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Equipment and construction in progress

638.6

848.3

Less accumulated depreciation

31.7

816.6

Deferred financing fees, net

64.8

Goodwill

989.2

Intangible assets, net

1,046.2

Other assets

0.7

Total assets

$

3,821.4

Liabilities and stockholders’ equity

Current liabilities:

Accounts payable

$

272.1

Accrued expenses and other current liabilities

173.5

Current portion of long-term debt	16.0
Total current liabilities	461.6
Long-term debt, less current portion	2,612.3
Deferred income taxes	249.6
Other long-term liabilities	23.1
Total liabilities	3,346.6
Minority interest	65.2
Stockholders' equity:	
Capital stock (see Note 11)	440.6
Accumulated Deficit	(31.2)
Accumulated other comprehensive income	0.2
Total stockholders' equity	409.6
Total liabilities, minority interest and stockholders' equity	$ 3,821.4

See notes to combined financial statements.

BERRY PLASTICS HOLDING CORPORATION

SUPPLEMENTAL COMBINED STATEMENT OF OPERATIONS

For the Period from February 17, 2006 to September 30, 2006

(In Millions of Dollars)

Net sales	$ 1,138.8
Cost of goods sold	1,022.9
Gross profit	115.9
Operating expenses	108.2
Operating income	7.7
Interest expense, net	46.5
Loss on extinguishment of debt	13.6
Other income	(1.3)
Loss before income taxes	(51.1)
Income tax benefit	(18.1)
Minority interest, net of tax	(1.8)
Net loss	$ (31.2)

See notes to combined financial statements.

BERRY PLASTICS HOLDING CORPORATION

SUPPLEMENTAL COMBINED STATEMENT OF STOCKHOLDERS' EQUITY

For the Period from February 17, 2006 to September 30, 2006

(In Millions of Dollars)

	Capital Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Total	Comprehensive Loss
Balance at inception	$ —	$ —	$ —	$ —	—
Contribution of equity - Covalence	190.5	—	—	190.5	
Contribution of equity - Berry	356.0	—	—	356.0	
Adjustment for negative minority interest - Berry	(106.2)	—	—	(106.2)	
Stock-based compensation	0.3	—	—	0.3	
Translation gains	—	—	0.2	0.2	$ 0.2
Net loss	—	(31.2)	—	(31.2)	(31.2)
Balance at September 30, 2006	$ 440.6	$ (31.2)	$ 0.2	$ 409.6	$ (31.0)

See notes to combined financial statements.

BERRY PLASTICS HOLDING CORPORATION

SUPPLEMENTAL COMBINED STATEMENT OF CASH FLOWS

For the Period from February 17, 2006 to September 30, 2006

(In Millions of Dollars)

Operating activities		
Net loss	$	(31.2)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation		31.9
Non-cash interest expense		2.2
Loss on extinguished debt		13.6
Amortization of intangibles		22.7
Non-cash compensation		0.3
Deferred income taxes (benefit)		(20.7)
Minority interest		(1.8)
Changes in operating assets and liabilities:		
Accounts receivable, net		(26.1)
Inventories		27.5
Prepaid expenses and other assets		8.0
Accounts payable, accrued expenses and other liabilities		70.3
Net cash provided by operating activities		96.7
Investing activities		
Additions to property and equipment		(34.8)
Apollo Acquisition of Covalence		(927.7)
Apollo Acquisition of Berry Plastics		(2,290.3)
Proceeds from disposal of assets		0.8
Net cash used for investing activities		(3,252.0)
Financing activities		
Proceeds from long-term borrowings		2,653.4
Payments on long-term borrowings		(50.7)
Contributions from shareholders		680.8
Debt financing costs		(71.0)
Net cash provided by financing activities		3,212.5
Effect of exchange rate changes on cash		(1.1)
Net increase in cash and cash equivalents		56.1
Cash and cash equivalents at beginning of period		27.0
Cash and cash equivalents at end of period	$	83.1

See notes to combined financial statements.

BERRY PLASTICS HOLDING CORPORATION

FOR THE PERIOD FROM FEBRUARY 17, 2006 TO SEPTEMBER 30, 2006

NOTES TO SUPPLEMENTAL COMBINED FINANCIAL STATEMENTS

1. Basis of Presentation and Summary of Significant Accounting Policies

Background

Berry Plastics Holding Corporation ("Berry" or "the Company") manufactures and markets plastic packaging products, plastic film products, specialty adhesives and coated products. At September 30, 2006, the Company had 63 production and manufacturing facilities, with 54 located in the United States.

On March 12, 2007, Berry and Covalence Specialty Materials Corp. ("Covalence"), another controlled portfolio company of Apollo Management, L.P. ("Apollo") signed a definitive merger agreement. On April 3, 2007, in connection with the closing of the merger, Berry Plastics Group, Inc. ("Group"), the Parent Company of Berry merged with and into Covalence Specialty Materials Holding Corporation ("Holding"), the Parent Company of Covalence and the name of the combined new parent company became Berry Plastics Group, Inc. After the completion of the merger of Group and Holding, Covalence merged into Berry, with Berry being the surviving legal entity.

In connection with the closing of the merger, Berry Plastics Holding Corporation adopted the fiscal year-end of the accounting acquirer (Covalence Specialty Materials Corp). The Company has adopted a September year-end and commencing with periodic reports after the consummation of the merger on April 3, 2007, will begin filing its periodic reports on a combined basis.

Basis of Presentation

Prior to the merger, Berry and Covalence were considered entities under the common control of Apollo affiliates as defined in Emerging Issues Task Force ("EITF") Issue No. 02-5, *Definition of Common Control in Relation to FASB Statement of Financial Accounting Standards No. 141, Business Combinations.* As a result of the merger, the financial statements of these entities are being presented retroactively on a combined basis in a manner similar to a pooling of interests, and include the results of operations of each business from the date of acquisition by the Apollo affiliates.

The accompanying Berry combined financial statements include the following entities:

- the former Covalence Specialty Materials Corp, as of September 29, 2006 and for the period from February 17, 2006 (the date of acquisition) to September 29, 2006;
- the former Berry Plastics Holding Corporation, as of September 30, 2006 and for the period from September 20, 2006 (the date of acquisition) to September 30, 2006.

The acquisitions by affiliates of Apollo of Covalence Specialty Materials Corp. and Berry Plastics Holding Corporation have both been accounted for by the purchase method of accounting. All intercompany transactions have been eliminated. In connection with the closing of the merger on April 3, 2007, Berry replaced its existing credit facility with a new credit facility comprised of a $400 million asset based revolving line of credit and a $1.2 billion term loan (See Note 15).

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The financial information presented in Berry's financial statements as of September 30, 2006 and for the period from February 17, 2006 to September 30, 2006 reflects all expenses incurred by Group and Holding. Berry has recorded expense in their financial statements to reflect expense related to stock compensation, management fees and income taxes, as Group and Holding each files a consolidated income tax return. Capital stock in the combined company includes the capital stock (common stock and perpetual preferred stock) that was invested in Group and Holding by Apollo. All other capital stock contributed by the minority shareholders is reflected in minority interest, to the extent that it was a positive equity balance. Berry, through its wholly-owned subsidiaries operates in five primary segments: open top, closed top, plastics, adhesives and coatings. The Company's customers are located principally throughout the United States, without significant concentration in any one region or with any one customer. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

The Company has recorded a minority interest liability for the equity interests in the combined company that are not owned by funds affiliated and controlled by Apollo. At September 30, 2006, the minority interest liability reflects the equity interests in Group held by management and other third parties. In connection with the acquisition of Berry by Apollo on September 20, 2006, management elected to rollover shares that were owned in Berry prior to the acquisition by Apollo into the new Company and accordingly, there was no step up applied under purchase accounting for management's ownership in accordance with EITF 88-16, *Basis in Leveraged Buyout Transactions*. The application of EITF 88-16 produced a negative equity balance for management. Since that negative balance is not recoverable from the management shareholders, this amount has been reflected as a reduction of Apollo's equity in Berry at September 30, 2006. All losses that are allocable to management are being absorbed by Apollo due to the negative equity of Berry's management. In connection with the closing of the merger on April 3, 2007, the minority ownership interests were acquired.

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 gross sales to arrive at net sales in the same period that 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. Shipping, handling, purchasing, receiving, inspecting, warehousing, and other costs of distribution are presented in cost of sales in the statements of operations. The Company classifies amounts charged to its customers for shipping and handling in net revenues in its statement of operations.

Vendor Rebates and Purchases of Raw Materials

The Company receives consideration in the form of rebates from certain vendors and in accordance with EITF 02-16, "*Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor*", the Company accrues these as a reduction of inventory cost as earned under existing programs, and reflects as a reduction of cost of goods sold at the time that the related underlying inventory is sold to customers.

Purchases of various densities of plastic resin used in the manufacture of the Company's products aggregated approximately $400.7 million for the period from February 17, 2006 to September 30, 2006. The largest supplier of the Company's total resin material requirements, represented approximately 36.4% for the period from February 17, 2006 to September 30, 2006. The Company uses suppliers such as Dow Chemical, Basell, Nova, Total, Lyondell, Chevron, ExxonMobil, Sunoco, and Huntsman to meet its resin requirements.

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Research and Development

Research and development costs are expensed when incurred and charged to cost of sales. The Company incurred research and development expenditures of $5.0 million for the period from February 17, 2006 to September 30, 2006.

Advertising

Advertising costs are expensed when incurred and are included in operating expenses. The Company incurred advertising costs of approximately $2.5 million for the period from February 17, 2006 to September 30, 2006.

Stock-Based Compensation

In December 2004, the FASB issued SFAS No. 123 (Revised 2004), Share-Based Payment ("SFAS 123R"), which requires that the compensation cost relating to share-based payment transactions be recognized in financial statements based on alternative fair value models. The share-based compensation cost is measured based on the fair value of the equity or liability instruments issued. As of September 30, 2006, the Company has two share-based compensation plans ("Berry Stock Option Plan" and "Covalence Stock Option Plan") which are more fully described in Note 13. Under the Berry and the Covalence stock option plans, members of management were granted stock options at the time of closing of the respective acquisitions. The Company recorded $0.3 million for the period from February 17, 2006 to September 30, 2006 for non-cash charges for stock compensation related to amortization of the fair value of unvested stock options. The Company recognized compensation cost on new grants based upon the grant date fair value of those awards calculated under SFAS 123R. The total income tax benefit recognized in the income statement for share-based compensation arrangements for the period February 17, 2006 through September 30, 2006 was $0.1 million.

The combined company utilized a combination of the Black-Scholes and lattice-based option valuation models for estimating the fair value of the stock options. Both companies have three tranches of options which include time based, performance based and accreting options. The models allow for the use of a range of assumptions. Expected volatilities utilized in the lattice model and Black-Scholes models are based on implied volatilities from traded stocks of peer companies. Similarly, the dividend yield is based on historical experience and the estimate of future dividend yields. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The lattice model incorporates exercise and post-vesting forfeiture assumptions based on an analysis of historical data. The expected life of the grants are derived from historical experience and expected behavior. The fair value for options granted have been estimated at the date of grant using a Black-Scholes or lattice option pricing model, generally with the following weighted average assumptions:

	Berry	**Covalence**
	Period from 9/20/06-9/30/06	**Period from 2/17/06-9/30/06**
Risk-free interest rate	4.5%	4.5 - 4.9%
Dividend yield	0.0%	0.0%
Volatility factor	.20	.45

Expected option life	6.0 years	3.73 - 6.86 years

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Foreign Currency

For the non-U.S. subsidiaries that account in a functional currency other than U.S. Dollars, assets and liabilities are translated into U.S. Dollars using period-end exchange rates. Sales and expenses are translated at the average exchange rates in effect during the period. Foreign currency translation gains and losses are included as a component of accumulated other comprehensive income within stockholders' equity. Gains and losses resulting from foreign currency transactions, the amounts of which are not material in any period presented, are included in net income.

Cash and Cash Equivalents

All highly liquid investments purchased with a maturity of three months or less from the time of purchase are considered to be cash equivalents.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is analyzed in detail on a quarterly basis and all significant customers with delinquent balances are reviewed to determine future collectibility. The determinations are based on legal issues (such as bankruptcy status), past history, current financial and credit agency reports, and the experience of the credit representatives. Reserves are established in the quarter in which the Company makes the determination that the account is deemed uncollectible. The Company maintains additional reserves based on its historical bad debt experience. Additionally, the allowance for doubtful accounts includes a reserve for cash discounts that are offered to some customers for prompt payment. The following table summarizes the activity for the period from February 17, 2006 to September 30, 2006 for the allowance for doubtful accounts, excluding the activity related to cash discounts due to its volume.

Fair value of allowance for doubtful accounts from acquisition dates	$10.1
Charged to costs and expenses	(0.2)
Deductions and currency translation	(0.3)
Balance at September 30, 2006	$9.6

Inventories

Inventories are stated at the lower of cost or market and are valued using the first-in, first-out method. Management periodically reviews inventory balances, using recent and future expected sales to identify slow-moving and/or obsolete items. The cost of spare parts inventory is charged to manufacturing overhead expense when incurred.

Property, Plant and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets ranging from 15 to 25 years for buildings and improvements and two to 10 years for machinery, equipment, and tooling. Leasehold improvements are depreciated over the shorter of the useful life of the improvement or the lease term. Repairs and maintenance costs are charged to expense as incurred. Depreciation expense totaled approximately $31.9 million for the period from February 17, 2006 to September 30, 2006.

Long-lived Assets

Long-lived assets, including Property, plant and equipment and definite lived intangible assets are reviewed for impairment in accordance with SFAS No. 144 whenever facts and circumstances indicate that the carrying amount may not be recoverable. Specifically, this process involves comparing an asset's carrying value to the estimated undiscounted future cash flows the asset is expected to generate over its remaining life. If this process were to result in the conclusion that the carrying value of a long-lived asset would not be recoverable, a write-down of the asset to fair value would be recorded through a charge to operations. Fair value is determined based upon discounted cash flows or appraisals as appropriate. Long-lived assets that are held for sale are reported at the lower of the assets' carrying amount or fair value less costs related to the assets' disposition. No impairments were recorded in these financial statements.

Goodwill, Intangible Assets and Deferred Costs

Deferred financing fees are being amortized to interest expense using the effective interest method over the lives of the respective debt agreements.

Customer relationships are being amortized using the straight-line method over the estimated life of the relationships which range from 11 to 20 years. Technology intangibles are being amortized using the straight-line method over the estimated life of the technology which is 11 years. License intangibles are being amortized using the straight-line method over the life of the license which is 10 years. Patent intangibles are being amortized using the straight-line method over the shorter of the estimated life of the technology or the patent expiration date ranging from ten to twenty years, with a weighted-average life of 15 years. The Company evaluates the remaining useful life of intangible assets on a periodic basis to determine whether events and circumstances warrant a revision to the remaining useful life.

The goodwill acquired represents the excess purchase price over the fair value of the net assets acquired. These costs are reviewed annually for impairment pursuant to Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets. Assets were allocated to the reporting units based on the assets for each facility within each segment. For facilities that manufacture and sell products for various segments, the assets are allocated based on the net sales of each segment.

Trademarks that are expected to remain in use, which are indefinite lived intangible assets, are reviewed for impairment annually pursuant to SFAS No. 142.

Financial Instruments and Derivative Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, long-term debt and capital lease obligations. The fair value of such instruments approximated book value at September 30, 2006.

Insurable Liabilities

The Company records liabilities for the self-insured portion of workers' compensation, health, product, general and auto liabilities. The determination of these liabilities and related expenses is dependent on claims experience. For most of these liabilities, claims incurred but not yet reported are estimated by utilizing actuarial valuations based upon historical claims experience.

Income Taxes

The Company accounts for income taxes under the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequence of events that have been recognized in the Company's financial statements or income tax returns. Income taxes are recognized during the year in which the underlying transactions are reflected in the Supplemental Combined Statement of Operations. Deferred taxes, with the exception of non-deductible goodwill, are provided for temporary differences between amounts of assets and liabilities as recorded for financial reporting purposes and such amounts as measured by tax laws. If the Company determines that a deferred tax asset arising from temporary differences is not likely to be utilized, the Company will establish a valuation allowance against that asset to record it at its expected realizable value. Deferred taxes have been provided related to the tax effects of the repatriation of foreign earnings. The Company's effective tax rate ("ETR") is dependent on many factors including: the impact of enacted tax laws in jurisdictions in which the Company operates; the amount of earnings by jurisdiction, due to varying tax rates in each country; and the Company's ability to utilize foreign tax credits related to foreign taxes paid on foreign earnings that will be remitted to the U.S.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (losses). Other comprehensive income (losses) includes unrealized gains or losses resulting from currency translations of foreign investments and adjustments to record the minimum pension liability prior to the adoption of SFAS No. 158.

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. Periodically, the Company evaluates the discount rate and the expected return on plan assets in its defined benefit pension and retiree health benefit plans. In evaluating these assumptions, the Company considers many factors, including an evaluation of the discount rates, expected return on plan assets and the health-care-cost trend rates of other companies; historical assumptions compared with actual results; an analysis of current market conditions and asset allocations; and the views of advisers.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make extensive use of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of sales and expenses. Significant estimates in these financial statements include restructuring charges and credits, allowances for doubtful accounts receivable, estimates of future cash flows associated with long-lived assets, useful lives for depreciation and amortization, loss contingencies and net realizable value of inventories, revenue credits, vendor rebates, income taxes and tax valuation reserves and the determination of discount and other rate assumptions for pension and postretirement employee benefit expenses. 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.

Recently Issued Accounting Pronouncements

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 supplemental combined 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 supplemental 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 30, 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 of each fiscal year-end, the Company is currently evaluating the impact that the other aspects of this Statement will have on its supplemental combined financial statements.

2. Acquisition of Covalence (Successor to Tyco Plastics & Adhesives)

On February 16, 2006, substantially all of the assets and liabilities of Tyco Plastics & Adhesives were acquired by Covalence, under a Stock and Asset Purchase Agreement dated December 20, 2005 and entered into among Holding, an affiliate of Apollo Management V, L.P. and the direct parent of Covalence, Tyco International S.A. and Tyco Group S.a.r.l. Under the agreement, Covalence acquired Tyco's businesses through the acquisition of certain equity interests of, and certain assets and liabilities held by direct and indirect operating subsidiaries of, Tyco International

Ltd. (“Tyco”). The initial

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purchase price was $975.2 million, subject to working capital adjustments and was funded with a new $350.0 million term loan, $175.0 million of Second Priority Floating Rate Notes, $265.0 million of 10 ¼% Senior Subordinated Notes and an equity contribution of approximately $197.5 million. The Company has performed an evaluation of the fair values of the real and personal property, inventory and certain identifiable intangible assets in connection with the purchase price allocation related to the Acquisition. A valuation study was undertaken, which supports the purchase price allocation. The valuation study resulted in a fair value step-up to real and personal property, inventory and certain identifiable intangible assets. The Company recognized $6.8 million as a charge to cost of sales relating to the sale of inventory that was stepped-up to fair value for this acquisition. The Company is in the process of finalizing its purchase accounting information and, based on the valuation study and other available information, has recorded a purchase price of $916.1 million, which includes $975.2 million of original purchase price partially offset by favorable working capital adjustments from Tyco of approximately $63.6 million and $25.5 million and an unfavorable post-closing working capital adjustment of $30.0 million that is due to Tyco. As part of the Acquisition, the Company agreed to pay to Tyco a post-closing working capital adjustment not to exceed $30.0 million. As of September 30, 2006, the Company anticipated that it would be required to pay the $30.0 million to Tyco and has included this amount in its purchase accounting calculations, and such amount is reflected in its Balance Sheet as of September 30, 2006. The amount is based on the average resin price the Company paid during fiscal year 2006 and was paid on December 4, 2006. The Company's remaining purchase accounting for the Acquisition will be finalized during the first calendar quarter of 2007. The excess of the fair value of the net assets acquired over the purchase price paid has been allocated to non current assets on a prorated basis. Covalence incurred a $3.7 million charge related to a loss on extinguished debt for bridge financing fees arranged to fund the acquisition that were not utilized. The following table summarizes the preliminary allocation of fair values of the Company's assets acquired and liabilities assumed at the date of acquisition.

	Estimated Fair Value at February 16, 2006	Allocation of Excess Fair Value over Purchase Price (in millions)	Allocation of Purchase Price at February 16, 2006
Current assets	$ 434.6	$ —	$ 434.6
Property, plant and equipment	345.4	(4.8)	340.6
Intangible assets.	365.8	(7.3)	358.5
Deferred financing fees and other non-current assets	24.1	—	24.1
Assets acquired	1,169.9	(12.1)	1,157.8
Current liabilities.	174.6	—	174.6
Non current liabilities	67.1	—	67.1
Liabilities assumed.	241.7	—	241.7
	$ 928.2	$ (12.1)	$ 916.1

3. Acquisition of BPC Holding Corporation (Berry Plastics)

On September 20, 2006, BPC Acquisition Corp. merged with and into BPC Holding Corporation pursuant to an agreement and plan of merger, dated June 28, 2006, with BPC Holding Corporation continuing as the surviving corporation. Following the consummation of the merger, BPC Holding Corporation changed its name to Berry Plastics Holding Corporation. Pursuant to the Merger, Berry 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., 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 acquire Berry and to pay fees related to the acquisition was $2.4 billion. The acquisition was primarily funded with (1) the issuance of $750.0 million aggregate principal amount of second priority senior secured 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. Apollo and its affiliates acquired 72% of the common stock of Group. The remaining common stock was primarily held by an affiliate of Graham Partners II, L.P., which owned 10% and members of Berry's management which owned 16%.

The acquisition has been accounted for under the purchase method of accounting, and accordingly, the purchase price has been allocated to the identifiable assets and liabilities based on estimated fair values at the acquisition date. The allocation is preliminary and is subject to change. The Company is amortizing its definite lived intangible assets over a weighted-average life of 20 years. The impact of writing up inventory to net realizable value was $10.1 million and resulted in a charge to cost of goods sold for the period from September 20 to September 30, 2006 of $2.9 million. The Company has applied the provisions of Emerging Issues Task Force 88-16, whereby, the carryover equity interests of certain management shareholders from Berry prior to the acquisition by Apollo were recorded at their historical basis. The application of these provisions has preliminarily reduced stockholders' equity and intangibles by $173.4 million. The following

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table summarizes the allocation of purchase price and the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition.

	September 20, 2006
Current assets	$ 389.3
Property and equipment	473.2
Goodwill	989.2
Customer relationships	511.9
Trademarks	182.2
Other intangibles and deferred financing fees	59.0
Total assets	2,604.8
Current liabilities	197.5
Long-term liabilities	2,103.3
Total liabilities	2,300.8
Net assets acquired	$ 304.0

The $304.0 million of net assets acquired consists of Apollo, Graham and management's $428.8 million cash contribution and $31.8 million of carryover basis in rollover stock, net of the $5.9 million charge to loss on extinguished debt for bridge financing fees arranged to fund the Merger but not utilized and a $150.7 million deemed cash dividend to the selling shareholders that was required to be recognized by Emerging Issues Task Force Issue No. 88-16, Basis in Leveraged Buyout Transactions.

On June 3, 2005, Berry acquired Kerr Group, Inc. ("Kerr") for aggregate consideration of approximately $454.8 million (the "Kerr Acquisition"), including direct costs associated with the acquisition. The operations from the Kerr Acquisition are included in Berry's operations since the acquisition date. 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. In accordance with EITF 95-3, the Company established opening balance sheet reserves of $2.7 million related to plant shutdown and severance costs, of which payments totaling $1.3 million have been made through September 30, 2006.

The pro forma financial results presented below are unaudited and assume that the Covalence (Tyco Plastics & Adhesives) Acquisition and the Berry Acquisition occurred at October 1, 2005. The information presented is for informational purposes only and is not necessarily indicative of the operating results that would have occurred had the Covalence (Tyco Plastics & Adhesives) Acquisition and the Berry Acquisition been consummated at the beginning of the respective period, nor are they necessarily indicative of future operating results. Further, the information reflects only pro forma adjustments for depreciation expense, additional interest and amortization expense, elimination of write off of deferred financing fees, minority interest and net of the applicable income tax effects.

	Unaudited		
	Berry Plastics Holding Corporation - Combined	Berry Plastics - Historical	Covalence - Historical
Pro forma net sales	$ 3,173.4	$ 1,414.1	$ 1,759.3
Pro forma net loss	$ (64.6)	$ (26.8)	$ (37.8)

4. Long-Term Debt

Long-term debt consists of the following at September 30, 2006:

Term loan - Berry	$ 675.0
Revolving line of credit - Berry	20.0
Second Priority Senior Secured Fixed Rate Notes - Berry	525.0
Second Priority Senior Secured Floating Rate Notes - Berry	225.0
11% Senior Subordinated Notes - Berry	425.0
Capital leases - Berry	25.4
Term loan - Covalence	299.3
Revolving line of credit - Covalence	—
Second Priority Floating Rate Notes - Covalence	175.0
10 ¼% Senior Subordinated Notes - Covalence	265.0
Less debt discount on 10 ¼% Notes - Covalence	6.4
	2,628.3
Less current portion of long-term debt	16.0
	$ 2,612.3

Covalence

Senior Secured Credit Facility

In connection with the Acquisition of Tyco Plastics & Adhesives, Covalence entered into a senior secured credit facility, which included a term loan in the amount of $350.0 million with a maturity date of February 16, 2013. On May 18, 2006, Covalence 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 Covalence'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. 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 Covalence 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, Covalence must prepay the outstanding term loan, subject to certain exceptions, with:

- Beginning with Covalence'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 Covalence 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, Covalence 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. Covalence also pays customary letter of credit fees, including a fronting fee of 0.25% per annum of the stated amount of each outstanding letter of credit, and customary agency fees.

Covalence 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 Covalence from prepaying other indebtedness, restricts its ability to incur indebtedness or liens, make investments or declare or pay any dividends.

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

Second Priority Floating Rate Notes

Also in connection with Apollo's acquisition of Covalence, Covalence entered into the $175.0 million 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 Covalence's existing domestic subsidiaries that guarantees debt under Covalence's senior secured credit facilities and by certain of Covalence'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.

10 1/4% Senior Subordinated Notes

Covalence 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 discount of $6.4 million that this note was issued at, which is reflected in the Supplemental Combined Balance Sheet. Included in the Statement of Operations is $0.2 million of amortization of this discount using the effective interest method. The notes are senior subordinated obligations of Covalence and rank junior to all other senior indebtedness of Covalence 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 notes each contain a number of covenants that, among other things and subject to certain exceptions, restrict Covalence's 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 Covalence's assets. For the period ended September 30, 2006, Covalence has complied with all covenants. No principal payments are required with respect to the second priority floating rate loan and the senior subordinated notes prior to maturity.

As of September 30, 2006 Covalence had $191.9 million of availability under its revolving credit facility. As of September 30, 2006 Covalence had approximately $8.1 million in letters of credit issued and outstanding.

Berry Plastics

Senior Secured Credit Facility

On September 20, 2006, Berry 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 Berry'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. Berry 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

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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 Berry 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. Berry 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 Berry and each subsidiary guarantor subject to certain exceptions: (1) a first priority pledge of all equity interests of Berry, 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 Berry 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 Berry to maintain the total net first lien leverage ratio below a certain ratio and also contains certain customary affirmative covenants and events of default. Berry was in compliance with all the financial and operating covenants at September 30, 2006.

At September 30, 2006, there was $20.0 million 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 under the revolving credit facility. At September 30, 2006, Berry had $14.9 million under the Credit Facility in letters of credit outstanding. At September 30, 2006, Berry had unused borrowing capacity of $165.1 million under the revolving line of credit.

Second Priority Senior Secured Notes

On September 20, 2006, Berry 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

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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, Berry 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, Berry 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, Berry 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.

11% Senior Subordinated Notes

On September 20, 2006, Berry issued $425.0 million in aggregate principal amount of senior subordinated notes ("Senior Subordinated Notes") to affiliates of Goldman, Sachs and Co. 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 Berry Credit Facility and the Berry 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, Berry 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 Berry's option under circumstances and at redemption prices set forth in the indenture. Upon the occurrence of a change of control, Berry 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.

Future maturities of long-term debt at September 30, 2006 are as follows:

2007	$ 16.0
2008	14.5
2009	13.4
2010	12.4
2011	17.7
Thereafter	2,560.7
	$ 2,634.7

Interest paid was $43.9 million for the period from February 17, 2006 to September 30, 2006.

5. Goodwill, Intangible Assets and Deferred Costs

The following table sets forth the gross carrying amount and accumulated amortization of the Company's intangible assets:

	Gross Carrying Amount	Amortization Period
Deferred financing fees	$67.0	Respective debt
Customer relationships	624.6	11 - 20 years
Goodwill	989.2	Indefinite lived
Trademarks	182.2	Indefinite lived
Patents	15.8	12 - 20 years
Licenses	111.4	11 years
Technology	134.8	10 years
Accumulated amortization	(24.8)	
	$2,100.2	

Future amortization expense for definite lived intangibles at September 30, 2006 for the next five fiscal years is approximately $67.1, $67.1, $66.6, $66.3 and $65.6 million each year for fiscal 2007, 2008, 2009, 2010, and 2011, respectively.

Note 6. Lease and Other Commitments

Certain property and equipment are leased using capital and operating leases. Total capitalized lease property consists of a building and manufacturing equipment with a cost of $21.9 million and related accumulated amortization of $0.1 at September 30, 2006. Capital lease amortization is included in depreciation expense. Total rental expense from operating leases was $6.7 million for the period from February 17, 2006 to September 30, 2006.

Future minimum lease payments for capital leases and noncancellable operating leases with initial terms in excess of one year are as follows:

	At September 30, 2006	
	Capital Leases	Operating Leases
2007	$ 7.4	$ 35.6

2008	5.7		31.8
2009	5.7		29.0
2010	1.7		26.4
2011	8.2		22.0
Thereafter	—		102.1
	28.7	$	246.9

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Less: amount representing interest		(3.3)
Present value of net minimum lease payments	$	25.4

The Company is party to various legal proceedings involving routine claims which are incidental to its business. Although the Company's legal and financial liability with respect to such proceedings cannot be estimated with certainty, the Company believes that any ultimate liability would not be material to its financial position or results of operations.

At the time of the Covalence Acquisition, under the Covalence predecessor (Tyco Plastics & Adhesives, "TP&A"), various claims, lawsuits and administrative proceedings arising in the ordinary course of business with respect to commercial, product liability and environmental matters were pending or threatened against TP&A. Additionally, TP&A was involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites. As part of the Acquisition of Covalence, the selling Tyco entities which owned TP&A retained the liabilities associated with these known environmental matters, which relate to the offsite disposal of hazardous materials. Covalence retained liabilities relating to environmental matters on the acquired properties. Covalence also retained the liabilities associated with all known commercial and product liability matters. In the opinion of management, the ultimate resolution of these matters is not known and an estimate cannot be made. The Company has not recorded a reserve for these matters as they are not reasonably estimable and believes these will not have a material impact on the Company's financial position, results of operations, or cash flows.

The Company has various purchase commitments for raw materials, supplies and property and equipment incidental to the ordinary conduct of business.

7. Comprehensive Loss

Total comprehensive loss for the period from February 17, 2006 to September 30, 2006 is as follows:

(in millions)	
Net loss	$ (31.2)
Foreign currency translation adjustment.	0.2
Comprehensive loss	$ (31.0)

8. Income Taxes

The Company is being taxed at the U.S. corporate level as a C-Corporation and has provided U.S. federal and state income taxes. The Company has been indemnified by Tyco for tax liabilities that may arise in the future that relate to the period prior to the Covalence Acquisition of the various entities from Tyco. Deferred taxes have been provided related to the tax effects of the repatriation of foreign earnings. The Company's effective tax rate ("ETR") is dependent

on many factors including: the impact of enacted tax laws in jurisdictions in which the Company operates; the amount of earnings by jurisdiction, due to varying tax rates in each country; and the Company's ability to utilize foreign tax credits related to foreign taxes paid on foreign earnings that will be remitted to the U.S.

Significant components of income tax expense (benefit) for the period ended September 30, 2006 are as follows:

Current		
United States:		
Federal	$	—
State		—
Non-U.S.		2.6
Current income tax provision		2.6
Deferred:		
United States:		
Federal		(17.5)
State		(1.0)
Non-U.S.		(2.2)
Deferred income tax benefit		(20.7)
Benefit for income taxes	$	(18.1)

U.S. loss from continuing operations before income taxes was $(54.5) million for the period ended September 30, 2006. Non-U.S. income from continuing operations before income taxes was $3.4 million for the period ended September 30, 2006.

The reconciliation between U.S. federal income taxes at the statutory rate and the Company's benefit for income taxes on continuing operations for the period ended September 30, 2006 are as follows:

U.S. Federal income tax benefit at the statutory rate	$	(17.9)
Adjustments to reconcile to the income tax provision:		
U.S. state income tax benefit		(2.3)
Permanent differences		0.3
Change in Valuation Allowance - Foreign		1.8
Rate difference between U.S. and Foreign		(0.2)
Other		0.2
Benefit for income taxes	$	(18.1)

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of the net deferred income tax liability at September 30, 2006 are as follows ($ in millions):

Deferred tax assets		
Allowance for doubtful accounts	$	1.9
Accrued liabilities and reserves		17.6
Amortization of tax deductible goodwill		2.0

Inventories		0.3
Net operating loss carryforward		116.9
Alternative minimum tax (AMT) credit carryforward		7.4
Others		1.9
Total deferred tax assets		148.0
Valuation allowance		(11.5)
Total deferred tax assets, net of valuation allowance	$	136.5
Deferred tax liabilities :		
Property and Equipment	$	38.4
Intangible assets		327.3
Prepaid expenses		1.3
Foreign earnings		1.3
Others		0.8
Total deferred tax liabilities	$	369.1
Net deferred tax liability	$	(232.6)

As of September 30, 2006, the Company had foreign net operating loss carryforwards of approximately $39.7 million, of which $0.6 million are available to offset taxable income in future years. In the U.S. the company had approximately $262.5 million of federal net operating loss carryforwards at September 30, 2006. The federal net operating loss carryforwards will expire in future years through 2021. AMT credit carryforwards are available to Group infinitely to reduce future years' federal income taxes.

The valuation allowance against deferred tax assets is $11.4 million, related to the foreign operating loss carryfowards that is more likely than not that the deferred tax assets will be able to be utilized against future foreign income. With the exception of Covalence Canada, the Company believes that it will not generate sufficient future taxable income to realize the tax benefits in foreign jurisdictions related to the deferred tax assets. Therefore, the company has provided a full valuation allowance against its foreign net operating losses included within the deferred tax assets other than the net operating losses related to Covalence Canada.

As a result of prior acquisitions, the unused operating loss carryforward is subject to an annual limitation. The Company is in the process of finalizing the computation to determine the limitation, but have preliminary estimated the annual limitation to be approximately $208.0 million of the non Covalence unused operating losses. In addition, the Company is in the process of determining whether the Covalence operating loss carry forward of $30.4 million may be subject to an annual limitation due to the merger.

The Company believes that it will generate sufficient future taxable income to realize the tax benefits related to the remaining net deferred tax assets. The valuation allowance was calculated in accordance with the provisions of SFAS No. 109, which requires that a valuation allowance be established or maintained when it is "more likely than not" that all or a portion of deferred tax assets will not be realized.

Deferred tax liability has been provided for federal income or withholding taxes which may be payable on the remittance of the undistributed earnings of foreign subsidiaries approximating $3.8 million at September 30, 2006, as those earnings are considered to be not permanently reinvested.

Covalence has not elected APB23 on its Foreign Subsidiaries. It is not anticipated that the Company will be able to take a Foreign Tax Credit on future repatriation of current foreign earnings from these foreign entities. Therefore, the Company has not set up deferred tax assets for the Foreign Tax Credit on future repatriation of current foreign earnings.

9. Retirement Plans

Berry Plastics

In connection with the Kerr Acquisition, Berry acquired two defined benefit pension plans which cover substantially all former employees and former union employees at Kerr's former Lancaster facility. Berry also acquired a retiree health plan from Kerr, which covers certain healthcare and life insurance benefits for certain retired employees and their spouses. The two defined benefit plans of Kerr and the retiree health plan are all inactive plans and are included in the beginning of year totals in the table below. Berry also maintains a defined benefit pension plan covering the Poly-Seal employees under a collective bargaining agreement. Berry uses December 31 as a measurement date for the retirement plans. In connection with the acquisition of Berry by Apollo, the Company recorded an adjustment to reduce the pension benefit obligation by $1.5 million on September 20, 2006.

Berry also sponsors two defined contribution 401(k) retirement plans covering substantially all employees. Contributions are based upon a fixed dollar amount for employees who participate and percentages of employee contributions at specified thresholds. Contribution expense for these plans was $0.1 million for the period from September 20, 2006 to September 30, 2006.

Covalence

Defined Benefit Plan—Covalence sponsors a noncontributory defined benefit retirement plan, which covers approximately 70 active and inactive current and former employees. The projected benefit obligation of the plan is approximately $1.0 million and this plan is fully funded with assets of approximately $1.0 million.

Multiemployer Plan—Covalence participates in one multiemployer plan. Contributions to the plan are based on specific percentages of employee compensation.

Defined Contribution Retirement Plans—Certain employees of Covalence that are employed full-time are eligible to participate in Covalence's 401(k) retirement plan. Participants can elect to defer a percentage of their salary through payroll deductions and direct their contributions into different funds established by Covalence. Covalence provides for matching contributions in the amount of 100% of up to 5% of salary. The expense associated with the matching contribution was $3.4 million for the period from February 17, 2006 to September 30, 2006.

Berry

The projected benefit obligations of Berry's plans presented herein are materially consistent with the accumulated benefit obligations of such plans.

	Defined Benefit Pension Plans	Retiree Health Plan
	Berry Period from 9/20/06-9/30/06	
Change in Projected Benefit Obligations (PBO)		
PBO at beginning of period	$41.6	$ 6.9
Service cost	0.1	0.1
Interest cost	0.1	—
Benefits paid	(0.2)	(0.1)
PBO at end of period	$41.6	$ 6.9
Change in Fair Value of Plan Assets		
Plan assets at beginning of period	$33.7	$ —
Actual return on plan assets	0.1	—
Company contributions	0.1	0.1
Benefits paid	(0.2)	(0.1)
Plan assets at end of period	33.7	—
Funded status	$(7.9)	$ (6.9)
Unrecognized net actuarial loss/gain	(0.4)	—
Net amount recognized	$(8.3)	$ (6.9)

Amounts recognized in the Supplemental Combined Balance Sheet consist of:		
Prepaid pension	$0.2	$ —
Accrued benefit liability	(8.5)	(6.9)
Net amount recognized	$(8.3)	$ (6.9)

The following table presents significant weighted-average assumptions used to determine benefit obligation and benefit cost for the periods indicated.

(Percents)	Defined Benefit Pension Plans Berry Period from 9/20/06-9/30/06	Retiree Health Plan Berry Period from 9/20/06-9/30/06
Weighted-average assumptions:		
Discount rate for benefit obligation	5.5	5.5

Discount rate for net benefit cost	5.6	5.0
Expected return on plan assets for net benefit costs	8.0	—

In evaluating the expected return on plan assets, Berry considered its historical assumptions compared with actual results, an analysis of current market conditions, asset allocations, and the views of advisers. Health-care-cost trend rates were assumed to increase at an annual rate of 7.5% in 2007 trending down to 4.5% in 2012 and thereafter. The trend rate is a significant factor in determining the amounts reported. A one-percentage-point change in these assumed health care cost trend rates would have the following effects, in millions of dollars:

One-Percentage Point	Increase	Decrease
Accumulated Postretirement benefit obligation	$ 0.2	$ (0.2)
Sum of service cost and interest cost	$ 0.1	$ (0.1)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Defined Benefit Pension Plans	Retiree Health Plan
	Berry	
	Period from 9/20/06-9/30/06	Period from 9/20/06-9/30/06
2007	$ 3.4	$ 1.3
2008	3.4	1.2
2009	3.3	1.0
2010	3.3	0.8
2011	3.2	0.8
2012-2015	17.0	3.1

In 2007, Berry expects to contribute approximately $3.0 million to its retirement plans to satisfy minimum funding requirements for the year.

Net pension and retiree health benefit expense included the following components:

	Berry Period from 9/20/06-9/30/06
Components of net period benefit cost:	
Defined Benefit Pension Plans	

Service cost	$	0.1
Interest cost		0.1
Expected return on plan assets		(0.1)
Net periodic benefit cost	$	0.1
Retiree Health Benefit Plan		
Interest cost		0.1
Net periodic benefit cost	$	0.1

Our defined benefit pension plan asset allocations are as follows:

	Berry September 30, 2006
Asset Category	
Equity securities and equity-like instruments	**51%**
Debt securities	**47**
Other	**2**
Total	**100%**

Berry's retirement plan assets are invested with the objective of providing the plans the ability to fund current and future benefit payment requirements while minimizing annual Company contributions. The plans' asset allocation strategy reflects a long-term growth strategy with approximately 51% allocated to growth investments and 47% allocated to fixed income investments. Berry re-addresses the allocation of its investments on an annual basis.

10. Related Party Transactions

Apollo Management Fee

Covalence is charged a management fee by Apollo Management V, L.P., an affiliate of its principal stockholder, for the provision of management consulting and advisory services provided throughout the year. The management fee is the greater of $2.5 million or 1.5% of adjusted EBITDA. In addition, Apollo has the right to terminate the agreement at any time, in which case Apollo will receive additional consideration equal to the present value of $17.5 million less the aggregate amount of annual management fees previously paid to Apollo. Berry is charged a management fee by Apollo Management VI, L.P., an affiliate of its principal stockholder and Graham Partners, for the provision of management consulting and advisory services provided throughout the year. The management fee is the greater of $3.0 million or 1.25% of adjusted EBITDA. In addition, Apollo and Graham have the right to terminate the agreement at any time, in which case Apollo and Graham will receive additional consideration equal to the present value of $21 million less the aggregate amount of annual management fees previously paid to Apollo and Graham, and the employee stockholders will receive a pro rata payment based on such amount. The Covalence fee is payable at the beginning of each fiscal year and the Berry fee is paid quarterly. The first year of the

Covalence fee was paid in February 2006 for 12 months of management fees. For the period from February 17, 2006 to September 30, 2006, the amount attributed to and expensed relative to the management fee was $3.3 million.

Apollo Transaction Fees

In connection with the acquisition of Covalence, the Company paid a fee to entities affiliated with Apollo Management, L.P. of $10.0 million for advisory and other services. In connection with the acquisition of Berry, the Company paid $18.1 million to entities affiliated with Apollo Management, L.P. and $2.3 million to entities affiliated with Graham Partners, Inc. for advisory and other services.

Transactions with other related Apollo-affiliated companies

The Company conducts reviews of all transactions between itself and companies owned by affiliates of Apollo Management V, L.P. The value of all of these transactions for the period February 17, 2006 to September 30, 2006 was less than $0.1 million. All of these transactions were conducted in the normal course of business.

Final working capital adjustment owed to Tyco

As part of the Acquisition, Covalence agreed to pay to Tyco a working capital adjustment not to exceed $30.0 million. The amount is based on the average resin price the Company pays during fiscal year 2006 and is payable no later than January 7, 2007. As of September 30, 2006, the Company anticipated that it will be required to pay the $30.0 million to Tyco and has included this amount in its purchase accounting calculations.

11. Stockholders' Equity

As a result of the Berry Combination, the Company's capital structure consists of 15,000,000 shares of $0.01 par value common stock authorized of which 6,906,921 were outstanding immediately subsequent to the Merger. The Company's capital structure has been retroactively consolidated for all periods presented.

The Company's equity at September 30, 2006 includes the addition of the historical equity balances of Covalence and Berry for the equity contributed by Apollo and its affiliates reduced for the negative equity of Berry management. The other minority shareholders interests are included in Minority Interest.

Berry has adopted an employee stock purchase program pursuant to which a number of non-executive employees had the opportunity to invest in Group on a leveraged basis. In the event that an employee defaults on a promissory note used to purchase such shares, Group's only recourse is to the shares of Group securing the note. In this manner, non-executive management acquired 98,052 shares in the aggregate at the time of the acquisition of Berry and there is a note receivable of $9.8 million for these shares. These shares and the related notes receivable are classified in minority interest at September 30, 2006.

12. Equity Incentive Plans

2006 Equity Incentive Plan - Berry

In connection with the acquisition of Berry, Group adopted an equity incentive plan pursuant to which options to acquire up to 577,252 shares of Group's common stock may be granted (the "2006 Equity Incentive Plan"). Options granted under the 2006 Equity Incentive Plan may not be assigned or transferred,

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except to Group or by will or the laws of descent or distribution. The 2006 Equity Incentive Plan terminates ten years after adoption and no options may be granted under the plan thereafter. The 2006 Equity Incentive Plan allows for the issuance of non-qualified options, options intended to qualify as “incentive stock options” within the meaning of the Internal Revenue Code of 1986, as amended, and stock appreciation rights. The employees participating in the 2006 Equity Incentive Plan receive options and stock appreciation rights under the 2006 Equity Incentive Plan pursuant to individual option and stock appreciation rights agreements, the terms and conditions of which are substantially identical. Each option agreement provides for the issuance of options to purchase common stock of Group. Options granted under the 2006 Equity Incentive Plan have an exercise price per share that either (1) is fixed at the fair market value of a share of common stock on the date of grant or (2) commences at the fair market value of a share of common stock on the date of grant and increases at the rate of 15% per year during the term. Some options granted under the plan become vested and exercisable over a five-year period based on continued service. Other options become vested and exercisable based on the achievement by the Company of certain financial targets Upon a change in control, the vesting schedule with respect to certain options accelerate for a portion of the shares subject to such options. Since Group’s common stock is not highly liquid, except in certain limited circumstances, the stock options may not be redeemable.

Information related to the 2006 Equity Incentive Plan are as follows:

	Number of Shares	**Weighted Average Exercise Price**
Options outstanding, beginning of period	—	$ —
Options granted	500,184	100
Options exercised or cash settled	—	—
Options forfeited or cancelled	—	—
Options outstanding, end of period	500,184	$100
Option price range at end of period		$100
Options exercisable at end of period		12,000
Options available for grant at period end		77,068
Weighted average fair value of options granted during period		19

The following table summarizes information about the options outstanding at September 30, 2006:

Range of Exercise Prices	Number Outstanding at September 30, 2006	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 30, 2006
$100	500,184	10 years	$100	12,000

Shares issued under the stock-based compensation plans are usually issued from shares of common stock held in treasury. Stock compensation is included in the Operating Expense line on the Supplemental Combined Statement of Operations. As of September 30, 2006, the total remaining unrecognized compensation cost related to nonvested stock options amounted to $9.5 million, which will be amortized over the weighted-average remaining requisite service period of 5 years.

In connection with the acquisition of Berry, Apollo and Graham and certain employees who invested in Berry Plastics Group entered into a stockholders agreement. The stockholders agreement provides for, among other things, a restriction on the transferability of each such person’s equity ownership in us, tag-along rights, drag-along rights, piggyback registration rights and repurchase rights by Group in certain circumstances.

2006 Equity Incentive Plan - Covalence

As of September 30, 2006, Covalence has one share-based compensation plan, which is described below. The compensation cost that has been charged against income for that plan was $0.3 million for the period February 17, 2006 through September 30, 2006. The total income tax benefit recognized in the income statement for share-based compensation arrangements for the period February 17, 2006 through September 30, 2006 was $0.1 million.

In February 2006, Covalence Specialty Materials Holding Corp. (Holdings) adopted the 2006 Long Term Incentive Plan (LTIP). Under the plan selected senior members of Covalence Specialty Materials Corp. management were offered the right to purchase common and perpetual preferred stock of Covalence Specialty Materials Holding Corp. In addition to this investment, this group received stock options in direct proportion to their investment. Members of management that choose not to invest in the Company were granted 1,000 options as part of the LTIP. In addition, under the plan Holdings may grant restricted stock to employees as well as allowing employees to purchase shares of Holdings common stock. There are 900,000 authorized shares available for grant or purchase under this plan.

All stock options received by employees under this plan have an exercise price equal to the price paid for common stock by employees and have a ten year life from date of grant. Options are split evenly between three Tranches. Tranche A options are classified as time vesting options while Tranche B and Tranche C options are classified as performance based options. Shares underlying Tranche A options generally vest in five equal annual installments on September 30 of each year, from 2006 through 2010. Shares underlying Tranche B options generally vest as in five equal installments on September 30 of each year from 2006 through 2010, if a specified EBITDA target for the respective vesting year is met. Upon change of control, shares underlying Tranche B options that have not yet been eligible to vest will vest in the same proportion as shares underlying Tranche B options previously eligible to vest will have vested. Shares underlying Tranche C options vest in full if a specified internal rate of return on Apollo’s investment in Holding’s equity is achieved.

A summary of assumptions is presented below.

	2006
Expected Volatility	45.0%
Expected dividends	0.0%
Expected term (in years)	3.73-6.86
Risk-free rate	4.5%-4.9%

The fair value of each option award is estimated on the date of grant using a Black-Scholes valuation model that uses the assumptions noted in the following table. Since the Company is not publicly traded, the volatility of guideline publicly traded companies was used to estimate the expected volatility. The Company relied on the simplified method for estimating expected life outlined by the SEC in Staff Accounting Bulletin No. 107 ("SAB 107"). The simplified method specifies that early exercise will take place midway between vesting and expiration. A yield curve was constructed using the risk free interest rates based on the Constant Maturity Rates as provided by the U.S. Treasury. For this valuation the continuous rate was used with a term equal to the expected life of the options.

A summary of option activity under the Plan as of September 30, 2006 is present below:

		2006
	Shares	Weighted Average Exercise Price
Outstanding as of 2/16/2006	—	—
Granted	413,183	$ 10.00
Forfeited	(129,077)	$ 10.00
Outstanding as of 9/30/2006	284,106	$ 10.00
Options vested at 9/30/2006	18,958	$ 10.00

A summary of the status of the Company's nonvested shares as of September 30, 2006 is present below:

		2006
	Shares	Weighted Average Fair Valuation
Nonvested at 02/16/2006	—	—
Granted	413,183	$ 4.68
Vested	(18,958)	$ 4.67
Forfeited	(129,077)	$ 4.68
Nonvested of 9/30/2006	265,148	$ 4.67

As of September 30, 2006, there was $1.0 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a period of 4.5 years.

13. Segment and Geographic Data

The Company's reportable segments are strategic business units that operate in different industries and are managed separately. The Plastics segment manufactures polyethylene-based film, packaging products, bags and sheeting. The Adhesives segment manufactures specialty adhesive products and tapes for industrial applications, including external corrosion protection products for oil, gas and water pipelines. The Coatings segment manufactures a variety of specialty laminates and coated products principally derived from paper, film, foil and fabrics. The Open top segment manufactures containers, drink cups and houseware products. The Close top segment manufactures closures, bottles and prescription vials and tubes. More than 95% of the Company's revenue is in North America. In addition, more than 95% of the Company's property and equipment is located in North America. Selected information by reportable segment is presented in the following table:

	February 17 to September 30, 2006
(in millions)	
Net Revenue	
Plastics	$ 705.5
Adhesives	235.5
Coatings	157.2
Open Top	27.0
Closed top	19.4
Less intercompany revenue	(5.8)
	$ 1,138.8
Operating income	
Plastics	$ 4.2
Adhesives	12.8
Coatings	8.4
Open Top	(0.5)
Closed top	(0.4)
Corporate expenses - Covalence	(16.8)
	$ 7.7

(in millions)	September 30, 2006
Total Assets:	
Plastics	$ 676.9
Adhesives	264.1
Coatings.	185.8
Open Top	1,950.8
Closed top	666.9
Corporate - Covalence	76.9
	$ 3,821.4

14. Guarantor and Non-Guarantor Financial Information

Berry Plastics Holding Corporation, a wholly owned subsidiary of Berry Plastics Group, Inc., has Second Priority Fixed and Floating Rate Notes and 10 ¼% Senior Subordinated notes outstanding which are fully and unconditionally guaranteed by Berry Plastics Holding Corporation's domestic subsidiaries. Separate financial statements and other disclosures concerning the Parent Company and Guarantor Subsidiaries are not presented because they are 100% wholly-owned by the Parent Company and Guarantor Subsidiaries have fully and unconditionally guaranteed such debt on a joint and several basis. The following tables present consolidating financial information for the Parent Company, Guarantor Subsidiaries and Non-Guarantor Subsidiaries of Berry Plastics. The equity method of accounting is used to reflect investments of the Parent Company in its Guarantor and Non-Guarantor Subsidiaries. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

Condensed Supplemental Combined Statement of Operations
For the Period from February 17, 2006 to September 30, 2006
($ in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net revenue, including related party revenue	$ 666.8	$ 385.8	$ 109.4	$ (23.2)	$ 1,138.8
Cost of sales.	619.6	329.0	93.1	(18.8)	1,022.9
Gross profit	47.2	56.8	16.3	(4.4)	115.9
Selling, general and administrative expenses.	59.9	41.0	6.8	—	107.7
Restructuring and impairment charges, net	—	0.5	—	—	0.5
Operating income	(12.7)	15.3	9.5	(4.4)	7.7
Other (income) expense	(1.4)	(5.0)	5.1	—	(1.3)
Loss on extinguished debt…	54.6	—	1.0		55.6
Interest expense, net.	1.0	3.4	0.1	—	4.5
Equity in net income of subsidiaries.	17.8	(0.3)	—	(17.5)	—
Income (loss) before income taxes.	(49.1)	16.6	3.3	(21.9)	(51.1)
Minority interest	(1.8)	—	—	—	(1.8)
Income tax expense (benefit)	(16.1)	(3.7)	1.7	—	(18.1)
Net income (loss).	$ (31.2)	$ 20.3	$ 1.6	$ (21.9)	$ (31.2)

Condensed Supplemental Combined Balance Sheet
As of September 30, 2006
($ in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 62.3	$ 15.0	$ 5.8	$ —	$ 83.1
Accounts receivable, net of allowance for doubtful accounts	124.9	204.7	27.5	—	357.1
Inventories	158.3	222.8	24.0	—	405.1
Prepaid expenses and other current assets	10.1	35.8	12.7	—	58.6
Total current assets	355.6	478.3	70.0	—	903.9
Property, plant and equipment, net	219.4	556.5	40.7	—	816.6
Intangible assets, net	1,835.6	192.1	7.7	—	2,035.4
Investment in Subsidiaries	353.2	24.1	—	(377.3)	—
Other assets	64.9	0.6	—	—	65.5
Total Assets	$ 2,828.7	$ 1,251.6	$ 118.4	$ (377.3)	$ 3,821.4
Liabilities and Equity					
Current liabilities:					
Accounts payable	$ 108.2	$ 147.8	$ 16.1	$ —	$ 272.1
Accrued and other current liabilities	63.2	102.0	8.3	—	173.5
Long-term debt—current portion	9.8	5.9	0.3	—	16.0
Intercompany accounts, net	(468.1)	417.8	45.9	4.4	—
Total current liabilities	(286.9)	673.5	70.6	4.4	461.6
Long-term debt.	2,593.2	18.3	0.8	—	2,612.3
Deferred tax liabilities	47.4	199.1	3.1	—	249.6
Other non current liabilities	0.3	20.9	1.9	—	23.1
Total long-term liabilities	2,640.9	238.3	5.8	—	2,885.0
Total Liabilities	2,354.0	911.8	76.4	4.4	3,346.6
Commitments and contingencies					
Minority interest	65.2	—	—		65.2
Contributions from Holdings	190.8	368.5	35.1	(403.6)	190.8
Stock	—	—	24.1	(24.1)	—
Additional paid-in capital	249.8	—	—	—	249.8
Retained deficit	(31.2)	(28.7)	(17.4)	46.1	(31.2)
Cumulative translation	0.1	—		(0.1)	0.2

	0.2

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Total Equity	409.5	339.8	42.0	(381.7)	409.6
Total Liabilities and Equity	$ 2,828.7	$ 1,251.6	$ 118.4	$ (377.3)	$ 3,821.4

Condensed Supplemental Combined Statement of Cash Flows
For the Period From February 17, 2006 to September 30, 2006
($ in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flow from Operating Activities	$ 50.8	$ 45.1	$ 0.8	$ —	$ 96.7
Cash Flow from Investing Activities					
Purchase of property, plant, and equipment	(18.7)	(15.4)	(0.7)	—	(34.8)
Proceeds from disposal of assets	0.6	—	0.2	—	0.8
Acquisition of business net of cash acquired	(3,205.7)	(14.7)	2.4	—	(3,218.0)
Net cash used in investing activities	(3,223.80)	(30.1)	1.9	—	(3,252.0)
Cash Flow from Financing Activities					
Issuance of long-term debt	2,653.4	—	—	—	2,653.4
Equity contributions	680.8	—	—	—	680.8
Repayment of long-term debt	(50.7)	—	—	—	(50.7)
Long-term debt financing costs	(25.2)	—	—	—	(25.2)
Long-term debt refinancing costs	(45.8)	—	—	—	(45.8)
Net cash provided by financing activities	3,212.5	—	—	—	3,212.5
Effect of currency translation on cash	—	—	(1.1)	—	(1.1)
Net increase in cash and cash equivalents	39.5	15.0	1.6	—	56.1
Cash and cash equivalents at beginning of period	22.8	—	4.2	—	27.0
Cash and cash equivalents at end of period	$ 62.3	$ 15.0	$ 5.8	$ —	$ 83.1

15. Subsequent Events

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. Covalence expects to recognize costs associated with the restructuring over the next eight months.

On April 3, 2007, in connection with the merger of Berry and Covalence, shares of Berry Plastics Group, Inc., the former parent of Berry Plastics Holding Corporation, and Covalence Specialty Materials Holding Corporation held by minority shareholders and management were exchanged for shares in the new merged company. The minority shareholders and management held ownership interests of 28% and 5% for Berry and Covalence, respectively. The acquisition of these ownership interests occurred on April 3, 2007 in connection with the closing of the transaction and was accounted for under the purchase method of accounting and pushed-down to the Company.

On April 3, 2007, the Company entered into a new senior secured credit facility (“Berry Credit Facility”) and replaced and repaid the Berry and Covalence credit facilities. The $1.6 billion senior secured credit facility has a $400 million asset based revolving credit facility and $1.2 billion term loan facility. The facility will also provide a $100 million letter of credit 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 merger and there are no amounts outstanding at closing on the revolving credit facility.

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 Plastics 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 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.

BERRY PLASTICS HOLDING CORPORATION

COMBINED BALANCE SHEET

December 30, 2006

Unaudited

(In Millions of Dollars)

Assets		
Current assets*:*		
Cash and cash equivalents	$	73.6
Accounts receivable (less allowance for doubtful accounts of $8.8)		292.1
Inventories:		
Finished goods		188.5
Raw materials and supplies		163.6
		352.1
Deferred income taxes		21.5
Prepaid expenses and other current assets		34.1
Total current assets		773.4
Property and equipment:		
Land		35.8
Buildings and improvements		179.3
Equipment and construction in progress		647.9
		863.0
Less accumulated depreciation		65.9
		797.1
Deferred financing fees, net		62.7
Goodwill		989.2
Intangible assets, net		1,035.5
Other assets		0.6
Total assets	$	3,658.5
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$	211.8
Accrued expenses and other current liabilities		142.4
Current portion of long-term debt		15.4
Total current liabilities		369.6
Long-term debt, less current portion		2,589.7

Deferred income taxes		234.2
Other long-term liabilities		22.1
Total liabilities		3,215.6
Minority interest		63.2
Stockholders' equity:		
Capital stock		439.6
Accumulated Deficit		(62.0)
Accumulated other comprehensive income		2.1
Total stockholders' equity		379.7
Total liabilities and stockholders' equity	$	3,658.5

See notes to combined financial statements.

BERRY PLASTICS HOLDING CORPORATION

COMBINED STATEMENT OF OPERATIONS

For the Three Months Ended December 30, 2006

Unaudited

(In Millions of Dollars)

Net sales	$ 703.6
Cost of goods sold	617.2
Gross profit	86.4
Operating expenses	78.9
Operating income	7.5
Interest expense, net	59.9
Other income	0.1
Loss before income taxes	(52.5)
Income tax benefit	(19.5)
Minority interest, net of tax	(2.2)
Net loss	$ (30.8)

See notes to combined financial statements.

BERRY PLASTICS HOLDING CORPORATION

COMBINED STATEMENT OF STOCKHOLDERS' EQUITY

For the Three Months Ended December 30, 2006

Unaudited

(In Millions of Dollars)

	Capital Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Total	Comprehensive Loss
Balance at September 30, 2006	$ 440.6	$ (31.2)	$ 0.2	$ 409.6	
Distributions — Covalence	(1.3)	—	—	(1.3)	
Interest on notes receivable	(0.1)	—	—	(0.1)	
Treasury stock purchases	(0.1)	—	—	(0.1)	
Stock-based compensation	0.5	—	—	0.5	
Translation gains	—	—	1.3	1.3	$ 1.3
Other comprehensive gains	—	—	0.6	0.6	0.6
Net loss	—	(30.8)	—	(30.8)	(30.8)
Balance at December 30, 2006	$ 439.6	$ (62.0)	$ 2.1	$ 379.7	$ (28.9)

See notes to combined financial statements.

BERRY PLASTICS HOLDING CORPORATION

COMBINED STATEMENT OF CASH FLOWS

For the Three Months Ended December 30, 2006

Unaudited

(In Millions of Dollars)

Operating activities		
Net loss	$	(30.8)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation		33.8
Non-cash interest expense		2.2
Amortization of intangibles		15.3
Non-cash compensation		0.5
Deferred income taxes (benefit)		(19.5)
Minority interest		(2.2)
Changes in operating assets and liabilities:		
Accounts receivable, net		65.3
Inventories		47.7
Prepaid expenses and other assets		7.6
Accounts payable, accrued expenses and other liabilities		(60.1)
Net cash provided by operating activities		59.8
Investing activities		
Additions to property and equipment		(14.2)
Apollo acquisition of Covalence		(30.2)
Net cash used for investing activities		(44.4)
Financing activities		
Payments on long-term borrowings		(23.4)
Distributions to Covalence Specialty Materials Holding Corporation		(1.3)
Net cash used for financing activities		(24.7)
Effect of exchange rate changes on cash		(0.2)
Net decrease in cash and cash equivalents		(9.5)
Cash and cash equivalents at beginning of period		83.1
Cash and cash equivalents at end of period	$	73.6

See notes to combined financial statements.

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BERRY PLASTICS HOLDING CORPORATION

NOTES TO COMBINED FINANCIAL STATEMENTS

For the Three Months Ended December 30, 2006

1. Basis of Presentation and Summary of Significant Accounting Policies

Background

Berry Plastics Holding Corporation ("Berry" or "the Company") manufactures and markets plastic packaging products, plastic film products, specialty adhesives and coated products. At December 30, 2006, the Company had 63 production and manufacturing facilities, with 54 located in the United States.

On March 12, 2007, Berry and Covalence Specialty Materials Corp. ("Covalence"), another controlled portfolio company of Apollo Management, L.P. ("Apollo") signed a definitive merger agreement. On April 3, 2007, in connection with the closing of the merger, Berry Plastics Group, Inc. ("Group"), the Parent Company of Berry merged with and into Covalence Specialty Materials Holding Corporation ("Holding"), the Parent Company of Covalence and the name of the combined new parent company became Berry Plastics Group, Inc. After the completion of the merger of Group and Holding, Covalence merger into Berry, with Berry being the surviving legal entity.

In connection with the closing of the merger, Berry Plastics Holding Corporation adopted the fiscal year-end of the accounting acquirer (Covalence Specialty Materials Corp). The Company has adopted a September year-end and commencing with periodic reports after the consummation of the merger on April 3, 2007, will begin filing its periodic reports on a combined basis.

Basis of Presentation

Prior to the merger, Berry and Covalence were considered entities under the common control of Apollo affiliates as defined in Emerging Issues Task Force ("EITF") Issue No. 02-5, *Definition of Common Control in Relation to FASB Statement of Financial Accounting Standards No. 141, Business Combinations.* As a result of the merger, the financial statements of these entities are being presented retroactively on a combined basis in a manner similar to a pooling of interests, and include the results of operations of each business from the date of acquisition by the Apollo affiliates.

The accompanying Berry combined financial statements include the following entities:

- the former Covalence Specialty Materials Corp as of December 29, 2006 and for the period from September 30, 2006 to December 29, 2006;
- the former Berry Plastics Holding Corporation as of December 30, 2006 and for the period from October 1, 2006 to December 30, 2006.

The acquisitions by affiliates of Apollo of Berry Plastics Holding Corporation and Covalence Specialty Materials Corp. have both been accounted for by the purchase method of accounting. All intercompany transactions have been eliminated. In connection with the closing of the merger on April 3, 2007, Berry entered into a new credit facility which was comprised of a $400 million asset based revolving line of credit and a $1.2 billion term loan.

The financial presentation presented in Berry's financial statements as of December 30, 2006 and for the three month period ended December 30, 2006 reflects all expenses incurred by Group and Holding. Berry has recorded expense in their financial statements to reflect expense related to stock compensation, management fees and income taxes, as Group and Holding each files a consolidated income tax return. Capital stock in the combined company includes the capital stock (common stock and perpetual preferred stock) that was invested in Group and Holding by Apollo. All other capital stock contributed by the minority shareholders is reflected in minority interest, to the extent that it was a positive equity balance. Berry, through its wholly-owned subsidiaries operates in five primary segments: open top, closed top, plastics, adhesives and coatings. The Company's customers are located principally throughout the United States, without significant concentration in any one region or with any one customer. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

The Company has recorded a minority interest liability for the equity interest in the combined company that are not owned by funds affiliated with and controlled by Apollo. At December 30, 2006, the minority interest liability reflects the equity interests in Group and Holding held by management and other third parties. In connection with the acquisition of Berry by Apollo on September 20, 2006, management elected to rollover shares that were owned in Berry prior to the acquisition by Apollo into the new Company and accordingly, there was no step up applied under purchase accounting for their ownership in accordance with EITF 88-16, *Basis in Leveraged Buyout Transactions*. Since Berry management has a negative equity balance that is not recoverable from the management shareholders, this amount has been reflected as a reduction of Apollo's equity in Berry at December 30, 2006. All losses that are allocable to management are being absorbed by Apollo due to the negative equity of Berry's management. In connection with the closing of the merger on April 3, 2007, the minority ownership interests were acquired.

The accompanying unaudited combined financial statements of Berry Plastics Holding Corporation, have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the period presented is not necessarily indicative of the results of Berry Plastics Holding Corporation ("Berry") and its wholly-owned subsidiaries. The financial presentation presented in the Berry financial statements reflects the consolidated operations and financial position including the results of Group. For further information, refer to the combined financial statements and footnotes thereto included in Berry's Form S-4 filed in connection with the exchange offer and included in the S-4 for the period from February 17, 2006 to September 30, 2006. The historical financial statements of Covalence Specialty Materials Corporation and Berry Plastics Holding Corporation which are included in the S-4 should also be considered when reviewing the combined financial statements for the three months ended December 30, 2006.

2. Acquisitions

Covalence Acquisition

On February 16, 2006, substantially all of the assets and liabilities of Tyco Plastics & Adhesives were acquired by Covalence, under a Stock and Asset Purchase Agreement dated December 20, 2005 and entered into among Holding, an affiliate of Apollo Management V, L.P. and the direct parent of the Covalance, Tyco International S.A. and Tyco Group S.a.r.l. Under the agreement, Covalence acquired Tyco's businesses through the acquisition of certain equity interests of, and certain assets and liabilities held by direct and indirect operating subsidiaries of, Tyco International Ltd. ("Tyco"). The initial purchase price was $975.2 million, subject to working capital adjustments and was funded with a new $350.0 million term loan, $175.0 million of Second Priority Floating Rate Notes, $265.0 million of 10 ¼% Senior Subordinated Notes and an equity contribution of approximately $197.5 million. Covalence performed an evaluation of the fair values of the real and personal property, inventory and certain

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identifiable intangible assets in connection with the purchase price allocation related to the Acquisition. A valuation study was undertaken, which supports the purchase price allocation. The valuation study resulted in a fair value step-up of real and personal property, inventory and certain identifiable intangible assets. Covalence recognized $6.8 million as a charge to cost of sales relating to the sale of inventory that was stepped-up to fair value during the period from February 17, 2006 to September 30, 2006. Covalence is in the process of finalizing its purchase accounting information and, based on the valuation study and other available information, has recorded a purchase price of $916.1 million, which includes $975.2 million of original purchase price partially offset by net favorable working capital adjustments from Tyco of approximately $59.1. During the first quarter, Covalence recorded a $9.0 million change to the allocation of the excess fair value over purchase price as a result of finalizing its evaluation of the fair values of the certain current assets, real and personal property, and inventories. Covalence anticipates that it will completely finalize its purchase accounting allocation for the Acquisition during the first calendar quarter of 2007. The remaining excess of the fair value of the net assets acquired over the purchase price paid has been allocated to non current assets on a prorated basis. The following table summarizes the current allocation of fair values of Covalence's assets acquired and liabilities assumed at the date of acquisition.

	Estimated Fair Value at February 16, 2006	Allocation of Excess Fair Value over Purchase Price (in millions)	Allocation of Purchase Price At February 16, 2006
Current assets	$ 429.0	$ —	$ 429.0
Property, plant and equipment	345.4	(1.6)	343.8
Intangible assets	364.4	(1.5)	362.9
Other non current assets	24.1	—	24.1
Assets acquired	1,162.9	(3.1)	1,159.8
Current liabilities	176.6	—	176.6
Non current liabilities	67.1	—	67.1
Liabilities assumed	243.7	—	243.7
	$ 919.2	$ (3.1)	$ 916.1

Berry Acquisition

On September 20, 2006, BPC Acquisition Corp. merged with and into BPC Holding Corporation pursuant to an agreement and plan of merger, dated June 28, 2006, with BPC Holding Corporation continuing as the surviving corporation. Following the consummation of the merger, BPC Holding Corporation changed its name to Berry Plastics Holding Corporation. Berry 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 acquire Berry and to pay fees related to the acquisition was $2.4 billion. The acquisition was primarily funded with (1) the issuance of $750.0 million aggregate principal amount of second priority senior secured 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. Apollo and its affiliates own 72% of the common stock of Group. The remaining common stock is primarily held by an affiliate of Graham Partners II, L.P., which owns 10% and members of Berry's management which own 16%.

The acquisition of Berry has been accounted for under the purchase method of accounting, and accordingly, the purchase price has been allocated to the identifiable assets and liabilities based on estimated fair values at the acquisition date. The allocation is preliminary and is subject to change. The Company is amortizing its definite lived intangible assets over a weighted-average life of 20 years. The impact of writing up inventory to net realizable value was $10.1 million which resulted in a charge to cost of goods sold for the period from October 1 to December 30, 2006 of $7.2 million. The Company has applied the provisions of Emerging Issues Task Force 88-16, whereby, the carryover equity interests of certain management shareholders from Berry prior to the acquisition by Apollo were recorded at their historical basis. The application of these provisions has preliminarily reduced stockholders' equity and intangibles by $173.4 million. The following table summarizes the allocation of purchase price and the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition.

		September 20, 2006
Current assets	$	389.3
Property and equipment		473.2
Goodwill		989.2
Customer relationships		511.9
Trademarks		182.2
Other intangibles and deferred financing fees		59.0
Total assets		2,604.8
Current liabilities		197.4
Long-term liabilities		2,103.4
Total liabilities		2,300.8
Net assets acquired	$	304.0

The $304.0 million of net assets acquired consists of Apollo, Graham and management's $428.8 million cash contribution and $31.8 million of carryover basis in rollover stock, net of the $5.9 million charge to loss on extinguished debt for bridge financing fees arranged to fund the Merger but not utilized and a $150.7 million deemed cash dividend to the selling shareholders that was required to be recognized by Emerging Issues Task Force Issue No. 88-16, Basis in Leveraged Buyout Transactions.

Berry Acquisition of Kerr Group, Inc.

On June 3, 2005, Berry acquired Kerr Group, Inc. ("Kerr") for aggregate consideration of approximately $454.8 million (the "Kerr Acquisition"), including direct costs associated with the acquisition. The operations from the Kerr Acquisition are included in Berry's operations since the acquisition date. 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. In accordance with EITF 95-3, the Company established opening balance sheet reserves of $2.7 million related to plant shutdown and severance costs, of which payments totaling $1.5 million have been made through December 30,

2006.

3. Long-Term Debt

Long-term debt consists of the following at December 30, 2006:

Term loan - Berry	$	**673.3**
Revolving line of credit - Berry		—
Second Priority Senior Secured Fixed Rate Notes - Berry		**525.0**
Second Priority Senior Secured Floating Rate Notes - Berry		**225.0**
11% Senior Subordinated Notes - Berry		**425.0**
Capital leases - Berry		**23.7**
Other - Berry		**0.9**
Term loan - Covalence		**298.5**
Revolving line of credit - Covalence		—
Second Priority Floating Rate Notes - Covalence		**175.0**
10 ¼% Senior Subordinated Notes - Covalence		**265.0**
Less debt discount on 10 ¼% Notes - Covalence		**6.3**
		2,605.1
Less current portion of long-term debt		**15.4**
	$	**2,589.7**

Covalence

Senior Secured Credit Facility

In connection with the Acquisition of Tyco Plastics & Adhesives, Covalence entered into a senior secured credit facility, which included a term loan in the amount of $350.0 million with a maturity date of February 16, 2013. On May 18, 2006, Covalence 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 Covalence'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. 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 Covalence achieves certain leverage ratios.

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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, Covalence must prepay the outstanding term loan, subject to certain exceptions, with:

- Beginning with Covalence'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 Covalence 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, Covalence 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. Covalence also pays customary letter of credit fees, including a fronting fee of 0.25% per annum of the stated amount of each outstanding letter of credit, and customary agency fees.

Covalence 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 Covalence from prepaying other indebtedness, restricts its ability to incur indebtedness or liens, make investments or declare or pay any dividends.

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

Second Priority Floating Rate Notes

Also in connection with Apollo's acquisition of Covalence, Covalence entered into the $175.0 million 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 Covalence's existing domestic subsidiaries that guarantees debt under Covalence's senior secured credit facilities and by certain of Covalence'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.

10 1/4% Senior Subordinated Notes

Covalence 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 discount of $6.3 million that this note was issued at, which is reflected in the Supplemental Combined Balance Sheet. The notes are senior subordinated obligations of Covalence and rank junior to all other senior indebtedness of Covalence 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 notes each contain a number of covenants that, among other things and subject to certain exceptions, restrict Covalence's 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 Covalence's assets. For the period ended December 30, 2006, Covalence has complied with all necessary covenants. No principal payments are required with respect to the second priority floating rate loan and the senior subordinated notes prior to maturity.

As of December 30, 2006 Covalence had available borrowing capacity of approximately $193.3 million under Covalence's revolving credit facility. As of December 30, 2006 Covalence had approximately $6.7 million in letters of credit issued and outstanding.

Berry Plastics

Senior Secured Credit Facility

On September 20, 2006, Berry 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 Berry'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. Berry 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 Berry 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. Berry 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 Berry and each subsidiary guarantor subject to certain exceptions: (1) a first priority pledge of all equity interests of Berry, 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 Berry 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 Berry to maintain the total net first lien leverage ratio below a certain ratio and also contains certain customary affirmative covenants and events of default. Berry 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 under the revolving credit facility. At December 30, 2006, Berry had $14.7 million under the Credit Facility in letters of credit outstanding. At December 30, 2006, the Company had unused borrowing capacity of $185.3 million under Berry’s revolving line of credit.

Second Priority Senior Secured Notes

On September 20, 2006, Berry 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, Berry 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, Berry 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, Berry 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.

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11% Senior Subordinated Notes

On September 20, 2006, Berry issued $425.0 million in aggregate principal amount of senior subordinated notes ("Senior Subordinated Notes") to affiliates of Goldman, Sachs and Co. 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, Berry 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 Berry's option under circumstances and at redemption prices set forth in the indenture. Upon the occurrence of a change of control, Berry 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.

Future maturities of long-term debt at December 30, 2006 are as follows:

2007	$ 15.4
2008	14.3
2009	15.0
2010	9.9
2011	17.8
Thereafter	2,539.0
	$ 2,611.4

4. Goodwill, Intangible Assets and Deferred Costs

The following table sets forth the gross carrying amount and accumulated amortization of the Company's intangible assets:

	Carrying Value
Deferred financing fees	$ 67.0
Customer relationships	628.2
Goodwill	989.2
Trademarks	182.2
Patents	15.8
Licenses	106.8
Technology	140.4
Accumulated amortization	(42.2)
	$ 2,087.4

Amortization for intangibles and deferred financing fees for the quarter ended December 30, 2006 was $17.4 million.

5. Income Taxes

A reconciliation of income tax benefit, computed at the federal statutory rate, to income tax expense, as provided for in the financial statements, is as follows:

Income tax expense (benefit) computed at statutory rate	$	(18.4)
State income tax expense (benefit), net of federal taxes		(2.4)
Expenses not deductible for income tax purposes		(0.2)
Change in valuation allowance		1.6
Other		(0.1)
Income tax benefit	$	(19.5)

6. Employee Retirement Plans

In connection with the Kerr Acquisition in 2005, Berry acquired two defined benefit pension plans which cover substantially all former employees and former union employees at Kerr's former Lancaster facility. Berry also acquired a retiree health plan from Kerr, which covers certain healthcare and life insurance benefits for certain retired employees and their spouses. Berry also maintains a defined benefit pension plan covering the Poly-Seal employees under a collective bargaining agreement. Berry's defined benefit and retiree health benefit plans have a minimum pension liability of $14.3 million at December 30, 2006 which is recorded as other liabilities in the supplemental combined balance sheet. Covalence also has one defined benefit plan which is fully funded and has a projected benefit obligation of $1.0 million. Net pension and retiree health benefit expense included the following components:

Components of net period benefit cost:		
Defined Benefit Pension Plans		
Service cost	$	-
Interest cost		0.5
Expected return on plan assets		(0.6)
Amortization of prior service cost		-
Recognized actuarial loss		-
Net periodic benefit cost	$	(0.1)
Retiree Health Benefit Plan		
Service cost	$	-
Interest cost		0.1
Recognized actuarial loss		-
Net periodic benefit cost	$	0.1

7. Contingencies
The Company is party to various legal proceedings involving routine claims which are incidental to the business. The Company is also liable in the normal course of business for product performance of certain of its products. Although the legal and financial liability with respect to such proceedings cannot be estimated with certainty, the Company believes that any ultimate liability would not be material to the Company's financial condition or results of operations.

At the time of the Covalence Acquisition, under the Covalence predecessor (Tyco Plastics & Adhesives, "TP&A"), various claims, lawsuits and administrative proceedings arising in the ordinary course of business with respect to commercial, product liability and environmental matters were pending or threatened against TP&A. Additionally, TP&A was involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites. As part of the Acquisition of Covalence, the selling Tyco entities which owned TP&A retained the liabilities associated with these known environmental matters, which relate to the offsite disposal of hazardous materials. Covalence retained liabilities relating to environmental matters on the acquired properties. Covalence also retained the liabilities associated with all known commercial and product liability matters. In the opinion of management, the ultimate resolution of these matters is not known and an estimate cannot be made. The Company has not recorded a reserve for these matters as they are not reasonably estimable and believes these will not have a material impact on the Company's financial position, results of operations, or cash flows.

8. Related Party Transactions

Apollo Management Fee

Covalence is charged a management fee by Apollo Management V, L.P., an affiliate of its principal stockholder, for the provision of management consulting and advisory services provided throughout the year. The management fee is the greater of $2.5 million or 1.5% of adjusted EBITDA. In addition, Apollo has the right to terminate the agreement at any time, in which case Apollo will receive additional consideration equal to the present value of $17.5 million less the aggregate amount of annual management fees previously paid to Apollo. Berry is charged a management fee by Apollo Management VI, L.P., an affiliate of its principal stockholder and Graham Partners, for the provision of management consulting and advisory services provided throughout the year. The management fee is the greater of $3.0 or 1.25% of adjusted EBITDA. In addition, Apollo and Graham have the right to terminate the agreement at any time, in which case Apollo and Graham will receive additional consideration equal to the present value of $21 million less the aggregate amount of annual management fees previously paid to Apollo and Graham, and the employee stockholders will receive a pro rata payment based on such amount. The Covalence fee is payable at the beginning of each fiscal year and the Berry fee is paid quarterly. The first year of the Covalence fee was paid in February 2006 for 12 months of management fees. For the quarter ended December 30, 2006, the Company paid $0.8 million for the management fees.

Apollo Transaction Fees

In connection with the acquisition of Covalence, the Company paid a fee to entities affiliated with Apollo Management, L.P. of $10.0 million. In connection with the acquisition of Berry, the Company paid $18.1 million to entities affiliated with Apollo Management, L.P. and $2.3 million to entities affiliated with Graham Partners, Inc. for advisory and other services.

Transactions with other related Apollo-affiliated companies

The Company conducts reviews of all transactions between itself and companies owned by affiliates of Apollo Management V, L.P. The value of all of these transactions, other than the management fee for the three months ended December 30, 2006 was less than $0.1 million. All of these other transactions were conducted in the normal course of business.

Final working capital adjustment owed to Tyco

As part of the Acquisition, Covalence agreed to pay to Tyco a working capital adjustment not to exceed $30.0 million. The amount was based on the average resin price the Company paid during fiscal year 2006. The Company paid the $30.0 million adjustment plus accrued interest to Tyco during the first quarter.

9. Comprehensive Loss

Comprehensive loss is comprised of net loss, other comprehensive income (losses), and gains or losses resulting from currency translations of foreign investments. Other comprehensive income (losses) includes unrealized gains or losses on minimum pension liability adjustments. The details of comprehensive losses are as follows:

Net loss	$ (30.8)
Other comprehensive income	0.6
Currency translation income	1.3
Comprehensive losses	$ (28.9)

10. Stock Compensation

In December 2004, the FASB issued SFAS No. 123 (Revised 2004), Share-Based Payment (“SFAS 123R”), which requires that the compensation cost relating to share-based payment transactions be recognized in financial statements based on alternative fair value models. The share-based compensation cost is measured based on the fair value of the equity or liability instruments issued. As of December 30, 2006, the Company has two share-based compensation plans (“Berry Stock Option Plan” & “Covalence Stock Option Plan”). Under the Berry and the Covalence stock option plans, members of management were granted stock options at the time of closing of the respective acquisitions. The Company recorded $0.5 million for the quarter ended December 30, 2006 for non-cash charges for stock compensation related to amortization of the fair value of unvested stock options. The Company recognized compensation cost on new grants based upon the grant date fair value of those awards calculated under SFAS 123R. The total income tax benefit recognized in the income statement for share-based compensation arrangements for the quarter ended December 30, 2006 was $0.2 million.

The combined company utilized a combination of the Black-Scholes and lattice-based option valuation models for estimating the fair value of the stock options. Both companies have three tranches of options which include time based, performance based and accreting options. The models allow for the use of a range of assumptions. Expected volatilities utilized in the lattice model are based on implied volatilities from traded stocks of peer companies. Similarly, the dividend yield is based on historical experience and the estimate of future dividend yields. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The lattice model incorporates exercise and post-vesting forfeiture assumptions based on an analysis of historical data. The expected life of the grants

are derived from historical experience and expected behavior. The fair value for options granted have been estimated at the date of grant using a Black-Scholes or lattice option pricing model, generally with the following weighted average assumptions:

	Berry	Covalence
Risk-free interest rate	**4.5%**	**4.5 -4.9%**
Dividend yield	**0.0%**	**0.0%**
Volatility factor	**.20**	**.45**
Expected option life	**6.0 years**	**3.73 -6.83 years**

11. Segment and Geographic Data

The Company's reportable segments are strategic business units that operate in different industries and are managed separately. The Plastics segment manufactures polyethylene-based film, packaging products, bags and sheeting. The Adhesives segment manufactures specialty adhesive products and tapes for industrial applications, including external corrosion protection products for oil, gas and water pipelines. The Coatings segment manufactures a variety of specialty laminates and coated products principally derived from paper, film, foil and fabrics. The Open top segment manufactures containers, drink cups and houseware products. The Closed top segment manufactures closures, bottles and prescription vials and tubes. Selected information by reportable segment is presented in the following table:

(in millions)	**October 1 to December 30, 2006**
Net Revenue	
Plastics	$ 246.1
Adhesives	73.0
Coatings	49.1
Open Top	193.7
Closed top	143.2
Less intercompany revenue	(1.5)
	$ 703.6

Operating income		
Plastics	$	(8.9)
Adhesives		(0.2)
Coatings		(2.9)
Open Top		15.8
Closed top		9.5
Corporate expenses - Covalence		(5.8)
	$	7.5
Total Assets		
Plastics	$	596.0
Adhesives		235.5
Coatings		175.5
Open Top		1,550.0
Closed top		1,018.7
Corporate - Covalence		82.8
	$	3,658.5

12. Guarantor and Non-Guarantor Financial Information

Berry Plastics Holding Corporation, a wholly owned subsidiary of Berry Plastics Group, Inc., has Second Priority Fixed and Floating Rate Notes and 10 ¼% Senior Subordinated notes outstanding which are fully and unconditionally guaranteed by Berry Plastics Holding Corporation’s domestic subsidiaries. Separate financial statements and other disclosures concerning the Parent Company and Guarantor Subsidiaries are not presented because they are 100% wholly-owned by the Parent Company and Guarantor Subsidiaries have fully and unconditionally guaranteed such debt on a joint and several basis. The following tables present consolidating financial information for the Parent Company, Guarantor Subsidiaries and Non-Guarantor Subsidiaries of Berry Plastics. The equity method of accounting is used to reflect investments of the Parent Company in its Guarantor and Non-Guarantor Subsidiaries. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

Condensed Combined Statement of Operations
For the Period from October 1, 2006 to December 30, 2006
($ in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net revenue, including related party revenue	$ 237.1	430.6	$ 43.4	$ (7.5)	$ 703.6
Cost of sales.	226.3	356.5	41.5	(7.1)	617.2
Gross profit	10.8	74.1	1.9	(0.4)	86.4
Selling, general and administrative expenses.	24.1	50.8	3.7	—	78.6
Restructuring and impairment charges, net	0.3	—	—	—	0.3
Operating income (loss)	(13.6)	23.3	(1.8)	(0.4)	7.5
Other (income) expense	—	—	0.1	—	0.1
Interest expense, net.	43.0	16.6	0.3	—	59.9
Equity in net income of subsidiaries.	(10.3)	2.0	—	8.3	—
Income (loss) before income taxes.	(46.3)	4.7	(2.2)	(8.7)	(52.5)
Income tax expense (benefit)	(13.3)	(6.5)	0.3	—	(19.5)
Minority interest	(2.2)	—	—	—	(2.2)
Net income (loss).	$ (30.8)	$ 11.2	$ (2.5)	$ (8.7)	$ (30.8)

Condensed Combined Balance Sheet
As of December 30, 2006
($ in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 50.8	$ 18.6	$ 4.2	$ —	$ 73.6
Accounts receivable, net of allowance for doubtful accounts	94.2	171.2	26.7	—	292.1
Inventories	117.8	211.5	22.8	—	352.1
Prepaid expenses and other current assets	3.2	42.3	10.1	—	55.6
Total current assets	266.0	443.6	63.8	—	773.4
Property, plant and equipment, net	220.8	531.7	44.6	—	797.1
Intangible assets, net	1,170.6	846.4	7.7	—	2,024.7
Investment in Subsidiaries	419.2	24.1	—	(443.3)	—
Other assets	62.7	0.6	—	—	63.3
Total Assets	$ 2,139.3	$ 1,846.4	$ 116.1	$ (443.3)	$ 3,658.5
Liabilities and Equity					
Current liabilities:					
Accounts payable	$ 77.1	$ 121.9	$ 12.8	$ —	$ 211.8
Accrued and other current liabilities	58.2	77.2	7.0	—	142.4
Long-term debt—current portion	9.8	5.3	0.3	—	15.4
Intercompany accounts, net	(1,067.0)	1,038.9	27.7	0.4	—
Total current liabilities	(921.9)	1,243.3	47.8	0.4	369.6
Long-term debt.	2,570.8	17.2	1.7	—	2,589.7
Deferred tax liabilities	33.6	198.0	2.6	—	234.2
Other non current liabilities	0.5	19.4	2.2	—	22.1
Total long-term liabilities	2,604.9	234.6	6.5	—	2,846.0
Total Liabilities	1,683.0	1,477.9	54.3	0.4	3,215.6
Commitments and contingencies					
Minority interest	63.2	—	—	—	63.2
Contributions from Holdings	190.5	368.6	35.1	(403.7)	190.5
Stock	—	—	28.0	(28.0)	—
Additional paid-in capital	249.3	—	—	—	249.3
Retained deficit	(46.8)	(0.4)	(3.1)	(11.7)	(62.0)
Treasury stock	(0.1)	—	—	—	(0.1)
Note receivable-stockholders	(0.1)	—	—	—	(0.1)

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Cumulative translation	0.3	(0.4)	1.8	(0.3)	1.4
Minimum pension liability	—	0.7	—	—	0.7
Total Equity	393.1	368.5	61.8	(443.7)	379.7
Total Liabilities and Equity	$ 2,139.3	$ 1,846.4	$ 116.1	$ (443.3)	$ 3,658.5

Condensed Combined Statement of Cash Flows
For the Period from October 1, 2006 to December 30, 2006
($ in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flow from Operating Activities	$ 51.0	$ 10.4	$ (1.6)	$ —	$ 59.8
Cash Flow from Investing Activities					
Purchase of property, plant, and equipment	(7.1)	(6.7)	(0.4)	—	(14.2)
Acquisition of business net of cash acquired	(30.2)			—	(30.2)
Net cash used in investing activities	(37.3)	(6.7)	(0.4)	—	(44.4)
Cash Flow from Financing Activities					
Payments on long-term borrowings	(23.9)	(0.1)	0.6	—	(23.4)
Distributions to Covalence Specialty Materials Holding Corporation	(1.3)	—	—	—	(1.3)
Net cash provided by financing activities	(25.2)	(0.1)	0.6	—	(24.7)
Effect of currency translation on cash	—	—	(0.2)	—	(0.2)
Net increase in cash and cash equivalents	(11.5)	3.6	(1.6)	—	(9.5)
Cash and cash equivalents at beginning of period	62.3	15.0	5.8	—	83.1
Cash and cash equivalents at end of period	$ 50.8	$ 18.6	$ 4.2	$ —	$ 73.6

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13. Subsequent Events

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. Covalence expects to recognize costs associated with the restructuring over the next eight months.

On April 3, 2007, in connection with the merger of Berry and Covalence, shares of Berry Plastics Group, Inc., the former parent of Berry Plastics Holding Corporation, and Covalence Specialty Materials Holding Corporation held by minority shareholders and management were exchanged for shares in the new merged company. The minority shareholders and management held ownership interests of 28% and 5% for Berry and Covalence, respectively. The acquisition of these ownership interests occurred on April 3, 2007 in connection with the closing of the transaction and was accounted for under the purchase method of accounting and pushed-down to the Company.

On April 3, 2007, the Company entered into a new senior secured credit facility (“Berry Credit Facility”) and replaced and repaid the Berry and Covalence credit facilities. The $1.6 billion senior secured credit facility has a $400 million asset based revolving credit facility and $1.2 billion term loan facility. The facility will also provide a $100 million letter of credit 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 merger and there are no amounts outstanding at closing on the revolving credit facility.

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 Plastics 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 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.

14. Recent Accounting Pronouncements

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. The Company is currently evaluating the impact that this Statement will have on its financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Berry Plastics Holding Corporation

We have audited the accompanying consolidated balance sheets of Berry Plastics Holding Corporation (a wholly owned subsidiary of Berry Plastics Group, Inc.) as of December 30, 2006 (Company) and December 31, 2005 (Predecessor), and the related consolidated statements of operations, stockholders' equity, and cash flows for the periods from September 20, 2006 to December 30, 2006 (Company), January 1, 2006 to September 19, 2006 (Predecessor), and each of the two years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Berry Plastics Holding Corporation at December 30, 2006 (Company), and December 31, 2005 (Predecessor), and the consolidated results of its operations and its cash flows for the periods from September 20, 2006 to December 30, 2006 (Company), January 1, 2006 to September 19, 2006 (Predecessor) and each of the two years in the period ended December 31, 2005 (Predecessor), in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2006 the Company adopted Statement of Financial Accounting Standards No. 123(R), Share-Based Payment.

/s/ ERNST & YOUNG LLP

Indianapolis, Indiana
March 9, 2007

Berry Plastics Holding Corporation
Consolidated Balance Sheets
(In Thousands of Dollars, except per share information)

	Company December 30, 2006	Predecessor December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	$ 19,549	$ 24,756
Accounts receivable (less allowance for doubtful accounts of $5,369 at December 30, 2006 and $5,766 at December 31, 2005)	145,387	140,443
Inventories:		
Finished goods	111,635	101,632
Raw materials and supplies	48,885	50,716
	160,520	152,348
Deferred income taxes	21,531	22,905
Prepaid expenses and other current assets	24,416	39,037
Total current assets	371,403	379,489
Property and equipment:		
Land	15,504	12,292
Buildings and improvements	83,329	92,810
Equipment and construction in progress	390,018	497,364
	488,851	602,466
Less accumulated depreciation	24,874	179,022
	463,977	423,444
Intangible assets:		
Deferred financing fees, net	41,763	18,333
Customer relationships, net	504,663	255,981
Goodwill	989,181	495,258
Trademarks, net	182,200	47,065
Other intangibles, net	15,469	28,260
	1,733,276	844,897
Total assets	$ 2,568,656	$ 1,647,830

Consolidated Balance Sheets (continued)

	Company December 30, 2006	Predecessor December 31, 2005
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 89,030	$ 64,970
Accrued interest	26,010	20,165
Employee compensation, payroll and other taxes	37,113	43,915
Accrued expenses and other current liabilities	31,297	34,730
Current portion of long-term debt	12,400	13,928
Total current liabilities	195,850	177,708
Long-term debt, less current portion	1,860,474	1,146,692
Deferred income taxes	197,801	94,934
Other long-term liabilities	20,344	25,108
Total liabilities	2,274,469	1,444,442
Stockholders' equity:		
Common stock; $.01 par value: 200,000,000 shares authorized; 4,931,011 shares issued and outstanding at December 30, 2006	49	—
Additional paid-in capital	493,581	346,943
Adjustment of the carryover basis of continuing stockholders	(173,422)	(196,603)
Notes receivable - common stock	(9,935)	(14,273)
Treasury stock: 629 shares	(63)	—
Common Stock (Predecessor)	—	34
Treasury Stock (Predecessor)	—	(3,547)
Retained earnings	(18,065)	58,969
Accumulated other comprehensive income	2,042	11,865
Total stockholders’ equity	294,187	203,388
Total liabilities and stockholders' equity	$ 2,568,656	$ 1,647,830

See notes to consolidated financial statements.

Berry Plastics Holding Corporation

Consolidated Statements of Operations
(In Thousands of Dollars)

	Company Period from 9/20/06-12/30/06	Period from 01/01/06-09/19/06	Predecessor Year ended December 31, 2005	Year ended January 1, 2005
Net sales	$ 383,288	$ 1,048,476	$ 1,169,704	$ 814,213
Cost of goods sold	316,939	839,429	943,370	639,329
Gross profit	66,349	209,047	226,334	174,884
Operating expenses:				
Selling	10,253	28,255	34,145	26,361
General and administrative	17,369	43,885	49,477	38,518
Research and development	2,373	5,455	6,131	3,825
Amortization of intangibles	7,554	15,127	15,574	6,513
Merger expenses	—	70,122	—	—
Other expenses	4,325	4,744	5,218	5,791
Operating income	24,475	41,459	115,789	93,876
Other expense (income):				
Unrealized loss (gain) on investment in Southern Packaging	—	(299)	1,354	—
Income before interest and taxes	24,475	41,758	114,435	93,876
Interest:				
Expense	47,773	64,710	74,445	54,076
Loss on extinguished debt	5,875	34,041	7,045	—
Income	(302)	(901)	(1,171)	(891)
Income (loss) before income taxes	(28,871)	(56,092)	34,116	40,691
Income tax expense (benefit)	(10,806)	1,011	14,325	17,740
Net income (loss)	$ (18,065)	$ (57,103)	$ 19,791	$ 22,951

See notes to consolidated financial statements.

Berry Plastics Holding Corporation

Consolidated Statements of Changes in Stockholders' Equity
(In Thousands of Dollars)

	Common Stock	Additional Paid-In Capital	Adjustment of the carryover basis of continuing stockholders	Notes receivable - common stock	Treasury Stock	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total	Comprehensive Income
Predecessor:									
Balance at December 27, 2003	$ 34	$344,363	$(196,603)	$(14,157)	$ (1,972)	$ 16,227	$ 4,699	$152,591	
Issuance of common stock	—	53	—	—	—	—	—	53	
Collection on notes receivable	—	—	—	73	—	—	—	73	
Purchase of treasury stock	—	—	—	—	(192)	—	—	(192)	
Sale of treasury stock	—	—	—	—	115	—	—	115	
Interest on notes receivable	—	—	—	(772)	—	—	—	(772)	
Stock-based compensation	—	585	—	—	—	—	—	585	
Translation gain	—	—	—	—	—	—	2,743	2,743	2,743
Other comprehensive gains	—	—	—	—	—	—	5,744	5,744	5,744
Net income	—	—	—	—	—	22,951	—	22,951	22,951
Balance at January 1, 2005	34	345,001	(196,603)	(14,856)	(2,049)	39,178	13,186	183,891	31,438
Collection on notes receivable	—	—	—	1,361	—	—	—	1,361	
Purchase of treasury stock	—	(15)	—	—	(5,498)	—	—	(5,513)	
Sale of treasury stock	—	(195)	—	—	4,000	—	—	3,805	
Interest on notes receivable	—	—	—	(778)	—	—	—	(778)	

Stock-based compensation	—	2,152	—	—	—	—	—	2,152	
Translation losses	—	—	—	—	—	—	(3,225)	(3,225)	(3,225)
Other comprehensive gains	—	—	—	—	—	—	1,904	1,904	1,904
Net income	—	—	—	—	—	19,791	—	19,791	19,791
Balance at December 31, 2005	34	346,943	(196,603)	(14,273)	(3,547)	58,969	11,865	203,388	18,470
Collection on notes receivable	—	—	—	3,234	—	—	—	3,234	
Purchase of treasury stock	—	(204)	—	—	(827)	—	—	(1,031)	
Sale of treasury stock	—	—	—	—	873	—	—	873	
Interest on notes receivable	—	—	—	(488)	—	—	—	(488)	
Stock-based compensation	—	12,638	—	—	—	—	—	12,638	
Translation gains	—	—	—	—	—	—	2,145	2,145	2,145
Other comprehensive losses	—	—	—	—	—	—	(6,328)	(6,328)	(6,328)
Net loss	—	—	—	—	—	(57,103)	—	(57,103)	(57,103)
Redemption of predecessor stock	(34)	(359,377)	196,603	11,527	3,501	(1,866)	(7,682)	(157,328)	61,286
Balance at September 19, 2006	—	—	—	—	—	—	—	—	
Company:									
Fair value adjustment on rolled stock	**—**	**—**	**(173,422)**	**—**	**—**	**—**	**—**	**(173,422)**	
Issuance of common stock	**49**	**493,052**	**—**	**(9,805)**	**—**	**—**	**—**	**483,296**	
Purchase of treasury stock	**—**	**—**	**—**	**—**	**(148)**	**—**	**—**	**(148)**	
Sale of treasury stock	**—**	**—**	**—**	**—**	**85**	**—**	**—**	**85**	
Interest on notes receivable	**—**	**—**	**—**	**(130)**	**—**	**—**	**—**	**(130)**	
	—	**529**	**—**	**—**	**—**	**—**	**—**	**529**	

Stock-based compensation									
Translation gains	**—**	**—**	**—**	**—**	**—**	**—**	**1,358**	**1,358**	**1,358**
Other comprehensive gains	**—**	**—**	**—**	**—**	**—**	**—**	**684**	**684**	
Net loss	**—**	**—**	**—**	**—**	**—**	**(18,065)**	**—**	**(18,065)**	**(18,065)**
Balance at December 30, 2006	**$ 49**	**$493,581**	**$ (173,422)**	**$ (9,935)**	**$ (63)**	**$ (18,065)**	**$ 2,042**	**$ 294,187**	**$ (16,707)**

See notes to consolidated financial statements.

Berry Plastics Holding Corporation

Consolidated Statements of Cash Flows
(In Thousands of Dollars)

	Company	Predecessor		
	Period from 09/20/06-12/30/06	**Period from 01/01/06-09/19/06**	**Year ended December 31, 2005**	**Year ended January 1, 2005**
Operating activities				
Net income (loss)	**$ (18,065)**	**$ (57,103)**	$ 19,791	$ 22,951
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	**24,634**	**62,044**	73,146	54,303
Non-cash interest expense	**1,582**	**1,369**	1,945	1,862
Loss on extinguished debt	**5,875**	**34,041**	7,045	—
Amortization of intangibles	**7,554**	**15,127**	15,574	6,513
Non-cash compensation	**529**	**2,856**	2,152	585
Unrealized loss (gain) on investment	**—**	**(299)**	1,354	—
Deferred income taxes (benefit)	**(10,746)**	**—**	12,769	16,772
Merger expenses	**—**	**70,122**	—	—
Changes in operating assets and liabilities:				
Accounts receivable, net	**10,562**	**(14,582)**	(13,004)	(7,216)
Inventories	**16,523**	**(14,214)**	(8,720)	(27,200)
Prepaid expenses and other assets	**2,794**	**3,697**	309	(7,022)
Accrued interest	**26,010**	**(10,300)**	1,349	683
Payables and accrued expenses	**(29,988)**	**40,694**	(12,164)	13,002
Net cash provided by operating activities	**37,264**	**133,452**	101,546	75,233
Investing activities				
Additions to property and equipment	**(15,002)**	**(77,060)**	(57,829)	(52,624)
Proceeds from disposal of property and equipment	**16**	**71**	2,223	2,986
Proceeds from working capital settlement on business acquisition	**—**	**—**	—	7,397
Investment in Southern Packaging	**—**	**—**	—	(3,236)
Acquisitions of businesses	**(2,290,341)**	**—**	(464,392)	—
Net cash used for investing activities	**(2,305,327)**	**(76,989)**	(519,998)	(45,477)
Financing activities				

Proceeds from long-term borrowings		**1,850,832**		**—**		465,052		880
Payments on long-term borrowings		**(3,485)**		**(84,845)**		(12,882)		(55,996)
Proceeds from notes receivable		**—**		**3,234**		1,361		73
Issuance of common stock		**483,296**		**—**		—		53
Purchase of treasury stock		**(148)**		**(1,031)**		(5,513)		(192)
Sale of treasury stock		**85**		**873**		3,805		115
Debt financing costs		**(43,348)**		**—**		(8,637)		(641)
Net cash provided by (used for) financing activities		**2,287,232**		**(81,769)**		443,186		(55,708)
Effect of exchange rate changes on cash		**380**		**550**		(242)		24
Net increase (decrease) in cash and cash equivalents		**19,549**		**(24,756)**		24,492		(25,928)
Cash and cash equivalents at beginning of period		**—**		**24,756**		264		26,192
Cash and cash equivalents at end of period	**$**	**19,549**	**$**	**—**	$	24,756	$	264

See notes to consolidated financial statements.

Berry Plastics Holding Corporation
Notes to Consolidated Financial Statements
(In thousands of dollars, except as otherwise noted)

Note 1. Organization

Berry Plastics Holding Corporation ("Holding", formerly BPC Holding Corporation), through its wholly-owned subsidiary Berry Plastics Corporation ("Berry" or the "Company") and its wholly-owned subsidiaries, manufactures and markets plastic packaging products. Holding is a wholly-owned subsidiary of Berry Plastics Group, Inc. ("Group"). 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," and "2004," relate to the fiscal years ended December 30, 2006, December 31, 2005, and January 1, 2005, respectively. Due to the merger (see Note 3), fiscal 2006 consists of two separate periods of January 1, 2006 to September 19, 2006 (Predecessor) and September 20, 2006 to December 30, 2006 (Company).

Note 2. Summary of Significant Accounting Policies

Consolidation and Business

The consolidated financial statements include the accounts of Holding and its wholly-owned subsidiary Berry Plastics Corporation, and Berry's subsidiaries, all of which are wholly-owned. The financial presentation presented in the Holding financial statements as of December 30, 2006 and for the period from September 20, 2006 to December 30, 2006 reflects all expenses incurred by Group. Holding has recorded expense in their financial statements to reflect expense related to stock compensation, management fees and income taxes, as Group files a consolidated income tax return. In addition, the equity structure of Group has been pushed down to Holding to mirror the capital structure of Group. Intercompany accounts and transactions have been eliminated in consolidation. Holding, through its wholly-owned subsidiary Berry Plastics Corporation and its wholly owned subsidiaries, operates in two primary segments: open top and closed top. The Company's customers are located principally throughout the United States, without significant concentration in any one region or with any one customer. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

Purchases of various densities of plastic resin used in the manufacture of the Company's products aggregated approximately $461.7 million and $385.0 million in 2006 and 2005, respectively. Dow Chemical Corporation was the largest supplier of the Company's total resin material requirements, representing approximately 25% and 29% of such resin requirements in 2006 and 2005, respectively. The Company also uses other suppliers such as Basell, Nova, Total, Lyondell, Chevron, ExxonMobil, Sunoco, and Huntsman to meet its resin requirements.

Cash and Cash Equivalents

All highly liquid investments with maturity of three months or less at the date of purchase are considered to be cash equivalents.

Accounts Receivable

The allowance for doubtful accounts is analyzed in detail on a quarterly basis and all significant customers with delinquent balances are reviewed to determine future collectibility. The determinations are based on legal issues (such as bankruptcy status), past history, current financial and credit agency reports, and the experience of the credit representatives. Reserves are established in the quarter in which the Company makes the determination that the account is deemed uncollectible. The Company maintains additional reserves based on its historical bad debt

experience. Additionally, the allowance for doubtful accounts includes a reserve for cash discounts that are offered to some customers for prompt payment. The following table summarizes the activity by period for the allowance for doubtful accounts, excluding the activity related to cash discounts due to its volume.

	Company Period from 9/20/06-12/30/06	Period from 1/1/06-9/19/06	Predecessor Year Ended December 31, 2005	Year Ended January 1, 2005
Balance at beginning of period	**$ 6,277**	**$ 5,766**	$ 3,207	$ 2,717
Charged to costs and expenses	**(1,031)**	**21**	592	323
Allocated to other accounts (1)	—	—	1,851	—
Deductions and currency translation (2)	**123**	**490**	116	167
Balance at end of period	**$ 5,369**	**$ 6,277**	$ 5,766	$ 3,207

(1) Primarily relates to purchase of accounts receivable and related allowance through acquisitions.
(2) Uncollectible accounts written off, net of recoveries, and currency translation on foreign operations.

Inventories

Inventories are valued at the lower of cost (first in, first out method) or market.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets ranging from 15 to 25 years for buildings and improvements and two to 10 years for machinery, equipment, and tooling. Leasehold improvements are depreciated over the shorter of the useful life of the improvement or the lease life. Repairs and maintenance costs are charged to expense as incurred.

Intangible Assets

Deferred financing fees are being amortized using the straight-line method over the lives of the respective debt agreements.

Customer relationships are being amortized using the straight-line method over the estimated life of the relationships which is 20 years.

The goodwill acquired represents the excess purchase price over the fair value of the net assets acquired in the Merger (see Note 3 below). These costs are reviewed annually for impairment pursuant to Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets. Assets are allocated to reporting units (open top or closed top) based on the assets for each facility within each segment. For facilities that manufacture and sell products for both segments, the assets are allocated based on the net sales of each segment.

Trademarks that are expected to remain in use, which are indefinite lived intangible assets, are reviewed for impairment annually pursuant to SFAS No. 142.

Other intangibles, which include patents, are being amortized using the straight-line method over the estimated life of the technology ranging from ten to twenty years, with a weighted-average life of 15 years.

Long-lived Assets

Long-lived assets are reviewed for impairment in accordance with SFAS No. 144 whenever facts and circumstances indicate that the carrying amount may not be recoverable. Specifically, this process involves comparing an asset's carrying value to the estimated undiscounted future cash flows the asset is expected to generate over its remaining life. If this process were to result in the conclusion that the carrying value of a long-lived asset would not be recoverable, a write-down of the asset to fair value would be recorded through a charge to operations. Fair value is determined based upon discounted cash flows or appraisals as appropriate. Long-lived assets that are held for sale are reported at the lower of the assets’ carrying amount or fair value less costs related to the assets’ disposition. No impairments were recorded in these financial statements.

Derivative Financial Instruments

The Company has in the past used interest rate hedge instruments to manage a portion of its interest rate exposures. In 2004, the Company also entered into resin forward contracts, which became effective in 2005, to manage certain resin price exposures. These instruments are entered into to manage market risk exposures and are not used for trading purposes. The Company recognizes all derivative transactions as either assets or liabilities at fair value in the balance sheet.

Derivatives used for hedging purposes must be designated as, and effective as, a hedge of the identified risk exposure at the designation of the contract. Accordingly, changes in the market value of the derivative contract must be highly correlated with changes in the market value of the underlying hedged item at inception of the hedge and over the life of the hedge contract. The change in fair value of the effective portion of a hedge contract is deferred in other accumulated comprehensive income (loss). Any derivative instrument terminated, designated but no longer effective as a hedge, or initially not effective as a hedge would be recorded at market value and the related gains and losses would be recognized in earnings. Derivatives not designated as hedges are adjusted to fair value through the consolidated statement of operations. Management routinely reviews the effectiveness of the use of derivative instruments. Gains and losses from hedges of anticipated transactions are classified in the statement of operations upon recording the related hedge transaction in the statement of operations consistent with the accounting treatment of the items being hedged.

Foreign Currency Translation

Assets and liabilities of most foreign subsidiaries are translated at exchange rates in effect at the balance sheet date, and the statements of operations are translated at the average monthly exchange rates for the period. Translation gains and losses are recorded as a component of accumulated other comprehensive income in stockholders’ equity. Foreign currency transaction gains and losses are included in net income (loss).

Revenue Recognition

The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin No. 101, “Revenue Recognition in Financial Statements” (“SAB 101”) and SEC Staff Accounting Bulletin No. 104, “Revenue Recognition” (“SAB 104”). Revenue is recognized when the title and risk of loss have passed to the customer, there is persuasive evidence of an arrangement, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured. Shipping and handling costs are included in cost of sales.

Stock-Based Compensation

In December 2004, the FASB issued SFAS No. 123 (Revised 2004,) Share-Based Payment ("SFAS 123R"), which requires that the compensation cost relating to share-based payment transactions be recognized in financial statements based on alternative fair value models. The share-based compensation cost is measured based on the fair value of the equity or liability instruments issued. The Company adopted SFAS 123R on January 1, 2006 using the modified prospective method and recorded $2.9 million for the period from January 1, 2006 to September, 20, 2006 and $0.5 million for the period from September 20, 2006 to December 30, 2006 of non-cash charges for stock compensation related to amortization of the fair value of unvested stock options. Under this method, the Company recognized compensation cost, on a prospective basis, for the portion of outstanding awards for which the requisite service had not yet been rendered as of January 1, 2006. In addition, the Company recognized compensation cost on new grants based upon the grant date fair value of those awards calculated under SFAS 123R. Accordingly, we have not restated prior period amounts.

In connection with the adoption of SFAS 123R, we reassessed the valuation methodology for stock options and the related input assumptions. As a result, beginning with stock options granted in 2006, the Company utilized a Black Scholes and lattice-based option valuation model for estimating the fair value of the stock options. The models allow for the use of a range of assumptions. Expected volatilities utilized in the lattice model are based on implied volatilities from traded stocks of peer companies. Similarly, the dividend yield is based on historical experience and the estimate of future dividend yields. T he risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The lattice model incorporates exercise and post-vesting forfeiture assumptions based on an analysis of historical data. The expected life of the grants are derived from historical experience and expected behavior. The fair value for options granted by Group have been estimated at the date of grant using a Black Scholes or lattice option pricing model, generally with the following weighted average assumptions:

	Company	**Predecessor**		
	Period from 9/20/06-12/30/06	**Period from 1/1/06-9/19/06**	**Year ended December 31, 2005**	**Year ended January 1, 2005**
Risk-free interest rate	4.5%	4.5%	4.5%	3.1%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Volatility factor	.20	.25	.25	.25
Expected option life	6.0 years	5.0 years	5.0 years	5.0 years

Prior to the adoption of SFAS No. 123R, we used the intrinsic value method prescribed in APB 25 and also followed the disclosure requirements of SFAS No. 123, as amended by SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure", ("SFAS No. 148"); which required certain disclosures on a pro forma basis as if the fair value method had been followed for accounting for such compensation. The following table presents the pro forma effect on net income as if we had applied the fair value method to measure compensation cost prior to our adoption of SFAS No. 123R:

	Predecessor Year Ended December 31, 2005	**Predecessor Year Ended January 1, 2005**
Reported net income	$ 19,791	$ 22,951

Stock-based employee compensation expense included in reported income, net of tax		1,291		351
Total stock-based employee compensation expense determined under fair value based method, for all awards, net of tax		(2,508)		(2,294)
Pro forma net income	$	18,574	$	21,008

Income Taxes

The Company accounts for income taxes under the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequence of events that have been recognized in the Company's financial statements or income tax returns. Income taxes are recognized during the year in which the underlying transactions are reflected in the Consolidated Statements of Operations. Deferred taxes are provided for temporary differences between amounts of assets and liabilities as recorded for financial reporting purposes and such amounts as measured by tax laws. If the Company determines that a deferred tax asset arising from temporary differences is not likely to be utilized, the Company will establish a valuation allowance against that asset to record it at its expected realizable value.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (losses). Other comprehensive income (losses) includes unrealized gains or losses on derivative financial instruments, unrealized gains or losses resulting from currency translations of foreign investments, and adjustments to record the minimum pension liability prior to the adoption of SFAS No. 158.

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. Periodically, the Company evaluates the discount rate and the expected return on plan assets in its defined benefit pension and retiree health benefit plans. In evaluating these assumptions, the Company considers many factors, including an evaluation of the discount rates, expected return on plan assets and the health-care-cost trend rates of other companies; historical assumptions compared with actual results; an analysis of current market conditions and asset allocations; and the views of advisers. As further discussed in Note 9, the Company has adopted SFAS No. 158 effective December 30, 2006.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis, the Company reviews its estimates and assumptions. The Company’s estimates were based on its historical experience and various other assumptions that the Company believes to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but management does not believe such differences will materially affect the Company's financial position or results of operations.

Reclassifications

Certain amounts in the prior year financial statements and related notes have been reclassified to conform to the current year presentation.

Impact of Recently Issued Accounting Standards

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 the Company's results of operations or financial position.

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 U.S. generally accepted accounting principles ("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. The Company does 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 as the measurement date). As further discussed in Note 9, the Company has adopted SFAS No. 158 effective December 30, 2006, the effect by which was not material.

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.

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 the Company's results of operations or financial position..

Note 3. The Merger

On September 20, 2006, BPC Acquisition Corp. merged with and into BPC Holding Corporation pursuant to an agreement and plan of merger (the “Merger”), dated June 28, 2006, with BPC Holding Corporation continuing as the surviving corporation. Following the consummation of the Merger, BPC Holding Corporation changed its name to Berry Plastics Holding Corporation. Pursuant to the 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 Merger and to pay fees related to the Merger was $2.4 billion. The Merger was primarily funded with (1) the issuance of $750.0 million aggregate principal amount of second priority senior secured 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 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 ¾% senior subordinated notes payable due 2012. The Buyer and its affiliates own 72% of the common stock of Group. The remaining common stock is primarily held by an affiliate of Graham Partners II, L.P., which owns 10% and members of Berry’s management which own 16%.

The Merger has been accounted for under the purchase method of accounting, and accordingly, the purchase price has been allocated to the identifiable assets and liabilities based on estimated fair values at the acquisition date. The allocation is preliminary and is subject to change. The Company is amortizing its definite lived intangible assets over a weighted-average life of 20 years. The impact of writing up inventory to net realizable value resulted in a charge to cost of goods sold for the period from September 20 to December 30, 2006 of $10.1 million. The Company has applied the provisions of Emerging Issues Task Force 88-16, whereby, the carryover equity interests of certain management shareholders from the Predecessor to the Successor were recorded at their Predecessor basis. The application of these provisions has preliminarily reduced stockholders’ equity and intangibles by $173.4 million. In connection with the Merger, the Predecessor incurred Merger related expenses of $70.1 million, consisting primarily of investment banking fees, bonuses to management, non-cash acceleration and modification of stock option awards, and legal costs. In addition, as a result of extinguishing the debt in connection with the Merger, the Predecessor recognized a loss on debt extinguishment of $34.0 million primarily consisting of tender premiums paid in connection with redeeming the 10 ¾% 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. The following table summarizes the allocation of purchase price and the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition.

	September 20, 2006
Current assets	$ 389,318
Property and equipment	473,160
Goodwill	989,181
Customer relationships	511,900
Trademarks	182,200
Other intangibles	59,045
Total assets	2,604,804
Current liabilities	197,449
Long-term liabilities	2,103,357
Total liabilities	2,300,806
Net assets acquired	$ 303,998

The $304.0 million of net assets acquired consists of Apollo, Graham and management's $428.8 million cash contribution and $31.8 million of carryover basis in rollover stock, net of the $5.9 million charge to loss on extinguished debt for bridge financing fees arranged to fund the Merger but not utilized and a $150.7 million deemed cash dividend to the selling shareholders that was required to be recognized by Emerging Issues Task Force Issue No. 88-16, Basis in Leveraged Buyout Transactions.

Note 4. Recent Acquisitions

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 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 price was allocated to fixed assets ($4.1 million), inventory ($1.6 million), goodwill ($0.7 million), and other intangibles ($1.8 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") for aggregate consideration of approximately $454.8 million (the "Kerr Acquisition"), including direct costs associated with the acquisition. The operations from the Kerr Acquisition are included in Berry's operations since the acquisition date. 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. In accordance with EITF 95-3, the Company established opening balance sheet reserves of $2.7 million related to plant shutdown and severance costs, of which payments totaling $1.0 million and $0.5 million were made in 2006 and 2005, respectively.

The pro forma financial results presented below are unaudited and assume that the Kerr Acquisition and the Merger occurred at the beginning of the respective period. Pro forma results have not been adjusted to reflect the Mexico Acquisition as they do not differ materially from the pro forma results presented below. The information presented is for informational purposes only and is not necessarily indicative of the operating results that would have occurred had the Kerr Acquisition or Merger been consummated at the beginning of the respective period, nor are they necessarily indicative of future operating results. Further, the information reflects only pro forma adjustments for additional interest and amortization expense, elimination of Berry's write off of deferred financing fees and Merger related

expenses, and the elimination of Kerr's closing expenses, net of the applicable income tax effects.

	Year ended December 30, 2006	Unaudited Year ended December 31, 2005	Year ended January 1, 2005
Pro forma net sales	**$ 1,431,764**	$ 1,338,019	$ 1,189,059
Pro forma net loss	**$ (19,488)**	$ (40,322)	$ (39,623)

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Note 5. Intangible Assets and Deferred Costs

Intangible assets and deferred costs consist of the following:

	Company December 30, 2006	Predecessor December 31, 2005
Deferred financing fees	**$ 43,348**	$ 24,402
Customer relationships	**511,900**	275,614
Goodwill	**989,181**	495,258
Trademarks	**182,200**	49,588
Technology-based	**15,785**	27,206
Covenants not to compete and other	**—**	4,613
Accumulated amortization	**(9,138)**	(31,784)
	$ 1,733,276	$ 844,897

The increase in the intangible assets is primarily the result of intangible assets acquired or revalued in connection with the Merger consistent with purchase accounting. Also, as a result of the Merger, the Predecessor expensed $16.1 million of unamortized deferred financing costs for the period from January 1, 2006 to September 19, 2006.

Future amortization expense for definite lived intangibles at December 30, 2006 for the next five fiscal years is approximately $32.3 million each year for fiscal 2007, 2008, 2009, 2010, and 2011, respectively.

Note 6. Long-Term Debt

Long-term debt consists of the following:

	Company December 30, 2006	Predecessor December 31, 2005
Term loans	**$ 673,313**	$ 791,025
Revolving line of credit	**—**	—
Italian revolving line of credit	**874**	—
Second Priority Senior Secured Fixed Rate Notes	**525,000**	—
Second Priority Senior Secured Floating Rate Notes	**225,000**	—
Senior Subordinated Notes	**425,000**	—
Capital leases	**23,687**	26,896
Berry 10 ¾% Senior Subordinated Notes	**—**	335,000
Debt premium on 10 ¾% Notes, net	**—**	7,699
	1,872,874	1,160,620

Less current portion of long-term debt	**12,400**	13,928
	$ 1,860,474	$ 1,146,692

Senior Secured Credit Facility (Company)

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 under the revolving credit facility. At December 30, 2006 and December 31, 2005, the Company had $14.7 million under the Credit Facility and $14.7 million under 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 Senior Secured Notes (Company)

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, the Company 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 (Company)

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, Sachs and Co. 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.

Retired Berry 10 ¾% Senior Subordinated Notes (Predecessor)

On July 22, 2002, Berry completed an offering of $250.0 million aggregate principal amount of 10 ¾% Senior Subordinated Notes due 2012 (the "2002 Notes"). The net proceeds to Berry from the sale of the 2002 Notes, after expenses, were $239.4 million. The proceeds from the 2002 Notes were used in the financing of the 2002 merger. On November 20, 2003, Berry completed an offering of $85.0 million aggregate principal amount of 10 ¾% Senior Subordinated Notes due 2012 (the "Add-on Notes"). The net proceeds to Berry from the sale of the Add-on Notes, after expenses, were $91.8 million. The proceeds from the Add-on Notes were used in the financing of the acquisition of Landis. The 2002 Notes and Add-on Notes mature on July 15, 2012. Interest was payable semi-annually on January 15 and July 15 of each year. The 2002 Notes and Add-on Notes were retired in connection with the Merger and the associated premium paid and net deferred financing fees were expensed as a loss on extinguished debt.

Retired Senior Secured Credit Facility (Predecessor)

On June 3, 2005, the Company entered into a Second Amendment to the Second Amended and Restated Credit Agreement. As a result of the second amendment to the credit facility, the Company expensed $7.0 million of unamortized deferred financing costs in 2005. On October 26, 2005, the Company entered into a Third Amendment to the Second Amended and Restated Credit Agreement (the “Retired Credit Facility”) that reduced the applicable margin on the term loan. The Retired Credit Facility provided (1) a $795.0 million term loan and (2) a $150.0 million revolving credit facility. The Retired Credit Facility was extinguished in connection with the Merger and the associated net deferred financing fees were expensed as a loss on extinguished debt.

Future maturities of long-term debt at December 30, 2006 are as follows:

2007	$ 12,400
2008	11,269
2009	12,048
2010	6,931
2011	14,789
Thereafter	1,815,437
	$ 1,872,874

Interest paid was $20,181 for the period from September 20, 2006 to December 30, 2006, $83,506 for the period from January 1, 2006 to September 20, 2006, and $71,151 and $53,393 for 2005 and 2004, respectively. Interest capitalized was $887 for the period from September 20, 2006 to December 30, 2006, $1,582 for the period from January 1, 2006 to September 20, 2006, and $1,230 and $1,120 for 2005 and 2004, respectively.

Note 7. Lease and Other Commitments

Certain property and equipment are leased using capital and operating leases. In 2006 and 2005, Berry Plastics entered into various capital lease obligations with no immediate cash flow effect resulting in capitalized property and equipment of $3,341 and $11,482, respectively. Total capitalized lease property consists of a building and manufacturing equipment with a cost of $21,929 and $39,113 and related accumulated amortization of $889 and $11,132 at December 30, 2006 and December 31, 2005, respectively. Capital lease amortization is included in depreciation expense. Total rental expense from operating leases was $9,142 for the period from September 20, 2006 to December 30, 2006, $22,097 for the period from January 1, 2006 to September 20, 2006, and $23,210 and $14,879 for 2005 and 2004, respectively.

Future minimum lease payments for capital leases and noncancellable operating leases with initial terms in excess of one year are as follows:

	At December 30, 2006	
	Capital Leases	**Operating Leases**
2007	$ 6,799	$ 26,291
2008	5,345	24,086
2009	6,027	22,835
2010	793	21,172
2011	8,085	18,386
Thereafter	—	96,763
	27,049	$ 209,533
Less: amount representing interest	(3,362)	

Present value of net minimum lease payments	$	23,687

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The Company is party to various legal proceedings involving routine claims which are incidental to its business. Although the Company's legal and financial liability with respect to such proceedings cannot be estimated with certainty, the Company believes that any ultimate liability would not be material to its financial position or results of operations.

The Company has various purchase commitments for raw materials, supplies and property and equipment incidental to the ordinary conduct of business. At December 30, 2006, the Company had committed approximately $63.8 million for resin on order that had not yet been received and $17.0 million to complete capital projects.

Note 8. Income Taxes

For financial reporting purposes, income (loss) before income taxes, by tax jurisdiction, is comprised of the following:

	Company Period from 9/20/06-12/30/06	**Period from 1/1/06-9/19/06**	**Predecessor Year Ended December 31, 2005**	**Year Ended January 1, 2005**
Domestic	$ (26,692)	$ (50,507)	$ 43,519	$ 44,841
Foreign	(2,179)	(5,585)	(9,403)	(4,150)
	$ (28,871)	$ (56,092)	$ 34,116	$ 40,691

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets and liabilities are as follows:

	Company December 30, 2006	**Predecessor December 31, 2005**
Deferred tax assets:		
Allowance for doubtful accounts	**$ 1,928**	$ 1,877
Inventory	**4,825**	1,918
Compensation and benefit accruals	**13,235**	17,114
Insurance reserves	**1,543**	1,557
Net operating loss carryforwards	**101,658**	32,843
Alternative minimum tax (AMT) credit carryforwards	**7,389**	6,398
Other	**1,926**	96
Total deferred tax assets	**132,504**	61,803
Valuation allowance	**(8,932)**	(6,741)
Deferred tax assets, net of valuation allowance	**123,572**	55,062
Deferred tax liabilities:		
Intangibles	**256,736**	88,837
Property and equipment	**41,506**	35,888
Other	**1,600**	2,366
Total deferred tax liabilities	**299,842**	127,091
Net deferred tax liability	**$ (176,270)**	$ (72,029)

Income tax expense (benefit) consists of the following:

	Company Period from 9/20/06-12/30/06	Period from 1/1/06-9/19/06	Predecessor Year Ended December 31, 2005	Year Ended January 1, 2005
Current:				
Federal	$ (341)	$ 287	$ 735	$ 363
Foreign	47	186	189	133
State	234	538	632	472
Total current	(60)	1,011	1,556	968
Deferred:				
Federal	(9,394)	—	11,779	13,543
Foreign	—	—	—	(173)
State	(1,352)	—	990	3,402
Total deferred	(10,746)	—	12,769	16,772
Income tax expense (benefit)	$ (10,806)	$ 1,011	$ 14,325	$ 17,740

Group has unused operating loss carryforwards of approximately $231.6 million for federal and state income tax purposes which begin to expire in 2021 and $28.2 million of foreign operating loss carryforwards. AMT credit carryforwards are available to Group infinitely to reduce future years' federal income taxes. As a result of the Merger, the unused operating loss carryforward is subject to an annual limitation. The Company is in the process of finalizing the computation to determine the limitation, but have preliminarily estimated the aggregate limit as a result of the Merger to be approximately $208.0 million per year. The 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.

Income taxes paid during 2006, 2005, and 2004 approximated $1,010, $1,152, and $764 respectively.

A reconciliation of income tax expense (benefit), computed at the federal statutory rate, to income tax expense (benefit), as provided for in the financial statements, is as follows:

	Company	Predecessor		
	Period from 9/20/06-12/30/06	Period from 1/1/06-9/19/06	Year Ended December 31, 2005	Year Ended January 1, 2005
Income tax expense computed at statutory rate	$ (10,105)	$ (19,632)	$ 11,941	$ 14,244
State income tax expense, net of federal taxes	(1,554)	(3,029)	1,622	2,518
Expenses not deductible for income tax purposes	91	321	375	394
Change in valuation allowance	626	22,317	557	1,288
Other	136	1,034	(170)	(704)
Income tax expense (benefit)	$ (10,806)	$ 1,011	$ 14,325	$ 17,740

Note 9. Pension and Other Post-retirement Benefits

In connection with the Kerr Acquisition, the Company acquired two defined benefit pension plans which cover substantially all former employees and former union employees at Kerr's former Lancaster facility. The Company also acquired a retiree health plan from Kerr, which covers certain healthcare and life insurance benefits for certain retired employees and their spouses. The two defined benefit plans of Kerr and the retiree health plan are all inactive plans and are included in the beginning of year totals in the table below for the year ended December 31, 2005 as a result of the Kerr Acquisition on June 3, 2005. The Company also maintains a defined benefit pension plan covering the Poly-Seal employees under a collective bargaining agreement. The Company uses December 31 as a measurement date for the retirement plans. In connection with the Merger, the Company recorded an adjustment to reduce the pension benefit obligation by $1.5 million on September 20, 2006.

As disclosed in Note 1, SFAS No. 158, adopted by the Company effective December 30, 2006, requires the recognition of the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the balance sheet, with changes in the funded status recorded through other comprehensive income. Accordingly, the amounts presented in the table below utilize different accounting methodologies for the respective periods. The effect of adopting SFAS No. 158 was to reduce the accrued benefit liability by $1.1 million at December 30, 2006. The projected benefit obligations of the Company's plans presented herein are materially consistent with the accumulated benefit obligations of such plans.

	Defined Benefit Pension Plans				**Retiree Health Plan**		
	Company	**Predecessor**			**Company**	**Predecessor**	
	Period from 9/20/06-12/30/06	**Period from 1/1/06-9/19/06**	**Year ended December 31, 2005**	**Year ended January 1, 2005**	**Period from 9/20/06-12/31/06**	**Period from 1/1/06-9/19/06**	**Year ended December 31, 2005**
Change in Projected Benefit Obligations (PBO)							
PBO at beginning of period	$ 41,575	$ 42,285	$ 44,026	$ 5,639	$ 6,896	$ 7,664	$ 9,338
Service cost	68	204	257	269	5	11	11
Interest cost	619	1,614	1,457	352	103	283	268
Participant contributions	—	—	—	—	—	50	—
Increase due to discount rate change	176	—	—	—	—	—	—
Actuarial loss (gain)	—	6	(1,186)	42	—	(466)	(1,589)
Benefits paid	(842)	(2,534)	(2,269)	(198)	(214)	(646)	(364)
PBO at end of period	$ 41,596	$ 41,575	$ 42,285	$ 6,104	$ 6,790	$ 6,896	$ 7,664
Change in Fair Value of Plan Assets							
Plan assets at beginning of period	$ 33,687	$ 33,681	$ 33,558	$ 4,775	$ —	$ —	$ —
Actual return on plan assets	1,044	2,421	1,898	190	—	—	—
Company contributions	195	119	494	415	215	646	364
Benefits paid	(842)	(2,534)	(2,269)	(198)	(215)	(646)	(364)
Plan assets at end of period	34,084	33,687	33,681	5,182	—	—	—
Funded status	$ (7,512)	$ (7,888)	$ (8,604)	$ (922)	$ (6,790)	$ (6,896)	$ (7,664)
Unrecognized net actuarial loss/gain	—	(1,854)	(645)	765	—	(1,947)	(1,589)
Unrecognized prior service cost	—	—	597	686	—	—	—
Net amount recognized	$ (7,512)	$ (9,742)	$ (8,652)	$ 529	$ (6,790)	$ (8,843)	$ (9,253)
Amounts recognized in the Consolidated Balance Sheet consist of:							
Prepaid pension	$ —	$ 204	$ 413	$ 529	—	—	—
Accrued benefit liability	(7,512)	(10,523)	(10,624)	(1,456)	(6,790)	(8,843)	(9,253)
Intangible assets	—	—	597	685	—	—	—
Accumulated other comprehensive (gains) losses before income taxes	—	577	962	771	—	—	—

Net amount recognized	$	(7,512)	$	(9,742)	$	(8,652)	$	529	$	(6,790)	$	(8,843)	$	(9,253)

The following table presents significant weighted-average assumptions used to determine benefit obligation and benefit cost for the periods indicated.

(Percents)	Defined Benefit Pension Plans Company Period from 9/20/06-12/30/06	Predecessor Period from 1/1/06-9/19/06	Year Ended December 31, 2005	Year Ended January 1, 2005	Retiree Health Plan Company Period from 9/20/06-12/30/06	Predecessor Period from 1/1/06-9/19/06	Year Ended December 31, 2005
Weighted-average assumptions:							
Discount rate for benefit obligation	**5.5**	**5.5**	5.5	6.3	**5.5**	**5.5**	5.5
Discount rate for net benefit cost	**5.6**	**5.6**	5.3	6.3	**5.0**	**5.0**	5.0
Expected return on plan assets for net benefit costs	**8.0**	**8.0**	8.0	8.0	**—**	**—**	—

In evaluating the expected return on plan assets, the Company considered its historical assumptions compared with actual results, an analysis of current market conditions, asset allocations, and the views of advisers. Health-care-cost trend rates were assumed to increase at an annual rate of 7.5 percent in 2007 trending down to 4.5 percent in 2012 and thereafter. The trend rate is a significant factor in determining the amounts reported. A one-percentage-point change in these assumed health care cost trend rates would have the following effects, in millions of dollars:

One-Percentage Point	Increase	Decrease
Accumulated Postretirement benefit obligation	$ 146	$ (143)
Sum of service cost and interest cost	$ 10	$ (10)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Defined Benefit Pension Plans	Retiree Health Plan
2007	**$ 3,436**	**$ 1,314**
2008	**3,373**	**1,153**
2009	**3,320**	**972**
2010	**3,250**	**840**
2011	**3,218**	**773**
2012-2015	**16,275**	**2,958**

In 2007, the Company expects to contribute approximately $3.0 million to its retirement plans to satisfy minimum funding requirements for the year.

Net pension and retiree health benefit expense included the following components:

	Company Period from 9/20/06-12/30/06	Period from 1/1/06-9/19/06	Predecessor Year Ended December 31, 2005	Year Ended January 1, 2005
Components of net period benefit cost:				
Defined Benefit Pension Plans				

Service cost	$ 68	$ 204	$ 257	$ 269
Interest cost	619	1,614	1,457	352
Expected return on plan assets	(704)	(1,830)	(1,692)	(399)
Amortization of prior service cost	—	73	91	94
Recognized actuarial loss	—	17	60	36
Net periodic benefit cost	$ (17)	$ 78	$ 173	$ 352
Retiree Health Benefit Plan				
Service cost	$ 5	$ 11	$ 11	$ —
Interest cost	103	283	268	—
Amortization of net actuarial gain	—	(91)	—	—
Net periodic benefit cost	$ 108	$ 203	$ 279	$ —

Our defined benefit pension plan asset allocations are as follows:

	Company	Predecessor	
	December 30, 2006	December 31, 2005	January 1, 2005
Asset Category			
Equity securities and equity-like instruments	51%	51%	60%
Debt securities	47	47	34
Other	2	2	6
Total	100%	100%	100%

The Company's retirement plan assets are invested with the objective of providing the plans the ability to fund current and future benefit payment requirements while minimizing annual Company contributions. The plans' asset allocation strategy reflects a long-term growth strategy with approximately 51% allocated to growth investments and 47% allocated to fixed income investments. The Company re-addresses the allocation of its investments on an annual basis.

Berry Plastics also sponsors two defined contribution 401(k) retirement plans covering substantially all employees. Contributions are based upon a fixed dollar amount for employees who participate and percentages of employee contributions at specified thresholds. Contribution expenses for these plans were $772 for the period from September 20, 2006 to December 30, 2006, $2,911 for the period from January 1, 2006 to September 20, 2006, and $2,801 and $2,020 for 2005 and 2004, respectively.

Note 10. Stockholders' Equity

Common and Preferred Stock

On September 20, 2006, BPC Acquisition Corp. merged with and into BPC Holding Corporation pursuant to an agreement and plan of merger (the "Merger"), dated June 28, 2006, with BPC Holding Corporation continuing as the surviving corporation. Following the consummation of the Merger, BPC Holding Corporation changed its name to Berry Plastics Holding Corporation. Pursuant to the Merger, Holding is a wholly-owned subsidiary of Group. At the effective time of the Merger, each share of common stock of BPC Holding Corporation issued and outstanding immediately prior to the effective time of the Merger was converted into the right to receive cash pursuant to the terms of the merger agreement.

Notes Receivable from Management

Group has adopted an employee stock purchase program pursuant to which a number of non-executive employees had the opportunity to invest in Group on a leveraged basis. In the event that an employee defaults on a promissory note used to purchase such shares, Group's only recourse is to the shares of Group securing the note. In this manner, non-executive management acquired 98,052 shares in the aggregate at the time of the Merger.

2006 Equity Incentive Plan

In connection with the Merger, Group adopted an equity incentive plan pursuant to which options to acquire up to 577,252 shares of Group's common stock may be granted (the "2006 Equity Incentive Plan"). Options granted under the 2006 Equity Incentive Plan may not be assigned or transferred, except to Group or by will or the laws of descent or distribution. The 2006 Equity Incentive Plan terminates ten years after adoption and no options may be granted under the plan thereafter. The 2006 Equity Incentive Plan allows for the issuance of non-qualified options, options intended to qualify as "incentive stock options" within the meaning of the Internal Revenue Code of 1986, as amended, and stock

appreciation rights. The employees participating in the 2006 Equity Incentive Plan receive options and stock appreciation rights under the 2006 Equity Incentive Plan pursuant to individual option and stock appreciation rights agreements, the terms and conditions of which are substantially identical. Each option agreement provides for the issuance of options to purchase common stock of Group. Options granted under the 2006 Equity Incentive Plan have an exercise price per share that either (1) is fixed at the fair market value of a share of common stock on the date of grant or (2) commences at the fair market value of a share of common stock on the date of grant and increases at the rate of 15% per year during the term. Some options granted under the plan become vested and exercisable over a five-year period based on continued service. Other options become vested and exercisable based on the achievement by the Company of certain financial targets Upon a change in control, the vesting schedule with respect to certain options accelerate for a portion of the shares subject to such options. Since Group's common stock is not highly liquid, except in certain limited circumstances, the stock options may not be redeemable.

Predecessor Option Plans

Prior to the Merger, Holding maintained the BPC Holding Corporation 1996 Stock Option Plan (''1996 Option Plan''), as amended. Option agreements issued pursuant to the 1996 Option Plan generally provided that options become vested and exercisable at a rate of 10% per year based on continued service. Additional options also vested in years during which certain financial targets were attained. Notwithstanding the vesting provisions in the option agreements, all options that were scheduled to vest prior to December 30, 2006 accelerated and became vested immediately prior to the Merger.

Prior to the Merger, Holding also maintained an employee stock option plan (''2002 Option Plan''), as amended, pursuant to which options may be granted to its employees, directors and consultants. Options granted under the 2002 Option Plan had an exercise price per share that either (1) was fixed at the fair market value of a share of common stock on the date of grant or (2) commenced at the fair market value of a share of common stock on the date of grant and increased at the rate of 15% per year during the term. Generally, options had a ten-year term, subject to earlier expiration upon the termination of the option holder's employment and other events. Some options granted under the plan became vested and exercisable over a five-year period based on continued service with Holding. Other options became vested and exercisable based on the achievement by Holding of certain financial targets, or if such targets are not achieved, based on continued service with Holding. Notwithstanding the vesting provisions in the option agreements, all options that were scheduled to vest prior to December 30, 2006 accelerated and became vested immediately prior to the Merger.

Information related to the 2006 Equity Incentive Plan and Predecessor stock option plans of Holding is as follows:

	Company December 30, 2006		**Predecessor September 19, 2006**		**Predecessor December 31, 2005**		**Predecessor January 1, 2005**	
	Number Of Shares	Weighted Average Exercise Price	Number Of Shares	Weighted Average Exercise Price	Number Of Shares	Weighted Average Exercise Price	Number Of Shares	Weighted Average Exercise Price
Options outstanding, beginning of period	—	$ —	**625,209**	**$ 113**	590,156	$ 102	530,662	$ 94
Options granted	**500,184**	**100**	**21,558**	**172**	96,051	145	65,465	120
Options exercised or cash settled	—	—	**(570,717)**	**112**	(31,652)	105	(1,640)	53
Options forfeited or cancelled	—	—	**(76,050)**	**137**	(29,346)	117	(4,331)	93
Options outstanding, end of period	**500,184**	**$ 100**	—	—	625,209	113	590,156	102
Option price range at end of period		**$100**		—		$32 - $163		$32-$142
Options exercisable at end of period		**12,000**		—		365,265		291,879
Options available for grant at period end		**77,068**		—		4,216		43,489
Weighted average fair value of options granted during period		**$19**		**$51**		$45		$34

The following table summarizes information about the options outstanding at December 30, 2006:

Range of Exercise Prices	Number Outstanding At December 30, 2006	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 30, 2006
$100	**500,184**	**10 years**	**$100**	**12,000**

Shares issued under the stock-based compensation plans are usually issued from shares of common stock held in treasury. Stock compensation is included in the General and administrative line on the Consolidated Statements of Operations. As of December 30, 2006, the total remaining unrecognized compensation cost related to nonvested stock options amounted to $9.0 million, which will be amortized over the weighted-average remaining requisite service period of 5 years.

Stockholders Agreements (Company)

In connection with the Merger, Apollo and Graham and certain employees who invested in Berry Plastics Group entered into a stockholders agreement. The stockholders agreement provides for, among other things, a restriction on the transferability of each such person's equity ownership in us, tag-along rights, drag-along rights, piggyback registration rights and repurchase rights by Group in certain circumstances.

Common and Treasury Stock (Predecessor)

In connection with the Merger, all of the Predecessor's Common and Preferred Stock was retired. The Notes receivable from management (Predecessor) and all accrued interest were repaid in connection with the Merger. Effective with the Merger, the Predecessor accelerated the vesting of a portion of unvested stock option awards. Certain of the awards were accelerated pursuant to provisions in the option agreements, while other awards were modified to accelerate the vesting. The Predecessor recognized $9.8 million in compensation expense related to this acceleration, which is included in Merger expenses in the accompanying consolidated statement of operations. The vested awards were then settled in cash at the transaction date, based upon the per share consideration received in the transaction. All remaining outstanding options of the Predecessor were cancelled upon consummation of the Merger.

Note 11. Related Party Transactions

Company

In connection with the Merger, the Company paid $18.1 million to entities affiliated with Apollo Management, L.P. and $2.3 million to entities affiliated with Graham Partners, Inc. for advisory and other services. Apollo and Graham have also entered into a management agreement with Holding and Berry Plastics Group relating to the provision of certain financial and strategic advisory services and consulting services. The Company pays Apollo and Graham an annual management fee equal to the greater of $3.0 million and 1.25% of our adjusted EBITDA, as defined in the bond indenture, and reimburse Apollo and Graham for out-of-pocket expenses incurred in the performance of their obligations under the agreement. The management agreement expires on December 31, 2012, subject to automatic yearly extensions unless terminated by any party upon prior notice. In addition, Apollo and Graham have the right to terminate the agreement at any time, in which case Apollo and Graham will receive additional consideration equal to the present value of $21 million less the aggregate amount of annual management fees previously paid to Apollo and Graham, and the employee stockholders will receive a pro rata payment based on such amount. The Company paid $1,500,000 in management fees for the year ended December 30, 2006, including amounts paid for a portion of fiscal

2007 services.

Predecessor

Prior to the Merger, Goldman Sachs Credit Partners, L.P., an affiliate of Goldman Sachs, acted as the administrative agent, joint lead arranger and joint bookrunner for the Second Amended and Restated Retired Credit Facility without separate compensation. JP Morgan Chase Bank, an affiliate of J.P. Morgan, acted as the joint lead arranger and joint bookrunner for the Second Amended and Restated Credit Facility for consideration of approximately $0.4 million. In addition, the Company entered into four resin forward contracts in the fourth quarter of 2004 ranging from 6.0 million to 33.6 million annual pounds of resin with J. Aron & Company, a division of Goldman, Sachs & Co., and entered into foreign currency transactions through its normal course of business with Goldman, Sachs & Co. In June 2005, Berry entered into two separate interest rate swap transactions, which were cancelled in the third quarter before the Merger, for $100.0 million each with an affiliate of Goldman Sachs and an affiliate of J.P. Morgan to protect a portion of the outstanding variable rate term loan debt from future interest rate volatility.

Also prior to the Merger, in connection with the Kerr Acquisition, the Company paid $2.7 million to entities affiliated with Goldman, Sachs & Co. and $1.3 million to entities affiliated with J.P. Morgan Chase & Co., for advisory and other services. Goldman Sachs and J.P. Morgan Chase Bank, an affiliate of J.P. Morgan, acted as co-syndication agents, joint lead arrangers, and joint bookrunners for the Second Amendment to the Second Amended and Restated Retired Credit Facility for consideration of $2.7 million and $2.4 million, respectively. Goldman Sachs Credit Partners, L.P., an affiliate of Goldman Sachs, acted as the co-syndication agent, joint lead arranger and joint bookrunner for the Third Amendment to the Second Amended and Restated Retired Credit Facility without separate compensation. JP Morgan Chase Bank, an affiliate of J.P. Morgan, acted as the co-syndication agent, joint lead arranger, and joint bookrunner for the Third Amendment to the Second Amended and Restated Retired Credit Facility for consideration of $0.5 million. Also, affiliates of Goldman Sachs & Co. and J.P. Morgan invest in a portion of the Company's credit facilities in its normal course of business. In connection with the Merger, the Company paid $19.7 million to affiliates of Goldman Sachs & Co. and J.P. Morgan for advisory and other services.

Note 12. Financial Instruments

Holding's and the Company's financial instruments generally consist of cash and cash equivalents, the investment in Southern Packaging, interest rate hedge contracts, resin hedge contracts, and long-term debt. In September 2006, the Company entered into an interest rate agreement, which expires on June 3, 2008 that caps the three month LIBOR rate at 8.0% for $230.0 million of the Company's indebtedness. The carrying amounts of Holding's and the Company's financial instruments approximate fair value at December 30, 2006 except for the Second Priority Notes for which the fair value exceeded the carrying value by $11.3 million.

Note 13. Accumulated Other Comprehensive Income

The accumulated balances related to each component of the other comprehensive income consist of the following:

	Company December 30, 2006	Predecessor December 31, 2005
Currency translation	$ 1,358	$ 5,214
Impact of SFAS No. 158	684	—
Minimum pension liability adjustment	—	(577)
Unrealized gain on interest rate hedges	—	3,548
	—	3,680

Unrealized gain on resin hedge contracts		
	$ 2,042	$ 11,865

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Note 14. Operating Segments

Berry organizes its operations into two reportable segments: open top and closed top. The Company evaluates performance and allocates resources to segments based on operating income before depreciation and amortization of intangibles adjusted to exclude (1) Merger expenses (2) business optimization expenses, and (3) non-cash compensation plus pro forma synergies (collectively, "Bank Compliance EBITDA"). The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

	Year Ended		
	Company/ Predecessor December 30, 2006	**Predecessor December 31, 2005**	**Predecessor January 1, 2005**
Net sales:			
Open Top	$ 836,847	$ 775,677	$ 659,257
Closed Top	594,917	394,027	154,956
Total net sales	1,431,764	1,169,704	814,213
Adjusted EBITDA:			
Open Top	169,677	141,432	131,188
Closed Top	120,054	71,154	29,880
Total adjusted EBITDA	289,731	212,586	161,068
Total assets:			
Open Top	1,550,034	858,555	789,592
Closed Top	1,018,622	789,275	215,552
Total assets	2,568,656	1,647,830	1,005,144
Goodwill, net:			
Open Top	558,384	284,644	280,508
Closed Top	430,797	210,614	78,375
Total goodwill, net	989,181	495,258	358,883
Reconciliation of Bank Compliance EBITDA to net income (loss):			
Bank Compliance EBITDA for reportable segments	$ 289,731	$ 212,586	$ 161,068
Net interest expense	(111,280)	(73,274)	(53,185)
Depreciation	(86,678)	(73,146)	(54,303)
Amortization	(22,681)	(15,574)	(6,513)
Income taxes (benefit)	9,795	(14,325)	(17,740)
Unrealized gain (loss) on investment in Southern Packaging	299	(1,354)	—
Merger expenses	(81,309)	—	—
Business optimization expense	(14,287)	(5,925)	(5,791)
Loss on extinguished debt	(39,916)	(7,045)	—
Non-cash compensation	(3,385)	(2,152)	(585)
Management fees	(900)	—	—
Pro forma synergies	(14,557)	—	—

Net income (loss)	$ (75,168)	$ 19,791	$ 22,951

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15. Condensed Consolidating Financial Information

Holding conducts its business through its wholly owned subsidiary, Berry. Certain of Berry's domestic subsidiaries fully, jointly, severally, and unconditionally guarantee on a second priority basis the $750.0 million aggregate principal amount of Holding's Second Priority Notes due 2014. Each of Holding's subsidiaries is 100% owned, directly or indirectly, by Holding. Separate narrative information or financial statements of guarantor subsidiaries have not been included as management believes they would not be material to investors. Presented below is condensed consolidating financial information for Group, Holding, and its subsidiaries at December 30, 2006 (Company) and December 31, 2005 (Predecessor) and for the periods from September 20 ,2006 to December 30, 2006 (Company), January 1, 2006, to September 19, 2006 (Predecessor), and the years ended December 31, 2005 and January 1, 2005 (both Predecessor). The equity method has been used with respect to investments in subsidiaries.

	December 30, 2006 (Company)			
	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Consolidating Balance Sheet				
Current assets	$ 347,762	$ 23,641	$ —	$ 371,403
Net property and equipment	437,859	26,118	—	463,977
Other noncurrent assets	1,757,348	24	(24,096)	1,733,276
Total assets	$ 2,542,969	$ 49,783	$ (24,096)	$ 2,568,656
Current liabilities	$ 187,691	$ 8,159	$ —	$ 195,850
Noncurrent liabilities	2,060,219	18,400	—	2,078,619
Equity (deficit)	295,059	23,224	(24,096)	294,187
Total liabilities and equity (deficit)	$ 2,542,969	$ 49,783	$ (24,096)	$ 2,568,656

	December 31, 2005 (Predecessor)			
	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Consolidating Balance Sheet				
Current assets	$ 356,663	$ 22,826	$ —	$ 379,489
Net property and equipment	403,480	19,964	—	423,444
Other noncurrent assets	854,021	13,214	(22,338)	844,897
Total assets	$ 1,614,164	$ 56,004	$ (22,338)	$ 1,647,830
Current liabilities	$ 168,618	$ 9,090	$ —	$ 177,708
Noncurrent liabilities	1,225,951	40,783	—	1,266,734
Equity (deficit)	219,595	6,131	(22,338)	203,388
Total liabilities and equity (deficit)	$ 1,614,164	$ 56,004	$ (22,338)	$ 1,647,830

	Period from September 20, 2006 to December 30, 2006 (Company)			
	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Consolidating Statement of Operations				
Net sales	$ 372,775	$ 10,513	$ —	$ 383,288
Cost of goods sold	305,560	11,379	—	316,939
Gross profit	67,215	(866)	—	66,349
Operating expenses	40,955	919	—	41,874
Operating income (loss)	26,250	(1,785)	—	24,475
Loss on extinguished debt	5,875	—	—	5,875
Interest expense, net	47,077	394	—	47,471
Income tax expense (benefit)	(10,853)	47	—	(10,806)
Equity in net (income) loss from subsidiary	2,226	—	(2,226)	—
Net income (loss)	$ (18,065)	$ (2,226)	$ 2,226	$ (18,065)
Consolidating Statement of Cash Flows				
Net income (loss)	$ (18,065)	$ (2,226)	$ 2,226	$ (18,065)
Non-cash expenses	27,714	1,714	—	29,428
Equity in net (income) loss from subsidiary	2,226	—	(2,226)	—
Changes in working capital	27,877	(1,976)	—	25,901
Net cash provided by (used for) operating activities	39,752	(2,488)	—	37,264
Net cash provided by (used for) investing activities	(2,327,975)	22,648	—	(2,305,327)
Net cash provided by (used for) financing activities	2,306,827	(19,595)	—	2,287,232
Effect of exchange rate changes on cash	—	380	—	380
Net (decrease) in cash and cash equivalents	18,604	945	—	19,549
Cash and cash equivalents at beginning of period	2	(2)	—	—
Cash and cash equivalents at end of period	$ 18,606	$ 943	$ ¾	$ 19,549

	Period from January 1, 2006 to September 19, 2006 (Predecessor)			
	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Consolidating Statement of Operations				
Net sales	$ 1,025,159	$ 23,317	$ —	$ 1,048,476
Cost of goods sold	815,271	24,158	—	839,429
Gross profit	209,888	(841)	—	209,047
Operating expenses	164,721	2,867	—	167,588

Operating income (loss)	45,167	(3,708)	—	41,459
Other income	—	(299)	—	(299)
Loss on extinguished debt	34,041	—	—	34,041
Interest expense, net	61,633	2,176	—	63,809
Income tax expense (benefit)	824	187	—	1,011
Equity in net (income) loss from subsidiary	5,772	—	(5,772)	—
Net income (loss)	$ (57,103)	$ (5,772)	$ 5,772	$ (57,103)

Net income (loss)	$ (57,103)	$ (5,772)	5,772	$ (57,103)
Non-cash expenses	182,410	2,850	—	185,260
Equity in net (income) loss from subsidiary	5,772	—	(5,772)	—
Changes in working capital	4,852	443	—	5,295
Net cash provided by (used for) operating activities	135,931	(2,479)	—	133,452
Net cash provided by (used for) investing activities	(73,404)	(3,585)	—	(76,989)
Net cash provided by (used for) financing activities	(85,652)	3,883	—	(81,769)
Effect of exchange rate changes on cash	—	550	—	550
Net (decrease) in cash and cash equivalents	(23,125)	(1,631)	—	(24,756)
Cash and cash equivalents at beginning of period	23,125	1,631	—	24,756
Cash and cash equivalents at end of period	$ ¾	$ ¾	$ ¾	$ ¾

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	Year Ended December 31, 2005 (Predecessor)			
	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Consolidating Statement of Operations				
Net sales	$ 1,142,453	$ 27,251	$ —	$ 1,169,704
Cost of goods sold	914,956	28,414	—	943,370
Gross profit	227,497	(1,163)	—	226,334
Operating expenses	105,803	4,742	—	110,545
Operating income (loss)	121,694	(5,905)	—	115,789
Other income	—	1,354	—	1,354
Loss on extinguished debt	7,045	—	—	7,045
Interest expense (income), net	71,130	2,144	—	73,274
Income taxes	14,136	189	—	14,325
Equity in net (income) loss from subsidiary	9,592	—	(9,592)	—
Net income (loss)	$ 19,791	$ (9,592)	$ 9,592	$ 19,791
Consolidating Statement of Cash Flows				
Net income (loss)	$ 19,791	$ (9,592)	9,592	$ 19,791
Non-cash expenses	108,315	5,670	—	113,985
Equity in net (income) loss from subsidiary	9,592	—	(9,592)	—
Changes in working capital	(28,819)	(3,411)	—	(32,230)
Net cash provided by (used for) operating activities	108,879	(7,333)	—	101,546
Net cash used for investing activities	(503,181)	(16,817)	—	(519,998)
Net cash provided by (used for) financing activities	417,302	25,884	—	443,186
Effect of exchange rate changes on cash	—	(242)	—	(242)
Net increase (decrease) in cash and cash equivalents	23,000	1,492	—	24,492
Cash and cash equivalents at beginning of period	127	137	—	264
Cash and cash equivalents at end of period	$ 23,127	$ 1,629	$ ¾	$ 24,756

	Year Ended January 1, 2005 (Predecessor)			
	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Consolidating Statement of Operations				
Net sales	$ 790,555	$ 23,658	$ —	$ 814,213
Cost of goods sold	616,008	23,321	—	639,329
Gross profit	174,547	337	—	174,884
Operating expenses	77,259	3,749	—	81,008
Operating income (loss)	97,288	(3,412)	—	93,876
Interest expense (income), net	52,447	738	—	53,185
Income taxes	17,781	(41)	—	17,740
Equity in net (income) loss from subsidiary	4,109	—	(4,109)	—
Net income (loss)	$ 22,951	$ (4,109)	$ 4,109	$ 22,951
Consolidating Statement of Cash Flows				
Net income (loss)	$ 22,951	$ (4,109)	$ 4,109	$ 22,951
Non-cash expenses	76,746	3,485	—	80,231
Equity in net (income) loss from subsidiary	4,109	—	(4,109)	—
Changes in working capital	(26,944)	(1,005)	—	(27,949)
Net cash provided by (used for) operating activities	76,862	(1,629)	—	75,233
Net cash used for investing activities	(47,551)	2,074	—	(45,477)
Net cash provided by (used for) financing activities	(55,140)	(568)	—	(55,708)
Effect of exchange rate changes on cash	—	24	—	24
Net increase (decrease) in cash and cash equivalents	(25,829)	(99)	—	(25,928)
Cash and cash equivalents at beginning of period	25,956	236	—	26,192
Cash and cash equivalents at end of period	$ 127	$ 137	$ ¾	$ 264

Note 16. Quarterly Financial Data (Unaudited)

The following table contains selected unaudited quarterly financial data for fiscal years 2006 and 2005.

	2006				2005			
	First	**Second**	**Third**	**Fourth**	**First**	**Second**	**Third**	**Fourth**
Net sales	$ 355,964	$ 375,114	$ 363,805	$ 336,881	$ 225,310	$ 282,871	$ 342,305	$ 319,218
Cost of sales	284,621	299,320	297,736	274,691	184,016	233,477	273,129	252,748
Gross profit	$ 71,343	$ 75,794	$ 66,069	$ 62,190	$ 41,294	$ 49,394	$ 69,176	$ 66,470

Net income (loss)	$	8,180	$	9,732	$	(86,286)	$	(6,794)	$	3,799	$	1,751	$	9,085	$	5,156

Note 17. Subsequent Event

On March 12, 2007, Group entered into a definitive agreement whereby it agreed to merge with Covalence Specialty Materials Holding Corp. in a stock-for-stock merger. The resulting company will retain the name Berry Plastics Group, Inc. ("New Berry"). Group shareholders will own a majority of New Berry's common stock following the merger. The merger has been approved by written consent of a majority of each company's stockholders, and remains subject to customary closing conditions, including receipt of required regulatory approvals. Immediately following the merger, the Company and Covalence Specialty Materials Corp. ("Covalence") will be combined as a direct subsidiary of New Berry. The Company will remain the primary obligor in respect of the Company's Second Priority Senior

Secured Fixed Rate Notes due 2014, Second Priority Senior Secured Floating Rate Notes due 2014 and Senior Subordinated Notes due 2016. The outstanding credit facilities of Covalence and the Company are expected to be refinanced at the time of the closing with a new asset based revolver and new senior secured term loan. The Company currently expects the closing to occur in April 2007.

COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND TYCO PLASTICS AND ADHESIVES (PREDECESSOR)

STATEMENTS OF OPERATIONS
For The Three Months Ended December 29, 2006 and December 30, 2005
(unaudited, in millions)

	Successor Three Months Ended December 29, 2006	Predecessor Three Months Ended 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

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

**COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND
TYCO PLASTICS AND ADHESIVES (PREDECESSOR)**

**BALANCE SHEETS
As of December 29, 2006 and September 29, 2006
(unaudited, in millions)**

	Successor	
	December 29, 2006	**September 29, 2006**
Assets		
Current Assets:		
Cash and cash equivalents	$ 54.1	$ 66.8
Accounts receivable, less allowance for doubtful accounts of $3.4, $3.3, respectively	146.7	195.7
Inventories	191.6	233.9
Prepaid expenses and other current assets	9.7	13.0
Total current assets	402.1	509.4
Property, plant and equipment, net	333.1	334.8
Intangible assets, net	333.1	337.2
Other assets	21.5	22.3
Total Assets	$ 1,089.8	$ 1,203.7
Liabilities and Equity		
Current Liabilities:		
Accounts payable	122.7	170.4
Accrued and other current liabilities	47.9	77.4
Long Term Debt - current	3.0	3.0
Total current liabilities	173.6	250.8
Long Term Debt	729.2	729.9
Deferred Income Tax Liabilities	36.4	49.7
Other liabilities	1.8	1.5
Total Liabilities	941.0	1,031.9
Commitments and contingencies		
Contributions from Holdings	196.4	197.8
Retained Deficit	(47.9)	(26.1)
Accumulated Other Comprehensive Income	0.3	0.1
Total Equity	148.8	171.8
Total Liabilities and Equity	$ 1,089.8	$ 1,203.7

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

COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND TYCO PLASTICS AND ADHESIVES (PREDECESSOR)
STATEMENTS OF CASH FLOWS
For The Three Months Ended December 29, 2006 and December 30, 2005
(unaudited, in millions)

	Successor Three Months Ended December 29, 2006	Predecessor Three Months Ended December 30, 2005
Cash Flows from Operating Activities:		
Net Income (loss)	$ (21.8)	$ 16.4
Adjustments to reconcile net cash from operating activities		
Depreciation and amortization	20.3	10.3
Amortization of debt issuance costs	0.8	—
Provisions for losses on accounts receivable and inventory	1.6	1.9
Deferred income taxes	(13.1)	—
Changes in assets and liabilities		
Accounts receivable, net	47.2	(6.0)
Inventories	36.8	(90.9)
Prepaid expenses and other current assets	3.4	—
Other non-current assets	—	—
Accounts payable	(47.6)	55.0
Due to Tyco International, Ltd and affiliates	—	(109.9)
Accrued and other current liabilities	2.6	(3.7)
Income taxes	0.2	0.8
Other, net	(0.1)	0.1
Net cash provided by (used in) operating activities	30.3	(126.0)
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(10.3)	(8.6)
Proceeds from disposal of assets	—	1.3
Acquisition of business, net of cash acquired	(30.2)	—
Net cash used in investing activities	(40.5)	(7.3)
Cash Flows from Financing Activities:		
Return of equity to Holdings	(1.3)	—
Repayment of long-term debt	(0.7)	—
Change in book overdraft	—	1.1
Change in Predecessor parent company investment	—	135.0
Net cash provided by (used in) financing activities	(2.0)	136.1
Effect of currency translation on cash	(0.5)	(0.3)
	(12.7)	2.5

Net increase (decrease) in cash and cash equivalents

COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND TYCO PLASTICS AND ADHESIVES (PREDECESSOR)
STATEMENTS OF CASH FLOWS
For The Three Months Ended December 29, 2006 and December 30, 2005
(unaudited, in millions)

	Successor Three Months Ended December 29, 2006	Predecessor Three Months Ended December 30, 2005
Cash and cash equivalents, beginning of period	66.8	2.7
Cash and cash equivalents, end of period	**$ 54.1**	**$ 5.2**
Supplementary Cash Flow Information:		
Interest paid	10.7	0.2
Income taxes paid	0.1	0.4

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

COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND TYCO PLASTICS AND ADHESIVES (PREDECESSOR)

STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME (LOSS) AND PARENT COMPANY EQUITY AND COMPREHENSIVE INCOME
For The Three Months Ended December 29, 2006 and December 30, 2005
(unaudited, in millions)

STATEMENT OF PARENT COMPANY EQUITY AND COMPREHENSIVE INCOME (PREDECESSOR)

	Total Parent Company Equity	Parent Company Investment	Currency Translation	Minimum Pension Liability	Comprehensive Income
Balance at September 30, 2005 (Predecessor)	$ 855.1	$ 895.0	$ (25.5)	$ (14.4)	
Comprehensive income:					
Net income	16.4	16.4	—	—	$ 16.4
Currency translation	(3.9)	—	(3.9)	—	(3.9)
Total comprehensive income					$ 12.5
Net transfers to parent	8.2	8.2	—	—	
Balance at December 30, 2005 (Predecessor)	$ 875.8	$ 919.6	$ (29.4)	$ (14.4)	

STATEMENT OF EQUITY AND COMPREHENSIVE INCOME (LOSS) (SUCCESSOR)

	Total Equity	Retained Deficit	Contributions from Holdings	Currency Translation	Comprehensive Income
Balance at September 29, 2006 (Successor)	$ 171.8	$ (26.1)	$ 197.8	$ 0.1	
Comprehensive loss:					
Net loss	(21.8)	(21.8)	—	—	$ (21.8)
Currency translation	0.2	—	—	0.2	0.2
Total comprehensive loss					$ (21.6)
Compensation expense	(0.1)	—	(0.1)	—	
Contributions from Holdings	(1.3)	—	(1.3)	—	
Balance at December 29, 2006 (Successor)	$ 148.8	$ (47.9)	$ 196.4	$ 0.3	

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

COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND
TYCO PLASTICS AND ADHESIVES (PREDECESSOR)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED, IN MILLIONS)

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation—The accompanying financial statements (the "financial statements") are presented for Covalence Specialty Materials Corp. (the "Successor" or the "Company") on a consolidated basis, and Tyco Plastics & Adhesives (the "Predecessor") on a combined basis. The financial statements of the Successor and Predecessor herein consist of the combined operations of the following formerly wholly-owned operating units of Tyco: Tyco Plastics ("Plastics"), Tyco Adhesives ("Adhesives") and Ludlow Coated Products ("Coatings"). These financial statements present the consolidated financial position, results of operations and cash flows of the Successor as a stand-alone entity and combined financial position, results of operations and cash flows of the Predecessor as a subsidiary of Tyco, including adjustments, allocations and related party transactions and have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). All intercompany transactions have been eliminated. The Predecessor financial statements presented may not be indicative of the results that would have been achieved had the Predecessor operated as a separate, stand-alone entity.

The financial statements have been prepared in accordance with the instructions to Form 10-Q under the Securities Exchange Act of 1934, as amended. These financial statements should be read in conjunction with the Company's 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.

The financial statements included herein are unaudited, in the opinion of management, such financial statements include all adjustments, consisting of normal recurring adjustments, necessary to summarize fairly the Company's financial position, results of operations and cash flows for the interim period. The results reported in these financial statements should not be taken as indicative of results that may be expected for the entire year.

The Acquisition—On February 16, 2006, substantially all of the assets and liabilities of the Predecessor were acquired by the Company, under a Stock and Asset Purchase Agreement dated December 20, 2005 and entered into among Covalence Specialty Materials Holding Corp. ("Holdings"), an affiliate of Apollo Management V, L.P. and the direct parent of the Company, Tyco International S.A. and Tyco Group S.a.r.l. Under the agreement, the Successor acquired Predecessor's businesses through the acquisition of certain equity interests of, and certain assets and liabilities held by direct and indirect operating subsidiaries of, Tyco International Ltd. (the "Acquisition"). See Note 2 for further discussion. Tyco International Ltd. and its subsidiaries, excluding the Predecessor, are referred to herein as "Tyco."

Use of Estimates—The preparation of the financial statements in conformity with U.S. GAAP requires management to make extensive use of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of sales and expenses. Significant estimates in these financial statements include restructuring charges and credits, allowances for doubtful accounts receivable, estimates of future cash flows associated with long-lived assets, useful lives for depreciation and amortization, loss contingencies and net realizable value of inventories, revenue credits, vendor rebates, income taxes and tax valuation reserves and the determination of discount and other rate assumptions for pension and postretirement employee benefit

expenses. 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.

Recent Accounting Pronouncements—In December 2004, the Financial Accounting Standards Board ("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 Statement of Financial Accounting Standards ("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. The Company currently measures plan assets and benefit obligations as of August at each fiscal year-end, and is evaluating the impact that the other aspects of this Statement will have on its financial statements.

2. Acquisition Purchase Price Allocation

The Company has performed an evaluation of the fair values of the real and personal property, inventory and certain identifiable intangible assets in connection with the purchase price allocation related to the Acquisition. A valuation study was undertaken, which supports the purchase price allocation. The valuation study resulted in a fair value step-up of real and personal property, inventory and certain identifiable intangible assets. The Company recognized $6.8 million as a charge to cost of sales relating to the sale of inventory that was stepped-up to fair value. The Company is in the process of finalizing its purchase accounting information and, based on the valuation study and other available information, has recorded a purchase price of $916.1 million, which includes $975.2 million of original purchase price partially offset by net favorable working capital adjustments from Tyco of approximately $59.1. During the three months ended December 29, 2006, the company recorded a $9.0 million change to the allocation of the excess fair value over purchase price as a result of finalizing its evaluation of the fair values of the certain current assets, real and personal property, and inventories. The Company anticipates that it will completely finalize its purchase accounting allocation for the Acquisition during the first calendar quarter of 2007. The remaining excess of the fair value of the net assets acquired over the purchase price paid has been allocated to non current assets on a prorated basis. The following table summarizes the current allocation of fair values of the Company's assets acquired and liabilities assumed at the date of acquisition.

	Estimated Fair Value at February 16, 2006	Allocation of Excess Fair Value over Purchase Price (in millions)	Allocation of Purchase Price at February 16, 2006
Current assets	$ 429.0	$ —	$ 429.0
Property, plant and equipment	345.4	(1.6)	343.8
Intangible assets	364.4	(1.5)	362.9
Other non current assets	24.1	—	24.1
Assets acquired	1,162.9	(3.1)	1,159.8
Current liabilities	176.6	—	176.6
Non current liabilities	67.1	—	67.1
Liabilities assumed	243.7	—	243.7
	$ 919.2	$ (3.1)	$ 916.1

3. Long-Term Debt

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 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 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.

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 the notes, which is reflected on the Company's Balance Sheet. Included in the Successor Statement of Operations is $0.1 million of amortization of this discount using the effective interest method. On February 9, 2007, the Company commenced an Offer to Exchange the notes for substantially identical notes, except that the notes we issued in exchange are not subject to transfer restrictions. The Offer to Exchange is scheduled to expire on March 12, 2007. 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 notes each contain a number of covenants that, among other things and subject to certain exceptions, restrict the Company's 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 Company's assets. No principal payments are required with respect to the second priority floating rate loan and the senior subordinated notes prior to maturity.

The Company's weighted-average rate of interest on total debt was 8.72% for the three months ended December 29, 2006. Outstanding long-term debt on December 29, 2006 and maturities are as follows:

	Total (in millions)	Payments Due by Period Less than 1 year	1-3 years	4-5 years	More than 5 years
Term Loan	$ 298.5	$ 3.0	$ 6.0	$ 6.0	$ 283.5
Second Lien Floating Rate Loan	175.0	—	—	—	175.0
Senior Subordinated Notes	265.0	—	—	—	265.0
Total	$ 738.5	$ 3.0	$ 6.0	$ 6.0	$ 723.5

As of December 29, 2006 the Company had approximately $6.7 million in letters of credit issued and outstanding.

4. Other Intangible Assets

The following table sets forth the gross carrying amount and accumulated amortization of the Company's intangible assets:

	December 29, 2006 Successor			September 29, 2006 Successor		
(in millions)	Gross Carrying Amount	Accumulated Amortization	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Weighted Average Amortization Period
Contracts and related customer relationships	$ 116.3	$ 9.2	11 years	$ 112.7	$ 6.4	11 years
Technology	140.4	11.2	11 years	134.8	7.9	11 years
Licenses	106.8	10.0	10 years	111.4	7.4	10 years
Total	$ 363.5	$ 30.4	11 years	$ 358.9	$ 21.7	11 years

Intangible asset amortization expense was as follows:

(in millions)	Successor Three months ended December 29, 2006	Predecessor Three months ended December 30, 2005
Intangible asset amortization expense	$ 8.7	$ 0.7

The amortization expense for the remainder of fiscal 2007 is expected to be $26.3 million. The estimated aggregate amortization expense on intangible assets owned by the Company at December 29, 2006 is expected to be as follows:

Fiscal Year	Estimated Aggregate Amortization Expense (in millions)

2008	$35.4
2009	34.6
2010	34.6
2011	33.6
2012	33.3

5. Restructuring and Impairment Charges

Activity for the restructuring reserves is as follows ($ in millions):

	Employee Severance and Benefits	Facilities Exit Costs	Other	Non-cash Charges	Total
Balance at September 30, 2005	$ 2.2	$ 1.6	$ —	$ —	$ 3.8
Charges	—	0.3	—	—	0.3
Utilization	(0.9)	(0.9)	—	—	(1.8)
Balance at December 30, 2005	$ 1.3	$ 1.0	$ —	$ —	$ 2.3

	Employee Severance and Benefits	Facilities Exit Costs	Other	Non-cash Charges	Total
Balance at September 29, 2006	$ —	$ 0.7	$ —	$ —	$ 0.7
Charges, net	—	0.1	—	—	0.1
Utilization	—	(0.2)	—	—	(0.2)
Balance at December 29, 2006	$ —	$ 0.6	$ —	$ —	$ 0.6

At December 29, 2006, $0.6 million of restructuring reserves remained on the unaudited Balance Sheet, which was included in accrued and current liabilities and non-current accrued liabilities.

6. Income Taxes

The Company's effective tax rate from continuing operations for the three months ended December 29, 2006 is a benefit of 37.8%. This rate differs from the Federal statutory rate of 35% primarily due to state and foreign income taxes and losses in foreign jurisdictions for which no benefit has been recognized. The Company has assumed that all foreign earnings will be repatriated and that the associated foreign income taxes will be deducted and not claimed as credits.

With the exception of Covalence Korea, the Company believes that sufficient future taxable income will be generated to realize the tax benefits related to deferred tax assets. Therefore, the Company has not provided a valuation allowance against its deferred tax assets other than amounts related to Covalence Korea.

Prior to the Acquisition, the Predecessor'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 were not subject to income tax and that only the partners pay tax on their relevant share of partnership income. Accordingly, the Predecessor did not compute, and the Company's financial statements do not include, a tax provision on the income or losses of the U.S. operations. The Predecessor's financial statements reflect a provision for non-U.S. income taxes based on income as if the Predecessor had been subject to income tax on a separate return basis. The Predecessor's 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.

7. Contingencies

In the normal course of business, the Company is, and the Predecessor was, liable for product performance of certain of its products. In the opinion of management, such obligations will not significantly affect the Company's financial position, results of operations or cash flows.

At the time of the Acquisition, under the Predecessor, various claims, lawsuits and administrative proceedings arising in the ordinary course of business with respect to commercial, product liability and environmental matters were pending or threatened against the Predecessor. Additionally, the Predecessor was involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites. As part of the Acquisition, Tyco retained the liabilities associated with these known environmental matters, which relate to the offsite disposal of hazardous materials. The Company retained liabilities relating to environmental matters on the acquired Predecessor properties. The Company also retained the liabilities associated with all known commercial and product liability matters. In the opinion of management, the ultimate resolution of these matters is not known and an estimate cannot be made. The Company has not recorded a reserve for these matters as they are not reasonably estimable and are not expected to have a material impact on the Company's financial position, results of operations, or cash flows.

8. Related Party Transactions

Apollo Management Fee—The Company is charged a management fee by Apollo Management V, L.P., an affiliate of Holdings' principal stockholder, for the provision of management consulting and advisory services provided throughout the year. The management fee is the greater of $2.5 million or 1.5% of adjusted EBITDA. For fiscal 2006, the Company paid $2.5 million for the management fee.

Transactions with other related Apollo-affiliated companies—The Company conducts reviews of all transactions between itself and companies owned by affiliates of Apollo Management V, L.P. The value of all of these transactions, other than the management fee for the three months ended December 29, 2006 was less than $0.1 million. All of these other transactions were conducted in the normal course of business.

Final working capital adjustment owed to Tyco—As part of the Acquisition, the Company agreed to pay to Tyco a working capital adjustment not to exceed $30.0 million. The amount was based on the average resin price the Company paid during fiscal year 2006. During the three months ended December 29, 2006, the Company paid the $30.0 million adjustment plus accrued interest to Tyco.

Pursuant to the Acquisition, the following Related Party Transactions were terminated by the Predecessor.

Due to Tyco International Ltd. and affiliates—Amounts due to Tyco and its affiliates were primarily comprised of the funding requirements in connection with resin payables. This amount was settled with Tyco immediately prior to the Acquisition.

Sales—The Predecessor sold certain of its manufactured products (consisting primarily of medical adhesive bandages and, to a lesser extent, coated products) to other subsidiaries of Tyco, at prices which approximated fair value. These sales were $5.9 million for the three months ended December 30, 2005.

Allocation of expenses—Prior to the Acquisition, Tyco allocated expenses to the Predecessor related to certain management and administrative services provided, as well as for the use of certain patents and trade names. Management services were primarily related to corporate shared services including treasury, income tax, legal, internal audit, human resources and risk management functions. The related management fees, as well as royalties and licensing fees for the use of patents and trade names, were generally allocated based on the Predecessor's net revenue. Administrative fees for the accounts receivable securitization program and purchasing services were generally allocated based on the Predecessor's level of participation in the program.

Management believes that all allocations were made on a reasonable basis; however, these fees are not necessarily representative of the costs that would have been incurred by the Predecessor if it was operating on a stand-alone basis.

9. Segment and Geographic Data

The Company's reportable segments are strategic business units that operate in different industries and are managed separately. The Plastics segment manufactures polyethylene-based film, packaging products, bags and sheeting. The Adhesives segment manufactures specialty adhesive products and tapes for industrial applications, including external corrosion protection products for oil, gas and water pipelines. The Coated Products segment manufactures a variety of specialty laminates and coated products principally derived from paper, film, foil and fabrics. Certain corporate expenses were allocated to each of the Predecessor's reportable segment operating income, based generally on net revenue. Selected information by reportable segment is presented in the following table:

(in millions)	Successor Three Months Ended December 29, 2006	Predecessor Three Months Ended December 30, 2005
Net revenue:		
Plastics	$ 246.1	$ 305.4
Adhesives	73.0	87.6
Coatings	49.1	60.3
Less: intercompany revenue	(1.5)	(3.1)
	$ 366.7	$ 450.2

Operating income (loss):		
Plastics	$ (8.9)	$ 16.5
Adhesives	(0.2)	4.0
Coatings	(2.9)	2.1
Corporate Expenses	(5.8)	(1.5)
	$ (17.8)	$ 21.1
Depreciation & amortization:		
Plastics	$ 10.8	$ 6.5
Adhesives	5.3	2.5
Coatings	3.7	1.3
Corporate	0.5	0.0
	$ 20.3	$ 10.3
Capital expenditures, net:		
Plastics	$ 7.0	$ 3.9
Adhesives	2.0	1.3
Coatings	0.8	1.5
Corporate	0.5	0.6
	$ 10.3	$ 7.3
Net revenue:		
United States	$ 332.8	$ 415.4
North America excluding U.S.	17.5	18.5
Europe	15.6	12.3
Asia	0.8	4.0
	$ 366.7	$ 450.2

	Successor December 29, 2006	**Successor September 29, 2006**
Total assets:		
Plastics	$ 596.0	$ 676.9
Adhesives	235.5	264.1
Coatings	175.5	185.8
Corporate	82.8	76.9
	$ 1,089.8	$ 1,203.7
Long-lived assets:		
United States	$ 314.9	$ 315.9
North America excluding U.S.	16.2	16.9
Europe	1.0	1.0
Asia	1.0	1.0
	$ 333.1	$ 334.8

10. Supplementary Balance Sheet Information

Selected supplementary balance sheet information at December 29, 2006 and September 29, 2006 are detailed in the following tables, and reflect the impact of the evaluation of the fair values of the real and personal property, inventory and certain identifiable intangible assets in connection with the purchase price allocation related to the Acquisition as follows:

(in millions)	Successor December 29, 2006	Successor September 29, 2006
Inventories:		
Purchased Materials and Manufactured Parts	$ 114.7	$ 112.2
Work in Process	14.7	13.8
Finished Goods	62.2	107.9
Total Inventories	$ 191.6	$ 233.9
Prepaid expenses and other current assets:		
Prepaid Taxes	$ 2.3	$ 2.3
Prepaid Insurance	0.9	0.8
Rent and Deposits	1.0	1.0
Other	5.5	8.9
Prepaid expenses and other current assets:	$ 9.7	$ 13.0
Property, plant and equipment:		
Land	$ 20.3	$ 20.3
Buildings	93.1	92.3
Machinery and equipment	238.2	233.3
Property under capital leases	0.2	0.2
Leasehold improvements	2.9	2.7
Construction in progress	19.4	15.2
Accumulated depreciation	(41.0)	(29.2)
Property, plant and equipment, net:	$ 333.1	$ 334.8
Accrued and other current liabilities:		
Accrued Salaries & Wages	$ 3.7	$ 4.9
Accrued Vacation & Holidays.	2.9	3.7
Accrued Bonus	2.3	5.1
Sales Commission Payable.	1.9	2.3
Accrued Taxes	2.6	4.1
Accrued Restructuring.	0.3	0.3
Accrued Insurance.	5.8	5.7
Accrued Interest.	9.4	3.4
Accrued purchase price adjustment.	0.6	31.2
Other Accrued Expenses	18.4	16.7
Accrued and other current liabilities	$ 47.9	$ 77.4

11. Guarantor and Non-Guarantor Financial Information

The Company has Senior Subordinated notes outstanding, which are fully and unconditionally guaranteed by its U.S. Subsidiaries (the “Guarantor Subsidiaries”). Separate financial statements and other disclosures concerning the Company and Guarantor Subsidiaries are not presented because the Guarantor Subsidiaries are 100% wholly-owned by the Company and that the Guarantor Subsidiaries have fully and unconditionally guaranteed the obligations under the Senior Subordinated notes on a joint and several basis. The following tables present consolidating financial information for the Parent Company, Guarantor Subsidiaries and subsidiaries of the Company other than the Guarantor Subsidiaries (the “Non-Guarantor Subsidiaries”). The equity method of accounting is used to reflect investments of the Parent Company in its Guarantor and Non-Guarantor Subsidiaries. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

Condensed Statement of Operations
For the three months ended December 29, 2006 (Successor)
($ in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net revenue, including related party revenue	$ 237.1	$ 103.2	$ 33.9	$ (7.5)	$ 366.7
Cost of sales	226.3	92.1	31.2	(7.1)	342.5
Gross profit	10.8	11.1	2.7	(0.4)	24.2
Selling, general and administrative expenses	24.1	14.8	2.9	—	41.8
Restructuring and impairment charges, net	0.2	—	—	—	0.2
Operating income	(13.5)	(3.7)	(0.2)	(0.4)	(17.8)
Other income	—	—	(0.1)	—	(0.1)
Equity in net income (loss) of subsidiaries	(4.7)	—	—	4.7	—
Interest expense, net	17.0	—	—	—	17.0
Income (loss) before income taxes	(35.2)	(3.7)	(0.3)	4.3	(34.9)
Income tax benefit	(13.4)	—	0.3	—	(13.1)
Net income (loss)	$ (21.8)	$ (3.7)	$ (0.6)	$ 4.3	$ (21.8)

Condensed Statement of Operations
For the three months ended December 30, 2005 (Predecessor)
($ in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net revenue, including related party revenue	$ 295.6	$ 121.8	$ 34.9	$ (2.1)	$ 450.2
Cost of sales	256.5	102.5	28.1	(1.6)	385.5
Gross profit	39.1	19.3	6.8	(0.5)	64.7
Charges and allocations from Tyco International, Ltd. and affiliates	7.1	3.0	—	—	10.1
Selling, general and administrative expenses	20.1	11.1	2.3	—	33.5
Restructuring and impairment charges	—	—	—	—	—
Operating income	11.9	5.2	4.5	(0.5)	21.1
Other income	—	1.4	(1.4)	—	—
Equity in net income of subsidiaries	9.8	—	—	(9.8)	—
Interest expense (income), net	5.3	(1.2)	(0.1)	—	4.0
Income (loss) before income taxes	16.4	7.8	3.2	(10.3)	17.1
Income tax expense	—	—	0.7	—	0.7
Net income (loss)	$ 16.4	$ 7.8	$ 2.5	$ (10.3)	$ 16.4

Condensed Balance Sheet
As of December 29, 2006 (Successor)
($ in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 50.8	$ —	$ 3.3	$ —	$ 54.1
Accounts receivable, net of allowance for doubtful accounts	94.2	37.1	15.4	—	146.7
Inventories	117.8	57.2	16.6	—	191.6
Prepaid expenses and other current assets	3.2	1.7	4.8	—	9.7
Total current assets	266.0	96.0	40.1	—	402.1
Property, plant and equipment, net	220.8	93.8	18.5	—	333.1
Intangible assets, net	148.2	177.2	7.7	—	333.1
Investment in Subsidiaries	419.2	—	—	(419.2)	—
Other assets	20.9	0.6	—	—	21.5
Total Assets	$ 1,075.1	$ 367.6	$ 66.3	$ (419.2)	$ 1,089.8
Liabilities and Equity					
Current liabilities:					
Accounts payable	$ 77.1	$ 38.8	$ 6.8	$ —	$ 122.7
Accrued and other current liabilities	31.7	10.9	5.3	—	47.9
Long-term debt—current portion	3.0	—	—	—	3.0
Intercompany accounts, net	51.2	(64.2)	12.6	0.4	—
Total current liabilities	163.0	(14.5)	24.7	0.4	173.6
Long-term debt	729.2	—	—	—	729.2
Deferred tax liabilities	33.6	0.6	2.2	—	36.4
Other non current liabilities	0.5	0.3	1.0	—	1.8
Total long-term liabilities	763.3	0.9	3.2	—	767.4
Total Liabilities	926.3	(13.6)	27.9	0.4	941.0
Commitments and contingencies					
Contributions from Holdings	196.4	368.6	35.1	(403.7)	196.4
Subsidiary stock	—	—	3.9	(3.9)	—
Retained deficit	(47.9)	12.6	(0.9)	(11.7)	(47.9)
Cumulative translation	0.3	—	0.3	(0.3)	0.3
Total Equity	148.8	381.2	38.4	(419.6)	148.8
Total Liabilities and Equity	$ 1,075.1	$ 367.6	$ 66.3	$ (419.2)	$ 1,089.8

Condensed Balance Sheet
As of September 29, 2006 (Successor)
($ in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 62.3	$ 0.1	$ 4.4	$ —	$ 66.8
Accounts receivable, net of allowance for doubtful accounts	124.9	52.4	18.4	—	195.7
Inventories	158.3	57.8	17.8	—	233.9
Prepaid expenses and other current assets	6.0	1.6	5.4	—	13.0
Total current assets	351.5	111.9	46.0	—	509.4
Property, plant and equipment, net	219.4	96.4	19.0	—	334.8
Intangible assets, net	146.7	182.8	7.7	—	337.2
Investment in Subsidiaries	353.2	—	—	(353.2)	—
Other assets	21.7	0.6	—	—	22.3
Total Assets	$ 1,092.5	$ 391.7	$ 72.7	$ (353.2)	$ 1,203.7
Liabilities and Equity					
Current liabilities:					
Accounts payable	$ 108.2	$ 52.3	$ 9.9	$ —	$ 170.4
Accrued and other current liabilities	57.3	14.8	5.3	—	77.4
Long-term debt—current portion	3.0	—	—	—	3.0
Intercompany accounts, net	(25.4)	(9.2)	30.2	4.4	—
Total current liabilities	143.1	57.9	45.4	4.4	250.8
Long-term debt	729.9	—	—	—	729.9
Deferred tax liabilities	47.4	(0.4)	2.7	—	49.7
Other non current liabilities	0.3	0.5	0.7	—	1.5
Total long-term liabilities	777.6	0.1	3.4	—	781.1
Total Liabilities	920.7	58.0	48.8	4.4	1,031.9
Commitments and contingencies					
Contributions from Holdings	197.8	368.5	35.1	(403.6)	197.8
Retained deficit	(26.1)	(34.8)	(11.3	46.1	(26.1)
Cumulative translation	0.1	—	0.1	(0.1)	0.1
Total Equity	171.8	333.7	23.9	(357.6)	171.8
Total Liabilities and Equity	$ 1,092.5	$ 391.7	$ 72.7	$ (353.2)	$ 1,203.7

Condensed Statement of Cash Flows
For the three months ended December 29, 2006 (Successor)
($ in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flow from Operating Activities	$ 27.8	$ 2.3	$ 0.2	$ —	$ 30.3
Cash Flow from Investing Activities					
Purchase of property, plant, and equipment	(7.1)	(2.4)	(0.8)	—	(10.3)
Acquisition of business net of cash acquired	(30.2)	—	—	—	(30.2)
Net cash used in investing activities	(37.3)	(2.4)	(0.8)	—	(40.5)
Cash Flow from Financing Activities					
Return of equity to Holdings	(1.3)	—	—	—	(1.3
Repayment of long-term debt	(0.7)	—	—	—	(0.7)
Net cash provided by financing activities	(2.0)	—	—	—	(2.0)
Effect of currency translation on cash	—	—	(0.5)	—	(0.5)
Change in cash and cash equivalents	(11.5)	(0.1)	(1.1)	—	(12.7)
Cash and cash equivalents, beginning of period	62.3	0.1	4.4	—	66.8
Cash and cash equivalents, end of period	$ 50.8	$ —	$ 3.3	$ —	$ 54.1

Condensed Statement of Cash Flows
For the three months ended December 30, 2005 (Predecessor)
($ in millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flow from Operating Activities	$ (120.8)	$ (7.1)	$ 1.9	$ —	(126.0)
Cash Flow from Investing Activities					
Purchase of property, plant, and equipment	(5.6)	(2.8)	(0.2)	—	(8.6)
Proceeds from disposal of assets	1.3	—	—	—	1.3
Net cash used in investing activities	(4.3)	(2.8)	(0.2)	—	(7.3)
Cash Flow from Financing Activities					
Change in Predecessor Parent Company Investment	126.4	7.4	1.2	—	135.0
Change in book overdraft	(1.3)	2.4	—	—	1.1
Net cash provided by financing activities	125.1	9.8	1.2	—	136.1
Effect of currency translation on cash	—	—	(0.3)	—	(0.3)
Change in cash and cash equivalents	—	(0.1)	2.6	—	2.5
Cash and cash equivalents, beginning of period	—	0.1	2.6	—	2.7
Cash and cash equivalents, end of period	$ —	$ —	$ 5.2	$ —	$ 5.2

12. Subsequent Events

The Company's parent company, Covalence Specialty Materials Holding Corp. ("Holdings"), has agreed to merge with Berry Plastics Group, Inc. ("Berry") in a stock-for-stock merger. The resulting company will retain the name Berry Plastics Group, Inc. ("New Berry"). Berry shareholders will own a majority of the combined company's common stock following the merger. The merger has been approved by written consent of a majority of each company's shareholders, and remains subject to customary closing conditions, including receipt of required regulatory approvals. Immediately following the merger, the Company and Berry Plastics Holding Corporation ("Berry Opco") will be combined as a direct subsidiary of New Berry (the resulting company referred to as "New Berry Opco"). Pursuant to a supplemental indenture, New Berry Opco will become the successor obligor of the Company's senior subordinated notes. The company's senior secured credit facilities (both first and second lien facilities) are expected to be replaced with a new asset-based revolver and new senior secured term loan. The Company currently expects the closing to occur in April 2007.

COVALENCE SPECIALTY MATERIALS CORP.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Directors of
Covalence Specialty Materials Corp.
Bedminster, New Jersey

We have audited the accompanying consolidated balance sheet of Covalence Specialty Materials Corp. and subsidiaries (the "Successor Company") as of September 29, 2006, and the related consolidated statements of operations, equity and comprehensive income (loss), and cash flows for the period from February 17, 2006 through September 29, 2006. We have also audited the accompanying combined balance sheet of Tyco Plastics and Adhesives (the "Predecessor Company") as of September 30, 2005, and the related combined statements of operations, parent company equity and comprehensive income, and cash flows for the period October 1, 2005 through February 16, 2006, and each of the two years in the period ended September 30, 2005. These financial statements are the responsibility of the Successor Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Predecessor Company and the Successor Company are not required to have, nor were we engaged to perform, audits of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Predecessor or Successor Companies' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Covalence Specialty Materials Corp. and subsidiaries as of September 29, 2006 and the consolidated results of their operations and their cash flows for the period February 17, 2006 through September 29, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, such combined financial statements present fairly, in all material respects, the combined financial position of Tyco Plastics and Adhesives as of September 30, 2005, and the combined results of their operations and their cash flows for the period October 1, 2005 through February 16, 2006, and each of the two years in the period ended September 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

Certain expenses of the Predecessor Company represent allocations made from Tyco International Ltd. The accompanying combined financial statements of the Predecessor Company were prepared from the separate records maintained by the Predecessor Company and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Predecessor Company had been operated as an unaffiliated company.

As discussed in Note 15 to the consolidated and combined financial statements, the accompanying guarantor and non-guarantor financial information has been restated.

/s/ DELOITTE & TOUCHE LLP
Parsippany, New Jersey
December 22, 2006
(February 7, 2007 as to the effects of the restatement discussed in Note 15)

COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND TYCO PLASTICS AND ADHESIVES (PREDECESSOR)

STATEMENTS OF OPERATIONS
For The Periods from February 17, 2006 to September 29, 2006, October 1, 2005 to February 16, 2006, and the Years Ended September 30, 2005 and 2004
(in millions)

	Successor	Predecessor		
	February 17 to September 29, 2006	October 1, 2005 to February 16, 2006	Twelve Months Ended September 30, 2005	Twelve Months Ended September 30, 2004
Net revenue, including related party revenue (see Note 11)	$ 1,092.4	$ 666.9	$ 1,725.2	$ 1,658.8
Cost of Sales	980.7	579.0	1,477.4	1,366.2
Gross Profit	**111.7**	**87.9**	**247.8**	**292.6**
Charges and allocations from Tyco International, Ltd. And affiliates	—	10.4	56.4	65.0
Selling, general and administrative expenses	102.6	50.0	124.6	130.2
Restructuring and impairment charges, net	0.5	0.6	3.3	57.9
Operating Income	**8.6**	**26.9**	**63.5**	**39.5**
Other Income	1.3	—	—	—
Interest expense, net	49.7	2.1	4.5	6.3
Interest expense (income), net—Tyco International Ltd. And affiliates	—	5.5	11.2	(1.7)
Income (loss) before income taxes	**(39.8)**	**19.3**	**47.8**	**34.9**
Income tax expense (benefit)	(13.7)	1.6	3.8	2.4
Minority interest	—	—	—	0.2
Net income (loss)	**$ (26.1)**	**$ 17.7**	**$ 44.0**	**$ 32.3**

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

COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND TYCO PLASTICS AND ADHESIVES (PREDECESSOR)

BALANCE SHEETS
As of September 29, 2006 and September 30, 2005
(in millions)

	September 29, 2006 Successor	September 30, 2005 Predecessor
Assets		
Current assets:		
Cash and cash equivalents	$ 66.8	$ 2.7
Accounts receivable, net of allowance for doubtful accounts, of $3.3 and $4.3 million, respectively	195.7	196.1
Inventories	233.9	159.7
Prepaid expenses and other assets	13.0	15.9
Total current assets	509.4	374.4
Property, plant and equipment, net	334.8	283.1
Goodwill	—	531.7
Intangible assets, net	337.2	15.1
Other assets	22.3	2.4
Total Assets	$ 1,203.7	$ 1,206.7
Liabilities, Equity and Predecessor's Parent Company Equity		
Current liabilities:		
Accounts payable	170.4	94.4
Accrued and other current liabilities	77.4	37.2
Long-term debt—current portion	3.0	—
Due to Tyco International, Ltd. and affiliates	—	111.8
Capital Lease Obligations—current portion	—	79.5
Total current liabilities	250.8	322.9
Long-term debt (see Note 3)	729.9	—
Deferred tax liabilities	49.7	2.7
Other non current liabilities	1.5	23.3
Total long-term liabilities	781.1	26.0
Total Liabilities	1,031.9	348.9

COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND TYCO PLASTICS AND ADHESIVES (PREDECESSOR)

BALANCE SHEETS
As of September 29, 2006 and September 30, 2005
(in millions)

	September 29, 2006 Successor	September 30, 2005 Predecessor
Minority Interest	—	2.7
Commitments and contingencies (see Note 9)		
Contributions from Holdings	197.8	—
Predecessor Parent Company Investment	—	895.0
Retained deficit	(26.1)	—
Cumulative translation	0.1	(25.5)
Minimum pension liability	—	(14.4)
Total Equity and Parent Company Investment	171.8	855.1
Total Liabilities, Equity and Parent Company Investment	$ 1,203.7	$ 1,206.7

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

COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND TYCO PLASTICS AND ADHESIVES (PREDECESSOR)
STATEMENTS OF CASH FLOWS
For The Periods from February 17, 2006 to September 29, 2006, October 1, 2005 to February 16, 2006, and the Years Ended September 30, 2005 and 2004
(in millions)

	Successor	Predecessor		
	February 17 to September 29, 2006	October 1, 2005 to February 16, 2006	Twelve Months Ended September 30, 2005	Twelve Months Ended September 30, 2004
Cash Flows from Operating Activities:				
Net Income (loss)	$ (26.1)	$ 17.7	$ 44.0	$ 32.3
Adjustments to reconcile net cash from operating activities				
Depreciation and amortization	51.1	15.6	41.6	45.2
Amortization of debt issuance costs	2.1	—	—	—
Provisions for losses on accounts receivable and inventory	1.0	3.5	5.3	2.0
Deferred income taxes	(16.4)	1.2		
(Gain) loss on disposal of fixes assets	—	(3.0)	0.5	3.0
Non-cash restructuring	—	0.3	(1.2)	29.2
Other non-cash Items	0.3	—	0.9	(0.8)
Changes in assets and liabilities				
Accounts receivable, net	(21.2)	17.0	(11.1)	(11.4)
Inventories	21.9	(94.3)	3.3	20.3
Prepaid expenses and other current assets	6.2	(11.0)	—	—
Other non-current assets	3.2	—	—	—
Accounts payable	52.9	44.3	26.1	(7.5)
Due to Tyco International, Ltd and affiliates	—	(106.7)	28.1	(14.1)
Accrued and other current liabilities	16.0	(5.8)	(21.2)	(13.5)
Income taxes	2.7	1.6	(2.1)	1.6
Other, net	(4.9)	0.4	3.1	2.9
Net cash provided by (used in) operating activities	88.8	(119.2)	117.3	89.2
Cash Flows from Investing Activities:				
	(23.7)	(12.2)	(32.1)	(16.5)

Purchase of property, plant and equipment				
Proceeds from disposal of assets	0.8	3.1	2.9	1.0
Acquisition of business, net of cash acquired	(927.7)	—	—	—
Net cash used in investing activities	(950.6)	(9.1)	(29.2)	(15.5)

COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND TYCO PLASTICS AND ADHESIVES (PREDECESSOR)
STATEMENTS OF CASH FLOWS
For The Periods from February 17, 2006 to September 29, 2006, October 1, 2005 to February 16, 2006, and the Years Ended September 30, 2005 and 2004
(in millions)

	Successor	Predecessor		
	February 17 to September 29, 2006	October 1, 2005 to February 16, 2006	Twelve Months Ended September 30, 2005	Twelve Months Ended September 30, 2004
Cash Flows from Financing Activities:				
Issuance of long-term debt	783.4	—	—	—
Equity contributions	197.5	—	—	—
Repayment of long-term debt	(50.7)	—	—	—
Long-term debt financing costs	(23.7)	—	—	—
Long-term debt refinancing costs	(4.0)	—	—	—
Change in book overdraft	—	(14.2)	(12.1)	13.4
Payments of capital lease obligations	—	(79.4)	(61.1)	(3.8)
Change in Predecessor parent company investment	—	224.2	(13.2)	(87.1)
Other, net			(2.8)	(0.2)
Net cash provided by (used in) financing activities	902.5	130.6	(89.2)	(77.7)
Effect of currency translation on cash	(0.9)	(0.2)	0.1	(0.2)
Net increase (decrease) in cash and cash equivalents	39.8	2.1	(1.0)	(4.2)
Cash and cash equivalents at beginning of period	27.0	2.7	3.7	7.9
Cash and cash equivalents at end of period	**66.8**	**4.8**	**2.7**	**3.7**
Supplementary Cash Flow Information:				
Interest paid	38.0	0.6	5.4	6.4
Income taxes paid	—	0.8	3.8	1.6

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

COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND TYCO PLASTICS AND ADHESIVES (PREDECESSOR)

STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME (LOSS) (SUCCESSOR) AND PARENT COMPANY EQUITY AND COMPREHENSIVE INCOME (PREDECESSOR)
For The Periods from February 17, 2006 to September 29, 2006, October 1, 2005 to February 16, 2006, and the Years Ended September 30, 2005 and 2004
(in millions)

	Total Parent Company Equity	Parent Company Investment	Currency Translation	Minimum Pension Liability	Comprehensive Income
Balance at September 30, 2003	$ 877.0	$ 910.0	$ (23.4)	$ (9.6)	
Comprehensive income:					
Net income	32.3	32.3	—	—	32.3
Currency translation	(5.7)	—	(5.7)	—	(5.7)
Minimum pension liability	(2.4)	—	—	(2.4)	(2.4)
Total comprehensive income					$ 24.2
Net transfers to parent	(78.4)	(78.4)	—	—	
Balance at September 30, 2004	822.8	863.9	(29.1)	(12.0)	
Comprehensive income:					
Net income	44.0	44.0	—	—	$ 44.0
Currency translation	3.6	—	3.6	—	3.6
Minimum pension liability	(2.4)	—	—	(2.4)	(2.4)
Total comprehensive income					$ 45.2
Net transfers to parent	(12.9)	(12.9)	—	—	
Balance at September 30, 2005	855.1	895.0	(25.5)	(14.4)	
Comprehensive income:					
Net income	17.7	17.7	—	—	$ 17.7
Currency translation	1.7	—	1.7	—	1.7
Minimum pension liability	—	—	—	—	—
Total comprehensive income					$ 19.4
Net transfers to parent	224.2	224.2	—	—	
Balance at February 16, 2006 (Predecessor)	$ 1,098.7	$ 1,136.9	$ (23.8)	$ (14.4)	

COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND TYCO PLASTICS AND ADHESIVES (PREDECESSOR)

STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME (LOSS) (SUCCESSOR) AND PARENT COMPANY EQUITY AND COMPREHENSIVE INCOME (PREDECESSOR)
For The Periods from February 17, 2006 to September 29, 2006, October 1, 2005 to February 16, 2006,
and the Years Ended September 30, 2005 and 2004
(in millions)

	Total Equity	Retained Deficit	Contributions from Holdings	Currency Translation	Minimum Pension Liability	Comprehensive Loss
Comprehensive loss:						
Net loss	(26.1)	(26.1)	—	—	—	$ (26.1)
Currency translation	0.1	—	—	0.1	—	0.1
Minimum pension liability	—	—	—	—	—	—
Total comprehensive loss			—			$ (26.0)
Compensation expense	0.3	—	0.3	—	—	—
Contributions from Holdings	197.5	—	197.5			
Balance at September 29, 2006 (Successor)	$ 171.8	$ (26.1)	$ 197.8	$ 0.1	$ —	

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

COVALENCE SPECIALTY MATERIALS CORP. (SUCCESSOR) AND
TYCO PLASTICS AND ADHESIVES (PREDECESSOR)

NOTES TO FINANCIAL STATEMENTS
For The Periods from February 17, 2006 to September 29, 2006, October 1, 2005 to February 16, 2006, and the Years Ended September 30, 2005 and 2004

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation—The accompanying financial statements are presented for Covalence Specialty Materials Corp. (the "Successor" or the "Company") on a consolidated basis, and Tyco Plastics & Adhesives (the "Predecessor") on a combined basis. The financial statements of the Successor and Predecessor herein consist of the combined operations of the formerly wholly-owned operating units of Tyco: Tyco Plastics ("Plastics"), Tyco Adhesives ("Adhesives") and Ludlow Coated Products ("Coatings"). These financial statements present the consolidated financial position, results of operations and cash flows of the Successor as a stand-alone entity and combined financial position, results of operations and cash flows of the Predecessor as a subsidiary of Tyco, including adjustments, allocations and related party transactions (see Note 11) and have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). All intercompany transactions have been eliminated. The Predecessor financial statements presented may not be indicative of the results that would have been achieved had the Predecessor operated as a separate, stand-alone entity.

Recent Developments—On February 16, 2006, substantially all of the assets and liabilities of the Predecessor were acquired by the Company, under a Stock and Asset Purchase Agreement dated December 20, 2005 and entered into between Covalence Specialty Materials Holding Corp. ("Holdings"), an affiliate of Apollo Management V, L.P. and the direct parent of the Company, Tyco International S.A. and Tyco Group S.a.r.l. Under the agreement, the Successor acquired Predecessor's businesses through the acquisition of certain equity interests of, and certain assets and liabilities held by direct and indirect operating subsidiaries of Tyco International Ltd. (the "Acquisition"). See Note 2 for further discussion. Tyco International Ltd. and its subsidiaries, excluding the Predecessor, are referred to herein as "Tyco."

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 gross sales to arrive at net sales in the same period that 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.

Shipping and Handling Costs—Shipping, handling, purchasing, receiving, inspecting, warehousing, and other costs of distribution are presented in cost of sales in the statements of operations. The Company classifies amounts charged to its customers for shipping and handling in net revenues on its statements of operations.

Vendor Rebates—The Company receives consideration in the form of rebates from certain vendors and in accordance with EITF 02-16, "*Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor*," the Company accrues these as a reduction of inventory cost as earned under existing programs, and reflected as a reduction of cost of goods sold at the time that the related underlying inventory is sold to customers.

Concentrations—No one customer individually comprised more than 9% of net revenue of the Successor or the Predecessor in each of the periods presented.

Research and Development—Research and development expenditures are expensed when incurred and charged to cost of sales summarized as follows:

	Successor		Predecessor	
	February 17 to September 29, 2006	October 1 2005 to February 16, 2006	Twelve Months Ended September 30, 2005	Twelve Months Ended September 30, 2004
		(in millions)		
Research and development	$4.7	$3.1	$8.0	$6.7

Advertising—Advertising costs are expensed when incurred and are included in selling, general and administrative expenses as follows:

	Successor		Predecessor	
	February 17 to September 29, 2006	October 1 2005 to February 16, 2006	Twelve Months Ended September 30, 2005	Twelve Months Ended September 30, 2004
		(in millions)		
Advertising Costs	$2.5	$1.1	$3.1	$2.9

Employee Share Option Plans

Successor—As of September 29, 2006, the Company has one share-based compensation plan, which is described in Note 12. The compensation cost that has been charged against income for those plans was $0.3 million for the period February 17, 2006 through September 29, 2006. The total income tax benefit recognized in the income statement for share-based compensation arrangements for the period February 17, 2006 through September 29, 2006 was $0.1 million.

In February 2006, Covalence Specialty Materials Holding Corp. (Holdings) adopted the 2006 Long Term Incentive Plan (LTIP). Under the plan selected senior members of Covalence Specialty Materials Corp. management were offered the right to purchase common and perpetual preferred stock of Covalence Specialty Materials Holding Corp. In addition to this investment, this group received stock options in direct proportion to their investment. Members of management that choose not to invest in the Company were granted 1,000 options as part of the LTIP. In addition, under the plan Holdings may grant restricted stock to employees as well as allowing employees to purchase shares of Holdings common stock. There are 900,000 authorized shares available for grant or purchase under this plan.

Predecessor—Prior to the Acquisition, Tyco had granted options to purchase Tyco common shares to certain of the Predecessor's employees. Following the Acquisition, the expense and liability related to these stock options have remained with Tyco. No options to purchase the Predecessor's stock have been granted. Effective October 1, 2005, the Predecessor adopted SFAS No. 123R, "*Share-Based Payment*," which requires compensation costs related to

share-based transactions, including employee stock options, to be recognized in the financial statements based on fair value. The Predecessor adopted

SFAS No. 123R using the modified prospective application transition method. Under this method, compensation cost is recognized for the unvested portion of share-based payments granted prior to October 1, 2005 and all share-based payments granted subsequent to September 30, 2005 over the related vesting period. Prior to the first fiscal quarter of 2006, the Predecessor applied the intrinsic value based method prescribed in Accounting Principles Board Opinion No. 25 in accounting for employee stock based compensation. Prior period results have not been restated. Due to the adoption of SFAS No. 123R, the Predecessor's results from October 1, 2005 to February 16, 2006 include incremental share-based compensation expense totaling $2.0 million.

Foreign Currency—For the Successor's and Predecessor's non-U.S. subsidiaries that account in a functional currency other than U.S. Dollars, assets and liabilities are translated into U.S. Dollars using period-end exchange rates. Sales and expenses are translated at the average exchange rates in effect during the period. Foreign currency translation gains and losses are included as a component of accumulated other comprehensive income within Equity and the Predecessor Parent Company Investment. Gains and losses resulting from foreign currency transactions, the amounts of which are not material in any period presented, are included in net income.

Cash and Cash Equivalents—All highly liquid investments purchased with a maturity of three months or less from the time of purchase are considered to be cash equivalents.

Allowance for Doubtful Accounts—The allowance for doubtful accounts receivable reflects the best estimate of probable losses inherent in the Company's Accounts receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence.

Inventories—Inventories are stated at the lower of cost or market and are valued using the first-in, first-out method. Management periodically reviews inventory balances, using recent and future expected sales to identify slow-moving and/or obsolete items. The cost of spare parts inventory is charged to manufacturing overhead expense when incurred.

Property, Plant and Equipment, Net—Property, plant and equipment, net is recorded at cost less accumulated depreciation. Depreciation expense was recorded as follows:

	Successor	Predecessor		
	February 17 to September 29, 2006	October 1 2005 to February 16, 2006	Twelve Months Ended September 30, 2005	Twelve Months Ended September 30, 2004
	(in millions)			
Depreciation expense	$29.4	$14.6	$39.0	$43.2

Maintenance and repair expenditures are charged to expense when incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and related improvements	6 to 50 years
Leasehold improvements	Lesser of remaining term of the lease or economic useful life
Other machinery, equipment and furniture and fixtures	2 to 10 years

Long-Lived Assets—The Company periodically evaluates, and the Predecessor evaluated 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 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 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.

Goodwill—The Predecessor assessed 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 marketplace data. There are inherent uncertainties related to these factors and management’s judgment in applying them to the analysis of goodwill impairment.

Following the consummation of Acquisition, the Company did not record goodwill as the fair value of the acquired net assets exceeded the purchase price. See Note 2 for further discussion.

Intangible Assets, Net—Contracts and related customer relationships, as well as intellectual property consisting primarily of patents and trademarks, are being amortized on a straight-line basis over three to fifteen years. The Company evaluates and the Predecessor formerly evaluated the remaining useful life of intangible assets on a periodic basis to

determine whether events and circumstances warrant a revision to the remaining useful life.

Debt Issuance Costs—The costs related to the issuance of debt are capitalized and amortized to interest expense using the effective interest method.

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Financial Instruments—The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, long-term debt and capital lease obligations. The fair value of such instruments approximated book value at September 29, 2006 and September 30, 2005. The Company does not currently engage in any hedging activities and has no derivative instruments. As a result of the Acquisition, the Company incurred long-term debt obligations (see Note 3).

Insurable Liabilities—The Company records liabilities for its workers' compensation, product, general and auto liabilities. The determination of these liabilities and related expenses is dependent on claims experience. For most of these liabilities, claims incurred but not yet reported are estimated by utilizing actuarial valuations based upon historical claims experience.

Income Taxes—Following the Acquisition, the Company is being taxed at the U.S. corporate level as a C-Corporation and has provided U.S. federal and state income taxes for the period from February 17, 2006 to September 29, 2006. The Company has been indemnified by Tyco for tax liabilities that may arise in the future that relate to prior to the Acquisition, February 16, 2006. Deferred taxes have been provided related to the tax effects of the repatriation of foreign earnings. The Company's effective tax rate ("ETR") is dependent on many factors including: the impact of enacted tax laws in jurisdictions in which the Company operates; the amount of earnings by jurisdiction, due to varying tax rates in each country; and the Company's ability to utilize foreign tax credits related to foreign taxes paid on foreign earnings that will be remitted to the U.S.

Parent Company Investment—Prior to the Acquisition, the Predecessor received short-term funding from Tyco to meet its periodic cash flow operating needs. Cash disbursements and collections, advances, loans and repayments between Tyco and the Predecessor have been reflected in the Predecessor Parent Company Investment account in the accompanying financial statements. Net interest earned or paid on advances between Tyco and the Predecessor are reflected in the accompanying Statements of Operations. Interest expense associated with Tyco's general corporate debt has not been allocated to the Predecessor's operations in the financial statements presented herein.

Use of Estimates—The preparation of the financial statements in conformity with GAAP requires management to make extensive use of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of sales and expenses. Significant estimates in these financial statements include restructuring charges and credits, allowances for doubtful accounts receivable, estimates of future cash flows associated with long-lived assets, useful lives for depreciation and amortization, loss contingencies and net realizable value of inventories, revenue credits, vendor rebates, income taxes and tax valuation reserves and the determination of discount and other rate assumptions for pension and postretirement employee benefit expenses. 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.

Recently Issued Accounting Pronouncements—In December 2003, the Financial Accounting Standards Board ("FASB") 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. The Company adopted FIN No. 46R as of October 1, 2003. As a result, the Company 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 Statement of Financial Accounting Standards ("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. The Company adopted the revised SFAS No. 132 during 2004. See Note 10 for further discussion of retirement plans.

In November 2004, the FASB issued SFAS No. 151, "*Inventory Costs*, an amendment of ARB 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. The adoption of SFAS No. 151 did not have an impact on the Company'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 will require compensation costs related to share-based payment transactions to be recognized in the financial statements. The compensation cost will be measured based on the grant-date fair value and will be recognized over the service period. SFAS No. 123R replaces SFAS No. 123, "*Accounting for Stock-Based Compensation*," and supersedes Accounting Principles Board Opinion No. 25, "*Accounting for Stock Issued to Employees*." Pro forma disclosure regarding the effect on net income as if the Company had applied the fair value method of accounting for stock-based compensation is presented in the Employee Share Option Plans section above. Effective October 1, 2005, the Company has 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. The Company previously applied the intrinsic value based method prescribed in APB Opinion No. 25 in accounting for employee stock-based compensation. The adoption of SFAS No. 123R is expected to result in a pre-tax charge to earnings of approximately $4-$5 million.

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.

2. Acquisition Purchase Price Allocation

The Company has performed an evaluation of the fair values of the real and personal property, inventory and certain identifiable intangible assets in connection with the purchase price allocation related to the Acquisition. A valuation study was undertaken, which supports the purchase price allocation. The valuation study resulted in a fair value step-up to real and personal property, inventory and certain identifiable intangible assets. The Company recognized $6.8 million as a charge to cost of sales relating to the sale of inventory that was stepped-up to fair value. The Company is in the process of finalizing its purchase accounting information and, based on the valuation study and other available information, has recorded a purchase price of $916.1 million, which includes $975.2 million of original purchase price partially offset by favorable working capital adjustments from Tyco of approximately $63.6 million and $25.5 million and an unfavorable post-closing working capital adjustment of $30.0 million that is due to Tyco. As part of the Acquisition, the Company agreed to pay to Tyco a post-closing working capital adjustment not to exceed $30.0 million. As of September 29, 2006, the Company anticipated that it would be required to pay the $30.0 million to Tyco and has included this amount in its purchase accounting calculations, and such amount is reflected in its Balance Sheet as of September 29, 2006. The amount is based on the average resin price the Company paid during fiscal year 2006 and was paid on December 4, 2006. The Company's remaining purchase accounting for the Acquisition will be finalized during the first calendar quarter of 2007. The excess of the fair value of the net assets acquired over the purchase price paid has been allocated to non current assets on a prorated basis. The following table summarizes the preliminary allocation of fair values of the Company's assets acquired and liabilities assumed at the date of acquisition.

	Estimated Fair Value at February 16, 2006	Allocation of Excess Fair Value over Purchase Price (in millions)	Allocation of Purchase Price At February 16, 2006
Current assets	$ 434.6	$ —	$ 434.6
Property, plant and equipment	345.4	(4.8)	340.6
Intangible assets	365.8	(7.3)	358.5
Other non current assets	24.1	—	24.1
Assets acquired	1,169.9	(12.1)	1,157.8
Current liabilities	174.6	—	174.6
Non current liabilities	67.1	—	67.1
Liabilities assumed	241.7	—	241.7
	$ 928.2	$ (12.1)	$ 916.1

3. Long-Term Debt

In connection with the Acquisition, the Company 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. 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. 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 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 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 period ended September 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, including the Guarantors. The guarantees of those obligations are secured by substantially all of the Company's assets as well as those of Covalence Specialty Materials Holdings Corp. and each domestic subsidiary guarantor.

Also in connection with the Acquisition, the Company entered into the $175.0 million 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 1.00%. 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 discount of $6.4 million that this note was issued at, which is reflected on the Company's Balance Sheet, accordingly. Included in the Successor Statement of Operations is $0.2 million of amortization of this discount using the effective interest method. The 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 notes each contain a number of covenants that, among other things and subject to certain exceptions, restrict the Company's 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 Company's assets. For the period ended September 29, 2006, the Company has complied with all necessary covenants. No principal payments are required with respect to the second priority floating rate loan and the senior subordinated notes prior to maturity.

Following the Acquisition, the Company has recorded these long-term debt obligations in its September 29, 2006 Balance Sheet. The Company's weighted-average rate of interest on total debt was 8.4% for the period February 17, 2006 to September 29, 2006. Included in interest expense, net on the Company's Statement of Operations are certain transaction costs associated with the former senior secured credit facility and the senior secured credit facility.

Remaining long-term debt and maturities are as follows:

	Payments Due by Period				
	Total	**Less than 1 year**	**1-3 years**	**4-5 years**	**More Than 5 years**
	(in millions)				
Term Loan	$ 299.3	$ 3.0	$ 6.0	$ 6.0	$ 284.3
Second Lien Floating Rate Loan	175.0	—	—	—	175.0
Senior Subordinated Notes	265.0	—	—	—	265.0
Total	$ 739.3	$ 3.0	$ 6.0	$ 6.0	$ 724.3

Included in the Company's Balance Sheet as of September 29, 2006 as a reduction in Long-term debt is approximately $6.4 million relating to the unamortized balance of the discount on the Senior Subordinated Notes.

As of September 29, 2006 the Company had $191.9 million of availability under its revolving credit facility. As of September 29, 2006 the Company had approximately $8.1 million in letters of credit issued and outstanding.

4. Other Intangible Assets

The following table sets forth the gross carrying amount and accumulated amortization of the Company’s intangible assets:

(in millions)	September 29, 2006 Successor			September 30, 2005 Predecessor		
	Gross Carrying Amount	Accumulated Amortization	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Weighted Average Amortization Period
Contracts and related customer relationships	$ 112.7	$ 6.4	11 years	$ 17.3	$ 10.9	15 years
Technology	134.8	7.9	11 years	8.7	3.5	25 years
Licenses	111.4	7.4	10 years	3.9	0.6	24 years
Other	—	—		1.1	0.9	5 years
Total	$ 358.9	$ 21.7	11 years	$ 31.0	$ 15.9	24 years

Intangible asset amortization expense was as follows:

	Successor	Predecessor		
	February 17 to September 29, 2006	October 1 2005 to February 16, 2006	Twelve Months Ended September 30, 2005	Twelve Months Ended September 30, 2004
Intangible asset amortization expense	$21.7	$1.0	$2.6	$2.0

The estimated aggregate amortization expense on intangible assets currently owned by the Company is expected to be as follows:

Fiscal Year	Estimated Aggregate Amortization Expense (in millions)
2007	$34.8
2008	34.8
2009	34.3
2010	34.0
2011	33.3

5. Accumulated Comprehensive Income (Loss)

Total comprehensive income (loss) for the periods is as follows:

	Successor		Predecessor	
(in millions)	February 17 to September 29, 2006	October 1 2005 to February 16, 2006	Twelve Months Ended September 30, 2005	Twelve Months Ended September 30, 2004
Net income (loss)	$ (26.1)	$ 17.7	$ 44.0	$ 32.3
Minimum pension liability	—	—	(2.4)	(2.4)
Foreign currency translation adjustment	0.1	1.7	3.6	(5.7)
Accumulated comprehensive income (loss)	$ (26.0)	19.4	45.2	24.2

6. Restructuring and Impairment Charges

During 2005, the Predecessor recorded restructuring charges of $4.8 million consisting of $2.4 million employee severance and benefits and $2.4 million of facility exit costs. There are no additional expenses expected as a result of these actions. In addition, during 2005, the Predecessor recorded a credit for previously impaired property, plant and equipment of $1.5 million, which was sold for amounts higher than previously estimated.

Activity for the restructuring reserves is as follows ($ 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)
Transfers/reclass	—	—	—	—	—
Balance at September 30, 2004	3.4	3.2	—	—	6.6
Charges	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
Transfers 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

At September 29, 2006, $0.7 million of restructuring reserves remained on the Balance Sheet, which was included in accrued and current liabilities and non-current accrued liabilities. Pursuant to the Acquisition, the balance of $1.3 million attributed to employee severance was transferred to Tyco.

During 2004, the Predecessor recorded restructuring charges of $31.7 million. These charges related to restructuring plans to exit 18 facilities primarily in the United States and included the

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termination of approximately 1,553 employees. In addition, during 2004, the Company recorded charges for the impairment of property, plant and equipment of $26.2 million related to the Predecessor's decision to close certain facilities as discussed above. These Restructuring activities related to actions primarily in the Company's Plastics Segment of $5.8 million, $3.8 million, and $0.7 million as of September 30, 2004, September 30, 2005 and September 29, 2006 and are included in the corresponding year end amounts above.

7. Income Taxes (Successor)

Following the Acquisition, the Company is being taxed at the U.S. corporate level as a C-Corporation and has provided U.S. federal and state income taxes for the period from February 17, 2006 to September 29, 2006. The Company has been indemnified by Tyco for tax liabilities that may arise in the future that relate to the period prior to the Acquisition. Deferred taxes have been provided related to the tax effects of the repatriation of foreign earnings. The Company's effective tax rate ("ETR") is dependent on many factors including: the impact of enacted tax laws in jurisdictions in which the Company operates; the amount of earnings by jurisdiction, due to varying tax rates in each country; and the Company's ability to utilize foreign tax credits related to foreign taxes paid on foreign earnings that will be remitted to the U.S.

Significant components of income tax benefit for the period ended September 29, 2006 are as follows ($ in millions):

		2006
Current		
United States:		
Federal	$	—
State		—
Non-U.S.		2.7
Current income tax provision		2.7
Deferred:		
United States:		
Federal		(13.7)
State		(1.7)
Non-U.S.		(1.0)
Deferred income tax benefit		(16.4)
	$	(13.7)

U.S. loss from continuing operations before income taxes was $43.3 million for the period ended September 29, 2006. Non-U.S. income from continuing operations before income taxes was $3.5 million for the period ended September 29, 2006.

The reconciliation between U.S. federal income taxes at the statutory rate and the Company's benefit for income taxes on continuing operations for the period ended September 29, 2006 are as follows ($ in millions):

		2006
U.S. Federal income tax benefit at the statutory rate	$	(13.9)
Adjustments to reconcile to the income tax provision:		
U.S. state income tax (benefit) provision, net		(1.7)
Permanent differences		0.3
Foreign losses not recognized		0.5
Rate difference between U.S. and Foreign		(0.1)
Foreign earnings		1.2
Benefit for income taxes	$	(13.7)

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of the net deferred income tax liability at September 29, 2006 are as follows ($ in millions):

		2006
Deferred tax assets:		
Property, plant, and equipment	$	6.1
Accrued liabilities and reserves		2.2
Net operating loss		15.1
Amortization of tax deductible goodwill		2.1
Others		0.1
Total deferred tax assets	$	25.6
Deferred tax liabilities:		
Inventories	$	1.4
Intangible assets		67.6
Prepaid expenses		1.3
Allowance for doubtful accounts		0.1
Foreign earnings		1.3
Others		0.5
Total deferred tax liabilities	$	72.2
Net deferred tax liability before valuation allowance		46.6
Valuation allowance		3.1
Net deferred tax liability	$	49.7

As of September 29, 2006, the Company had foreign net operating loss carryforwards of approximately $12.9 million, of which $0.6 million are available to offset taxable income in future years. In the U.S. the company had approximately $29.2 million of federal and $30.4 million of state net operating loss carryforwards at September 29, 2006. The federal net operating loss carryforwards will expire in future years through 2026.

With the exception of Covalence Korea and Covalence India, the Company believes that it will generate sufficient future taxable income to realize the tax benefits related to the deferred tax assets. Therefore, the company has not provided any valuation allowance against its deferred tax assets other than related to Korea and India.

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A full valuation allowance has been established on the deferred tax assets resulting from current year losses from Korea and India due to the Company’s current assessment that it is more-likely-than-not that the deferred tax assets will not be utilized. Covalence Korea has started a liquidation process. Covalence India is in start-up stage. Therefore, any net operating loss generated this year from these two jurisdictions is more-likely-than-not not to be utilized in future years.

The Company believes that it will generate sufficient future taxable income to realize the tax benefits related to the remaining net deferred tax assets. The valuation allowance was calculated in accordance with the provisions of SFAS No. 109, which requires that a valuation allowance be established or maintained when it is “more likely than not” that all or a portion of deferred tax assets will not be realized.

Deferred tax liability has been provided for federal income or withholding taxes which may be payable on the remittance of the undistributed earnings of foreign subsidiaries approximating $3.8 million at September 29, 2006, as those earnings are considered to be not permanently reinvested.

The Company has not elected APB23. It is not anticipated that the Company will be able to take a Foreign Tax Credit on future repatriation of current foreign earnings. Therefore, the Company has not set up deferred tax assets for the Foreign Tax Credit on future repatriation of current foreign earnings.

Prior to the Acquisition, the Predecessor’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, the Predecessor did not compute, and the Company’s financial statements do not include, a tax provision on the income or losses of the U.S. operations. The Predecessor’s financial statements reflect a provision for non-U.S. income taxes based on income as if the Predecessor had been subject to income tax on a separate return basis. The Predecessor’s 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.

8. Income Taxes (Predecessor)

Under the Predecessor, business activities in the U.S. were conducted through partnership entities. See Note 7 for further discussion.

The reconciliation between U.S. federal income taxes at the statutory rate and the Company’s provision for income taxes are as follows ($ in millions):

	October 1, 2005 to February 16, 2006	2005	2004
Notional U.S. federal income tax expense at the statutory rate	$ 6.8	$ 16.7	$ 12.2
Adjustments to reconcile to the Company’s income tax provision:			
U.S. partnership income taxed at the partner level	(6.8)	(15.4)	(10.6)
Non-U.S. earnings	1.6	0.6	0.7
Other		1.9	0.1
Provision for income taxes	1.6	3.8	2.4
Deferred provision (benefit)	—	2.0	(0.7)

Current provision	$ 1.6	$ 1.8	$ 3.1

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For 2005, other is primarily related to routine reconciliations of the non-U.S. income taxes provided in prior years to the income tax returns actually filed.

The provisions for income taxes for the period from October 1, 2005 to February 16, 2006, and the fiscal years 2005 and 2004 include $1.6 million, $3.8 million and $2.4 million, respectively, for non-U.S. income taxes. The non-U.S. component of income before income taxes was $3.9 million, $3.8 million and $4.5 million for October 1, 2005 to February 16, 2006, 2005 and 2004, respectively.

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes.

The components of the net deferred tax liability are as follows ($ in millions):

		2005
Deferred tax assets:		
Tax loss and credit carryforwards	$	3.2
Inventories		—
Postretirement benefits		0.5
Accrued liabilities and reserves		0.4
	$	4.1
Deferred tax liabilities:		
Property, plant and equipment	$	1.3
Intangible assets		1.7
Other		1.0
	$	4.0
Net deferred tax asset before valuation allowance	$	0.1
Valuation allowance		2.8
Net deferred tax liability	$	(2.7)

At September 30, 2005, the Company had $11.1 million of net operating loss carryforwards in Korea and Mexico. These will expire in future years through 2015.

The valuation allowance for deferred tax assets of $2.8 million at September 30, 2005 relates principally to the uncertainty of the utilization of net operating loss carryforwards and realization of other deferred tax assets in Korea. The Company believes that it will generate sufficient future taxable income to realize the tax benefits related to the remaining net deferred tax assets. The valuation allowance was calculated in accordance with the provisions of SFAS No. 109, which requires that a valuation allowance be established or maintained when it is “more likely than not” that all or a portion of deferred tax assets will not be realized.

9. Commitments and Contingencies

The Predecessor participated in two of Tyco's capital lease programs used to finance capital expenditures for manufacturing machinery and equipment, of which one expired in December 2004 and the other was retired by Tyco prior to the Acquisition.

The Company has facility, vehicle and equipment operating leases that expire at various dates through the year 2012. Rental expense under these leases was as follows:

	Successor		Predecessor	
	February 17 to September 29, 2006	October 1, 2005 to February 16, 2006	Twelve months ended September 30, 2005	Twelve months ended September 30, 2004
Rental expense	$ 5.7	$ 2.6	$ 10.2	$ 13.1

The following is a schedule of future annual minimum lease payments as of September 29, 2006:

(in millions)	Operating Leases
2007	$ 8.3
2008	7.4
2009	5.9
2010	4.9
2011	3.0
Thereafter	1.2
Total minimum lease payments	$ 30.7

In the normal course of business, the Company is, and the Predecessor was, liable for product performance of certain of its products. In the opinion of management, such obligations will not significantly affect the Company's financial position, results of operations or cash flows.

At the time of the Acquisition, under the Predecessor, various claims, lawsuits and administrative proceedings arising in the ordinary course of business with respect to commercial, product liability and environmental matters were pending or threatened against the Predecessor. Additionally, the Predecessor was involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites. As part of the Acquisition, Tyco retained the liabilities associated with these known environmental matters, which relate to the offsite disposal of hazardous materials. The Company retained liabilities relating to environmental matters on the acquired Predecessor properties. The Company also retained the liabilities associated with all known commercial and product liability matters. In the opinion of management, the ultimate resolution of these matters is not known and an estimate cannot be made. The Company has not recorded a reserve for these matters as they are not reasonably estimable and believes these will not have a material impact on the Company's financial position, results of operations, or cash flows.

10. Retirement Plans

The Predecessor had a number of noncontributory and contributory defined benefit retirement plans covering certain of its U.S. and non-U.S. employees, designed in accordance with conditions and practices in the countries concerned. With the exception of one defined benefit plan and one multiemployer benefit plan that remain with the Company, these plans were not included as part of the net assets acquired in connection with the Acquisition, and as such, remained with Tyco. For the period February 17, 2006 to September 29, 2006 the expense attributable to these plans, that remained with the Company, was less than $0.1 million.

Covalence Specialty Materials Corp. Retirement Plans (Successor)

Defined Benefit Plan—The Company sponsors a noncontributory defined benefit retirement plan, which covers approximately 70 active and inactive current and former employees.

Multiemployer Plan—The Company participates in one multiemployer plan. Contributions to the plan are based on specific percentages of employee compensation.

Defined Contribution Retirement Plans—Certain employees of the Company that are employed full-time are eligible to participate in the Company's 401(k) retirement plan. Participants can elect to defer a percentage of their salary through payroll deductions and direct their contributions into different funds established by the Company. The Company provides for matching contributions in the amount of 100% of up to 5% of salary. The expense associated with the matching contribution was $3.4 million for the period from February 17, 2006 to September 29, 2006.

Tyco Plastics & Adhesives Retirement Plans (Predecessor)

Measurement Date—In 2005, the Predecessor changed the measurement date for its pension and postretirement benefit plans from September 30 to August 31 to allow management adequate time to evaluate and report the actuarial information in its Financial Statements. Accordingly, all amounts presented as of and for the year ended September 30, 2005 reflect an August 31 measurement date, while prior years reflect a September 30 measurement date. The Predecessor had accounted for the change in measurement date as a change in accounting principle. The effects of this change in measurement date did not have a material effect on net periodic benefit costs.

Defined Benefit Pension Plans—The Predecessor had a number of noncontributory and contributory defined benefit retirement plans covering certain of its U.S. and non-U.S. employees, designed in accordance with conditions and practices in the countries concerned. Net periodic pension benefit cost is based on periodic actuarial valuations which use the projected unit credit method of calculation and was charged to the Statements of Operations on a systematic basis over the expected average remaining service lives of current participants. Contribution amounts were determined based on the advice of professionally qualified actuaries in the countries concerned. The benefits under the defined benefit plans were based on various factors, such as years of service and compensation.

The net periodic benefit cost for all U.S. and non-U.S. defined benefit pension plans for the years ended September 30, 2005 and 2004 was as follows ($ in millions):

	U.S. Plans		Non-U.S. Plans	
	2005	**2004**	**2005**	**2004**
Service Cost	$ 0.3	$ 0.3	$ 0.3	$ 0.3
Interest Cost	2.0	1.9	0.2	0.1
Expected return on plan assets	(2.1)	(1.6)	(0.1)	(0.1)
Amortization of net actuarial loss	0.8	0.6	—	—
Curtailment/settlement loss	—	—	0.3	0.5
Net periodic benefit costs	$ 1.0	$ 1.2	$ 0.7	$ 0.8
Weighted-average assumptions used to determine net pension costs during the period:				
Discount rate	6.00%	6.00%	5.68%	6.15%
Expected return on plan assets	8.00%	8.00%	6.75%	6.40%
Rate of compensation increase	4.25%	4.30%	3.62%	3.82%

The following table represents the changes in benefit obligation, plan assets and the net amount recognized on the Predecessor's Balance Sheets for all U.S. and non-U.S. defined benefit plans at September 30, 2005 ($ in millions):

Change in benefit obligation:	**U.S. Plans 2005**	**Non-U.S. Plans 2005**
Benefit obligation at beginning of year	$ 34.6	$ 2.4
Service cost	0.3	0.3
Interest cost	2.0	0.2
Actuarial loss	4.2	0.2
Benefits and administrative expenses paid	(3.7)	(0.1)
Plan settlements and curtailments	—	(0.1)
Currency translation	—	—
Benefit obligation at end of year	$ 37.4	$ 2.9

Change in plan assets:	**U.S. Plans 2005**	**Non-U.S. Plans 2005**
Fair value of plan assets at beginning of year	$ 27.0	$ 1.1
Actual return on plan assets	3.0	0.1
Employer contributions	—	0.6
Plan settlements and curtailments	—	(0.3)
Benefits and administrative expenses paid	(3.7)	(0.1)
Currency translation	—	—
Fair value of plan assets at end of year	$ 26.3	$ 1.4

Change in plan assets:		U.S. Plans 2005		Non-U.S. Plans 2005
Funded status	$	(11.1)	$	(1.5)
Unrecognized net actuarial loss		14.4		0.2
Unrecognized prior service cost		—		0.2
Net amount recognized	$	3.3	$	(1.1)
Amounts recognized on the Combined Balance Sheets:				
Accrued benefit liability	$	(11.1)	$	(1.1)
Accumulated other comprehensive income		14.4		—
Net amount recognized	$	3.3	$	(1.1)
Weighted-average assumptions used to determine pension benefit obligations at year end:				
Discount rate		5.25%		4.96%
Rate of compensation increase		4.00%		3.51%

In determining the expected return on plan assets, the Predecessor considered the relative weighting of plan assets by class and individual asset class performance expectations as provided by its external advisors.

The Predecessor's investment strategy for its pension plans was to manage the plans on a going-concern basis. Investment policy was to achieve a superior return on assets, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for participants. For U.S. pension plans, this policy targeted a 60% allocation to equity securities and a 40% allocation to debt securities. Various asset allocation strategies were in place for non-U.S. pension plans, with a weighted-average target allocation of 38% to equity securities, 47% to debt securities and 15% to other asset classes, including cash equivalents and insurance contracts. However, the majority of the non-U.S. plans were unfunded.

Pension plans have the following weighted-average asset allocations at September 30, 2005:

Asset Category:	U.S. Plans 2005	Non-U.S. Plans 2005
Equity securities	59%	31%
Debt securities	38%	55%
Insurance contracts	—	14%
Cash and cash equivalents	3%	—
Total	100%	100%

Although the Predecessor did not buy or sell any Tyco stock as a direct investment for its pension funds, due to external investment management of the funds, the plans may have indirectly held Tyco stock. The aggregate amount of the shares would not be considered material relative to the total fund assets.

The Predecessor's funding policy was to make contributions in accordance with the laws and customs of the various countries in which it operates as well as to make discretionary voluntary contributions from time-to-time.

The accumulated benefit obligation for all U.S. plans as of September 30, 2005 was $37.5 million. The accumulated benefit obligation for all non-U.S. plans as of September 30, 2005 was $1.9 million.

The accumulated benefit obligation and fair value of plan assets for U.S. pension plans with accumulated benefit obligations in excess of plan assets were $37.5 million and $26.3 million, respectively, at September 30, 2005.

The accumulated benefit obligation and fair value of plan assets for non-U.S. pension plans with accumulated benefit obligations in excess of plan assets were $1.9 million and $1.4 million, respectively, at September 30, 2005.

Defined Contribution Retirement Plans—Certain employees of the Predecessor that were employed full-time were eligible to participate in Tyco's 401(k) retirement plan. Participants elected to defer a percentage of their salary through payroll deductions and direct their contributions into different funds established by Tyco. The Predecessor provided for matching contributions in the amount of 100% of up to 5% of salary. The expense associated with the matching contribution was $6.1 million and $3.7 million for 2005 and 2004, respectively. Certain employees of the Company were also eligible to participate in Tyco's Supplemental Executive Retirement Plan ("SERP"). This plan was nonqualified and restored the employer match that certain employees lost due to IRS limits on eligible compensation under the defined contribution plan. Expense related to the SERP was $0.2 million for 2005 and 2004.

Deferred Compensation Plans—Certain employees of the Company participated in Tyco's nonqualified deferred compensation plans, which permitted eligible employees to defer a portion of their compensation. A record keeping account was set up for each participant and the participant choose from a variety of measurement funds for the deemed investment of their accounts. The measurement funds corresponded to a number of funds in Tyco's 401(k) plans and the account balance fluctuated with the investment returns on those funds. Deferred compensation expense was $0.3 million in 2005 and $0.2 million in 2004. Total deferred compensation liabilities were $3.2 million at September 30, 2005.

Postretirement Benefit Plans—Net periodic postretirement benefit cost for the years ended September 30, 2005 and 2004, was as follows ($ in millions):

	2005	2004
Interest cost	$ 0.1	$ 0.3
Amortization of net actuarial loss	—	0.1
Net periodic postretirement benefit cost	$ 0.1	$ 0.4
Weighted-average discount rate used to determine net postretirement benefit cost during the period	5.5%	5.5%

The components of the *accrued* postretirement benefit obligations, all of which are unfunded, at September 30, 2005 were as follows ($ in millions):

		2005
Change in benefit obligation:		
Benefit obligation at beginning of year	$	5.3
Interest cost		0.1
Actuarial gain		(0.9)
Benefits paid		(0.3)
Benefit obligation at end of year	$	4.2
Change in plan assets:		
Employer contributions	$	0.3
Benefits paid		(0.3)
Fair value of plan assets at end of year	$	—
Funded status	$	(4.2)
Unrecognized net loss		0.9
Unrecognized prior service cost		—
Accrued postretirement benefit cost	$	3.3
Weighted-average discount rate used to determine postretirement benefit obligation at year end		4.75%

For measurement purposes, for the years ended September 30, 2005 and 2004, composite annual rates of increase in the per capita cost of covered health care benefits were assumed to be 11.6% and 11.5%, respectively. At September 30, 2005 and 2004, the composite annual rate of increase in health care benefit costs was assumed to decrease gradually to 5.0% by the year 2013 and remain at that level thereafter.

A one-percentage-point change in assumed healthcare cost trend rates would have the following effects ($ in millions):

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost	$ —	$ —
Effect on postretirement benefit obligation	0.5	(0.2)

In December 2003, the US enacted into law the "Medicare Prescription Drug, Improvement and Modernization Act of 2003" (the Act). The Act introduces a prescription drug benefit under Medicare (Medicare Part D), as well as a U.S. federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Certain of the Company's retiree medical programs already provided prescription drug coverage for retirees over age 65 that were at least as generous as the benefits provided under Medicare. This Act reduced the Predecessor's obligation in these instances. The Predecessor included the effects of the Act in its Financial Statements by reducing net periodic benefit cost by $0.3 million for the year ended September 30, 2005, and reflecting an actuarial gain which reduced its accumulated post retirement benefit obligation by approximately $2.7 million at September 30, 2005.

11. Related Party Transactions

Apollo Management Fee—The Company is charged a management fee by Apollo Management V, L.P., an affiliate of its principal stockholder, for the provision of management consulting and advisory services provided throughout the year. The management fee is the greater of $2.5 million or 1.5% of adjusted EBITDA. The fee is payable at the beginning of each fiscal year. For fiscal 2006, the Company paid $2.5 million for the management fee.

Transactions with other related Apollo-affiliated companies—The Company conducts reviews of all transactions between itself and companies owned by affiliates of Apollo Management V, L.P. The value of all of these transactions for the period February 17, 2006 to September 29, 2006 was less than $0.1 million. All of these transactions were conducted in the normal course of business.

Final working capital adjustment owed to Tyco—As part of the Acquisition, the Company agreed to pay to Tyco a working capital adjustment not to exceed $30.0 million. The amount is based on the average resin price the Company pays during fiscal year 2006 and is payable no later than January 7, 2007. As of September 29, 2006, the Company anticipated that it will be required to pay the $30.0 million to Tyco and has included this amount in its purchase accounting calculations.

Pursuant to the Acquisition, the following Related Party Transactions were terminated by the Predecessor.

Due to Tyco International Ltd. and affiliates—Balance due to Tyco at September 30, 2005 of $111.8 million was primarily comprised of the funding requirements in connection with resin payables. This amount was settled with Tyco immediately prior to the Acquisition.

Sales—The Predecessor sold certain of its manufactured products (consisting primarily of medical adhesive bandages and, to a lesser extent, coated products) to other subsidiaries of Tyco, at prices which approximate fair value. These sales were $11.6 million, $23.4 million, and $26.0 million for the period October 1, 2005 to February 16, 2006, and the years ended September 30, 2005 and 2004, respectively.

Securitization Program—The Predecessor participated in a Tyco accounts receivable securitization program through May 27, 2005, on which date Tyco terminated the program. Under this program, Tyco sold participating interests in accounts receivable to investors who, in turn, purchased and received ownership and security interests in those receivables. As collections reduced accounts receivable included in the pool, each participant (including the Predecessor) sold new receivables. Under the provisions of the program agreement, Tyco charged the Predecessor an administrative fee based on its participation in the program. This administrative fee is included in Charges and Allocations from Tyco International, Ltd. and affiliates in the Statements of Operations. Such charges aggregated $2.0 million and $13.8 million during the three and nine months ended July 1, 2005.

Allocation of expenses—Prior to the Acquisition, Tyco allocated expenses to the Predecessor related to certain management and administrative services provided, as well as for the use of certain patents and trade names. Management services were primarily related to corporate shared services including treasury, income tax, legal, internal audit, human resources and risk management functions. The related management fees, as well as royalties and licensing fees for the use of patents and trade names, were generally allocated based on the Predecessor’s net revenue. Administrative fees for the accounts receivable securitization program and purchasing services were generally allocated based on the Predecessor’s level of participation in the program.

Management believes that all allocations were made on a reasonable basis; however, these fees are not necessarily representative of the costs that would have been incurred by the Predecessor if it was operating on a stand-alone basis.

12. Stock Based Compensation and Share Plans

Under the Predecessor periods, Tyco adopted FAS 123R on October 1, 2005 to account for its stock based compensation. Stock based compensation for the period October 1, 2005 through February 16, 2006 was $1.7 million.

Covalence Specialty Materials Corp. Share Plan (Successor)

As of September 29, 2006, the Company has one share-based compensation plan, which is described below. The compensation cost that has been charged against income for those plans was $0.3 million for the period February 17, 2006 through September 29, 2006. The total income tax benefit recognized in the income statement for share-based compensation arrangements for the period February 17, 2006 through September 29, 2006 was $0.1 million.

In February 2006, Covalence Specialty Materials Holding Corp. (Holdings) adopted the 2006 Long Term Incentive Plan (LTIP). Under the plan selected senior members of Covalence Specialty Materials Corp. management were offered the right to purchase common and perpetual preferred stock of Covalence Specialty Materials Holding Corp. In addition to this investment, this group received stock options in direct proportion to their investment. Members of management that choose not to invest in the Company were granted 1,000 options as part of the LTIP. In addition, under the plan Holdings may grant restricted stock to employees as well as allowing employees to purchase shares of Holdings common stock. There are 900,000 authorized shares available for grant or purchase under this plan.

All stock options received by employees under this plan have an exercise price equal to the price paid for common stock by employees and have a ten year life from date of grant. Options are split evenly between three Tranches. Tranche A options are classified as time vesting options while Tranche B and Tranche C options are classified as performance based options. Shares underlying Tranche A options generally vest in five equal annual installments on September 30 of each year, from 2006 through 2010. Shares underlying Tranche B options generally vest as in five equal installments on September 30 of each year from 2006 through 2010, if a specified EBITDA target for the respective vesting year is met. Upon change of control, shares underlying Tranche B options that have not yet been eligible to vest will vest in the same proportion as shares underlying Tranche B options previously eligible to vest will have vested. Shares underlying Tranche C options vest in full if a specified internal rate of return on Apollo’s investment in Holding’s equity is achieved.

The fair value of each option award is estimated on the date of grant using a Black-Scholes valuation model that uses the assumptions noted in the following table. Since the Company is not publicly traded, the volatility of guideline publicly traded companies was used to estimate the expected volatility. The Company relied on the simplified method for estimating expected life outlined by the SEC in Staff Accounting Bulletin No. 107 ("SAB 107"). The simplified method specifies that early exercise will take place midway between vesting and expiration. A yield curve was constructed using the risk free interest rates based on the Constant Maturity Rates as provided by the U.S. Treasury. For this valuation the continuous rate was used with a term equal to the expected life of the options.

A summary of assumptions is presented below.

	2006
Expected Volatility	45.0%
Expected dividends	0.0%
Expected term (in years)	3.73-6.86
Risk-free rate	4.5%-4.9%

A summary of option activity under the Plan as of September 29, 2006 is present below:

	2006	
	Shares	Weighted Average Exercise Price
Outstanding as of 2/16/2006	0	—
Granted	413,183	$ 10.00
Forfeited	(129,077)	$ 10.00
Outstanding as of 9/29/2006	284,106	$ 10.00
Options vested at 9/29/2006	18,958	$ 10.00

A summary of the status of the Company's nonvested shares as of September 29, 2006 is present below:

	2006	
	Shares	Weighted Average Fair Valuation
Nonvested at 02/16/2006	0	—
Granted	413,183	$ 4.68
Vested	(18,958)	$ 4.67
Forfeited	(129,077)	$ 4.68
Nonvested of 9/29/2006	265,148	$ 4.67

As of September 29, 2006, there was $1.0 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a period of 4.5 years.

Tyco Share Plans (Predecessor)

As an operating unit of Tyco, the Predecessor had no employee share option plans; however certain employees of the Predecessor have been granted share options under the Tyco International Ltd. 2004 Stock and Incentive Plan (the "2004 Plan") which replaced the Tyco International Ltd. Long Term Incentive Plan, as amended as of May 12, 1999 (the "LTIP I Plan"), the Tyco International Ltd. Long Term Incentive Plan II (the "LTIP II Plan"), as well as Tyco International Ltd. 1994 Restricted Stock Ownership Plan for Key Employees (the "1994 Plan") for all awards effective on and after March 25, 2004. The 2004 Plan provided for the award of stock options, stock appreciation rights, annual performance bonuses, long term performance awards, restricted units, restricted stock, promissory stock and other stock-based awards (collectively, "Awards") for eligible employees of the Predecessor. The 1994 Plan provided for the issuance of restricted stock grants to officers and non-officer employees.

The LTIP I Plan reserved common shares for issuance to Tyco's directors, executives and managers as share options. This plan is administered by the Compensation Committee of the Board of Directors of Tyco, which consisted exclusively of independent directors. The LTIP II Plan was a broad based option plan for non-officer employees, the terms and conditions of which are similar to the LTIP I Plan.

Restricted Shares—Common shares were awarded by Tyco subject to certain restrictions. Conditions of vesting was determined at the time of grant. The 2004 Plan indicates that, unless otherwise stated, the stock vested in equal annual installments over a period of four years. However, the majority of Tyco's restricted share grants cliff vested after three years. All restrictions on the stock lapsed upon normal retirement, death or disability of the employee.

For grants which vested based on certain specified performance criteria, the fair market value of the shares at the date of vesting was expensed over the period of performance, once achievement of criteria was deemed probable. For grants that vest through passage of time, the fair market value of the shares at the time of the grant was amortized (net of income tax benefit) to expense over the period of vesting. Recipients of all restricted shares had the right to vote such shares and receive dividends.

Share Options—Options were granted to purchase common shares at prices which were equal to or greater than the market price of the common shares on the date the option was granted. Conditions of vesting were determined at the time of grant. The 2004 Plan indicated that, unless otherwise stated, the options became exercisable in equal annual installments over a period of four years and generally expired 10 years after the date of grant. However, the majority of Tyco's stock option grants vested in equal annual installments over three years.

Share option activity for the Predecessor's employees under all Tyco plans from September 30, 2003 to September 30, 2005 is as follows:

	Outstanding	**Weighted-Average Exercise Price**
At September 30, 2003	2,534,035	28.75
Granted	513,800	27.62
Exercised	(387,071)	18.63
Cancelled	(389,281)	36.03
At September 30, 2004	2,271,483	28.97
Granted	470,595	35.80
Exercised	(289,709)	14.93
Transfers out	(90,300)	22.00
Cancelled	(226,348)	36.80
At September 30, 2005	2,135,721	31.84

The following table summarizes information about Tyco share options outstanding and exercisable by Predecessor employees as of September 30, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life—Years	Number	Weighted Average Exercise Price
$ 2.33 to $ 9.16	2,720	$ 7.27	0.5	2,720	$ 7.27
10.16 to 19.90	378,973	15.07	6.7	207,487	15.95
20.13 to 29.51	656,083	26.44	7.1	381,044	25.67
30.67 to 39.03	668,917	35.73	7.6	218,690	35.72
41.20 to 49.48	268,786	44.55	5.3	268,786	44.55
50.50 to 56.28	142,760	50.89	4.6	142,760	50.89
At 102.14	17,482	102.14	4.8	17,482	102.14
Total	2,135,721	31.84	6.8	1,238,969	33.86

On the dates of grant using the Black-Scholes option-pricing model and assumptions set forth below, the estimated weighted-average fair value of Tyco options granted during 2005 and 2004 was $10.97 and $10.77, respectively.

The following weighted-average assumptions were used for the years ended September 30, 2005 and 2004:

	2005	2004
Expected stock price volatility	33%	47%
Risk free interest rate	4.09%	2.52%
Expected annual dividend per share	$ 0.40	$ 0.05
Expected life of options (years)	4.5	4.0

Employee Stock Purchase Plans—Substantially all full-time employees of the Predecessor's U.S. subsidiaries and employees of certain qualified non-U.S. subsidiaries were eligible to participate in Tyco's employee share purchase plan. Eligible employees authorized payroll deductions to be made for the purchase of shares. The Predecessor matches a portion of the employee contribution by contributing an additional 15% of the employee's payroll deduction. All shares purchased under the plan were purchased on the open market by a designated broker.

Tyco also maintains two other employee stock purchase plans for the benefit of employees of certain qualified non-U.S. subsidiaries. Under one plan, eligible employees were granted options to purchase shares at the end of three years of service at 85% of the market price at the time of grant. All shares purchased under the other plan were purchased on the open market.

The total compensation cost for all stock-based compensation awards was $2.4 million and $0.9 million for 2005 and 2004, respectively.

13. Segment and Geographic Data

The Company's reportable segments are strategic business units that operate in different industries and are managed separately. The Plastics segment manufactures polyethylene-based film, packaging products, bags and sheeting. The Adhesives segment manufactures specialty adhesive products and tapes for industrial applications, including external corrosion protection products for oil, gas and water pipelines. The Coated Products segment manufactures a variety of specialty laminates and coated products principally derived from paper, film, foil and fabrics. Certain corporate expenses were allocated to each of the Predecessor's reportable segment's operating income, based generally on net revenue. Selected information by reportable segment is presented in the following table:

	Successor	Predecessor		
(in millions)	February 17 to September 29, 2006	October 1, 2005 to February 16, 2006	Twelve Months ended September 30, 2005	Twelve Months ended September 30, 2004
Net Revenue				
Plastics	$ 705.5	$ 449.5	$ 1,129.2	$ 1,060.3
Adhesives	235.5	128.7	340.4	321.2
Flexible Packaging	157.2	92.7	268.4	286.1
Less intercompany revenue	(5.8)	(4.0)	(12.8)	(8.8)
	$ 1,092.4	$ 666.9	$ 1,725.2	$ 1,658.8
Operating income				
Plastics	4.2	22.8	34.4	5.9
Adhesives	12.8	5.6	25.2	24.1
Flexible Packaging	8.4	4.1	12.6	26.1
Corporate expenses	(16.8)	(5.6)	(8.7)	(16.6)
	$ 8.6	$ 26.9	$ 63.5	$ 39.5
Depreciation & amortization				
Plastics	$ 27.6	$ 9.6	$ 25.4	$ 27.3
Adhesives	13.4	3.9	10.7	12.1
Flexible Packaging	9.2	2.0	5.3	5.8
Corporate	0.9	0.1	0.2	—
	$ 51.1	$ 15.6	$ 41.6	$ 45.2

(in millions)	Successor February 17 to September 29, 2006	October 1, 2005 to February 16, 2006	Predecessor Twelve Months ended September 30, 2005	Twelve Months ended September 30, 2004
Capital expenditures, net				
Plastics	$ 17.5	$ 4.5	$ 16.2	$ 12.5
Adhesives	3.7	2.1	8.4	1.7
Flexible Packaging	1.3	1.9	3.9	1.3
Corporate	0.3	0.6	0.7	—
	22.8	9.1	29.2	15.5
Net Revenue				
United States	$ 981.9	$ 616.7	$ 1,600.6	$ 1,566.9
North America excluding U.S.	61.3	26.6	54.5	36.4
Europe.	41.2	17.7	55.6	41.7
Asia.	8.0	5.9	14.5	13.8
	$ 1,092.4	$ 666.9	$ 1,725.2	$ 1,658.8

(in millions)	September 29, 2006 Successor	September 30, 2005 Predecessor
Total Assets:		
Plastics	$ 676.9	$ 715.6
Adhesives	264.1	250.4
Flexible Packaging	185.8	239.6
Corporate	76.9	1.1
	$ 1,203.7	$ 1,206.7
Long-lived assets:		
United States	$ 315.9	$ 208.1
North America excluding U.S.	16.9	15.7
Europe	1.0	56.1
Asia	1.0	3.2
	$ 334.8	$ 283.1

14. Supplementary Balance Sheet Information

Selected supplementary balance sheet information at September 29, 2006 and September 30, 2005 are detailed in the following tables, and included in the balances at September 29, 2006 is the impact of the evaluation of the fair values of the real and personal property, inventory and certain identifiable intangible assets in connection with the purchase price allocation related to the Acquisition as follows:

(in millions)	**September 29, 2006 Successor**	**September 30, 2005 Predecessor**
Inventories		
Purchased Materials and Manufacturing Parts	$ 112.2	$ 80.3
Work in Process	13.8	12.1
Finished Goods	107.9	67.3
Total Inventories.	$ 233.9	$ 159.7
Prepaid expenses and other current assets		
Prepaid Taxes	$ 2.3	$ 4.9
Prepaid Insurance	0.8	0.1
Rent and Deposits.	1.0	1.0
Inventory Parts	—	8.4
Other.	8.9	1.5
Prepaid expenses and other current assets	$ 13.0	$ 15.9
Property, plant and equipment		
Land	$ 20.3	$ 7.9
Buildings	92.3	111.7
Machinery and Equipment	233.3	323.4
Property Under Capital Leases	0.2	61.4
Leasehold Improvements	2.7	7.2
Construction In Progress	15.2	14.3
Accumulated Depreciation	(29.2)	(242.8)
	$ 334.8	$ 283.1

(in millions)	September 29, 2006 Successor	September 30, 2005 Predecessor
Accrued and other current liabilities		
Accrued Salaries & Wages	$ 4.9	$ 4.9
Accrued Vacation & Holidays.	3.7	3.5
Accrued Bonus	5.1	4.4
Sales Commission Payable.	2.3	3.5
Accrued Taxes	4.1	2.9
Accrued Restructuring.	0.3	3.1
Accrued Insurance.	5.7	4.3
Accrued Interest.	3.4	0.9
Accrued purchase price adjustment.	31.2	—
Other Accrued Expenses	16.7	9.7
Accrued and other current liabilities	$ 77.4	$ 37.2

15. Guarantor and Non-Guarantor Financial Information (Restated)

Covalence Specialty Materials Corp., a wholly owned subsidiary of Covalence Specialty Materials Holdings Corp., Senior Subordinated notes outstanding which are fully and unconditionally guaranteed by Covalence Specialty Materials Corp. (the “Parent Company”) and the U.S. Subsidiaries of Covalence Specialty Materials Corp. (the “Guarantor Subsidiaries”). Separate financial statements and other disclosures concerning the Parent Company and Guarantor Subsidiaries are not presented because they are 100% wholly-owned by the Company and that the Parent Company and Guarantor Subsidiaries have fully and unconditionally guaranteed such debt on a joint and several basis. The following tables present consolidating financial information for the Parent Company, Guarantor Subsidiaries and Non-Guarantor Subsidiaries of Covalence Specialty Materials Corp. The equity method of accounting is used to reflect investments of the Parent Company in its Guarantor and Non-Guarantor Subsidiaries. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. Subsequent to the filing of its Registration Statement on Form S-4 the Company restated its previously reported financial information to correctly present the financial information of the Parent Company and Guarantor Subsidiaries separately in accordance with Rule 3-10(f) of Regulation S-X.

Condensed Statement of Operations
For the period from February 17, 2006 to September 29, 2006 (Successor)
($ in millions)

	Parent Company (Restated)	Guarantor Subsidiaries (Restated)	Non-Guarantor Subsidiaries	Eliminations	Total
Net revenue, including related party revenue	$ 666.8	$ 340.5	$ 108.3	$ (23.2)	$ 1,092.4
Cost of sales	619.6	287.9	92.0	(18.8)	980.7
Gross profit	47.2	52.6	16.3	(4.4)	111.7
Selling, general and administrative expenses.	59.9	36.1	6.6	—	102.6
Restructuring and impairment charges, net	—	0.5	—	—	0.5
Operating income	(12.7)	16.0	9.7	(4.4)	8.6
Other (income) expense	(1.4)	(5.0)	5.1	—	(1.3)
Interest expense, net	48.7	—	1.0	—	49.7
Equity in net income of subsidiaries	17.8	—	—	(17.8)	—
Income (loss) before income taxes.	(42.2)	21.0	3.6	(22.2)	(39.8)
Income tax expense (benefit)	(16.1)	0.7	1.7	—	(13.7)
Net income (loss).	$ (26.1)	$ 20.3	$ 1.9	$ (22.2)	$ (26.1)

Condensed Statement of Operations
For the period From October 1, 2005 to February 16, 2006 (Predecessor)
($ in millions)

	Parent Company (Restated)	Guarantor Subsidiaries (Restated)	Non-Guarantor Subsidiaries	Eliminations	Total
Net revenue, including related party revenue	$ 420.4	$ 196.3	$ 52.8	$ (2.6)	$ 666.9
Cost of sales	369.6	168.5	43.1	(2.2)	579.0
Gross profit	50.8	27.8	9.7	(0.4)	87.9
Charges and allocations from Tyco International, Ltd. and affiliates	1.3	9.1	—	—	10.4
Selling, general and administrative expenses	28.7	17.6	3.7	—	50.0
Restructuring and impairment charges, net	0.6	—	—	—	0.6
Operating income	20.2	1.1	6.0	(0.4)	26.9
Other (income) expense.	7.9	(9.6)	1.7	—	—
Interest expense, net	1.6	0.1	0.4	—	2.1
Interest expense, net—Tyco International Ltd. and affiliates	7.8	(2.3)	—	—	5.5
Equity in net income of subsidiaries	14.8	—	—	(14.8)	—
Income (loss) before income taxes	17.7	12.9	3.9	(15.2)	19.3
Income tax expense	—	—	1.6	—	1.6
Net income (loss)	$ 17.7	$ 12.9	$ 2.3	$ (15.2)	$ 17.7

Condensed Statement of Operations
For the year ended September 30, 2005 (Predecessor)
($ in millions)

	Parent Company (Restated)	Guarantor Subsidiaries (Restated)	Non-Guarantor Subsidiaries	Eliminations	Total
Net revenue, including related party revenue	$ 1,053.1	$ 549.4	$ 129.1	$ (6.4)	$ 1,725.2
Cost of sales	914.6	460.2	107.9	(5.3)	1,477.4
Gross profit	138.5	89.2	21.2	(1.1)	247.8
Charges and allocations from Tyco International, Ltd. and affiliates	45.5	10.0	0.9	—	56.4
Selling, general and administrative expenses	63.5	51.5	9.6	—	124.6
Restructuring and impairment charges, net	2.9	0.1	0.3	—	3.3
Operating income	26.6	27.6	10.4	(1.1)	63.5
Other (income) expense	6.1	(12.9)	6.8	—	—
Interest expense (income), net.	(3.3)	8.1	(0.3)	—	4.5
Interest expense, net—Tyco International Ltd. and affiliates	12.1	(1.0)	0.1	—	11.2
Equity in net income of subsidiaries	35.2	—	—	(35.2)	—
Income (loss) before income taxes	46.9	33.4	3.8	(36.3)	47.8
Income tax expense	2.9	—	0.9	—	3.8
Net income (loss)	$ 44.0	$ 33.4	$ 2.9	$ (36.3)	$ 44.0

Condensed Statement of Operations
For the year ended September 30, 2004 (Predecessor)
($ in millions)

	Parent Company (Restated)	Guarantor Subsidiaries (Restated)	Non-Guarantor Subsidiaries	Eliminations	Total
Net revenue, including related party revenue	$ 1,018.4	$ 554.0	$ 94.7	$ (8.3)	$ 1,658.8
Cost of sales	858.4	440.6	73.2	(6.0)	1,366.2
Gross profit	160.0	113.4	21.5	(2.3)	292.6
Charges and allocations from Tyco International, Ltd. and affiliates	26.4	38.6	—	—	65.0
Selling, general and administrative expenses	91.5	28.7	10.0		130.2
Restructuring and impairment charges, net	44.5	11.7	1.7		57.9
Operating income	(2.4)	34.4	9.8	(2.3)	39.5
Other (income) expense	1.4	(4.9)	3.5	—	—
Interest expense, net	3.9	2.4	—	—	6.3
Interest expense, net—Tyco International Ltd. and affiliates	3.4	(5.9)	0.8	—	(1.7)
Equity in net income of subsidiaries	40.5	—	—	(40.5)	—
Income (loss) before income taxes	29.4	42.8	5.5	(42.8)	34.9
Income tax expense (benefit).	(3.0)	1.6	3.8	—	2.4
Minority Interest	0.1	0.1	—	—	0.2
Net income (loss)	$ 32.3	$ 41.1	$ 1.7	$ (42.8)	$ 32.3

Condensed Balance Sheet
As of September 29, 2006 (Successor)
($ in millions)

	Parent Company (Restated)	Guarantor Subsidiaries (Restated)	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 62.3	$ 0.1	$ 4.4	$ —	$ 66.8
Accounts receivable, net of allowance for doubtful accounts	124.9	52.4	18.4	—	195.7
Inventories	158.3	57.8	17.8	—	233.9
Prepaid expenses and other current assets	6.0	1.6	5.4	—	13.0
Total current assets	351.5	111.9	46.0	—	509.4
Property, plant and equipment, net	219.4	96.4	19.0	—	334.8
Intangible assets, net	146.7	182.8	7.7	—	337.2
Investment in Subsidiaries	353.2	—	—	(353.2)	—
Other assets	21.7	0.6	—	—	22.3
Total Assets	$ 1,092.5	$ 391.7	$ 72.7	$ (353.2)	$ 1,203.7
Liabilities, Equity and Predecessor's Parent Company Equity					
Current liabilities:					
Accounts payable	$ 108.2	$ 52.3	$ 9.9	$ —	$ 170.4
Accrued and other current liabilities	57.3	14.8	5.3	—	77.4
Long-term debt—current portion	3.0	—	—	—	3.0
Intercompany accounts, net	(25.4)	(9.2)	30.2	4.4	—
Total current liabilities	143.1	57.9	45.4	4.4	250.8
Long-term debt.	729.9	—	—	—	729.9
Deferred tax liabilities	47.4	(0.4)	2.7	—	49.7
Other non current liabilities	0.3	0.5	0.7	—	1.5
Total long-term liabilities	777.6	0.1	3.4	—	781.1
Total Liabilities	920.7	58.0	48.8	4.4	1,031.9
Commitments and contingencies					
Contributions from Holdings	197.8	368.5	35.1	(403.6)	197.8
Retained deficit	(26.1)	(34.8)	(11.3)	46.1	(26.1)
Cumulative translation	0.1	—	0.1	(0.1)	0.1
Minimum pension liability	—	—	—	—	—
Total Equity	171.8	333.7	23.9	(357.6)	171.8
Total Liabilities and Equity	$ 1,092.5	$ 391.7	$ 72.7	$ (353.2)	$ 1,203.7

Condensed Balance Sheet
As of September 30, 2005 (Predecessor)
($ in millions)

	Parent Company (Restated)	Guarantor Subsidiaries (Restated)	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$ —	$ 0.1	$ 2.6	$ —	$ 2.7
Accounts receivable, net of allowance for doubtful accounts	127.1	51.8	17.2	—	196.1
Inventories	94.6	49.0	16.1	—	159.7
Prepaid expenses and other current assets	5.8	5.5	4.6	—	15.9
Total current assets.	227.5	106.4	40.5	—	374.4
Property, plant and equipment, net.	166.5	96.2	20.4	—	283.1
Goodwill	319.4	202.8	9.5	—	531.7
Intangible assets, net	—	13.7	1.4	—	15.1
Investment in Subsidiaries	587.7	—	—	(587.7)	—
Other assets	0.5	1.1	0.8	—	2.4
Total Assets	$ 1,301.6	$ 420.2	$ 72.6	$ (587.7)	$ 1,206.7
Liabilities, Equity and Predecessor's Parent Company Equity					
Current liabilities:					
Accounts payable	$ 45.1	$ 41.9	$ 7.4	$ —	$ 94.4
Accrued and other current liabilities	11.4	18.5	7.3	—	37.2
Due to Tyco International, Ltd. and affiliates	326.4	(217.3)	1.6	1.1	111.8
Capital Lease Obligations—current portion	59.4	20.1	—	—	79.5
Total current liabilities	442.3	(136.8)	16.3	1.1	322.9
Other non current liabilities	2.0	22.6	1.4	—	26.0
Total long-term liabilities	2.0	22.6	1.4	—	26.0
Total liabilities	444.3	(114.2)	17.7	1.1	348.9
Minority Interest	2.2	0.5	—	—	2.7
Commitments and contingencies					
Predecessor Parent Company Investment	895.0	574.6	52.9	(627.5)	895.0
Cumulative translation	(25.5)	(26.3)	2.0	24.3	(25.5)
Minimum pension liability	(14.4)	(14.4)	—	14.4	(14.4)
Total Parent Company Investment	855.1	533.9	54.9	(588.8)	855.1
Total Liabilities Parent Company Investment	$ 1,301.6	$ 420.2	$ 72.6	$ (587.7)	$ 1,206.7

Condensed Statement of Cash Flows
For the Period From February 17, 2006 to September 29, 2006 (Successor)
($ in millions)

	Parent Company (Restated)	Guarantor Subsidiaries (Restated)	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flow from Operating Activities	$ 82.8	$ 4.4	$ 1.6	$ —	$ 88.8
Cash Flow from Investing Activities					
Purchase of property, plant, and equipment	(18.7)	(4.3)	(0.7)	—	(23.7)
Proceeds from disposal of assets	0.6	—	0.2	—	0.8
Acquisition of business net of cash acquired	(927.7)	—	—	—	(927.7)
Net cash used in investing activities	(945.8)	(4.3)	(0.5)	—	(950.6)
Cash Flow from Financing Activities					
Issuance of long-term debt	783.4	—	—	—	783.4
Equity contributions	197.5	—	—	—	197.5
Repayment of long-term debt	(50.7)	—	—	—	(50.7)
Long-term debt financing costs	(23.7)	—	—	—	(23.7)
Long-term debt refinancing costs	(4.0)	—	—	—	(4.0)
Net cash provided by financing activities	902.5	—	—	—	902.5
Effect of currency translation on cash	—	—	(0.9)	—	(0.9)
Net increase in cash and cash equivalents	39.5	0.1	0.2	—	39.8
Cash and cash equivalents at beginning of period	22.8	—	4.2	—	27.0
Cash and cash equivalents at end of period	$ 62.3	$ 0.1	$ 4.4	$ —	$ 66.8

Condensed Statement of Cash Flows
For the Period From October 1, 2005 to February 16, 2006 (Predecessor)
($ in millions)

	Parent Company (Restated)	Guarantor Subsidiaries (Restated)	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flow from Operating Activities	$ (126.2)	$ 3.8	$ 3.2	$ —	$ (119.2)
Cash Flow from Investing Activities					
Purchase of property, plant, and equipment	(9.2)	(2.8)	(0.2)	—	(12.2)
Proceeds from disposal of assets	3.0	—	0.1	—	3.1
Purchase accounting assets and liabilities	—	—	—	—	—
Net cash used in investing activities	(6.2)	(2.8)	(0.1)	—	(9.1)
Cash Flow from Financing Activities					
Payments of capital lease obligations	(59.4)	(20.0)	—	—	(79.4)
Long-term debt refinancing costs	—	—	—	—	—
Change in book overdraft	(9.8)	(4.4)	—	—	(14.2)
Payments of capital lease obligations	—	—	—	—	—
Change in Predecessor parent company investment	203.8	24.4	(4.0)	—	224.2
Distributions to minority interests	(2.2)	(0.6)	2.8	—	—
Net cash (used in) provided by financing activities	132.4	(0.6)	(1.2)	—	130.6
Effect of currency translation on cash	—	—	(0.2)	—	(0.2)
Net increase in cash and cash equivalents	—	0.4	1.7	—	2.1
Cash and cash equivalents at beginning of period	—	0.1	2.6	—	2.7
Cash and cash equivalents at end of period	$ —	$ 0.5	$ 4.3	$ —	$ 4.8

Condensed Statement of Cash Flows
For the Year Ended September 30, 2005 (Predecessor)
($ in millions)

	Parent Company (Restated)	Guarantor Subsidiaries (Restated)	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flow from Operating Activities	$ 27.2	$ 62.0	$ 28.1	$ —	$ 117.3
Cash Flow from Investing Activities					
Purchase of property, plant, and equipment	(17.3)	(11.8)	(3.0)	—	(32.1)
Proceeds from disposal of assets	2.9	—	—	—	2.9
Purchase accounting assets and liabilities	—	—	—	—	—
Net cash used in investing activities	(14.4)	(11.8)	(3.0)	—	(29.2)
Cash Flow from Financing Activities					
Payment of capital lease obligations	(31.0)	(30.0)	(0.1)	—	(61.1)
Long-term debt refinancing costs	—	—	—	—	—
Change in book overdraft	(13.2)	1.1	—	—	(12.1)
Change in Predecessor parent company investment	32.3	(20.0)	(25.5)	—	(13.2)
Distributions to minority interests	(1.4)	(1.5)	0.1	—	(2.8)
Net cash used in financing activities	(13.3)	(50.4)	(25.5)	—	(89.2)
Effect of currency translation on cash	—	—	0.1	—	0.1
Net decrease in cash and cash equivalents	(0.5)	(0.2)	(0.3)	—	(1.0)
Cash and cash equivalents at beginning of period	0.5	0.3	2.9	—	3.7
Cash and cash equivalents at end of period	$ —	$ 0.1	$ 2.6	$ —	$ 2.7

Condensed Statement of Cash Flows
For the Year Ended September 30, 2004 (Predecessor)
($ in millions)

	Parent Company (Restated)	Guarantor Subsidiaries (Restated)	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flow from Operating Activities	$ 11.5	$ 64.4	$ 13.3	$ —	$ 89.2
Cash Flow from Investing Activities					
Purchase of property, plant, and equipment	(12.8)	(3.1)	(0.6)	—	(16.5)
Proceeds from disposal of assets	—	1.4	(0.4)	—	1.0
Purchase accounting assets and liabilities	—	—	—	—	—
Net cash used in investing activities	(12.8)	(1.7)	(1.0)	—	(15.5)
Cash Flow from Financing Activities					
Payments of capital lease obligations	(1.8)	(2.0)	—	—	(3.8)
Change in book overdraft	16.1	(2.7)	—	—	13.4
Change in Predecessor parent company investment	(12.4)	(62.1)	(12.6)	—	(87.1)
Distributions to minority interests	(0.2)	—	—	—	(0.2)
Net cash (used in) provided by financing activities	1.7	(66.8)	(12.6)	—	(77.7)
Effect of currency translation on cash	—	—	(0.2)	—	(0.2)
Net decrease in cash and cash equivalents	0.4	(4.1)	(0.5)	—	(4.2)
Cash and cash equivalents at beginning of period	0.1	4.4	3.4	—	7.9
Cash and cash equivalents at end of period	$ 0.5	$ 0.3	$ 2.9	$ —	$ 3.7

Berry Plastics Holding Corporation

(successor by merger to Covalence Specialty Materials Corp.)

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Prospectus

Dated May 14, 2007