

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

BERRY PLASTICS CORP
Form 424B3
July 29, 2005

FILED PURSUANT TO RULE 424(B)(3)
File Number 333-115086

BERRY PLASTICS CORPORATION

SUPPLEMENT NO. 2 TO AMENDMENT NO. 2 TO
MARKET-MAKING PROSPECTUS DATED
APRIL 6, 2005
THE DATE OF THIS SUPPLEMENT IS JULY 29, 2005

ON JUNE 8, 2005, BERRY PLASTICS CORPORATION FILED THE ATTACHED FORM 8-K.
ON JULY 29, 2005, BERRY PLASTICS CORPORATION FILED THE ATTACHED FORM 8-K/A.
THIS SUPPLEMENT INCLUDES BPC HOLDING CORPORATION, BERRY PLASTICS
CORPORATION, AND ALL SUBSIDIARY GUARANTORS.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

JUNE 8, 2005 (JUNE 3, 2005)

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

033-75706
(Commission File Number)

BPC HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

35-1814673

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

BERRY PLASTICS CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE 35-1813706
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

101 OAKLEY STREET 47710
EVANSVILLE, INDIANA (Zip Code)
(Address of principal executive offices)

(812) 424-2904

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to
simultaneously satisfy the filing obligation of the registrant under any of the
following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17
CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17
CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d*2(b) under the
Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e*4(c) under the
Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

On June 3, 2005 (the "Second Amendment Effective Date"), the
registrants entered into a Second Amendment to the Second Amended and Restated
Credit and Guaranty Agreement, among Berry Plastics Corporation ("Berry") BPC
Holding Corporation, certain subsidiaries of Berry as Guarantors, the Lenders
party thereto, Goldman Sachs Credit Partners L.P. and JPMorgan Chase Bank,
N.A., as joint lead arrangers, joint book runners and co-syndication agents,
Deutsche Bank Trust Company Americas, as Administrative Agent, Collateral
Agent, an Issuing Bank and as Swing Line Lender, Bank of America, N.A. as
Issuing Bank and predecessor Swing Line Lender, The Royal Bank of Scotland and
General Electric Capital Corporation, as Co-Documentation Agents (the "Amended
Credit Facility"). The Amended Credit Facility provides for (1) \$795 million
aggregate principal amount of term loans and (2) up to \$150 million in
revolving loans, with a \$35 million sublimit for letters of credit and a \$10
million sublimit for swing line loans. The maturity date of the term loans is
December 2, 2011, and the maturity date of the revolving credit facility is
March 31, 2010.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Borrowings under the Amended Credit Facility bear interest, at the Company's option, at either (i) a base rate (equal to the greater of the prime rate or 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 loans, 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. In addition, the applicable margins with respect to the term loans can be further reduced by an additional .25% per annum subject to the Company meeting a leverage ratio target. 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. The "applicable margin" with respect to swing line loans and revolving loans that are Base Rate Loans will always be 1.00% per annum less than the "applicable margin" for revolving loans that are Eurodollar Rate Loans. The interest rate applicable to overdue payments and to outstanding amounts following an event of default under the Amended Credit Facility is equal to the interest rate at the time of an event of default plus 2.00%. We also must pay commitment fees ranging from 0.375% per annum to 0.50% per annum on the average daily unused portion of the revolving credit facility.

The Amended Credit Facility contains significant financial and operating covenants, including prohibitions on our ability to incur specified additional indebtedness or to pay dividends, and restrictions on our ability to make capital expenditures and investments and dispose of assets or consummate acquisitions. The Amended Credit Facility contains (1) a minimum interest coverage ratio as of the last day of any quarter of 2.10:1.00 per quarter for the quarters ending June 2005 through March 2006, 2.15:1.00 per quarter for the quarters ending June 2006 and September 2006, 2.20:1.00 per quarter for the quarters ending December 2006 through September 2007, 2.35:1.00 per quarter for the quarters ending December 2007 through September 2008, 2.45:1.00 per quarter for the quarters ending December 2008 through September 2009 and 2.50:1.00 per quarter thereafter, (2) a maximum amount of capital expenditures (subject to the rollover of certain unexpended amounts from the prior year and increases due to acquisitions) of \$85 million for the year ending 2005, \$110 million for

the year ending 2006, \$115 million for the year ending 2007 and \$120 million for each year thereafter, and (3) a maximum total leverage ratio (net of restricted cash not to exceed \$15 million) as of the last day of any quarter of 6.40:1.00 per quarter for the quarters ending June 2005 through June 2006, 6.00:1.00 per quarter for the quarter ending September 2006, 5.90:1.00 per quarter for the quarters ending December 2006 through September 2007, 5.50:1.00 per quarter for the quarters ending December 2007 through September 2008, 5.10:1.00 per quarter for the quarters ending December 2008 through September 2009 and 4.80:1.00 per quarter thereafter.

A copy of the Amended Credit Facility is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

ITEM 2.01. COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS.

On June 3, 2005, Berry completed its previously announced acquisition of Kerr Group, Inc. ("Kerr"), a Delaware corporation, pursuant to the Agreement and Plan of Merger, dated as of May 5, 2005, amended and restated in its entirety by the Amended and Restated Agreement and Plan of Merger (as amended, the "Merger Agreement"), dated as of May 31, 2005 by and among Berry, Berry Plastics Acquisition Corporation VI, a Delaware corporation, Kerr, the Sellers listed on the signature pages thereto and Fremont Acquisition Company, L.L.C., a Delaware limited liability company, as Sellers' Representative. Pursuant to the Merger Agreement, Berry Plastics Acquisition Corporation VI, a wholly-owned subsidiary of Berry, merged with and into Kerr, with Kerr surviving the merger.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Kerr is a privately held corporation.

The purchase price for the acquisition was \$445 million subject to certain adjustments provided in the Merger Agreement and was financed with borrowings under the Credit Agreement.

A copy of the Merger Agreement is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

ITEM 5.02. DEPARTURE OF DIRECTOR OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF PRINCIPAL OFFICERS.

On June 3, 2005, Berry announced the promotion and appointment of R. Brent Beeler, 52, to the position of Chief Operating Officer of Berry and BPC Holding Corporation ("Holding"), effective immediately. The material terms of Mr. Beeler's employment agreement with Berry, copies of which have been previously filed, are set forth in the annual report on Form 10-K filed by Berry on March 22, 2005. Mr. Beeler has served as President - Containers and Consumer Products of Berry since October 2003 and Executive Vice President of Holding since July 2002. He had been Executive Vice President and General Manager - Containers and Consumer Products of the Company since October 2002 and was Executive Vice President and General Manager - Containers since August 2000. Prior to that, Mr. Beeler was Executive Vice President, Sales and Marketing of the Company since February 1996 and Vice President, Sales and Marketing of the Company since December 1990. Mr. Beeler was employed by Berry's predecessor from October 1988 to December 1990 as Vice President, Sales and Marketing.

ITEM 8.01. OTHER EVENTS.

On June 3, 2005, Berry issued a press release announcing the closing of the transactions contemplated by the Merger Agreement, a copy of which is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

- (a) To the extent required by this item, financial statements will be filed as an exhibit to an amendment to this report on Form 8-K no later than 71 calendar days after the date this report is required to be filed.
- (b) To the extent required by this item, pro forma financial statements will be filed as an exhibit to an amendment to this report on Form 8-K no later than 71 calendar days after the date this report is required to be filed.
- (c) The exhibits listed below and in the accompanying Exhibit Index are furnished as part of this Current Report on Form 8-K.

Exhibit	Description
10.1*	Second Amendment to the Second Amended and Restated Credit and Guaranty Agreement, among B Holding Corporation, certain subsidiaries of Berry as Guarantors, the Lenders party theret L.P. and JPMorgan Chase Bank, N.A., as joint lead arrangers, joint book runners and co-syn Trust Company Americas, as Administrative Agent, Collateral Agent, an Issuing Bank and as America, N.A. as Issuing Bank and predecessor Swing Line Lender, The Royal Bank of Scotla Corporation, as Co-Documentation Agents.
10.2	Employment Agreement dated December 24, 1990, as amended, between the Company and R. Brent Exhibit 10.10 to the Form S-1 filed on February 24, 1994 and incorporated herein by refere
10.3	Amendment to Beeler Employment Agreement dated November 30, 1995 (filed as Exhibit 10.8 to filed on March 28, 1996 and incorporated herein by reference)

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

- 10.4 Amendment to Beeler Employment Agreement dated June 30, 1996 (filed as Exhibit 10.7 to the S-4 filed on July 17, 1996 and incorporated herein by reference)
- 10.5 Amendment to Beeler Employment Agreement dated as of June 30, 2001 (filed as Exhibit 10.19 Form-S-4 filed on August 16, 2002 and incorporated herein by reference)
- 99.1* Amended and Restated Agreement and Plan of Merger, dated as of May 31, 2005, by and among Plastics Acquisition Corporation VI, Kerr Group, Inc., the Sellers listed on the Signature Acquisition Company, L.L.C. as Sellers' Representative.
- 99.2* Press release dated June 3, 2005.

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

Dated: June 8, 2005.

BPC Holding Corporation
Berry Plastics Corporation

By: -----
James M. Kratochvil
Executive Vice President,
Chief Financial Officer,
Treasurer and Secretary of the
entities listed above

EXHIBIT INDEX

ExhibitDescription

- 10.1* Second Amendment to the Second Amended and Restated Credit and Guaranty Agreement, among B Holding Corporation, certain subsidiaries of Berry as Guarantors, the Lenders party theret L.P. and JPMorgan Chase Bank, N.A., as joint lead arrangers, joint book runners and co-syn Trust Company Americas, as Administrative Agent, Collateral Agent, an Issuing Bank and as

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

- America, N.A. as Issuing Bank and predecessor Swing Line Lender, The Royal Bank of Scotland Corporation, as Co-Documentation Agents.
- 10.2 Employment Agreement dated December 24, 1990, as amended, between the Company and R. Brent
 - Exhibit 10.10 to the Form S-1 filed on February 24, 1994 and incorporated herein by reference
 - 10.3 Amendment to Beeler Employment Agreement dated November 30, 1995 (filed as Exhibit 10.8 to
 - filed on March 28, 1996 and incorporated herein by reference)
 - 10.4 Amendment to Beeler Employment Agreement dated June 30, 1996 (filed as Exhibit 10.7 to the
 - S-4 filed on July 17, 1996 and incorporated herein by reference)
 - 10.5 Amendment to Beeler Employment Agreement dated as of June 30, 2001 (filed as Exhibit 10.19
 - Form-S-4 filed on August 16, 2002 and incorporated herein by reference)
 - 99.1* Amended and Restated Agreement and Plan of Merger, dated as of May 31, 2005, by and among
 - Plastics Acquisition Corporation VI, Kerr Group, Inc., the Sellers listed on the Signature
 - Acquisition Company, L.L.C. as Sellers' Representative.
 - 99.2* Press release dated June 3, 2005.

* Filed herewith.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT: (DATE OF EARLIEST EVENT REPORTED:) JULY 29, 2005 (JUNE 3, 2005)

BPC HOLDING CORPORATION
(Exact Name of Registrant as Specified in its Charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation)

35-1814673
(I.R.S. Employer
Identification Number)

BERRY PLASTICS COPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other
Jurisdiction of
Incorporation)

33-75706
(Commission File Number)

35-1813706
(I.R.S. Employer
Identification Number)

101 Oakley Street, Evansville, Indiana
(Address of Principal Executive Offices)

47710
(Zip Code)

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Registrant's Telephone Number, Including Area Code: (812) 424-2904

None

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

AMENDMENT NO. 1

The undersigned registrants hereby amend the following items, financial statements, exhibits or other portions of their Current Report on Form 8-K, dated June 8, 2005, as set forth in the pages attached hereto:

ITEM 9.01 (A) FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED

Audited Consolidated Financial Statements of Kerr Group, Inc. for the years ended December 31, 2004 and 2003

Audited Consolidated Financial Statements of Kerr Group, Inc. for the years ended December 31, 2003 and 2002

Unaudited Consolidated Financial Statements of Kerr Group, Inc. as of March 31, 2005 and for quarter ended March 31, 2005

ITEM 9.01 (B) PRO FORMA FINANCIAL INFORMATION

Pro Forma Unaudited Condensed Consolidated Financial Statements of BPC Holding Corporation:

Pro Forma Unaudited Condensed Consolidated Balance Sheets as of April 2, 2005

Pro Forma Unaudited Condensed Consolidated Statement of Operations for the fiscal year ended January 1, 2005

Pro Forma Unaudited Condensed Consolidated Statement of Operations for the thirteen weeks ended April 2, 2005

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired

KERR GROUP, INC.

Consolidated Financial Statements

December 31, 2004

Independent Auditors' Report

To the Stockholders and Board of Directors of Kerr Group, Inc.:

We have audited the accompanying consolidated balance sheets of Kerr Group, Inc. and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of operations, cash flows and stockholders' equity and comprehensive income for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kerr Group, Inc. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ KMPG LLP

April 15, 2005
Harrisburg, Pennsylvania

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

BALANCE SHEETS

December 31,	2004	2003
	(in thousands except share data)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,403	\$ 5,517
Accounts receivable, less allowance for doubtful accounts of \$1,733 in 2004 and \$1,591 in 2003	40,172	34,318
Inventories	38,605	30,244
Prepaid expenses and other current assets	1,851	1,496
Deferred income taxes	5,208	4,647
Total current assets	92,239	76,222
Property, plant and equipment, at cost		
Land	408	10,056
Buildings and improvements	8,364	26,467
Machinery and equipment	201,845	175,063
Furniture and office equipment	6,700	5,111
	217,317	216,697
Accumulated depreciation	(97,542)	(72,686)
Net property, plant and equipment	119,775	144,011
Deferred income taxes	8,375	18,571
Goodwill	105,407	110,292
Other intangibles	1,327	1,580
Other assets	7,408	7,591
	\$334,531	\$358,267

See accompanying notes to consolidated financial statements.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

BALANCE SHEETS

December 31,

LIABILITIES AND STOCKHOLDERS' EQUITY

(in thousands)

Current liabilities

Current portion of long-term debt

Accounts payable

Other current liabilities

Total current liabilities

Long-term debt

Retirement obligations

Other long-term liabilities

Total liabilities

Stockholders' equity

Convertible preferred stock, \$.01 par value per share, 40,000 shares authorized,
34,000 shares issued at December 31, 2004 and 2003

Common stock, \$.01 par value per share, 50,000 shares authorized,
6,307.821 and 6,290.821 shares issued at December 31, 2004 and 2003,
respectively

Additional paid-in capital

Retained earnings

Accumulated other comprehensive loss

Treasury stock, 14.609 shares of common stock at December 31, 2004
and 2003, at cost

Total stockholders' equity

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

See accompanying notes to consolidated financial statements.

STATEMENTS OF OPERATIONS

	Year Ended December 31,	Year Ended December 31, 2004
	(in thousands)	
Net sales	\$381,882	\$227,132
Cost of sales	291,848	166,589
Inventory step-up	-	1,153
Gross profit	90,034	59,390
Selling, general and administrative expenses	57,465	40,792
Restructuring costs and other charges	2,117	2,448
Operating income	30,452	16,150
Interest expense, net	11,672	7,672
Gain on sale of real estate	(1,209)	(781)
Income before income taxes	19,989	9,259
Provision (benefit) for income taxes	7,067	(21,448)
Net income before preferred stock dividends	12,922	30,707
Preferred stock dividends	3,501	1,316
Net income attributable to common stockholders	\$ 9,421	\$ 29,391

See accompanying notes to consolidated financial statements.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 200
	(in t
CASH FLOW PROVIDED BY OPERATIONS	
Net income before preferred stock dividends	\$ 12,922
Adjustments to reconcile net income to net cash provided by operations	
Depreciation and amortization	27,094
Change in deferred income taxes	6,015
Gain on sale of fixed assets	(1,209)
Other, net	104
Changes in other operating working capital - excluding effect of acquisitions	
Receivables	(5,808)
Inventories	(7,895)
Other current assets	(355)
Accounts payable	9,345
Other current liabilities	3,758
Net restructuring/acquisition related spending in excess of expense	(1,783)
Inventory step-up	-
Benefit plan funding in excess of expense	(1,756)
Total cash flow provided by operations	40,432
CASH FLOW PROVIDED BY (USED BY) INVESTING ACTIVITIES	
Capital expenditures	(31,905)
Proceeds from sale of fixed assets	38,999
Business acquisition	-
Cash flow provided by (used by) investing activities	7,094
CASH FLOW PROVIDED BY (USED BY) FINANCING ACTIVITIES	
Net repayment of long-term debt	(28,333)
Net repayment under secured revolving credit facility	-
Net repayment under Tranche C Facility	-
Payments associated with financing	(129)
Debt proceeds	-
Proceeds from issuance of preferred stock	-
Cash proceeds from termination of hedges	426
Issuance of common stock	291
Dividends paid	(18,895)
Cash flow (used by) provided by financing activities	(46,640)
CASH AND CASH EQUIVALENTS	
Increase during the period	886
Balance at beginning of the period	5,517
Balance at end of the period	\$ 6,403

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

See accompanying notes to consolidated financial statements.

STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Number of Shares of Company Preferred Stock Issued	Preferred Stock	Number of Shares of Company Common Stock Issued	Company Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock
(in thousands except share data)							
Balance, December 31, 2002 (restated)	-	\$ -	6,290.821	\$ 1	\$63,042	\$(28,003)	\$ -
Issuance of preferred stock	34,000	1	-	-	33,999	-	-
Preferred stock dividends	-	-	-	-	1,316	(1,316)	-
Net income before preferred stock dividends	-	-	-	-	-	30,707	-
Minimum pension liability adjustment net of tax benefit of \$422	-	-	-	-	-	-	-
Fair market value adjustment - hedging programs net of tax benefit of \$227	-	-	-	-	-	-	-
Balance, December 31, 2003	34,000	\$ 1	6,290.821	\$ 1	\$98,357	\$ 1,388	\$ -
Issuance of common stock	-	-	17.000	-	291	-	-
Dividends paid	-	-	-	-	(13,029)	(5,866)	-
Preferred stock dividends	-	-	-	-	3,501	(3,501)	-
Net income before preferred stock dividends	-	-	-	-	-	12,922	-
Minimum pension liability adjustment net of tax expense of \$26	-	-	-	-	-	-	-
Fair market value adjustment - hedging programs net of tax expense of \$490	-	-	-	-	-	-	-
Balance, December 31, 2004	34,000	\$ 1	6,307.821	\$ 1	\$89,120	\$ 4,943	\$ -

	Year Ended December 31	
	2004	2003
Comprehensive income		
Net income before preferred stock dividends	\$ 12,922	\$ 30,707
Minimum pension liability adjustment, net of tax benefit	41	(70)
Fair market value adjustment - hedging programs, net of tax benefit	813	(37)

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Total comprehensive income

\$ 13,776

\$ 29,63

=====

=====

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL DESCRIPTION OF BUSINESS

The Company is a subsidiary of Fremont Partners, L.P.

The Company's operations consist of the manufacture and sale of a variety of plastic packaging products including child-resistant closures, tamper-evident closures, prescription packaging products and other plastic closures and containers.

BASIS OF PRESENTATION

The consolidated financial statements represent the accounts of the Company and its wholly owned subsidiaries. All significant inter-company transactions and balances have been eliminated.

The preparation of consolidated 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 as of December 31, 2004 and 2003, and the reported amounts of income and expenses. Actual results could differ from those estimates.

ACQUISITIONS

On August 26, 1997, Fremont Acquisition Company, LLC completed a cash tender offer for all the shares of Kerr Group, Inc. pursuant to the Agreement and Plan of Merger dated July 1, 1997 ("Kerr Acquisition").

On August 13, 2003, the Company completed its acquisition of substantially all of the net assets of Setco, Inc., Tubed Products, Inc. and O. G. Dehydrated, Inc. (all wholly owned subsidiaries of McCormick, Inc.), collectively known as the "2003 Acquisition", for \$133,908,000 including \$3,522,000 of deal related costs. The 2003 Acquisition was consummated as part of the Company's overall strategy to grow its business within the packaging industry. Setco and Tubed Products brought strong presences in the bottle and tube markets to strengthen Kerr's overall position within the packaging industry.

The 2003 Acquisition was funded by the proceeds from issuance of preferred stock of \$34,000,000 (See Note 9) and proceeds associated with the refinancing of the Company's credit facilities. The purchase price was allocated to the specifically identifiable net assets acquired as follows: \$37,513,000 to current assets; \$86,837,000 to property, plant and equipment; \$1,374,000 to other intangibles; \$13,913,000 to current liabilities; \$1,433,000 to deferred income tax liabilities and \$23,530,000 to goodwill. The goodwill was allocated \$6,488,000 to Setco (Containers Division) and \$17,042,000 to Tubed Products

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

(Tubes Division). The goodwill deductible for tax purposes related to the 2003 Acquisition was \$26,007,000. The results of operations of the 2003 Acquisition are included in the consolidated financial results from the date of acquisition.

The changes in the carrying amount of goodwill related to the 2003 Acquisition for the year ended December 31, 2004 are as follows:

Balance as of December 31, 2003		\$28,415,000
Adjustments to reserves		(1,515,000)
Adjustments to real estate values		(5,973,000)
Adjustment to deferred income taxes related to above changes		2,603,000

Balance as of December 31, 2004		\$23,530,000
=====		

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The adjusted reserves include overage inventory, accrued transaction related costs and accrued acquisition reserves. These changes were the result of the determination that the reserves were no longer needed. The real estate values were adjusted as a result of the sale/leaseback transaction (See Note 5).

CASH AND CASH EQUIVALENTS

Cash equivalents consist only of investments that have an original maturity of three months or less when purchased, are readily convertible to known amounts of cash and have insignificant risk of changes in value because of changes in interest rates.

INVENTORIES

Inventories are valued at the lower of cost or market, determined by the use of the first-in, first-out method.

At December 31, 2004 and 2003, inventory consisted of the following:

	2004	2003		

(in thousands)				
Raw materials and work in process	\$20,793	\$14,809		
Finished goods	17,812	15,435		
			-----	-----
Total inventories	\$38,605	\$30,244		
			=====	=====

OTHER ASSETS

Other current assets primarily consist of prepaid insurances, rent payments made in advance and other miscellaneous payments made in advance of incurring

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

the expense.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets. The estimated useful lives generally used in computing depreciation expense are as follows:

Buildings and improvements	5 to 30 years
Machinery and equipment	3 to 15 years
Furniture and office equipment	5 to 10 years

When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed and any resulting gain or loss is reflected in operating results.

The policy of the Company is to charge amounts expended for maintenance and repairs to expense and to capitalize expenditures for major replacements and betterments.

IMPAIRMENT OF LONG LIVED ASSETS

In accordance with Statement of Financial Accounting Standards No. 144, long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 Business Combinations ("SFAS No. 141") and No. 142 Goodwill and Other Intangible Assets ("SFAS No. 142"). SFAS No. 141 requires that the purchase method of accounting be used for all business combinations and eliminates the use of pooling of interests for transactions initiated subsequent to June 30, 2001. SFAS No. 142 eliminated the amortization to expense of goodwill recorded as a result of such combinations, but requires goodwill to be evaluated for impairment at least annually. Write-downs of the balance, if necessary, are to be charged to operating results in the period in which the impairment is determined. Goodwill existing prior to the issuance of the statement was required to be amortized through December 31, 2001.

Goodwill is tested annually for impairment, and is tested for impairment more frequently if events and circumstances indicate that the asset might be

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. This determination is made at the reporting unit level and consists of two steps. First, the Company determines the fair value of a reporting unit and compares it to its carrying amount. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

The Company evaluated its recorded goodwill under SFAS No. 142 as of December 31, 2004 and as of December 31, 2003 and concluded that there was no impairment at those dates.

Accumulated amortization for goodwill was \$11,978,000 as of December 31, 2004 and 2003.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other intangible assets relate primarily to an intangible related to a long-term contract acquired in the 2003 Acquisition ("the Customer Intangible") and patent costs.

As of December 31, 2004				
	Gross Carrying Amount	Weighted Average Amortization Period	Accumulated Amortization	Net Book Value
Amortizing intangible assets				
Customer Intangible	\$1,374	7 years	\$ (270)	\$1,104
Patents	611	17 years	(388)	223
	\$1,985		\$ (658)	\$1,327

As of December 31, 2003				
	Gross Carrying Amount	Weighted Average Amortization Period	Accumulated Amortization	Net Book Value
Amortizing intangible assets				

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Customer Intangible	\$1,374	7 years	\$ (74)	\$1,300
Patents	611	17 years	(331)	282
		-----		-----
Total	\$1,985		\$ (405)	\$1,580
	=====		=====	=====

Aggregate amortization expense for amortizing intangible assets was \$253,000 and \$135,000 for the years ended December 31, 2004 and 2003, respectively. Estimated amortization expense for the next five years is: \$225,000 in 2005, \$225,000 in 2006, \$225,000 in 2007, \$225,000 in 2008, and \$425,000 in 2009 and thereafter.

ACCOUNTING FOR DERIVATIVE AND HEDGING ACTIVITY

The Company accounts for derivatives and hedging activities in accordance with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Certain Hedging Activities, as amended, which requires that all derivative instruments be recorded on the balance sheet at their respective fair values.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On the date a derivative contract is entered into, the Company designates the derivative as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), a foreign-currency fair-value or cash-flow hedge (foreign currency hedge), or a hedge of a net investment in a foreign operation. For the years ended December 31, 2004 and 2003, the Company has entered into cash flow hedges. For all hedging relationships the Company formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. This process includes linking all derivatives that are designated as cash-flow hedges to specific forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of the change in fair value of a derivative instrument that qualifies as either a fair-value hedge or a cash-flow hedge is reported in earnings.

The Company discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, the derivative is dedesignated as a hedging instrument, because it is unlikely that a forecasted transaction will occur, a hedged firm commitment no longer meets the definition of a firm commitment or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

In all situations in which hedge accounting is discontinued, the Company continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent changes in its fair value in earnings. When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair-value hedge, the Company no longer adjusts the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the Company removes any asset or liability that was recorded pursuant to recognition of the firm commitment from the balance sheet, and recognizes any gain or loss in earnings. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the Company recognizes immediately in earnings gains and losses that were accumulated in other comprehensive income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ENVIRONMENTAL RESERVES

Environmental liabilities recognized represent the Company's best estimate of remediation expenditures, including legal, consulting and other professional fees, that are probable and that can be reasonably estimated. Environmental costs are expensed unless they increase the value of the related asset and/or prevent or mitigate future contamination (see Note 8).

REVENUE RECOGNITION

The Company recognizes revenue at the time the product is shipped and the customer takes ownership and assumes the risk of loss. The Company does not have a significant concentration of credit risk with any individual customer.

RESEARCH AND DEVELOPMENT

Research and development expenses included in selling, general and administrative expenses were \$2,154,000 and \$1,593,000 for the years ended December 31, 2004 and 2003, respectively.

PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The Company has two defined benefit pension plans (the "Retirement Plans"), which cover substantially all former employees and former union employees at the Company's former Lancaster facility. The Retirement Plans generally provide benefits based on years of service and average final pay.

The Company also sponsors a defined benefit healthcare plan for certain retired employees and their spouses and employees hired prior to September 1, 1992. The Company measures the costs of its obligation based on its best estimate. The net periodic costs are recognized as employees render the services necessary to earn the postretirement benefits.

Statement of Financial Accounting Standards No. 87 requires that a company record an additional minimum pension liability to the extent that a company's accumulated pension benefit obligation exceeds the fair value of pension plan assets and accrued pension liabilities. This additional minimum pension

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

liability is offset by an intangible asset, not to exceed prior service costs of the pension plan. Amounts in excess of prior service costs are reflected as a reduction in stockholders' equity and the change is reflected as a reduction in Other Comprehensive Income, net of any tax benefits.

The Company accounts for postretirement benefits in accordance with Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash, accounts receivable, accounts payable, other current assets and other current liabilities approximate their carrying amount given the short-term maturity of those instruments.

The fair values of the Company's debt and derivative instruments are disclosed in Note 7.

STOCK OPTIONS

Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS No. 123"), requires the Company to choose between two different methods of accounting for stock options. The statement defines a fair-value-based method of accounting for stock options but allows an entity to continue to measure compensation cost for stock options using the accounting prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB No. 25").

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In December 2002, the Financial Accounting Standards Board (APB) issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS No. 148"). SFAS No. 148 clarifies the accounting for options issued in prior periods when a company elects to transition from APB 25 accounting to SFAS No. 123 accounting. It also requires additional disclosures with respect to accounting for stock-based compensation. The Corporation has elected to continue application of APB 25 in accounting for its stock-based compensation plans using the intrinsic-value method of expense recognition and, accordingly, the transition accounting provided by SFAS No. 148 had no impact on the Company's financial statements. All required disclosures have been provided in Note 10.

INCOME TAXES

Under the asset and liability method of SFAS No. 109, Accounting for Income Taxes ("SFAS No. 109"), deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

COMMITMENTS AND CONTINGENCIES

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Liabilities for loss contingencies, including environmental remediation costs not within the scope of Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations, arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Recoveries of environmental remediation costs from third parties, which are probable of realization, are separately recorded as assets, and are not offset against the related environmental liability, in accordance with FASB Interpretation No. 39, Offsetting of Amounts Related to Certain Contracts.

The Company accrues for losses associated with environmental remediation obligations not within the scope of Statement No. 143 when such losses are probable and reasonably estimable. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

The Company uses a significant amount of resin in its manufacturing process. From time to time, the Company has experienced substantial increases in the cost of resin. To the extent that the Company is unable to pass on resin cost increases, the cost increases could have a significant impact on the results of operations of the Company.

FREIGHT OUT

Freight out expenses included in selling, general and administrative expenses were \$12,348,000 and \$8,597,000 for the years ended December 31, 2004 and 2003, respectively.

STOCK SPLIT

All share and per share data has been restated to reflect the 1000 for 1 common stock split on October 17, 2003.

DIVIDEND

In conjunction with the sale leaseback described in Note 5, the Company declared a dividend of \$2,280.67 per share for shareholders of record dated August 11, 2004. This dividend amounted to \$14,353,000 for common shareholders and \$4,542,000 for preferred shareholders.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment ("SFAS No. 123"), which addresses the accounting for transactions in which an entity exchanges its equity instruments for goods or services, with a primary focus on transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123 is a revision to Statement 123 and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

guidance. For nonpublic companies, SFAS No. 123 will require measurement of the cost of employee services received in exchange for stock compensation based on the grant-date fair value of the employee stock options. Incremental compensation costs arising from subsequent modifications of awards after the grant date must be recognized. This Statement will be effective for the Company as of January 1, 2006.

In December 2004, the FASB issued Statement of Financial Accounting Standards No.151, Inventory Costs ("SFAS 151"), which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Under SFAS 151, such items will be recognized as current-period charges. In addition, SFAS 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This Statement will be effective for the Company for inventory costs incurred on or after January 1, 2006.

In March 2005, the FASB issued Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations ("FIN 47"). This Interpretation clarifies that the term conditional asset retirement obligation as used in Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. This Interpretation is effective no later than the end of fiscal years ending after December 15, 2005 (December 31, 2005, for the Company) and the Company is currently assessing the effect of this interpretation.

NOTE 2 - BUSINESS SEGMENTS

The Company's disclosures are based on the business segments used by management to make operating decisions and measure performance. The accounting policies of the business segments are consistent with those described in Note 1. The Company's business segments are as follows:

CLOSURES DIVISION

The Company's closures division produces custom and stock closures for pharmaceutical markets and selected segments of food and beverage markets. The division's product line includes two-piece child-resistant, tamper-evident and standard closures.

CONTAINERS DIVISION

The Company's container division produces custom and stock bottles for selected segments of food and beverage markets, the personal care industry as well as bottles and vials for the pharmaceutical market, drug wholesalers, and drug retailers.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

TUBES DIVISION

The Company's tubes division produces custom and stock tubes for various end use markets such as selected segments of the cosmetic, food, pharmaceutical and household chemical markets.

Intercompany transactions and charges are eliminated in consolidation.

NOTE 2 - BUSINESS SEGMENTS (CONTINUED)

Summary business segment information is included in the following chart:

	Year Ended December 31,	Year Ended December 31,	2003
	2004	2004	2003

	(in thousands)		
Net sales			
Closures	\$ 100,868	\$ 96,912	
Containers	166,111	89,575	
Tubes	114,903	40,645	
	\$ 381,882	\$ 227,132	-----

Operating income (loss) (a)			
Closures	\$ 12,126	\$ 13,577	
Containers	15,083	5,171	
Tubes	9,418	2,100	
Corporate	(6,175)	(4,698)	
	\$ 30,452	\$ 16,150	-----

Assets			
Closures	\$ 115,894	\$ 110,714	
Containers	104,438	106,413	
Tubes	77,845	83,761	
Corporate (b)	36,354	57,379	
	\$ 334,531	\$ 358,267	-----

Depreciation and amortization			
Closures	\$ 9,841	\$ 9,997	
Containers	10,333	6,723	
Tubes	5,577	2,207	
Corporate	1,343	971	
	\$ 27,094	\$ 19,898	-----

Capital expenditures			

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Closures	\$ 8,140	\$ 11,709
Containers	10,731	5,123
Tubes	10,621	1,631
Corporate	2,413	1,228
	\$ 31,905	\$ 19,691

- (a) The Company does not allocate corporate expenses to the business segments other than research and development expenses.
- (b) Corporate assets consist primarily of goodwill of \$41,134 related to the Kerr Acquisition and deferred income taxes of \$13,583 and \$23,218 for 2004 and 2003, respectively.

NOTE 3 - INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	Year Ended	Year Ended
		December 31, 2003
		(in thousands)
Current		
U.S. Federal	\$ 237	
State	314	
Total current	\$ 551	
Deferred		
U.S. Federal	\$ 6,347	
State	169	
Total deferred	\$ 6,516	
Total provision (benefit) for income taxes	\$ 7,067	

Total provision (benefit) for income taxes from continuing operations differed from the amounts computed by applying the U.S. Federal income tax rate of 34% to earnings (loss) before income taxes as a result of the following:

Year Ended

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

	(in thousand)
Computed "expected" tax provision	\$ 6,798
Increase (reduction) in provision resulting from:	
State income tax provision, net of Federal tax effect	623
Increase (decrease) in valuation allowance	(49)
Adjustment to required tax reserves	(550)
Other	245
Actual tax (benefit) provision	\$ 7,067 =====

Subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets as of December 31, 2004, will be reported in the statement of operations.

NOTE 3 - INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities at December 31, 2004 and 2003 are as follows:

December 31,	2004
	(in thousand)
Deferred income tax assets:	
Net operating loss carryforwards	\$16,282
Minimum pension liability	4,683
Environmental liability	115
Tax credit carryforwards	1,616
Accrued retiree benefits	2,944
Deferred gain on sale of real estate	1,204
Straight line lease expense	309
Workers compensation	219
Fair market value liability - hedging programs	-
Allowance for doubtful accounts	652
Inventories	1,010
Accrued vacation pay	1,566
Restructuring and severance reserves	174
Accrued self-insurance	889
Acquisition related reserves	80
Other	609
Total gross deferred income tax assets	32,352
Less valuation reserve for deferred income tax assets	(3,003)
Deferred income tax assets, net of valuation reserve	29,349
Deferred income tax liabilities:	

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Property, plant and equipment, principally due to differences in depreciation	(11,518)
Accrued pension liability	(2,779)
Goodwill	(1,205)
Fair market value asset - hedging programs	(264)
Other	-
 Total gross deferred income tax liabilities	 (15,766)
Net deferred income tax assets	\$13,583

NOTE 3 - INCOME TAXES (CONTINUED)

As of December 31, 2004, the Company has net operating losses for Federal income tax purposes of \$39,703,000, which are available to offset future Federal taxable income. The net operating losses generated prior to August 26, 1997, amounting to \$10,203,000, are subject to limitation under Section 382 of the Internal Revenue Code. The remaining net operating losses were generated subsequent to August 26, 1997 and are not subject to limitations. The net operating loss carryforwards will expire as follows: \$9,000,000 in 2011; \$1,203,000 in 2012; \$13,462,000 in 2018; \$10,437,000 in 2020; \$5,559,000 in 2021; \$26,000 in 2022, and \$16,000 in 2023.

The Company has net operating losses for state income tax purposes. As of December 31, 2004, the Company has recorded \$2,783,000 of state income taxes net of federal tax benefit.

The Company also has an alternative minimum tax credit carryforward of \$1,616,000 with no expiration date.

The Company paid net cash payments related to income taxes of \$1,823,000 and \$0 during the years ended December 31, 2004 and 2003, respectively.

The Company has recorded a valuation allowance of \$3,003,000 and \$3,052,000 as of December 31, 2004 and 2003, respectively. Although there is no assurance that the remaining deferred tax asset will be realized, as of December 31, 2004, the Company believes that it is more likely than not that the net deferred tax asset will be realized. The Company's assessment is based on current budgets, forecasts and the historical financial performance.

NOTE 4 - OTHER LONG TERM ASSETS

At December 31, 2004 and 2003, other assets consisted of the following:

-----	2004	2003

	(in thousands)	

Deferred financing costs, net of accumulated amortization of \$1,434

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

in 2004 and \$465 in 2003	\$5,509	\$6,545
Repair parts	1,153	1,001
Fair market value - hedges	701	-
Certificates of deposit	45	45
	\$7,408	\$7,591

Deferred financing costs are amortized over the term of the related financing with approximately six years of amortization remaining. Amortization expense related to deferred financing costs totaled \$989,000 and \$860,000 for the years ended December 31, 2004 and 2003, respectively. Future amortization expense is expected to be as follows:

2005	\$ 989,000
2006	989,000
2007	989,000
2008	989,000
2009 and thereafter	1,553,000

NOTE 5 - OTHER CURRENT LIABILITIES

At December 31, 2004 and 2003 other current liabilities consisted of the following:

	2004	2003
(in thousands)		
Accrued wages, bonus and vacation pay	\$8,296	\$3,882
Accrued self-insurance	2,945	2,657
Deferred gain on sale of real estate	313	218
Accrued restructuring expenses	717	1,550
Accrued acquisition costs	212	1,258
Accrued environmental	200	200
Accrued and withheld taxes	128	116
Accrued interest	25	206
Other accrued expenses	4,009	6,147
Total other current liabilities	16,845	\$16,234

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Restructuring costs and other charges:

Year ended December 31,	2004	2003
Severance and employee benefits	\$1,116	\$ 371
Dividend expenses (See Note 1)	424	-
Ongoing expenses related to idle facility	375	440
Preferred shareholder settlement	132	-
Merger and acquisition activities	70	910
Loss on debt refinancing	-	181
Expenses related to 2003 acquisition	-	546
Total restructuring and other charges	\$2,117	\$2,448
Total restructuring related payments	\$2,831	\$2,744

During 2002, the Company sold its Sarasota, Florida warehouse for \$2,068,000 and recognized a gain of \$493,000, which is deferred and amortized over the lease term, \$123,000 is included in other current liabilities as of December 31, 2004 and 2003 and \$113,000 and \$236,000 included in other long-term liabilities as of December 31, 2004 and 2003, respectively.

During 2003, the Company sold its purchase option for its Bowling Green, Kentucky and Jackson, Tennessee facilities for \$5,900,000. The buyer exercised the purchase option and the Company entered into an eighteen year lease on these properties. The sale of these options yielded a gain of \$1,710,000, which is deferred and amortized over the lease term, \$95,000 is included in other current liabilities as of December 31, 2004 and 2003 and \$1,484,000 and \$1,580,000 is included in other long-term liabilities as of December 31, 2004 and 2003, respectively.

During 2004, the Company sold its Anaheim and Oxnard, California and Easthampton, Massachusetts facilities for \$37,790,000. The buyer and the Company entered into a fifteen year lease on these properties. The sale of these properties yielded a gain of \$1,596,000, which was deferred and will be amortized over the lease term, and \$95,000 is included in other current liabilities and \$1,291,000 is included in other long-term liabilities.

NOTE 6 - RETIREMENT BENEFITS

PENSIONS

The Company has two defined benefit pension plans, which cover substantially all former employees and former union employees at the Company's former Lancaster facility. The Retirement Plans generally provide benefits based on

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

years of service and average final pay.

In March 1999, the Company modified its agreement with the Pension Benefit Guaranty Corporation (the "PBGC"). Under this agreement, the Company agreed to maintain certain funding levels in its pension plans. The Company is in compliance with the PBGC agreement as of December 31, 2004.

The Company has a pension restoration plan which is an unfunded plan providing benefits to participants not payable by the Retirement Plan because of the limitations on benefits imposed by the Internal Revenue Code of 1986, as amended. The aggregate annual accrued benefit for each participant under the combination of the Retirement Plans and the Pension Restoration Plan when expressed as a single-life annuity is limited to \$200,000.

The Company uses December 31 measurement date for the Retirement Plans.

The following table sets forth a reconciliation of the changes in the Company sponsored defined benefit pension plans:

Year ended December 31,	2004	2003
	(in thousands)	
CHANGE IN BENEFIT OBLIGATIONS:		
Benefit obligation at beginning of year	\$ 35,381	\$ 34,762
Interest cost	2,107	2,254
Actuarial losses	1,013	1,750
Benefit payments	(3,366)	(3,385)
Benefit obligation at end of year	35,135	35,381
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year	29,108	26,218
Actual return on plan assets	2,807	2,674
Employer contribution	1,216	3,601
Benefit payments	(3,366)	(3,385)
Fair value of plan assets at end of year	29,765	29,108
Funded Status	(5,370)	(6,273)
Unrecognized net actuarial loss	12,453	12,521
Net amount recognized	\$ 7,083	\$ 6,248
Amounts recognized in the statement of financial position consist of:		
Accrued benefit liability	\$ (7,083)	\$ (6,270)
Adjustment to recognize minimum pension liability	12,453	12,518
Net amount recognized	\$ 5,370	\$ 6,248

NOTE 6 - RETIREMENT BENEFITS (CONTINUED)

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Weighted average assumptions used in computing the funded status of the plans were as follows:

	December 31, 2004	Decemb 2003
Discount rate	5.90%	6
Rate of increase in compensation levels	5.00%	5
Expected long-term rate of return on assets	8.75%	8

Net pension (income) expense includes the following components:

	Year Ended	Year Ended December 31, 2004
	(in thousands)	
Interest cost on projected benefit obligation	\$2,107	\$2,254
Expected return on assets	(2,567)	(2,609)
Net amortization and deferral	844	531
Net pension expense	\$ 384	\$ 176

The majority of all pension plan assets are held by a master trust created for the collective investment of the plans' funds, as well as annuity contracts. At December 31, 2004, assets held by the master trust consisted of cash, money market funds and high yield bonds.

The Company's investment policy seeks to provide for growth of capital with a moderate level of volatility by investing assets in accordance with approximately 50% bonds and 50% securities. Our investment performance and policies are reviewed by selected senior management and the majority owner. Our expected long term rate of investment return is based on the expected returns of each of the asset categories, weighted based on the median of the target allocation for each category. Equity securities are expected to return 4% to 7% over the long-term, while fixed income and other is expected to return 10% to 11%. Based on historical experience, we expect our plan assets to provide a modest additional return, when compared to their respective benchmarks.

The Company expects to contribute approximately \$250,000 to the Retirement Plans in 2005. The following benefit payments are expected to be paid by the Retirement Plans:

2005	\$ 3,222,000
------	--------------

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

2006	3,157,000
2007	3,063,000
2008	2,978,000
2009	2,909,000
2010 through 2014	13,634,000

NOTE 6 - RETIREMENT BENEFITS (CONTINUED)

RETIREE HEALTHCARE AND LIFE INSURANCE

The Company provides certain healthcare and life insurance benefits for certain retired employees and their spouses (the "Retiree Healthcare and Life Insurance Plans"). The costs of such benefits are shared by retirees through one or more of the following: a) deductibles, b) co-payments and c) retiree contributions. Employees hired prior to September 1, 1992 may become eligible for those benefits if they reach retirement age while working for the Company. The Company does not provide retiree healthcare and life insurance benefits for salaried employees hired after September 1, 1992. Healthcare and life insurance benefits provided by the Company are not funded in advance, but rather are paid by the Company as the costs are actually incurred by the retirees. The Company uses December 31 measurement date for Retiree Healthcare and Life Insurance Plans.

The following table sets forth a reconciliation of the changes in the Company sponsored retiree healthcare and life insurance plans.

Year ended December 31,	2004	2003
	(in thousands)	
CHANGE IN BENEFIT OBLIGATIONS:		
Accumulated postretirement benefit obligation at beginning of year	\$ 9,589	\$ 7,588
Service cost	14	20
Interest cost	559	1,216
Actuarial (gains)/losses	445	2,099
Benefit payments	(1,392)	(1,334)
Accumulated postretirement benefit obligation at end of year	9,215	9,589
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year	-	-
Employer contribution	1,499	1,334
Benefit payments	(1,499)	(1,334)
Fair value of plan assets at end of year	-	-
Funded Status	(9,215)	(9,589)
Unrecognized net actuarial gain	1,387	943

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Net amount recognized \$ (7,828) \$ (8,646)

NOTE 6 - RETIREMENT BENEFITS (CONTINUED)

Weighted average assumptions used in computing the funded status of the plans were as follows:

	December 31, 2004	December 31, 2003
Discount rate	5.90%	6.25%
Healthcare cost trend rate	6.50% trending down to 5.00%	7.00% trending down to 4.50%

Retiree healthcare and life insurance expense included the following components:

	Year Ended December 31, 2004	Year Ended December 31, 2003
	(in thousands)	
Service cost (benefit earned during period)	\$ 14	\$ 20
Interest cost on accumulated benefit obligation	559	1,216
Net amortization and deferral	-	(49)
Net retiree healthcare and life insurance expense	\$ 573	\$1,187

The effect of a one percentage point annual increase in these assumed healthcare cost trend rates at December 31, 2004, would increase the postretirement benefit obligation by approximately \$256,000 and would increase the service and interest cost components of the annual expense by approximately \$18,000.

The effect of a one percentage point annual decrease in these assumed healthcare cost trend rates at December 31, 2004, would decrease the postretirement benefit obligation by approximately \$236,000 and would decrease the service and interest cost components of the annual expense by approximately \$16,000.

The Company expects to contribute approximately \$1,269,000 to the Retiree Healthcare and Life Insurance Plans. The following benefit payments are

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

expected to be paid:

2005	\$1,269,000
2006	1,183,000
2007	1,064,000
2008	901,000
2009	778,000
2010 through 2014	2,745,000

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("the Act") became law in the United States. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare benefit. In accordance with FASB Staff Position (FSP) FAS 106-1 (issued January 2004), Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003, the Company elected to defer recognition of the effects of the Act in any measures of the benefit obligation or cost in 2003 and 2004. FSP FAS 106-2 (issued May 2004), Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 will require the Company to determine whether its plan is at least actuarially equivalent to the Medicare benefit as of January 1, 2005 and account for the effects of the Act, if any, beginning in 2005. The Company is currently assessing whether the benefits provided by its plan are actuarially equivalent to the Medicare benefit.

NOTE 6 - RETIREMENT BENEFITS (CONTINUED)

EMPLOYEE SAVINGS PLAN

The Company maintains an employee savings plan (the "Employee Savings Plan"), which covers substantially all of the Company's employees. The Employee Savings Plan allows employees to defer up to 50% of eligible pre-tax compensation. The Company offers a matching contribution of 50% of the first \$1,000 employee deferral. The Company also offers a matching contribution of 25% of the first 6% of employee deferrals. The Company recorded \$1,555,000 and \$1,074,000 of expense related to the Employee Savings Plan in 2004 and 2003, respectively.

NOTE 7 - DEBT

Debt consists of the following:

 December 31,

2004

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

(i

\$215 million Term Loan Facility bearing interest at a rate equal to Libor plus 350 basis points or the Base Rate plus 225 basis points (5.66% at December 31, 2004).

\$30 million Revolving Credit Facility bearing interest at a rate equal to Libor plus 300 basis points or the Base Rate plus 175 basis points.

Industrial Development Revenue bonds bearing interest at 78% of prime (5.84% at December 31, 2004).

Less: Current Portion	185,530
Total Long Term Debt	----- \$173,230

On August 13, 2003, the Company entered into a Credit Agreement ("Credit Facility") with a bank for an aggregate amount of \$245 million. Borrowings under the Credit Facility were used (i) to repay the outstanding principal and accrued interest on the existing credit facility; (ii) to fund the purchase price of the 2003 Acquisition (See Note 1); (iii) to pay fees and expenses related to the Credit Agreement and 2003 Acquisition; and (iv) to provide for working capital and general corporate purposes of the Company. The Credit Facility is secured by substantially all of the assets of the Company and its subsidiaries (excluding the assets securing the Industrial Development Bonds).

The Credit Facility consists of a \$30 million working capital facility, which includes a \$3 million letter of credit related to the Pension Benefit Guaranty Corporation ("Working Capital Facility") and a \$215 million term facility ("Term Facility").

The Working Capital Facility bears interest at LIBOR plus 300 basis points or the Base Rate (defined as the higher of (i) the bank's prime rate and (ii) the Federal Funds Rate plus 50 basis points) plus 175 basis points. The Term Facility bears interest at LIBOR plus 350 basis points or the Base Rate plus 225 basis points. The LIBOR and base rate margins are subject to performance pricing step-downs based upon the Company's total debt to EBITDA or debt ratings. The Company may select interest periods of 1, 2, 3, or 6 months for LIBOR advances. A default rate of interest applies in the Credit Facility in the event of default at a rate of 200 basis points above the applicable interest rates.

NOTE 7 - DEBT (CONTINUED)

The Credit Facility requires that the Company maintain minimum fixed charge and interest coverage ratios and maximum coverage ratios and capital spending.

As of December 31, 2004, the Company's long-term debt was payable as follows:

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

2005	\$ 12,300	
2006	16,955	
2007	19,680	
2008	19,680	
2009	40,290	
2010 and thereafter	76,625	

	\$185,530	=====

During 2003, the Company entered into Interest Rate Swap Agreements with an initial notional amount of \$160,000,000. The Interest Rate Swap Agreements have notional amounts that decline on a quarterly basis. As of December 31, 2004, the Company held Interest Rate Swap Agreements with a notional amount of \$114,000,000. The agreements call for the Company to receive a variable interest rate based on 90-day LIBOR and to pay fixed interest rates ranging from 1.79% to 2.79%. The Company utilizes interest rate swaps as a method to mitigate its risk on the 90 day LIBOR elections. The Company's policy on interest rate swaps is to mitigate interest rate risk by hedging approximately 60% of its outstanding debt balance and mitigating the 90 day LIBOR risk. The interest rate swaps range from two years to three years in term.

During 2004, the Company terminated Interest Rate Swap Agreements with initial notional amounts of \$40,000,000 resulting in a \$426,000 gain, which was deferred and amortized over the remaining term of the Interest Rate Swaps. Included in interest expense is \$85,000 of expense related to the sale of these Interest Rate Swap Agreements.

Included in interest expense is \$1,248,000 and \$603,000 of expense related to the Interest Rate Swap Agreements for the years ended December 31, 2004 and 2003, respectively.

The Company paid interest of \$11,853,000 and \$7,451,000 during the years ended December 31, 2004 and 2003, respectively.

The carrying value of the Senior Secured Credit Facility approximates fair value given the variable rate components of the debt instruments.

NOTE 8 - ENVIRONMENTAL RESERVES

The Company has been designated by the Environmental Protection Agency as a potentially responsible party to share in the remediation costs of several waste disposal sites. Pursuant to the 1992 sale of the Metal Crown Business and the 1998 sale of certain plastic operations of Sun Coast, the Company has indemnified the buyer for certain environmental remediation costs. In addition, pursuant to the 1983 and 1992 sales of the Commercial Glass Container Businesses, the Company has indemnified the buyer for certain environmental remediation costs and has retained ownership of certain real property used in the Commercial Glass Container Business which may require environmental remediation. During the years ended December 31, 2004 and 2003, the Company made cash payments related to environmental remediation of \$138,000 and \$183,000, respectively. As of December 31, 2004, the Company has accrued \$305,000 for the expected remaining costs associated with environmental remediation described above and in connection with its current manufacturing plants. The amount of the accrual was based in part on an environmental study performed by an independent environmental engineering firm. The Company accrues costs associated with environmental matters when

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

they become probable and can be reasonably estimated.

NOTE 9 - COMPANY PREFERRED STOCK

During 2003, the Company authorized 40,000 shares of \$.01 par value Series A Preferred Stock. On August 13, 2003, 34,000 shares were issued at a price of \$1,000 per share. The preferred shares carry a conversion feature that allows the preferred stock to convert to common stock at a rate of \$18,840 per share. The stated value will accrete for a period of six years from the date of issuance at a rate equal to the greater of (i) dividends paid on the common stock on an as-converted basis and (ii) 10% per annum, compounded quarterly. Thereafter, the stated value will accrete at a rate equal to dividends paid on the common stock on an as-converted basis. The preferred stock is not redeemable and is senior to common stock in terms of dividends and liquidation preference. The convertible value of the preferred stock was \$34,275,000 and \$35,316,000 at December 31, 2004 and 2003, respectively.

As a result of the 2004 Extraordinary Dividend, the owners of preferred stock received \$4,542,000. As a result of this dividend, the conversion rate was reduced to \$16,559 per share.

NOTE 10 - COMPANY STOCK OPTION PLANS

In conjunction with the Kerr Acquisition on August 26, 1997, the wives of Richard Hofmann, the President and Chief Executive Officer of the Company, Lawrence Caldwell, an Executive Vice President of the Company and Daniel Gresham, a former principal of New Canaan, were each granted an option to purchase 185.185 shares of Common Stock, at an exercise price of \$10,000 per share. One-fifth of such option shares were vested and exercisable on the date of grant; an additional one-fifth of such option shares will vest and become exercisable on each anniversary of the date of grant, subject to the continued employment of Mr. Hofmann (in the case of the options held by Mrs. Hofmann and Mrs. Gresham) or Mr. Caldwell (in the case of the options held by Mrs. Caldwell). The option agreements pursuant to which such options were granted (the "Option Agreements") provide that, upon the termination of the employment of Mr. Hofmann or Mr. Caldwell, as applicable, for any reason other than death or disability, or termination without cause, the option shall be exercisable by the optionee for a period of thirty days after cessation of employment to the extent such option was vested on the date of such cessation of employment. The Option Agreements further provide that in the event of (i) termination of employment due to death or disability, (ii) termination of employment by the Company without cause or by Mr. Hofmann or Mr. Caldwell, as applicable, for good reason, or (iii) a Change of Control (as defined in the Option Agreements), the vesting of the option shall accelerate and the option shall become immediately exercisable for all shares of Common Stock covered by the option.

In connection with the Sun Coast Acquisition, Mr. Hofmann, Mr. Caldwell, and Mr. Gresham were also each beneficially granted an option to purchase 46.944 shares of Common Stock of the Company, at an exercise price of \$10,000 per share. The option agreements entered into with respect to such options contain substantially the same terms as those entered into in connection with the Kerr Acquisition.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

On December 18, 2003, the option agreements to each Mrs. Hofmann, Mrs. Caldwell, and Mrs. Gresham were amended such that all shares were fully vested as of December 7, 2000.

NOTE 10 - COMPANY STOCK OPTION PLANS (CONTINUED)

In April 1998, the Company's Board of Directors adopted, and the stockholders approved, the Kerr Group, Inc. 1998 Stock Incentive Plan (the "1998 Stock Incentive Plan"). The 1998 Stock Incentive Plan will be administered by the Board of Directors. All directors, officers, employees, consultants and advisors of the Company are eligible for discretionary awards under the 1998 Stock Incentive Plan. The 1998 Stock Incentive Plan provides for stock-based incentive awards, including incentive stock options, non-qualified stock options, restricted stock, performance shares, stock appreciation rights and deferred stock. The 1998 Stock Incentive Plan permits the Board of Directors to select eligible persons to receive awards and to determine certain terms and conditions of such awards, including the vesting schedule and exercise price of each award, and whether such award shall accelerate upon the occurrence of a change in control of the Company. Under the 1998 Stock Incentive Plan, options, restricted stock, performance shares or stock appreciation rights covering no more than 80% of the shares reserved for issuance under the 1998 Stock Incentive Plan may be granted to any participant in any one year. A total of 366,520 shares have been reserved for issuance under the 1998 Stock Incentive Plan. As of December 31, 2004, 286,300 non-qualified stock options have been issued under the 1998 Stock Incentive Plan. No other stock-based incentive awards have been granted under this 1998 Stock Incentive Plan.

In October 2003, the Company's Board of Directors adopted and the stockholders approved the Kerr Group, Inc. 2003 Stock Option Plan (the "2003 Stock Option Plan"). The 2003 Stock Option Plan will be administered by the Board of Directors. All directors, officers, employees, consultants and advisors of the Company are eligible for discretionary awards under the 2003 Stock Option Plan. The 2003 Stock Option Plan permits the Board of Directors to select eligible persons to receive awards and to determine certain terms and conditions of such awards, including the vesting schedule and exercise price of each award, and whether such award shall accelerate upon the occurrence of a change in control of the Company. A total of 3,250 shares have been reserved for issuance under the 2003 Stock Option Plan. As of December 31, 2004, 3,236,400 non-qualified stock options have been issued under the 2003 Stock Option Plan. The board further allocated the options grants into three pools of options. Pool A options were granted with a strike price that escalates from \$23,460 on January 1, 2004 to \$25,640 on December 31, 2005 and ultimately to \$32,310 at the time of their expiration on December 31, 2006. Pool A shares vest at the time of a change of control, as defined. Pool B options were granted with a strike price of \$20,000 on January 1, 2004. Pool B options allow for 50% expiration of shares on December 31, 2005 with the remaining expiring on December 31, 2006. Pool B shares are fully vested at time of grant. Pool C options were granted with a strike price of \$17,130, a five year vesting period and a ten year term. All shares fully vest upon a change in control, as defined.

In October 2004, The Company's Board of Directors approved a total of 132 non-qualified stock options to be granted to Mr. Hofmann, Mr. Caldwell and Mr.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Gresham. Each Mr. Hofmann and Mr. Caldwell were granted 49 shares and Mr. Gresham was granted 34 shares at a strike price of \$21,719. The shares vest at the earlier of seven years from date of grant or a change in control, as defined.

In conjunction with the Dividend (Note 1), all strike prices of options outstanding under all plans as of August 11, 2004, were equitably adjusted to 90.5% of the stated exercise price.

NOTE 10 - COMPANY STOCK OPTION PLANS (CONTINUED)

The Company accounts for stock-based compensation as described in Note 1. The Company elected to continue the intrinsic-value method of expense recognition. If compensation cost for these plans had been determined using the fair-value method prescribed by SFAS No. 123, the Company's results would have been reduced to the proforma amounts indicated below.

	Year Ended December 31,	Year Ended December 31, 2004
Net income (loss) before preferred stock dividends	\$12,922,000	\$30,707,000
Compensation expense	1,002,000	168,000
Proforma net income (loss)	\$11,920,000	\$30,539,000

The fair value of each option was estimated on the grant date using the Black-Scholes option-pricing model. Based on the assumptions presented below, the weighted average fair value of options granted was \$792 and \$5,428 per option in 2004 and 2003, respectively.

	2004	2003
Expected life in years	4 years	10 years
Risk-free interest rate	4.37%	4.07%
Volatility	0.00%	0.00%
Dividend yield	0.00%	0.00%

A summary of stock option activity is presented below.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

	Shares	Weighted Average Exercise Price
2004		
Outstanding, beginning of year	982.687	\$11,170
Granted	3,368.400	21,058
Exercised	(10.000)	14,500
Forfeited/canceled	(102.433)	15,682

Outstanding, end of year	4,238.654	\$18,704
Exercisable, end of year	1,789.094	\$14,142
Available for grant, end of year	93.820	
2003		
Outstanding, beginning of year	867.687	\$10,460
Granted	115.000	16,500
Forfeited/canceled	--	--

Outstanding, end of year	982.687	\$11,170
Exercisable, end of year	840.738	\$10,280
Available for grant, end of year	80.220	

For options outstanding at the end of 2004, exercise prices consisted of the following: \$9,050; \$14,489; \$14,932; \$15,502; \$18,099; \$21,719, and \$22,216. The weighted average remaining life was approximately 2.8 years.

NOTE 11 -LEASE COMMITMENTS

The Company occupies certain manufacturing facilities, warehouse facilities and office space and uses certain automobiles, machinery and equipment under noncancelable lease arrangements. Rent expense related to these agreements was \$7,695,000 and \$3,752,000 for the years ended December 31, 2004 and 2003, respectively.

At December 31, 2004, the Company was obligated under various noncancelable operating leases. Future minimum rental commitments under the Company's leases are as follows:

Years Ended December 31,	Total Commitment
	(in thousands)
2005	\$ 7,940
2006	7,019

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

2007	5,299	
2008	5,314	
2009	5,205	
2010 and thereafter		\$60,309

The Company is not a party to contingent lease payments. The leases for real estate for the Company's Bowling Green, Kentucky; Jackson, Tennessee; Anaheim, California; Oxnard, California; and Easthampton, Massachusetts locations each contain provisions for escalating lease payments each year with a range of 2.5%-3.0% each year. Each of the real estate leases contain options to extend the term of the lease one to five years from date of expiration.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal proceedings and litigation arising in the normal course of business. In the opinion of management, the outcome of such proceedings will not materially affect the Company's consolidated financial position or results of operations.

NOTE 13 - RELATED PARTY TRANSACTIONS

The Company and Fremont entered into an Advisory Services Agreement (the "Advisory Services Agreement") dated August 13, 2003. The Advisory Services Agreement provides that Fremont will provide Kerr such services as may from time to time be reasonably requested by the Company and which are necessary and appropriate for the operation of the business of the Company. The Advisory Services Agreement provides for the semi-annual payment to Fremont of \$275,000, and for the reimbursement of Fremont for its expenses reasonably incurred in providing services for the Company. The Advisory Services Agreement also indemnifies Fremont for any and all losses, claims, damages and liabilities related to or arising out of the Advisory Services Agreement. The Advisory Services Agreement may be terminated by mutual consent of the parties. The Advisory Services Agreement also called for a payment of \$1,687,500 plus expenses of transaction services related to the 2003 Acquisition (Note 1) and services related to the refinancing of the Company's long term debt (Note 7). Included in selling, general and administrative expenses was \$664,000 and \$401,000 in 2004 and 2003, respectively, related to the Advisory Services Agreement. As of December 31, 2004 and 2003, the Company has \$229,000 and \$260,000, respectively, in other current liabilities related to the Advisory Services Agreement.

On January 1, 2003, the Company entered into a letter agreement with New Canaan (the "New Canaan Agreement"), for the provision of certain strategic planning and advisory services to the Company by New Canaan. The agreement provides for the payment to New Canaan of an annual fee of \$600,000 through December 2005, so long as Fremont remains the majority stockholder of the Company and Mr. Caldwell and Mr. Hofmann remain employed by the Company. Included in selling, general and administrative expenses was \$600,000 for each of the years ended December 31, 2004 and 2003, respectively, related to the New Canaan Agreement. In conjunction with the New Canaan agreement, the Company also entered into employment agreements with each Richard Hofmann and Lawrence Caldwell, each of whom are partners in New Canaan. The employment agreements expire December 31, 2005 and provide for non-competition arrangements.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

KERR GROUP, INC.

Consolidated Financial Statements

December 31, 2003

Independent Auditors' Report

To the Stockholders and Board of Directors of Kerr Group, Inc.:

We have audited the accompanying consolidated balance sheets of Kerr Group, Inc. and subsidiaries as of December 31, 2003 and 2002 and the related consolidated statements of operations, cash flows and stockholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Kerr Group, Inc. and subsidiaries for the year ended December 31, 2001 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements, before the revision described in Note 1 to the financial statements, in their report dated March 13, 2002.

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

In our opinion, the 2003 and 2002 financial statements referred to above present fairly, in all material respects, the financial position of Kerr Group, Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed above, the 2001 financial statements of Kerr Group, Inc. and subsidiaries were audited by other auditors who have ceased operations. As described in Note 1, these financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, which was adopted by the Company as of January 1, 2002. In our opinion, the disclosures for 2001 in Note 1 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of Kerr Group, Inc. and subsidiaries other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

/s/ KMPG LLP

March 1, 2004
Harrisburg, Pennsylvania

BALANCE SHEETS

iv.

-----	2003
December 31,	
-----	(in thousands except
ASSETS	
Current assets	
Cash and cash equivalents	\$ 5,517
Receivables - primarily trade accounts, less allowance for doubtful accounts of \$1,591 in 2003 and \$501 in 2002	34,318
Inventories	
Raw materials and work in process	14,809
Finished goods	15,435
Total inventories	30,244
Prepaid expenses and other current assets	1,496
Deferred income taxes	4,647
Total current assets	76,222
Property, plant and equipment, at cost	
Land	10,056
Buildings and improvements	26,467
Machinery and equipment	175,063
Furniture and office equipment	5,111
	216,697
Accumulated depreciation	(72,686)
Net property, plant and equipment	144,011
Deferred income taxes	18,571
Goodwill, net of amortization of \$11,978 in 2003 and 2002	110,292
Other intangibles, net of amortization of \$432 in 2003 and \$295 in 2002	1,580
Other assets, net of amortization of \$463 in 2003 and \$2,485 in 2002	7,591
	\$358,267

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

See accompanying notes to consolidated financial statements.

BALANCE SHEETS

v.

December 31,	2003
(in thousands except p	
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Current portion of long-term debt	\$ 9,713
Accounts payable	18,923
Other current liabilities	16,234
Total current liabilities	44,870
Long-term debt	204,150
Retirement benefits	15,182
Other long-term liabilities	2,663
Total liabilities	266,865
Stockholders' equity	
Preferred stock, \$.01 par value per share, 40,000 shares authorized, 34,000 shares issued at December 31, 2003	1
Common stock, \$.01 par value per share, 50,000 and 10,000 shares authorized, 6,290.821 and 6,290.821 shares issued at December 31, 2003 and 2002, respectively	1
Additional paid-in capital	98,357
Retained earnings (deficit)	1,388
Accumulated other comprehensive loss	(8,111)
Treasury stock, 14.609 shares at December 31, 2003 and 2002	(234)
Total stockholders' equity	91,402

See accompanying notes to consolidated financial statements.

STATEMENTS OF OPERATIONS

	Year Ended December 31,	Year Ended Decem
	(in thousands)	
Net sales	\$227,132	\$143,273
Cost of sales	166,589	93,326
Inventory step-up	1,153	-
Gross profit	59,390	49,947
Selling, general and administrative expenses	40,792	29,896
Restructuring costs and other charges	2,448	1,660
Operating income	16,150	18,391
Interest expense, net	7,672	6,457
Gain on sale of real estate	(781)	-
Income (loss) before income taxes	9,259	11,934
Provision (benefit) for income taxes	(21,448)	31,308
Net income (loss) before preferred stock dividends	30,707	(19,374)
Preferred stock dividends	1,316	-
Net income (loss) attributable to common stockholders	\$ 29,391	\$ (

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

See accompanying notes to consolidated financial statements.

STATEMENTS OF CASH FLOWS

	Year End December 31,
<hr/>	
CASH FLOW PROVIDED BY OPERATIONS	
Net income (loss) before preferred stock dividends	\$ 30,70
Adjustments to reconcile net income (loss) to net cash provided by operations	
Depreciation and amortization	19,89
Change in deferred income taxes	(21,44)
(Gain) loss on sale of fixed assets	(76)
Other, net	(26)
Changes in other operating working capital	
Receivables	(1,97)
Inventories	(96)
Other current assets	(70)
Accounts payable	(7,20)
Accrued expenses	6,16
Expenses associated with restructuring	2,44
Payments associated with restructuring	(2,74)
Payments associated with acquisition	(2,89)
Inventory step-up	1,15
Benefit plan funding in excess of expense	(3,74)
Total cash flow provided by operations	17,66
CASH FLOW USED BY INVESTING ACTIVITIES	
Capital expenditures	(19,69)
Proceeds from sale of fixed assets	6,12
Business acquisition	(133,90)
Cash flow used by investing activities	(147,47)
CASH FLOW PROVIDED BY (USED BY) FINANCING ACTIVITIES	
Net repayment of long-term debt	(85,96)
Net repayment under secured revolving credit facility	(15,62)
Net (repayment) borrowing under Tranche C Facility	(5,40)
Payments associated with financing	(6,71)
Debt proceeds	215,00
Proceeds from issuance of preferred stock	34,00
Cash flow provided (used by) by financing activities	135,29

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

CASH AND CASH EQUIVALENTS

Increase (decrease) during the period	5,474
Balance at beginning of the period	4
Balance at end of the period	\$ 5,518

See accompanying notes to consolidated financial statements.

STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Number of Shares of Company Preferred Stock Issued	Preferred Stock	Number of Shares of Company Common Stock Issued	Company Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Trea Sto
(in thousands except share data)							
Balance, December 31, 2001 (restated)	-	\$ -	6,290.821	\$ 1	\$63,042	\$ (8,629)	\$ (
Net income	-	-	-	-	-	(19,374)	
Minimum pension liability adjustment net of tax benefit of \$730	-	-	-	-	-	-	
Balance, December 31, 2002 (restated)	-	\$ -	6,290.821	\$ 1	\$63,042	\$ (28,003)	\$ (
Issuance of preferred stock	34,000	1	-	-	33,999	-	
Preferred stock dividends	-	-	-	-	1,316	(1,316)	
Net income	-	-	-	-	-	30,707	
Minimum pension liability adjustment net of tax benefit of \$422	-	-	-	-	-	-	
Fair market value adjustment - hedging programs net of tax benefit of \$227	-	-	-	-	-	-	
Balance, December 31, 2003	34,000	\$ 1	6,290.821	\$ 1	\$98,357	\$ 1,388	\$ (

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

	Year Ende
	2003

Comprehensive income (loss)	
Net income (loss) before preferred stock dividends	\$ 30,707
Minimum pension liability adjustment, net of tax benefit	(701)
Fair market value adjustment - hedging programs, net of tax benefit	(376)
 Total comprehensive income (loss)	 \$ 29,630

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL DESCRIPTION OF BUSINESS

The Company is a subsidiary of Fremont Partners, L.P.

The Company's operations consist of the manufacture and sale of a variety of plastic packaging products including child-resistant closures, tamper-evident closures, prescription packaging products and other plastic closures and containers.

The Company uses a significant amount of resin in its manufacturing process. From time to time, the Company has experienced substantial increases in the cost of resin. To the extent that the Company is unable to pass on resin cost increases, the cost increases could have a significant impact on the results of operations of the Company.

BASIS OF PRESENTATION

The consolidated financial statements represent the accounts of the Company and its wholly owned subsidiaries. All significant inter-company transactions and balances have been eliminated.

The preparation of consolidated 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 as of December 31, 2003 and 2002, and the reported amounts of income and expenses. Actual results could differ from those estimates.

The Company's Senior Secured Credit Facility was scheduled to expire on October 31, 2003 (see Note 7). The Company did not complete its refinancing of this facility until August 13, 2003 and, therefore, at December 31, 2003, the Senior

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Secured Credit Facility was classified in the current portion of long-term debt on the balance sheet.

ACQUISITIONS

On August 13, 2003, the Company completed its acquisition of substantially all of the net assets of Setco, Inc., Tubed Products, Inc. and O. G. Dehydrated, Inc. (all wholly owned subsidiaries of McCormick, Inc.), collectively known as the "2003 Acquisition", for \$133,908,000 including \$3,718,000 of deal related costs. The 2003 Acquisition was consummated as part of the Company's overall strategy to grow its business within the packaging industry. Setco and Tubed Products brought strong presences in the bottle and tube markets to strengthen Kerr's overall position within the packaging industry.

The 2003 Acquisition was funded by the proceeds from issuance of preferred stock of \$34,000,000 (See Note 9) and proceeds associated with the refinancing of the Company's credit facilities. The purchase price was allocated to the specifically identifiable net assets acquired as follows: \$37,047,000 to current assets; \$80,863,000 to property, plant and equipment; \$1,374,000 to other intangibles; \$1,170,000 to deferred income taxes; \$14,961,000 to current liabilities and \$28,415,000 to goodwill. The goodwill was allocated \$7,257,000 to Setco (Containers Division) and \$21,158,000 to Tubed Products (Tubes Division). The goodwill deductible for tax purposes related to the 2003 Acquisition was \$26,473,000. The results of operations of the 2003 Acquisition are included in the consolidated financial results from the date of acquisition.

CASH EQUIVALENTS

Cash equivalents consist only of investments that have an original maturity of three months or less when purchased, are readily convertible to known amounts of cash and have insignificant risk of changes in value because of changes in interest rates.

INVENTORIES

Inventories are valued at the lower of cost or market, determined by the use of the first-in, first-out method.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets. The estimated useful lives used in computing depreciation expense are as follows:

Buildings and improvements	5 to 30 years
Machinery and equipment	3 to 15 years
Furniture and office equipment	5 to 10 years

When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed and any resulting gain or loss is reflected in operating results.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

The policy of the Company is to charge amounts expended for maintenance and repairs to expense and to capitalize expenditures for major replacements and betterments.

IMPAIRMENT OF LONG TERM ASSETS

The Company follows Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS No. 144"). SFAS No. 144 requires that impairments, measured using fair value, be recognized whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). This statement expanded the previous definition of derivatives to include certain additional transactions. Entities are required to record derivatives at their fair values and recognize any changes in fair value in current period earnings, unless specific hedge criteria are met, then charged to specific components of equity.

BUSINESS COMBINATIONS AND INTANGIBLE ASSETS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 Business Combinations ("SFAS No. 141") and No. 142 Goodwill and Other Intangible Assets ("SFAS No. 142"). SFAS No. 141 requires that the purchase method of accounting be used for all business combinations and eliminates the use of pooling of interests for transactions initiated subsequent to June 30, 2001. SFAS No. 142 eliminated the amortization to expense of goodwill recorded as a result of such combinations, but requires goodwill to be evaluated for impairment at least annually. Write-downs of the balance, if necessary, are to be charged to operating results in the period in which the impairment is determined. Goodwill existing prior to the issuance of the statement was required to be amortized through December 31, 2001.

The Company evaluated its recorded goodwill under SFAS No. 142 as of December 31, 2002 and as of December 31, 2003 and concluded that there was no impairment at those dates. As a result of not amortizing goodwill, the Company realized a benefit of approximately \$3,038,000 in 2002.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other intangible assets relate primarily to an intangible related to a long-term contract acquired in the 2003 Acquisition ("the Customer Intangible") and patent costs. The Customer Intangible is being amortized over the term of the related contract with approximately seven years remaining. Patents are amortized over their useful lives of approximately 17 years. Amortization expense related to intangible assets totaled \$135,000 and \$65,000 for the years ended December 31, 2003 and 2002, respectively. Future amortization expense is expected to be as follows:

2004

\$253,000

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

2005	253,000
2006	253,000
2007	253,000
2008 and thereafter	568,000

ENVIRONMENTAL RESERVES

Environmental liabilities recognized represent the Company's best estimate of remediation expenditures, including legal, consulting and other professional fees, that are probable and that can be reasonably estimated. Environmental costs are expensed unless they increase the value of the related asset and/or prevent or mitigate future contamination (see Note 8).

REVENUE RECOGNITION

The Company recognizes revenue at the time the product is shipped to the customer. The Company does not have a significant concentration of credit risk with any individual customer.

RESEARCH AND DEVELOPMENT

Research and development expenses included in selling, general and administrative expenses were \$1,593,000 and \$2,012,000 for the years ended December 31, 2003 and 2002, respectively.

PENSIONS AND OTHER POSTRETIREMENT BENEFITS

Statement of Financial Accounting Standards No. 87 requires that a company record an additional minimum pension liability to the extent that a company's accumulated pension benefit obligation exceeds the fair value of pension plan assets and accrued pension liabilities. This additional minimum pension liability is offset by an intangible asset, not to exceed prior service costs of the pension plan. Amounts in excess of prior service costs are reflected as a reduction in stockholders' equity and the change is reflected as a reduction in Other Comprehensive Income, net of any tax benefits.

The Company accounts for postretirement benefits in accordance with Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash, accounts receivable, accounts payable, other current assets and other current liabilities approximate their carrying amount given the short-term maturity of those instruments.

The fair values of the Company's debt and derivative instruments are disclosed in Note 7.

STOCK OPTIONS

Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS No. 123"), requires the Company to choose between two different methods of accounting for stock options. The statement defines a fair-value-based method of accounting for stock options but allows an entity to continue to measure compensation cost for stock options using the

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

accounting prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB No. 25").

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In December 2002, the Financial Accounting Standards Board (APB) issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS No. 148"). SFAS No. 148 clarifies the accounting for options issued in prior periods when a company elects to transition from APB 25 accounting to SFAS No. 123 accounting. It also requires additional disclosures with respect to accounting for stock-based compensation. The Corporation has elected to continue application of APB 25 in accounting for its stock-based compensation plans and, accordingly, the transition accounting provided by SFAS No. 148 had no impact on the Company's financial statements. All required disclosures have been provided in Note 10.

INCOME TAXES

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("SFAS No. 109"). Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

FREIGHT OUT

Freight out expenses included in selling, general and administrative expenses were \$8,597,000 and \$6,901,000 for the years ended December 31, 2003 and 2002, respectively.

STOCK SPLIT

All share and per share data has been restated to reflect the 1000 for 1 common stock split on October 17, 2003.

RECLASSIFICATIONS

Certain reclassifications have been made to prior years' financial statements to conform to 2003 presentation.

NOTE 2 - BUSINESS SEGMENTS

The Company accounts for business segments in accordance with Statement of Financial Accounting Standards No. 131 ("SFAS No. 131"), "Disclosures About Segments of an Enterprise and Related Information." SFAS No. 131 requires disclosures based on the Company's business segments used by management to make operating decisions and measure performance. The accounting policies of the business segments are consistent with those described in Note 1. The Company's business segments are as follows:

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

CLOSURES DIVISION

The Company's closures division produces custom and stock closures for pharmaceutical markets and selected segments of food and beverage markets. The division's product line includes two-piece child-resistant, tamper-evident and standard closures.

CONTAINERS DIVISION

The Company's container division produces custom and stock bottles for selected segments of food and beverage markets, the personal care industry as well as bottles and vials for the pharmaceutical market, drug wholesalers, and drug retailers.

TUBES DIVISION

The Company's tubes division produces custom and stock tubes for various end use markets such as selected segments of the cosmetic, food, pharmaceutical and household chemical markets.

NOTE 2 - BUSINESS SEGMENTS (CONTINUED)

Summary business segment information is included in the following chart:

	Year Ended December 31,	Year Ended December 31, 2003	200
	(in thousands)		
Net sales			
Closures	\$ 96,912	\$ 96,177	
Containers	89,575	47,096	
Tubes	40,645	-	
	\$227,132	\$143,273	
Operating income (loss) before restructuring costs and other charges (a)			
Closures	\$ 13,633	\$ 17,730	
Containers	5,832	5,350	
Tubes	2,588	-	
Corporate	(3,455)	(3,029)	
	\$ 18,598	\$ 20,051	

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Assets		
Closures	\$110,714	\$107,603
Containers	106,413	26,799
Tubes	83,761	-
Corporate (b)	57,379	42,890

	\$358,267	\$177,292

Depreciation and amortization		
Closures	\$ 9,997	\$ 10,593
Containers	6,723	3,778
Tubes	2,207	-
Corporate	971	1,249

	\$ 19,898	\$ 15,620

Capital expenditures		
Closures	\$ 11,709	\$ 10,794
Containers	5,123	1,699
Tubes	1,631	-
Corporate	1,228	303

	\$ 19,691	\$ 12,796

(a) The Company does not allocate corporate expenses to the business segments other than research and development expenses.

(b) Corporate assets consist primarily of goodwill of \$41,134 and \$41,134 related to the Kerr Acquisition and deferred income taxes of \$23,218 and \$0 for 2003 and 2002, respectively.

NOTE 3 - INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	Year Ended	
	December 31, 2003	
	(in thousands)	
Current		
U.S. Federal	\$ 189	
State	-	
Total current	\$ 189	
Deferred		

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

U.S. Federal	\$ (19,321)
State	(2,316)
Total deferred	\$ (21,637)
Total provision (benefit) for income taxes	\$ (21,448)

Total provision (benefit) for income taxes from continuing operations differed from the amounts computed by applying the U.S. Federal income tax rate of 34% to earnings (loss) before income taxes as a result of the following:

	Year Ended
Computed "expected" tax provision	\$ 3,148
Increase (reduction) in provision resulting from:	
State income tax (benefit) provision, net of Federal tax effect	469
Increase (decrease) in valuation allowance	(25,088)
Other	23
Actual tax (benefit) provision	\$ (21,448)

NOTE 3 - INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities at December 31, 2003 and 2002 are as follows:

December 31,	2003
Deferred income tax assets:	
Net operating loss carryforwards	\$23,227
Minimum pension liability	4,708
Environmental liability	167
Tax credit carryforwards	1,125
Accrued retiree benefits	3,252
Deferred gain on sale of real estate	765
Fair market value liability - hedging programs	227
Allowance for doubtful accounts	536
Inventories	1,228

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Accrued vacation pay	525
Restructuring and severance reserves	486
Accrued self-insurance	850
Acquisition related reserves	474
Other	787
Total gross deferred income tax assets	38,357
Less valuation reserve for deferred income tax assets	(3,052)
Deferred income tax assets, net of valuation reserve	35,305
Deferred income tax liabilities:	
Property, plant and equipment, principally due to differences in depreciation	(9,046)
Accrued pension liability	(2,754)
Goodwill	(249)
Other	(38)
Total gross deferred income tax liabilities	(12,087)
Net deferred income tax assets	\$23,218

NOTE 3 - INCOME TAXES (CONTINUED)

As of December 31, 2003, the Company has net operating losses for Federal income tax purposes of \$59,521,000, which are available to offset future Federal taxable income. The net operating losses generated prior to August 26, 1997, amounting to \$13,311,000, are subject to limitation under Section 382 of the Internal Revenue Code. The remaining net operating losses were generated subsequent to August 26, 1997 and are not subject to limitations. The net operating loss carryforwards will expire as follows: \$512,000 in 2010; \$11,597,000 in 2011; \$9,791,000 in 2012; \$21,599,000 in 2018; \$10,437,000 in 2020; \$5,559,000 in 2021; and \$26,000 in 2022.

The Company has net operating losses for state income tax purposes. As of December 31, 2003, the Company has recorded \$2,985,000 of state income taxes net of federal tax benefit.

The Company also has an alternative minimum tax credit carryforward of \$1,125,000 with no expiration date.

There were no net cash payments related to income taxes for 2003 and 2002.

The Company has recorded a valuation allowance of \$3,052,000 and \$28,140,000 as of December 31, 2003 and 2002, respectively. The valuation reserve as of December 31, 2002 was attributable to the uncertainty associated with the Senior Secured Credit Facility that was due to expire on October 31, 2003 (see Note 1 and Note 7). During 2003, the debt was refinanced, therefore, the valuation reserve was reduced as the Company will more likely than not recover the remaining deferred tax assets.

NOTE 4 - OTHER LONG TERM ASSETS

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

At December 31, 2003 and 2002, other assets consisted of the following:

	2003	2002

	(in thousands)	
Repair parts	\$1,001	\$1,052
Certificates of deposit	45	45
Deferred financing costs, net of amortization of \$463 in 2003 and \$2,485 in 2002	6,545	673
	-----	-----
	\$7,591	\$1,770
		=====

Deferred financing costs are amortized over the term of the related financing with approximately seven years of amortization remaining. Amortization expense related to deferred financing costs totaled \$860,000 and \$1,028,000 for the years ended December 31, 2003 and 2002, respectively. Future amortization expense is expected to be as follows:

2004	\$1,058,000
2005	1,058,000
2006	1,058,000
2007	1,058,000
2008 and thereafter	2,313,000

NOTE 5 - OTHER CURRENT LIABILITIES

At December 31, 2003 and 2002, other current liabilities consisted of the following:

	2003	2002

	(in thousands)	
Accrued wages, bonus and vacation pay	\$3,882	\$2,328
Accrued interest	206	-
Accrued and withheld taxes	116	22
Accrued acquisition costs	1,258	133
Accrued insurances	2,657	1,407
Accrued environmental	200	200
Deferred acquisition liability	-	1,544

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Accrued restructuring expenses		1,550	571
Deferred gain on sale of real estate	218		164
Other accrued expenses		6,147	4,536
		-----	-----
Total other current liabilities	\$16,234		\$10,905
		=====	=====

Restructuring costs and other charges:

Year ended December 31,	2003	2002

Severance and employee benefits	\$ 371	\$ 476
Relocation and start-up expenses	440	700
Merger and acquisition activities	910	484
Loss on debt refinancing	181	-
One-time expenses related to 2003 acquisition	546	-

Total restructuring expenses	\$2,448	\$1,660
		=====
Total restructuring related payments	\$2,744	\$1,524
		=====

During 2003, the Company sold its purchase option for its Bowling Green, Kentucky and Jackson, Tennessee facilities for \$5,900,000. The buyer exercised the purchase option and the Company entered into an eighteen year lease on these properties. The sale of these options yielded a gain of \$1,710,000, which is deferred and amortized over the lease term, and \$95,000 is recorded in other current liabilities and \$1,580,000 in other long-term liabilities.

During 2002, the Company closed its Cleveland, Ohio leased warehouse. Also during 2002, the Company sold its Sarasota, Florida warehouse for net proceeds of \$2,068,000 and recognized a gain of \$493,000 of which \$123,000 is in other current liabilities and \$236,000 in other long-term liabilities as of December 31, 2003.

NOTE 6 - RETIREMENT BENEFITS

PENSIONS

The Company has two defined benefit pension plans (the "Retirement Plans"), which cover substantially all former employees and former union employees at the Company's former Lancaster facility. The Retirement Plans generally provide benefits based on years of service and average final pay.

In March 1999, the Company modified its agreement with the Pension Benefit Guarantee Corporation (the "PBGC"). Under this agreement, the Company agreed

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

to maintain certain funding levels in its pension plans. The Company is in compliance with the PBGC agreement as of December 31, 2003.

The Company has a pension restoration plan which is an unfunded plan providing benefits to participants not payable by the Retirement Plan because of the limitations on benefits imposed by the Internal Revenue Code of 1986, as amended. The aggregate annual accrued benefit for each participant under the combination of the Retirement Plans and the Pension Restoration Plan when expressed as a single-life annuity is limited to \$200,000.

The following table sets forth a reconciliation of the changes in the Company sponsored defined benefit pension plans:

Year ended December 31,	2003	2002
	(in thousands)	
CHANGE IN BENEFIT OBLIGATIONS:		
Benefit obligation at beginning of year	\$ 34,762	\$ 34,377
Interest cost	2,254	2,400
Actuarial losses	1,750	1,390
Benefit payments	(3,385)	(3,410)
Benefit obligation at end of year	35,381	34,767
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year	26,218	24,660
Actual return on plan assets	2,674	1,820
Employer contribution	3,601	3,130
Benefit payments	(3,385)	(3,410)
Fair value of plan assets at end of year	29,108	26,210
Funded Status	(6,273)	(8,540)
Unrecognized net actuarial loss	12,521	11,360
Net amount recognized	\$ 6,248	\$ 2,820
Amounts recognized in the statement of financial position consist of:		
Accrued benefit liability	\$ (6,270)	\$ (8,570)
Adjustment to recognize minimum pension liability	12,518	11,390
Net amount recognized	\$ 6,248	\$ 2,820

NOTE 6 - RETIREMENT BENEFITS (CONTINUED)

Assumptions used in computing the funded status of the plans were as follows:

December 31, 2003	December 31, 2002
----------------------	----------------------

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Discount rate	6.25%	6.75%
Rate of increase in compensation levels	5.00%	5.00%
Expected long-term rate of return on assets	8.75%	8.75%

Net pension (income) expense includes the following components:

	Year Ended December 31, 2003 -----	Year December -----
	(in thousands)	
Interest cost on projected benefit obligation	\$ 2,254	\$ 2
Expected return on assets	(2,609)	(2
Net amortization and deferral	531	
	-----	---
Net pension expense	\$ 176	\$
	=====	===

The majority of all pension plan assets are held by a master trust created for the collective investment of the plans' funds, as well as in private placement insurance contracts. At December 31, 2003, assets held by the master trust consisted of cash, money market funds and high yield bonds.

RETIREE HEALTH CARE AND LIFE INSURANCE

The Company provides certain health care and life insurance benefits for retired employees and their spouses. The costs of such benefits are shared by retirees through one or more of the following: a) deductibles, b) co-payments and c) retiree contributions. Salaried employees hired prior to September 1, 1992, and certain hourly employees may become eligible for those benefits if they reach retirement age while working for the Company. The Company does not provide retiree health care and life insurance benefits for salaried employees hired after September 1, 1992. Health care and life insurance benefits provided by the Company are not funded in advance, but rather are paid by the Company as the costs are actually incurred by the retirees.

NOTE 6 - RETIREMENT BENEFITS (CONTINUED)

The following table sets forth a reconciliation of the changes in the Company sponsored retiree health care and life insurance plans.

Year ended December 31,	2003	2002

	(in thousands)	
CHANGE IN BENEFIT OBLIGATIONS:		
Accumulated postretirement benefit obligation at beginning of year	\$ 7,588	\$ 8,295

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Service cost	20	17
Interest cost	1,216	573
Actuarial (gains)/losses	2,099	226
Benefit payments	(1,334)	(1,523)
	-----	-----
Accumulated postretirement benefit obligation at end of year	9,589	7,588
	-----	-----
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year	-	-
Employer contribution	1,334	1,523
Benefit payments	(1,334)	(1,523)
	-----	-----
Fair value of plan assets at end of year	-	-
	-----	-----
Funded Status	(9,589)	(7,588)
Unrecognized net actuarial gain	943	(1,303)
	-----	-----
Net amount recognized	\$ (8,646)	\$ (8,891)
	=====	=====

Assumptions used in computing the funded status of the plans were as follows:

	December 31, 2003	December 31, 2002
	-----	-----
Discount rate	6.25%	6.75%
Health care cost trend rate	7.00% trending down to 4.50%	7.50% trending down to 5.00%

Retiree health care and life insurance expense included the following components:

	Year Ended December 31, 2003	Year End December 31,
	-----	-----
	(in thousands)	
Service cost (benefit earned during period)	\$ 20	\$ 1
Interest cost on accumulated benefit obligation	1,216	57
Net amortization and deferral	(49)	(24)
	-----	-----
Net retiree health care and life insurance expense	\$1,187	\$ 34
	=====	=====

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

NOTE 6 - RETIREMENT BENEFITS (CONTINUED)

The effect of a one percentage point annual increase in these assumed health care cost trend rates at December 31, 2003, would increase the postretirement benefit obligation by approximately \$266,000 and would increase the service and interest cost components of the annual expense by approximately \$19,000.

The effect of a one percentage point annual decrease in these assumed health care cost trend rates at December 31, 2003, would decrease the postretirement benefit obligation by approximately \$245,000 and would decrease the service and interest cost components of the annual expense by approximately \$17,000.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("Medicare Bill") was signed into law. The Medicare Bill expands Medicare benefits, primarily by adding a prescription drug benefit for Medicare-eligible retirees beginning in 2006. FASB Staff Position 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" permits deferring the recognition of the new Medicare provisions' impact due to lack of specific authoritative guidance on accounting for the federal subsidy. The Company has elected to defer accounting for the effects of this new legislation until the specific authoritative guidance is issued. Accordingly, the postretirement benefit obligations and net periodic costs reported in the accompanying financial statements and notes do not reflect the impact of this legislation. Adoption of this standard when final guidance is issued is not expected to have a material impact on the Company's financial statements.

NOTE 7 - DEBT

Debt consists of the following:

December 31, 2003

\$215 million Term Loan Facility bearing interest at a rate equal to Libor plus 350 basis points or the Base Rate plus 225 basis points.	\$212,813
\$30 million Revolving Credit Facility bearing interest at a rate equal to Libor plus 300 basis points or the Base Rate plus 175 basis points.	-
\$25 million Revolving Credit Facility bearing interest at a rate equal to LIBOR plus 225 basis points or the Base Rate plus 75 basis points	-
\$50 million Term Loan Facility bearing interest at a rate equal to LIBOR plus 225 basis points or the Base Rate	

(in tho

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

plus 75 basis points	-
\$50 million Term Loan Facility bearing interest at a rate equal to LIBOR plus 325 basis points or the Base Rate plus 175 basis points	-
\$15 million Facility bearing interest at a rate equal to LIBOR plus 175 basis points or the Base Rate plus 50 basis points	-
Industrial Development Revenue bonds bearing interest at 78% of prime	1,050

	213,863
Less: Current Portion	9,713

Total Long Term Debt	\$204,150
	=====

NOTE 7 - DEBT (CONTINUED)

On August 13, 2003, the Company entered into a Credit Agreement ("Credit Facility") with a bank for an aggregate amount of \$245 million. Borrowings under the Credit Facility was used (i) to repay the outstanding principal and accrued interest on the existing credit facility; (ii) to fund the purchase price of the 2003 Acquisition (See Note 1); (iii) to pay fees and expenses related to the Credit Agreement and 2003 Acquisition; and (iv) to provide for working capital and general corporate purposes of the Company. The Credit Facility is secured by substantially all of the assets of the Company and its subsidiaries (excluding the assets securing the Industrial Development Bonds).

The Credit Facility consists of a \$30 million working capital facility, which includes a \$3 million letter of credit related to the Pension Benefit Guaranty Corporation ("Working Capital Facility") and a \$215 million term facility ("Term Facility").

The Working Capital Facility bears interest at LIBOR plus 300 basis points or the Base Rate (defined as the higher of (i) the bank's prime rate and (ii) the Federal Funds Rate plus 50 basis points) plus 175 basis points. The Term Facility bears interest at LIBOR plus 350 basis points or the Base Rate plus 225 basis points. The LIBOR and base rate margins are subject to performance pricing step-downs based upon the Company's total debt to EBITDA or debt ratings. The Company may select interest periods of 1, 2, 3, or 6 months for LIBOR advances. A default rate of interest applies in the Credit Facility in the event of default at a rate of 200 basis points above the applicable interest rates.

The Credit Facility requires that the Company maintain minimum fixed charge and interest coverage ratios and maximum coverage ratios and capital spending.

The Company previously carried a \$140 million Credit Facility ("Senior Secured Credit Facility"). The Senior Credit Facility consisted of a \$25 million revolving credit facility ("Senior Secured Revolving Credit Facility"); a \$50 million senior secured term facility ("Senior Secured Term Facility A"); a \$50 million senior secured term facility ("Senior Secured Term Facility B") and up

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

to \$15 million of availability under a Tranche C Facility ("Tranche C Facility"). The Senior Secured Credit Facility was secured by substantially all of the assets of the Company and its subsidiaries (excluding the assets securing the Industrial Development Bonds), 100% of the stock of all domestic subsidiaries of the Company, and 65% of the capital stock of foreign subsidiaries. The Senior Secured Credit Facility was guaranteed by Fremont Acquisition Company, LLC and all existing and hereafter acquired subsidiaries of the Company.

The Senior Secured Revolving Credit Facility, Senior Secured Term Facility A, and Senior Secured Term Facility B were to expire October 31, 2003 and the Tranche C Facility was to expire on November 1, 2003.

As of December 31, 2003, the Company's long-term debt was payable as follows:

2005	\$13,525
2006	18,650
2007	21,650
2008	21,650
2009 and thereafter	128,675

	\$204,150
	=====

During 2003, the Company entered into Interest Rate Swap Agreements with a notional amount of \$160,000,000. The agreements call for the Company to receive a variable interest rate based on 90-day LIBOR and to pay fixed interest rates ranging from 1.79% to 2.79%.

On March 13, 2001, the Company entered into an Interest Rate Swap Agreement with a notional amount of \$120,000,000. The Agreement called for the Company to receive a variable interest rate based on 30-day LIBOR, and to pay a fixed interest rate of 4.80%. The swap was settled every 30 days and concluded on March 16, 2002.

NOTE 7 - DEBT (CONTINUED)

Included in interest expense is \$603,000 and \$698,000 of expense related to the Interest Rate Swap Agreements for the years ended December 31, 2003 and 2002, respectively.

The Company paid interest of \$7,451,000 and \$6,949,000 during the years ended December 31, 2003 and 2002, respectively.

The carrying value of the Senior Secured Credit Facility approximates fair value given the variable rate components of the debt instruments.

NOTE 8 - ENVIRONMENTAL RESERVES

The Company has been designated by the Environmental Protection Agency as a potentially responsible party to share in the remediation costs of several

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

waste disposal sites. Pursuant to the 1992 sale of the Metal Crown Business and the 1998 sale of certain plastic operations of Sun Coast, the Company has indemnified the buyer for certain environmental remediation costs. In addition, pursuant to the 1983 and 1992 sales of the Commercial Glass Container Businesses, the Company has indemnified the buyer for certain environmental remediation costs and has retained ownership of certain real property used in the Commercial Glass Container Business which may require environmental remediation. The estimated ultimate liability of the environmental indemnities related to these businesses is not material to the results of operations or the balance sheet of the Company. During the years ended December 31, 2003 and 2002, the Company made cash payments related to environmental remediation of \$183,000 and \$289,000, respectively. As of December 31, 2003, the Company has accrued \$443,000 for the expected remaining costs associated with environmental remediation described above and in connection with its current manufacturing plants. The amount of the accrual was based in part on an environmental study performed by an independent environmental engineering firm. The Company accrues costs associated with environmental matters when they become probable and can be reasonably estimated.

NOTE 9 - COMPANY PREFERRED STOCK

During 2003, the Company authorized 40,000 shares of \$.01 par value Series A Preferred Stock. On August 13, 2003, 34,000 shares were issued at a price of \$1,000 per share. The preferred shares carry a conversion feature that allows the preferred stock to convert to common stock at a rate of \$18,840 per share. The stated value will accrete for a period of six years from the date of issuance at a rate equal to the greater of (i) dividends paid on the common stock on an as-converted basis and (ii) 10% per annum, compounded quarterly. Thereafter, the stated value will accrete at a rate equal to dividends paid on the common stock on an as-converted basis. The preferred stock is not redeemable and is senior to common stock in terms of dividends and liquidation preference.

NOTE 10 - COMPANY STOCK OPTION PLANS

In conjunction with the Kerr Acquisition on August 26, 1997, Richard Hofmann, the President and Chief Executive Officer of the Company, Lawrence Caldwell, the Chief Financial Officer of the Company and Daniel Gresham, a principal of New Canaan, were each beneficially granted an option to purchase 185.185 shares of Common Stock, at an exercise price of \$10,000 per share. One-fifth of such option shares were vested and exercisable on the date of grant; an additional one-fifth of such option shares will vest and become exercisable on each anniversary of the date of grant, subject to the continued employment of Mr. Hofmann (in the case of the options beneficially held by Mr. Hofmann and Mr. Gresham) or Mr. Caldwell (in the case of the options beneficially held by Mr. Caldwell). The option agreements pursuant to which such options were granted (the "Option Agreements") provide that, upon the termination of the employment of Mr. Hofmann or Mr. Caldwell, as applicable, for any reason other than death or disability, the option shall be exercisable by the optionee for a period of thirty days after cessation of employment to the extent such option was vested on the date of such cessation of employment. In the case of termination of employment due to death or disability, the option is exercisable, to the extent vested, for a period of six months after such date. The Option Agreements further provide that in the event of (i) termination of employment due to death or disability, (ii) termination of employment by the Company without cause or by Mr. Hofmann or Mr. Caldwell, as applicable, for good reason, or (iii) a Change of Control (as defined in the Option Agreements), the vesting of the

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

option shall accelerate and the option shall become immediately exercisable for all shares of Common Stock covered by the option.

In connection with the Sun Coast Acquisition, Mr. Hofmann, Mr. Caldwell, and Mr. Gresham were also each beneficially granted an option to purchase 46.944 shares of Common Stock of the Company, at an exercise price of \$10,000 per share. The option agreements entered into with respect to such options contain substantially the same terms as those entered into in connection with the Kerr Acquisition.

NOTE 10 - COMPANY STOCK OPTION PLANS (CONTINUED)

In April 1998, the Company's Board of Directors adopted, and the stockholders approved, the Kerr Group, Inc. 1998 Stock Incentive Plan (the "1998 Stock Incentive Plan"). The 1998 Stock Incentive Plan will be administered by the Compensation and Stock Option Committee of the Board of Directors (the "Committee") upon the establishment thereof, and by the Board of Directors prior to such time. All directors, officers, employees, consultants and advisors of the Company are eligible for discretionary awards under the 1998 Stock Incentive Plan. The 1998 Stock Incentive Plan provides for stock-based incentive awards, including incentive stock options, non-qualified stock options, restricted stock, performance shares, stock appreciation rights and deferred stock. The 1998 Stock Incentive Plan permits the Board of Directors, or the Committee, as the case may be, to select eligible persons to receive awards and to determine certain terms and conditions of such awards, including the vesting schedule and exercise price of each award, and whether such award shall accelerate upon the occurrence of a change in control of the Company. Under the 1998 Stock Incentive Plan, options, restricted stock, performance shares or stock appreciation rights covering no more than 80% of the shares reserved for issuance under the 1998 Stock Incentive Plan may be granted to any participant in any one year. A total of 366,520 shares have been reserved for issuance under the 1998 Stock Incentive Plan. As of December 31, 2003, 286,300 non-qualified stock options have been issued under the 1998 Stock Incentive Plan. No other stock-based incentive awards have been granted.

The Company accounts for stock-based compensation as described in Note 1. The Company elected to continue the intrinsic-value method of expense recognition. If compensation cost for these plans had been determined using the fair-value method prescribed by SFAS No. 123, the Company's results would have been reduced to the proforma amounts indicated below.

	Year Ended December 31, 2003	Year Ended December 31, 2002
	-----	-----
Net income (loss) before preferred stock dividends	\$30,707,000	\$ (19,374,000)
Compensation expense	168,000	70,000
	-----	-----
Proforma net income (loss)	\$30,539,000	\$ (19,444,000)
	=====	=====

The fair value of each option was estimated on the grant date using the Black-Scholes option-pricing model. Based on the assumptions presented below, the weighted average fair value of options granted \$5,428 per option in 2003. No

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

options were granted in 2002.

	2003 -----	2002 -----
Expected life in years	10 years	--
Risk-free interest rate	4.07%	--
Volatility	0.00%	--
Dividend yield	0.00%	--

NOTE 10 - COMPANY STOCK OPTION PLANS (CONTINUED)

A summary of stock option activity is presented below.

	Shares -----	Weighted Average Exercise Price -----
2003		
Outstanding, beginning of year	867.687	\$10,460
Granted	115.000	16,500
Forfeited/canceled	--	--
	-----	-----
Outstanding, end of year	982.687	\$11,170
Exercisable, end of year	840.738	\$10,280
Available for grant, end of year	80.220	
2002		
Outstanding, beginning of year	883.775	\$10,510
Forfeited/canceled	(16.088)	\$12,960
	-----	-----
Outstanding, end of year	867.687	\$10,460
Exercisable, end of year	805.200	\$10,180
Available for grant, end of year	195.220	

For options outstanding at the end of 2003, exercise prices ranged from \$10,000 to \$16,500 and the weighted average remaining life was approximately 4.5 years.

NOTE 11 - RENTAL EXPENSE AND LEASE COMMITMENTS

The Company occupies certain manufacturing facilities, warehouse facilities and office space and uses certain automobiles, machinery and equipment under noncancelable lease arrangements. Rent expense related to these agreements was \$3,752,000 and \$1,714,000 for the years ended December 31, 2003 and 2002, respectively.

At December 31, 2003, the Company was obligated under various noncancelable

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

operating leases. Future minimum rental commitments under the Company's leases are as follows:

Years Ended December 31,	Total Commitment

	(in thousands)
2004	\$5,071
2005	4,285
2006	3,423
2007	2,024
2008	1,734
2009 and thereafter	23,577

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal proceedings and litigation arising in the normal course of business. In the opinion of management, the outcome of such proceedings will not materially affect the Company's consolidated financial position or results of operations.

NOTE 13 - RELATED PARTY TRANSACTIONS

The Company and Fremont entered into a Advisory Services Agreement (the "Advisory Services Agreement") dated August 13, 2003. The Advisory Services Agreement provides that Fremont will provide Kerr such services as may from time to time be reasonably requested by the Company and which are necessary and appropriate for the operation of the business of the Company. The Advisory Services Agreement provides for the semi-annual payment to Fremont of \$275,000, and for the reimbursement of Fremont for its expenses reasonably incurred in providing services for the Company. The Advisory Services Agreement also indemnifies Fremont for any and all losses, claims, damages and liabilities related to or arising out of the Advisory Services Agreement. The Advisory Services Agreement may be terminated by mutual consent of the parties. The Advisory Services Agreement also called for a payment of \$1,687,500 plus expenses of transaction services related to the 2003 Acquisition (Note 1) and services related to the refinancing of the Company's long term debt (Note 7). Included in selling, general and administrative expenses was \$401,000 and \$374,000 in 2003 and 2002, respectively, related to the Advisory Services Agreement. As of December 31, 2003 and 2002, the Company has \$260,000 and \$575,000, respectively, in other current liabilities related to the Advisory Services Agreement.

On January 1, 2003, the Company entered into a letter agreement with New Canaan (the "New Canaan Agreement"), for the provision of certain strategic planning and advisory services to the Company by New Canaan. The agreement provides for the payment to New Canaan of an annual fee of \$600,000 through December 2005, so long as Fremont remains the majority stockholder of the Company and Mr. Caldwell and Mr. Hofmann remain employed by the Company. Included in selling, general and administrative expenses was \$600,000 for each of the years ended December 31, 2003 and 2002, respectively, related to the New Canaan Agreement.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

In conjunction with the New Canaan agreement, the Company also entered into employment agreements with each Richard Hofmann and Lawrence Caldwell, each of whom are partners in New Canaan. The employment agreements expire December 31, 2005 and provide for non-competition arrangements.

KERR GROUP, INC.

BALANCE SHEETS

(IN THOUSANDS OF DOLLARS)

MARCH 31, 2005

	(UNAUDITED)
ASSETS	
Current assets:	
Cash and cash equivalents.....	\$ 1,674
Accounts receivable, net.....	47,087
Inventories.....	37,863
Deferred income taxes.....	5,208
Other current assets.....	2,465

Total current assets.....	94,297
Property and equipment; net.....	120,545
Deferred income taxes.....	6,888
Goodwill.....	105,407
Other intangibles.....	1,264
Other assets.....	6,895

Total assets.....	\$335,296
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable.....	\$ 29,036
Other current liabilities.....	16,991
Current portion of long-term debt	13,549

Total current liabilities..	59,576
Long-term liabilities:	
Long-term debt, net of current portion	169,219
Retirement obligations.....	13,149
Other long-term liabilities...	4,092

Total liabilities.....	246,036

Stockholders' equity:	
Preferred stock.....	1
Common stock.....	1
Additional paid-in capital....	89,968
Retained earnings.....	6,964
Accumulated other comprehensive loss	(7,440)
Treasury stock.....	(234)

Total stockholders' equity.....	89,260

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Total liabilities and stockholders' equity \$335,296
=====

See accompanying notes to financial statements

KERR GROUP, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

(IN THOUSANDS OF DOLLARS)	QUARTER ENDED MARCH 31, 2005	QUARTER ENDED MARCH 31, 2004
-----	-----	-----
		(UNAUDITED)
Net sales.....	\$ 99,471	\$ 90,691
Cost of sales.....	78,720	70,334
	-----	-----
Gross profit.....	20,751	20,357
	-----	-----
Selling, general & administrative expenses	13,163	12,861
Restructuring and other charges	422	113
	-----	-----
Operating income.....	7,166	7,383
	-----	-----
Interest expense.....	2,702	3,045
Provision for income taxes.....	1,598	1,567
	-----	-----
Net income before preferred stock dividends	2,866	2,771
Preferred stock dividend.....	845	890
	-----	-----
Net income attributable to common stockholders	2,021	1,881
Retained earnings-beginning of year	4,943	1,388
	-----	-----
Retained earnings-end of period	\$ 6,964	\$ 3,269
	=====	=====

See accompanying notes to financial statements

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

KERR GROUP, INC.

STATEMENTS OF CASH FLOWS

(IN THOUSANDS OF DOLLARS)	MARCH 31, 2005	MARCH 31, 2004
		(UNAUDITED)
Cash flows from operating activities:		
Net income before preferred stock dividend	\$2,863	\$2,777
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	6,779	6,799
Payments associated with acquisition	-	(81)
Restructuring related payments....	(531)	(52)
Restructuring related expenses....	422	11
Change in deferred income taxes...	1,598	1,266
Benefit payments in excess of expense	(207)	(62)
Changes in operating working capital:		
Accounts receivable.....	(6,913)	(1,84)
Inventory.....	744	(1,54)
Other current assets.....	(611)	(68)
Accounts payable.....	762	5,42
Accrued expenses.....	253	2,78
Other long-term assets.....	(23)	(6)
Other long-term liabilities....	142	(9)
Net cash provided by operating activities	5,278	12,96
Cash flows from investing activities:		
Capital expenditures.....	(7,282)	(6,75)
Other.....	39	
Net cash used in investing activities	(7,243)	(6,75)
Cash flows from financing activities:		
Repayment of term loans.....	(2,764)	(2,22)
Payments associated with financing	-	(10)
Net cash used in financing activities	(2,764)	(2,33)
Net increase (decrease) in cash.....	(4,729)	3,88
Cash and cash equivalents at beginning of year	6,403	5,51
Cash and cash equivalents at end of period	\$1,674	\$9,39

See accompanying notes to financial statements

KERR GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT AS OTHERWISE NOTED)
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Kerr Group, Inc. have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full fiscal year.

2. LONG-TERM DEBT

Borrowing as of March 31, 2005 and December 31, 2004, are as follows:

	MARCH 31, 2005 -----
\$215 million Term Loan Facility bearing interest at a rate equal to Libor plus 350 basis points or the Base Rate plus 225 basis points.	\$181,905
\$30 million Revolving Credit Facility bearing interest at a rate equal to Libor plus 300 basis points or the Base Rate plus 175 basis points.	-
Industrial Development Revenue bonds bearing interest at 78% of prime	863 -----
Total debt.....	182,768
Less: current portion.....	(13,549) -----
Long-term debt.....	\$169,219 =====

Maturities of long-term debt for the next five years are as follows:

2005	2006	2007	2008	2009
----	----	----	----	----

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

\$9,537	\$16,955	\$19,680	\$19,680	\$40,289
-----	-----	-----	-----	-----

The provisions of the Company's loan and credit agreements with Wells Fargo require the maintenance at each calendar quarter end a minimum ratio of fixed charge coverage, a maximum ratio of funded debt to earnings before interest, depreciation and amortization, and a minimum ratio of interest expense to earnings before interest, depreciation and amortization. The Company is also limited to a maximum capital expenditure for each calendar year. The Company was in compliance with the aforementioned covenants as of March 31, 2005.

3. SUBSEQUENT EVENT

On May 6, 2005, Berry Plastics Corporation ("Berry") announced that it has entered into a definitive agreement to acquire Kerr Group, Inc. ("Kerr") for \$445.0 million, including repayment of existing indebtedness. The purchase price will be funded with a combination of debt, and cash on Berry's balance sheet. The transaction is scheduled to close in the second quarter of 2005 and is subject to customary closing conditions.

(b) Pro forma financial information

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

As used in this report, "BPC Holding" or "Holding" refers to BPC Holding Corporation, "we," "our" or "us" refers to BPC Holding Corporation together with its consolidated subsidiaries (not including Kerr Group, Inc. ("Kerr"), unless the context otherwise requires), "Berry Plastics" or "the Company" refers to Berry Plastics Corporation, a wholly-owned subsidiary of BPC Holding.

On June 3, 2005 Berry Plastics completed the acquisition of Kerr, a privately held Delaware Corporation, through a merger of Berry Plastics Acquisition Corporation VI, a wholly owned subsidiary of Berry Plastics, with and into Kerr, with Kerr surviving the merger.

Set forth below are the unaudited pro forma combined condensed balance sheet of BPC Holding as of April 2, 2005 and Kerr as of March 31, 2005, assuming the acquisition occurred on April 2, 2005 (with respect to BPC Holding) and March 31, 2005 (with respect to Kerr), and the unaudited pro forma combined condensed statements of operations of BPC Holding for the year ended January 1, 2005 and the thirteen weeks ended April 2, 2005 and of Kerr for the year ended December 31, 2004 and the quarter ended March 31, 2005, assuming the acquisition occurred at the beginning of the respective period. The pro forma statements of operations do not reflect transaction costs that will be expensed in connection with the acquisition or any write-offs that may result from the acquisition. We do not believe that any write-offs will be material to the Company unless we are required under accounting principles to write-off deferred financing fees resulting from the amendment to our senior secured credit facility.

The unaudited pro forma combined financial information is presented for informational purposes only and does not purport to represent the financial condition of BPC Holding had the acquisition occurred on April 2, 2005 or the results of operations of us for the year ended January 1, 2005, or the thirteen

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

weeks ended April 2, 2005 had the acquisition occurred at the beginning of such period, or to project the results for any future date or period.

PRO FORMA COMBINED CONDENSED CONSOLIDATED BALANCE SHEET
AS OF APRIL 2, 2005

(DOLLARS IN THOUSANDS)	BPC HOLDING AS OF APRIL 2, 2005	KERR AS OF MARCH 31, 2005	ADJUSTMENTS FOR THE ACQUISITION	PRO FORMA FOR THE ACQUISITION
-----	-----	-----	-----	-----
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 637	\$ 1,674	\$(1,674) (1)	\$ 637
Accounts receivable	105,829	47,087	-	152,916
Inventories	111,386	37,863	-	149,249
Other current assets	20,814	7,673	-	28,487
	-----	-----	-----	-----
Total current assets	238,666	94,297	(1,674)	331,289
Property and equipment, net	282,198	120,545	-	402,743
Intangible assets	500,391	106,671	199,646 (2)	806,708
Other assets	71	13,783	(5,673) (3)	8,181
	-----	-----	-----	-----
Total assets	\$1,021,326	\$335,296	\$192,299	\$1,548,921
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 75,542	\$29,036	\$ -	\$ 104,578
Other current liabilities	48,543	16,991	(469) (4)	65,065
Current portion of long-term debt	9,894	13,549	(8,924) (5)	14,519
	-----	-----	-----	-----
Total current liabilities	133,979	59,576	(9,393)	184,162
Long-term debt (less current portion)	689,690	169,219	291,207 (5)	1,150,116
Other long-term liabilities	11,272	17,241	(255) (4)	28,258
	-----	-----	-----	-----
Total liabilities	834,941	246,036	281,559	1,362,536
Stockholders' equity:				
Preferred stock	-	1	(1) (6)	-
Common stock	34	1	(1) (6)	34
Additional paid-in capital	345,001	89,868	(89,868) (6)	345,001
Adjustment of the carryover basis of continuing stockholders	(196,603)	-	-	(196,603)
Notes receivable-common stock	(15,056)	-	-	(15,056)
Treasury stock	(2,049)	(234)	234 (6)	(2,049)
Retained earnings	42,977	6,964	(6,964) (6)	42,977

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Accumulated other comprehensive income (loss)	12,081	(7,440)	7,440	(6)	12,081
	-----	-----	-----		-----
Total stockholders' equity	186,385	89,260	(89,260)		186,385
	-----	-----	-----		-----
Total liabilities and stockholders' equity	\$1,021,326	\$335,296	\$192,299		\$1,548,921
	=====	=====	=====		=====

NOTES TO PRO FORMA COMBINED CONDENSED CONSOLIDATED BALANCE SHEET
AS OF APRIL 2, 2005
(DOLLARS IN THOUSANDS)

(1) This adjustment reflects the elimination of Kerr cash of (\$1,674) not being acquired in the Kerr Acquisition.

(2) The Kerr Acquisition will be accounted for as a purchase. Preliminarily, we have allocated the excess of the purchase price over the net assets acquired to goodwill (included in intangible assets). Under generally accepted accounting principles, goodwill is not amortized but is reviewed for impairment annually. We have not completed the process of reviewing our assets to determine the amount of any write-up or write-down to fair value of our net assets in connection with the Kerr Acquisition. Accordingly, the allocation described below is subject to change when we determine the purchase price allocation. If our non-goodwill assets are written up to fair value in connection with the Kerr Acquisition, our expenses in the future will be higher as a result of increased depreciation and amortization of our assets. Similarly, if our non-goodwill assets are written down to fair value, our depreciation and amortization will decrease in the future.

Purchase price.....	\$445,000
Estimated transaction costs	20,051

Total consideration.	465,051
Less: Net assets acquired	(265,045)

Net adjustment.....	\$199,946
	=====

(3) This adjustment reflects the elimination of Kerr unamortized deferred financing fees (\$5,265) and the fair market value adjustment of a Kerr interest rate hedge (\$408) that will be written off as a result of debt repayment in connection with the acquisition.

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

(4) This adjustment reflects the elimination of deferred gains associated with a Kerr interest rate hedge (\$469 current and \$255 long-term) that will be written off as a result of debt repayment in connection with the acquisition.

(5) This adjustment reflects the retirement of Kerr debt and borrowings under the amendment to our senior secured credit facility in connection with the acquisition.

	CURRENT PORTION -----	LONG-TERM DEBT -----
Retirement of Kerr debt	\$(13,549)	\$(169,219)
Existing term loan..	(3,325)	(326,624)
New term loan.....	7,950	787,050
	-----	-----
Net adjustments.....	\$(8,924)	\$291,207
	=====	=====

(6) This adjustment reflects the elimination of Kerr stockholders' equity.

PRO FORMA COMBINED CONDENSED CONSOLIDATED
STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED JANUARY 1, 2005

(DOLLARS IN THOUSANDS)	BPC HOLDING FISCAL YEAR ENDED JANUARY 1, 2005	KERR YEAR ENDED DECEMBER 31, 2004	ADJUSTMENTS FOR THE ACQUISITION
-----	-----	-----	-----
Net sales.....	\$814,213	\$381,882	\$ -
Cost of goods sold.....	639,329	291,848	-
	-----	-----	-----
Gross profit.....	174,884	90,034	-
Operating expenses.....	81,008	59,582	-
	-----	-----	-----
Operating income.....	93,876	30,452	-
Other income.....	-	(1,209)	-
Interest expense, net.....	53,185	11,672	18,145 (1)
	-----	-----	-----
Income (loss) before income taxes	40,691	19,989	(18,145)
Income taxes (benefit).....	17,740	7,067	(7,258) (2)
	-----	-----	-----

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Net income (loss).....	22,951	12,922	(10,887)
Preferred stock dividends..	-	3,501	(3,501) (3)
	-----	-----	-----
Net income (loss) attributable to common stockholders.....	\$22,951	\$9,421	\$ (7,386)
	=====	=====	=====

PRO FORMA COMBINED CONDENSED CONSOLIDATED
STATEMENT OF OPERATIONS
FOR THE THIRTEEN WEEKS ENDED APRIL 2, 2005

(DOLLARS IN THOUSANDS)	BPC HOLDING THIRTEEN WEEKS ENDED APRIL 2, 2005	KERR QUARTER ENDED MARCH 31, 2005	ADJUSTMENTS FOR THE ACQUISITION	PRO FO FOR ACQUIS
	-----	-----	-----	-----
Net sales	\$225,310	\$99,471	\$ -	\$324,
Cost of goods sold	184,016	78,720	-	262,
	-----	-----	-----	-----
Gross profit	41,294	20,751	-	62,
Operating expenses	19,286	13,585	-	32,
	-----	-----	-----	-----
Operating income	22,008	7,166	-	29,
Other expense.....	632	-	-	
Interest expense, net	13,818	2,702	4,752 (1)	21,
	-----	-----	-----	-----
Income (loss) before income taxes	7,558	4,464	(4,752)	7,
Income taxes (benefit)	3,759	1,598	(1,901) (2)	3,
	-----	-----	-----	-----
Net income (loss)	3,799	2,866	(2,851)	3,
Preferred stock dividends	-	845	(845) (3)	
	-----	-----	-----	-----
Net income (loss) attributable to common stockholders.....	\$ 3,799	\$ 2,021	\$ (2,006)	\$ 3,
	=====	=====	=====	=====

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

NOTES TO PRO FORMA COMBINED CONDENSED
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS)

(1) This adjustment reflects the elimination of Kerr interest expense and changes in interest expense resulting from the financing of the Kerr acquisition.

	2004 -----	THIRTEEN WEEKS ENDED APRIL 2, 2005 -----
Kerr existing interest.....	\$(11,672)	\$(2,702)
Amendment of credit agreement:		
Interest.....	28,587	7,147
Amortization of deferred financing	1,231	308
	-----	-----
Net adjustments.....	\$18,145	\$ 4,752
	=====	=====

(2) This adjustment represents the income tax change as a result of the other items reflected in these notes to pro forma combined condensed consolidated statement of operations.

(3) This adjustment reflects the elimination of preferred stock dividends on the preferred stock of Kerr redeemed in connection with the acquisition.

SIGNATURES

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

Edgar Filing: BERRY PLASTICS CORP - Form 424B3

Dated: July 29, 2005

BPC HOLDING CORPORATION
BERRY PLASTICS CORPORATION

By:/s/ James M. Kratochvil

James M. Kratochvil
Executive Vice President, Chief Financial
Officer, Treasurer and Secretary