximately 388,000 acres of timberland in the Southeastern United States for \$275 million. Its primary purpose is to manage the timberlands and to grow and harvest the timber using state of the art forest and timber management principles.

Revenue Recognition - Timber sales are recognized when legal ownership or the risk of loss passes to the purchaser and the quantity sold is determinable. For delivered sales, the risk of loss passes when the timber is delivered to the customer. Revenues are determined by multiplying actual harvest volumes by contractually agreed-upon prices negotiated with the purchasers. Other sales are recognized when earned.

Revenue from Packaging Corporation of America, a related party with whom the Company has a supply agreement, represented 68% of timber sales in 2004 and 55% in 2003 (see Note 7).

The Company also generates income from the leasing of hunting rights on the land it owns. Leases are renewed annually by the lessees and income is recognized in the period in which it is earned.

Cash Equivalents - For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts - In the normal course of business, the Company extends credit to its customers on a short-term basis. Based upon management's assessment of the Company's aging of receivable balances and each customer's individual credit quality, no allowance for doubtful accounts has been made at either fiscal year end 2004 or 2003. If circumstances change (i.e. an unexpected material adverse change in major customer's ability to meet its financial obligations to us), our estimates of the recoverability of amounts due could be reduced by a material amount and the allowance for doubtful accounts and related bad expense would increase by the same amount.

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

Timber and Timberlands - Timber and timberlands are stated at cost less accumulated depletion for timber previously harvested. The company capitalizes timber and timberland purchases and reforestation costs and other costs associated with the planting and growing of timber, such as site preparation, growing or purchases of seedlings, planting, fertilization, herbicide application and the thinning of tree stands to improve growth. Timber carrying costs, such as real estate taxes, insect control, wildlife control are expensed as incurred.

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Costs attributable to timber harvested, or depletion, are charged against income as trees are harvested. Depletion rates are determined based on the relationship between net carrying value of the timber and total timber volume estimated to be available over the harvest cycle. Net carrying value of the timber and timberlands is used to compute the gain or loss in connection with real estate sales.

Property, Plant and Equipment - Property, plant and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Concentrations of Credit Risk - At December 31, 2004 and 2003, the Company had cash deposits on hand in financial institutions which exceeded the financial institution insurable limit provided by the applicable guarantee agency by \$4.6 million and \$4.5 million, respectively.

Fair Value of Financial Statements - The carrying amounts for cash and temporary cash investments approximate their fair values. The carrying amounts of the Company's borrowings under its credit facilities and long-term debt also approximate the fair values based on current rates for similar debt.

NOTE 2 FACTORS AFFECTING THE COMPANY'S BUSINESS

Factors Affecting Supply and Demand - The results of operations of the Company are and will continue to be affected by cyclical supply and demand factors related to the forest products industry. The supply of timber is significantly affected by land use management policies of the U.S. government, which in recent years have limited, and are likely to continue to limit, the amount of timber offered for sale by certain U.S. government agencies. Such government agencies historically have been major suppliers of timber to the U.S. forest products industry, but timber sales by such government agencies currently are at historically low levels. Any reversal of government land use management policies that substantially increases sales of timber by U.S. government agencies could significantly reduce prices for logs, lumber and other forest products. The demand for logs and manufactured wood products also has been, and in the future can be expected to be, subject to cyclical fluctuations. Such demand is primarily affected by the level of housing starts, repair and remodeling activity, industrial wood product use, competition from nonwood products, and the demand for pulp and paper products. These factors are subject to fluctuations due to changes in economic conditions, interest rates, population growth, weather conditions, competitive pressures and other factors. Any decrease in the level of industry demand for logs and wood products generally can be expected to result in lower net sales, operating income and cash flow of the Company.

Harvesting Limitation - Net sales, operating income and cash flow of the Company are dependent on the confirmed ability of the Company to harvest timber at adequate levels. Weather conditions, timber growth cycles, and regulatory requirements associated with protection of wildlife and water resources may restrict harvesting of the Company's timberlands. From time to time, proposals have been made in state legislatures that would

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regulate the level of timber harvesting. Timber harvests also may be affected by various natural factors, including damage by fire, insect infestation, disease, prolonged drought, severe weather conditions and other causes. The effects of such natural disasters may be particularly damaging to young timber. Although damage from such natural causes usually is localized and affects only a limited percentage of the timber, there can be no assurance that any damage affecting the Company's timberlands will in fact be so limited. Consistent with industry practice, the

Company does not maintain insurance coverage with respect to damage to its timberlands. Any of the above factors that materially limits the ability of the Company to harvest timber could have a significant adverse impact on the net sales, operating income and cash flow of the Company.

Committed Product Purchases by Packaging Corporation of America; Possible inability to develop new markets - The Company derived approximately 68% of its net sales for 2004 from sales of timber directly to the Packaging Corporation of America. For a description of the terms of sales of timber by the Company to the Packaging Corporation of America, see Note 7. While management of the Company believes that there is significant demand for the Company's timber products from users other than the Packaging Corporation of America, no assurance can be given that such demand will be equivalent to the Company's planned annual harvests. Any excess supply of timber that results from the inability of the Company to sell its products to users other than the Packaging Corporation of America could result in lower prices for the Company's products, which could have a material adverse effect on the net sales, operating income and cash flow of the Company.

Environmental Regulations - The Company is subject to extensive and changing federal, state and local environmental laws and regulations, the provisions and enforcement of which are expected to become more stringent in the future. The Company is subject to regulation under the Endangered Species Act (the ESA), the Clean Water Act, the Clean Air Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, and the Federal Insecticide, Fungicide and Rodenticide Act, as well as similar state laws and regulations. Violations of various statutory and regulatory programs that apply to the Company's operations can result in civil penalties, remediation expenses, natural resource damages, potential injunctions, cease and desist orders, and criminal penalties.

Some environmental statutes impose strict liability, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. There can be no assurance that such laws or future legislation or administrative or judicial action with respect to protection of the environment will not adversely affect the Company.

The ESA and counterpart state legislation protect species threatened with possible extinction. A number of species indigenous to the Company's timberlands have been and in the future may be protected under these laws. Protection of endangered and threatened species may include restrictions on timber harvesting, road building and other silvicultural activities on private, federal and state land containing the affected species.

NOTE 3 DIVESTITURES

During the year ended December 31, 2003, the Company sold approximately 8,000 acres of land for approximately \$10.3 million resulting in a recognized gain of approximately \$3.6 million.

In December 2004, the Company sold approximately 153,000 acres of timber lands in Mississippi, Tennessee and Alabama for approximately \$158.4 million, resulting in a gain of approximately \$86.6 million. Approximately \$55.4 million of the proceeds of the sales were used to reduce the Company's debt. See Note 7 for discussion of the affect of the divestiture on the company's supply agreement.

NOTE 4 INDEBTEDNESS

During 2001 in connection with the original purchase of the timberlands by Southern Timber Venture, LLC, the Company borrowed \$120 million of fixed rate notes payable and \$80 million of variable rate notes payable from John Hancock Financial Services. The unpaid principal balance was \$85,000,000 and \$140,380,000 at December 31, 2004 and 2003, respectively.

Scheduled maturities are as follows:

<u>Year</u>	<u>Scheduled Maturity</u>
2005	\$ 1,200,000
2006	1,200,000
2007	1,200,000
2008	1,200,000
2009	1,200,000
Thereafter	79,000,000
Total	<u>\$ 85,000,000</u>

The note matures in 2011.

The Company's outstanding debt at December 31, 2004, bears interest at a fixed rate of 8.98%.

The Company also has a revolving line of credit of \$2 million. At December 31, 2004 and 2003, the Company had no outstanding balance on the revolving line. The Company is not required to pay a commitment fee for unused portions of the line of credit.

All of the notes payable and the line of credit referred to above are secured by the Company's timber and timberlands located in Alabama, Florida, Georgia, Mississippi and Tennessee.

NOTE 5 INCOME TAXES

The Company is a limited liability company for income tax purposes. As such, no provision has been made in the financial statements for income taxes as the income or loss and other tax items are reportable by the owners in their separate tax returns.

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Company is subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which it operates. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings involving environmental matters. Liability insurance in effect during the year provides very limited coverage for environmental matters.

The Company has entered into a commitment to sell approximately 90,000 acres of timber land in Mississippi, Alabama and Tennessee for approximately \$91.4 million in March 2005. This sale will reduce the Company's obligations under a supply agreement which is discussed in the Note 7. The amount of the reduction in supply agreement has not been determined.

NOTE 7 RELATED PARTY TRANSACTIONS

During 2001, the Company entered into a supply agreement with Packaging Corporation of America (PCA) which was a 33.3% and 31.3% owner of the Company as of December 31, 2003 and 2004, respectively. As discussed above, in December 2004, the Company sold 153,000 acres of timber lands which substantially reduced the Company's obligation under the agreement to supply PCA's Counce, Tennessee mill. Subsequent to the sale, the Company is obligated to supply PCA's mill in Counce, Tennessee with a minimum of 160,000 tons of softwood per year and a minimum of 10,800 tons of hardwood per year. The Company's obligation to supply 100,000 tons of softwood per year to PCA's mill in Valdosta, Georgia did not change.

Prior to the sale in December 2004, the Company was obligated to supply PCA's mill in Counce, Tennessee with 400,000 to 500,000 tons of softwood per year and 35,000 to 112,000 tons of hardwood per year.

Based on the terms of the supply agreement, PCA advances the Company funds quarterly on anticipated purchases from the Company. The amount of this advance is 40% of anticipated sales for pine and 25% for hardwood. Amounts advanced to the Company are reflected in the accompanying balance sheet as a current liability. The supply agreement also provides a predetermined price for logs delivered to PCA mills.

The Company has also entered into a management agreement with Claw Forestry Services, LLC (Claw), which is owned by a member of one of the Company's members. Under the terms of the management agreement, the Company is obligated to pay Claw a management fee based on \$8 per acre per year for timberland under management. The fee is paid in monthly increments based on one twelfth of the annual amounts expected to be earned. In exchange for such payment, Claw provides the Company certain timberland management services including, but not limited to, the management and marketing of the Company's timber products. The Company paid Claw \$2,616,291 in 2004 and \$2,666,600 in 2003 for management fees.

The Company also paid Claw commissions based on 2% of land sales. The amount of such commissions was \$3,238,995 in 2004 and \$214,848 in 2003.

The Company's primary lender, John Hancock Financial Services, is also a partial owner in the Company. All indebtedness discussed in Note 4 is owed to John Hancock. Also, interest expense and early payment fees paid in 2004 and 2003 were paid to John Hancock.