BERRY
PLASTICS
CORPORATION
AND SUBSIDIARIES

101 OAKLEY STREET • P.O. BOX 959
EVANSVILLE, INDIANA 47706-0959
TEL. (812) 424-2904 • FAX (812) 421-9604

December 22, 2005

Dennis Highberger, Mayor
CITY OF LAWRENCE
1301 Vermont
Lawrence, Kansas 66044

Dear Mr. Highberger,

On behalf of Packerware Corporation ("Packerware"), a wholly owned subsidiary of Berry Plastics Corporation ("Berry"), please find enclosed The City of Lawrence Application for Taxable Industrial Revenue Bond Financing, along with a request for property tax abatement. The application provides the details of the major expansion project under consideration for our Lawrence, Kansas plant to increase Berry's thermoform manufacturing capacity.

This expansion project will be one of the largest in Berry's history. If approved, over the next three years, Berry will be creating approximately 78 new jobs and investing up to $58 million in equipment and building improvements. As detailed in the application, Berry's continued expansion plans call for a potential increase in capital investment and employment in years four and five of the project. The impact of those continued expansion plans for the Lawrence community would be tremendous as the overall project could possibly double in size.

We are encouraged by the high level of interest from the City of Lawrence for this expansion project. Our history in the Lawrence community, dating back to 1968, has demonstrated a track record of great corporate citizenship. That history has also reflected a strong partnership between the City of Lawrence and Packerware - Berry Plastics. A key component for the realization of this expansion project is the continued support of the City of Lawrence.

Pursuant to this, we are making the request for property tax abatement. The tax abatement component is necessary for Berry to financially justify locating the project in Lawrence, Kansas due to the extremely high property taxes, both real and personal property, that are levied. Based on the significant amount of equipment and improvements proposed for this project, the impact of the property taxes if not abated results in the project not meeting Berry's requirements to locate the expansion in Lawrence.

Based on the magnitude of Berry's investment in the initial phases of the project and the potential for that investment and the expansion project to double in size over time, we are requesting a 90 percent property tax abatement.

We believe the impact of this project for the community of Lawrence has both significant short and long-term benefits. We understand and are committed to meeting the tax abatement criteria that will be established, as has been demonstrated by our past performance in Lawrence and other Berry partner communities throughout the country. We looked forward to the opportunity, with the City of Lawrence support, to move this project to the next stage. Thank you for your consideration of our request.

Sincerely,
BERRY PLASTICS CORPORATION

Robert C. Weilminster
Vice President of Corporate Development

Enclosures

CITY OF LAWRENCE
APPLICATION FOR PROPERTY TAX ABATEMENT
AND/OR INDUSTRIAL REVENUE BONDS
(REVISED 11/2005)

I. General Information

Date of Request: December 22, 2005

Name of Applicant Firm: PackerWare Corporation

Local Address: 2330 Packer Road PO 219

Telephone Number: 785-838-8453 **Fax Number:** 785-842-3432

Email Address: berryplastics.com

Headquarters Address: Berry Plastics Corporation, 101 Oakley Street
Evansville, IN 47710

Telephone Number: 812-424-2904 **Fax Number:** 812-421-9604

Email Address: berryplastics.com

Names and Titles of local principal officers and corporate directors of the applicant:

Name: Joel Plaas **Title:** Regional Vice President of Operations and Plant Manager

Name: John Ulowetz **Title:** Vice President Sales – Drink Cups

Name: Quintin Schonewise **Title:** Vice President Sales - Housewares

Name: ______ **Title:** ______

Names and addresses of all persons or firms that will be listed as owner(s) of the property to be abated:

Name: Berry Plastics Corporation **Address:** 101 Oakley Street, Evansville, IN

Name: ______________________ **Address:** ______________________

Name: ______________________ **Address:** ______________________

Name: ______________________ **Address:** ______________________

Provide a brief history of your company, including types of products and services provided.

PackerWare Corporation ("PackerWare") is a manufacturer of injection molded rigid plastic packaging. The company's primary products include plastic containers and drink cups. The company was founded in Lawrence, Kansas in 1968. In 1997, the company was purchased by Berry Plastics Corporation ("Berry Plastics"). The company currently operates 30 injection molding presses and 20 printing presses at the Lawrence, KS location.

Describe in general terms the legal structure of your business. More specifically, indicate how your business is organized (i.e., corporation, partnership, etc.), state of domicile, ownership, subsidiaries or affiliates and any other information necessary to understand how you are legally organized.

PackerWare is a wholly-owned subsidiary of Berry Plastics. PackerWare and Berry Plastics are both organized as C- corporations.

Enclose a copy of your most recent audited and interim financial statements and your most recent federal income tax return. **(See Exhibit 1 and Exhibit 2)**

Attach to this application the names, locations and contacts of other governments from which you have received or applied for tax abatements and/or industrial revenue bonds if applicable. **(See Exhibit 3)**

______ **Check here if NOT applicable.**

II. Nature of the Improvements

Location of Improvements: 2330 Packer Road, Lawrence, KS

Land to be purchased: N/A

Sq. feet or acres: ______________
Value: ______________

New Construction or modification: Phase 1 & 2 of project include modification to existing warehouse space to upgrade with building and systems improvements to convert to manufacturing space. Phase 3 includes new building construction.

Sq. feet or acres: 40,000 Sq Ft
Cost: $ $24.5MM (Phase 1 = $6.5MM, Phase 2 = $6.0MM, Phase 3 = $12.0)

Identify Construction:

Buildings and systems improvements to include: electrical, climate control, compressed air, material handling, water cooling systems, and foundation modifications. Proposed Phase 3 new building construction of 40,000 sq ft of manufacturing space.

New Machinery and Equipment (include approximate purchase dates and estimated useful life).

Description: Thermoforming lines and printers.
Phase 1 equipment to be purchased in the first quarter of 2006. Estimated useful life of 20 years.
Phase 2 equipment targeted for purchase in first quarter of 2007. Estimated useful life of 20 years.

Phase 3 equipment targeted for purchase beginning in the first quarter of 2009 through the fourth quarter of 2010. Estimated useful life of 20 years.

Cost: $93.5MM (Phase 1 = $23.5MM, Phase 2 = $22.0MM, Phase 3 = $48.0MM)

Is the proposed project the result of relocation from another state or county, an expansion, new company, or replacement of your existing facility? Expansion

Please state the reason for the establishment of the new facility or the expansion or replacement of the existing facility.

Berry Plastics is considering the expansion to increase the company's thermoform manufacturing capacity. The additional capacity will enable Berry Plastics to support the current market and future market demand for thermoformed plastic packaging.

Will the improvements be financed with Industrial Revenue Bonds? If so, what is the amount of the proposed issue and will it be non-taxable?

The improvements will be financed with Taxable Industrial Revenue Bonds. The amount of the proposed issues will be in line with the projected cost for each phase of the project. (Phase 1 = $30.0MM, Phase 2 = $28.0MM, Phase 3 = $60MM)

What are the approximate starting and completion dates for the project? The completion date is defined as the date you will be ready to utilize the new or expanded facility and/or equipment.

Start Date:		Completion Date:
Phase 1 – Q1 2006		Phase 1 – Q4 2006
Phase 2 – Q1 2007		Phase 2 – Q4 2007
Phase 3 – Q1 2009		Phase 3 – Q4 2010

III. Proposed Use and Economic Benefit

What type of new or expanded business activity is proposed by the applicant?

Expand PackerWare operation to include thermoform manufacturing technology. The addition of thermoform manufacturing will position the Lawrence, Kansas operation with Berry Plastics latest thermoforming technology. This will benefit the operation as it will become a major Berry Plastics manufacturing location of thermoformed plastic packaging to support the market growth for these products.

List the new products or services to be rendered. (Include details of the nature and scope of the operation of the business.)

The expansion will enable PackerWare to produce Berry Plastics current and expanded product line of thermoformed drink cups and containers. Phase 1 and Phase 2 of the expansion project will provide the Lawrence, Kansas location with enough thermoforming capacity to double the annual sales dollar volume of the current operation.

What percentage of the facility will be occupied by the applicant? 100%

Does your product pose or create an environmental hazard when it is produced, destroyed, or discarded?

No, our product does not create any environmental hazards when produced and it is recyclable upon being discarded.

Please list all new employees and proposed wages, excluding fringe benefits, by the job titles included in the Annual Way Survey prepared by the Kansas Department of Human Resources, if applicable.

Full Time Employees: (See Exhibit 4)

Category	Job Title	Salary Range	# of New Employees	# of Transfers	Average Annual Salary	Date Hired
Management						
Professional						
Technical						
Clerical						
Production/ Assembly						

Part Time Employees: (Not Applicable)

Category	Job Title	Salary Range	# of New Employees	# of Transfers	Average Annual Salary	Date Hired
Management						
Professional						
Technical						
Clerical						
Production/ Assembly						

What are the employer's share of fringe benefits including health insurance but excluding vacation, holidays, and sick leave, as a percentage of annual salary by employee category? Also, indicate the percentage of health insurance cost paid by the employer.

Category	Fringe Benefit Percentage	Health Insurance % Paid by Employer
Management	8%	70%
Professional	11%	70%
Technical	17%	70%
Clerical	18%	70%
Production/Assembly	25%	70%

Note: Percentage varies with salary level if all employees receive the same benefit package.

Briefly describe your medical, vacation, sick leave and retirement benefits. (Attach any appropriate benefit summary publications if applicable.)

Benefits include: Medical, dental, vision, life and disability insurances. 401k plan. Profit-sharing plan. (See Exhibit 5)

Please note the annual employment retention rate is 98%.

Provide a breakdown of your annual operating expenses. Indicate the percentage of total annual operation expenses that will be spent locally within Douglas County for each item.

For firms expanding their facilities and operations in Douglas County, indicate the current annual operating expenses and provide a projection for the incremental expenses after the expansion. For firms planning to newly locate in Douglas County, an accurate projection of future annual operational expenses needs to be provided.

Annual Operational Expenses[1] (See Exhibit 6)

Type of Expense	Actual[2]	Projected Total[3]	% Spent in Douglas Co.	
	$ Amount	$ Amount	Actual %	Projected Total %
Professional Services (legal, accounting, advertising, etc.)				
Business service (training, maintenance)				
Cleaning Services				
Transportation				
Office Supplies				
Material & Goods				
Other (specify)				

[1] Do not report labor costs, debt service, purchase of new or used machinery and equipment.
[2] For existing facility, if applicable
[3] After expansion or completion of new facility

Annual Operational Expenses[4]

Type of Expense	Actual ($ Amount)	Projected Total ($ Amount)
Water & Sewer		
Sanitation		
Gas		
Electricity		
Telephone & Communication		
Insurance		
Other (specify)[5]		

Actual Expenses Subtotal $__________________

Please provide reasons why the property tax abatement is considered to be necessary.

The property tax abatement is necessary for Berry Plastics to financially justify locating this project in Lawrence, Kansas due to the extremely high property taxes, both real property and personal property, that are levied in Douglas County. Based on the significant amount of equipment and improvements proposed for this project and the negative impact of the taxes when calculated into the financial projections to justify the investment required for the project, the impact of the property taxes if not abated results in the project not meeting the requirements for Berry Plastics to locate the expansion in Lawrence, Kansas. Berry Plastics would look to other existing plants in locations with lower or no property taxes on manufacturing equipment to support the expansion.

What improvements or services will need to be provided by the City or County to accommodate this improvement?

- The project will require a major expansion of electricity supply to the plant. The additional requirements are projected at 7,500 KVA for Phase 1, an additional 5,000 KVA for Phase 2, and 12,500KVA for Phase 3. These requirements will more than double the current annual electricity usage at the plant and make PackerWare one of the top industrial consumers of electricity in Westar's service area with a steady load usage.
- License and Permits will be required for building improvements and electricity and water supply upgrades.
- Assistance in the recruitment, hiring and training of qualified employees.
- Assistance with the securing of IRB financing for the project.

[4] Do not report labor costs, debt service, purchase of new or used machinery and equipment.
[5] Do not report labor costs, debt service, purchase of new or used machinery and equipment.

IV. General Conditions

The following general conditions are understood and agreed to by the applicant requesting the abatement:

1. **The applicant must agree to and reimburse the City for the costs of any legal, financial, or administrative research and work done in reviewing the proposal, preparing other necessary legal documents, and researching the qualifications of the applicant.**
2. **The applicant shall comply with all the requirements of the City's Economic Development Incentives and Tax Abatement Policy, found in Chapter 1, Article 21 of the Lawrence City Code, including the execution of a performance agreement if a property tax abatement is approved by the City Commission..**
3. **The tax abatement must be approved by the State Board of Tax Appeals pursuant to applicable State law.**
4. **The applicant agrees to provide additional information considered necessary by the Public Incentive Review Committee to make a recommendation to the City Commission on granting the property tax abatement and/or issuance of industrial revenue bonds.**
5. **Each business receiving a tax abatement must complete an annual report by March 1 of each year covering the previous calendar year. Any business which has received a tax abatement shall pay an annual renewal fee of $250.00.**
6. **Enclosed is the application fee of $1,000.00 payable to the City of Lawrence, Kansas.**

I (we) verify that the above information and assurances made are complete and correct to the best of my ~~(our)~~ knowledge.

Signature: ______ **Date:** 12/22/2005
Printed Name: ROBERT C WEILMINSTER **Title:** VICE PRESIDENT OF CORPORATE DEVELOPMENT

Signature: ______ **Date:** 12-23-2005
Printed Name: JOEL PLAAS **Title:** VP OPERATIONS + PLANT MGR

CONSOLIDATED FINANCIAL STATEMENTS

BPC Holding Corporation

As of January 1, 2005, December 27, 2003, and December 28, 2002
with Report of Independent Registered Public Accounting Firm

EXHIBIT 1

BPC Holding Corporation

Consolidated Financial Statements

As of January 1, 2005. December 27, 2003, and December 28, 2002

Contents

ERNST & YOUNG

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Stockholders and Board of Directors
BPC Holding Corporation

We have audited the accompanying consolidated balance sheets of BPC Holding Corporation (Holding) as of January 1, 2005 and December 27, 2003, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the years ended January 1, 2005, December 27, 2003 and for the periods from July 22, 2002 to December 28, 2002 (Company) and December 30, 2001 to July 21, 2002 (Predecessor). These financial statements are the responsibility of Holding'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. Our audit 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BPC Holding Corporation at January 1, 2005 and December 27, 2003, and the consolidated results of its operations and its cash flows for the years ended January 1, 2005, December 27, 2003 and for the periods from July 22, 2002 to December 28, 2002 (Company) and December 30, 2001 to July 21, 2002 (Predecessor), in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of BPC Holding Corporation taken as a whole. The consolidated balance sheets of Berry Plastics Corporation as of January 1, 2005 and December 27, 2003, and the related consolidated statements of operations and cash flows for the years ended January 1, 2005 and December 27, 2003 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements of BPC Holding Corporation. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements of BPC Holding Corporation taken as a whole.

Ernst + Young LLP

Indianapolis, Indiana
February 11, 2005

BPC Holding Corporation

Consolidated Balance Sheets
(In Thousands of Dollars, except per share information)

	January 1, 2005	December 27, 2003
Assets		
Current assets:		
Cash and cash equivalents	$ 264	$ 26,192
Accounts receivable (less allowance for doubtful accounts of $3,207 at January 1, 2005 and $2,717 at December 27, 2003)	83,162	76,152
Inventories:		
Finished goods	70,371	61,556
Raw materials and supplies	38,663	19,988
	109,034	81,544
Prepaid expenses and other current assets	27,339	19,192
Total current assets	219,799	203,080
Property and equipment:		
Land	10,016	7,935
Buildings and improvements	64,758	58,135
Machinery, equipment and tooling	297,972	249,291
Construction in progress	19,812	24,433
	392,558	339,794
Less accumulated depreciation	110,586	56,817
	281,972	282,977
Intangible assets:		
Deferred financing fees, net	19,883	22,283
Customer relationships, net	84,959	90,540
Goodwill	358,883	376,769
Trademarks	33,448	33,448
Other intangibles, net	6,106	6,656
	503,279	529,696
Other	94	53
Total assets	$1,005,144	$1,015,806

Consolidated Balance Sheets (continued)

	January 1, 2005	December 27, 2003
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 55,671	$ 43,175
Accrued expenses and other liabilities	16,693	21,335
Accrued interest	18,816	18,132
Employee compensation, payroll and other taxes	28,190	23,528
Current portion of long-term debt	10,335	9,339
Total current liabilities	129,705	115,509
Long-term debt, less current portion	687,223	742,266
Deferred income taxes	1,030	720
Other long-term liabilities	3,295	4,720
Total liabilities	821,253	863,215
Stockholders' equity:		
Preferred stock; $.01 par value: 500,000 shares authorized; 0 shares issued and outstanding at January 1, 2005 and December 27, 2003	—	—
Common stock; $.01 par value: 5,000,000 shares authorized; 3,398,807 shares issued and 3,378,305 shares outstanding at January 1, 2005; and 3,397,637 shares issued and 3,377,923 shares outstanding at December 27, 2003	34	34
Additional paid-in capital	345,001	344,363
Adjustment of the carryover basis of continuing stockholders	(196,603)	(196,603)
Notes receivable – common stock	(14,856)	(14,157)
Treasury stock: 20,502 shares and 19,714 shares of common stock at January 1, 2005 and December 27, 2003, respectively	(2,049)	(1,972)
Retained earnings	39,178	16,227
Accumulated other comprehensive income	13,186	4,699
Total stockholders' equity	183,891	152,591
Total liabilities and stockholders' equity	$1,005,144	$1,015,806

See notes to consolidated financial statements.

BPC Holding Corporation

Consolidated Statements of Operations
(In Thousands of Dollars)

	Company			Predecessor
	Year Ended January 1, 2005	Year Ended December 27, 2003	Period from 7/22/02-12/28/02	Period from 12/30/01-7/21/02
Net sales	$ 814,213	$ 551,876	$ 213,626	$ 280,677
Cost of goods sold	639,329	420,750	163,815	207,458
Gross profit	174,884	131,126	49,811	73,219
Operating expenses:				
Selling	26,361	23,883	10,129	12,080
General and administrative	38,518	25,699	7,664	15,750
Research and development	3,825	3,459	1,450	1,438
Amortization of intangibles	6,513	3,326	1,159	1,249
Merger expenses (Predecessor)	—	—	—	20,987
Other expenses	5,791	3,569	2,757	2,804
Operating income	93,876	71,190	26,652	18,911
Other expenses (income):				
Loss (gain) on disposal of property and equipment	—	(7)	8	291
Income before interest and taxes	93,876	71,197	26,644	18,620
Interest:				
Expense	(54,076)	(46,251)	(20,887)	(28,747)
Loss on extinguished debt	—	(250)	—	(25,328)
Income	891	838	375	5
Income (loss) before income taxes	40,691	25,534	6,132	(35,450)
Income taxes	17,740	12,486	2,953	345
Net income (loss)	22,951	13,048	3,179	(35,795)
Preferred stock dividends	—	—	—	(6,468)
Amortization of preferred stock discount	—	—	—	(574)
Net income (loss) attributable to common stockholders	$ 22,951	$ 13,048	$ 3,179	$ (42,837)

See notes to consolidated financial statements.

BPC Holding Corporation

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

	Common Stock (Predecessor)	Preferred Stock (Predecessor)	Treasury Stock (Predecessor)	Warrants (Predecessor)	Common Stock	Additional Paid-In Capital
Predecessor:						
Balance at December 29, 2001 (Predecessor)	$ 6	$ 47,789	$ (405)	$ 9,386	$ —	$ 25,315
Net loss	—	—	—	—	—	—
Translation gain	—	—	—	—	—	—
Amortization of preferred stock discount	—	574	—	—	—	(574)
Accrued dividends on preferred stock	—	—	—	—	—	(6,468)
Stock-based compensation	—	—	—	—	—	1,920
Redemption of predecessor stock	(6)	(48,363)	405	(9,386)	—	(20,193)
Balance at July 21, 2002 (Predecessor)	$ —	$ —	$ —	$ —	$ —	$ —
Company:						
Fair value of rolled stock options	$ —	$ —	$ —	$ —	$ —	$ 5,056
Issuance of common stock	—	—	—	—	28	276,760
Notes receivable – common stock	—	—	—	—	—	—
Interest on notes receivable	—	—	—	—	—	—
Adjustment of the carryover basis of continuing stockholders	—	—	—	—	—	—
Translation gain	—	—	—	—	—	—
Other comprehensive losses	—	—	—	—	—	—
Net income	—	—	—	—	—	—
Balance at December 28, 2002 (Company)	—	—	—	—	28	281,816
Issuance of common stock	—	—	—	—	6	62,547
Purchase of treasury stock	—	—	—	—	—	—
Interest on notes receivable	—	—	—	—	—	—
Translation gain	—	—	—	—	—	—
Other comprehensive losses	—	—	—	—	—	—
Net income	—	—	—	—	—	—
Balance at December 27, 2003 (Company)	—	—	—	—	34	344,363
Issuance of common stock	—	—	—	—	—	53
Collection on notes receivable	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—
Sale of treasury stock	—	—	—	—	—	—
Interest on notes receivable	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	585
Translation gain	—	—	—	—	—	—
Other comprehensive gains	—	—	—	—	—	—
Net income	—	—	—	—	—	—
Balance at January 1, 2005 (Company)	$ —	$ —	$ —	$ —	$ 34	$ 345,001

BPC Holding Corporation

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

	Adjustment of the carryover basis of continuing stockholders	Notes receivable – common stock	Treasury Stock	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income (Loss)
Predecessor:							
Balance at December 29, 2001 (Predecessor)	$ —	$ —	$ —	$(220,263)	$(1,429)	$(139,601)	$(2,681)
Net loss	—	—	—	(35,795)	—	(35,795)	(35,795)
Translation gain	—	—	—	—	1,429	1,429	1,429
Amortization of preferred stock discount	—	—	—	—	—	—	—
Accrued dividends on preferred stock	—	—	—	—	—	(6,468)	—
Stock-based compensation	—	—	—	—	—	1,920	—
Redemption of predecessor stock	—	—	—	256,058	—	178,515	—
Balance at July 21, 2002 (Predecessor)	$ —	$ —	$ —	$ —	$ —	$ —	$(34,366)
Company:							
Fair value of rolled stock options	$ —	$ —	$ —	$ —	$ —	$ 5,056	$ —
Issuance of common stock	—	—	—	—	—	276,788	—
Notes receivable – common stock	—	(14,079)	—	—	—	(14,079)	—
Interest on notes receivable	—	(320)	—	—	—	(320)	—
Adjustment of the carryover basis of continuing stockholders	(196,603)	—	—	—	—	(196,603)	—
Translation gain	—	—	—	—	2,091	2,091	2,091
Other comprehensive losses	—	—	—	—	(949)	(949)	(949)
Net income	—	—	—	3,179	—	3,179	3,179
Balance at December 28, 2002 (Company)	(196,603)	(14,399)	—	3,179	1,142	75,163	4,321
Issuance of common stock	—	—	—	—	—	62,553	—
Purchase of treasury stock	—	999	(1,972)	—	—	(973)	—
Interest on notes receivable	—	(757)	—	—	—	(757)	—
Translation gain	—	—	—	—	3,645	3,645	3,645
Other comprehensive losses	—	—	—	—	(88)	(88)	(88)
Net income	—	—	—	13,048	—	13,048	13,048
Balance at December 27, 2003 (Company)	(196,603)	(14,157)	(1,972)	16,227	4,699	152,591	16,605
Issuance of common stock	—	—	—	—	—	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	—
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 (Company)	$(196,603)	$ (14,856)	$ (2,049)	$ 39,178	$ 13,186	$ 183,891	$31,438

See notes to consolidated financial statements.

BPC Holding Corporation

Consolidated Statements of Cash Flows
(In Thousands of Dollars)

	Company			Predecessor
	Year Ended January 1, 2005	Year Ended December 27, 2003	Period from 7/22/02-12/28/02	Period from 12/30/01-7/21/02
Operating activities				
Net income (loss)	$ 22,951	$13,048	$3,179	$(35,795)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	54,303	40,752	16,031	23,526
Non-cash interest expense	1,862	2,318	1,077	1,399
Amortization of intangibles	6,513	3,326	1,159	1,249
Non-cash compensation	585	—	—	1,920
Loss on extinguished debt (Predecessor)	—	—	—	25,328
Loss (gain) on sale of property and equipment	—	(7)	8	291
Deferred income taxes	16,968	11,791	2,710	—
Changes in operating assets and liabilities:				
Accounts receivable, net	(7,216)	(598)	8,717	(15,986)
Inventories	(27,200)	5,600	(4,091)	(4,255)
Prepaid expenses and other receivables	(7,098)	(2,582)	(1,280)	(603)
Other assets	76	32	(354)	2,042
Accrued interest	683	3,894	(3,686)	6,741
Payables and accrued expenses	12,806	2,199	(7,422)	4,735
Net cash provided by operating activities	75,233	79,773	16,048	10,592
Investing activities				
Additions to property and equipment	(52,624)	(29,949)	(11,287)	(17,396)
Proceeds from disposal of property and equipment	2,986	7	8	9
Proceeds from working capital settlement on business acquisition	7,397	—	—	—
Transaction costs	—	—	(12,398)	—
Investment in Southern Packaging	(3,236)	—	—	—
Acquisitions of businesses	—	(235,710)	—	(3,834)
Net cash used for investing activities	(45,477)	(265,652)	(23,677)	(21,221)
Financing activities				
Proceeds from long-term borrowings	880	149,944	580,000	24,492
Payments on long-term borrowings	(55,996)	(10,111)	(507,314)	(13,924)
Issuance of common stock	53	62,553	260,902	—
Purchase of treasury stock	(192)	(973)	—	—
Proceeds from notes receivable	73	—	—	—
Sale of treasury stock	115	—	—	—
Redemption of predecessor stock	—	—	(290,672)	—
Debt financing costs	(641)	(4,592)	(21,103)	—
Net cash provided by (used for) financing activities	(55,708)	196,821	21,813	10,568
Effect of exchange rate changes on cash	24	(363)	1,073	(815)
Net increase (decrease) in cash and cash equivalents	(25,928)	10,579	15,257	(876)
Cash and cash equivalents at beginning of period	26,192	15,613	356	1,232
Cash and cash equivalents at end of period	$ 264	$ 26,192	$ 15,613	$ 356

See notes to consolidated financial statements.

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

Note 1. Organization

BPC Holding Corporation ("Holding"), through its subsidiary Berry Plastics Corporation ("Berry" or the "Company") and its subsidiaries Berry Iowa Corporation, Aerocon, Inc., PackerWare Corporation, Berry Plastics Design Corporation, Venture Packaging, Inc. and its subsidiaries Venture Packaging Midwest, Inc. and Berry Plastics Technical Services, Inc., NIM Holdings Limited and its subsidiary Berry Plastics U.K. Limited, Knight Plastics, Inc., CPI Holding Corporation and its subsidiary Cardinal Packaging, Inc., Poly-Seal Corporation, Ociesse S.r.l and its subsidiary Capsol Berry Plastics S.p.a., and Landis Plastics, Inc. manufactures and markets plastic packaging products through its facilities located in Evansville, Indiana; Henderson, Nevada; Iowa Falls, Iowa; Charlotte, North Carolina; Suffolk, Virginia; Lawrence, Kansas; Monroeville, Ohio; Norwich, England; Woodstock, Illinois; Streetsboro, Ohio; Baltimore, Maryland; Milan, Italy; Chicago, Illinois; Richmond, Indiana; Syracuse, New York; and Phoenix, Arizona.

In 2002, the Company closed its Fort Worth, Texas facility, which was acquired in connection with the acquisition of Pescor Plastics, Inc. in May 2001. In 2003, the Company closed its Monticello, Indiana facility, which was acquired in connection with the acquisition of Landis Plastics, Inc. in November 2003. The business from these closed locations has been distributed throughout Berry's facilities.

Holding's fiscal year is a 52/53 week period ending generally on the Saturday closest to December 31. All references herein to "2004", "2003," and "2002," relate to the fiscal years ended January 1, 2005, December 27, 2003, and December 28, 2002, respectively. Due to the Merger (see Note 3), fiscal 2002 consists of two separate periods of December 30, 2001 to July 21, 2002 (Predecessor) and July 22, 2002 to December 28, 2002 (Company).

Note 2. Summary of Significant Accounting Policies

Consolidation and Business

The consolidated financial statements include the accounts of Holding and its subsidiaries, all of which are wholly owned. Intercompany accounts and transactions have been eliminated in consolidation. Holding, through its wholly owned subsidiaries, operates in four primary segments: containers, closures, consumer products, and international. 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 $283.0 million and $140.3 million in 2004 and 2003, respectively. Dow Chemical Corporation was the largest supplier of the Company's total resin material requirements, representing approximately 32% and 35% of such resin requirements in 2004 and 2003, respectively. The Company also uses other suppliers such as Basell, Nova, Total (formerly Atofina), Equistar, Sunoco, BP Amoco, and ExxonMobil 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. The following table summarizes the activity by period for the allowance for doubtful accounts.

	Company			Predecessor
	Year Ended January 1, 2005	Year Ended December 27, 2003	Period from 7/22/02-12/28/02	Period from 12/30/01-7/21/02
Balance at beginning of period	$2,717	$1,990	$2,063	$2,070
Charged to costs and expenses	323	150	(291)	164
Charged to other accounts (1)	—	545	—	—
Deductions (2)	167	32	218	(171)
Balance at end of period	$3,207	$2,717	$1,990	$2,063

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

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. 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 ranging from three to 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) and businesses acquired since the Merger. These costs are reviewed annually for impairment pursuant to SFAS No. 142, Goodwill and Other Intangible Assets.

Trademarks, which are indefinite lived intangible assets, are reviewed for impairment annually pursuant to SFAS No. 142.

Other intangibles, which include covenants not to compete and technology-based intangibles, are being amortized using the straight-line method over the respective lives of the agreements or estimated life of the technology ranging from one to twenty 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 uses an interest rate collar to manage a portion of its interest rate exposures. In 2004, the Company also entered into resin forward contracts, which become 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.

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. 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 consistent with the accounting treatment of the items being hedged. The Company has recognized the interest rate collar and resin forward contracts at fair value in the consolidated balance sheets.

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 (loss) 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.

Stock-Based Compensation

Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As provided for under SFAS 123, the Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees." Compensation cost for stock options, if any, is measured as the excess of the fair value of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. The fair value for options granted by Holding have been estimated at the date of grant using a Black Scholes option pricing model with the following weighted average assumptions:

	Company			**Predecessor**
	Year Ended January 1, 2005	**Year Ended December 27, 2003**	**Period from 7/22/02-12/28/02**	**Period from 12/30/01-7/21/02**
Risk-free interest rate	3.1%	3.0%	4.0%	4.0%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Volatility factor	.25	.25	.25	.25
Expected option life	5.0 years	5.0 years	5.0 years	5.0 years

For purposes of the pro forma disclosures, the estimated fair value of the stock options are amortized to expense over the related vesting period. Because compensation expense is recognized over the vesting period, the initial impact on pro forma net income (loss) may not be representative of compensation expense in future years, when the effect of amortization of multiple awards would be reflected in the Consolidated Statement of Operations. The following is a reconciliation of reported net income (loss) to net income (loss) as if the Company used the fair value method of accounting for stock-based compensation.

	Company			Predecessor
	Year Ended January 1, 2005	Year Ended December 27, 2003	Period from 7/22/02-12/28/02	Period from 12/30/01-7/21/02
Reported net income (loss)	$22,951	$13,048	$3,179	$(35,795)
Stock-based employee compensation expense included in reported income (loss), net of tax	585	—	—	1,920
Total stock-based employee compensation expense determined under fair value based method, for all awards, net of tax	(2,294)	(2,044)	(856)	(371)
Pro forma net income (loss)	$21,242	$11,004	$2,323	$(34,246)

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.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) 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.

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

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R (Revised 2004.) Share-Based Payment ("SFAS No. 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 will be measured based on the fair value of the equity or liability instruments issued. The Company currently discloses pro forma compensation expense quarterly and annually by calculating the stock option grants' fair value using the Black-Scholes model and disclosing the impact on net income (loss) in a Note to the Consolidated Financial Statements. Upon adoption, pro forma disclosure will no longer be an alternative. For nonpublic companies, as defined, the effective date of SFAS No. 123R is the beginning of the first annual reporting period that begins after December 15, 2005, although early adoption is allowed. The Company expects to adopt SFAS No. 123R in the first quarter of 2006, but has not yet evaluated what effect the adoption of this new standard will have on the Company's financial position or results of operations.

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4 ("SFAS 151"). SFAS 151 requires the exclusion of certain costs from inventories and the allocation of fixed production overheads to inventories to be based on normal capacity of the production facilities. The provisions of SFAS 151 are effective for costs incurred during fiscal years beginning after June 15, 2005. Earlier adoption is permitted for inventory costs incurred during fiscal years beginning after the issuance date of SFAS 151. The Company has not yet evaluated what effect the adoption of this new standard will have on the Company's financial position or results of operations.

Note 3. The Merger

On July 22, 2002, GS Berry Acquisition Corp., (the "Buyer") a newly formed entity controlled by various private equity funds affiliated with Goldman, Sachs & Co., merged (the "Merger") with and into Holding, pursuant to an agreement and plan of merger, dated as of May 25, 2002. At the effective time of the Merger, (i) each share of common stock of 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, and (ii) each share of common stock of the Buyer issued and outstanding immediately prior to the effective time of the Merger was converted into one share of common stock of Holding.

The total amount of funds required to consummate the Merger and to pay estimated fees and expenses related to the Merger, including amounts related to the repayment of indebtedness, the redemption of the outstanding preferred stock and accrued dividends, the redemption of outstanding warrants, and the payment of transaction costs incurred by Holding, were approximately $870.7 million (which includes the amount of certain indebtedness which remained outstanding and the value of certain shares of Holding common stock held by employees that were contributed to the Buyer immediately prior to the Merger). Immediately following the Merger, the Buyer and its affiliates owned approximately 63% of the common stock of Holding. The remaining common stock of Holding is held by J.P. Morgan Partners Global Investors, L.P. and other private equity funds affiliated with J.P. Morgan Partners, LLC, the private equity investment arm of J.P. Morgan Chase & Co., which own approximately 29% of Holding's common stock and by members of Berry's management, which own the remaining 8%.

The Merger has been accounted for under the purchase method of accounting, and accordingly, the purchase price was allocated to the identifiable assets and liabilities based on estimated fair values at the acquisition date. The Company applied the provisions of Emerging Issues Task Force 88-16, Basis in Leveraged Buyout Transactions, whereby, the carryover equity interests of certain shareholders from the Predecessor to the Company were recorded at their Company basis. The application of these provisions reduced stockholder's equity and intangibles by $196.6 million. In connection with the Merger, the Predecessor incurred Merger related expenses of approximately $21.0 million, consisting primarily of investment banking fees, bonuses to management, non-cash modification of stock option awards, legal costs, and fees to the largest voting stockholder of the Predecessor. In addition, as a result of extinguishing debt in connection with the Merger, $6.6 million of existing deferred financing fees and $18.7 million of prepayment fees and related charges were charged to expense in 2002 as a loss on extinguished debt.

Note 4. Recent Acquisitions, Investment, and Disposal

On February 25, 2003, Berry acquired the 400 series continuous threaded injection molded closure assets from CCL Plastic Packaging located in Los Angeles, California ("CCL Acquisition") for aggregate consideration of approximately $4.6 million. The purchase price was allocated to fixed assets ($2.7 million), inventory ($1.1 million), customer relationships ($0.5 million), goodwill ($0.2 million), and other intangibles ($0.1 million). The purchase was financed through borrowings under the Company's revolving line of credit. The operations from the CCL Acquisition are included in Berry's operations since the acquisition date using the purchase method of accounting.

On May 30, 2003, Berry acquired the injection molded overcap lid assets from APM Inc. located in Benicia, California ("APM Acquisition") for aggregate consideration of approximately $0.6 million. The purchase price was allocated to fixed assets ($0.3 million), inventory ($0.1 million), goodwill ($0.1 million) and other intangibles ($0.1 million). The purchase was financed through cash provided by operations. The operations from the APM Acquisition are included in Berry's operations since the acquisition date using the purchase method of accounting.

On November 20, 2003, Berry acquired Landis Plastics, Inc. (the "Landis Acquisition") for aggregate consideration of approximately $229.7 million, including deferred financing fees. The operations from the Landis Acquisition are included in Berry's operations since the acquisition date using the purchase method of accounting. The purchase was financed through the issuance by Berry of $85.0 million aggregate principal amount of 10 3/4% senior subordinated notes to various institutional buyers, which resulted in gross proceeds of $95.2 million, aggregate net borrowings of $54.1 million under Berry's amended and restated senior secured credit facility from new term loans after giving effect to the refinancing of the prior term loan, an aggregate common equity contribution of $62.0 million, and cash on hand. Berry also agreed to acquire, for $32.0 million, four facilities that Landis leased from certain of its affiliates. Prior to the closing of the Landis Acquisition, the rights and obligations to purchase the four facilities owned by affiliates of Landis were assigned to an affiliate of W.P. Carey & Co., L.L.C., which affiliate subsequently entered into a lease with Landis for the four facilities. In accordance with

EITF 95-3, the Company established opening balance sheet reserves related to plant shutdown, severance and unfavorable lease arrangement costs. The opening balances and current year activity is presented in the following table.

	Established at Opening Balance Sheet	Year Ended January 1, 2005			
		December 27, 2003	Payments	Reduction In Estimate	January 1, 2005
EITF 95-3 reserves	$3,206	$2,892	$(1,152)	$(472)	$1,268

The following pro forma financial results are unaudited and assume that the Landis Acquisition occurred at the beginning of the respective period. Pro forma results have not been adjusted to reflect the acquisitions of CCL or APM as they do not differ significantly from the pro forma results presented below. Pro forma 2003 net sales were $749,591 and net income was $5,526. The financial results for fiscal 2004 have not been adjusted as the acquired businesses were owned by Berry for the entire period. The information presented is for informational purposes only and is not necessarily indicative of the operating results that would have occurred had the Landis Acquisition been consummated at the above date, nor are they necessarily indicative of future operating results. Further, the information reflects only pro forma adjustments for additional interest expense and amortization, net of the applicable income tax effects.

On November 1, 2004, the Company entered into a series of agreements with Southern Packaging Group Ltd. ("Southern Packaging"), and its principal shareholder, Mr. Pan Shun Ming, to jointly expand participation in the plastic packaging business in China and the surrounding region. In connection therewith, Berry acquired a 10% stake in Southern Packaging, which has been recorded as an other current asset as a trading security at its fair market value of $3.2 million as of January 1, 2005, which is consistent with the cost basis.

Berry Plastics U.K. Limited, a foreign subsidiary of Berry, reached an agreement in March 2004 to sell the manufacturing equipment, inventory, and accounts receivable for its U.K. milk cap business to Portola Packaging U.K. Limited. The transaction valued at approximately $4.0 million closed in April 2004. The U.K. milk cap business represented less than $3.0 million of annual consolidated net sales.

Note 5. Intangible Assets

Intangible assets consist of the following:

	January 1, 2005	December 27, 2003
Deferred financing fees	$ 26,681	$ 26,043
Customer relationships	93,641	93,561
Goodwill	358,883	376,769
Trademarks	33,448	33,448
Covenants not to compete and other	2,622	2,757
Technology-based	5,115	5,023
Accumulated amortization	(17,111)	(7,905)
	$503,279	$529,696

Goodwill was reduced by $16.4 million in fiscal 2004 as a result of the reduction of the valuation allowance on deferred tax assets as the use of fully reserved net operating loss carryforwards that existed at the time of the Merger have been recorded as a reduction to goodwill. The remaining decrease in goodwill is the result of finalizing the opening balance sheet from the Landis Acquisition and cash proceeds in excess of the net book value of the assets sold in connection with the U.K. milk cap business partially offset by foreign currency translation. The remaining changes in intangible assets are primarily the result of the amortization of definite lived intangibles.

Future amortization expense for definite lived intangibles at January 1, 2005 for the next five fiscal years is approximately $8.9 million, $8.8 million, $8.7 million, $8.6 million, and $8.4 million for fiscal 2005, 2006, 2007, 2008, and 2009, respectively.

Note 6. Long-Term Debt

Long-term debt consists of the following:

	January 1, 2005	December 27, 2003
Berry 10 ¾% Senior Subordinated Notes	$335,000	$335,000
Debt premium on 10 ¾% Notes, net	8,876	10,053
Term loans	330,780	380,000
Revolving lines of credit	480	342
Nevada Industrial Revenue Bonds	1,500	2,000
Capital leases	20,922	24,210
	697,558	751,605
Less current portion of long-term debt	10,335	9,339
	$687,223	$742,266

Berry 10 ¾% Senior Subordinated Notes

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 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 Landis Acquisition. The 2002 Notes and Add-on Notes mature on July 15, 2012. Interest is payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2003 with respect to the 2002 Notes and commenced on January 15, 2004 with respect to the Add-on Notes. Holding and all of Berry's domestic subsidiaries fully, jointly, severally, and unconditionally guarantee on a senior subordinated basis the 2002 Notes and Add-on Notes. The 2002 Notes and Add-on Notes are not guaranteed by the foreign subsidiaries: Berry Plastics Acquisition Corporation II, NIM Holdings Limited, Berry Plastics U.K. Limited, Norwich Acquisition Limited, Capsol Berry Plastics S.p.a., Ociesse S.r.l., or Berry Plastics Asia Pte. Ltd.

Berry is not required to make mandatory redemption or sinking fund payments with respect to the 2002 Notes and Add-on Notes. On or subsequent to July 15, 2007, the 2002 Notes and Add-on Notes may be redeemed at the option of Berry, in whole or in part, at redemption prices ranging from 105.375% in 2007 to 100% in 2010 and thereafter. Prior to July 15, 2005, up to 35% of the 2002 Notes and Add-on Notes may be redeemed at 110.75% of the principal amount at the option of Berry in connection with an equity offering. Upon a change in control, as defined in the indenture under which the 2002 Notes and Add-on Notes were issued (the "Indenture"), each holder of notes will have the right to require Berry to repurchase all or any part of such holder's notes at a repurchase price in cash equal to 101% of the aggregate principal amount thereof plus accrued interest. The 2002 Notes and Add-on Notes are treated as a single class under the Indenture.

Second Amended and Restated Credit Facility

In connection with the Merger in 2002, the Company entered into a credit and guaranty agreement and a related pledge security agreement with a syndicate of lenders led by Goldman Sachs Credit Partners L.P., as administrative agent (the "Credit Facility"). On November 10, 2003, in connection with the Landis Acquisition, the Credit Facility was amended and restated (the "Amended and Restated Credit Facility"). On August 9, 2004, the Amended and Restated Credit Facility was amended and restated (the "Second Amended and Restated Credit Facility"). The Second Amended and Restated Credit Facility provides (1) a $365.5 million term loan and (2) a $100.0 million revolving credit facility. The proceeds from the new term loan were used to repay the outstanding balance of the term loans from the Amended and Restated Credit Facility. The Second Amended and Restated Credit Facility permits the Company to borrow up to an additional $150.0 million of incremental senior term indebtedness from lenders willing to provide such loans subject to certain restrictions. The terms of the additional indebtedness will be determined by the market conditions at the time of borrowing. The maturity date of the term loan is July 22, 2010, and the maturity date of the revolving credit facility is July 22, 2008. The indebtedness under the Second Amended and Restated Credit Facility is guaranteed by Holding and all of its domestic subsidiaries. The obligations of Berry Plastics under the Second Amended and Restated Credit Facility and the guarantees thereof are secured by substantially all of the assets of such entities. At January 1, 2005, there were no borrowings outstanding on the revolving credit facility. The revolving credit facility allows up to $25.0 million of letters of credit to be issued instead of borrowings under the revolving credit facility and up to $10.0 million of swingline loans. At January 1, 2005 and December 27, 2003, the Company had $8.5 million and $7.4 million, respectively, in letters of credit outstanding under the revolving credit facility.

The Second Amended and Restated Credit Facility contains significant financial and operating covenants, including prohibitions on the ability to incur certain additional indebtedness or to pay dividends, and restrictions on the ability to make capital expenditures. The Second Amended and Restated Credit Facility also contains borrowing conditions and customary events of default, including nonpayment of principal or interest, violation of covenants, inaccuracy of representations and warranties, cross-defaults to other indebtedness, bankruptcy and other insolvency events (other than in the case of certain foreign subsidiaries). The Company was in compliance with all the financial and operating covenants at January 1, 2005. The term loan amortizes quarterly as follows: $813,312 each quarter through June 30, 2009 and $78,974,687 each quarter beginning September 30, 2009 and ending June 30, 2010.

Borrowings under the Second Amended and Restated Credit Facility bear interest, at the Company's option, at either (i) a base rate (equal to the greater of the prime rate and the federal funds rate plus 0.5%) plus the applicable margin (the "Base Rate Loans") or (ii) an adjusted eurodollar LIBOR (adjusted for reserves) plus the applicable margin (the "Eurodollar Rate Loans"). With respect to the term loan, the "applicable margin" is (i) with respect to Base Rate Loans, 1.25% per annum and (ii) with respect to Eurodollar Rate Loans, 2.25% per annum (4.22% at January 1, 2005 and 3.7% at December 27, 2003). In addition, the applicable margins with respect to the term loan can be further reduced by an additional .25% per annum subject to the Company meeting a leverage ratio target, which was met based on the results through January 1, 2005. With respect to the revolving credit facility, the "applicable margin" is subject to a pricing grid which ranges from 2.75% per annum to 2.00% per annum, depending on the leverage ratio (2.50% based on results through January 1, 2005). The "applicable margin" with respect to Base Rate Loans will always be 1.00% per annum less than the "applicable margin" for Eurodollar Rate Loans. In October 2002, Berry entered into an interest rate collar arrangement to protect $50.0 million of the outstanding variable rate term loan debt from future interest rate volatility. The collar floor is set at 1.97% LIBOR (London Interbank Offering Rate) and capped at 6.75% LIBOR. The agreement was effective January 15, 2003. At January 1, 2005 and December 27, 2003, shareholders' equity has been reduced by $4 and $487, respectively, to adjust the agreement to fair market value. At January 1, 2005, the Company had unused borrowing capacity under the Second Amended and Restated Credit Facility's revolving line of credit of $91.5 million.

Nevada Industrial Revenue Bonds

The Nevada Industrial Revenue Bonds bear interest at a variable rate (2.0% at January 1, 2005 and 1.3% at December 27, 2003), require annual principal payments of $0.5 million on April 1, are collateralized by irrevocable letters of credit issued under the Second Amended and Restated Credit Facility and mature in April 2007. The remaining balance of the Nevada Industrial Revenue Bonds of $1.5 million was repaid in January 2005 using the revolving line of credit.

Other

Future maturities of long-term debt at January 1, 2005 are as follows:

2005	$ 10,335
2006	7,104
2007	6,918
2008	9,054
2009	81,263
Thereafter	574,008

Interest paid was $53,393, $40,040, and $40,883, for 2004, 2003, and 2002, respectively. Interest capitalized was $1,120, $860, and $844, for 2004, 2003, and 2002, respectively.

Note 7. Lease and Other Commitments

Certain property and equipment are leased using capital and operating leases. In 2004 and 2003, Berry Plastics entered into various capital lease obligations with no immediate cash flow effect resulting in capitalized property and equipment of $2,101 and $1,717, respectively. Total capitalized lease property consists of manufacturing equipment with a cost of $35,148 and $34,465 and related accumulated amortization of $14,353 and $9,791 at January 1, 2005 and December 27, 2003, respectively. Capital lease amortization is included in depreciation expense. Total rental expense from operating leases was approximately $14,879, $11,216, and $9,761 for 2004, 2003, and 2002, respectively.

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

	At January 1, 2005	
	Capital Leases	Operating Leases
2005	$ 8,397	$ 13,645
2006	4,968	12,853
2007	3,686	10,505
2008	4,148	9,236
2009	4,905	8,692
Thereafter	—	54,116
	26,104	$ 109,047
Less: amount representing interest	(5,182)	
Present value of net minimum lease payments	$20,922	

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.

The Company has various purchase commitments for raw materials, supplies and property and equipment incidental to the ordinary conduct of business. All such commitments are at prices at or below current market. At January 1, 2005, the Company had committed approximately $46.5 million for resin on order that had not yet been received and $10.0 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			Predecessor
	Year Ended January 1, 2005	Year Ended December 27, 2003	Period from 7/22/02-12/28/02	Period from 12/30/01-7/21/02
Domestic	$ 44,841	$ 29,556	$ 7,331	$(33,415)
Foreign	(4,150)	(4,022)	(1,199)	(2,035)
	$ 40,691	$ 25,534	$ 6,132	$(35,450)

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:

	January 1, 2005	December 27, 2003
Deferred tax assets:		
Allowance for doubtful accounts	$ 804	$ 637
Inventory	1,409	1,390
Compensation and benefit accruals	4,032	3,119
Insurance reserves	363	679
Net operating loss carryforwards	24,436	29,546
Alternative minimum tax (AMT) credit carryforwards	3,821	3,457
Other	—	1,601
Total deferred tax assets	34,865	40,429
Valuation allowance	(1,302)	(16,911)
Deferred tax assets, net of valuation allowance	33,563	23,518
Deferred tax liabilities:		
Other	382	—
Property and equipment	34,211	24,239
Total deferred tax liabilities	34,593	24,239
Net deferred tax liability	$ (1,030)	$ (721)

Income tax expense (benefit) consists of the following:

	Company			Predecessor
	Year Ended January 1, 2005	Year Ended December 27, 2003	Period from 7/22/02-12/28/02	Period from 12/30/01-7/21/02
Current:				
Federal	$ 363	$ 402	$ —	$ —
Foreign	133	61	26	375
State	472	232	217	(30)
Total current	968	695	243	345
Deferred:				
Federal	13,543	8,608	2,280	—
Foreign	(173)	—	—	—
State	3,402	3,183	430	—
Total deferred	16,772	3,183	430	—
Income tax expense	$17,740	$12,486	$2,953	$ 345

Holding has unused operating loss carryforwards of approximately $61.0 million for federal and state income tax purposes which begin to expire in 2012. AMT credit carryforwards are available to Holding indefinitely to reduce future years' federal income taxes. As a result of the Merger, $45.0 million of the unused operating loss carryforward is limited to approximately $12.9 million per year, and $16.0 million of the unused operating loss carryforward occurred subsequent to the Merger and is not subject to an annual limitation.

Income taxes paid during 2004, 2003, and 2002 approximated $764, $484, and $531, 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
	Year Ended January 1, 2005	Year Ended December 27, 2003	Period from 7/22/02-12/28/02	Period from 12/30/01-7/21/02
Income tax expense (benefit) computed at statutory rate	$ 14,244	$ 8,721	$ 2,081	$ (12,170)
State income tax expense (benefit), net of federal taxes	2,518	2,220	434	(1,035)
Expenses not deductible for income tax purposes	394	160	60	3,823
Change in valuation allowance	1,288	1,285	—	9,160
Other	(704)	100	378	567
Income tax expense	$ 17,740	$ 12,486	$ 2,953	$ 345

On October 22, 2004, the American Jobs Creation Act of 2004 (the "Act") was signed into law. The Act creates a temporary incentive for multinational companies to repatriate accumulated income earned outside the United States at an effective tax rate of 5.25%. Due to the Company's current domestic and international tax position, no material benefit is expected as a result of the Act.

Note 9. Employee Retirement Plans

Berry Plastics sponsors a defined contribution 401(k) retirement plan 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 this plan was approximately $2,020, $1,408, and $1,462 for 2004, 2003, and 2002, respectively. The Company also maintains a defined benefit pension plan covering the Poly-Seal employees under a collective bargaining agreement. At January 1, 2005 and December 27, 2003, stockholders' equity has been reduced by $462 and $550, respectively, as a result of recording the minimum pension liability.

Note 10. Stockholders' Equity

Common and Preferred Stock

On July 22, 2002, GS Berry Acquisition Corp., (the "Buyer") a newly formed entity controlled by various private equity funds affiliated with Goldman, Sachs & Co., merged (the "Merger") with and into Holding, pursuant to an agreement and plan of merger, dated as of May 25, 2002. At the effective time of the Merger, (i) 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, and (ii) each share of common stock of the Buyer issued and outstanding immediately prior to the effective time of the Merger was converted into one share of common stock of Holding.

Notes Receivable from Management

In connection with the Merger, certain senior employees of Holding acquired shares of Holding Common Stock pursuant to an employee stock purchase program. Such employees paid for these shares with any combination of (i) shares of Holding common stock that they held prior to the Merger; (ii) their cash transaction bonus, if any; and (iii) a promissory note. In addition, Holding adopted an employee stock purchase program pursuant to which a number of employees had the opportunity to invest in Holding on a leveraged basis. Employees participating in this program were permitted to finance two-thirds of their purchases of shares of Holding common stock under the program with a promissory note. The promissory notes are secured by the shares purchased and such notes accrue interest which compounds semi-annually at rates ranging from 4.97% to 5.50% per year. Principal and all accrued interest is due and payable on the earlier to occur of (i) the end of the ten-year term, (ii) the ninetieth day following such employee's termination of employment due to death, "disability", "redundancy" (as such terms are defined in the 2002 Option Plan) or retirement, or (iii) the thirtieth day following such employee's termination of employment for any other reason. As of January 1, 2005 and December 27, 2003, the Company had $14,856 and $14,157, respectively, in outstanding notes receivable (principal and interest), which has been classified as a reduction to stockholders' equity in the consolidated balance sheet, due from employees under this program.

Stock Option Plans

Holding maintains the BPC Holding Corporation 1996 Stock Option Plan ("1996 Option Plan"), as amended, pursuant to which nonqualified options to purchase 135,873 shares are outstanding. All outstanding options under the 1996 Option Plan are scheduled to expire on July 22, 2012 and no additional options will be granted under it. Option agreements issued pursuant to the 1996 Option Plan generally provide that options become vested and exercisable at a rate of 10% per year based on continued service. Additional options also vest in years during which certain financial targets are attained. Notwithstanding the vesting provisions in the option agreements, all options that were scheduled to vest prior to December 31, 2002 accelerated and became vested immediately prior to the Merger.

Holding has adopted an employee stock option plan ("2002 Option Plan"), as amended, pursuant to which options to acquire up to 495,073 shares of Holding's common stock may be granted to its employees, directors and consultants. Options granted under the 2002 Option 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. Generally, options have a ten-year term, subject to earlier expiration upon the termination of the optionholder's employment and other events. Some options granted under the plan become vested and exercisable over a five-year period based on continued service with Holding. Other options become 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. Upon a change in control of Holding, the vesting schedule with respect to certain options accelerate for a portion of the shares subject to such options.

Financial Accounting Standards Board Statement 123, *Accounting for Stock-Based Compensation* ("Statement 123"), prescribes accounting and reporting standards for all stock-based compensation plans. Statement 123 provides that companies may elect to continue using existing accounting requirements for stock-based awards or may adopt a new fair value method to determine their intrinsic value. Holding has elected to continue following Accounting Principles Board Opinion No. 25, *Accounting For Stock Issued to Employees* ("APB 25") to account for its employee stock options. Under APB 25, because the exercise price of Holding's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized at the grant date.

Information related to the 1996 Option Plan and 2002 Option Plan is as follows:

	Company		Company		Company		Predecessor	
	January 1, 2005		December 27, 2003		December 28, 2002		July 21, 2002	
	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	530,662	$ 94	545,684	$ 86	48,218	$ 157	60,420	$132
Options converted	—	—	—	—	102,329	(107)	—	—
Options granted	65,465	120	38,713	100	395,137	100	15,345	277
Options exercised	(1,640)	53	(9,757)	57	—	—	(18,134)	177
Options canceled	(4,331)	93	(43,978)	101	—	—	(9,413)	389
Options outstanding, end of period	590,156	102	530,662	94	545,684	86	48,218	157
Option price range at end of period	$32 - $142		$32 - $124		$32 - $100		$100 - $226	
Options exercisable at end of period	291,879		203,326		120,448		38,573	
Options available for grant at period end	43,489		22,588		42,429		0	
Weighted average fair value of options granted during period	$34		$28		$30		$30	

The following table summarizes information about the options outstanding at January 1, 2005:

Range of Exercise Prices	Number Outstanding At January 1, 2005	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at January 1, 2005
$32 - $72	135,873	8 years	$50	123,152
$100	227,040	8 years	$100	76,005
$120	62,011	9 years	$120	10,107
$142	165,232	8 years	$142	82,615
	590,156			291,879

Stockholders Agreements

In connection with the Merger, Holding entered into a stockholders' agreement with GSCP 2000 and other private equity funds affiliated with Goldman, Sachs & Co., which in the aggregate own a majority of the common stock, and J.P. Morgan Partners Global Investors, L.P. and other private equity funds affiliated with J.P. Morgan Securities Inc., which own approximately 28% of the common stock. GSCP 2000 and other private equity funds affiliated with Goldman, Sachs & Co., have the right to designate seven members of the board of directors, one of which shall be a member of management, and J.P. Morgan Partners Global Investors, L.P. and other private equity funds affiliated with J.P. Morgan Securities Inc. have the right to designate two members of the board of directors. The stockholders' agreement contains customary terms including terms regarding transfer restrictions, rights of first offer, tag along rights, drag along rights, preemptive rights and veto rights.

Note 11. Related Party Transactions

Prior to the Merger, Atlantic Equity Partners International II, L.P. ("International") was our largest voting stockholder and International engaged First Atlantic Capital, Ltd. ("First Atlantic") to provide certain financial and management consulting services to the Company. In consideration of financial advisory and management consulting services, the Company paid First Atlantic fees and expenses of $385 for fiscal 2002. In consideration of services performed in connection with the Merger, the Company paid First Atlantic fees and expenses of $1,786 in July 2002.

In connection with the Merger, the Company paid $8.0 million to entities affiliated with Goldman, Sachs & Co. and $5.2 million to J.P. Morgan Securities Inc., an affiliate of J.P. Morgan Chase & Co., for advisory and other services. Goldman Sachs and J.P. Morgan acted as joint book-running managers in the issuance of the 2002 Notes and received fees of approximately $4.4 million and $3.2 million, respectively, for services performed. Goldman Sachs Credit Partners, L.P., an affiliate of Goldman Sachs, acted as the administrative agent, joint lead arranger and joint bookrunner for the Credit Facility and received fees of $3.6 million in July 2002 for services provided. JP Morgan Chase Bank, an affiliate of J.P. Morgan, acted as the joint lead arranger and joint bookrunner for the Credit Facility for consideration of approximately $3.6. million. In October 2002, the Company entered into an interest rate collar agreement with Goldman Sachs Capital Markets to protect $50.0 million of the outstanding variable rate term loan debt from future interest rate volatility. The collar floor is set at 1.97% LIBOR and capped at 6.75% LIBOR.

In connection with the Landis Acquisition, the Company paid $1.7 million to entities affiliated with Goldman, Sachs & Co. and $0.8 million to J.P. Morgan Securities Inc., an affiliate of J.P. Morgan Chase & Co., for advisory and other services. Goldman Sachs and J.P. Morgan acted as joint book-running managers in the issuance of the Add-on Notes and received fees of approximately $1.0 million and $1.0 million, respectively, for services performed. Goldman Sachs Credit Partners, L.P., an affiliate of Goldman Sachs, acted as the administrative agent, joint lead arranger and joint bookrunner for the Amended and Restated Credit Facility and received fees of $0.5 million in July 2002 for services provided. JP Morgan Chase Bank, an affiliate of J.P. Morgan, acted as the joint lead arranger and joint bookrunner for the Amended and Restated Credit Facility for consideration of approximately $0.5 million.

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 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 enters into foreign currency transactions through its normal course of business with Goldman, Sachs & Co.

Note 12. Financial Instruments

Holding's and the Company's financial instruments generally consist of cash and cash equivalents, the investment in Southern Packaging, an interest rate hedge, resin hedge contracts, and long-term debt. The carrying amounts of Holding's and the Company's financial instruments approximate fair value at January 1, 2005 except for the 2002 Notes and Add-on Notes for which the fair value exceeded the carrying value by $39.7 million.

In October 2002, Berry entered into an interest rate collar arrangement to protect $50.0 million of the outstanding variable rate term loan debt from future interest rate volatility. The collar is accounted for as a fair value hedge and the gains and losses arising from the instrument are recorded concurrently with gains and losses arising from the underlying transaction.

The Company consumes plastic resin during the normal course of production. The fluctuations in the cost of plastic resin can vary the costs of production. As part of its risk management strategy, the Company entered into resin forward hedging transactions constituting approximately 15% of its estimated 2005 resin needs and 10% of its 2006 estimated resin needs. These contracts obligate the Company to make or receive a monthly payment equal to the difference in the unit cost of resin per the contract and an industry index times the contracted pounds of plastic resin. Such contracts are designated as hedges of a portion of the Company's forecasted purchases through 2006 and are effective in hedging the Company's exposure to changes in resin prices during this period. The contracts qualify as cash flow hedges under SFAS No. 133 and accordingly are marked to market with unrealized gains and losses deferred through other comprehensive income and will be recognized in earnings when realized as an adjustment to cost of goods sold. The fair values of these contracts at January 1, 2005 was an unrealized gain of $5.2 million. As the agreements were not effective until fiscal 2005, there was no impact to the statements of operations included in these financial statements.

Note 13. Accumulated Other Comprehensive Income (Loss)

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

	January 1, 2005	December 27, 2003
Currency translation	$8,479	$5,736
Minimum pension liability adjustment	(462)	(550)
Unrealized loss on interest rate collar	(4)	(487)
Unrealized gain on resin hedge contracts	5,173	–
	$13,186	$4,699

Note 14. Operating Segments

The Company has four reportable segments: containers, closures, consumer products, and international. In 2004, the Company created the international segment as a separate operating and reporting segment to increase sales and improve service to international customers utilizing existing resources. The international segment includes the Company's foreign facilities and business from domestic facilities that is shipped or billed to foreign locations. The 2003 and 2002 results for the foreign facilities have been reclassified to the international segment; however, business from domestic facilities that were shipped or billed to foreign locations cannot be separately identified for 2003 and 2002. Accordingly, the amounts disclosed under the new reporting structure are not comparable between 2004, 2003, and 2002. As a result, the tables below include the results under the new and previous structure. The Company evaluates performance and allocates resources to segments based on operating income before depreciation and amortization of intangibles adjusted to exclude (1) uncompleted acquisition expense, (2) acquisition integration expense, (3) plant shutdown expense, (4) Merger expense, (5) non-cash compensation, and (6) management fees and reimbursed expenses paid to First Atlantic (collectively, "Adjusted EBITDA"). The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

New reporting structure	Year Ended		
	Company	Company	Company/ Predecessor
	January 1, 2005	**December 27, 2003**	**December 28, 2002**
Net sales:			
Containers	$ 518,303	$ 288,481	$ 250,423
Closures	127,481	125,292	113,309
Consumer Products	130,361	116,098	109,988
International	38,068	22,005	20,583
Total net sales	814,213	551,876	494,303
Adjusted EBITDA:			
Containers	105,707	71,027	67,079
Closures	29,035	29,271	28,055
Consumer Products	24,045	17,582	16,773
International	2,281	957	2,500
Total adjusted EBITDA	161,068	118,837	114,407
Total assets:			
Containers	597,006	605,879	359,635
Closures	169,072	191,785	191,508
Consumer Products	180,531	172,079	170,979
International	58,535	46,063	38,454
Total assets	1,005,144	1,015,806	760,576
Goodwill, net:			
Containers	204,575	212,394	170,892
Closures	65,009	74,997	77,889
Consumer Products	72,646	78,619	78,302
International	16,653	10,759	9,177
Total goodwill, net	358,883	376,769	336,260
Reconciliation of Adjusted EBITDA to income (loss) before income taxes:			
Adjusted EBITDA for reportable segments	$ 161,068	$ 118,837	$ 114,407
Net interest expense	(53,185)	(45,413)	(49,254)
Depreciation	(54,303)	(40,752)	(39,557)
Amortization	(6,513)	(3,326)	(2,408)
Gain (loss) on disposal of property and equipment	—	7	(299)
Merger expenses	—	—	(20,987)
Loss on extinguished debt	—	(250)	(25,328)
Uncompleted acquisition expense	—	(1,041)	(216)
Acquisition integration expense	(3,969)	(1,424)	(1,353)
Plant shutdown expense	(1,822)	(1,104)	(3,992)
Non-cash compensation	(585)	—	—
Management fees	—	—	(331)
Income (loss) before income taxes	$40,691	$25,534	$(29,318)

Previous reporting structure

	Year Ended		
	Company	**Company**	**Company/ Predecessor**
	January 1, 2005	**December 27, 2003**	**December 28, 2002**
Net sales:			
Containers	$ 527,703	$ 288,481	$ 250,423
Closures	154,956	147,297	133,892
Consumer Products	131,554	116,098	109,988
Total net sales	814,213	551,876	494,303
Adjusted EBITDA:			
Containers	107,184	71,027	67,079
Closures	29,880	30,228	30,555
Consumer Products	24,004	17,582	16,773
Total adjusted EBITDA	161,068	118,837	114,407
Total assets:			
Containers	607,480	605,879	359,635
Closures	215,552	237,848	229,962
Consumer Products	182,112	172,079	170,979
Total assets	1,005,144	1,015,806	760,576
Goodwill, net:			
Containers	207,293	212,394	170,892
Closures	78,375	85,756	87,066
Consumer Products	73,215	78,619	78,302
Total goodwill, net	358,883	376,769	336,260
Reconciliation of Adjusted EBITDA to income (loss) before income taxes:			
Adjusted EBITDA for reportable segments	$ 161,068	$ 118,837	$ 114,407
Net interest expense	(53,185)	(45,413)	(49,254)
Depreciation	(54,303)	(40,752)	(39,557)
Amortization	(6,513)	(3,326)	(2,408)
Gain (loss) on disposal of property and equipment	—	7	(299)
Merger expenses	—	—	(20,987)
Loss on extinguished debt	—	(250)	(25,328)
Uncompleted acquisition expense	—	(1,041)	(216)
Acquisition integration expense	(3,969)	(1,424)	(1,353)
Plant shutdown expense	(1,822)	(1,104)	(3,992)
Non-cash compensation	(585)	—	—
Management fees	—	—	(331)
Income (loss) before income taxes	$40,691	$25,534	$(29,318)

Note 15. Condensed Consolidating Financial Information (In thousands)

Holding conducts its business through its wholly owned subsidiary, Berry. Holding and all of Berry's domestic subsidiaries fully, jointly, severally, and unconditionally guarantee on a senior subordinated basis the 2002 Notes and Add-on Notes issued by Berry. Berry and all of Berry's subsidiaries are 100% owned 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 Holding, Berry, and its subsidiaries at January 1, 2005 and December 27, 2003 and for the fiscal years ended January 1, 2005, December 27, 2003, and December 28, 2002. The equity method has been used with respect to investments in subsidiaries.

	January 1, 2005					
	BPC Holding Corporation (Parent)	Berry Plastics Corporation (Issuer)	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Consolidating Balance Sheets						
Current assets	$ —	$68,449	$ 139,338	$ 12,012	$ —	$219,799
Net property and equipment	—	76,555	188,841	16,576	—	281,972
Other noncurrent assets	183,891	770,971	363,091	12,328	(826,908)	503,373
Total assets	$183,891	$915,975	$691,270	$40,916	$(826,908)	$1,005,144
Current liabilities	$ —	$ 81,053	$ 42,004	$ 6,648	$ —	$ 129,705
Noncurrent liabilities	—	651,031	747,720	27,258	(734,461)	691,548
Equity (deficit)	183,891	183,891	(98,454)	7,010	(92,447)	183,891
Total liabilities and equity (deficit)	$ 183,891	$915,975	$ 691,270	$40,916	$(826,908)	$1,005,144

	December 27, 2003					
	BPC Holding Corporation (Parent)	Berry Plastics Corporation (Issuer)	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Consolidating Balance Sheets						
Current assets	$ —	$67,631	$ 121,605	$ 13,844	$ —	$203,080
Net property and equipment	—	70,873	191,960	20,144	—	282,977
Other noncurrent assets	152,591	855,627	370,199	12,075	(860,743)	529,749
Total assets	$152,591	$994,131	$683,764	$46,063	$(860,743)	$1,015,806
Current liabilities	$ —	$ 53,245	$ 53,408	$ 8,856	$ —	$ 115,509
Noncurrent liabilities	—	788,295	674,851	28,790	(744,230)	747,706
Equity (deficit)	152,591	152,591	(44,495)	8,417	(116,513)	152,591
Total liabilities and equity (deficit)	$ 152,591	$994,131	$ 683,764	$ 46,063	$(860,743)	$1,015,806

Year Ended January 1, 2005 (Company)

	BPC Holding Corporation (Parent)	Berry Plastics Corporation (Issuer)	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Consolidating Statements of Operations						
Net sales	$ —	$236,448	$554,107	$23,658	$ —	$814,213
Cost of goods sold	—	166,248	449,760	23,321	—	639,329
Gross profit	—	70,200	104,347	337	—	174,884
Operating expenses	(39,306)	37,072	79,493	3,749	—	81,008
Operating income (loss)	39,306	33,128	24,854	(3,412)	—	93,876
Interest expense (income), net	(772)	(15,007)	68,226	738	—	53,185
Income taxes (benefit)	42	17,458	281	(41)	—	17,740
Equity in net (income) loss from subsidiary	17,085	47,762	4,109	—	(68,956)	—
Net income (loss)	$22,951	$(17,085)	$(47,762)	$(4,109)	$68,956	$22,951
Consolidating Statements of Cash Flows						
Net income (loss)	$22,951	$(17,085)	$(47,762)	$(4,109)	$68,956	$22,951
Non-cash expenses	585	33,596	42,565	3,485	—	80,231
Equity in net (income) loss from subsidiary	17,085	47,762	4,109	—	(68,956)	—
Changes in working capital	(775)	10,520	(36,689)	(1,005)	—	(27,949)
Net cash provided by (used for) operating activities	39,846	74,793	(37,777)	(1,629)	—	75,233
Net cash provided by (used for) investing activities	—	(21,125)	(26,426)	2,074	—	(45,477)
Net cash provided by (used for) financing activities	(39,846)	(77,869)	62,575	(568)	—	(55,708)
Effect on exchange rate changes on cash	—	—	—	24	—	24
Net increase (decrease) in cash and cash equivalents	—	(24,201)	(1,628)	(99)	—	(25,928)
Cash and cash equivalents at beginning of year	—	24,286	1,670	236	—	26,192
Cash and cash equivalents at end of year	$ —	$85	$42	$137	$ —	$264

Year Ended December 27, 2003 (Company)

	BPC Holding Corporation (Parent)	Berry Plastics Corporation (Issuer)	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Consolidating Statements of Operations						
Net sales	$ —	$200,886	$328,984	$22,006	$ —	$551,876
Cost of goods sold	—	140,139	259,720	20,891	—	420,750
Gross profit	—	60,747	69,264	1,115	—	131,126
Operating expenses	(25,840)	34,536	47,545	3,695	—	59,936
Operating income (loss)	25,840	26,211	21,719	(2,580)	—	71,190
Other expenses (income)	—	—	(7)	—	—	(7)
Interest expense (income), net	(763)	(592)	45,326	1,442	—	45,413
Loss on extinguished debt	—	250	—	—	—	250
Income taxes (benefit)	27	12,388	10	61	—	12,486
Equity in net (income) loss from subsidiary	13,528	27,693	4,083	—	(45,304)	—
Net income (loss)	$13,048	$(13,528)	$(27,693)	$(4,083)	$45,304	$13,048
Consolidating Statements of Cash Flows						
Net income (loss)	$13,048	$(13,528)	$(27,693)	$(4,083)	$45,304	$13,048
Non-cash expenses	—	26,817	28,136	3,227	—	58,180
Equity in net (income) loss from subsidiary	13,528	27,693	4,083	—	(45,304)	—
Changes in working capital	(758)	1,159	7,463	681	—	8,545
Net cash provided by (used for) operating activities	25,818	42,141	11,989	(175)	—	79,773
Net cash used for investing activities	—	(244,511)	(16,474)	(4,667)	—	(265,652)
Net cash provided by (used for) financing activities	(25,819)	211,499	5,891	5,250	—	196,821
Effect on exchange rate changes on cash	—	—	—	(363)	—	(363)
Net increase (decrease) in cash and cash equivalents	(1)	9,129	1,406	45	—	10,579
Cash and cash equivalents at beginning of year	1	15,157	264	191	—	15,613
Cash and cash equivalents at end of year	$ —	$24,286	$1,670	$236	$ —	$26,192

	Year Ended December 28, 2002 (Company/Predecessor)					
	BPC Holding Corporation (Parent)	Berry Plastics Corporation (Issuer)	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Consolidating Statements of Operations						
Net sales	$ —	$173,570	$300,149	$20,584	$ —	$494,303
Cost of goods sold	—	116,354	236,169	18,750	—	371,273
Gross profit	—	57,216	63,980	1,834	—	123,030
Operating expenses	1,920	27,857	44,894	2,796	—	77,467
Operating income (loss)	(1,920)	29,359	19,086	(962)	—	45,563
Other expenses	—	145	249	(95)	—	299
Interest expense, net	9,443	3,172	34,481	2,158	—	49,254
Loss on extinguished debt	9,282	6,339	9,498	209	—	25,328
Income taxes (benefit)	(8,234)	11,016	115	401	—	3,298
Equity in net (income) loss from subsidiary	20,205	28,892	3,635	—	(52,732)	—
Net income (loss)	$(32,616)	$(20,205)	$(28,892)	$(3,635)	$52,732	$(32,616)
Consolidating Statements of Cash Flows						
Net income (loss)	$(32,616)	$(20,205)	$(28,892)	$(3,635)	$52,732	$(32,616)
Non-cash expenses	11,451	23,799	36,178	3,270	—	74,698
Equity in net (income) loss from subsidiary	20,205	28,892	3,635	—	(52,732)	—
Changes in working capital	(320)	(6,290)	(7,557)	(1,275)	—	(15,442)
Net cash provided by (used for) operating activities	(1,280)	26,196	3,364	(1,640)	—	26,640
Net cash used for investing activities	—	(18,023)	(25,704)	(1,171)	—	(44,898)
Net cash provided by (used for) financing activities	841	6,863	22,194	2,483	—	32,381
Effect on exchange rate changes on cash	—	—	—	258	—	258
Net increase (decrease) in cash and cash equivalents	(439)	15,036	(146)	(70)	—	14,381
Cash and cash equivalents at beginning of year	440	121	410	261	—	1,232
Cash and cash equivalents at end of year	$ 1	$15,157	$ 264	$ 191	$ —	$15,613

Note 16. Quarterly Financial Data (Unaudited)

The following table contains selected unaudited quarterly financial data for fiscal years 2004 and 2003.

	2004				2003			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	$191,726	$211,041	$204,803	$206,643	$125,398	$146,851	$139,306	$140,321
Cost of sales	148,615	164,565	160,824	165,325	94,321	112,055	106,845	107,529
Gross profit	$43,111	$46,476	$43,979	$41,318	$31,077	$34,796	$32,461	$32,792
Net income	$4,822	$7,391	$6,641	$4,097	$3,079	$4,542	$4,218	$1,209

OTHER FINANCIAL INFORMATION

Berry Plastics Corporation

Consolidated Balance Sheets
(In Thousands of Dollars, except per share information)

	January 1, 2005	December 27, 2003
Assets		
Current assets:		
Cash and cash equivalents	$ 264	$ 26,192
Accounts receivable (less allowance for doubtful accounts of $3,207 at January 1, 2005 and $2,717 at December 27, 2003)	83,162	76,152
Inventories:		
Finished goods	70,371	61,556
Raw materials and supplies	38,663	19,988
	109,034	81,544
Prepaid expenses and other current assets	27,339	19,192
Total current assets	219,799	203,080
Property and equipment:		
Land	10,016	7,935
Buildings and improvements	64,758	58,135
Machinery, equipment and tooling	297,972	249,291
Construction in progress	19,812	24,433
	392,558	339,794
Less accumulated depreciation	110,586	56,817
	281,972	282,977
Intangible assets:		
Deferred financing fees, net	19,883	22,283
Customer relationships, net	84,959	90,540
Goodwill	358,883	376,769
Trademarks	33,448	33,448
Other intangibles, net	6,106	6,656
	503,279	529,696
Other	94	53
Total assets	$1,005,144	$1,015,806

Berry Plastics Corporation

Consolidated Balance Sheets (continued)
(In Thousands of Dollars, except per share information)

	January 1, 2005	December 27, 2003
Liabilities and equity		
Current liabilities:		
Accounts payable	$ 55,671	$ 43,175
Accrued expenses and other liabilities	16,693	21,335
Accrued interest	18,816	18,132
Employee compensation, payroll and other taxes	28,190	23,528
Current portion of long-term debt	10,335	9,339
Total current liabilities	129,705	115,509
Long-term debt, less current portion	687,223	742,266
Deferred income taxes	1,030	720
Other long-term liabilities	3,295	4,720
Total liabilities	821,253	863,215
Total equity, including balances due to BPC Holding Corporation	183,891	152,591
Total liabilities and equity	$1,005,144	$1,015,806

See notes to BPC Holding's consolidated financial statements.

Berry Plastics Corporation

Consolidated Statements of Operations
(In Thousands of Dollars)

	Year Ended January 1, 2005	Year Ended December 27, 2003
Net sales	$ 814,213	$551,876
Cost of goods sold	639,329	420,750
Gross profit	174,884	131,126
Operating expenses:		
Selling	26,361	23,883
General and administrative	38,518	25,699
Research and development	3,825	3,459
Amortization of intangibles	6,513	3,326
Management fees from Holding	39,306	25,840
Other expenses	5,791	3,569
Operating income	54,570	45,350
Other income:		
Gain on disposal of property and equipment	—	(7)
Income before interest and taxes	54,570	45,357
Interest:		
Expense	(54,076)	(46,251)
Loss on extinguished debt	—	(250)
Income	119	75
Income (loss) before income taxes	613	(1,069)
Income taxes	1,710	1,845
Net loss	$(1,097)	$ (2,914)

See notes to BPC Holding's consolidated financial statements.

Exhibit 3

Attach to this application the names, locations and contacts of other governments from which you have received or applied for tax abatements and/or industrial revenue bonds if applicable.

Evansville, Indiana – Vanderburgh County

Debra Spalding, Economic Development Coordinator, 812-436-7823

Property tax abatement

Monroeville, Ohio – Huron County

Bonnie Beck, Economic Development, 419-798-4443

Property tax abatement

Streetsboro, Ohio – Portage County

Sy Thompson, Economic Development Director, 330-297-3470

Property tax abatement

Charlotte, North Carolina – Union County

Charles H. Johnson, Department of Commerce Finance Officer, 919-733-5297

Franchise tax abatement credit

EXHIBIT 3

Thermoforming Project
Employment Information
Exhibit 4

Position	Average Hourly Wage (a)	Phase 1 Year 1 Headcount	Phase 1 Year 1 Total Wages	Phase 2 Year 2 Headcount	Phase 2 Year 2 Total Wages	Phase 2 Year 3 Headcount	Phase 2 Year 3 Total Wages	Phase 3 Year 4 Headcount	Phase 3 Year 4 Total Wages	Phase 3 Year 5 Headcount	Phase 3 Year 5 Total Wages
Department Head	$ 35.00	1	$ 72,800	1	$ 72,800	1	$ 72,800	2	$ 145,600	2	$ 145,600
Engineering	$ 32.00	1	$ 66,560	1	$ 66,560	1	$ 66,560	2	$ 133,120	2	$ 133,120
Group Leaders	$ 20.00	3	$ 124,800	3	$ 124,800	3	$ 124,800	6	$ 249,600	6	$ 249,600
Technicians / Maintenance Techs	$ 16.50	9	$ 308,880	18	$ 617,760	18	$ 617,760	27	$ 926,640	35	$ 1,201,200
Material Handlers / Warehouse	$ 12.00	11	$ 274,560	19	$ 474,240	19	$ 474,240	28	$ 698,880	37	$ 923,520
Operators	$ 10.50	18	$ 393,120	36	$ 786,240	36	$ 786,240	54	$ 1,179,360	72	$ 1,572,480
Total		43	$ 1,240,720	78	$ 2,142,400	78	$ 2,142,400	119	$ 3,333,200	154	$ 4,225,520
Avg Hourly Wage			$ 13.87		$ 13.21		$ 13.21		$ 13.47		$ 13.19
Avg Annual Salary			$ 28,854		$ 27,467		$ 27,467		$ 28,010		$ 27,438

(a) Average Hourly Wage does not include any overtime or fringe benefits

Estimate Hire Dates:
Year 1 = 2/1/06 - 6/30/06
Year 2 = 6/1/07 - 8/31/07
Year 3 = No projected hiring
Year 4 = 1/1/09 - 6/30/09
Year 5 = 1/1/10 - 6/30/10

Employee Benefits Plan
(Hourly Employees)

INSURANCE

Employees are eligible for insurance on the first of the month following 60 calendar days of service.

LIFE

*Basic life coverage is carried on each full time employee, your spouse, and dependents.
*A term life insurance policy is carried on you in the amount of your base annual salary.
*A $12,000 term life insurance policy is carried on your spouse.
*A $5,000 term life insurance policy is carried on dependents (unmarried children 14 days to 19 years, or 25 if full-time student).
*You may purchase supplemental life insurance coverage on yourself- cost is age rated.
*Open enrollment is held every December (coverage effective January 1st) if you do not enroll after 60 days of service.

DISABILITY

*Provided by Berry Plastics on all full-time employees after 6 months of employment.
*7-day unpaid waiting period on all non-work related injuries and illnesses.
*Short-term disability - first 26 weeks of disability are paid at 60% of your base weekly income.
*Long-term disability - weeks 27 through length of disability are paid at 60% of your base weekly income.

MEDICAL

*PPO network
*Administered by JF Molloy & Associates
*$15.00 co-pay for office visits to a PPO Provider - remaining expenses are subject to the calendar year deductible.
$30.00 co-pay for office visit to a specialist in the PPO network.
*$15.00 co-pay generic prescriptions/ $25.00 co-pay name brand prescription/ $35.00 for non-formulary.
*80%/20%
a) $400 individual deductible or $1100 family deductible maximum
b) **$19.99** individual coverage (premiums are deducted weekly)
$42.40 employee +1
$46.28 family coverage
*Open enrollment is held every other year in December (coverage effective January 1st). Next open enrollment is December 2006.

DENTAL

*Insured through Delta Dental
*100% coverage of most preventative services.
*50% coverage of most procedural services.
*Weekly premiums: **$2.79** single coverage
$5.80 employee + 1 coverage
$11.01 family coverage
*You must remain in the plan for one year after enrolling.
*Open enrollment is held every December (coverage effective January 1st) if you do not enroll after 60 days of service.

VISION

*Insured through Vision Service Plan
*Coverage includes:
1) 1 eye exam every 12 months

Exhibit 5

2) 1 pair of lenses every 12 months
3) 1 pair of frames every 24 months

*$10.00 co-pay for each eye exam
*Additional $15.00 co-pay for prescribed materials
*Weekly premiums: **$1.80** single coverage
$2.66 employee + 1 coverage
$4.79 family coverage
*You must remain in the plan for one year after enrolling.
*Open enrollment is held every December (coverage effective January 1st) if you do not enroll after 60 days of service.

401(k) RETIREMENT

*You are eligible to contribute to the plan the first quarter following 1 year of service.
*100% vesting is immediate.
*Company match: $200 for opening an account, first $300 are matched dollar for dollar, any contributions over $300 are matched at 10%. An additional $150 is matched when you have contributed $1000 to your account during the calendar year. In summary, for contributing $1000, Berry Plastics will match $720. All contributions over $1000 are still matched at 10%.
*Company match is allocated at the end of each calendar year.

VACATION

1 week after 1 year of service
2 weeks after 2 years of service
3 weeks after 6 years of service
4 weeks after 15 years of service
4 weeks + 1 day after 20 years of service
4 weeks + 2 days after 25 years of service
5 weeks after 30 years of service

PERSONAL DAYS

*There are four-audit periods each year: January 1 to March 31, April 1 to June 30, July 1 to September 30, and October 1 to December 31.
*1 personal day is earned when you complete an audit period without any absences, early-outs, or tardies and have also met the minimum 450 hrs worked policy. A maximum of 10 days may be accumulated.

HOLIDAYS

*You are eligible for paid holidays after the completion of your initial 90-day probation period.
*The following are paid holidays:

New Years Eve Day	New Years Day	Good Friday	Memorial Day
Independence Day	Labor Day	Thanksgiving Day	Day after Thanksgiving
Christmas Eve	Christmas Day		

BIRTHDAY HOLIDAY

*Effective January 2001, all full time employees who have completed their 90-day probation will be eligible to take their birthday off with pay.

EMPLOYEE ASSISTANCE PROGRAM

Utilitize services from ComPsych.

PROFIT SHARING BONUS

*A portion of operating profits is set aside for employee bonuses twice a year. October 1st - March 31st with bonuses paid in June, and April 1st - September 30th with bonuses paid in December.

Employee Benefits Plan
(Salary Nonexempt Employees)

INSURANCE

Salaried employees are eligible for all employee benefits upon the date of hire, except the 401(k) Retirement Plan.

LIFE

*Basic life coverage is carried on each full time employee, your spouse, and dependents.
*A term life insurance policy is carried on you in the amount of your base annual salary.
*A $12,000 term life insurance policy is carried on your spouse.
*A $5,000 term life insurance policy is carried on dependents (unmarried children 14 days to 19 years, or 25 if full-time student).
*You may purchase supplemental life insurance coverage on yourself- cost is age rated.
*Open enrollment is held every December (coverage effective January 1st) if you do not enroll during original enrollment period.

DISABILITY

*Provided by Berry Plastics on all full-time employees after 6 months of employment.
*Short-term disability - first 90 days of disability are paid at 70% of your base weekly income.
*Long-term disability - 91st day through length of disability or age 65 is paid at 70% of your base weekly income.

MEDICAL

*PPO network
*Administered by JF Molloy & Associates
*$15.00 co-pay for office visits to a PPO Provider - remaining expenses are subject to the calendar year deductible.
$30.00 co-pay for a visit to a specialist in the PPO network.
*$15.00 co-pay for generic prescriptions/ $25.00 co-pay for any name brand prescription/ $35.00 co-pay for non-formulary.
*80%/20%

a) $400 individual deductible or $1100 family deductible maximum
b) **$19.99** individual coverage (premiums are deducted weekly)
   $42.40 employee + 1
   $46.28 family coverage

*Open enrollment is held every other year in December (coverage effective January 1st). Next open enrollment is December 2006.

DENTAL

*Insured through Delta Dental
*100% coverage of most preventative services.
*50% coverage of most procedural services.
*Weekly premiums: **$2.79** single coverage
$5.80 employee + 1 coverage
$11.01 family coverage
*You must remain in the plan for one year after enrolling.
*Open enrollment is held every December (coverage effective January 1st) if you do not enroll during your original enrollment period.

VISION
*Insured through Vision Service Plan
*Coverage includes:

1) 1 eye exam every 12 months
2) 1 pair of lenses every 12 months
3) 1 pair of frames every 24 months

*$10.00 co-pay for each eye exam
*Additional $15.00 co-pay for prescribed materials
*Weekly premiums: **$1.80** single coverage
$2.66 employee + 1 coverage
$4.79 family coverage
*You must remain in the plan for one year after enrolling.
*Open enrollment is held every December (coverage effective January 1st) if you do not enroll during your original enrollment period.

401(k) RETIREMENT
*You are eligible to contribute to the plan the first quarter following 1 year of service.
*100% vesting is immediate.
*Company match: $200 for opening an account, first $300 is matched dollar for dollar, any contributions over $300 are matched at 10%. An additional $150 is matched when you have contributed $1000 to your account during the calendar year. In summary, for contributing $1000, Berry Plastics will match $720. All contributions over $1000 are still matched at 10%.
*Company match is allocated at the end of each calendar year.

VACATION
1 week after 6 months of service
1 additional week after 1 year of service
2 weeks after 2 years of service
3 weeks after 6 years of service
4 weeks after 15 years of service
4 weeks + 1 day after 20 years of service
4 weeks + 2 days after 25 years of service
5 weeks after 30 years of service

HOLIDAYS
*There are 10 paid holidays each year:

New Years Eve Day	New Years Day	Good Friday
Memorial Day	Independence Day	Labor Day
Thanksgiving Day	Day after Thanksgiving	Christmas Eve
Christmas Day		

BIRTHDAY HOLIDAY
*Effective January 2001, all full-time employees will be eligible to take their birthday off with pay.

EMPLOYEE ASSISTANCE PROGRAM
Services provided by ComPsych.

PROFIT SHARING BONUS
*A portion of operating profits is set aside for employee bonuses twice a year as follows:
October 1st - March 31st with bonuses paid in June, and April 1st - September 30th with bonuses paid in December.

4/6

Employee Benefits Plan
(Salaried Employees)

INSURANCE
Salaried employees are eligible for all employee benefits upon the date of hire, except the 401(k) Retirement Plan.

LIFE
*Basic life coverage is carried on each full time employee, your spouse, and dependents.
*A term life insurance policy is carried on you in the amount of your base annual salary.
*A $12,000 term life insurance policy is carried on your spouse.
*A $5,000 term life insurance policy is carried on dependents (unmarried children 14 days to 19 years, or 25 if full-time student).
*You may purchase supplemental life insurance coverage on yourself- cost is age rated.
*Open enrollment is held every December (coverage effective January 1st) if you do not enroll after 60 days of service.

DISABILITY
*Provided by Berry Plastics on all full-time employees after 6 months of employment.
*Short-term disability - first 90 days of disability are paid at 70% of your base weekly income.
*Long-term disability - 91st day through length of disability or age 65 are paid at 70% of your base weekly income.

MEDICAL
*PPO network- Administered by JF Molloy & Associates
*$15.00 co-pay for office visits to a PPO Provider - remaining expenses are subject to the calendar year deductible.
$30.00 co-pay for office visit to specialist in the PPO network.
*$15.00 co-pay generic prescriptions/ $25.00 co-pay name brand/ $35.00 co-pay for non-formulary.
*80%/20%

a) $400 individual deductible or $1100 family deductible maximum
b) **$43.31** individual coverage (premiums are deducted semi-monthly)
   $91.87 employee + 1
   $100.27 family coverage

*Open enrollment is held every other year in December (coverage effective January 1st). Next open enrollment is December 2006.

DENTAL
*Insured through Delta Dental
*100% coverage of most preventative services.
*50% coverage of most procedural services.
*Semi-monthly premiums: **$6.04** single coverage
$12.58 employee + 1 coverage
$23.86 family coverage
*You must remain in the plan for one year after enrolling.
*Open enrollment is held every December (coverage effective January 1st) if you do not enroll after 60 days of service.

VISION

*Insured through Vision Service Plan
*Coverage includes:

1) 1 eye exam every 12 months
2) 1 pair of lenses every 12 months
3) 1 pair of frames every 24 months

*$10.00 co-pay for each eye exam
*Additional $15.00 co-pay for prescribed materials
*Semi-monthly premiums: **$3.90** single coverage
$5.76 employee + 1 coverage
$10.38 family coverage
*You must remain in the plan for one year after enrolling.
*Open enrollment is held every December (coverage effective January 1st) if you do not enroll after 60 days of service.

401(k) RETIREMENT

*You are eligible to contribute to the plan the first quarter following 1 year of service.
*100% vesting is immediate.
*Company match: $200 for opening an account, first $300 are matched dollar for dollar, any contributions over $300 are matched at 10%. An additional $150 is matched when you have contributed $1000 to your account during the calendar year. In summary, for contributing $1000, Berry Plastics will match $720. All contributions over $1000 are still matched at 10%.
*Company match is allocated at the end of each calendar year.

VACATION

1 week after 6 months of service
1 additional week after 1 year of service (1 year of service = 2 weeks total vacation earned)
2 weeks after 2 years of service
3 weeks after 6 years of service
4 weeks after 15 years of service
4 weeks + 1 day after 20 years of service
4 weeks + 2 days after 25 years of service
5 weeks after 30 years of service

HOLIDAYS

*There are 10 paid holidays each year:

New Years Eve Day	New Years Day	Good Friday
Memorial Day	Independence Day	Labor Day
Thanksgiving Day	Day after Thanksgiving	Christmas Eve
Christmas Day		

BIRTHDAY HOLIDAY

*Effective January 2001, all full-time employees will be eligible to take their birthday off with pay.

EMPLOYEE ASSISTANCE PROGRAM

Utilize services from ComPsych.

PROFIT SHARING BONUS

*A portion of operating profits is set aside for employee bonuses twice a year as follows:
October 1st - March 31st with bonuses paid in June, and April 1st - September 30th with bonuses paid in December.

Exhibit 6

Type of Expense	Actual	Projected Total Phase 1	Projected Total Phase 2	Projected Total Phase 3	% Spent in Douglas Co.	
	$ Amount	$ Amount	$ Amount	$ Amount	Actual %	Projected Total %
Prof Services	932,972	941,000	948,000	963,000		
Busn Services	1,810,799	2,431,000	2,988,000	4,166,000	30%	18%
Leased Warehouse/equipment	1,721,496	3,341,000	4,799,000	7,877,000		
Transportation	4,404,643	7,455,000	10,505,000	16,605,000		
Office Supplies	44,412	44,000	44,000	44,000	5%	5%
Mat & goods	56,071,146	82,951,000	109,831,000	134,471,000		
Supplies	1,897,691	2,601,000	3,235,000	4,572,000	3%	2%
Other **	3,093,330	3,521,000	3,907,000	4,720,000	15%	10%
Water	101,824	152,000	202,000	302,000		
Sanitation	23,708	24,000	24,000	24,000		
Gas	52,433	55,000	57,000	62,000		
Electricity	1,911,917	2,990,000	3,960,000	6,008,000		
Telephone	87,159	88,000	89,000	91,000		
Insurance	159,592	200,000	240,000	320,000		
Other	0	0	0	0		
	72,313,124	106,794,000	140,829,000	180,225,000		

** Other includes Property taxes, scrap, obsolescence, selling expenses, Travel and entertainment, and employee relations