

KNIGHT PLASTICS INC
Form 424B3
May 14, 2007

PROSPECTUS

Berry Plastics Holding Corporation
(Successor by merger to Covalence Specialty Materials Corp.)

OFFER TO EXCHANGE

10¼% Senior Subordinated Notes due 2016
registered under the Securities Act

For

A Like Principal Amount of 10¼% Senior Subordinated Notes due 2016
(\$265,000,000 Aggregate Principal Amount)

Berry Plastics Holding Corporation (“Berry Holding”) hereby offers to exchange up to \$265,000,000 aggregate principal amount of its 10¼% Senior Subordinated Notes due 2016 that are registered under the Securities Act of 1933, or the “exchange notes,” for an equal principal amount of its outstanding 10¼% Senior Subordinated Notes due 2016, or the “outstanding notes,” which we issued previously without registration under the Securities Act. We refer to the outstanding notes and the exchange notes collectively in this prospectus as the “notes.” The exchange notes are substantially identical to the outstanding notes, except that the exchange notes will not be subject to transfer restrictions or entitled to registration rights, and the additional interest provisions applicable to the outstanding notes in some circumstances relating to the timing of the exchange offer will not apply to the exchange notes. The outstanding notes were issued initially by Covalence Specialty Materials Holding Corp., and the exchange notes will be issued by Berry Holding and guaranteed by Berry Plastics Corporation, Aerocon, Inc., Berry Iowa Corporation, Berry Plastics Design Corporation, Berry Plastics Technical Services, Inc., Berry Sterling Corporation, CPI Holding Corporation, Knight Plastics, Inc., Packerware Corporation, Pescor, Inc., Poly-Seal Corporation, Venture Packaging, Inc., Venture Packaging Midwest, Inc., Berry Plastics Acquisition Corporation III, Berry Plastics Acquisition Corporation V, Berry Plastics Acquisition Corporation VII, Berry Plastics Acquisition Corporation VIII, Berry Plastics Acquisition Corporation IX, Berry Plastics Acquisition Corporation X, Berry Plastics Acquisition Corporation XI, Berry Plastics Acquisition Corporation XII, Berry Plastics Acquisition Corporation XIII, Berry Plastics Acquisition Corporation XV, LLC, Kerr Group, Inc., Saffron Acquisition Corporation, Setco, LLC, Sun Coast Industries, Inc., Tubed Products, LLC, Cardinal Packaging, Inc., Landis Plastics, Inc., Covalence Specialty Adhesives LLC, Covalence Specialty Coatings LLC, Rollpak Acquisition Corporation, and Rollpak Corporation, all wholly-owned subsidiaries of Berry Holding. The exchange notes will represent the same debt as the outstanding notes and Berry Holding will issue the exchange notes under the same indenture.

Terms of the Exchange Offer

- The exchange offer expires at 5:00 p.m., New York City time, on June 12, 2007, unless extended.
 - Completion of the exchange offer is subject to certain customary conditions, which Berry Holding may waive.
 - The exchange offer is not conditioned upon any minimum principal amount of the outstanding notes being tendered for exchange.
 - You may withdraw tenders of outstanding notes at any time before the exchange offer expires.
 - All outstanding notes that are validly tendered and not withdrawn will be exchanged for exchange notes.
 - The exchange of outstanding notes for exchange notes pursuant to the exchange offer should not be a taxable event for U.S. federal income tax purposes.
 - There is no existing market for the exchange notes to be issued, and Berry Holding does not intend to apply for listing or quotation on any exchange or other securities market to be issued, and Berry Holding does not intend to apply for listing or quotation on any exchange or other securities market.
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See “Risk Factors” beginning on page 22 for a discussion of the factors you should consider in connection with the exchange offer and exchange of outstanding notes for exchange notes.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE OUTSTANDING NOTES OR THE EXCHANGE NOTES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is May 14, 2007.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state or other jurisdiction where the offer is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus is accurate as of any date other than the date on the front of this prospectus.

TABLE OF CONTENTS

Prospectus Summary	1
Summary Historical and Pro Forma Financial and Other Data	14
Where You Can Find More Information About Us	17
Disclosure Regarding Forward-Looking Statements	18
Terms Used in this Prospectus	20
Risk Factors	22
Risks Related to Our Business	32
The Exchange Offer	37
Use of Proceeds	48
Capitalization	49
Unaudited Pro Forma Condensed Supplemental Combined Financial Information	50
Selected Historical Financial Data of Old Berry Holding	57
Selected Historical Financial Data of Old Covalence	59
Management's Discussion and Analysis of Financial Condition and Results of Operations - Old Berry Holding	61
Management's Discussion and Analysis of Financial Condition and Results of Operations - Old Covalence	73
Old Covalence Management's Discussion and Analysis of Financial Condition and Results of Operations	83
Principal Credit Facilities of Berry Holding	104
Old Berry Holding Business	107
Old Covalence Business	119
Recent Developments	130
Management	131
Certain Relationships and Related Party Transactions	141
Principal Stockholders of Berry Plastics Group	143
Description of Other Indebtedness	145
Description of the Exchange Notes	149

Material United States Federal Income Tax Consequences	211
Plan of Distribution	213
Legal Matters	214
Experts	214
Where You Can Find Additional Information	215
Index to Financial Statements	F-1

Each broker-dealer that receives exchange notes for its own account pursuant to this exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. The accompanying letter of transmittal relating to the exchange offer states that by so acknowledging and delivering a prospectus, a broker-dealer will not be deemed to admit that it is an “underwriter” within the meaning of the Securities Act of 1933, as amended. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after consummation of the registered exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any resale. See “Plan of Distribution.”

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus and is qualified in its entirety by the more detailed information and consolidated financial statements included elsewhere in this prospectus and incorporated by reference into this prospectus. This summary is not complete and may not contain all of the information that may be important to you. You should carefully read the entire prospectus and all information which has been incorporated by reference into the prospectus, including the “Risk Factors” section and our consolidated financial statements and notes to those statements, before making an investment decision.

The Covalence Merger

On April 3, 2007, Berry Plastics Group, Inc. (“Old Berry Group”) completed its stock-for-stock merger (the “Covalence Merger”) with Covalence Specialty Materials Holding Corp. (“Old Covalence Holding”). The resulting company retained the name Berry Plastics Group, Inc. (“Berry Group”). Immediately following the Covalence Merger, Berry Plastics Holding Corporation (“Old Berry Holding”) and Covalence Specialty Materials Corp. (“Old Covalence”) were combined as a direct subsidiary of Berry Group. The resulting company retained the name Berry Plastics Holding Corporation (“Berry Holding”). References herein to “we”, “us”, the “Company” and “Berry Plastics” refer to Berry Group and its consolidated subsidiaries, including Berry Holding, after giving effect to the transactions described in this paragraph.

The combination was accounted for as a merger of entities under common control. We believe the combination of these entities will provide us with significant opportunities for growth through increasing operational efficiencies, reducing fixed costs, optimizing manufacturing assets and improving the efficiency of capital spending. For the year-ended September 30, 2006, on a pro forma combined basis, we generated pro forma net sales of \$3.2 billion.

In connection with the Covalence Merger, Berry Holding also entered into new senior secured credit facilities (the “New Berry Credit Facility”) and replaced and repaid the Old Berry Holding and Old Covalence credit facilities. The \$1.6 billion senior secured credit facility has a \$400 million asset based revolving credit facility including a \$100 million letter of credit facility, and \$1.2 billion term loan facility. Repayment of 1% of the term loan per annum must be made quarterly with the balance payable upon the final maturity date. Interest on the term and revolving loan facilities is LIBOR plus 2.0% and LIBOR plus 1.25%, respectively. The Company used available cash to fund the Covalence Merger and there were no amounts outstanding at closing on the revolving credit facility.

Overview of the Combined Company

Berry Group operates in the plastic segment of the \$109 billion U.S. packaging sector, which accounted for \$39 billion, or 36%, of total packaging industry sales in 2003, the most recently reported year. Plastic packaging has gained, and is expected to continue to gain, market share versus other packaging materials, driven by factors including consumer preference, weight advantages, shatter resistance and barrier properties. The product categories on which we focus utilize similar manufacturing processes, share common raw materials (principally polypropylene and polyethylene resin) and sell into end markets where customers demand innovative packaging solutions and quick and seamless design and delivery.

Berry Group’s business is comprised of two principal business segments: the “Berry Plastics Business” and the “Covalence Business”. The “Berry Plastics Business” (which we also refer to as “Berry”) is operated by Berry Plastics Corporation, and principally includes the following products: open top containers, drink cups, bottles, closures and overcaps, tubes and prescription vials. The “Covalence Business” (which we also refer to as “Covalence”) is operated by Berry Holding and principally includes the following products: private label trash bags, stretch films, plastic sheeting, can liners, custom and

plastic film products, coated and laminated products and specialty adhesive and flexible packaging application businesses.

Berry Plastics Business

Unless otherwise stated all percentages and amounts relate only to the historical Berry Plastics business and do not reflect the combined operations of Berry Group.

Overview

Berry manufactures a broad range of innovative, high-quality plastic packaging solutions using our collection of over 1,500 proprietary molds and an extensive set of internally developed processes and technologies. Berry's principal products are sold in a diverse selection of markets, including food and beverage, healthcare, personal care, quick service and family dining restaurants, custom and retail.

Berry's Strengths

Berry's strengths include:

Leading positions across a broad product offering. Berry has achieved leading competitive positions in many of its major product lines including thinwall, pry-off, dairy and clear polypropylene containers; drink cups; spice and pharmaceutical bottles and prescription vials; and spirits, continuous thread and pharmaceutical closures.

Large, diverse and stable customer base. Berry sells its products to over 12,000 customers in diverse industries, including pharmaceuticals, food, dairy and health and beauty. Berry's top 10 customers accounted for less than 27% of net sales and Berry's largest customer accounted for less than 6% of net sales for the 12 months ending December 30, 2006 for Old Berry Holding. The average term of Berry's relationships with Berry's top 10 customers is 21 years.

Strong organic growth through continued focus on best-in-class technology and innovation. Berry currently owns over 1,500 proprietary molds and has pioneered a variety of production processes and new products, recent examples of which include an innovative prescription package for Target Stores, a proprietary flip-top closure for tubes and Berry's Vent Band[™] compression closure for isotonic beverages (*e.g.*, Gatorade[®]).

Scale and low-cost operations drive profitability. Berry's large, high-volume equipment and flexible, cross-facility manufacturing capabilities result in lower unit-production costs than many of Berry's competitors as we can leverage Berry's fixed costs, higher capacity utilization and longer production runs. Berry's scale also enhances Berry's purchasing power and lowers Berry's cost of raw materials such as resin. In addition, Berry has broad distribution capabilities, which reduce shipping costs and allow for quick turnaround times to Berry's customers. Berry's managers are charged with meeting specific cost reduction and productivity improvement targets each year, with a material amount of their compensation tied to their performance versus these targets.

Ability to pass through changes in the price of resin. Berry has generally been able to pass through to Berry's customers increases in costs of raw materials, especially resin, the principal raw material used in manufacturing Berry's products. Berry has contractual price escalators/de-escalators tied to the price of resin with customers representing more than 60% of net sales that result in relatively rapid price adjustments to these customers. In addition, Berry has experienced high success rates in quickly passing through increases and decreases in the price of resin to customers without indexed price agreements.

Track record of strong, stable, free cash flow. Berry's strong earnings, combined with Berry's modest capital expenditure profile, limited working capital requirements and relatively low cash taxes due to various tax attributes,

result in the generation of significant free cash flow.

-2-

Motivated management team with highly successful track record. Berry's 12 senior executives possess an average of 20 years of packaging industry experience, and have combined experience of over 236 years at Old Berry Holding. This team has been responsible for developing and executing Berry's strategy that has generated a track record of earnings growth and strong free cash flow and has successfully integrated 22 acquisitions since 1988. Members of Berry's senior management team and other employees own, on a pro forma basis, approximately 18% of the equity of Berry Group, Berry's parent company, on a fully diluted basis after the Covalence Merger.

Berry's Strategy

Berry's strategy is to maintain and enhance Berry's market position and leverage Berry's core strengths to increase profitability and maximize free cash flow through the continued implementation of the following:

Increase sales to Berry's existing customers. We are expanding Berry's product portfolio, extending existing product lines and penetrating new markets with new products, the aim of which is to provide Berry's customers with a cost-effective, single source from which to purchase a broad range of their plastic packaging needs.

Aggressively pursue new customers. We believe that Berry's national direct sales force, Berry's ability to offer new customers a cost-effective, single source from which to purchase a broad range of plastic packaging products and Berry's proven ability to design innovative new products position us well to continue to grow and diversify Berry's customer base.

Manage costs and capital expenditures to drive free cash flow and returns on capital. We employ a team culture of continuous improvement operating under an ISO management system and employing Six Sigma throughout the organization. Berry's principal cost-reduction strategies include (i) leveraging Berry's scale to reduce material costs, (ii) efficiently reinvesting capital into Berry's manufacturing processes to maintain technological leadership and achieve productivity gains, (iii) focusing on ways to streamline operations through plant and overhead rationalization, and (iv) monitoring and rationalizing the number of vendors from which we purchase materials in order to increase Berry's purchasing power.

Selectively pursue strategic acquisitions. Berry's industry is highly fragmented and Berry's customers are focused on working with a small set of key vendors. Berry has a successful track record of executing and integrating acquisitions, having completed 22 acquisitions since 1988, and has developed an expertise in synergy realization. We intend to continue to apply a selective and disciplined acquisition strategy.

Covalence Business

Unless otherwise stated all percentages and amounts relate only to the historical Covalence business and do not reflect the combined operations of Berry Group.

Overview

Covalence is one of the largest manufacturers of plastic film products in the world, based upon sales volume and gross sales, and is also a producer of specialty adhesives and flexible packaging products. Covalence offers an extensive portfolio of over 200 product groups to a wide range of customers, including industrial, building products, custom, institutional, retail, flexible packaging and corrosion protection. Covalence markets its products to a diverse group of over 9,000 customers, with no single customer accounting for more than 10% of its net revenue in fiscal 2006. Covalence leverages its extrusion, lamination and coating expertise across its manufacturing processes as well as its raw material purchasing scale, to manufacture products at competitive prices. We believe that Covalence is one of the largest global purchasers of polyethylene resin, our principal raw material, buying approximately 1.3

billion pounds annually. For the 12 months ending September 29, 2006, Covalence generated net revenue of \$1.8 billion, 96% of which was from North America.

Covalence is a leading manufacturer of value and private-label trash bags, stretch films, plastic sheeting, can liners, and custom and plastic film products, based upon sales volume and gross sales. Included in its product line is its best-selling Ruffies® value trash bags. We believe Covalence's purchasing leverage has allowed it to maintain a relatively stable material spread, which is the difference between selling prices and plastic resin costs on a per-pound basis, and has positioned it to secure attractive volume growth opportunities.

Covalence is also a producer of coated and laminated products for specialty adhesive and flexible packaging applications. Covalence is a manufacturer of specialty adhesive products such as cloth tapes, through the Nashua® and Polyken® brands, pipeline corrosion protection tapes and foil tapes. Covalence believes its high-quality products, new product development, long-standing customer relationships and recognizable brand names have contributed to its position as one of the leading suppliers to many of its customers.

Covalence's Strengths

Covalence's strengths include:

Market Positions. Covalence maintains strong market positions across most of its primary product lines, deriving 73% of its fiscal 2006 net revenue from product lines for which Covalence is one of the market leaders, including value-brand trash bags, institutional can liners, stretch films, plastic sheeting, cloth tape and foil tapes.

Diverse Product Portfolio and Customer Base. Covalence has a diverse and stable product portfolio and customer base and serves a wide range of industries, including industrial tapes, building products, custom, institutional can liners, retail, flexible packaging and corrosion protection.

Significant Polyethylene Resin Purchaser. We believe Covalence is one of the largest purchasers of polyethylene resin in the world, purchasing approximately 1.3 billion pounds annually, which allows Covalence to source polyethylene resin on a global basis as market conditions warrant, which we believe enables Covalence to take advantage of supply and cost differentials in the global market.

Strong Free Cash Flow. We believe that Covalence's operating characteristics and the nature of the industry in which it operates including its ability to pass increases in raw material prices through to its customers, primarily in its Plastics operating segment, together with its diversified revenue base, economies of scale and focus on maintaining industry-leading cost levels, low maintenance capital requirements, low cash taxes and moderate working capital needs, allows Covalence to generate strong free cash flow.

Covalence's Business Strategy

Covalence's business strategy is to increase its net revenue, profitability and free cash flow and enhance its industry positions through the continued implementation of the following:

Drive Organic Growth with New and Existing Customers. Leveraging its diverse portfolio of high-quality, competitively priced products, its high service levels, its national presence and its supply-chain management capabilities to expand its customer base and increase its sales to its existing customers.

Continue to Innovate and Develop New Products. Actively managing its new product pipeline and employing a strong team of scientists and engineers with diverse backgrounds and expertise in developing and reformulating products.

Focus on Maximization of Free Cash Flow. Continuously seeking opportunities to increase its free cash flow through managing its working capital, reducing costs and increasing volume.

-4-

Capitalize on Strategic Opportunities. Considering opportunities to leverage its capabilities across a broader range of products, expanding its customer base and broadening its served end-markets through tuck-in acquisitions as well as potential strategic acquisitions.

Recent Developments

On February 6, 2007, Covalence announced a restructuring program in its Coatings division. The planned actions relate to the exiting of two product lines, the closure of a manufacturing facility, the termination of certain employees and the relocation of certain operations. The affected product lines accounted for revenues of \$20.6 million for the period from February 17 to September 29, 2006. The liability associated with this restructuring program is \$11.6 million, including asset impairment charges of \$8.2 million, termination benefits of \$1.7 million, relocation expenses of \$0.9 million and other restructuring charges of \$0.8 million.

In connection with the Covalence Merger, Berry Group modified certain outstanding options held by employees of Berry Group or its subsidiaries. Such options were modified to provide (i) that each option will have an exercise price fixed at \$100 per share, (ii) that each option shall vest and become exercisable over a five year period beginning in fiscal 2007 based on continued service with the Company and (iii) for accelerated vesting.

On April 10, 2007, Berry Holding sold its wholly owned subsidiary, Berry Plastics UK Ltd., to Plasticum Group N.V. for approximately \$10.0 million. This business represented annual net sales of less than \$9.0 million.

On April 11, 2007, Berry Holding completed its acquisition of 100% of the outstanding common stock of Rollpak Acquisition Corporation, which is the sole stockholder of Rollpak Corporation. Rollpak Corporation is a flexible film manufacturer located in Goshen, Indiana. The purchase price was funded utilizing cash on hand.

On April 26, 2007, Berry Holding announced its intention to shut down its if manufacturing facility located in Oxnard, California. Berry Holding intends to complete this shutdown prior to December 31, 2007.

The business from this facility is being moved to other existing facilities. Berry Holding does not expect the costs associated with this shutdown to be material.

Risk Factors

You should consider carefully all the information set forth in this prospectus and, in particular, you should evaluate the specific factors set forth under "Risk Factors" for risks you should consider in connection with the exchange offer.

Additional Information

Berry Holding is a Delaware Corporation. Our principal executive offices are located at 101 Oakley Street, Evansville, Indiana 47710. Our telephone number is (812) 424-2904. Our website address is located at www.berryplastics.com. The information that appears on our website is not a part of, and is not incorporated into, this prospectus.

Summary of the Exchange Offer

The following is a brief summary of the terms of the exchange offer. For a more complete description of the exchange offer, see “The Exchange Offer.”

Securities Offered

Up to \$265,000,000 aggregate principal amount of the exchange notes which have been registered under the Securities Act.

The form and terms of these exchange notes are identical in all material respects to those of the outstanding notes of the same series except that:

- the exchange notes have been registered under the U.S. federal securities laws and will not bear any legend restricting their transfer;
- the exchange notes bear a different CUSIP number than the outstanding notes;
- the exchange notes will not be subject to transfer restrictions or entitled to registration rights; and
- the exchange notes will not be entitled to additional interest provisions applicable to the outstanding notes in some circumstances relating to the timing of the exchange offer. See “The Exchange Offer—Terms of the Exchange Offer; Acceptance of Tendered Notes.”

The Exchange Offer

Berry Holding is offering to exchange the exchange notes for a like principal amount of the outstanding notes.

Berry Holding will accept any and all outstanding notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on June 12, 2007. Holders may tender some or all of their outstanding notes pursuant to the exchange offer. However, outstanding notes may be tendered only in integral multiples of \$1,000 in principal amount. In order to be exchanged, an outstanding note must be properly tendered and accepted. All outstanding notes that are validly tendered and not withdrawn will be exchanged. As of the date of this prospectus, there are \$265,000,000 aggregate principal amount of outstanding 10¼% Series A Senior Subordinated Notes due 2016. Berry Holding will issue exchange notes promptly after the expiration of the exchange

offer. See “The Exchange Offer—Terms of the
Exchange Offer—Acceptance of Tendered Notes.”

Transferability of Exchange Notes Based on interpretations by the staff of the SEC, as detailed in previous no-action letters issued to third parties, we believe that the exchange notes issued in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act as long as:

- you are acquiring the exchange notes in the ordinary course of your business;
- you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate in a distribution of the exchange notes; and
- you are not our “affiliate” as defined in Rule 405 under the Securities Act.

If you are an affiliate of ours, or are engaged in or intend to engage in or have any arrangement or understanding with any person to participate in the distribution of the exchange notes:

- you cannot rely on the applicable interpretations of the staff of the SEC;
- you will not be entitled to participate in the exchange offer; and
- you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Each broker or dealer that receives exchange notes for its own account in the exchange offer for outstanding notes that were acquired as a result of market-making or other trading activities must acknowledge that it will comply with the prospectus delivery requirements of the Securities Act in connection with any offer to resell or other transfer of the exchange notes issued in the exchange offer.

Furthermore, any broker-dealer that acquired any of its outstanding notes directly from us, in the absence of an exemption therefrom,

- may not rely on the applicable interpretation of the staff of the SEC's position contained in Exxon Capital Holdings Corp., SEC no-action letter (April 13, 1988), Morgan, Stanley & Co. Inc., SEC no-action letter (June 5, 1991) and Shearman & Sterling, SEC no-action letter (July 2, 1993); and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.

See "Plan of Distribution."

We do not intend to apply for listing of the exchange notes on any securities exchange or to seek approval for quotation through an automated quotation system. Accordingly, there can be no assurance that an active market will develop upon completion of the exchange offer or, if developed, that such market will be sustained or as to the liquidity of any market.

Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, on June 12, 2007, unless Berry Holding extends the expiration date.

Exchange Date; Issuance of Exchange Notes

The date of acceptance for exchange of the outstanding notes is the exchange date, which will be the first business day following the expiration date of the exchange offer. Berry Holding will issue the exchange notes in exchange for the outstanding notes tendered and accepted in the exchange offer promptly following the exchange date. See "The Exchange Offer—Terms of the Exchange Offer; Acceptance of Tendered Notes."

Conditions to the Exchange Offer

The exchange offer is subject to customary conditions. Berry Holding may assert or waive these conditions in our reasonable discretion. See "The Exchange Offer—Conditions to the Exchange Offer" for more information regarding conditions to the exchange offer.

Special Procedures for Beneficial Holders

If you beneficially own outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender in the exchange offer, you should contact such registered holder promptly and instruct such person to tender on your behalf. See "The Exchange Offer—Procedures for Tendering

Outstanding Notes.”

-8-

Effect of Not Tendering

Any outstanding notes that are not tendered in the exchange offer, or that are not accepted in the exchange, will remain subject to the restrictions on transfer. Since the outstanding notes have not been registered under the U.S. federal securities laws, you will not be able to offer or sell the outstanding notes except under an exemption from the requirements of the Securities Act or unless the outstanding notes are registered under the Securities Act. Upon the completion of the exchange offer, Berry Holding will have no further obligations, except under limited circumstances, to provide for registration of the outstanding notes under the U.S. federal securities laws. See “The Exchange Offer—Effect of Not Tendering.”

Withdrawal Rights

You may withdraw your tender at any time before the exchange offer expires.

Interest on Exchange Notes and the Outstanding Notes

The exchange notes will bear interest from the most recent interest payment date to which interest has been paid on the outstanding notes, or, if no interest has been paid, from February 16, 2006. Interest on the outstanding notes accepted for exchange will cease to accrue upon the issuance of the exchange notes.

Acceptance of Outstanding Notes and Delivery of Exchange Notes

Subject to the conditions stated in the section “The Exchange Offer—Conditions to the Exchange Offer” of this prospectus, Berry Holding will accept for exchange any and all outstanding notes which are properly tendered in the exchange offer before 5:00 p.m., New York City time, on the expiration date. The exchange notes will be delivered promptly after the expiration date. See “The Exchange Offer—Terms of the Exchange Offer; Acceptance of Tendered Notes.”

Material United States Federal Income Tax Considerations

The exchange by a holder of outstanding notes for exchange notes to be issued in the exchange offer should not result in a taxable transaction for U.S. federal income tax purposes. See “Material United States Federal Income Tax Consequences.”

Accounting Treatment

Berry Holding will not recognize any gain or loss for accounting purposes upon the completion of the exchange offer. The expenses of the exchange offer that Berry Holding pay will be charged to expense in accordance with generally accepted accounting principles. See “The Exchange Offer—Accounting

Treatment.”

-9-

Exchange Agent

Wells Fargo Bank, National Association, the trustee under the indenture, is serving as exchange agent in connection with the exchange offer. The address and telephone number of the exchange agent are listed under the heading “The Exchange Offer—Exchange Agent.”

Use of Proceeds

Berry Holding will not receive any proceeds from the issuance of exchange notes in the exchange offer. Berry Holding will pay all expenses incident to the exchange offer. See “Use of Proceeds.”

Summary of the Terms of the Exchange Notes

The form and terms of the exchange notes and the outstanding notes are identical in all material respects, except that the transfer restrictions, registration rights and additional interest provisions in some circumstances relating to the timing of the exchange offer, which are applicable to the outstanding notes, do not apply to the exchange notes. The exchange notes will evidence the same debt as the outstanding notes and will be governed by the same indenture.

Issuer	Berry Plastics Holding Corporation (successor by merger to Covalence Specialty Materials Corp.)
Securities	Up to \$265,000,000 in aggregate principal amount of 10¼% Senior Subordinated Notes due 2016.
Maturity	March 1, 2016.
Interest	Annual rate: 10¼% Payment frequency: semiannually on March 1 and September 1. First payment: September 1, 2006.
Ranking	The exchange notes will be our general unsecured senior subordinated obligations. Accordingly, they will rank: <ul style="list-style-type: none">• junior to all of our existing and future senior debt, including all borrowings under our senior secured credit facilities and the Second Priority Fixed and Floating Rate Notes;• effectively junior to our secured indebtedness to the extent of the value of the assets securing that debt;• equally with all of our future senior subordinated debt;• senior to any of our future debt that expressly provides that it is subordinated to the exchange notes; and• effectively junior to all of the liabilities of our subsidiaries that are not guarantors.

As of December 30, 2006, we had outstanding on a combined pro forma basis:

- No borrowings outstanding under our \$400 million Asset Based Revolving Line of Credit. We did have \$21.4 million of outstanding letters of credit and borrowing availability of \$378.6 million subject to a borrowing base.

- \$1,974.6 million of secured senior indebtedness consisting primarily of first priority term B loans under the senior secured credit facilities and Second Priority Fixed and Floating Rate Notes.

- \$425 million of 11% unsecured senior secured subordinated indebtedness, consisting of the senior subordinated notes.

Guarantees

The exchange notes will be guaranteed, jointly and severally, on a senior subordinated basis, by each of our domestic subsidiaries that guarantees our senior secured credit facilities.

The guarantees of the exchange notes will be general unsecured senior subordinated obligations of the exchange note guarantors. Accordingly, they will rank:

- junior to all existing and future senior debt of the exchange note guarantors, including the exchange note guarantors' guarantees of borrowings under our senior secured credit facilities and floating rate loan,.
- effectively junior to all secured indebtedness of that guarantor to the extent of the value of the assets securing that debt;
- equally with any future senior subordinated debt of the exchange note guarantors; and
- senior to all future debt of the exchange note guarantors that expressly provides that it is subordinated to the guarantees of the exchange notes.

As of December 30, 2006, on a pro forma basis the guarantees of the notes were subordinated to \$1,974.6 million of senior debt of the note guarantors, which primarily consists of guarantees of our borrowings under our senior secured credit facilities and second priority fixed and floating rate notes.

Optional Redemption

Berry Holding may redeem the exchange notes, in whole or in part, at any time on or after March 1, 2011, at the redemption prices described in "Description of the Exchange Notes—Optional Redemption," plus accrued and unpaid interest, if any. Prior to March 1, 2011, Berry Holding may redeem the exchange notes, in whole or in part, at a price equal to 100% of the principal amount plus a "make-whole" premium, plus accrued and unpaid interest, if any, to the date of redemption.

In addition, on or before March 1, 2009, Berry Holding may redeem up to 35% of the exchange notes with the net cash proceeds from certain equity offerings at a redemption price of 100% of the principal amount of the notes redeemed. However, Berry Holding may only make such redemptions if at least 65% of the aggregate principal amount of the exchange notes issued under the indenture remains outstanding immediately after the occurrence of such redemption.

Change of Control If Berry Holding experiences specific kinds of changes of control, Berry Holding must offer to purchase the exchange notes at 101% of their face amount, plus accrued interest.

Certain Covenants The indenture governing the exchange notes will, among other things, limit our ability and the ability of our restricted subsidiaries to:

- borrow money or sell disqualified stock or preferred stock;
- pay dividends on or redeem or repurchase stock;
- make certain types of investments;
- sell assets;
- incur certain liens;
- restrict dividends or other payments from restricted subsidiaries;
- enter into transactions with affiliates; and
- consolidate, merge or sell all or substantially all of our assets.

These covenants contain important exceptions, limitations and qualifications. For more details, see “Description of the Exchange Notes.”

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL AND OTHER DATA

The combination of Old Berry Holding and Old Covalence has been treated, for accounting purposes, as a combination of entities under common control. The audited supplemental combined financial statements presented herein reflect the results of operations of each company from the date such company was acquired by affiliates of Apollo Management, L.P. (“Apollo”).

The following table summarizes certain historical and pro forma financial and other data for Berry Holding. The summary historical and pro forma financial and other data for Berry Holding as of September 30, 2006, and for the period from February 17, 2006 to September 30, 2006 has been derived from the audited supplemental combined financial statements of Berry Holding, included elsewhere in this prospectus. The summary historical and pro forma financial and other data of Berry Holding as of and for the three months ended December 30, 2006 has been derived from the unaudited supplemental combined financial statements of Berry Holding, included elsewhere in this prospectus, and include all adjustments that management considers necessary for a fair presentation of our financial position and results of operations as of the date and for the period indicated. Results for the three months ended December 30, 2006 are not necessarily indicative of the results that may be expected for the entire year. The financial data of Berry Holding for the period from February 17, 2006 to September 30, 2006 and the three months ended December 30, 2006 includes:

- the results of operations of Covalence Specialty Materials Corp. for the period from February 17, 2006 to September 29, 2006 and the three months ended December 29, 2006, which reflect purchase accounting adjustments from the date of acquisition of Covalence by Apollo on February 16, 2006;
- the results of operations of Berry Plastics Holding Corporation (Old Berry Holding) for the period from September 20, 2006 to September 30, 2006 and the three months ended December 30, 2006, which reflect purchase accounting adjustments from the date of acquisition of Old Berry Holding by Apollo on September 20, 2006.

The summary unaudited pro forma supplemental combined financial data of Berry Holding gives effect, in the manner described under “Unaudited Pro Forma Condensed Supplemental Combined Financial Information,” to the Covalence Merger, New Berry Credit Facility and the acquisition of minority interests. Our unaudited pro forma supplemental combined balance sheet as of December 30, 2006 gives pro forma effect to the New Berry Credit Facility, including the application of the net proceeds to the Company therefrom, as the New Berry Credit Facility had been funded on such date. Our unaudited pro forma supplemental combined statement of operations for the year ended September 30, 2006 and the three months ended December 30, 2006 gives pro forma effect to the Covalence Merger, New Berry Credit Facility and the acquisition of minority interests, as if they had each occurred at the beginning of the respective period as described under “Unaudited Pro Forma Condensed Supplemental Combined Financial Information.”

The pro forma adjustments relating to the minority interest acquisitions of Old Berry Holding as part of the Combinations are based on preliminary estimates of the fair value of the consideration provided, estimates of the fair values of assets acquired and liabilities assumed and available information and assumptions. In addition, both the acquisitions of Old Berry Holding and Old Covalence are preliminary and are based on certain procedures performed by independent third-party appraisers. The

final determination of fair value could result in changes to the pro forma adjustments and the pro forma data included herein.

The unaudited pro forma supplemental combined financial data for the year ended and as of September 30, 2006 and the three month period ended as of December 30, 2006 is presented for informational purposes only, and does not purport to represent what our results of operations would actually have been if the transactions had occurred on the dates indicated, nor does it purport to project our results of operations or financial condition that we may achieve in the future.

You should read this summary historical and pro forma financial and other data in conjunction with “Selected Historical Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Berry”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Covalence” and “Unaudited Pro Forma Condensed Supplemental Combined Financial Information,” together with all of the financial statements and related notes included in this prospectus.

	Historical		Pro Forma	
	Period from February 17, 2006 to September 30, 2006	Three months ended December 30, 2006 (Unaudited)	Year Ended September 30, 2006 (Unaudited)	Three months Ended December 30, 2006 (Unaudited)
Net sales	\$ 1,138.8	\$ 703.6	\$ 3,173.4	\$ 703.6
Cost of goods sold	1,022.9	617.2	2,701.4	617.6
Gross profit	115.9	86.4	472.0	86.0
Operating expenses	108.2	78.9	326.6	79.5
Operating income	7.7	7.5	145.4	6.5
Other expense (income)	(1.3)	0.1	(1.3)	0.1
Interest expense, net	46.5	59.9	236.4	59.1
Loss on extinguished debt	13.6	-	13.6	-
Loss before taxes	(51.1)	(52.5)	(103.3)	(52.7)
Income tax benefit	(18.1)	(19.5)	(38.7)	(19.8)
Minority interest	(1.8)	(2.2)	-	-
Net loss	\$ (31.2)	\$ (30.8)	\$ (64.6)	\$ (32.9)
Cash Flow Data				
Cash flows provided by operating activities	\$ 96.7	\$ 59.8	\$ -	\$ -
Cash flows used in investing activities	(3,252.0)	(44.4)	-	-
Cash flows provided by financing activities	3,212.5	(24.7)	-	-
Other Data:				
Capital expenditures	34.8	14.2	-	14.2
Bank Compliance EBITDA ^(b)	80.3	-	-	-
Depreciation and amortization	54.6	49.1	198.5	50.1

Ratio of earnings to fixed charges	(c)	(c)	(c)	(c)
Balance Sheet Data (at end of period)				
Cash and equivalents	\$ 83.1	\$ 73.6	\$ -	\$ 107.5
Working capital ^(a)	442.3	403.8	-	438.1
Total assets	3,821.4	3,658.5	-	3,900.3
Total debt	2,628.3	2,605.1	-	2,658.3
Total liabilities	3,346.6	3,215.5	-	3,302.2
Total shareholders' equity	409.6	379.7	-	598.1

(a) - Working Capital represents current assets less current liabilities.

(b) - Bank Compliance EBITDA is defined as Net loss before Depreciation and Amortization, Income Taxes, Interest expense (net), management fees to related parties, certain one-time, non-recurring charges, certain non-cash income or expenses, and other unusual items which are more particularly defined in our credit documents and the indenture governing the notes. Bank Compliance EBITDA is used by our lenders for debt covenant compliance purposes and by our management as one of several measures to evaluate management performance, including as a factor in determining annual bonus payments. Bank Compliance EBITDA eliminates what we believe are non-recurring expenses and certain other charges that we believe do not reflect our operations and underlying operational performance. The result, we believe, more accurately reflects the underlying performance of the Company and therefore provides our management and investors with a more meaningful metric to assess our performance over time. Bank Compliance EBITDA is not a defined term under U.S. GAAP. Although we use Bank Compliance EBITDA as a financial measure to assess the performance of our business, the use of Bank Compliance EBITDA has important limitations, including (1) Bank Compliance EBITDA also does not represent funds available for dividends, reinvestment or other discretionary uses, or account for one-time expenses and charges; (2) Bank Compliance EBITDA does not reflect cash outlays for capital expenditures or contractual commitments; (3) Bank Compliance EBITDA does not reflect changes in or cash requirements for, working capital; (4) Bank Compliance EBITDA does not reflect the interest expense or the cash requirements necessary to service interest of principal payments, on indebtedness; (5) Bank Compliance EBITDA does not reflect income tax expense or the cash necessary to pay income taxes; (6) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Bank Compliance EBITDA does not reflect cash requirements for such replacements; (7) Bank Compliance EBITDA does not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations; and (8) other companies, including other companies in our industry, may calculate Bank Compliance EBITDA differently, limiting its usefulness as a comparative measure.

Consequently, management does not, and you should not, consider Bank Compliance EBITDA as (i) an alternative to operating or net income or cash flows from operating activities, in each case determined in accordance with U.S. GAAP, (ii) an indicator of our cash flow, or (iii) a measure of liquidity.

Reconciliation of net loss to EBITDA and Bank Compliance EBITDA

		Historical Period from February 17, 2006 to September 30, 2006
Net loss	\$	(31.2)
Interest expense, net		46.5

Income taxes (benefit)	(18.1)
Depreciation and amortization	54.6
Loss on extinguished debt	13.6
Management fees	1.6
Inventory fair value step up	9.7
Severance costs	3.6
Bank Compliance	
EBITDA	\$ 80.3

(c) - For the purposes of calculating the ratio of earnings to fixed charges, earnings represent income (loss) before income taxes plus fixed charges. Fixed charges consist of financing costs and the portion of operational rental expense which management believes is representative of interest within rent expense. The ratio of earnings to fixed charges should be read in conjunction with the financial statements and other financial data included in this prospectus. The period from February 17, 2006 to September 30, 2006, the three months ended December 30, 2006, the pro forma year ended September 30, 2006, and the pro forma three months ended have a shortfall of \$51.1 million, \$52.2 million, \$103.3 million, and \$52.7 million, respectively.

WHERE YOU CAN FIND MORE INFORMATION ABOUT US

We have filed with the SEC, a registration statement on Form S-4, which we refer to as the “exchange offer registration statement,” under the Securities Act of 1933, as amended, and the rules and regulations thereunder, which we refer to collectively as the “Securities Act,” covering the exchange notes being offered. This prospectus does not contain all the information in the exchange offer registration statement. For further information with respect to Berry Plastics Holding Corporation and the exchange offer, reference is made to the exchange offer registration statement. Statements made in this prospectus as to the contents of any contract, agreement or other documents referred to are not necessarily complete. For a more complete understanding of each contract, agreement or other document filed as an exhibit to the exchange offer registration statement, we encourage you to read the documents contained in the exhibits.

After the registration statement becomes effective, we will file annual, quarterly and current reports and other information with the SEC. You may read and copy any document we file with the SEC at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public at the SEC’s website at <http://www.sec.gov>.

You may obtain copies of the information and documents referenced or incorporated by reference in this prospectus at no charge by accessing the SEC’s website at <http://www.sec.gov> or by requesting them from us in writing or by telephone at:

Berry Plastics Holding Corporation
101 Oakley Street
Evansville, Indiana 47710
(812) 424-2904

To obtain timely delivery of any of our filings, agreements or other documents, you must make your request to us no later than _____, 2007. In the event that we extend the exchange offer, you must submit your request at least five business days before the expiration date of the exchange offer, as extended. We may extend the exchange offer in our sole discretion. See “Exchange Offer” for more detailed information.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference herein contain “forward-looking statements,” within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), with respect to our financial condition, results of operations and business and our expectations or beliefs concerning future events. Such statements include, in particular, statements about our plans, strategies and prospects under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Berry”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Covalence” and “Business.” The safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act of 1934 do not apply to any such statements which are made in connection with this exchange offer. You can identify certain forward-looking statements by our use of forward-looking terminology such as, but not limited to, “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “targets,” “likely,” “will,” “would,” “could” and similar expressions to forward-looking statements. All forward-looking statements involve risks and uncertainties. Many risks and uncertainties are inherent in our industry and markets. Others are more specific to our operations. The occurrence of the events described and the achievement of the expected results depend on many events, some or all of which are not predictable or within our control. Actual results may differ materially from the forward-looking statements contained or incorporated by reference in this prospectus. Factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include:

- risks associated with our substantial indebtedness and debt service;
- changes in prices and availability of resin and other raw materials and our ability to pass on changes in raw material prices on a timely basis;
- risks of competition, including foreign competition, in our existing and future markets;
- risks related to our acquisition strategy and integration of acquired businesses;
- reliance on unpatented proprietary know-how and trade secrets;
- increases in the cost of compliance with laws and regulations, including environmental laws and regulations;
- catastrophic loss of one of our key manufacturing facilities;
- increases in the amounts we are required to contribute to our pension plans;
- our ownership structure following the Acquisition;
- reduction in net worth; and
- the other factors discussed in the section of this prospectus titled “Risk Factors.”

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained or incorporated by reference in this prospectus may not in

fact occur. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

-19-

TERMS USED IN THIS PROSPECTUS

Unless otherwise indicated, in this prospectus:

- the term “Apollo” refers to Apollo Management, L.P. and its affiliates;
- the term “BPC Holding Corporation” refers to Berry Plastics Holding Corporation prior to the consummation of the Acquisition by Apollo and before it changed its name to Berry Plastics Holding Corporation;
- the term “Berry Group” refers to Berry Plastics Group, Inc., a Delaware corporation; the former parent of Old Berry Holdings.
- the term “Berry Holding” refers to Berry Plastics Holding Corporation combined together with Covalence Specialty Materials Corp.;
- the terms “Berry Plastics Business” and “Berry” refer to the business segments operated by Berry Plastics Corporation, which includes the following products: open top containers, drink cups, bottles, closures and overcaps, tubes and prescription vials.
- the terms “Covalence Business” and “Covalence” refer to the business segments operated by Berry Holding (successor to Covalence Specialty Materials Corp.), Covalence Adhesives LLC and Covalence Specialty Materials LLC, which include the following products: private label trash bags, stretch films, plastic sheeting, can liners, custom and plastic film products, coated and laminated products and specialty adhesive and flexible packaging application businesses;
 - the term “exchange notes” refers to the 10¼% Senior Subordinated Notes due 2016 that are registered under the Securities Act of 1933, and which we are hereby offering to exchange for the outstanding notes;
 - the term “Goldman” refers to The Goldman Sachs Group, Inc. and its affiliates;
 - the term “Graham Partners” refers to Graham Partners, Inc. and its affiliates;
- the term “guarantors” refers to each of the existing and future domestic subsidiaries of Holdings that will guarantee the notes;
 - the term “HDPE” refers to high density polyethylene;
 - the term “LDPE” refers to low density polyethylene;
 - the term “notes” refers to the outstanding notes and the exchange notes;
- the term “Old Berry Holdings” refers to Berry Plastics Holding Corporation (f/k/a BPC Holding Corporation), the parent company of Berry Plastics Corporation prior to the Covalence Merger;
 - the term “Old Covalence” refers to Covalence Specialty Materials Corporation;

· the term “outstanding notes” refers to the 10¹/₄% Senior Subordinated Notes due 2016 which we issued previously without registration under the Securities Act.

· the term “PE” refers to polyethylene;

· the term “PET” refers to polyethylene terephthalate;

· the term “PP” refers to polypropylene;

· the term “Sponsors” refers to Apollo and Graham Partners; and

· the terms “we,” “us” and the “Company” refer to Berry Group and its predecessors and consolidated subsidiaries, including Berry Holding;

Old Berry Holding’s fiscal years are 52- or 53-week periods ending generally on the Saturday closest to December 31. All references herein to “fiscal 2006” “fiscal 2005,” “fiscal 2004,” “fiscal 2003” and “fiscal 2002” relate to the fiscal years end December 30, 2006, December 31, 2005, January 1, 2005, December 27, 2003, and December 28, 2002, respectively.

Old Covalence’s fiscal years are for the 52- or 53-week periods ending generally on the Friday closest to September 30. All references herein to “fiscal 2006,” “fiscal 2005,” fiscal 2004, fiscal 2003” and “fiscal 2002” relate to the fiscal years ended September 29, 2006, September 30, 2005, September 30, 2004, September 30, 2003 and September 30, 2002, respectively.

Berry Holding’s new fiscal year-end is the 52- or 53-week period ending generally on the Saturday closest to September 30. The supplemental combined financial statements for 2006 include Old Berry Holdings and Old Covalence from the dates of acquisition by Apollo.

RISK FACTORS

Investing in the notes involves a high degree of risk. You should carefully consider the following risk factors and all other information contained and incorporated by reference in this prospectus, including our financial statements and the related notes, before deciding to participate in the exchange offer. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. If any of the following risks materialize, our business, financial condition or results of operations could be materially and adversely affected. In that case, you may lose some or all of your investment.

Risks Related to our Exchange Notes and the Exchange Offer

If you fail to exchange your outstanding notes, they will continue to be restricted securities and may become less liquid.

Outstanding notes that you do not tender or that we do not accept will, following the exchange offer, continue to be restricted securities, and you may not offer to sell them except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We will issue the exchange notes in exchange for the outstanding notes in the exchange offer only following the satisfaction of the procedures and conditions set forth in “The Exchange Offer—Procedures for Tendering Outstanding Notes.” Such procedures and conditions include timely receipt by the exchange agent of such outstanding notes and of a properly completed and duly executed letter of transmittal. Because we anticipate that most holders of the outstanding notes will elect to exchange their outstanding notes, we expect that the liquidity of the market for the outstanding notes remaining after the completion of the exchange offer will be substantially limited. Any outstanding notes tendered and exchanged in the exchange offer will reduce the aggregate principal amount at maturity of the outstanding notes. Further, following the exchange offer, if you did not tender your outstanding notes, you generally will not have any further registration rights, and such outstanding notes will continue to be subject to certain transfer restrictions.

You may find it difficult to sell your exchange notes because there is no existing trading market for the exchange notes.

The exchange notes are being offered to the holders of the outstanding notes. The outstanding notes were issued on February 16, 2006, primarily to a small number of institutional investors. There is no existing trading market for the exchange notes and there can be no assurance regarding the future development of a market for the exchange notes, or the ability of the holders of the exchange notes to sell their exchange notes or the price at which such holders may be able to sell their exchange notes. If such a market were to develop, the exchange notes could trade at prices that may be higher or lower than the initial offering price of the outstanding notes depending on many factors, including prevailing interest rates, our financial position, operating results and the market for similar securities. We do not intend to apply for listing or quotation of the exchange notes on any exchange and we do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be. The initial purchasers of the outstanding notes are not obligated to make a market in the exchange notes, and any market-making may be discontinued at any time without notice. Therefore, there can be no assurance as to the liquidity of any trading market for the exchange notes or that an active market for the exchange notes will develop. As a result, the market price of the exchange notes, as well as your ability to sell the exchange notes, could be adversely affected.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of such securities. There can be no assurance that the market for the exchange notes will not be subject to similar disruptions. Any such disruptions may have an adverse effect on holders of the exchange notes.

Broker-dealers may become subject to the registration and prospectus delivery requirements of the Securities Act and any profit on the resale of the exchange notes may be deemed to be underwriting compensation under the Securities Act.

Any broker-dealer that acquires exchange notes in the exchange offer for its own account in exchange for outstanding notes which it acquired through market-making or other trading activities must acknowledge that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction by that broker-dealer. Any profit on the resale of the exchange notes and any commission or concessions received by a broker-dealer may be deemed to be underwriting compensation under the Securities Act.

You may not receive the exchange notes in the exchange offer if the exchange offer procedures are not properly followed.

We will issue the exchange notes in exchange for your outstanding notes only if you properly tender the outstanding notes before expiration of the exchange offer. Neither we nor the exchange agent are under any duty to give notification of defects or irregularities with respect to the tenders of the outstanding notes for exchange. If you are the beneficial holder of outstanding notes that are held through your broker, dealer, commercial bank, trust company or other nominee, and you wish to tender such notes in the exchange offer, you should promptly contact the person through whom your outstanding notes are held and instruct that person to tender on your behalf.

Our substantial indebtedness could affect our ability to meet our obligations under the exchange notes and may otherwise restrict our activities.

We have a significant amount of indebtedness. On December 30, 2006 on a pro forma basis, we had total indebtedness of \$2,658.3 million and we would have been able to borrow a further \$378.6 million under the revolving portion of our senior secured credit facilities subject to a borrowing base. We are permitted by the terms of the exchange notes and our other debt instruments to incur substantial additional indebtedness, subject to the restrictions therein. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms, would have a material adverse effect on our business, financial condition and results of operations.

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

- make it more difficult for us to satisfy our obligations under our indebtedness, including the exchange notes;
- limit our ability to borrow money for our working capital, capital expenditures, debt service requirements or other corporate purposes;
- require us to dedicate a substantial portion of our cash flow to payments on our indebtedness, which would reduce the amount of cash flow available to fund working capital, capital expenditures, product development and other corporate requirements;
- increase our vulnerability to general adverse economic and industry conditions;

limit our ability to respond to business opportunities; and

· subject us to financial and other restrictive covenants, which, if we fail to comply with these covenants and our failure is not waived or cured, could result in an event of default under our debt.

In addition, a substantial portion of our debt, including borrowings under our senior secured credit facilities and our Floating Rate Notes, bears interest at variable rates. If market interest rates increase, variable-rate debt will create higher debt service requirements, which could adversely affect our cash flow. While we may enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection from this risk.

The exchange notes, our senior secured credit facilities and the indentures relating to our outstanding notes contain covenants that limit our flexibility and prevent us from taking certain actions.

The indenture governing the exchange notes and the agreements governing our senior secured credit facilities and our outstanding notes include a number of restrictive covenants. These covenants could adversely limit our ability to plan for or react to market conditions, meet our capital needs and execute our business strategy. These covenants, among other things, limit our ability and the ability of our restricted subsidiaries to:

· borrow money or sell “disqualified stock” (as defined in the indenture) or preferred stock;

· pay dividends on or redeem or repurchase stock;

· make certain types of investments;

· sell assets;

· incur certain liens;

· restrict dividends or other payments from subsidiaries;

· enter into transactions with affiliates; and

· consolidate or merge or sell our assets substantially as an entirety.

Our senior secured credit facilities include additional covenants and prohibit us from prepaying our other debt, including the exchange notes, while borrowings under our senior secured credit facilities are outstanding. Our senior secured revolving credit facility also requires us to maintain a fixed charge coverage ratio in certain limited circumstances. Our breach of covenants or obligations under the indentures governing our outstanding notes or our senior secured facilities, if not cured or waived, could result in event of default under the applicable debt instrument or agreement and could trigger acceleration of the related debt, which in turn could trigger defaults and accelerations under other debt instruments or agreements.

Any default under any of the indentures governing our outstanding notes or our senior credit facilities could adversely affect our growth, our financial condition and our results of operations, and our ability to make payments on the exchange notes, the senior credit facilities, our outstanding notes, and

other debt of our subsidiaries. The imposition of the cross-default provisions described in the preceding paragraph could exacerbate these adverse consequences.

In addition, the lenders under our senior secured credit facilities and Second Priority Notes could foreclose on our assets. If we were unable to refinance these borrowings on favorable terms, our results of operations and financial condition could be adversely impacted by increased costs and less favorable terms, including interest rates and covenants. Any future refinancing of our senior secured credit facilities or floating rate loan is likely to contain similar restrictive covenants.

Despite our substantial indebtedness, we and our subsidiaries may still be able to incur significantly more debt. This could intensify the risks described above.

The terms of the indentures governing the exchange notes and our other outstanding notes and the terms of our senior secured credit facilities will contain restrictions on our and our subsidiaries' ability to incur additional indebtedness, including senior secured indebtedness that will be effectively senior to the exchange notes to the extent of the assets securing such indebtedness. However, these restrictions will be subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Accordingly, we or our subsidiaries could incur significant additional indebtedness in the future, much of which could constitute secured or senior indebtedness. As of December 30, 2006, we had \$378.6 million available for additional borrowing under the revolving credit facility subject to a borrowing base, all of which is secured. In addition to the exchange notes, the senior subordinated notes and our borrowings under the senior secured credit facilities, the covenants under any other existing or future debt instruments could allow us to borrow a significant amount of additional indebtedness. The more leveraged we become, the more we, and in turn our security holders, become exposed to the risks described above under "—Our substantial indebtedness could affect our ability to meet our obligations under the exchange notes and may otherwise restrict our activities."

We may not be able to generate sufficient cash to service all of our indebtedness, including the exchange notes, and may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful.

Our ability to pay principal and interest on the exchange notes and to satisfy our other debt obligations will depend upon, among other things:

- our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control; and
- the future availability of borrowings under our senior secured credit facilities, which depends on, among other things, our complying with the covenants in our senior secured credit facilities.

We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us under our senior secured credit facilities or otherwise, in an amount sufficient to fund our liquidity needs, including the payment of principal and interest on the exchange notes. See "Disclosure Regarding Forward-Looking Statements", "Management's Discussion and Analysis of Financial Condition and Results of Operations - Berry" and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Covalence".

If our cash flows and capital resources are insufficient to service our indebtedness, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness, including the exchange notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt agreements, including our senior secured credit facilities and the Indentures governing the exchange notes and the senior subordinated notes, may restrict us from adopting some of these alternatives. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due.

Repayment of our debt, including the exchange notes, is dependent on cash flow generated by our subsidiaries.

Our subsidiaries own a significant portion of our assets and conduct a significant portion of our operations. Accordingly, repayment of our indebtedness, including the exchange notes, is dependent, to a significant extent, on the generation of cash flow by our subsidiaries and (if they are not guarantors of the exchange notes) their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of the exchange notes, our subsidiaries do not have any obligation to pay amounts due on the exchange notes or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the exchange notes. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the Indenture governing the exchange notes limits the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our non-guarantor subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the exchange notes.

Your right to receive payments on the exchange notes is effectively subordinated to the rights of our and the exchange note guarantors' existing and future secured creditors. Further, your right to receive payments on the exchange notes is effectively subordinated to all our non-guarantors' existing and future indebtedness.

Holders of our secured indebtedness and the secured indebtedness of the exchange note guarantors have claims that are effectively senior to your claims as holders of the exchange notes to the extent of the value of the assets securing that other indebtedness. The exchange notes are effectively subordinated to all that secured indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, holders of secured indebtedness will have prior claim to those of our assets that constitute their collateral. Holders of the exchange notes will participate ratably with all holders of our other unsecured indebtedness that is deemed to be of the same class as the exchange note, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the exchange notes. As a result, holders of exchange notes may receive less, ratably, than holders of secured indebtedness.

As of December 30, 2006 on a pro forma basis, the aggregate amount of our secured indebtedness and the secured indebtedness of our subsidiaries was approximately \$1,974.6 million, excluding approximately \$21.4 million of letters of credit and approximately \$378.6 million that was available for borrowing as additional secured debt under the revolving portion of our senior secured credit facilities subject to a borrowing base. We will be permitted to borrow substantial additional indebtedness, including secured indebtedness, in the future under the terms of the indenture relating to the exchange notes.

Additionally, only some of our subsidiaries guarantee the exchange notes. Our current and future foreign subsidiaries, receivables subsidiaries and subsidiaries that we designate as unrestricted subsidiaries under the indenture will not guarantee the exchange notes. In the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us. As of September 30, 2006, and for the period from February 17 to September 30, 2006 on a pro forma basis, our non-guarantor subsidiaries had net revenue of \$109.4 million, total assets of \$118.4 million and total liabilities of \$76.4 million.

Your right to receive payments on the exchange notes is junior to our senior indebtedness, including that outstanding under our senior secured credit facilities and the Second Lien Notes, and possibly all of our future borrowings. Further, the guarantees of the exchange notes are junior to all of the exchange note guarantors' senior indebtedness and possibly to all their future borrowings.

The exchange notes and the guarantees of the exchange notes are junior to all of our, and the exchange note guarantors', existing indebtedness (other than trade payables) and all of our and their future indebtedness (other than trade payables), except any future indebtedness that expressly provides that it ranks equal with, or is subordinated in right of payment to, the exchange notes and the guarantees thereof. As a result, upon any distribution to our creditors or the creditors of the exchange note guarantors in a bankruptcy, liquidation or reorganization or similar proceeding relating to us or the exchange note guarantors or our or their property, the holders of our and the exchange note guarantors' senior indebtedness will be entitled to be paid in full in cash before any payment may be made with respect to the exchange notes or the guarantees thereof.

In addition, all payments on the exchange notes and the guarantees thereof will be blocked in the event of a payment default on designated senior debt and may be blocked for up to 179 of 360 consecutive days in the event of certain non-payment defaults on designated senior debt.

In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to us or the exchange note guarantors, holders of the exchange notes will participate in the assets remaining after we and the exchange note guarantors have paid all of our senior debt. However, because the indenture relating to the exchange notes requires that amounts otherwise payable to holders of the exchange notes and guarantees thereof in a bankruptcy or similar proceeding be paid to holders of senior debt instead, holders of the exchange notes and guarantees thereof may receive less, ratably, than holders of trade payables in any such proceeding. In any of these cases, we and the exchange note guarantors may not have sufficient funds to pay all of our creditors and holders of exchange notes and guarantees thereof may receive less, ratably, than the holders of our senior debt.

As of December 30, 2006 on a pro forma basis, the exchange notes and the guarantees thereof were subordinated to \$1,974.6 million of senior debt, excluding approximately \$21.4 million of letters of credit, and approximately \$378.6 million that is available for borrowing as additional senior debt under the revolving portion of our senior secured credit facilities subject to a borrowing base. We will be

permitted to borrow substantial additional indebtedness, including senior debt, in the future under the terms of the indenture, the senior secured credit facilities and the floating rate loan.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the exchange notes.

Any default under the agreements governing our indebtedness, including a default under our senior secured credit facilities that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could prohibit us from making payments of principal, premium, if any, or interest on the exchange notes and could substantially decrease the market value of the exchange notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, or interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including our senior secured credit facilities), we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest. More specifically, the lenders under the revolving credit facility could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek waivers from the required lenders under our senior secured credit facilities to avoid being in default. If we breach our covenants under our senior secured credit facilities and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our senior secured credit facilities, the lenders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. See “Description of Other Indebtedness” and “Description of the Exchange Notes.”

The exchange notes will be structurally subordinated to all liabilities of our non-guarantor subsidiaries.

The exchange notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries that are not guaranteeing the exchange notes, which include two of our domestic subsidiaries and all of our non-U.S. subsidiaries. These non-guarantor subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the exchange notes, or to make any funds available therefore, whether by dividends, loans, distributions or other payments. For the period from February 17, 2006 to September 30, 2006, the subsidiaries that are not guaranteeing the exchange notes had net sales of \$109.4 million and held 3% of our total assets. Any right that we or the subsidiary guarantors have to receive any assets of any of the non-guarantor subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of holders of exchange notes to realize proceeds from the sale of any of those subsidiaries’ assets, will be effectively subordinated to the claims of those subsidiaries’ creditors, including trade creditors and holders of preferred equity interests of those subsidiaries. Accordingly, in the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, these non-guarantor subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before they will be able to distribute any of their assets to us.

The terms of our senior secured credit facilities and the Indentures governing the exchange notes, the Second Lien Notes and the Senior Subordinated Notes may restrict our current and future operations, particularly our ability to respond to changes in our business or to take certain actions.

Our senior secured credit facilities and the indentures governing the exchange notes, the Second Lien Notes and the Senior Subordinated Notes contain, and any future indebtedness of ours would likely

contain, a number of restrictive covenants that will impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

- incur or guarantee additional debt;
- pay dividends and make other restricted payments;
- create or incur certain liens;
- make certain investments;
- engage in sales of assets and subsidiary stock;
- enter into transactions with affiliates;
- transfer all or substantially all of our assets or enter into merger or consolidation transactions; and
- make capital expenditures.

A failure to comply with the covenants contained in our senior secured credit facilities, the indentures governing the exchange notes, the Second Lien Notes and the Senior Subordinated Notes or any other existing indebtedness could result in an event of default under our senior secured credit facilities, the Indentures governing the exchange notes and the senior subordinated notes or any other existing agreements, which, if not cured or waived, could have a material adverse affect on our business, financial condition and results of operations. In the event of any default under our senior secured credit facilities, the indentures governing the exchange notes, the Second Lien Notes and the Senior Subordinated Notes or any other indebtedness, the lenders thereunder:

- will not be required to lend any additional amounts to us;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable;
- may have the ability to require us to apply all of our available cash to repay these borrowings; or
- may prevent us from making debt service payments under our other agreements, including the Indenture governing the exchange notes, any of which could result in an event of default under the exchange notes.

If the indebtedness under our senior secured credit facilities or our other indebtedness, including the exchange notes, were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full. See “Description of Other Indebtedness” and “Description of the Exchange Notes.”

We may not have the ability to raise the funds necessary to finance the change-of-control offer required by the indenture governing the exchange notes.

Upon the occurrence of certain kinds of change of control events, we will be required to offer to repurchase all outstanding exchange notes at 101% of the principal amount thereof plus accrued and

unpaid interest and liquidated damages, if any, to the date of repurchase. However, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of exchange notes or that restrictions in our senior secured credit facilities or floating rate loan will not allow such repurchases. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a “Change of Control” under the indenture. See “Description of the Exchange Notes—Change of Control.”

U.S. Federal and state statutes allow courts, under specific circumstances, to void the exchange notes or the guarantees thereof and require note holders to return payments received from us or the exchange note guarantors.

Under U.S. federal bankruptcy law and comparable provisions of state fraudulent-transfer laws, the exchange notes or the guarantees thereof may be voided, or claims in respect of the exchange notes or a guarantee may be subordinated to all other debts of us or that exchange note guarantor if, among other things, we or the exchange note guarantor, at the time we issued the exchange notes or it incurred the indebtedness evidenced by its guarantee:

- issued the exchange notes or provided the guarantee with the intent of hindering, delaying or defrauding any present or future creditor; or
- received less than reasonably equivalent value or fair consideration for the incurrence of such indebtedness or guarantee; and
 - were insolvent or rendered insolvent by reason of such incurrence; or
- were engaged in a business or transaction for which our or the exchange note guarantor’s remaining assets constituted unreasonably small capital to carry on its business; or
- intended to incur, or believed that we or it would incur, debts beyond our or its ability to pay such debts as they mature.

In addition, any payment by that exchange note guarantor pursuant to its guarantee could be voided and required to be returned to the exchange note guarantor or a fund for the benefit of the creditors of the exchange note guarantor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets; or
- if the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
 - it could not pay its debts as they become due.

If the exchange notes are or a guarantee is voided as a fraudulent conveyance or found to be unenforceable for any other reason, you will not have a claim against the relevant obligor and will only be our creditor or that of an exchange note guarantor whose obligations were not set aside or found to be

unenforceable. In addition, the loss of a guarantee will constitute a default under the indenture, which default would cause all outstanding notes to become immediately due and payable.

On the basis of historical financial information, recent operating history and other factors, we believe that we and each exchange note guarantor, after giving effect to our issuance of the exchange notes and its guarantee of the notes, will not be insolvent, will not have unreasonably small capital for the business in which we and it are engaged and will not have incurred debts beyond our or its ability to pay such debts as they mature. We cannot assure you, however, as to what standard a court would apply in making these determinations or that a court would agree with our conclusions in this regard.

There may be no active trading market for the exchange notes, and if one develops, it may not be liquid.

The exchange notes constitute a new issue of securities for which there is no established trading market. We do not intend to list the exchange notes on any national securities exchange or to seek the admission of the exchange notes for quotation through the National Association of Securities Dealers Automated Quotation System. Although the initial purchasers have advised us that they currently intend to make a market in the exchange notes, they are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Securities Exchange Act of 1934, as amended, or the Exchange Act, and may be limited during the exchange offer and the pendency of any shelf registration statement. Although we expect that the notes will be eligible for trading in PORTAL, there can be no assurance as to the development or liquidity of any market for the exchange notes, the ability of the holders of the exchange notes to sell their exchange notes or the price at which the holders would be able to sell their exchange notes. Future trading prices of the exchange notes will depend on many factors, including:

- our operating performance and financial condition;
- our ability to complete this offer to exchange the outstanding notes for the exchange notes;
- the interest of securities dealers in making a market; and
- the market for similar securities.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the exchange notes offered hereby. The market for the exchange notes, if any, may be subject to similar disruptions. Any such disruptions may adversely affect the value of your exchange notes.

RISKS RELATED TO OUR BUSINESS

Increases in resin prices or a shortage of available resin could harm our financial condition and results of operations.

To produce our products, we use large quantities of plastic resins, which account for a significant portion of our cost of goods sold. Plastic resins are subject to price fluctuations, including those arising from supply shortages and changes in the prices of natural gas, crude oil and other petrochemical intermediates from which resins are produced. Over the past several years, we have at times experienced rapidly increasing resin prices. If rapid increases in resin prices continue, our revenue and profitability may be materially and adversely affected, both in the short-term as we attempt to pass through changes in the price of resin to customers under current agreements and in the long-term as we negotiate new agreements or if our customers seek product substitution.

We source plastic resin primarily from major industry suppliers such as Basell, Chevron, Dow, ExxonMobil, Huntsman, Lyondell, Nova, Sunoco and Total. We have long-standing relationships with certain of these suppliers but have not entered into a firm supply contract with any of them. We may not be able to arrange for other sources of resin in the event of an industry-wide general shortage of resins used by us, or a shortage or discontinuation of certain types of grades of resin purchased from one or more of our suppliers. Any such shortage may materially negatively impact our competitive position versus companies that are able to better or more cheaply source resin.

We may not be able to compete successfully and our customers may not continue to purchase our products.

We face intense competition in the sale of our products and compete with multiple companies in each of our product lines. We compete on the basis of a number of considerations, including price, service, quality, product characteristics and the ability to supply products to customers in a timely manner. Our products also compete with metal, glass, paper and other packaging materials as well as plastic packaging materials made through different manufacturing processes. Some of these competitive products are not subject to the impact of changes in resin prices which may have a significant and negative impact on our competitive position versus substitute products. Our competitors may have financial and other resources that are substantially greater than ours and may be better able than us to withstand price competition. In addition, some of our customers do and could in the future choose to manufacture the products they require for themselves. Each of our product lines faces a different competitive landscape. Competition could result in our products losing market share or our having to reduce our prices, either of which would have a material adverse effect on our business and results of operations and financial condition. In addition, since we do not have long-term arrangements with many of our customers these competitive factors could cause our customers to shift suppliers and/or packaging material quickly.

We may pursue and execute acquisitions, which could adversely affect our business.

As part of our growth strategy, we plan to consider the acquisition of other companies, assets and product lines that either complement or expand our existing business and create economic value. We cannot assure you that we will be able to consummate any such transactions or that any future acquisitions will be consummated at acceptable prices and terms. We continually evaluate potential acquisition opportunities in the ordinary course of business, including those that could be material in size and scope. Acquisitions involve a number of special risks, including:

- the diversion of management's attention to the assimilation of the acquired companies and their employees and on the management of expanding operations;
- the incorporation of acquired products into our product line;
- the increasing demands on our operational systems;
- possible adverse effects on our reported operating results, particularly during the first several reporting periods after such acquisitions are completed; and
- the loss of key employees and the difficulty of presenting a unified corporate image.

We may become responsible for unexpected liabilities that we failed or were unable to discover in the course of performing due diligence in connection with historical acquisitions and any future acquisitions. We have typically required selling stockholders to indemnify us against certain undisclosed liabilities. However, we cannot assure you that indemnification rights we have obtained, or will in the future obtain, will be enforceable, collectible or sufficient in amount, scope or duration to fully offset the possible liabilities associated with the business or property acquired. Any of these liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations.

In addition, we may not be able to successfully integrate future acquisitions without substantial costs, delays or other problems. The costs of such integration could have a material adverse effect on our operating results and financial condition. In addition, although we conduct what we believe to be a prudent level of investigation regarding the businesses we purchase, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual condition of these businesses. Until we actually assume operating control of such business assets and their operations, we may not be able to ascertain the actual value or understand the potential liabilities of the acquired entities and their operations.

We may not be successful in protecting our intellectual property rights, including our unpatented proprietary know-how and trade secrets, or in avoiding claims that we infringed on the intellectual property rights of others.

In addition to relying on patent and trademark rights, we rely on unpatented proprietary know-how and trade secrets, and employ various methods, including confidentiality agreements with employees and consultants, to protect our know-how and trade secrets. However, these methods and our patents and trademarks may not afford complete protection and there can be no assurance that others will not independently develop the know-how and trade secrets or develop better production methods than us. Further, we may not be able to deter current and former employees, contractors and other parties from breaching confidentiality agreements and misappropriating proprietary information and it is possible that third parties may copy or otherwise obtain and use our information and proprietary technology without authorization or otherwise infringe on our intellectual property rights. Additionally, we have licensed, and may license in the future, patents, trademarks, trade secrets, and similar proprietary rights to third parties. While we attempt to ensure that our intellectual property and similar proprietary rights are protected when entering into business relationships, third parties may take actions that could materially and adversely affect our rights or the value of our intellectual property, similar proprietary rights or reputation. In the future, we may also rely on litigation to enforce our intellectual property rights and contractual rights, and, if not successful, we may not be able to protect the value of our intellectual property. Any litigation could be protracted and costly and could have a material adverse effect on our business and results of operations regardless of its outcome.

Our success depends in part on our ability to obtain, or license from third parties, patents, trademarks, trade secrets and similar proprietary rights without infringing on the proprietary rights of third parties. Although we believe our intellectual property rights are sufficient to allow us to conduct our business without incurring liability to third parties, our products may infringe on the intellectual property rights of such persons. Furthermore, no assurance can be given that we will not be subject to claims asserting the infringement of the intellectual property rights of third parties seeking damages, the payment of royalties or licensing fees and/or injunctions against the sale of our products. Any such litigation could be protracted and costly and could have a material adverse effect on our business and results of operations.

Current and future environmental and other governmental requirements could adversely affect our financial condition and our ability to conduct our business.

Our operations are subject to federal, state, local and foreign environmental laws and regulations that impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes and require clean up of contaminated sites. While we have not been required historically to make significant capital expenditures in order to comply with applicable environmental laws and regulations, we cannot predict with any certainty our future capital expenditure requirements because of continually changing compliance standards and environmental technology. Furthermore, violations or contaminated sites that we do not know about (including contamination caused by prior owners and operators of such sites) (or newly discovered information) could result in additional compliance or remediation costs or other liabilities, which could be material. We have limited insurance coverage for potential environmental liabilities associated with historic and current operations and we do not anticipate increasing such coverage in the future. We may also assume significant environmental liabilities in acquisitions. In addition, federal, state, local and foreign governments could enact laws or regulations concerning environmental matters that increase the cost of producing, or otherwise adversely affect the demand for, plastic products. Legislation that would prohibit, tax or restrict the sale or use of certain types of plastic and other containers, and would require diversion of solid wastes such as packaging materials from disposal in landfills, has been or may be introduced in the U.S. Congress, in state legislatures and other legislative bodies. While container legislation has been adopted in a few jurisdictions, similar legislation has been defeated in public referenda in several states, local elections and many state and local legislative sessions. Although we believe that the laws promulgated to date have not had a material adverse effect on us, there can be no assurance that future legislation or regulation would not have a material adverse effect on us. Furthermore, a decline in consumer preference for plastic products due to environmental considerations could have a negative effect on our business.

The Food and Drug Administration (“FDA”) regulates the material content of direct-contact food and drug packages we manufacture pursuant to the Federal Food, Drug and Cosmetic Act. Furthermore, some of our products are regulated by the Consumer Product Safety Commission (“CPSC”) pursuant to various federal laws, including the Consumer Product Safety Act and the Poison Prevention Packaging Act. Both the FDA and the CPSC can require the manufacturer of defective products to repurchase or recall these products and may also impose fines or penalties on the manufacturer. Similar laws exist in some states, cities and other countries in which we sell products. In addition, laws exist in certain states restricting the sale of packaging with certain levels of heavy metals and imposing fines and penalties for noncompliance. Although we use FDA-approved resins and pigments in our products that directly contact food and drug products and we believe our products are in material compliance with all applicable requirements, we remain subject to the risk that our products could be found not to be in compliance with these and other requirements. A recall of any of our products or any fines and penalties imposed in connection with non-compliance could have a materially adverse effect on us. See “Business—Environmental Matters and Government Regulation.”

In the event of a catastrophic loss of one of our key manufacturing facilities, our business would be adversely affected.

While we manufacture our products in a large number of diversified facilities and maintain insurance covering our facilities, including business interruption insurance, a catastrophic loss of the use of all or a portion of one of our key manufacturing facilities due to accident, labor issues, weather conditions, natural disaster or otherwise, whether short or long-term, could have a material adverse effect on us.

Our future required cash contributions to our pension plans may increase.

Our future required cash contributions to our U.S. defined benefit pension plans may increase. In addition, if the performance of assets in our pension plans does not meet our expectations, if the Pension Benefit Guaranty Corporation, or PBGC, requires additional contributions to such plans as a result of the Acquisition, or if other actuarial assumptions are modified, our future required cash contributions could increase. Any such increases could have a material and adverse effect on our business, financial condition or results of operations.

The need to make these cash contributions may reduce the cash available to meet our other obligations, including our obligations with respect to the exchange notes, or to meet the needs of our business. In addition, the PBGC may terminate our defined benefit pension plans under limited circumstances, including in the event the PBGC concludes that its risk may increase unreasonably if such plans continue. In the event a plan is terminated for any reason while it is underfunded, we could be required to make an immediate payment to the PBGC of all or a substantial portion of such plan's underfunding, as calculated by the PBGC based on its own assumptions (which might result in a larger pension obligation than that based on the assumptions we have used to fund such plan), and the PBGC could assert a lien on material amounts of our assets.

Our business operations could be significantly disrupted if members of our senior management team were to leave.

Our success depends to a significant degree upon the continued contributions of our senior management team. Our senior management team has extensive manufacturing, finance and engineering experience, and we believe that the depth of our management team is instrumental to our continued success. While we have entered into employment agreements with certain executive officers, the loss of any of our key executive officers in the future could significantly impede our ability to successfully implement our business strategy, financial plans, expansion of services, marketing and other objectives.

Goodwill and other intangibles represent a significant amount of our net worth, and a write-off could result in lower reported net income and a reduction of our net worth.

At December 30, 2006 on a pro forma basis, the net value of our goodwill, deferred financing fees and other intangibles was \$2,284.8 million. In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. Under this accounting standard, we are no longer required or permitted to amortize goodwill reflected on our balance sheet. We are, however, required to evaluate goodwill reflected on our balance sheet when circumstances indicate a potential impairment, or at least annually, under the impairment testing guidelines outlined in the standard. Future changes in the cost of capital, expected cash flows, or other factors may cause our goodwill to be impaired, resulting in a non-cash charge against results of operations to write-off goodwill for the amount of impairment. If a significant write-off is required, the charge

would have a material adverse effect on our reported results of operations and net worth in the period of any such write-off.

We are controlled by Apollo, and its interests as an equity holder may conflict with yours as a creditor.

A majority of the common stock of our parent company, Berry Plastics Group, on a fully-diluted basis, is held by Apollo. Apollo controls Berry Plastics Group and therefore us as a wholly owned subsidiary of Berry Plastics Group. As a result, Apollo has the power to elect a majority of the members of our board of directors, appoint new management and approve any action requiring the approval of the holders of Berry Plastics Group's stock, including approving acquisitions or sales of all or substantially all of our assets. The directors elected by Apollo have the ability to control decisions affecting our capital structure, including the issuance of additional capital stock, the implementation of stock repurchase programs and the declaration of dividends. Apollo's interests may not in all cases be aligned with your interests as a holder of the exchange notes. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, Apollo's interests, as equity holders, might conflict with your interests as a holder of the exchange notes. Affiliates of Apollo may also have an interest in pursuing acquisitions, divestitures, financings and other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to you as a holder of the exchange notes. Additionally, Apollo is in the business of investing in companies and may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us. Furthermore, Apollo has no continuing obligation to provide us with debt or equity financing or to provide us with joint purchasing or similar opportunities with its other portfolio companies. Apollo may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us.

THE EXCHANGE OFFER

Purpose of the Exchange Offer

Old Covalence sold the outstanding notes to the initial purchasers on February 16, 2006. The initial purchasers subsequently resold the outstanding notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. In connection with the issuance of the outstanding notes, Old Covalence entered into a registration rights agreement with the initial purchasers of the outstanding notes. The registration rights agreement requires us to register the exchange notes under the U.S. federal securities laws and offer to exchange the exchange notes for the outstanding notes. The exchange notes will be issued without a restrictive legend and generally may be resold without registration under the U.S. federal securities laws. Berry Holding is effecting the exchange offer to comply with the registration rights agreement.

Transferability of the Exchange Notes

Berry Holding is making this exchange offer in reliance on interpretations of the staff of the SEC set forth in several no-action letters. However, Berry Holding has not sought our own no-action letter. Based upon these interpretations, Berry Holding believes that you, or any other person receiving exchange notes, may offer for resale, resell or otherwise transfer such exchange notes without complying with the registration and prospectus delivery requirements of the U.S. federal securities laws, if:

- you, or the person or entity receiving such exchange notes, is acquiring such exchange notes in the ordinary course of business;
- neither you nor any such person or entity is participating in or intends to participate in a distribution of the exchange notes within the meaning of the U.S. federal securities laws;
 - neither you nor any such person or entity has an arrangement or understanding with any person or entity to participate in any distribution of the exchange notes;
- neither you nor any such person or entity is our “affiliate” as such term is defined under Rule 405 under the Securities Act; and
 - you are not acting on behalf of any person or entity who could not truthfully make these statements.

To participate in the exchange offer, you must represent as the holder of outstanding notes that each of these statements is true.

Any holder of outstanding notes who is our affiliate or who intends to participate in the exchange offer for the purpose of distributing the exchange notes:

- will not be able to rely on the interpretation of the staff of the SEC set forth in the no-action letters described above; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the exchange notes, unless the sale or transfer is made pursuant to an exemption from those requirements.

Each broker-dealer that receives exchange notes in exchange for outstanding notes acquired for its own account through market making or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. The letter of transmittal states that by acknowledging that it will deliver, and by delivering, a prospectus, a broker-dealer will not be deemed to admit that it is an “underwriter” within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of the exchange notes received in exchange for the outstanding notes where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. Berry Holding has agreed that for a period of not less than 180 days after the expiration date for the exchange offer, Berry Holding will make this prospectus available to broker-dealers for use in connection with any such resale, if requested by the initial purchasers or by a broker-dealer that receives the exchange notes for its own account in the exchange offer in exchange for the outstanding notes, as a result of market-making activities or other trading activities.

Maturity and Interest on the Exchange Notes

Interest on the exchange notes will accrue at a per annum rate of 10¼% from the most recent date to which interest on the outstanding notes has been paid or, if no interest has been paid, from February 16, 2006.

Interest on the notes will be paid semiannually to holders of record at the close of business on February 15 and August 15 immediately preceding the interest payment date on March 1 and September 1 of each year, commencing on September 1, 2006.

The notes will mature on March 1, 2016.

Terms of the Exchange Offer; Acceptance of Tendered Notes

Upon the terms and subject to the conditions of the exchange offer, Berry Holding will accept any and all outstanding notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on June 12, 2007. The date of acceptance for exchange of the outstanding notes, and completion of the exchange offer, is the exchange date, which will be the first business day following the expiration date (unless extended as described in this prospectus). Berry Holding will issue, on or promptly after the exchange date, an aggregate principal amount of up to \$265,000,000 of exchange notes in exchange for a like principal amount of outstanding notes tendered and accepted in the exchange offer. Holders may tender some or all of their outstanding notes pursuant to the exchange offer. However, outstanding notes may be tendered only in integral multiples of \$1,000 in principal amount.

The form and terms of the exchange notes will be identical in all material respects to the form and terms of the outstanding notes except that:

- the exchange notes have been registered under the U.S. federal securities laws and will not bear any legend restricting their transfer;
- the exchange notes bear a different CUSIP number from the outstanding notes;
- the exchange notes will not be subject to transfer restrictions or entitled to registration rights; and

·the holders of the exchange notes will not be entitled to certain rights under the registration rights agreement, including the provisions for an increase in the interest rate on the outstanding notes in some circumstances relating to the timing of the exchange offer.

The exchange notes will evidence the same debt as the outstanding notes. Holders of exchange notes will be entitled to the benefits of the indenture.

As of the date of this prospectus, \$265.0 million aggregate principal amount of the outstanding notes was outstanding. The exchange notes offered will be limited to \$265.0 million in aggregate principal amount.

In connection with the issuance of the outstanding notes, Berry Holding has arranged for the outstanding notes to be issued in the form of global notes through the facilities of The Depository Trust Company, or “DTC” acting as depository. The exchange notes will also be issued in the form of global notes registered in the name of DTC or its nominee and each beneficial owner’s interest in it will be transferable in book-entry form through DTC.

Holders of outstanding notes do not have any appraisal or dissenters’ rights in connection with the exchange offer. Outstanding notes which are not tendered for exchange or are tendered but not accepted in connection with the exchange offer will remain outstanding and be entitled to the benefits of the indenture under which they were issued, including accrual of interest, but, subject to a limited exception, will not be entitled to any registration rights under the applicable registration rights agreement. See “Effect of Not Tendering.”

Berry Holding will be deemed to have accepted validly tendered outstanding notes when and if Berry Holding has given oral or written notice to the exchange agent of our acceptance. The exchange agent will act as agent for the tendering holders for the purpose of receiving the exchange notes from us. If any tendered outstanding notes are not accepted for exchange because of an invalid tender, the occurrence of other events described in this prospectus or otherwise, Berry Holding will return the certificates for any unaccepted outstanding notes, at our expense, to the tendering holder promptly upon expiration or termination of the offer.

Holders who tender outstanding notes in the exchange offer will not be required to pay brokerage commissions or fees with respect to the exchange of outstanding notes. Tendering holders will also not be required to pay transfer taxes in the exchange offer. Berry Holding will pay all charges and expenses in connection with the exchange offer as described under the subheading “Solicitation of Tenders; Fees and Expenses.” However, Berry Holding will not pay any taxes incurred in connection with a holder’s request to have exchange notes or non-exchanged notes issued in the name of a person other than the registered holder. See “Transfer Taxes” in this section below.

Expiration Date; Extensions; Amendment

The exchange offer will expire at 5:00 p.m., New York City time, on June 12, 2007, or the “expiration date,” unless Berry Holding extends the exchange offer. To extend the exchange offer, Berry Holding will notify the exchange agent and each registered holder of any extension before 9:00 a.m. New York City time, on the next business day after the previously scheduled expiration date. Berry Holding reserves the right to extend the exchange offer, delay accepting any tendered outstanding notes or, if any of the conditions described below under the heading “Conditions to the Exchange Offer” have not been satisfied, to terminate the exchange offer. Berry Holding also reserves the right to amend the terms of the

exchange offer in any manner. Berry Holding will give oral or written notice of such delay, extension, termination or amendment to the exchange agent.

If Berry Holding amends the exchange offer in a manner that Berry Holding considers material, Berry Holding will disclose such amendment by means of a prospectus supplement, and Berry Holding will extend the exchange offer for a period of five to ten business days.

If Berry Holding determines to make a public announcement of any delay, extension, amendment or termination of the exchange offer, Berry Holding will do so by making a timely release through an appropriate news agency.

If Berry Holding delays accepting any outstanding notes or terminate the exchange offer, Berry Holding promptly will pay the consideration offered, or return any outstanding notes deposited, pursuant to the exchange offer as required by Rule 14e-1(c) under the Exchange Act.

Procedures for Tendering Outstanding Notes

Berry Holding understands that the exchange agent has confirmed with DTC that any financial institution that is a participant in DTC's system may use its Automated Tender Offer Program, or "ATOP," to tender outstanding notes. Berry Holding further understands that the exchange agent will request, within two business days after the date the exchange offer commences, that DTC establish an account relating to the outstanding notes for the purpose of facilitating the exchange offer, and any participant may make book-entry delivery of outstanding notes by causing DTC to transfer the outstanding notes into the exchange agent's account in accordance with ATOP procedures for transfer. Although delivery of the outstanding notes may be effected through book-entry transfer into the exchange agent's account at DTC, unless an agent's message is received by the exchange agent in compliance with ATOP procedures, an appropriate letter of transmittal properly completed and duly executed with any required signature guarantee and all other required documents must in each case be transmitted to and received or confirmed by the exchange agent at its address set forth below on or prior to the expiration date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under the procedures.

The term "agent's message" means a message, transmitted by DTC and received by the exchange agent and forming part of a book-entry confirmation, stating that DTC has received an express acknowledgment from a participant tendering outstanding notes that are the subject of the book-entry confirmation and that the participant has received and agrees to be bound by the terms of the letter of transmittal and that Berry Holding may enforce such agreement against the participant. An agent's message must, in any case, be transmitted to and received or confirmed by the exchange agent, at its address set forth under the caption "Exchange Agent" below, prior to 5:00 p.m., New York City time, on the expiration date. Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the exchange agent.

Unless the tender is being made in book-entry form, to tender in the exchange offer, you must:

- complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal;
- have the signatures guaranteed if required by the letter of transmittal; and
- mail or otherwise deliver the letter of transmittal or such facsimile, together with the outstanding notes and any other required documents, to the exchange agent prior to 5:00 p.m., New York City time, on the expiration date.

By executing the letter of transmittal, you will make to us the representations set forth in the first paragraph under the heading "Transferability of the Exchange Notes."

All tenders not withdrawn before the expiration date and the acceptance of the tender by us will constitute agreement between you and us under the terms and subject to the conditions in this prospectus and in the letter of transmittal including an agreement to deliver good and marketable title to all tendered notes prior to the expiration date free and clear of all liens, charges, claims, encumbrances, adverse claims and rights and restrictions of any kind.

The method of delivery of outstanding notes and the letter of transmittal and all other required documents to the exchange agent is at the election and sole risk of the holder. Instead of delivery by mail, you should use an overnight or hand delivery service. In all cases, you should allow for sufficient time to ensure delivery to the exchange agent before the expiration of the exchange offer. You may request your broker, dealer, commercial bank, trust company or nominee to effect these transactions for you. You should not send any note, letter of transmittal or other required document to us.

Any beneficial owner whose outstanding notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct such registered holder to tender on behalf of the beneficial owner. If the beneficial owner wishes to tender on that owner's own behalf, the beneficial owner must, prior to completing and executing the letter of transmittal and delivering such beneficial owner's outstanding notes, either make appropriate arrangements to register ownership of the outstanding notes in such beneficial owner's name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

The exchange of outstanding notes will be made only after timely receipt by the exchange agent of certificates for outstanding notes, a letter of transmittal and all other required documents, or timely completion of a book-entry transfer. If any tendered notes are not accepted for any reason or if outstanding notes are submitted for a greater principal amount than the holder desires to exchange, the exchange agent will return such unaccepted or non-exchanged notes to the tendering holder promptly upon expiration or termination of the exchange offer. In the case of outstanding notes tendered by book-entry transfer, the exchange agent will credit the non-exchanged notes to an account maintained with The Depository Trust Company.

Guarantee of Signatures

Signatures on letters of transmittal or notices of withdrawal must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or another "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act, unless the original notes tendered pursuant thereto are tendered:

- by a registered holder who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal;

- for the account of an eligible guarantor institution.

In the event that a signature on a letter of transmittal or a notice of withdrawal is required to be guaranteed, such guarantee must be made by:

- a member firm of a registered national securities exchange of the National Association of Securities Dealers, Inc.;
- a commercial bank or trust company having an office or correspondent in the United States;
- another eligible guarantor institution.

Signature on the Letter of Transmittal; Bond Powers and Endorsements

If the letter of transmittal is signed by a person other than the registered holder of the outstanding notes, the registered holder must endorse the outstanding notes or provide a properly completed bond power. Any such endorsement or bond power must be signed by the registered holder as that registered holder's name appears on the outstanding notes. Signatures on such outstanding notes and bond powers must be guaranteed by an "eligible guarantor institution."

If you sign the letter of transmittal or any outstanding notes or bond power as a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, fiduciary or in any other representative capacity, you must so indicate when signing. You must submit satisfactory evidence to the exchange agent of your authority to act in such capacity.

Determination of Valid Tenders; Our Rights under the Exchange Offer

All questions as to the validity, form, eligibility, time of receipt, acceptance and withdrawal of tendered notes will be determined by us in our sole discretion, which determination will be final and binding on all parties. Berry Holding expressly reserves the absolute right, in our sole discretion, to reject any or all outstanding notes not properly tendered or any outstanding notes the acceptance of which would, in the opinion of our counsel, be unlawful. Berry Holding also reserves the absolute right in our sole discretion to waive or amend any conditions of the exchange offer or to waive any defects or irregularities of tender for any particular note, whether or not similar defects or irregularities are waived in the case of other notes. Our interpretation of the terms and conditions of the exchange offer will be final and binding on all parties. No alternative, conditional or contingent tenders will be accepted. Unless waived, any defects or irregularities in connection with tenders of outstanding notes must be cured by the tendering holder within such time as Berry Holding determines.

Although Berry Holding intends to request the exchange agent to notify holders of defects or irregularities in tenders of outstanding notes, neither Berry Holding, the exchange agent nor any other person will have any duty to give notification of defects or irregularities in such tenders or will incur any liability to holders for failure to give such notification. Holders will be deemed to have tendered outstanding notes only when such defects or irregularities have been cured or waived. Any outstanding notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the exchange agent to the tendering holders, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

Guaranteed Delivery Procedures

If you desire to tender outstanding notes pursuant to the exchange offer and (1) certificates representing such outstanding notes are not immediately available, (2) time will not permit your letter of transmittal, certificates representing such outstanding notes and all other required documents to reach the exchange agent on or prior to the expiration date, or (3) the procedures for book-entry transfer (including

delivery of an agent's message) cannot be completed on or prior to the expiration date, you may nevertheless tender such outstanding notes with the effect that such tender will be deemed to have been received on or prior to the expiration date if all the following conditions are satisfied:

- you must effect your tender through an "eligible guarantor institution," which is defined above under the heading "Guarantee of Signatures."
- a properly completed and duly executed notice of guaranteed delivery, substantially in the form provided by us herewith, or an agent's message with respect to guaranteed delivery that is accepted by us, is received by the exchange agent on or prior to the expiration date as provided below; and
- the certificates for the tendered notes, in proper form for transfer (or a book entry confirmation of the transfer of such notes into the exchange agent account at DTC as described above), together with a letter of transmittal (or a manually signed facsimile of the letter of transmittal) properly completed and duly executed, with any signature guarantees and any other documents required by the letter of transmittal or a properly transmitted agent's message, are received by the exchange agent within three New York Stock Exchange, Inc. trading days after the date of execution of the notice of guaranteed delivery.

The notice of guaranteed delivery may be sent by hand delivery, facsimile transmission or mail to the exchange agent and must include a guarantee by an eligible guarantor institution in the form set forth in the notice of guaranteed delivery.

Withdrawal Rights

Except as otherwise provided in this prospectus, you may withdraw tendered notes at any time before 5:00 p.m., New York City time, on the expiration date. For a withdrawal of tendered notes to be effective, a written or facsimile transmission notice of withdrawal must be received by the exchange agent on or prior to the expiration of the exchange offer at the address set forth herein. Any notice of withdrawal must:

- specify the name of the person having tendered the outstanding notes to be withdrawn;
- identify the outstanding notes to be withdrawn (including the certificate number(s) of the outstanding notes physically delivered) and principal amount of such notes, or, in the case of notes transferred by book-entry transfer, the name and number of the account at DTC;
- be signed by the holder in the same manner as the original signature on the letter of transmittal by which such outstanding notes were tendered, with any required signature guarantees, or be accompanied by documents of transfer sufficient to have the trustee with respect to the outstanding notes register the transfer of such outstanding notes into the name of the person withdrawing the tender; and
- specify the name in which any such notes are to be registered, if different from that of the registered holder.

If the outstanding notes have been tendered under the book entry delivery procedure described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn outstanding notes and otherwise comply with the procedures of DTC's book entry transfer facility.

Berry Holding will determine all questions as to the validity, form and eligibility (including time of receipt) of such outstanding notes in our sole discretion, and our determination will be final and binding on all parties. Any permitted withdrawal of notes may not be rescinded. Any notes properly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the exchange offer. The exchange agent will return any withdrawn notes without cost to the holder promptly after withdrawal of the notes. Holders may retender properly withdrawn notes at any time before the expiration of the exchange offer by following one of the procedures described above under the heading "Procedures for Tendering Outstanding Notes."

Conditions to the Exchange Offer

Notwithstanding any other term of the exchange offer, Berry Holding will not be required to accept for exchange, or issue any exchange notes for, any outstanding notes, and may terminate or amend the exchange offer before expiration of the exchange offer (or, to the extent satisfaction of one of the following conditions is contingent on receipt of government regulatory approval, before acceptance of the outstanding notes), if:

- Berry Holding determines that the exchange offer violates any law, statute, rule, regulation or interpretation by the staff of the SEC or any order of any governmental agency or court of competent jurisdiction; or
- any action or proceeding is instituted or threatened in any court or by or before any governmental agency relating to the exchange offer which, in our judgment, could reasonably be expected to impair our ability to proceed with the exchange offer.

The conditions listed above are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any of these conditions. Berry Holding may waive these conditions in our reasonable discretion in whole or in part at any time and from time to time prior to the expiration date. The failure by us at any time to exercise any of the above rights shall not be considered a waiver of such right, and such right shall be considered an ongoing right which may be asserted at any time and from time to time.

In addition, Berry Holding will not accept for exchange any outstanding notes tendered, and no exchange notes will be issued in exchange for those outstanding notes, if at any time any stop order is threatened or issued with respect to the registration statement for the exchange offer and the exchange notes or the qualification of the indenture under the Trust Indenture Act of 1939. In any such event, Berry Holding must use commercially reasonable efforts to obtain the withdrawal or lifting of any stop order at the earliest possible moment.

Effect of Not Tendering

To the extent outstanding notes are tendered and accepted in the exchange offer, the principal amount of outstanding notes will be reduced by the amount so tendered and a holder's ability to sell untendered outstanding notes could be adversely affected. In addition, after the completion of the exchange offer, the outstanding notes will remain subject to restrictions on transfer. Because the outstanding notes have not been registered under the U.S. federal securities laws, they bear a legend restricting their transfer absent registration or the availability of a specific exemption from registration. The holders of outstanding notes not tendered will have no further registration rights, except that, under limited circumstances, Berry Holding may be required to file a "shelf" registration statement for a continuous offer of outstanding notes.

Accordingly, the outstanding notes not tendered may be resold only:

to us or our subsidiaries;

pursuant to a registration statement which has been declared effective under the Securities Act;

for so long as the outstanding notes are eligible for resale pursuant to Rule 144A under the Securities Act to a person the seller reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A; or

pursuant to any other available exemption from the registration requirements of the Securities Act (in which case Berry Holding and the trustee shall have the right to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee), subject in each of the foregoing cases to any requirements of law that the disposition of the seller's property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws.

Upon completion of the exchange offer, due to the restrictions on transfer of the outstanding notes and the absence of such restrictions applicable to the exchange notes, it is likely that the market, if any, for outstanding notes will be relatively less liquid than the market for exchange notes. Consequently, holders of outstanding notes who do not participate in the exchange offer could experience significant diminution in the value of their outstanding notes, compared to the value of the exchange notes.

Regulatory Approvals

Other than the U.S. federal securities laws, there are no U.S. federal or state regulatory requirements that Berry Holding must comply with and there are no approvals that Berry Holding must obtain in connection with the exchange offer.

Solicitation of Tenders; Fees and Expenses

Berry Holding will bear the expenses of soliciting tenders and are mailing the principal solicitation. However, our officers and regular employees and those of our affiliates may make additional solicitation by telegraph, telecopy, telephone or in person.

Berry Holding have not retained any dealer-manager in connection with the exchange offer. Berry Holding will not make any payments to brokers, dealers, or others soliciting acceptances of the exchange offer. However, Berry Holding may pay the exchange agent reasonable and customary fees for its services and may reimburse it for its reasonable out-of-pocket expenses.

Berry Holding will pay the cash expenses incurred in connection with the exchange offer. These expenses include fees and expenses of the exchange agent and trustee, accounting and legal fees and printing costs, among others.

Fees and Expenses

Berry Holding will not make any payment to brokers, dealers or others soliciting acceptances of the exchange offer. Berry Holding will pay certain other expenses to be incurred in connection with the exchange offer, including the fees and expenses of the exchange agent and certain accounting and legal fees.

Holders who tender their outstanding notes for exchange will not be obligated to pay transfer taxes. However, if:

- exchange notes are to be delivered to, or issued in the name of, any person other than the registered holder of the outstanding notes tendered;
- tendered outstanding notes are registered in the name of any person other than the person signing the letter of transmittal; or
- a transfer tax is imposed for any reason other than the exchange of outstanding notes in connection with the exchange offer,

then the amount of any such transfer taxes (whether imposed on the registered holder or any other person) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption from them is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed directly to the tendering holder.

Transfer Taxes

Berry Holding will pay all transfer taxes, if any, required to be paid by us in connection with the exchange of the outstanding notes for the exchange notes. However, holders who instruct us to register exchange notes in the name of, or request that outstanding notes not tendered or not accepted for exchange be returned to, a person other than the registered holder, will be responsible for the payment of any transfer tax arising from such transfer.

Accounting Treatment

The exchange notes will be recorded at the same carrying value as the outstanding notes as reflected in our accounting records on the date of the exchange. Accordingly, Berry Holding will not recognize any gain or loss for accounting purposes upon the completion of the exchange offer. The expenses of the exchange offer that Berry Holding pays will be charged to expense in accordance with U.S. generally accepted accounting principles.

The Exchange Agent

The Wells Fargo Bank, National Association is serving as the exchange agent for the exchange offer. ALL EXECUTED LETTERS OF TRANSMITTAL SHOULD BE SENT TO THE EXCHANGE AGENT AT THE ADDRESS LISTED BELOW. Questions, requests for assistance and requests for additional copies of this prospectus or the letter of transmittal should be directed to the exchange agent at the address or telephone number listed below.

By Registered or Certified Mail:

Wells Fargo Bank, N.A.
Corporate Trust Operations

MAC N9303-121
P.O. Box 1517
Minneapolis, MN 55480

By Overnight Courier or Regular Mail: Wells Fargo Bank, N.A.
Corporate Trust Operations
MAC N9303-121
6th & Marquette Avenue
Minneapolis, MN 55479

By Hand Delivery: Wells Fargo Bank, N.A.
Corporate Trust Services
608 2nd Avenue South
Northstar East Building—12th Floor
Minneapolis, MN 55402

Confirm by Telephone: (800) 344-5128

Originals of all documents sent by facsimile should be promptly sent to the exchange agent by registered or certified mail, by hand, or by overnight delivery service.

DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

USE OF PROCEEDS

Berry Holding will not receive any proceeds from the issuance of exchange notes in the exchange offer. The net proceeds from the issuance of the outstanding notes were used to consummate the acquisition of Old Covalence by Apollo. The outstanding notes bear interest at a rate of 10¼% per year and mature on March 1, 2016. In consideration for issuing the exchange notes, Berry Holding will receive in exchange the outstanding notes of like principal amount. The outstanding notes surrendered in exchange for exchange notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the exchange notes will not result in any increase in our indebtedness. Berry Holding has agreed to bear the expenses of the exchange offer. No underwriter is being used in connection with the exchange offer.

CAPITALIZATION

The following table sets forth our cash and capitalization as of December 30, 2006 both on an actual combined basis and on a pro forma basis to give effect to the Covalence Merger. You should read this table in conjunction with the “Unaudited Pro Forma Condensed Supplemental Combined Financial Information,” “Selected Historical Financial Data”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Berry”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Covalence”, and the related notes included elsewhere in this prospectus and the supplemental combined financial statements.

	As of December 30, 2006	
	Unaudited	
	Actual	Pro Forma
	(in millions)	
Cash	\$ 73.6	\$ 107.5
Long-term debt, including current portion:		
Revolving Credit Facility ⁽¹⁾	\$ —	\$ —
First priority term loan B	—	1,200.0
Term B loans - Berry	673.3	—
Term C loans - Covalence	298.5	—
Second priority floating and fixed rate notes -		
Berry	750.0	750.0
Second priority floating notes - Covalence	175.0	—
11% Senior subordinated notes - Berry	425.0	425.0
10.25% senior subordinated notes - Covalence	265.0	265.0
Discount on 10.25% senior subordinated notes		
- Covalence	(6.3)	(6.3)
Other indebtedness - Berry	0.9	0.9
Capital leases - Berry	23.7	23.7
Total long-term debt, including current portion	2,605.1	2,658.3
Total stockholders’ equity	379.7	598.1
Total capitalization	\$ 2,984.8	\$ 3,256.4

(1) Prior to the Covalence Merger, each company had a \$200 million revolving line of credit, and neither Old Berry Holdings nor Old Covalence had any outstanding borrowings. In connection with the Covalence Merger, a new \$400 million asset based revolving line of credit was entered into by the combined company. As of December 30, 2006 on a pro forma basis, \$378.6 of the asset based revolving line of credit was available for borrowing subject to a borrowing base, and \$21.4 million of letters of credit were outstanding.

(2) Pro forma stockholders’ equity consists of the equity of Apollo and its affiliated funds prior to the Covalence Merger and includes the exchange of equity in Berry Holding for the minority interests outstanding as of December 30, 2006.

UNAUDITED PRO FORMA CONDENSED SUPPLEMENTAL COMBINED FINANCIAL INFORMATION

We derived the unaudited pro forma supplemental combined financial data set forth below by the application of the pro forma adjustments to the historical combined financial statements of Berry Holding, appearing elsewhere in this prospectus. The unaudited supplemental combined balance sheet of Berry Holding as of December 30, 2006, includes Old Berry Holdings as of December 30, 2006 and Old Covalence as of December 29, 2006. The audited supplemental combined statement of operations of Berry Holding for the period from February 17, 2006 to September 30, 2006 includes (1) Old Covalence as of and for the period from February 17, 2006 (date of Apollo acquisition) through September 29, 2006 and reflect the acquisition under the purchase method of accounting; and (2) Old Berry Holdings as of and for the period from September 20, 2006 (date of Apollo acquisition) through September 30, 2006. The unaudited supplemental combined statement of operations of Berry Holding for the three months ended December 30, 2006 includes Old Berry Holdings and Old Covalence for the three months ended December 29, 2006.

The unaudited pro forma supplemental combined balance sheet as of December 30, 2006, gives pro forma effect to the following Transactions as if they each occurred on December 30, 2006:

- the exchange by minority shareholders of their interests as part of the Covalence Merger;
- the borrowing under our new asset based revolving line of credit and senior secured term loan, and the repayment of Berry and Covalence's existing credit facilities.

The unaudited pro forma supplemental combined statement of operations for the year ended September 30, 2006, and for the three month period ended December 30, 2006 gives pro forma effect to the Transactions as if they occurred at the beginning of the respective period.

The pro forma adjustments relating to the minority interest acquisitions as part of the Covalence Merger are based on preliminary estimates of the fair value of the consideration provided, estimates of the fair values of assets acquired and liabilities assumed and available information and assumptions. The final determination of fair value could result in changes to the pro forma adjustments and the pro forma data included herein. The work performed by independent third-party appraisers has been considered in our estimates of the fair values reflected in these unaudited pro forma supplemental combined financial statements.

The unaudited pro forma supplemental combined financial information is presented for informational purposes only and does not purport to represent what our results of operations would actually have been if the Covalence Merger had occurred on the dates indicated nor do they purport to project our results of operations for any future period.

You should read our unaudited pro forma supplemental combined financial statements and the accompanying notes in conjunction with all of the historical financial statements and related notes included in this prospectus and other financial information appearing elsewhere in this prospectus, including information contained in "Capitalization", "Management's Discussion and Analysis of Financial Condition and Results of Operations - Berry" and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Covalence".

BERRY PLASTICS HOLDING CORPORATION
Unaudited Pro Forma Condensed Supplemental Combined Balance Sheet
as of December 30, 2006
(dollars in millions)

	Combined	Refinancing		Acquisition		Pro Forma
	12/30/2006	Adjustments		of Minority		Balance
				Interest		Sheet
						12/30/2006
Cash	\$ 73.6	\$ 33.9	(A)	\$ -		\$ 107.5
Accounts receivable, net	292.1	-		-		292.1
Inventory	352.1	-		2.6	(F)	354.7
Deferred income taxes	21.5	-		-		21.5
Prepaid expenses and other current assets	34.1	-		-		34.1
Total current assets	773.4	33.9		2.6		809.9
Property, plant and equipment, net	797.1	-		7.9	(F)	805.0
Goodwill	989.2	-		106.2	(F)	1,095.4
Deferred financing fees, net	62.7	(9.8)	(B)	-		52.9
Intangible assets, net	1,035.5	-		101.0	(F)	1,136.5
Other assets	0.6	-		-		0.6
Total assets	\$ 3,658.5	\$ 24.1		\$ 217.7		\$ 3,900.3
Accounts payable	\$ 211.8	\$ -		\$ -		\$ 211.8
Accrued expenses and other current liabilities	142.4	-		-		142.4
Current portion of long-term debt	15.4	2.2	(C)	-		17.6
Total current liabilities	369.6	2.2		-		371.8
Long-term debt	2,589.7	51.0	(D)	-		2,640.7
Deferred income taxes	234.2	(10.9)	(E)	44.8	(F)	268.1
Other long-term liabilities	22.1	-		(0.5)	(F)	21.6
Minority Interest	63.2	-		(63.2)	(F)	-
Stockholders' equity	379.7	(18.2)	(E)	236.6	(F)	598.1
Total liabilities, minority interest and equity	\$ 3,658.5	\$ 24.1		\$ 217.7		\$ 3,900.3

(A) Represents additional proceeds of \$53.2 million from the incurrence of the new credit facility which consists of a \$400 million asset based revolving line of credit and \$1.2 billion term loan less pre-payment penalties of \$1.8 million related to the retired credit facilities and financing fees of \$17.5 million.

(B) This adjustment represents the new deferred financing fees of \$17.5 million incurred in connection with the new credit facility less the write-off of deferred financing fees of \$14.3 million for the retirement of the Old Berry

Holdings credit facility and \$13.0 million for the Old Covalence credit facility.

(C) - This adjustment reflects the elimination of the current portion of long-term debt for the retirement of the Berry credit facility and the Covalence credit facility offset by the current portion of the new credit facility incurred in connection with the Covalence Merger.

Current portion of Old Berry Holdings term loans	\$ (6.8)
Current portion of Old Covalence term loans	(3.0)
Current portion of new first lien term loan	12.0
Net adjustment	\$ 2.2

(D) - This adjustment reflects the incurrence of the new credit facility offset by the elimination of the Berry and Covalence credit facilities.

Old Berry Holdings revolving line of credit	\$ -
Old Covalence revolving line of credit	-
Old Berry Holdings term loan B	(673.3)
Old Covalence term loan C	(298.5)
Old Covalence senior secured second priority floating rate notes	(175.0)
New asset based revolving line of credit	-
New first lien term loan B	1,200.0
	53.2
Less current portion of long-term debt	(2.2)
Net adjustment	\$ 51.0

(E) - This adjustment represents the write-off of deferred financing fees of \$14.3 million for the retirement of the Old Berry Holdings credit facility and \$13.0 million for the Old Covalence credit facility and the prepayment penalty of \$1.8 million, net of the tax impact of \$10.9 million.

(F) - This adjustment reflects the exchange of minority interests following the combination and the step-up to fair value of the minority interest shareholders as follows:

Inventory	\$ 2.6
Property, plant and equipment	7.9
Goodwill	106.2
Intangible assets	101.0
Deferred income taxes	(44.8)
Other long-term liabilities	0.5
Minority interests	63.2

Exchange of minority interests	\$ 236.6
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The combination of Old Berry Holdings and Old Covalence is being accounted for as a merger of entities under common control. For purposes of determining the accounting acquirer, Old Covalence has been determined to be the accounting acquirer as it was the first company acquired by funds affiliated with Apollo. The combined company has elected to take the fiscal year-end of the accounting acquirer, Old Covalence. The minority interests were exchanged at fair value as determined by the Board of Directors of each of the respective combining companies. This exchange of minority interest resulted in a step-up to fair value for the shares that were owned by Old Berry Holding's management. The other minority interests shares were already recorded at fair value, so no further step-up was required. Berry Holdings utilized a third party appraisal to determine the value of step-up that was required to acquire Old Berry Holdings Management's interests which resulted in a step-up of inventory, fixed assets, goodwill, intangible assets and other long-term liabilities. These adjustments are preliminary and are based on third party appraisals.

BERRY PLASTICS HOLDING CORPORATION
Unaudited Pro Forma Condensed Supplemental Combined Statement of Operations
For the year ended September 30, 2006
(dollars in millions)

	Old Old Berry Holdings		Covalence		Pro Forma Adjustments		Pro Forma
	Berry Holding	10/1 - 12/31/05	(1) 1/1 - 9/19/06	(2) 10/1/05 - 2/16/06			
Net sales	\$ 1,138.8	\$ 319.2	\$ 1,048.5	\$ 666.9	\$ -		\$ 3,173.4
Cost of goods sold	1,022.9	252.8	839.4	579.0	7.3	(A), (B)	2,701.4
Gross profit	115.9	66.4	209.1	87.9	(7.3)		472.0
Operating expenses	108.2	38.3	97.5	61.0	21.6	(C),(D)	326.6
Merger expenses	-	-	70.1	-	(70.1)	(E)	-
Operating income	7.7	28.1	41.5	26.9	41.2		145.4
Other expense (income)	(1.3)	0.3	(0.3)	-	-		(1.3)
Interest expense, net	46.5	22.0	63.8	7.6	96.5	(F)	236.4
Loss on extinguished debt	13.6	-	34.0	-	(34.0)	(G)	13.6
Income (loss) before taxes	(51.1)	5.8	(56.0)	19.3	(21.3)		(103.3)
Income tax expense (benefit)	(18.1)	0.7	1.0	1.6	(23.9)	(H)	(38.7)
Minority interest	(1.8)	-	-	-	1.8	(I)	-
Net income (loss)	\$ (31.2)	\$ 5.1	\$ (57.0)	\$ 17.7	\$ 0.8		\$ (64.6)

(1) The acquisition of Old Berry Holdings by Apollo occurred on September 20, 2006. The historical data with respect to Old Berry Holdings is presented in the unaudited pro forma supplemental combined statement of operations for the year ended September 30, 2006 relates to the period from October 1, 2005 to September 19, 2006. From September 20, 2006, data with respect to Old Berry Holdings is included in the Berry Holding supplemental combined financial results.

(2) The acquisition of Old Covalence by Apollo occurred on February 16, 2006. The historical data with respect to Old Covalence is presented in the unaudited pro forma supplemental combined statement of operations for the year ended September 29, 2006 relates to the Old Covalence predecessor, Tyco Plastics & Adhesives for the period from October 1, 2005 to February 16, 2006. From February 17, 2006, data with respect to Old Covalence is included in the Berry Holding supplemental combined financial results.

(A) This adjustment reflects the additional depreciation expense in connection with the Covalence acquisition, the Berry acquisition and the minority interest combination as follows:

Eliminate historical depreciation - Old Berry Holdings (1/1 - 9/30)	\$ (64.5)
Eliminate historical depreciation - Old Berry Holdings (10/1 to 12/31/05)	(21.7)
Eliminate historical depreciation - Old Covalence (2/17/06 to 9/29/06)	(29.4)
Eliminate historical depreciation - Tyco Plastics & Adhesives (10/1/05 to 2/16/06)	(14.6)
Combined Company Holding depreciation	134.9
Net adjustment	\$ 4.7

(B) This adjustment reflects the additional expense of \$2.6 million related to the write-up of inventory to fair value in connection with exchange of the minority interests.

(C) This adjustment reflects the additional amortization expense for definite lived intangible assets acquired in connection with the Old Covalence acquisition, the Old Berry Holdings acquisition and the minority interest combination as follows:

Eliminate historical amortization - Old Berry Holdings (1/1 - 9/30)	\$ (15.1)
Eliminate historical amortization - Old Berry Holdings (10/1 to 12/31/05)	(7.1)
Eliminate historical amortization - Covalence (2/17/06 to 9/29/06)	(21.7)
Eliminate historical amortization - Tyco Plastics & Adhesives (10/1/05 to 2/16/06)	(1.0)
Combined company amortization	63.6
Net adjustment	\$ 18.7

(D) This adjustment relates to the termination of the Old Covalence management fee agreement and the pro forma impact of the Berry Holding management fee agreement for the entire year. The management agreement requires New Berry to pay a management fee equal to 1.25% of adjusted EBITDA, or \$5.3 million for the period from October 1, 2005 to September 29, 2006. This adjustment includes an increase in management fees of \$2.9 million from what was previously recorded for the period from February 17, 2006 to September 30, 2006.

(E) This adjustment represents the elimination of merger costs incurred by the selling shareholders of BPC Holding of \$70.1 million to Apollo. These merger costs consisted of investment banking fees, special one time transaction bonuses, acceleration and modification of stock options in connection with the sale of BPC Holding, legal costs related to the sale and other miscellaneous expenses related to the merger incurred by the selling shareholders.

(F) This adjustment represents the elimination of the historical interest expense of Old Berry Holdings and Old Covalence and its predecessors including the amortization of deferred financing fees and the new pro forma interest expense related to the acquisition of Berry and Covalence and the new credit facility entered into at the time of the merger. LIBOR used in our calculation of our assumed interest rates was 5.4%. This adjustment also assumes the s effective interest method amortization of \$50.8 million of deferred financing fees and the amortization of \$6.4 million of debt premium which are amortized using the Effective Interest Method over the life of the related debt. The adjustment is as follows:

Amount	Interest Rate	Pro Forma
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			Interest Expense
Eliminate historical interest expense			\$ (139.9)
New Asset based revolving line of credit	\$ -	6.65%	-
New First lien term loan B	1,200.0	7.40%	88.8
Berry Second Priority Senior Secured Fixed Notes	525.0	8.75%	45.9
Berry Second Priority Senior Secured Floating Notes	225.0	9.27%	20.8
Berry 11% Senior Subordinated Notes	425.0	11.00%	46.8
Covalence 10.25% Senior Subordinated Notes	265.0	10.25%	27.2
Amortization of deferred financing fees and discount			6.9
Net adjustment			\$ 96.5

A 0.125% increase or decrease in the variable interest rate on our variable rate borrowings would change the foregoing annual cash interest expense by \$1.8 million

(G) This adjustment relates to the tender offer and consent solicitation fees related to the retirement of the \$335 million 10 ³/₄% Senior Subordinated Notes, write-off of premium on the 10 ³/₄% Senior Subordinated Notes, termination of interest rate swaps and write-off of deferred financing fees incurred by the selling shareholders in connection with the sale of BPC Holding to Apollo.

(H) This adjustment reflects the elimination of the historic tax expense (benefit) on the income (loss) of Old Berry Holdings and Old Covalence and the new calculation of tax expense (benefit) based on a rate of 37.5% on pro-forma pre-tax loss.

(I) This adjustment reflects the elimination of minority interest in connection with the exchange of the minority interest ownership in connection with the consummation of the Covalence Merger.

BERRY PLASTICS HOLDING CORPORATION
Unaudited Pro Forma Condensed Supplemental Combined Statement of Operations
For the three month period ended December 30, 2006
(dollars in millions)

	Combined Berry Holding	Pro Forma Adjustments		Pro Forma Berry Holding
Net sales	\$ 703.6	\$ -		\$ 703.6
Cost of goods sold	617.2	0.4	(A)	617.6
Gross profit	86.4	(0.4)		86.0
Operating expenses	78.9	0.6	(B)	79.5
Operating income (loss)	7.5	(1.0)		6.5
Other income	0.1	-		0.1
Interest expense, net	59.9	(0.8)	(C)	59.1
Loss before taxes	(52.5)	(0.2)		(52.7)
Income tax benefit	(19.5)	(0.3)	(D)	(19.8)
Minority interest	(2.2)	2.2	(E)	-
Net loss	\$ (30.8)	\$ (2.1)		\$ (32.9)

(A) This adjustment reflects the additional depreciation expense of \$0.4 million related to the exchange of minority interests.

(B) This adjustment reflects the additional amortization expense of \$0.6 million for definite lived intangible assets acquired in connection with the exchange of minority interests.

(C) This adjustment represents the elimination of the historical interest expense of Old Berry Holdings and Old Covalence and its predecessors including the amortization of deferred financing fees and the new pro forma interest expense related to the acquisition of Old Berry Holdings and Old Covalence and the new credit facility entered into at the time of the Covalence Merger. LIBOR used in our calculation of our assumed interest rates was 5.4%. This adjustment also assumes the effective interest method amortization of \$50.8 million of deferred financing fees and the amortization of \$6.4 million of debt premium which are amortized on the effective interest method over the life of the related debt. This adjustment results in a decrease in interest expense of \$0.8 million for the three months ended December 30, 2006.

(D) This adjustment reflects the elimination of the historic tax expense (benefit) on the income (loss) of Berry and Covalence and the new calculation of tax expense (benefit) based on a rate of 37.5% on pro-forma pre-tax loss.

(E) This adjustment reflects the elimination of minority interest in connection with the exchange of the minority interest ownership in connection with the consummation of the Covalence Merger.

SELECTED HISTORICAL FINANCIAL DATA OF OLD BERRY HOLDING

The following selected financial data are derived from the consolidated financial statements. The data should be read in connection with the consolidated financial statements, related notes and other financial information included herein. Old Berry Holding's fiscal year is a 52/53 week period ending generally on the Saturday closest to December 31. All references herein to "2006," "2005," "2004," "2003," and "2002," relate to the fiscal years ended December 30, 2006, December 31, 2005, January 1, 2005, December 27, 2003, and December 28, 2002, respectively. For analysis purposes, the results under Holding's prior ownership ("Predecessor") have been combined with results subsequent to the Acquisition by Apollo on September 20, 2006. Old Berry Holding's historical consolidated financial information may not be comparable to or indicative of future performance. For a discussion of certain factors that materially affect the comparability of the consolidated financial data or cause the data reflected herein not to be indicative of future financial condition or results of operations, see "Risk Factors."

Berry Plastics Holding Corporation
Fiscal

Combined Company & Old Berry Holding 2006	Old Berry Holding 2005	Old Berry Holding 2004	Old Berry Holding 2003	Old Berry Holding 2002
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(in thousands of dollars)

Statement of Operations Data:

Net sales	1,431,764	\$ 1,169,704	\$ 814,213	\$ 551,876	\$ 494,303
Cost of goods sold	1,156,368	943,370	639,329	420,750	371,273
Gross profit	275,396	226,334	174,884	131,126	123,030
Operating expenses (a)	209,462	110,545	81,008	59,936	77,467
Operating income	65,934	115,789	93,876	71,190	45,563
Other expenses (income) (b)	(299)	1,354	—	(7)	299
Loss on extinguished debt (c)	39,916	7,045	—	250	25,328
Interest expense, net (d)	111,280	73,274	53,185	45,413	49,254
Income (loss) before income taxes	(84,963)	34,116	40,691	25,534	(29,318)
Income taxes (benefit)	(9,795)	14,325	17,740	12,486	3,298
Net income (loss)	(75,168)	19,791	22,951	13,048	(32,616)
Preferred stock dividends	—	—	—	—	6,468
Amortization of preferred stock discount	—	—	—	—	574
Net income (loss) attributable to common stockholders	\$ (75,168)	\$ 19,791	\$ 22,951	\$ 13,048	\$ (39,658)

Balance Sheet Data (at end of year):

Working capital	\$ 175,553	\$ 201,781	\$ 90,094	\$ 87,571	\$ 64,201
Fixed assets	463,977	423,444	281,972	282,977	193,132
Total assets	2,568,656	1,647,830	1,005,144	1,015,806	760,576
Total debt	1,872,874	1,160,620	697,558	751,605	609,943
Stockholders' equity	294,187	203,388	183,891	152,591	75,163

Other Data:

Depreciation and amortization (e)	109,359	88,720	60,816	44,078	41,965
Capital expenditures	92,062	57,829	52,624	29,949	28,683

-57-

- (a) Operating expenses include \$70,122 and \$20,987 related to the acquisition by Apollo and prior merger during fiscal 2006 and 2002, respectively.
- (b) Other expenses (income) consist of net losses (gains) on disposal of property and equipment and unrealized losses (gains) on investment in Southern Packaging for the respective years.
- (c) In 2006, the loss on extinguished debt represents tender premiums paid and write-off of the unamortized debt premium in connection with redeeming the 10 ³/₄% senior subordinated notes payable, write-off of deferred financing fees associated with the senior subordinated notes payable and the old senior secured credit facility, the termination of interest rate swaps, and the write-off of financing fees for bridge financing that was arranged to fund the BPC Merger but was not utilized. In 2005, the loss on extinguished debt represents unamortized deferred financing costs on the term loan expensed as a result of an amendment to the old senior credit facility. The loss on extinguished debt in 2003 represents the legal costs associated with amending the old senior credit facility in connection with the acquisition of Landis. As a result of the retirement all of Old Berry Holding's senior secured notes and Berry Plastics' senior subordinated notes and the repayment of all amounts owed under Old Berry Holding's credit facilities, \$6.6 million of existing deferred financing fees and \$18.7 million of prepayment fees and related charges were charged to expense in 2002 as a loss on extinguished debt.
- (d) Includes non-cash interest expense of \$2,951, \$1,945, \$1,862, \$2,318, and \$2,476, in fiscal 2006, 2005, 2004, 2003, and 2002, respectively.
- (e) Depreciation and amortization excludes non-cash amortization of deferred financing fees and debt premium/discount amortization which are included in interest expense.

SELECTED HISTORICAL FINANCIAL DATA OF OLD COVALENCE

The following table presents selected historical financial data for old Covalence and Tyco Plastics & Adhesives, the predecessor, and should be read in conjunction with, and is qualified by reference to, “Management’s Discussion and Analysis of Financial Condition and Results of Operations- Covalence” and the respective financial statements and notes to the financial statements included elsewhere in this prospectus.

The selected historical financial data of Tyco Plastics & Adhesives for the years ended September 30, 2004 and 2005 and as of September 30, 2004 and 2005 have been derived from the audited financial statements of the predecessor included elsewhere in this prospectus. The selected historical financial data as of and for the year ended September 30, 2003 of the predecessor have been derived from the audited financial statement not included elsewhere in this prospectus. These financial statements were prepared in accordance with GAAP. These financial statements have been prepared on a going-concern basis, as if certain assets of Tyco Plastics & Adhesives, which we acquired on February 16, 2006, had existed as an entity separate from Tyco during the periods presented. Tyco charged the predecessor operations a portion of its corporate support costs, including engineering, legal, treasury, planning, environmental, tax, auditing, information technology and other corporate services, based on usage, actual costs or other allocation methods considered reasonable by Tyco management. Accordingly, expenses included in the financial statements may not be indicative of the level of expenses which might have been incurred had the predecessor been operating as a separate stand-alone company. See note 1 of old Covalence’s audited financial statements for a discussion of the basis of Tyco Plastics & Adhesives financial statements.

The selected historical financial data of Tyco Plastics & Adhesives as of and for the years ended September 30, 2002 has been derived from the unaudited financial statements of the Tyco Plastics & Adhesives which are not included elsewhere in this prospectus. The selected historical financial data for the period from October 1, 2005 to February 16, 2006, the period from February 17, 2006 to September 29, 2006 and as of September 30, 2005 and September 29, 2006 has been derived from our audited financial statements included elsewhere in this prospectus.

(\$ in millions)	Predecessor				Successor	
	Year ended September 30, 2002 (Unaudited)	Year ended September 30, 2003	Year ended September 30, 2004	Year ended September 30, 2005	Period from October 1, 2005 to February 16, 2006	Period from February 17 to September 29, 2006
Statement of Operations						
Data:						
Net revenue ⁽¹⁾	\$ 1,455.1	\$ 1,597.8	\$ 1,658.8	\$ 1,725.2	\$ 666.9	\$ 1,092.4
Cost of sales	1,154.6	1,344.1	1,366.2	1,477.4	579.0	980.7
Gross profit	300.5	253.7	292.6	247.8	87.9	111.7
Charges and allocations from Tyco and affiliates	100.8	95.3	65.0	56.4	10.4	—
Selling, general and administrative expenses	133.3	108.3	130.2	124.6	50.0	102.6
Restructuring and impairment charges (credits), net	4.4	(0.8)	57.9	3.3	0.6	0.5
Operating income	62.0	50.9	39.5	63.5	26.9	8.6
Other income	—	—	—	—	—	(1.3)

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Interest expense, net	—	6.5	6.3	4.5	2.1	49.7
Interest expense (income), net—Tyco and affiliates	(0.2)	3.6	(1.7)	11.2	5.5	—
Income (loss) before income taxes	62.2	40.8	34.9	47.8	19.3	(39.8)

-59-

	Predecessor				Successor	
	Year ended September 30, 2002	Year ended September 30, 2003	Year ended September 30, 2004	Year ended September 30, 2005	Period from October 1, 2005 to February 16, 2006	Period from February 17 to September 29, 2006
(\$ in millions)						
Income tax expense (benefit)	3.2	2.9	2.4	3.8	1.6	(13.7)
Minority interest	—	0.2	0.2	—	—	—
Cumulative effect of accounting change	—	17.8	—	—	—	—
Net income (loss)	\$ 59.0	\$ 19.9	\$ 32.3	\$ 44.0	\$ 17.7	\$ (26.1)
Balance Sheet Data (at period end):						
Cash and cash equivalents	\$ 4.7	\$ 7.9	\$ 3.7	\$ 2.7	\$ 4.9	\$ 66.8
Property, plant and equipment, net	255.8	342.8	291.1	283.1	275.6	334.8
Total assets	1,403.3	1,283.3	1,215.0	1,206.7	1,279.5	1,203.7
Total long-term obligations (at end of period)	—	136.5	79.5	—	—	729.9
Shareholders' equity	1,151.2	877.0	822.8	855.1	877.7	171.8
Cash Flow and other Financial Data:						
Net cash provided by (used in) operating activities	\$ 146.0	\$ 123.8	\$ 89.2	\$ 117.3	(119.2)	\$ 88.8
Net cash used in investing activities	(83.9)	(13.2)	(15.5)	(29.2)	(9.1)	(950.6)
Net cash provided by (used in) financing activities	(61.5)	(106.8)	(77.7)	(89.2)	130.6	902.5
Capital expenditures	31.2	14.6	16.5	32.1	12.2	23.7

(1) Net revenue includes related party revenue of \$19.0 million, \$26.7 million, \$25.8 million, \$26.0 million and \$23.4 million for the years ended September 30, 2001, 2002, 2003, 2004 and 2005, respectively, and related party revenues of \$11.6 million and \$0.0 million for the period from October 1, 2005 to February 16, 2006, and the period from February 17, 2006 to September 29, 2006, respectively. Additionally, revenue is presented net of certain rebates paid to customers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Berry", "Management's Discussion and Analysis of Financial Condition and Results of Operations - Covalence" and the notes to the respective financial statements appearing elsewhere in this prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - OLD BERRY HOLDING

Unless the context requires otherwise, references in this Management's Discussion and Analysis of Financial Condition and Results of Operations to "Holding" refer to Berry Plastics Holding Corporation, references to "we," "our" or "us" refer to Berry Plastics Holding Corporation together with its wholly-owned subsidiary, Berry Plastics Corporation ("Berry"), and Berry's wholly-owned subsidiaries. Holding is a wholly-owned subsidiary of Berry Plastics Group, Inc. ("Group"). You should read the following discussion in conjunction with the consolidated financial statements of Holding and its subsidiaries and the accompanying notes thereto, which information is included elsewhere herein. For analysis purposes, the results under Holding's prior ownership ("Predecessor") have been combined with results subsequent to the merger on September 20, 2006 described below. You should read the following discussion of our results of operations and financial condition with the "Unaudited Pro Forma Condensed Consolidated Financial Information," "Selected Historical Financial Data of Berry Plastics" and the audited condensed consolidated financial statements and related notes included elsewhere, or incorporated by reference, in this prospectus. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section. Our actual results may differ materially from those contained in any forward-looking statements. See "Disclosure Regarding Forward-Looking Statements."

Merger

On September 20, 2006, BPC Acquisition Corp. merged with and into BPC Holding Corporation pursuant to an agreement and plan of merger (the "BPC Merger"), dated June 28, 2006, with BPC Holding Corporation continuing as the surviving corporation. Following the consummation of the BPC Merger, BPC Holding Corporation changed its name to Berry Plastics Holding Corporation. Pursuant to the BPC Merger, Holding is a wholly-owned subsidiary of Group, the principal stockholders of which are Apollo Investment Fund VI, L.P., AP Berry Holdings, LLC, an affiliate of Graham Partners II, L.P., and management. Apollo Investment Fund VI, L.P. and AP Berry Holdings, LLC are affiliates of Apollo Management, L.P. (the "Buyer"), which is a private investment firm. Graham Partners II, L.P. is an affiliate of Graham Partners, Inc. ("Graham"), a private equity firm.

The total amount of funds required to consummate the BPC Merger and to pay fees related to the BPC Merger was \$2.4 billion. The BPC Merger was primarily funded with (1) the issuance of \$750.0 million aggregate principal amount of Second Priority Notes, (2) new borrowings of \$675.0 million in Term B loans, (3) the issuance of \$425.0 million aggregate principal amount of senior subordinated notes, and (4) contributed equity. The seller used the proceeds received from the BPC Merger to repay the outstanding indebtedness and accrued interest of \$726.9 million under the term loans from the old senior secured credit facility and \$335.0 million plus accrued interest and tender fees to repurchase all of the outstanding 10 ³/₄% senior subordinated notes payable due 2012.

Overview

We believe we are one of the world's leading manufacturers and suppliers of value-added plastic packaging products. We manufacture a broad range of innovative, high quality packaging solutions using our collection of over 1,500 proprietary molds and an extensive set of internally developed processes and technologies. Our principal products include open top containers, drink cups, bottles, closures and overcaps, tubes and prescription vials which we sell into a diverse selection of attractive and stable end markets, including food and beverage, healthcare, personal care, quick service and family dining restaurants, custom and retail. We sell our packaging solutions to over 8,000 active customers comprised of a favorable balance of leading national blue-chip customers as well as a collection of smaller local specialty businesses. We believe that our proprietary tools and technologies, low-cost manufacturing capabilities and significant operating and purchasing scale provide us with a competitive advantage in the

marketplace. Our unique combination of leading market positions, proven management team, product and customer diversity and manufacturing and design innovation provides access to a variety of growth opportunities and has allowed us to achieve consistent organic volume growth in excess of market growth rates. Our top 10 customers represented approximately 27% of our fiscal 2006 net sales with no customer accounting for more than 6% of our fiscal 2006 net sales. The average length of our relationship with these customers was 21 years. Additionally, we operate 24 high-volume manufacturing facilities and have extensive distribution capabilities. We organize our business into two operating divisions: open top and closed top. At the end of fiscal 2006, we had approximately 6,600 employees.

Critical Accounting Policies and Estimates

We disclose those accounting policies that we consider to be significant in determining the amounts to be utilized for communicating our consolidated financial position, results of operations and cash flows in the second note to our consolidated financial statements included elsewhere herein. Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with these principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results are likely to differ from these estimates, but management does not believe such differences will materially affect our financial position or results of operations. We believe that the following accounting policies are the most critical because they have the greatest impact on the presentation of our financial condition and results of operations.

Allowance for Doubtful Accounts. We evaluate our allowance for doubtful accounts on a quarterly basis and review any significant customers with delinquent balances to determine future collectibility. We base our determinations on legal issues (such as bankruptcy status), past history, current financial and credit agency reports, and the experience of our credit representatives. We reserve accounts that we deem to be uncollectible in the quarter in which we make the determination. We maintain additional reserves based on our historical bad debt experience. Additionally, our allowance for doubtful accounts includes a reserve for cash discounts that are offered to some of our customers for prompt payment. We believe, based on past history and our credit policies, that our net accounts receivable are of good quality. A ten percent increase or decrease in our bad debt experience would not have a material impact on the results of operations of the Company. Our allowance for doubtful accounts was \$5.4 million and \$5.8 million as of December 30, 2006 and December 31, 2005, respectively.

Inventory Obsolescence. We evaluate our reserve for inventory obsolescence on a quarterly basis and review inventory on-hand to determine future salability. We base our determinations on the age of the inventory and the experience of our personnel. We reserve inventory that we deem to be not salable in the quarter in which we make the determination. We believe, based on past history and our policies and procedures, that our net inventory is salable. A ten percent increase or decrease in our inventory obsolescence experience would not have a material impact on the results of operations of the Company. Our reserve for inventory obsolescence was \$8.0 million and \$8.5 million as of December 30, 2006 and December 31, 2005, respectively.

Medical Insurance. We offer our employees medical insurance that is primarily self-insured by us. As a result, we accrue a liability for known claims as well as the estimated amount of expected claims incurred but not reported. We evaluate our medical claims liability on a quarterly basis, obtain an independent actuarial analysis on an annual basis and perform payment lag analysis. Based on our analysis, we believe that our recorded medical claims liability should be sufficient. A ten percent increase or decrease in our medical claims experience would not have a material impact on the results of operations of the Company. Our accrued liability for medical claims was \$4.0 million and \$5.1 million,

including reserves for expected medical claims incurred but not reported, as of December 30, 2006 and December 31, 2005, respectively.

Workers' Compensation Insurance. Starting in fiscal 2000, we converted the majority of our facilities to a large deductible program for workers' compensation insurance. On a quarterly basis, we evaluate our liability based on third-party adjusters' independent analyses by claim. Based on our analysis, we believe that our recorded workers' compensation liability should be sufficient. A ten percent increase or decrease in our workers' compensations claims experience would not have a material impact on the results of operations of the Company. Our accrued liability for workers' compensation claims was \$5.0 million and \$4.7 million as of December 30, 2006 and December 31, 2005, respectively.

Revenue Recognition. Revenue from sales of products is recognized at the time product is shipped to the customer at which time title and risk of ownership transfer to the purchaser.

Impairments of Long-Lived Assets. In accordance with the methodology described in Statement of Financial Accounting Standards ("SFAS") No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, we review long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The impairment loss is measured by comparing the fair value of the asset to its carrying amount. No impairments were recorded in the financial statements included in this registration statement.

Goodwill and Other Indefinite Lived Intangible Assets. In accordance with the methodology described in SFAS No. 142, Goodwill and Other Intangible Assets, we review our goodwill and other indefinite lived intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Impairment losses are recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The impairment loss is measured by comparing the fair value of the asset to its carrying amount. In addition, we annually review our goodwill and other indefinite lived intangible assets for impairment. No impairments were recorded in the financial statements included in this registration statement.

Deferred Taxes and Effective Tax Rates. We estimate the effective tax rates and associated liabilities or assets for each legal entity of ours in accordance with SFAS No. 109. We use tax-planning to minimize or defer tax liabilities to future periods. In recording effective tax rates and related liabilities and assets, we rely upon estimates, which are based upon our interpretation of United States and local tax laws as they apply to our legal entities and our overall tax structure. Audits by local tax jurisdictions, including the United States Government, could yield different interpretations from our own and cause the Company to owe more taxes than originally recorded. For interim periods, we accrue our tax provision at the effective tax rate that we expect for the full year. As the actual results from our various businesses vary from our estimates earlier in the year, we adjust the succeeding interim periods effective tax rates to reflect our best estimate for the year-to-date results and for the full year. As part of the effective tax rate, if we determine that a deferred tax asset arising from temporary differences is not likely to be utilized, we will establish a valuation allowance against that asset to record it at its expected realizable value. Our valuation allowance against deferred tax assets was \$8.9 million and \$6.7 million as of December 30, 2006 and December 31, 2005, respectively.

Pension. Pension benefit costs include assumptions for the discount rate, retirement age, and expected return on plan assets. Retiree medical plan costs include assumptions for the discount rate, retirement age, and health-care-cost trend rates. These assumptions have a significant effect on the

amounts reported. In addition to the analysis below, see the notes to the consolidated financial statements for additional information regarding our retirement benefits. Periodically, we evaluate the discount rate and the expected return on plan assets in our defined benefit pension and retiree health benefit plans. In evaluating these assumptions, we consider many factors, including an evaluation of the discount rates, expected return on plan assets and the health-care-cost trend rates of other companies; our historical assumptions compared with actual results; an analysis of current market conditions and asset allocations; and the views of advisers. In evaluating our expected retirement age assumption, we consider the retirement ages of our past employees eligible for pension and medical benefits together with our expectations of future retirement ages. We believe our pension and retiree medical plan assumptions are appropriate based upon the above factors. A one percent increase or decrease in our health-care-cost trend rates would not have a material impact on the results of operations of the Company. Also, a one quarter percentage point change in our discount rate or expected return on plan assets would not have a material impact on the results of operations of the Company.

Based on a critical assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, we believe that our consolidated financial statements provide a meaningful and fair perspective of Holding and its consolidated subsidiaries. This is not to suggest that other risk factors such as changes in economic conditions, changes in material costs, our ability to pass through changes in material costs, and others could not materially adversely impact our consolidated financial position, results of operations and cash flows in future periods.

Recently Issued Accounting Standards

In June 2006, the FASB issued Interpretation No. 48, Accounting for “Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109” (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company’s financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on description, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 becomes effective on January 1, 2007, and the Company does not expect the adoption of FIN 48 to have a significant impact on the Company’s results of operations or financial position.

The Company adopted SFAS No. 154, Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3, on January 1, 2006. SFAS No. 154 requires retrospective application to prior periods’ financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change or unless specific transition provisions are proscribed in the accounting pronouncements. SFAS No. 154 does not change the accounting guidance for reporting a correction of an error in previously issued financial statements or a change in accounting estimate. The adoption of SFAS No. 154 did not have an impact on our consolidated financial statements.

In September 2006, the Securities and Exchange Commission released Staff Accounting Bulletin No. 108 (“SAB 108”) which provides guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 requires entities to quantify the effects of unadjusted errors using both a balance sheet and an income statement approach. Entities are required to evaluate whether either approach results in a quantifying misstatement that is material. The Company adopted SAB 108 effective 2006. The adoption of SAB 108 did not have an impact on our consolidated financial statements.

In September 2006, the FASB issued FASB No. 157, “Fair Value Measurements” (“FAS 157”). FAS 157 is definitional and disclosure oriented and addresses how companies should approach measuring

fair value when required by GAAP; it does not create or modify any current GAAP requirements to apply fair value accounting. The standard provides a single definition for fair value that is to be applied consistently for all accounting applications, and also generally describes and prioritizes according to reliability the methods and inputs used in valuations. FAS 157 prescribes various disclosures about financial statement categories and amounts which are measured at fair value, if such disclosures are not already specified elsewhere in GAAP. The new measurement and disclosure requirements of FAS 157 are effective for the Company in the first quarter of 2008. We do not expect the adoption of FAS 157 to have a significant impact on the Company's results of operations or financial position.

In September 2006, the Financial Accounting Standards Board issued FAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans-an amendment of FASB Statements No. 87, 88, 106, and 132(R)". FAS 158 requires employers to recognize the over- or under-funded status of defined benefit plans and other postretirement plans in the statement of financial position and to recognize changes in the funded status in the year in which the changes occur through comprehensive income. In addition, FAS 158 requires employers to measure the funded status of plans as of the date of the year-end statement of financial position. The recognition and disclosure provisions of FAS 158 are effective for fiscal years ending after December 15, 2006, while the requirement to measure plan assets and benefit obligations as of a company's year-end date is effective for fiscal years ending after December 15, 2008 (the Company currently uses the fiscal year ending date). The adoption of the recognition and disclosure provisions of FAS 158 did not have a significant impact on the Company's results of operations or financial position, and the Company does not expect the adoption of the remaining provisions to have a material affect on the Company's results of operations or financial position.

Acquisitions

We maintain a selective and disciplined acquisition strategy, which is focused on improving our financial performance in the long-term, enhancing our market positions and expanding our product lines or, in some cases, providing us with a new or complementary product line. Most businesses we have acquired had profit margins that are lower than that of our existing business, which results in a temporary decrease in our margins. We have historically achieved significant reductions in manufacturing and overhead costs of acquired companies by introducing advanced manufacturing processes, exiting low-margin businesses or product lines, reducing headcount, rationalizing facilities and machinery, applying best practices and capitalizing on economies of scale. In connection with our acquisitions, we have in the past and may in the future incur charges related to these reductions and rationalizations.

On April 11, 2005, a subsidiary of Berry, Berry Plastics de México, S. de R.L. de C.V., acquired all of the injection molding aerosol overcap and closure assets from Euromex Plastics, S.A. de C.V. ("Euromex"), an injection molding manufacturer located in Toluca, Mexico (the "Mexico Acquisition"), for aggregate consideration of approximately \$8.2 million. The purchase was financed through borrowings under the Company's prior revolving line of credit and cash on hand. The operations from the Mexico Acquisition are included in Berry's operations since the acquisition date.

On June 3, 2005, Berry acquired Kerr Group, Inc. ("Kerr"), a manufacturer and marketer of closures, bottles, vials, and tubes, for aggregate consideration of approximately \$455.8 million (the "Kerr Acquisition"), including direct costs associated with the acquisition. The purchase price was financed through additional term loan borrowings under an amendment to Berry's prior senior secured credit facility and cash on hand. The operations from the Kerr Acquisition are included in Berry's operations since the acquisition date.

Year Ended December 30, 2006
Compared to Year Ended December 31, 2005

Net Sales. Net sales increased 22% to \$1,431.8 million in 2006 from \$1,169.7 million in 2005. This \$262.1 million increase included approximately \$60.0 million or 5% due to the pass through of higher resin costs to our customers, increased base business volume of approximately \$18.4 million or 2%, and acquisition volume of \$183.7 million or 16%. Our resin pounds sold, excluding acquired businesses, increased by 2% in 2006 over 2005. The following discussion in this section provides a comparison by business segment. Open top net sales increased \$61.2 million in 2006 primarily due to the higher selling prices noted above and base business volume growth partially offset by soft volume with certain major customers. The open top division recorded base business volume growth in several product categories with the thermoformed polypropylene drink cup product line volume increasing over 33% in 2006. Closed top net sales increased \$200.9 million with the Kerr Acquisition and Euromex Acquisition providing closed top net sales of approximately \$181.9 million and \$1.8 million, respectively, in 2006. The increase in closed top net sales was primarily a result of the Kerr Acquisition and Euromex Acquisition, increased selling prices, and base business price adjusted volume growth in the closure, bottle, and prescription vial product categories partially offset by declines in the extruded tube and aerosol overcap businesses. The Kerr business experienced strong growth in the first five months of 2006 with \$181.9 million of sales noted above as compared to \$168.3 million for the same period a year ago under prior ownership.

Gross Profit. Gross profit increased \$49.1 million from \$226.3 million (19% of net sales) in 2005 to \$275.4 million (19% of net sales) in 2006. This increase of 22% includes the combined impact of the additional sales volume driven by organic growth and the Kerr Acquisition, productivity improvement initiatives, our financial and mechanical resin hedging programs, and the timing effect of the 5% increase in net selling prices due to higher resin costs passed through to our customers. This was partially offset by increased raw material costs and increased manufacturing costs primarily due to cost inflation, as well as a \$10.1 million charge to cost of goods sold for the year as a result of the write-up of inventory to net realizable value in accordance with purchase accounting from the BPC Merger. Significant productivity improvements were made in the current year, including the installation of state-of-the-art equipment at several of our facilities.

Operating Expenses. Selling expenses increased by \$4.4 million to \$38.5 million for 2006 from \$34.1 million principally as a result of increased selling expenses associated with higher sales partially offset by cost reduction efforts. General and administrative expenses increased from \$49.5 million to \$61.3 million in 2006. This increase of \$11.8 million can be primarily attributed to the full year's impact of general and administrative expenses related to the Kerr Acquisition, increased accrued bonus expenses, and an increase in non-cash stock compensation expense. Research and development costs increased \$1.7 million to \$7.8 million in 2006 primarily as a result of the Kerr Acquisition and increased development efforts. Intangible asset amortization increased from \$15.6 million in 2005 to \$22.7 million for 2006, primarily as a result of intangible assets resulting from the BPC Merger and the Kerr Acquisition. In connection with the BPC Merger, the Predecessor incurred BPC Merger related expenses of approximately \$70.1 million, consisting primarily of investment banking fees, bonuses to management, non-cash acceleration and modification of stock option awards, and legal costs. Other expenses were \$9.1 million for 2006 compared to \$5.2 million for 2005. Other expenses in 2006 and 2005 primarily relate to transition expenses as a result of the Kerr Acquisition and Euromex Acquisition.

Interest Expense, Net. Net interest expense, including amortization of deferred financing costs and debt premium, for 2006 was \$111.3 million (8% of net sales) compared to \$80.3 million (7% of net sales) in 2005, an increase of \$31.0 million. This increase is primarily attributed to the new indebtedness

incurred to finance the BPC Merger and the Kerr Acquisition and increased rates of interest on borrowings.

Loss on Extinguished Debt. As a result of extinguishing the debt in connection with the BPC Merger, the Predecessor recognized a loss on debt extinguishment of \$34.0 million primarily consisting of tender premiums paid and the write off of the unamortized bond premium in connection with redeeming the 10 ³/₄% senior subordinated notes payable, write-off of deferred financing fees associated with the senior subordinated notes payable and the old senior secured credit facility, and the termination of interest rate swaps. In addition, the Company recorded an expense of \$5.9 million related to the write-off of financing fees for bridge financing that was arranged to fund the BPC Merger but was not utilized.

Income Taxes. In 2006, we recorded an income tax benefit of \$9.8 million, or an effective tax rate of 12%, compared to income tax expense of \$14.3 million, or an effective tax rate of 42%, in 2005. The decrease of \$24.1 million can be attributed to a decrease in net income (loss) before income taxes primarily as a result of losses associated with the BPC Merger. In 2006 for the predecessor period, the Company recorded a valuation allowance against all net operating loss carryforwards. In 2005, the effective tax rate is greater than the statutory rate due to the impact of state taxes and foreign location losses.

Net Income (Loss). We recorded a net loss of \$75.2 million in 2006 compared to net income of \$19.8 million in 2005 for the reasons stated above.

**Year Ended December 31, 2005
Compared to Year Ended January 1, 2005**

Net Sales. Net sales increased 44% to \$1,169.7 million in 2005 from \$814.2 million in 2004. This \$355.5 million increase included approximately \$89.5 million or 11% due to the pass through of higher resin costs to our customers, increased base business volume of approximately \$32.7 million or 4%, and acquisition volume of \$233.3 million or 29%. In 2005, we reorganized our operations into two reportable segments: rigid open top and rigid closed top. The realignment occurred in an effort to integrate the operations of acquired businesses, better service the Company's customers, and provide a more efficient organization. Prior periods have been restated to be aligned with the new reporting structure in order to provide comparable results. Rigid open top net sales increased \$116.4 million in 2005 primarily due to the higher selling prices noted above and strong base business volume growth. The rigid open top division recorded base business volume growth in several product categories with the thermoformed drink cup product line volume increasing over 40% in 2005. Rigid closed top net sales increased \$239.0 million with the Kerr Acquisition and Euromex Acquisition providing rigid closed top net sales of approximately \$229.1 million and \$4.2 million, respectively in 2005. The increase in rigid closed top net sales was primarily a result of the Kerr Acquisition and Euromex Acquisition and increased selling prices on base business.

Gross Profit. Gross profit increased \$51.4 million from \$174.9 million (21% of net sales) in 2004 to \$226.3 million (19% of net sales) in 2005. This increase of 29% includes the combined impact of the additional sales volume, productivity improvement initiatives, our financial and mechanical resin hedging programs, and the timing effect of the 11% increase in net selling prices due to higher resin costs passed through to our customers. This was partially offset by increased raw material costs and increased manufacturing costs primarily due to cost inflation. The decline in gross profit percentage from 21% in 2004 to 19% in 2005 can be attributed in part to the mathematical effect of the 11% increase in net selling prices due to higher resin costs passed through to our customers. Also, the historical margin percentage of the business acquired in the Kerr Acquisition was significantly less than the Company's historical gross margin percentage, which reduced our consolidated margin percentage. In addition, an expense of

\$0.7 million was charged to cost of goods sold in 2005 related to the write-up and subsequent sale of Kerr's finished good inventory to fair market value in accordance with purchase accounting. We have continued to consolidate products and business of recent acquisitions to the most efficient tooling and plant location, providing customers with improved products and customer service.

Operating Expenses. Selling expenses increased by \$7.7 million to \$34.1 million for 2005 from \$26.4 million principally as a result of increased selling expenses associated with higher sales partially offset by cost reduction efforts. General and administrative expenses increased from \$38.5 million to \$49.5 million in 2005. This increase of \$11.0 million can be primarily attributed to general and administrative expenses from the Kerr Acquisition and increased accrued bonus expenses. Research and development costs increased \$2.3 million to \$6.1 million in 2005 primarily as a result of the Kerr Acquisition and increased development efforts. Intangible asset amortization increased from \$6.5 million in 2004 to \$15.6 million for 2005, primarily as a result of additional intangible assets resulting from the Kerr Acquisition. Other expenses were \$5.2 million for 2005 compared to \$5.8 million for 2004. Other expenses in 2005 primarily relate to transition expenses as a result of the Kerr Acquisition and Euromex Acquisition. Other expenses in 2004 include transition expenses of \$4.0 million related to the Landis Acquisition and \$1.8 million related to the shutdown and reorganization of facilities.

Interest Expense, Net. Net interest expense, including amortization of deferred financing costs and debt premium, for 2005 was \$80.3 million (7% of net sales) compared to \$53.2 million (7% of net sales) in 2004, an increase of \$27.1 million. This increase is primarily attributed to a write off of unamortized deferred financing fees of \$7.0 million as a result of an amendment to our senior credit facility, additional indebtedness utilized to finance the Kerr Acquisition, and increased rates of interest on borrowings.

Income Taxes. In 2005, we recorded income tax expense of \$14.3 million, or an effective tax rate of 42%, compared to \$17.7 million, or an effective tax rate of 44%, in 2004. The decrease of \$3.4 million can be attributed to a decrease in net income before income taxes for the reasons stated above. The effective tax rate is greater than the statutory rate due to the impact of state taxes and foreign location losses.

Net Income. We recorded net income of \$19.8 million in 2005 compared to \$23.0 million in 2004 for the reasons stated above.

Income Tax Matters

As of December 30, 2006, Group had unused operating loss carryforwards of \$231.6 million for federal and state income tax purposes which begin to expire in 2021 and \$28.2 million for foreign operating loss carryforwards. Alternative minimum tax credit carryforwards of approximately \$7.4 million are available to Group indefinitely to reduce future years' federal income taxes. As a result of the BPC Merger, the unused operating loss carryforward is subject to an annual limitation. We are in the process of finalizing the computation to determine the limitation, but have preliminarily estimated the aggregate limit as a result of the acquisition by Apollo to be approximately \$208.0 million per year. As part of the effective tax rate calculation, if we determine that a deferred tax asset arising from temporary differences is not likely to be utilized, we will establish a valuation allowance against that asset to record it at its expected realizable value. Our valuation allowance against deferred tax assets was \$8.9 million and \$6.7 million as of December 30, 2006 and December 31, 2005, respectively, related to the foreign operating loss carryforwards.

Liquidity and Capital Resources

Senior Secured Credit Facility

On September 20, 2006, the Company entered into a credit agreement and a related guarantee and collateral agreement with a syndicate of lenders. This senior secured credit facility (the "Credit Facility") provides financing of up to \$875.0 million, consisting of (1) \$675.0 million in term loans and (2) a \$200.0 million revolving credit facility. The interest rates per annum applicable to loans under the Credit Facility are, at the Company's option, equal to either an alternate base rate or an adjusted LIBOR rate for a one-, two-, three- or six-month interest period, or a nine- or twelve-month period, if available from all relevant lenders, in each case, plus an applicable margin. The alternate base rate means the greater of (1) Credit Suisse's prime rate and (2) one-half of 1.0% over the weighted average of rates on overnight Federal Funds. The Company also pays a customary commitment fee to the lenders under the revolving credit facility in respect of the unutilized commitments thereunder at a rate equal to 0.5% per annum (subject to reduction upon attainment of certain leverage ratios) and letter of credit and agency fees.

The Credit Facility requires a prepayment on outstanding term loans, subject to certain exceptions, with (1) beginning with the first full fiscal year after the closing, 50% (which percentage can be as low as 0% upon the achievement of certain leverage ratios) of excess cash flow less the amount of certain voluntary prepayments, (2) so long as our total net first lien leverage ratio is above a certain threshold, 100% of the net cash proceeds of any incurrence of debt other than excluded debt issuances, and (3) so long as the total net first lien leverage ratio is above a certain threshold, 100% of the net cash proceeds of all non-ordinary course asset sales and casualty and condemnation events, if the Company does not reinvest or commit to reinvest those proceeds in assets to be used in our business or to make certain other permitted investments within 15 months. The Company may voluntarily repay outstanding loans under the Credit Facility at any time without premium or penalty.

The term loans amortize each year in an amount equal to 1% per annum in equal quarterly installments for the first six years and nine months, with the remaining amount payable on September 20, 2013. Principal amounts outstanding under the revolving credit facility will be due and payable in full on September 20, 2012. All obligations under the Credit Facility are unconditionally guaranteed by Group and, subject to certain exceptions, each existing and future direct and indirect domestic subsidiary. All obligations under the Credit Facility and the guarantees of those obligations are secured by substantially all assets of the Company and each subsidiary guarantor subject to certain exceptions: (1) a first priority pledge of all equity interests of the Company, a pledge of 100% of the equity interests of all guarantors and a first priority pledge of 65% of the voting equity interests of certain foreign subsidiaries; and (2) a first priority security interest in substantially all tangible and intangible assets of the Company and each subsidiary guarantor.

The Credit Facility contains customary covenants that, among other things, restrict, subject to certain exceptions, the ability, and the ability of subsidiaries, to incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations and make dividend and other restricted payments. In addition, the Credit Facility requires the Company to maintain the total net first lien leverage ratio below a certain ratio and also contains certain customary affirmative covenants and events of default. The Company was in compliance with all the financial and operating covenants at December 30, 2006. At December 30, 2006, there were no borrowings outstanding on the revolving credit facility. The revolving credit facility allows up to \$50.0 million of letters of credit to be issued instead of borrowings. At December 30, 2006 and December 31, 2005, the Company had \$14.7 million under the Credit Facility and the prior credit facility, respectively, in letters of credit outstanding. At December 30, 2006, the Company had unused borrowing capacity of \$185.3 million under the revolving line of credit.

Second Priority Notes

On September 20, 2006, Holding issued \$750.0 million of second priority senior secured notes (“Second Priority Notes”) comprised of (1) \$525.0 million aggregate principal amount of 8 7/8% second priority fixed rate notes (“Fixed Rate Notes”) and (2) \$225.0 million aggregate principal amount of second priority senior secured floating rate notes (“Floating Rate Notes”). The Second Priority Notes mature on September 15, 2014. Interest on the Fixed Rate Notes is due semi-annually on March 15 and September 15. The Floating Rate Notes bear interest at a rate of LIBOR plus 3.875% per annum, which resets quarterly. Interest on the Floating Rate Notes is payable quarterly on March 15, June 15, September 15 and December 15 of each year.

The Second Priority Notes are secured by a second priority security interest in the collateral granted to the collateral agent under the Credit Facility for the benefit of the holders and other future parity lien debt that may be issued pursuant to the terms of the indenture. These liens will be junior in priority to the liens on the same collateral securing the Credit Facility and to all other permitted prior liens. The Second Priority Notes are guaranteed, jointly and severally, on a second priority senior secured basis, by each domestic subsidiary that guarantees the Credit Facility. The Second Priority Notes contain customary covenants that, among other things, restrict, subject to certain exceptions, our ability, and the ability of subsidiaries, to incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations and make dividend and other restricted payments.

On or after September 15, 2010 and 2008, the Company may redeem some or all of the Fixed Rate Notes and Floating Rate Notes, respectively, at specified redemption prices. Additionally, on or prior to September 15, 2009 and 2008, we may redeem up to 35% of the aggregate principal amount of the Fixed Rate Notes and Floating Rate Notes, respectively, with the net proceeds of specified equity offerings at specified redemption prices. If a change of control occurs, the Company must give holders of the Second Priority Notes an opportunity to sell their notes at a purchase price of 101% of the principal amount plus accrued and unpaid interest.

Senior Subordinated Notes

On September 20, 2006, the Company issued \$425.0 million in aggregate principal amount of senior subordinated notes (“Senior Subordinated Notes”) to affiliates of Goldman in a private placement that is exempt from registration under the Securities Act. The Senior Subordinated Notes are unsecured, senior subordinated obligations and are guaranteed on an unsecured, senior subordinated basis by each of our subsidiaries that guarantee the Credit Facility and the Second Priority Notes. The Senior Subordinated Notes mature in 2016 and bear interest at a rate of 11% per annum. Such interest is payable quarterly in cash; provided, however, that on any quarterly interest payment date on or prior to the third anniversary of the issuance, the Company can satisfy up to 3% of the interest payable on such date by capitalizing such interest and adding it to the outstanding principal amount of the Senior Subordinated Notes.

The Senior Subordinated Notes may be redeemed at the Company’s option under circumstances and at redemption prices set forth in the indenture. Upon the occurrence of a change of control, the Company is required to offer to repurchase all of the Senior Subordinated Notes. The indenture sets forth covenants and events of default that are substantially similar to those set forth in the indenture governing the Second Priority Notes. The Senior Subordinated Notes contain additional affirmative covenants and certain customary representations, warranties and conditions.

The Company was in compliance with all the financial and operating covenants at December 30, 2006. A key financial metric utilized in the calculation in certain of the financial covenants noted above

is bank compliance EBITDA. The following table reconciles our bank compliance EBITDA of \$289.7 million for fiscal 2006 to net income.

	Year Ended December 30, 2006
Bank compliance EBITDA	\$ 289,731
Net interest expense	(111,280)
Depreciation	(86,678)
Amortization	(22,681)
Income tax benefit	9,795
Gain on investment in Southern Packaging	299
Loss on extinguished debt	(39,916)
Merger expense	(81,309)
Business optimization expense	(14,287)
Pro forma synergies	(14,557)
Non-cash stock compensation	(3,385)
Management fees	(900)
Net loss	\$ (75,168)

EBITDA represents net income (loss) before interest expense, net, income taxes and depreciation and amortization. Bank compliance EBITDA represents EBITDA as further adjusted. Bank compliance EBITDA is a financial measure used in the indentures governing the Second Priority Notes and the Senior Subordinated Notes and in our Credit Facility as a component of a coverage ratio that is used to test whether certain transactions are permitted. Adjustments to arrive at bank compliance EBITDA are permitted in calculating covenant compliance. We believe that the inclusion of these adjustments to net income (loss) applied in presenting bank compliance EBITDA are appropriate to provide additional information about certain non-cash items and about unusual items that we do not expect to continue at the same level in the future. Bank compliance EBITDA differs from the term "EBITDA" as it is commonly used. EBITDA and bank compliance EBITDA are not measures of financial performance under GAAP and may not be comparable to similarly titled measures of other companies. You should not consider our EBITDA or bank compliance EBITDA as alternatives to operation or net income (loss), determined in accordance with GAAP, as indicators of our operating performance, or as an alternative to cash flows from operating activities, determined in accordance with GAAP.

Contractual Obligations and Off Balance Sheet Transactions

Our contractual cash obligations as of December 30, 2006 are summarized in the following table.

	Payments Due by Period at December 30, 2006				
	Total	< 1 year	1-3 years	4-5 years	> 5 years
Long-term debt, excluding capital leases	\$ 1,849,187	\$ 6,750	\$ 13,500	\$ 13,500	\$ 1,815,437
Capital leases	27,049	6,799	11,372	8,878	—
Fixed interest rate payments	1,287,336	162,155	324,310	324,310	476,561
Operating leases	209,533	26,291	46,921	39,558	96,763

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Purchase obligations ⁽¹⁾	80,757	80,757	—	—	—
Total contractual cash obligations	\$ 3,453,862	\$ 282,752	\$ 396,103	\$ 386,246	\$ 2,388,761

-71-

(1)Represents open purchase commitments for purchases of resin and capital expenditures in the normal course of operations.

Cash Flow

Net cash provided by operating activities was \$170.7 million in 2006 as compared to \$101.5 million in 2005. This increase of \$69.2 million can be primarily attributed to improved operating performance and improvements in working capital. Net cash provided by operating activities was \$101.5 million in 2005 as compared to \$75.2 million in 2004. This increase of \$26.3 million can be primarily attributed to improved operating performance partially offset by increased working capital needs due to revenue growth, increased resin costs, and increased quantities of resin as a result of mechanical hedging.

Net cash used for investing activities increased from \$520.0 million in 2005 to \$2,382.3 million in 2006 primarily as a result of the BPC Merger in 2006 as compared to the Kerr Acquisition and Euromex Acquisition in 2005. Our capital expenditures increased in 2006 to \$92.1 million in 2006 from \$57.8 million in 2005 primarily as a result of additional lines to support our volume growth in thermoformed drink cups and having the full year of Kerr in 2006. Capital expenditures in 2006 included investments of \$7.8 million for facility additions and renovations, production systems and offices necessary to support production operating levels throughout the company, \$18.2 million for molds, \$52.8 million for molding and decorating equipment, and \$13.3 million for accessory equipment and systems. Net cash used for investing activities increased from \$45.5 million in 2004 to \$520.0 million in 2005 primarily as a result of the Kerr Acquisition and Euromex Acquisition in 2005. Capital expenditures in 2005 were \$57.8 million, an increase of \$5.2 million from \$52.6 million in 2004. Our capital expenditure budget for 2007 is expected to be approximately \$80.0 million.

Net cash provided by financing activities was \$2,205.5 million in 2006 as compared to \$443.2 million in 2005. The change can be primarily attributed to the financing of the BPC Merger in 2006 and the Kerr Acquisition and Euromex Acquisition in 2005 and the new debt structure following the BPC Merger in 2006. Net cash provided by financing activities was \$443.2 million in 2005 as compared to cash used by financing activities of \$55.7 million in 2004. The change can be primarily attributed to the Kerr Acquisition and Euromex Acquisition financing in 2005 and the voluntary prepayment of \$45.0 million of the senior term loans in 2004.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - OLD COVALENCE
(Three Months ended December 29, 2006)**

The following discussion and analysis of financial condition and results of operations includes periods prior to and following the Acquisition and should be read together with Financial Statements and the accompanying notes included in this Registration Statement. In addition, the statements in this report with respect to our expectations regarding the performance of our business and the other non-historical are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Risk Factors". Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Overview

The Acquisition

On February 16, 2006, Covalence was formed through the acquisition of substantially all of the assets and liabilities of Tyco Plastics & Adhesives ("TP&A") under a Stock and Asset Purchase Agreement dated December 20, 2005 among an affiliate of Apollo, Tyco International Group S.A. and Tyco Group S.a.r.l.

In connection with the Acquisition, affiliates of Apollo Management V, L.P. ("Apollo") and certain members of our senior management contributed \$197.5 million in cash, which was contributed to us as common equity. The total purchase price consideration paid at the closing of the Acquisition was approximately \$916.1 million. The Acquisition was funded with the proceeds from:

• The investment by affiliates of Apollo and certain members of our senior management and the subsequent contribution of the cash proceeds to us as common equity;

- Our issuance of the \$265.0 million outstanding notes;

• Term loan borrowings under our senior secured credit facilities of \$350.0 million (subsequently refinanced as described below under "Principal Credit Facilities");

- Borrowings under the floating rate loan of \$175.0 million; and

• Pursuant to the terms of the Stock and Asset Purchase Agreement, a favorable net working capital adjustment of \$59.1 million.

Business

As of December 29, 2006, we operated in the following reportable segments:

Plastics

Covalence Specialty Materials Corp. ("Plastics") manufactures and sells primarily polyethylene-based film products. Its principal products include trash bags, drop cloths, agricultural film, stretch film, shrink film and custom packaging film. Plastics products are used principally in the agricultural, horticultural, institutional, foodservice and retail markets.

Adhesives

Covalence Specialty Adhesives (“Adhesives”) manufactures and sells tape, adhesive and corrosion protective products. Its principal products include splicing/laminating tapes, flame-retardant tapes, vinyl-coated tapes, and a variety of other specialty tapes, including carton sealing, double-faced cloth, masking, mounting and OEM medical tapes. Adhesives products are used principally in the industrial, construction, aerospace, automotive, HVAC, medical and retail markets.

Coatings

Covalence Specialty Coatings (“Coatings”) manufactures and prints a wide variety of high-quality flexible packaging, barrier, building and material handling products in a wide range of substrates and basic weights of paper, film, foil and woven and non-woven fabrics. Coatings are used in the residential building, industrial, food packaging, healthcare and military markets.

Recent Developments

On February 6, 2007, the Company announced a restructuring program in its Coatings segment. The planned actions relate to the exiting of two product lines, the closure of a manufacturing facility, the termination of certain employees and the relocation of certain operations. The affected product lines accounted for revenues of \$20.6 million for the period from February 17 to September 29, 2006. The liability associated with this restructuring program is approximately \$11.6 million, including asset impairment charges of \$8.2 million, termination benefits of \$1.7 million, relocation expenses of \$0.9 million and other restructuring charges of \$0.8 million. The Company expects to recognize costs associated with the restructuring over the next eight months.

Operating Results

	Successor December 29, 2006	Predecessor December 30, 2005
Net revenue , including related party revenue	\$ 366.7	\$ 450.2
Cost of sales	342.5	385.5
Gross profit	24.2	64.7
Charges and allocations from Parent Company and affiliates	—	10.1
Selling, general and administrative expenses	41.8	33.5
Restructuring and impairment charges (credits), net	0.2	—
Operating income (loss)	(17.8)	21.1
Other Expense	0.1	—
Interest expense	17.6	1.1
Interest income	(0.6)	—
Interest expense - Parent Company and affiliates	—	3.0
Interest income - Parent Company and affiliates	—	(0.1)
Income (loss) before income taxes	(34.9)	17.1
Income taxes	(13.1)	0.7
Net income (loss)	\$ (21.8)	\$ 16.4

Discussion of Covalence Results of Operations for the Three Months Ended December 29, 2006

Net Revenue. Net revenue for the three months ended December 29, 2006 was \$366.7 million. Net revenue was impacted by lower volumes caused by a mild hurricane season, weak housing starts and continued efforts by customers to minimize inventories during a period of softening polyethylene resin pricing. Included as a reduction of net revenue is \$31.4 million attributable to customer rebates, sales incentives, trade promotions and coupons and \$7.4 million attributable to discounts to customers and product returns.

Cost of Sales. Cost of goods sold for the three months ended December 29, 2006 was \$342.5 million. Cost of goods sold reflects lower sales volumes and lower raw materials costs partially offset by a \$1.6 million inventory charge in our Plastics segment due to lower production and the correction of finished goods inventory levels. In addition, cost of sales was impacted by increased depreciation costs as a result of purchase price allocations in connection with the Acquisition. Included as a reduction of cost of goods sold was \$1.9 million attributable to rebates from vendors.

Gross Profit. Gross profit for the three months ended December 29, 2006 was \$24.2 million. Gross profit was negatively impacted by lower sales volumes, the inventory charge described above, and the impact of purchase method of accounting attributable to the Acquisition.

Selling, General and Administration Expenses. Selling, general and administrative expenses for the three months ended December 29, 2006 were \$41.8 million. Items negatively impacting selling, general and administrative expense included the increased impact of depreciation and amortization resulting from

the application of the purchase method of accounting in connection with the Acquisition, executive severance expense, additional corporate support costs, and general inflation.

Operating Loss. Operating loss for the three months ended December 29, 2006 was \$17.8 million. Operating loss was negatively impacted by lower volumes, higher depreciation and amortization costs resulting from the application of the purchase method of accounting in connection with the Acquisition, executive severance and additional corporate support costs.

Discussion of TP&A Results of Operations for the Three Months Ended December 30, 2005

Net Revenue. Net revenue for the three months ended December 30, 2005 was \$450.2 million. Net revenue reflects pricing actions, implemented to offset polyethylene resin inflation experienced primarily in TP&A's Plastics division. Included as a reduction of net revenue is \$40.5 million attributable to customer rebates, sales incentives, trade promotions and coupons and \$9.8 million attributable to discounts to customers and product returns.

Cost of Sales. Cost of goods sold for the three months ended December 30, 2005 was \$385.5 million. Cost of goods sold was adversely impacted by inflation in polyethylene resin and increased freight rates resulting from higher fuel prices. The effects of these items were partially offset by the favorable impact of TP&A's cost reduction and manufacturing efficiency programs. Included as a reduction of cost of goods sold was \$3.3 million attributable to rebates from vendors.

Gross Profit. Gross profit for the three months ended December 30, 2005 was \$64.7 million. Gross profit was negatively impacted by resin raw material inflation experienced by TP&A's Plastics division and increased freight rates resulting from higher fuel prices partially offset by the pricing actions previously mentioned and the continuing benefits of TP&A's cost reduction programs.

Selling, General and Administrative expenses and Charges and allocations from Parent Company and affiliates.

Selling, general and administrative expenses and Charges and allocations from Parent Company and affiliates for the three months ended December 30, 2005 were \$43.6 million. Items favorably impacting these expenses included lower Tyco administrative fees as a result of the elimination of the receivables factoring and resin purchasing programs, partially offset by stock option expense of \$1.1 million following Tyco's adoption of Statement of Financial Accounting Standards No. 123R.

Operating Income. Operating income for the three months ended December 30, 2005 was \$21.1 million. Operating income was negatively impacted by resin raw material inflation experienced by TP&A's Plastics division and increased freight rates resulting from higher fuel prices, partially offset by pricing actions previously mentioned, the continuing benefits of TP&A's cost reduction programs and lower Tyco administrative fees in selling, general and administrative expenses.

Discussion of Covalence Results of Operations for the period from February 17, 2006 to September 29, 2006

Net Revenue. Net revenue for the period February 17, 2006 to September 29, 2006 was \$1,092.4 million. Net revenue for the period was impacted by pricing actions, which had been implemented to offset inflation in raw materials, particularly in polyethylene resin, in our Plastics operating segment partially offset by lower volumes driven by a mild hurricane season and continued efforts by customers to structurally reduce inventories. Included as a reduction of Net revenue is \$79.4 million attributable to customer rebates, sales incentives, trade promotions and coupons and \$20.6 million attributable to discounts to customers and product returns.

Cost of Sales. Cost of goods sold for the period February 17, 2006 to September 29, 2006 was \$980.7 million. Cost of goods sold was adversely impacted by inflation in raw materials of \$65.9 million experienced in our Plastics segment partially offset by lower volumes. In addition, cost of sales was impacted by step up in value of inventory of \$6.8 million and increased depreciation costs \$8.4 million as a result of purchase price allocations in connection with the Acquisition and increased freight resulting from higher fuel prices. The effect of these items was partially offset by the favorable impact of our cost reduction and manufacturing efficiency programs. Included as a reduction of cost of goods sold was \$8.7 million attributable to rebates from vendors.

Gross Profit. Gross profit for the period February 17, 2006 to September 29, 2006 was \$111.7 million. Gross profit was negatively impacted by raw material inflation, experienced by our Plastics segment, and the impact of purchase method of accounting attributable to the Acquisition. Partially offsetting these costs were the continuing benefits of the Company's cost reduction programs and the pricing actions previously mentioned.

Selling, General and Administration Expenses. Selling, general and administrative expenses for the period February 17, 2006 to September 29, 2006 were \$102.6 million. Items negatively impacting selling, general and administrative expense included the increased impact of depreciation and amortization of \$16.5 million from the purchase method of accounting attributable to the Acquisition executive severance expense of \$3.6 million, additional corporate support costs.

Operating Income Operating income for the period February 17, 2006 to September 29, 2006 was \$8.6 million. Operating income was negatively impacted by raw material inflation experienced by our Plastics segment, increase in inventory cost, higher depreciation and amortization costs resulting from purchase price allocation in connection with the Acquisition, executive severance and additional corporate support costs, partially offset by the favorable impact of our cost reduction and manufacturing efficiency

Critical Accounting Estimates

The preparation of our financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. The following accounting policies involve the application of judgments and assumptions made by management that include inherent risks and uncertainties. Actual results could differ materially from these estimates. Changes in estimates are recorded in results of operations in the period that the event or circumstances giving rise to such changes occur.

There were no significant changes to these policies or in the underlying accounting assumptions and estimates used in the above critical accounting policies from those disclosed in the Financial Statements and accompanying notes contained in the Company's Offer to Exchange Prospectus dated February 9, 2007 filed with the Securities and Exchange Commission.

Recent Accounting Pronouncements

In December 2004, the FASB issued FASB Staff Position No. 109-1 ("FSP 109-1"), "Application of FASB Statement No. 109, Accounting for Income Taxes ("SFAS No. 109") to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004", which provides guidance on the American Jobs Creation Act of 2004 (the "Act"). The Act provides a tax deduction for income from qualified domestic production activities. FSP 109-1 provides for the treatment of the deduction as a special deduction as described in SFAS No. 109. As such, the deduction will have

no effect on existing deferred tax assets and liabilities. The impact of the deduction is to be reported in the period in which the deduction is claimed on our U.S. tax return. We plan to adopt FSP 109-1 in fiscal 2007 and expect it to decrease our effective tax rate for financial statement purposes in periods in which the deduction is claimed.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which is an interpretation of SFAS No. 109, "Accounting for Income Taxes." FIN 48 provides measurement and recognition guidance related to accounting for uncertainty in income taxes. FIN 48 also requires increased disclosure with respect to the uncertainty in income taxes. The Company will adopt the provisions of FIN 48 on October 1, 2007, as required, and is currently evaluating the impact of such adoption on its financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements." This statement establishes a standard definition for fair value, establishes a framework under generally accepted accounting principles for measuring fair value and expands disclosure requirements for fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of the statement on its financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, "*Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.*" SAB No. 108 requires that companies utilize a "dual-approach" to assessing the quantitative effects of financial statement misstatements. The dual approach includes both an income statement focused and balance sheet focused assessment. SAB No. 108 is applicable for the Company's fiscal year ending September 28, 2007. The adoption of SAB No. 108 will not have a significant impact on the Company's financial position or results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an Amendment of FASB Statements No. 87, 88, 106 and 132(R)." This statement requires an employer to recognize the overfunded or underfunded status of defined benefit pension and postretirement plans as an assets or liabilities in its statement of financial position. Under SFAS No. 158, unrecognized actuarial gains and losses, prior service costs and credits and any remaining unrecognized transition amounts, net of their related income tax effect, are to be reported as a component of accumulated other comprehensive income. Incremental changes in these amounts not recognized in the statements of operations in the year in which they arise are recognized as changes in other comprehensive income in the year in which the changes occur. The statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position. The requirement to recognize the funded status of defined benefit pension and postretirement plans is effective for fiscal years ending after December 15, 2006 for companies with publicly traded stock, and June 15, 2007 for all other companies. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for the fiscal years ending after December 15, 2008. While the Company currently measures plan assets and benefit obligations as of August at each fiscal year-end, the Company is evaluating the impact that the other aspects of this Statement will have on its combined financial statements.

Liquidity and Capital Resources

At December 29, 2006, we had cash and cash equivalents of approximately \$54.1 million. Currently, we generate cash primarily from our operating activities. We have a Senior Secured Credit Facility, which provides for up to \$200.0 million in revolving credit borrowings, of which \$182.3 million was available for borrowing at December 29, 2006. We have not yet utilized any of the revolving credit

facility for borrowings. Our principal uses of cash are operating expenses, capital expenditures, debt service and working capital needs.

Cash Flows from Operating Activities

During the three months ended December 29, 2006, we generated \$30.3 million of net cash in operating activities principally due to improved accounts receivable collections and inventory turnover, partially offset by timing of payments for accounts payable. During the three months ended December 30, 2005, TP&A net cash usage was \$126.0 million, principally due to changes in raw material purchases and payment terms as a result of the discontinuance of the resin purchasing agreement with Tyco prior to the Acquisition.

Cash Flows from Investing Activities

During the three months ended December 29, 2006 we used \$40.5 million of net cash in investing activities, due to the final working capital adjustment payment made to Tyco of \$30.0 million and investments in capital expenditures of \$10.3 million during the period. During the three months ended December 30, 2005, TP&A used \$7.3 million of net cash in investing activities principally for capital expenditures.

Cash Flows from Financing Activities

During the three months ended December 29, 2006, we used net cash of \$2.0 million in our financing activities due principally to return of equity to Holdings of \$1.3 million and a scheduled long-term debt payment of \$0.7 million. During the three months ended December 30, 2005 cash generated from TP&A's financing activities was \$136.1 million due to the change in the resin purchasing arrangement with an affiliate of Tyco prior to the Acquisition referenced above, partially offset by the retirement of outstanding capital lease obligations.

Principal Credit Facilities

In connection with the Acquisition, the Company entered into senior secured credit facilities, which included a term loan in the amount of \$350.0 million with a maturity date of February 16, 2013. On May 18, 2006, the Company refinanced its senior secured credit facilities, which now consist of a new term loan in the principal amount of \$300.0 million and a new revolving credit facility which provides borrowing availability equal to the lesser of (a) \$200.0 million or (b) the borrowing base, which is a function, among other things, of the Company's accounts receivable and inventory. The term loan matures on May 18, 2013 and the revolving credit facility matures on May 18, 2012.

The borrowings under the senior secured credit facilities bear interest at a rate equal to an applicable margin plus, as determined at our option, either (a) a base rate ("Base Rate") determined by reference to the higher of (1) the prime rate of Bank of America, N.A., as administrative agent, and (2) the U.S. federal funds rate plus 1/2 of 1% or (b) a eurodollar rate ("LIBOR") determined by reference to the costs of funds for eurodollar deposits in dollars in the London interbank market for the interest period relevant to such borrowing adjusted for certain additional costs. As of December 29, 2006 the initial applicable margin for LIBOR rate borrowings under the revolving credit facility was 1.50% and under the term loan is 2.00%. As of December 29, 2006 the initial applicable margin for base rate borrowings under the revolving credit facility was 0% and under the term loan was 1.00%. The applicable margin for such borrowings under the revolving credit facility will be reduced if the Company achieves certain leverage ratios.

The senior secured credit facilities require minimum quarterly principal payments of \$0.750 million on the term loan for the first six years and nine months, commencing in September 2006, with the remaining amount payable on May 18, 2013. In addition, the Company must prepay the outstanding term loan, subject to certain exceptions, with:

- Beginning with the Company's first full fiscal year after the closing, 50% (which percentage is subject to a minimum of 0% upon the achievement of certain leverage ratios) of excess cash flow (as defined in the credit agreement); and
- 100% of the net cash proceeds of all non-ordinary course asset sales and casualty and condemnation events, if the Company does not reinvest or commit to reinvest those proceeds in assets to be used in its business or to make certain other permitted investments within 15 months, subject to certain limitations.

In addition to paying interest on outstanding principal under the senior secured credit facilities, the Company is required to pay a commitment fee to the lenders under the revolving credit facilities in respect of the unutilized commitments thereunder at a rate equal to 0.25% to 0.35% per annum depending on the average daily available unused borrowing capacity. The Company also pays a customary letter of credit fee, including a fronting fee of 0.25% per annum of the stated amount of each outstanding letter of credit, and customary agency fees.

The Company may voluntarily repay outstanding loans under the senior secured credit facilities at any time without premium or penalty, other than customary "breakage" costs with respect to eurodollar loans.

The senior secured credit facilities contain various restrictive covenants that, among other things and subject to specified exceptions, prohibits the Company from prepaying other indebtedness, restricts its ability to incur indebtedness or liens, make investments or declare or pay any dividends. For the three months ended December 29, 2006, the Company has complied with all covenants.

All obligations under the senior secured credit facilities are unconditionally guaranteed by Holdings and, subject to certain exceptions, each of the Company's existing and future direct and indirect domestic subsidiaries. The guarantees of those obligations are secured by substantially all of the Company's assets as well as those of Holdings and each domestic subsidiary guarantor.

In connection with the Acquisition, the Company entered into the \$175.0 million second priority floating rate loan. The second priority floating rate loan matures on August 16, 2013, and bears interest at a rate per annum, reset at the end of each interest period, equal to LIBOR plus 3.25% or Base Rate plus 2.25%. No principal payments are required with respect to the second priority floating rate loan prior to maturity. Voluntary prepayments under the floating rate loan are subject to a premium of 2% of any principal amount prepaid in the first year, 1% of any principal amount prepaid in the second year and no premium thereafter.

All obligations under the floating rate loan are unconditionally guaranteed by each of the Company's existing domestic subsidiaries that guarantees debt under the Company's senior secured credit facilities and by certain of the Company's future domestic subsidiaries, and are secured on a second priority basis by the same assets securing the loans under the senior secured credit facilities.

The Company also issued \$265.0 million of 10.25% senior subordinated notes due March 1, 2016. Included as a reduction of the balance in long term debt is the unamortized portion of the original issue discount of \$6.3 million relating to this note, which is reflected on the Company's Balance Sheet. Included in the Company's Statement of Operations is \$0.1 million of amortization of this discount using the effective interest method. The notes were exchanged in (March 2007) for substantially identical notes, except that the notes carried in exchange are not subject to transfer restrictions. The currently outstanding senior notes are senior subordinated obligations of the Company and rank junior to all other senior indebtedness of the Company that does not contain similar subordination provisions. No principal payments are required with respect to the senior subordinated notes prior to maturity.

The second priority floating rate loan agreement and the indenture relating to the outstanding notes each contain a number of covenants that, among other things and subject to certain exceptions, restrict the Company's and the ability of restricted subsidiaries to incur indebtedness or issue disqualified stock or preferred stock, pay dividends or redeem or repurchase stock, make certain types of investments, sell assets, incur certain liens, restrict dividends or other payments from subsidiaries, enter into transactions with affiliates and consolidate, merge or sell all or substantially all of the our assets. For the period ended December 29, 2006, we have complied with all covenants. No principal payments are required with respect to the second priority floating rate loan and the outstanding notes prior to maturity.

Following the Acquisition, we have recorded these long-term debt obligations in our September 29, 2006 Balance Sheet. Included in interest expense, net on our Statement of Operations are certain transaction costs associated with the former senior secured credit facility and the senior secured credit facility.

Our ability to make scheduled payments of principal, to pay interest on, or to refinance our indebtedness or to fund planned capital expenditures will depend on our ability to generate cash in the future. This ability, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Based on our current level of operations, we believe that cash flow from operations and available cash, together with available borrowings under our senior secured credit facilities, will be adequate to meet our short-term liquidity needs.

We cannot assure that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our senior secured credit facilities in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. In addition, upon the occurrence of certain events, such as a change of control, we could be required to repay or refinance our indebtedness. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Covenant Compliance

Our fixed charge coverage ratio, as defined in the senior secured revolving credit facility, is calculated based on a numerator consisting of Adjusted EBITDA less cash, taxes and capital expenditures, and a denominator consisting of interest expense and certain distributions. Our fixed charge coverage ratio, as defined in the senior secured term loan facility, the floating rate loan and the indenture relating to the senior subordinated notes, is calculated based on a numerator consisting of Adjusted EBITDA, and a denominator consisting of interest expense and certain distributions. We are required, under our debt covenant, to use a rolling four quarter Adjusted EBITDA in our calculations and to use the Predecessor's financial information to complete this calculation.

We are required to maintain a minimum fixed charge coverage ratio of 1.0:1.0 under the senior secured revolving credit facility at any time when the aggregate unused capacity under the revolving credit facility is less than 10% of the lesser of the revolving facility commitments and the borrowing base (and for 10 business days following the date upon which availability exceeds such threshold) or during the continuation of an event of default. As of December 29, 2006, we had \$182.3 million of aggregate unused borrowing capacity under the senior secured revolving credit facility. Revolving facility commitments as of December 29, 2006 were \$200.0 million, and the borrowing base was \$189.0 million.

Failure to maintain a fixed charge coverage ratio of 2.0:1.0 under the senior secured term loan facility, the floating rate loan and the indenture relating to the senior subordinated, and in the circumstances described above, a fixed charge coverage ratio of 1.0:1.0 under the senior secured revolving credit facility, can result in limiting our long-term growth prospects by hindering our ability to incur additional indebtedness, effect acquisitions, enter into certain significant business combinations, make distributions or redeem indebtedness.

Off-Balance Sheet Arrangements

As of December 29, 2006, we had approximately \$6.7 million in letters of credit issued and outstanding. We do not have any other off-balance sheet arrangements with unconsolidated entities or related parties and, accordingly, off-balance sheet risks to our liquidity and capital resources from unconsolidated entities are limited.

Backlog

We do not reflect a production order in our backlog until we have received a purchase order. Generally, these orders are shipped within two to eight weeks of receipt of a purchase order. As a result, we do not believe our backlog is a reliable measure of future revenue.

OLD COVALENCE MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Covalence (Periods from October 1, 2005 to February 16, 2006 (Tyco Plastics & Adhesives) and February 17, 2006 to September 29, 2006 (Covalence))

The following discussion and analysis of financial condition and results of operations includes periods prior to and following the Acquisition. In addition, the statements in the discussion and analysis with respect to our expectations regarding the performance of our business and the other non-historical statements in the discussion and analysis are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Risk Factors" included elsewhere in this prospectus. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Overview

The Acquisition

On February 16, 2006, we acquired substantially all of the assets and liabilities of TP&A under a Stock and Asset Purchase Agreement dated December 20, 2005 among Holdings (an affiliate of Apollo), Tyco International Group S.A. and Tyco Group S.a.r.l. (the "Acquisition")

In connection with the Acquisition, affiliates of Apollo and certain members of our senior management contributed \$197.5 million in cash to Holdings, which was contributed to us as common equity. The total purchase price consideration paid at the closing of the Acquisition was approximately \$916.1 million. The Acquisition was funded with the proceeds from:

• The investment by affiliates of Apollo and certain members of our senior management in Holdings and the subsequent contribution of the cash proceeds to us as common equity;

- Our issuance of the \$265.0 million outstanding notes;

• Term loan borrowings under our senior secured credit facilities of \$350.0 million (subsequently refinanced as described below under "Principal Credit Facilities");

- Borrowings under the floating rate loan of \$175.0 million; and

• Pursuant to the terms of the Stock and Asset Purchase Agreement, a favorable net working capital adjustment of \$59.1 million.

Debt Service Obligations

Because we have a significant amount of indebtedness, our ability to generate sufficient cash flow from operations to pay our debt service obligations is a principal focus of management in our business planning and budgeting. Among the important factors that affect our cash flow is the extent to which we can offset the impact of polyethylene resin costs in our Covalence Plastics business unit by maintaining a stable material spread, which is the difference between selling prices and resin costs on a per-pound basis. As discussed in more detail below under "Polyethylene Resin Costs," our maintenance of a stable material spread is challenged in periods of rapid changes in raw material costs. In addition, our ability to generate cash flow will be affected by our ability to expand upon efficiencies resulting from the cost reduction program initiated by TP&A in fiscal 2003 and continued through fiscal 2004 and 2005, as discussed in more detail below under "Cost Reduction Program."

During the period from February 17, 2006 to September 29, 2006, we generated cash flow from operations of \$88.8 million, which enabled us to reduce the amount of our term loan from \$350.0 million to \$300.0 million. However, improved primary working capital items, namely inventory turnover and accounts payable, offset by an increase in accounts receivable, contributed \$53.6 million to our cash flow from operations during this period. We anticipate that we will continue to generate sufficient cash flow to service our indebtedness over the next several years.

Historical Ownership by Tyco

In fiscal 2002, Tyco formally combined its plastics, adhesives and coated products businesses into one division, TP&A, in order to benefit from common manufacturing expertise, raw material purchasing scale and an overlap of customers. As a result of operating as a division of Tyco historically, TP&A's financial statements in this prospectus include charges and allocations of certain Tyco corporate overhead totaling \$95.3 million, \$65.0 million and \$56.4 million for fiscal 2003, 2004 and 2005, respectively and \$10.4 million for the period October 1, 2005 to February 16, 2006, respectively. These charges and allocations include (i) administrative fees for an accounts receivable securitization, (ii) administrative fees for resin purchases made through a corporate procurement program, (iii) royalties and license charges for the use of certain intellectual property and other intangible assets and (iv) management fees for certain services provided to us, primarily related to corporate shared services including treasury, income tax, legal, internal audit, human resources, and risk management functions. We do not believe that these historical charges and allocations are representative of expenses that we have incurred since closing or will incur as a stand-alone entity in the future.

The accounts receivable securitization program was terminated on May 25, 2005, and the resin purchasing program was terminated in anticipation of the Acquisition with all related contracts assigned to us. The termination of the resin purchasing program on October 1, 2005 and assignment of the contracts to us did not change the volume commitments or pricing for our procurement of resin, but eliminated the administrative fees formerly assessed by Tyco for participation in the program. Inventory and accounts payable balances related to in-transit resin, which were previously held on Tyco's balance sheet until the resin was delivered to TP&A's facilities, have been carried on our balance sheet following the Acquisition. These inventory and accounts payable balances are equal to each other in value. In addition, the rights to intellectual property and other intangible assets that were subject to the license and royalty agreements reverted to us in conjunction with the Acquisition, and the license and royalty agreements have been terminated. Finally, management fees charged to TP&A were historically allocated to TP&A based on TP&A net revenue and not the actual headcount or hours of service dedicated to TP&A's business. As a result, these management fees are not representative of the costs that we have incurred since closing or that we actually incur in order to replicate these services as a stand-alone entity in the future.

Business

As of September 29, 2006, we operated in the following reportable segments:

Plastics

Covalence Specialty Materials Corp. (“Plastics”) manufactures and sells primarily polyethylene-based film products. Its principal products include trash bags, drop cloths, agricultural film, stretch film, shrink film and custom packaging film. We are one of the largest producers of plastic trash bags, stretch film and plastic sheeting in the United States, utilizing over 1.3 billion pounds of polyethylene resin per year. Our Ruffies trash bags are the largest selling brand of retail trash bags in the United States. Plastics products are used principally in the agricultural, horticultural, institutional, foodservice and retail markets.

Adhesives

Covalence Specialty Adhesives (“Adhesives”) manufactures and sells tape, adhesive and corrosion protective products. Its principal products include splicing/laminating tapes, flame-retardant tapes, vinyl-coated tapes, and a variety of other specialty tapes, including carton sealing, double-faced cloth, masking, mounting and OEM medical tapes. Adhesives products are used principally in the industrial, construction, aerospace, automotive, HVAC, medical and retail markets.

Coatings

Covalence Specialty Coatings (“Coatings”) manufactures and prints a wide variety of high-quality flexible packaging, barrier, building and material handling products in a wide range of substrates and basic weights of paper, film, foil and woven and non-woven fabrics. Coatings are used in the residential building, industrial, food packaging, healthcare and military markets.

Polyethylene Resin Costs

Polyethylene resin is our primary raw material, representing the majority of our raw material expenditures. We purchase approximately 1.3 billion pounds of polyethylene resin annually. Polyethylene resins are widely available in the world market and prices are primarily a function of world supply and demand as well as movements in the cost of production inputs such as crude oil, natural gas and ethylene. Over the past three fiscal years, polyethylene resin costs have increased significantly, driven by increased demand for resin and rising prices for crude oil, natural gas and ethylene. Throughout 2005, resin prices increased by 30% to an all-time high due to rising feedstock prices and supply constraints largely driven by hurricanes Katrina and Rita. The resin supply constraints, particularly for high density polyethylene and metallocene grades of linear low density polyethylene, caused shortages of raw materials that TP&A needed to manufacture certain products to fulfill customers’ demands in the fourth calendar quarter of 2005. These shortages impacted the volume of product TP&A was able to produce and its net revenue from the sale of certain of our plastic products, particularly in certain institutional, custom and stretch film product groups. As resin supply began to normalize in December 2005, TP&A’s volume and net revenue began to return to more normalized levels. During 2006, polyethylene resin costs have fluctuated while supply has stabilized.

We seek to offset the impact of raw material cost inflation by passing those costs along to our customers and have been largely successful over time in our Plastics segment in maintaining a stable material spread, which is the difference between selling prices and resin costs. However, in periods of rapid increases in raw material costs, such as 2005, lags between raw material cost increases and the realization of price increases to customers can temporarily reduce our material spread, which, over time,

we expect to normalize. As polyethylene resin prices begin to decline from their peak levels, as TP&A experienced in December 2005, our ability to further increase product prices typically becomes more limited, which can temporarily reduce margins. In addition, at the outset of a declining resin price environment, certain customers may opt to temporarily postpone a portion of their volume to benefit from potential future reductions in the price of our products. These trends typically normalize after one to two quarters. Over time, we expect to benefit from a declining resin environment both in terms of a normalization of our material spread, as our product prices fall less quickly and a reduction of the level of working capital investment required to run our business.

Polyethylene resin prices in the first calendar quarter of 2006 decreased moderately from their high levels reached in the fourth quarter of 2005 due principally to the elimination of supply constraints caused by the September 2005 Gulf of Mexico hurricanes. However, in the second calendar quarter of 2006, resin prices have started to increase as the price of resin feedstocks have continued to increase, due primarily to world oil prices. New polyethylene resin production capacity is expected to come on-line beginning in 2007 and continuing through 2010, primarily in the Middle East and Asia. CMAI estimates that a resulting increase in global production capacity will reduce the prices of polyethylene resin.

Net Revenue

We generate gross revenue through the sale of products to a wide array of customers. Provisions for certain rebates, sales incentives, trade promotions, coupons, product returns and discounts to customers are accounted for in the same period in which the related sales are recorded. Certain provisions are estimated based on historical factors. These items are subtracted from gross revenue in calculating net revenue. See “Critical Accounting Policies and Estimates—Revenue Recognition” for a further discussion of revenue.

Net revenue is impacted both by the volume of product sold and prices. Prices generally fluctuate with resin costs, in particular in our Plastics operating segment, as a result of our strategy to maintain a stable material spread. Net revenue may increase or decrease due to changes in resin costs. If we are successful in maintaining or increasing our material spread, changes in resin prices will have a minimal impact on the underlying profitability of our business over time. Given the changes in net revenue that we experience as a result of increases and decreases in our resin costs, we do not generally manage, measure or analyze our business and results on a percentage-of-sales basis, or our net revenue changes on a year-over-year percentage basis.

Other Operating Expenses

In addition to resin costs, cost of sales includes other material costs such as natural and butyl rubber, tackifying resins, raw cotton and woven and non-woven cloth and foil. Also incurred are direct labor costs, plant and related work force costs, freight costs, research and development costs, and other fixed and variable manufacturing costs. Our selling, general and administrative expenses include direct selling expenses including advertising/promotion and sales commissions as well as administrative overhead primarily consisting of personnel costs. Such expenses are associated with personnel involved in functions such as executive management, accounting, finance, information systems and technology, human resources, sales, marketing and procurement. TP&A began a cost reduction program focused on the elimination of certain manufacturing facilities, product line rationalization and reduction of personnel costs in fiscal 2003 and substantially completed such actions in fiscal 2005, for which it incurred restructuring charges. See “Cost Reduction Program” below.

Cost Reduction Program

In fiscal 2003, TP&A initiated a restructuring program to rationalize its cost structure. In the fiscal years 2004 and 2005, TP&A took the following actions:

• closed 11 of its 48 manufacturing facilities (TP&A subsequently opened one manufacturing facility in India) and reduced the number of SKUs produced;

- reduced headcount by approximately 12%; and

• implemented programs designed to identify and reduce variation in our manufacturing and operations, and introduced lean manufacturing processes to reduce costs.

The plant rationalization discussed above did have an impact on TP&A's volume and profitability in fiscal 2005 as the transition of production required TP&A to incur moving and startup costs. Currently, all affected products have been moved, and the related start-up costs have been fully incurred. In addition to these cost reduction efforts, TP&A took actions in fiscal years 2004 and 2005 to continue to improve the overall strength of its product portfolio and proactively eliminated certain SKUs. We believe we have additional opportunities to further reduce our costs and improve efficiency. Below is a summary of our restructuring activity and reserves for the actions referred to above (in millions):

	Employee Severance and Benefits	Facilities Exit Costs	Other	Non-cash Charges	Total
Balance at September 30, 2003	\$ 0.7	\$ —	\$ —	\$ —	0.7
Charges	11.1	14.2	3.4	29.2	57.9
Utilization	(8.4)	(11.0)	(3.4)	(29.2)	(52.0)
Balance at September 30, 2004	3.4	3.2	—	—	6.6
Charges, net ^(a)	2.4	2.4	—	—	4.8
Utilization	(3.3)	(4.6)	0.3	—	(7.6)
Transfers/reclass	(0.3)	0.6	(0.3)	—	—
Balance at September 30, 2005	2.2	1.6	—	—	3.8
Transferred to Tyco	(1.3)	—	—	—	(1.3)
Charges	—	1.5	—	—	1.5
Utilization	(0.9)	(2.4)	—	—	(3.3)
Balance at September 29, 2006	\$ —	0.7	\$ —	\$ —	0.7

a) During fiscal 2005, TP&A recorded a credit for previously impaired property, plant and equipment of \$1.5 million, which was sold for amounts higher than previously estimated.

Effective Tax Rate

Following the Acquisition, we are being taxed at the U.S. corporate level as a C-Corporation and are recording an income tax obligation at a rate comparable to the U.S. federal and state statutory rates, which was 34%. Our effective tax rate (“ETR”) is dependent on many factors including: the impact of enacted tax laws in jurisdictions in which we operate; the amount of earnings by jurisdiction, due to varying tax rates in each country; and our ability to utilize foreign tax credits related to foreign taxes paid on foreign earnings that will be remitted to the U.S.

Prior to the Acquisition, TP&A’s business activities in the United States were historically conducted through partnership entities. These partnerships were treated as “flow-through” entities for U.S. income tax purposes, meaning that the partnerships themselves are not subject to income tax and that only the partners pay tax on their relevant share of partnership income. Accordingly, TP&A did not compute, and TP&A’s consolidated financial statements do not include, a tax provision on the income or losses of the U.S. operations. TP&A’s consolidated financial statements reflect a provision for non-U.S. income taxes based on income as if it had been subject to income tax on a separate return basis. The non-U.S. income tax provision relates to U.S. federal and provincial income taxes in Belgium, Canada, Korea and Mexico. The income tax provision was computed in accordance with SFAS No. 109 and is based on current tax rates.

Critical Accounting Estimates

The preparation of our financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. The following accounting policies involve the application of judgments and assumptions made by management that include inherent risks and uncertainties. Actual results could differ materially from these estimates. Changes in estimates are recorded in results of operations in the period that the event or circumstances giving rise to such changes occur.

Revenue Recognition. Revenue from the sales of products is recognized at the time title and risks and rewards of ownership pass (either when the products reach the free-on-board shipping point or destination depending on the contractual terms), the sales price is fixed and determinable and collection is reasonably assured. Provisions for certain rebates, sales incentives, trade promotions, coupons, product returns and discounts to customers are accounted for as reductions in determining sales in the same period the related sales are recorded. In accordance with EITF 01-9, “Accounting for Consideration Given By a Vendor to a Customer”, the Company provides for these items as reductions of revenue at the later of the date of the sale or the date the incentive is offered. These provisions are based on estimates derived from current program requirements and historical experience. To the extent that actual experience is different from management’s estimates, an adjustment to the previously recorded amount would be necessary.

Asset Valuation. Impairment assessments involve various estimates and assumptions as follows:

Long-lived assets and other identified intangible assets. We periodically evaluate the net realizable value of long-lived assets, including property, plant and equipment and amortizable intangible assets, relying on a number of factors including operating results, business plans, economic projections and anticipated future cash flows. When indicators of potential impairment are present, the carrying values of the assets are evaluated in relation to the operating performance and estimated future

undiscounted cash flows of the underlying business. An impairment in the carrying value of an asset is recognized whenever identifiable anticipated future cash flows (undiscounted) from an asset are estimated to be less than its carrying value.

The amount of the impairment recognized is the difference between the carrying value of the asset and its fair value determined on a discounted cash flow basis. Fair values are based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk. Changes to these underlying assumptions could cause us to realize impairment charges.

Goodwill. Tyco assessed TP&A's goodwill for impairment at least annually and as triggering events occurred. In making this assessment, management relied on a number of factors including operating results, business plans, economic projections, anticipated future cash flows, and transactions and market place data. There are inherent uncertainties related to these factors and management's judgment in applying them to the analysis of goodwill impairment.

Following the Acquisition, we did not record goodwill as the fair value of the acquired net assets exceeded the purchase price.

Recent Accounting Pronouncements

Effective January 1, 2003, Tyco adopted Statement of Financial Accounting Standards ("SFAS") No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which is effective for exit or disposal activities that are initiated after December 31, 2002. This statement nullifies the Financial Accounting Standards Board ("FASB") Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This statement requires that liabilities associated with exit or disposal activities be recognized and measured at fair value when incurred as opposed to at the date an entity commits to the exit or disposal plans. The initial adoption of this new standard did not have a material impact on TP&A's results of operations, financial position or cash flows.

Effective January 1, 2003, Tyco adopted SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide transition methods for a voluntary change to measuring compensation cost in connection with employee share option plans using a fair value based method. The Statement also amends the disclosure requirements of SFAS No. 123 to require prominent disclosures about the method of accounting for compensation cost associated with employee share option plans, as well as the effect of the method used on reported results.

In January 2003, the issued FASB Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities" (revised December 2003 as FIN No. 46R). FIN No. 46R further explains how to identify Variable Interest Entities ("VIE") and how to determine when a business enterprise should include the assets, liabilities, noncontrolling interest and results of VIE in its financial statements. Tyco adopted FIN No. 46R as of October 1, 2003. As a result, the predecessor reclassified two synthetic lease programs used to finance capital expenditures for manufacturing machinery and equipment as capital leases.

In December 2003, the FASB issued a revision to SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," to improve financial statement disclosure for defined benefit plans. This statement requires additional disclosures about the assets (including plan assets by category), obligations and cash flows of defined benefit pension plans and other defined benefit postretirement plans. Tyco adopted the revised SFAS No. 132 during 2004.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of Accounting Research Bulletin No. 43, Chapter 4." SFAS No. 151 amends Accounting Research Bulletin No. 43, Chapter 4, to clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current-period charges. In addition, SFAS No. 151 requires that allocation of fixed production overhead to inventory be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Effective October 1, 2005, Tyco has adopted SFAS No. 151, which had no material impact on TP&A's results of operations, financial position or cash flows.

In December 2004, the FASB issued SFAS No. 123 (Revised 2004), "Share-Based Payment" ("SFAS No. 123R") that requires compensation costs related to share-based payment transactions to be recognized in the financial statements. The compensation cost is measured based on the grant-date fair value and is recognized over the service period. SFAS No. 123R replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Pro forma disclosure regarding the effect on net income as if TP&A had applied the fair value method of accounting for stock-based compensation is presented in the Employee Share Option Plans section in footnote 9 to the audited financial statements included elsewhere in this prospectus. Effective October 1, 2005, Tyco adopted the provisions of SFAS No. 123R using the modified prospective method. This method requires that compensation expense be recorded for all unvested options over the related vesting period beginning in the quarter of adoption. Tyco previously applied the intrinsic value based method prescribed in APB Opinion No. 25 in accounting for employee stock-based compensation. The adoption of SFAS 123R resulted in a pre-tax charge to earnings for TP&A of \$1.7 million for the period October 1, 2005 through February 16, 2006.

In December 2004, the FASB issued FASB Staff Position No. 109-1 ("FSP 109-1"), "Application of FASB Statement No. 109, Accounting for Income Taxes ("SFAS No. 109") to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004", which provides guidance on the American Jobs Creation Act of 2004 (the "Act"). The Act provides a tax deduction for income from qualified domestic production activities. FSP 109-1 provides for the treatment of the deduction as a special deduction as described in SFAS No. 109. As such, the deduction will have no effect on existing deferred tax assets and liabilities. The impact of the deduction is to be reported in the period in which the deduction is claimed on our U.S. tax return. We plan to adopt FSP 109-1 in fiscal 2007 and expect it to decrease our effective tax rate.

In March 2005, the FASB issued FASB Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations." FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. We adopted FIN 47 in fiscal 2006 and it did not have a significant impact on our results of operations, financial position or cash flows.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." SFAS No. 154 replaces Accounting Principles Board Opinion No. 20 ("APB No. 20"), "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements", and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 requires retrospective application of changes in accounting principle to prior periods' financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We adopted SFAS No. 154 for the fiscal year ending

September 30, 2006 and it did not have an impact on our results of operations, financial position or cash flows.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which is an interpretation of SFAS No. 109, "Accounting for Income Taxes." FIN 48 provides measurement and recognition guidance related to accounting for uncertainty in income taxes. FIN 48 also requires increased disclosure with respect to the uncertainty in income taxes. The Company will adopt the provisions of FIN 48 on October 1, 2007, as required, and is currently evaluating the impact of such adoption on its financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement establishes a standard definition for fair value, establishes a framework under generally accepted accounting principles for measuring fair value and expands disclosure requirements for fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of the statement on its combined financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, "*Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.*" SAB No. 108 requires that companies utilize a "dual-approach" to assessing the quantitative effects of financial statement misstatements. The dual approach includes both an income statement focused and balance sheet focused assessment. SAB No. 108 is applicable for the Company's fiscal year ending September 28, 2007. The Company has assessed the impact of the adoption of SAB No. 108. The adoption of SAB No. 108 will not have a significant impact on its financial position or results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R)." This statement requires an employer to recognize the overfunded or underfunded status of defined benefit pension and postretirement plans as an assets or liabilities in its statement of financial position. Under SFAS No. 158, unrecognized actuarial gains and losses, prior service costs and credits and any remaining unrecognized transition amounts, net of their related income tax effect, are to be reported as a component of Accumulated other comprehensive income. Incremental changes in these amounts not recognized in the statements of operations in the same year they arise are recognized in the year in which the changes occur as changes in other comprehensive income. The statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position. The requirement to recognize the funded status of defined benefit pension and postretirement plans is effective for fiscal years ending after December 15, 2006 for companies with publicly traded stock, and June 15, 2007 for all other companies. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for the fiscal years ending after December 15, 2008. While the Company currently measures plan assets and benefit obligations as of August at each fiscal year-end, the Company is evaluating the impact that the other aspects of this Statement will have on its combined financial statements.

Discussion of Covalence Results of Operations for the period from February 17, 2006 to September 29, 2006

Net Revenue. Net revenue for the period February 17, 2006 to September 29, 2006 was \$1,092.4 million. Net revenue for the period was impacted by pricing actions, which had been implemented to offset inflation in raw materials, particularly in polyethylene resin, in our Plastics operating segment partially offset by lower volumes driven by a mild hurricane season and continued efforts by customers to

structurally reduce inventories. Included as a reduction of Net revenue is \$79.4 million attributable to customer rebates, sales incentives, trade promotions and coupons and \$20.6 million attributable to discounts to customers and product returns.

Cost of Sales. Cost of goods sold for the period February 17, 2006 to September 29, 2006 was \$980.7 million. Cost of goods sold was adversely impacted by inflation in raw materials of \$65.9 million experienced in our Plastics segment partially offset by lower volumes. In addition, cost of sales was impacted by step up in value of inventory of \$6.8 million and increased depreciation costs \$8.4 million as a result of purchase price allocations in connection with the Acquisition and increased freight resulting from higher fuel prices. The effect of these items was partially offset by the favorable impact of our cost reduction and manufacturing efficiency programs. Included as a reduction of cost of goods sold was \$8.7 million attributable to rebates from vendors.

Gross Profit. Gross profit for the period February 17, 2006 to September 29, 2006 was \$111.7 million. Gross profit was negatively impacted by raw material inflation, experienced by our Plastics segment, and the impact of purchase method of accounting attributable to the Acquisition. Partially offsetting these costs were the continuing benefits of the Company's cost reduction programs and the pricing actions previously mentioned.

Selling, General and Administration Expenses. Selling, general and administrative expenses for the period February 17, 2006 to September 29, 2006 were \$102.6 million. Items negatively impacting selling, general and administrative expense included the increased impact of depreciation and amortization of \$16.5 million from the purchase method of accounting attributable to the Acquisition executive severance expense of \$3.6 million, additional corporate support costs.

Operating Income Operating income for the period February 17, 2006 to September 29, 2006 was \$8.6 million. Operating income was negatively impacted by raw material inflation experienced by our Plastics segment, increase in inventory cost, higher depreciation and amortization costs resulting from purchase price allocation in connection with the Acquisition, executive severance and additional corporate support costs, partially offset by the favorable impact of our cost reduction and manufacturing efficiency programs.

Discussion of TP&A Results of Operations for the period from October 1, 2005 to February 16, 2006

Net Revenue. Net revenue for the period from October 1, 2005 to February 16, 2006 was \$666.9 million. Net revenue for the period reflects pricing actions, implemented to offset polyethylene resin inflation experienced primarily in TP&A's Plastics division. Included as a reduction of Net revenue is \$54.8 million attributable to customer rebates, sales incentives, trade promotions and coupons and \$15.4 million attributable to discounts to customers and product returns.

Cost of Sales. Cost of goods sold for the period from October 1, 2005 to February 16, 2006 was \$579.0 million. Cost of goods sold was adversely impacted by inflation in polyethylene resin of \$41.2 million and increased freight rates of \$1.8 million resulting from higher fuel prices. The effects of these items were partially offset by the favorable impact of TP&A's cost reduction and manufacturing efficiency programs. Included as a reduction of cost of goods sold was \$5.2 million attributable to rebates from vendors.

Gross Profit. Gross profit for the period from October 1, 2005 through February 16, 2006 was \$87.9 million. Gross profit was negatively impacted by resin raw material inflation experienced by

TP&A's Plastics division and increased freight rates resulting from higher fuel prices partially offset by the pricing actions previously mentioned and the continuing benefits of TP&A's cost reduction programs.

Selling, General and Administrative expenses. Selling, general and administrative expenses for the period from October 1, 2005 to February 16, 2006 were \$50.0 million. Items favorably impacting selling, general and administrative expenses included lower Tyco administrative fees of \$12.2 million as a result of the elimination of the receivables factoring and resin purchasing programs, partially offset by stock option expense of \$1.7 million following Tyco's adoption of Statement of Financial Accounting Standards No. 123R.

Operating Income. Operating income for the period from October 1, 2005 to February 16, 2006 was \$26.9 million. Operating income was negatively impacted by resin raw material inflation experienced by TP&A's Plastics division and increased freight rates resulting from higher fuel prices, partially offset by pricing actions previously mentioned, the continuing benefits of TP&A's cost reduction programs and lower Tyco administrative fees in selling, general and administrative expenses.

Comparison of TP&A's Results of Operations—Fiscal 2005 and Fiscal 2004

Net Revenue. Net revenue increased 4% during the twelve month period ending September 30, 2005 to \$1,725.2 million from the previous year. Increase in Net revenue for the period was impacted by increase in pricing to offset inflation in polyethylene resin in the TP&A's Plastics division and higher volume in the Adhesives segment driven by successful introduction of new products, partially offset by lower volumes in the Plastics and Coated Products division. These lower volumes resulted from a reduction in non-profitable products as well as completion of a plant rationalization program in the Plastics division. The plant rationalization program was started during the first quarter of fiscal 2004 and substantially completed in the fiscal first quarter of 2005. This program was undertaken as part of the 2004 restructuring activities and was focused on consolidating and reducing the number of production facilities. This program required the closure of less productive facilities, moving of equipment, production capability and the hiring and training of direct labor employees. Additional learning curve issues continued into the second and third fiscal quarters of 2005. Included as a reduction of Net revenue is \$141.9 million and \$113.1 million attributable to customer rebates, sales incentives, trade promotions and coupons and \$34.8 million and \$100.9 million attributable to discounts to customers and product returns.

Cost of Sales. Cost of Sales increased by 8.1 percent during the twelve month period ending September 30, 2005 to \$1,477.4 million from the previous year. Increase in Cost of Sales was principally driven by inflation in raw materials of \$118.5 million experienced in the Plastics division due to increase prices from polyethylene resin, higher sales volume from the Adhesives division as well as increased freight rates and unfavorable manufacturing results as a result of completion of the plant rationalization plan, partially offset by the positive impact of TP&A's cost reduction and manufacturing efficiency plans and lower sales volume in TP&A's Plastics and Coated Products divisions. Included as a reduction of cost of goods sold was \$14.6 million and \$14.6 million attributable to rebates from vendors for fiscal 2005 and fiscal 2004, respectively.

Gross Profit. Gross Profit decreased 15.1 percent during the twelve month period ending September 30, 2005 to \$247.8 million from the previous year. Decrease in Gross Profit was primarily driven by raw material inflation experienced by the Plastics division, higher freight rates, unfavorable manufacturing results, partially offset by favorable impact from TP&A's cost reduction and manufacturing efficiency plans.

Selling, General and Administrative expenses. Selling, general and administrative expenses decreased 4.5 percent during the twelve month period ended September 30, 2005 to \$124.6 million from the previous year. Decrease in Selling, General and Administrative expenses was primarily driven by one time expenses incurred in 2004 for legal settlement and adjustments in accounting for patent and trademark expense, partially offset by general inflation and increase in sales and technical marketing headcount in TP&A's Adhesive's division.

Restructuring expenses. Restructuring expenses decreased 94.3 percent during the twelve month period ending September 30, 2005 to \$3.3 million. This decrease in restructuring expenses was a result of the completion of the previous mentioned restructuring program that was started in fiscal year 2004 and completed early fiscal year 2005.

Operating Income. Operating income increased 60.8 percent during the twelve month period ending September 30, 2005 to \$63.5 million. Increase in Operating Income was driven by items previously addressed.

Interest Expense, net. Interest expense, net for fiscal 2005 was \$15.7 million, an increase of \$11.1 million from \$4.6 million in fiscal 2004. The increase was due primarily to an increase in an inter-company liability due to Tyco offset by the expiration of a capital lease program with an affiliate of Tyco in 2005. The equipment under the lease was transferred to TP&A upon expiration of the program.

Liquidity and Capital Resources

At September 29, 2006, we had cash and cash equivalents of approximately \$66.8 million. Currently, we generate cash primarily from our operating activities. We have a Senior Secured Credit Facility, which provides for up to \$200.0 million in revolving credit borrowings, of which \$191.9 million was available for borrowing at September 29, 2006. We have not yet utilized any of the revolving credit facility for borrowings. Our principal uses of cash are operating expenses, capital expenditures, debt service and working capital needs.

Cash Flows from Operating Activities

During the period from February 17, 2006 to September 29, 2006, we generated \$88.8 million of net cash in operating activities principally due to improved inventory turnover and accounts payable terms.

TP&A net cash usage during the period from October 1, 2005 to February 16, 2006 was \$ 119.2 million, principally due to changes in raw material purchases and payment terms as a result of the discontinuance of the resin purchasing agreement with Tyco prior to the Acquisition. During the period from October 1, 2005 to February 16, 2006, accounts payable and inventory experienced a one-time change due to the discontinuance of the raw materials resin purchasing program the Predecessor had with an affiliate of Tyco. Under that program, amounts payable for raw materials purchases was classified as "Due to Tyco International". Upon termination of the program, Tyco loaned the Predecessor an amount equal to the amount classified in "Due to Tyco International" to pay the affiliate for the remaining balance due for the raw materials purchases. Following the discontinuance of this program, raw material purchases are now included as a component of "Accounts payable".

Net cash provided by TP&A operating activities increased to \$117.3 million for the year ended September 30, 2005, as compared to net cash provided by operating activities of \$89.2 million for the year ended September 30, 2004. The improvement was due to a reduction in cash payments made for the fiscal 2005 restructuring plan of \$7.6 million compared to the fiscal 2004 restructuring plan payments of

\$22.8 million, as well as decreases in working capital (exclusive of cash). Working capital was reduced in fiscal 2005 through efforts to improve receivable and payable days outstanding, offset by an increase in the average cost of polyethylene resin. In addition, due to supply chain disruptions as a result of the hurricanes in the fall of 2005, TP&A's inventory volume was lower than normal.

Net cash provided by TP&A's operating activities decreased to \$89.2 million for the year ended September 30, 2004, compared to net cash provided by operating activities of \$123.8 million for the year ended September 30, 2003. The decrease in cash provided by operating activities was primarily due to cash payments of \$22.8 million in fiscal 2004 associated with TP&A's restructuring activities and increases in working capital (exclusive of cash).

Cash Flows from Investing Activities

During the period from February 17, 2006 to September 29, 2006, we used \$950.6 million of net cash in investing activities, due to the Acquisition, net of cash acquired for \$927.7 million and investments in capital expenditures of \$23.7 million during the period. During the period from October 1, 2005 to February 16, 2006, TP&A used \$12.1 million of net cash in investing activities for capital expenditures.

Net cash used for TP&A's investing activities was \$29.2 million for the year ended September 30, 2005, as compared to \$15.5 million for the year ended September 30, 2004. The increase was due to increases in capital expenditures from \$16.5 million in fiscal 2004 to \$32.1 million in fiscal 2005 as a result of investments in new products in TP&A's Plastics and Adhesives segments, safety upgrades in manufacturing facilities and replacement and upgrades to certain aged equipment.

Net cash used for TP&A's investing activities was \$15.5 million for the year ended September 30, 2004, compared to \$13.2 million for the year ended September 30, 2003. The increase was due to additional replacement and upgrade capital expenditures on TP&A's property, plant and equipment of \$2.3 million.

Cash Flows from Financing Activities

During the period from February 17, 2006 to September 29, 2006, we generated net cash of approximately \$902.5 million in our financing activities due principally to the issuance of long-term debt of \$783.4 million and equity contributions of \$197.5 million in connection with the Acquisition partially offset by voluntary prepayments of long-term debt totaling \$50.0 million and a scheduled long-term debt payment of \$0.7 million.

During the period from October 1, 2005 to February 16, 2006, cash generated from TP&A's financing activities was \$130.6 million due to the change in the resin purchasing arrangement with an affiliate of Tyco prior to the Acquisition described above, partially offset by the retirement of outstanding capital lease obligations.

In fiscal 2005, TP&A used \$89.2 million in financing activities. These activities primarily resulted from a reduction in capital lease obligations of \$61.1 million. In fiscal 2004 and 2003, TP&A used \$77.7 million and \$106.8 million, respectively, in financing activities as TP&A returned cash to Tyco.

Principal Credit Facilities

Senior Secured Credit Facilities

In connection with the Acquisition, we entered into a senior secured credit facilities, which included a term loan in the amount of \$350.0 million with a maturity date of February 16, 2013 and a revolving credit facility of up to \$175.0 million with a maturity date of February 16, 2012. On May 18, 2006, we refinanced our senior secured credit facilities, which now consist of a new term loan in the principal amount of \$300.0 million and a new revolving credit facility which provides borrowing availability equal to the lesser of (a) \$200.0 million or (b) the borrowing base (\$243.1 million as of September 29, 2006), which is a function primarily of the value of our eligible accounts receivable and eligible inventory. The term loan matures on May 18, 2013 and the revolving credit facility matures on May 18, 2012.

The borrowings under the senior secured credit facilities bear interest at a rate equal to an applicable margin plus, as determined at our option, either (a) a base rate ("Base Rate") determined by reference to the higher of (1) the prime rate of Bank of America, N.A., as administrative agent, and (2) the U.S. federal funds rate plus 1/2 of 1% or (b) a eurodollar rate ("LIBOR") determined by reference to the costs of funds for eurodollar deposits in dollars in the London interbank market for the interest period relevant to such borrowing adjusted for certain additional costs. The initial applicable margin for LIBOR rate borrowings under the revolving credit facility is 1.50% and under the term loan is 2.00%. The initial applicable margin for base rate borrowings under the revolving credit facility is 0% and under the term loan is 1.00%. The applicable margin for such borrowings under the revolving credit facility will be reduced if we achieve certain leverage ratios.

The senior secured credit facilities require minimum quarterly principal payments of \$0.750 million on the term loan for the first six years and nine months, commencing in September 2006, with the remaining amount payable on May 18, 2013. In addition, we must prepay the outstanding term loan, subject to certain exceptions, with:

beginning with our first full fiscal year after the closing, 50% (which percentage is subject to a minimum of 0% upon the achievement of certain leverage ratios) of excess cash flow (as defined in the credit agreement); and

100% of the net cash proceeds of all non-ordinary course asset sales and casualty and condemnation events, if we do not reinvest or commit to reinvest those proceeds in assets to be used in our business or to make certain other permitted investments within 15 months, subject to certain limitations.

In addition to paying interest on outstanding principal under the senior secured credit facilities, we are required to pay a commitment fee to the lenders under the revolving credit facilities in respect of the unutilized commitments thereunder at a rate equal to 0.25% to 0.30% per annum depending on the average daily available unused borrowing capacity. We also pay customary letter of credit fee, including a fronting fee of 0.25% per annum of the stated amount of each outstanding letter of credit, and customary agency fees.

We may voluntarily repay outstanding loans under the senior secured credit facilities at any time without premium or penalty, other than customary "breakage" costs with respect to eurodollar loans.

The senior secured credit facilities contain various restrictive covenants that, among other things and subject to specified exceptions, prohibit us from prepaying other indebtedness and restricts our ability

to incur indebtedness or liens or make investments or declare or pay any dividends. For the period ended September 29, 2006, we have complied with all covenants.

All obligations under the senior secured credit facilities are unconditionally guaranteed by Holdings and, subject to certain exceptions, each of our existing and future direct and indirect domestic subsidiaries, including the Guarantors. The guarantees of those obligations are secured by substantially all of our assets as well as those of Holdings and each domestic subsidiary guarantor.

Floating Rate Loan and Outstanding Notes

Also in connection with the Acquisition, we entered into the \$175.0 million floating rate loan. The floating rate loan matures on August 16, 2013, and bears interest at a rate per annum, reset at the end of each interest period, equal to LIBOR plus 3.25% or Base Rate plus 2.25%. No principal payments are required with respect to the floating rate loan prior to maturity. Voluntary prepayments under the floating rate loan are subject to a premium of 2% of any principal amount prepaid in the first year, 1% of any principal amount prepaid in the second year and no premium thereafter.

All obligations under the floating rate loan are unconditionally guaranteed by each of our existing domestic subsidiaries that guarantees debt under our senior secured credit facilities and by certain of our future domestic subsidiaries, and are secured on a second priority basis by the same assets securing the loans under the senior secured credit facilities.

We also issued \$265.0 million of 10¼% senior subordinated notes due March 1, 2016, which we refer to in this prospectus as the “outstanding notes.” The unamortized portion of the original issue discount relating to the outstanding notes, totaling \$6.4 million, is recorded as a reduction of the balance in long-term debt on our balance sheet. The outstanding notes are our senior subordinated obligations and rank junior to all of our other senior indebtedness that does not contain similar subordination provisions. No principal payments are required with respect to the outstanding notes prior to maturity. Because we failed to file the exchange offer registration statement by August 15, 2006, an additional 0.25% per annum of interest (for a total interest rate per annum of 10½%) on the outstanding notes accrued from August 16 until September 27, 2006, which is the date that the exchange offer registration statement was filed with the SEC, thereby curing the registration default. As of September 27, 2006, the interest rate per annum on our outstanding notes was once again 10¼%.

The second priority floating rate loan agreement and the indenture relating to the outstanding notes each contain a number of covenants that, among other things and subject to certain exceptions, restrict the our ability and the ability of its restricted subsidiaries to incur indebtedness or issue disqualified stock or preferred stock, pay dividends or redeem or repurchase stock, make certain types of investments, sell assets, incur certain liens, restrict dividends or other payments from subsidiaries, enter into transactions with affiliates and consolidate, merge or sell all or substantially all of the our assets. For the period ended September 29, 2006, we have complied with all covenants. No principal payments are required with respect to the second priority floating rate loan and the outstanding notes prior to maturity.

Following the Acquisition, we have recorded these long-term debt obligations in our September 29, 2006 Balance Sheet. Included in interest expense, net on our Statement of Operations are certain transaction costs associated with the former senior secured credit facility and the senior secured credit facility.

Our ability to make scheduled payments of principal, to pay interest on, or to refinance our indebtedness or to fund planned capital expenditures will depend on our ability to generate cash in the

future. This ability, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Based on our current level of operations, we believe that cash flow from operations and available cash, together with available borrowings under our senior secured credit facilities, will be adequate to meet our short-term liquidity needs.

We cannot assure that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our senior secured credit facilities in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. In addition, upon the occurrence of certain events, such as a change of control, we could be required to repay or refinance our indebtedness. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Covenant Compliance

Our fixed charge coverage ratio, as defined in the senior secured revolving credit facility, is calculated based on a numerator consisting of Adjusted EBITDA less cash taxes and capital expenditures, and a denominator consisting of interest expense and certain distributions. Our fixed charge coverage ratio, as defined in the senior secured term loan facility, the floating rate loan and the indenture, is calculated based on a numerator consisting of Adjusted EBITDA, and a denominator consisting of interest expense and certain distributions. We are required, under our debt covenant, to use a rolling four quarter Adjusted EBITDA in our calculations and to use the Predecessor's financial information to complete this calculation. Thus the Predecessor's Adjusted EBITDA for the period from October 1, 2005 to February 16, 2006 has been determined and included for presentation purposes.

We are required to maintain a minimum fixed charge coverage ratio of 1.0:1.0 under the senior secured revolving credit facility at any time when the aggregate unused capacity under the revolving credit facility is less than 10% of the lesser of the revolving facility commitments and the borrowing base (and for 10 business days following the date upon which availability exceeds such threshold) or during the continuation of an event of default. As of September 29, 2006, we had \$191.6 million of aggregate unused borrowing capacity under the senior secured revolving credit facility. Revolving facility commitments as of September 29, 2006 were \$200.0 million, and the borrowing base was \$243.1 million.

Failure to maintain a fixed charge coverage ratio of 2.0:1.0 under the senior secured term loan facility, the floating rate loan and the indenture, and, in some circumstances, a fixed charge coverage ratio of 1.0:1.0 under the senior secured revolving credit facility, can result in limiting our long-term growth prospects by hindering our ability to incur additional indebtedness, effect acquisitions, enter into certain significant business combinations, make distributions or redeem indebtedness.

Adjusted EBITDA is defined as Net income adjusted for Depreciation and Amortization, Income Taxes, Interest expense (net), charges and allocations from Tyco (Predecessor periods only), Restructuring and impairment expenses, Minority interest expense, Cumulative effect of Accounting Change, management fees to related parties, certain one-time, non-recurring charges, certain non-cash income or expenses, and other unusual items which are more particularly defined in our credit documents and the indenture governing the notes. Adjusted EBITDA is used by our lenders for debt covenant compliance purposes and by our management as one of several measures to evaluate management performance, including as a factor in determining annual bonus payments. Adjusted EBITDA eliminates what we believe are non-recurring expenses and certain other charges that we believe do not reflect our operations and underlying operational performance. The result, we believe, more accurately reflects the

underlying performance of the Company and therefore provides our management and investors with a more meaningful metric to assess our performance over time.

Adjusted EBITDA is not a defined term under U.S. GAAP. Although we use Adjusted EBITDA as a financial measure to assess the performance of our business, the use of Adjusted EBITDA has important limitations, including:

• Adjusted EBITDA also does not represent funds available for dividends, reinvestment or other discretionary uses, or account for one-time expenses and charges;

- Adjusted EBITDA does not reflect cash outlays for capital expenditures or contractual commitments;

- Adjusted EBITDA does not reflect changes in or cash requirements for, working capital;

• Adjusted EBITDA does not reflect the interest expense or the cash requirements necessary to service interest of principal payments, on indebtedness;

- Adjusted EBITDA does not reflect income tax expense or the cash necessary to pay income taxes;

• Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect cash requirements for such replacements;

• Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations; and

• Other companies, including other companies in our industry, may calculate Adjusted EBITDA differently, limiting its usefulness as a comparative measure.

Consequently, management does not, and you should not, consider Adjusted EBITDA as (i) an alternative to operating or net income or cash flows from operating activities, in each case determined in accordance with U.S. GAAP, (ii) an indicator of our cash flow, or (iii) a measure of liquidity. Adjusted EBITDA was not used as a Tyco measurement and thus has not been included for the fiscal years 2002 through 2004.

Reconciliation of Net Income (Loss) to Adjusted EBITDA

	Predecessor Period from October 1, 2005 to February 16, 2006	Successor Period from February 17 to September 29, 2006
Net income (loss)	\$ 44.0	\$ (26.1)
Depreciation and amortization	41.6	51.0
Income taxes	3.8	(13.7)

Interest expense, net	15.7	7.6	48.4
Charges and allocations from Tyco and affiliates ^(a) .	56.4	10.4	—
Restructuring and impairment charges (credits), net ^(b)	3.3	0.6	0.5
Inventory fair value step up ^(c)	—	—	6.8
Korean Adhesives Business ^(d)	0.4	0.7	0.8
Management Fee ^(e)	—	—	1.6
Severance costs ^(f)	—	—	3.6
Other, Net ^(g)	4.3	1.1	9.8
Adjusted EBITDA	\$ 169.5	\$ 55.3	\$ 82.7

- (a) Since TP&A's formal inception in 2002, it was charged management fees and other allocations as discussed in Note 11 to the audited financial statements. As a result of the Acquisition, the former TP&A businesses became an independent entity, which resulted in changes to some aspects of its operations, including the elimination of such charges and allocations.
- (b) Represents restructuring and severance costs for employee terminations and facility closures related to a restructuring program initiated in 2003 to rationalize TP&A's cost structure and improve operations. For additional discussion about the restructuring program, see Note 6 to the financial statements.
- (c) Represents the \$6.8 million charge the Company incurred during the Successor period in Cost of Sales relating to the sale of inventory that had been stepped up to fair value. See Note 2 to the Financial Statements for further discussion.
- (d) Relates to the Company's Korean Adhesives operations, which is in the process of being liquidated.
- (e) Includes accrued expenses related to the management agreement we have with Apollo, pursuant to which Apollo or its affiliates provide us with management services. See "Certain Relationships and Related Party Transactions—Management Agreement with Apollo" for further discussion.
- (f) Severance Costs for the Successor period relate to the termination charges incurred attributable to the Acquisition.
- (g) Consists of bank covenant adjustment in Successor period and in the Predecessor Period consists of (i) costs savings generated by the Company's head count reduction and cost structure rationalization program initiated in 2003 discussed on page 51, (ii) selling, general and administrative related charges and allocations for services provided by Tyco discussed on page 48, (iii) cost from Tyco's equity-based compensation plans; (iv) the one-time write-off of certain

fixed assets and accounts receivable, (v) non-recurring consulting fees in connection with TP&A's implementation of Section 404 of the Sarbanes-Oxley Act, (vi) the elimination of income related to the reversal of aged accounts receivable credits from prior periods, (vii) the elimination of the reversals of certain tax credits and reserves established in prior periods, (viii) legal costs associated with a non-recurring litigation case, (ix) the reversal of excess workers compensation reserves and (x) one-time charges for renovations needed prior to the termination of a lease. Additionally, the adjustment includes the removal of certain distribution and overhead costs that were eliminated as a result of the Transactions.

Off-Balance Sheet Arrangements

As of September 29, 2006, we had approximately \$8.1 million in letters of credit issued and outstanding. We do not have any other off-balance sheet arrangements with unconsolidated entities or related parties and, accordingly, off-balance sheet risks to our liquidity and capital resources from unconsolidated entities are limited.

Contractual Obligations and Commitments

We have commitments under certain contractual arrangements to make future payments for goods and services. These contractual arrangements secure the rights to various assets and services to be used in the future in the normal course of business. For example, we are contractually committed to make certain minimum lease payments for the use of property under operating lease agreements. In accordance with current accounting rules, the future rights and related obligations pertaining to such contractual arrangements are not reported as assets or liabilities on our Consolidated Balance Sheets. We expect to fund these contractual arrangements with cash generated from operations in the normal course of business.

The following table summarizes our contractual arrangements at September 29, 2006 and the timing and effect that such commitments are expected to have on our liquidity and cash flow in future periods.

Contractual Obligations as of September 29, 2006

	Total	Less Than 1 Year	1-3 Years (\$ millions)	3-5 Years	More than 5 Years
Long-term debt obligations	\$ 739.3	\$ 3.0	\$ 6.0	\$ 6.0	\$ 724.3
Operating lease obligations					