BERRY PLASTICS GROUP INC
Form 10-Q
May 07, 2013

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 30, 2013

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 001-35672
BERRY PLASTICS GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-5234618
(State or other jurisdiction of incorporation or organization)	(IRS employer identification number)
101 Oakley Street Evansville, Indiana	47710
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (812) 424-2904

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes [ ] No [X]

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

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

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, or non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X] Small reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes[ ] No[X]

As of May 7, 2013, there were approximately 113,790,000 shares of the registrant's common stock outstanding.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Form 10-Q includes “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to our financial condition, results of operations and business and our expectations or beliefs concerning future events. The forward-looking statements include, in particular, statements about our plans, strategies and prospects under the heading "Management’s Discussion and Analysis of Financial Condition and Results of Operations". You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “will,” “should,” “would,” “coul “seeks,” “approximately,” “intends,” “plans,” “estimates,” or “anticipates” or similar expressions that relate to our strategy, pla intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on the date of this Form 10-Q.

All forward-looking information and subsequent written and oral forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include:

- risks associated with our substantial indebtedness and debt service;
- changes in prices and availability of resin and other raw materials and our ability to pass on changes in raw material prices on a timely basis;
- performance of our business and future operating results;
- risks related to our acquisition strategy and integration of acquired businesses;
- reliance on unpatented know-how and trade secrets;
- increases in the cost of compliance with laws and regulations, including environmental, safety, and production and product laws and regulations;
- risks related to disruptions in the overall economy and the financial markets that may adversely impact our business;
- catastrophic loss of one of our key manufacturing facilities, natural disasters, and other unplanned business interruptions;
- risks of competition, including foreign competition, in our existing and future markets;
- general business and economic conditions, particularly an economic downturn;
- the ability of our insurance to cover fully our potential exposures; and
- the other factors discussed in our Form 10-K for the fiscal year ended September 29, 2012 in the section titled “Risk Factors.”

We caution readers that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Form 10-Q may not in fact occur. Accordingly, investors should not place undue reliance on those statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Readers should carefully review the factors discussed in our Form 10-K for the fiscal year ended September 29, 2012 in the section titled “Risk Factors” and other risk factors identified from time to time in our periodic filings with the Securities and Exchange Commission (“SEC”). We undertake no obligation to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

AVAILABLE INFORMATION

We make available, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments, if any, to those reports through our Internet website as soon as practicable after they have been electronically filed with or furnished to the SEC. Our internet address is www.berryplastics.com. The information contained on our website is not being incorporated herein.

Berry Plastics Group, Inc.

Form 10-Q Index
For Quarterly Period Ended March 30, 2013

			Page No.
Part I.	Financial Information		
	Item 1.	Financial Statements:	
		Consolidated Balance Sheets	5
		Consolidated Statements of Operations and Comprehensive Income (Loss)	6
		Consolidated Statements of Changes in Stockholders' Equity (Deficit)	7
		Consolidated Statements of Cash Flows	8
		Notes to Consolidated Financial Statements	9
	Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	23
	Item 3.	Quantitative and Qualitative Disclosures about Market Risk	30
	Item 4.	Controls and Procedures	31
Part II.	Other Information		
	Item 1.	Legal Proceedings	32
	Item 1A.	Risk Factors	32
	Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	32
	Item 3.	Defaults Upon Senior Securities	32
	Item 4.	Mine Safety Disclosures	32
	Item 5.	Other Information	32
	Item 6.	Exhibits	32
	Signature		33

Berry Plastics Group, Inc.
Consolidated Balance Sheets
(in millions of dollars, except per share data)

Assets	March 30, 2013 (Unaudited)	September 29, 2012
Current assets:		
Cash and cash equivalents	$ 16	$ 87
Accounts receivable (less allowance of $3 at March 30, 2013 and September 29, 2012)	458	455
Inventories:		
Finished goods	357	306
Raw materials and supplies	253	229
	610	535
Deferred income taxes	130	114
Prepaid expenses and other current assets	35	42
Total current assets	1,249	1,233
Property, plant, and equipment, net	1,242	1,216
Goodwill, intangible assets and deferred costs	2,579	2,636
Other assets	12	21
Total assets....	$ 5,082	$ 5,106
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 375	$ 306
Accrued expenses and other current liabilities	300	300
Current portion of long-term debt	57	40
Total current liabilities	732	646
Long-term debt, less current portion	3,942	4,431
Deferred income taxes	330	315
Other long-term liabilities	393	166
Total liabilities	5,397	5,558
Commitments and contingencies		
Redeemable shares	—	23
Stockholders' equity (deficit):		
Common stock; ($0.01 par value; 400,000,000 shares authorized; 113,164,457 shares issued and 113,093,973 shares outstanding as of March 30, 2013; 84,696,218 issued and 83,209,232 outstanding as of September 29, 2012)	1	1
Paid-in capital	301	131
Notes receivable—common stock	(1)	(2)
Non-controlling interest	3	3
Accumulated deficit	(570)	(561)
Accumulated other comprehensive loss	(49)	(47)
Total stockholders' equity (deficit)	(315)	(475)

Total liabilities and stockholders' equity (deficit)	$ 5,082	$ 5,106

See notes to consolidated financial statements.

Berry Plastics Group, Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)
(in millions of dollars, except per share data)

	Quarterly Period Ended		Two Quarterly Periods Ended	
	March 30, 2013	March 31, 2012	March 30, 2013	March 31, 2012
Net sales	$ 1,150	$ 1,183	$ 2,222	$ 2,320
Costs and expenses:				
Cost of goods sold	936	979	1,831	1,964
Selling, general and administrative	75	84	152	156
Amortization of intangibles	27	26	54	54
Restructuring and impairment charges	1	3	6	26
Operating income	111	91	179	120
Debt extinguishment	48	—	64	—
Other expense (income), net	(1)	2	(4)	(2)
Interest expense	61	83	131	166
Income (loss) before income taxes	3	6	(12)	(44)
Income tax expense (benefit)	2	4	(3)	(15)
Net income (loss)	$ 1	$ 2	$ (9)	$ (29)
Net loss per share:				
Basic	$ 0.01	$ 0.02	$ (0.08)	$ (0.35)
Diluted	0.01	0.02	(0.08)	(0.35)
Weighted-average number of shares outstanding: (in thousands)				
Basic	113,034	83,508	112,193	83,680
Diluted	118,197	84,574	112,193	83,680
Comprehensive income (loss)	$ (4)	$ 10	$ (11)	$ (20)

See notes to consolidated financial statements.

Berry Plastics Group, Inc.
Consolidated Statement of Changes in Stockholders' Equity (Deficit)
For the Two Quarterly Periods Ended March 30, 2013 and March 31, 2012
(Unaudited)
(in millions of dollars)

	Common Stock	Paid-in Capital	Notes Receivable-Common Stock	Non-controlling Interest	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balance at October 1, 2011	$ —	$ 143	$ (2)	$ 3	$ (48)	$ (563)	$ (467)
Redeemable shares	—	(2)	—	—	—	—	(2)
Stock compensation expense	—	2	—	—	—	—	2
Derivative amortization	—	—	—	—	1	—	1
Currency translation	—	—	—	—	8	—	8
Net loss	—	—	—	—	—	(29)	(29)
Balance at March 31, 2012	—	143	(2)	3	(39)	(592)	(487)
Balance at September 29, 2012	$ 1	$ 131	$ (2)	$ 3	$ (47)	$ (561)	$ (475)
Proceeds from issuance of common stock	—	4	—	—	—	—	4
Stock compensation expense	—	5	—	—	—	—	5
Repayment of note receivable	—	—	1	—	—	—	1
Termination of redeemable shares redemption requirement	—	23	—	—	—	—	23
Proceeds from initial public offering	—	438	—	—	—	—	438
Initial obligation under tax receivable	—	(300)	—	—	—	—	(300)

agreement							
Derivative amortization	—	—	—	—	2	—	2
Interest rate hedge, net of tax	—	—	—	—	(2)	—	(2)
Net loss	—	—	—	—	—	(9)	(9)
Currency translation	—	—	—	—	(2)	—	(2)
Balance at March 30, 2013	$ 1	$ 301	$ (1)	$ 3	$ (49)	$ (570)	$ (315)

See notes to consolidated financial statements.

Berry Plastics Group, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(in millions of dollars)

	Two Quarterly Periods Ended	
	March 30, 2013	March 31, 2012
Cash Flows from Operating Activities:		
Net loss...	$ (9)	$ (29)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	118	122
Amortization of intangibles	54	54
Non-cash interest expense	8	12
Deferred income tax expense (benefit)	(3)	(17)
Loss on disposal and impairment of assets	—	20
Debt extinguishment	64	—
Other non-cash expense (income)	2	4
Changes in operating assets and liabilities:		
Accounts receivable, net	(1)	54
Inventories	(73)	(4)
Prepaid expenses and other assets	13	(3)
Accounts payable and other liabilities	(8)	(58)
Net cash from operating activities	165	155
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(107)	(106)
Proceeds from sale of assets	2	8
Acquisition of businesses, net of cash acquired	(20)	7
Net cash from investing activities	(125)	(91)
Cash Flows from Financing Activities:		
Proceeds from long-term borrowings	1,392	—
Repayments on long-term borrowings	(1,902)	(68)
Proceeds from issuance of common stock	4	—
Repayment of notes receivable	1	—
Purchases of common stock	—	(6)
Payment of tax receivable agreement	(5)	—
Debt financing costs	(39)	—
Proceeds from initial public offering	438	—
Net cash from financing activities	(111)	(74)
Effect of exchange rate changes on cash	—	—
Net change in cash	(71)	(10)
Cash and cash equivalents at beginning of period	87	42
Cash and cash equivalents at end of period	$ 16	$ 32

See notes to consolidated financial statements.

-8-

Berry Plastics Group, Inc.
Notes to Consolidated Financial Statements
(Unaudited)
(tables in millions of dollars, except per share data)

1. Background

Berry Plastics Group, Inc. ("Berry" or the "Company") is a leading provider of value-added plastic consumer packaging and engineered materials with a track record of delivering high-quality customized solutions to our customers. Representative examples of our products include thermoform drink cups, thin-wall containers, blow-molded bottles, specialty closures, prescription vials, specialty plastic films, adhesives and corrosion protection materials. We sell our solutions predominantly into consumer-oriented end-markets, such as food and beverage, healthcare and personal care.

2. Basis of Presentation

As of March 30, 2013, Berry was majority owned by affiliates of Apollo Management, L.P. ("Apollo") and Graham Partners ("Graham"). Berry, through its wholly-owned subsidiaries operates in four primary segments: Rigid Open Top, Rigid Closed Top, Engineered Materials, and Flexible Packaging. The Company's customers are located principally throughout the United States, without significant concentration in any one region or with any one customer. The accompanying unaudited Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting. 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. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-K filed with the Securities and Exchange Commission for the fiscal year end September 29, 2012. All intercompany transactions have been eliminated. The Company issued financial statements by filing with the Securities and Exchange Commission and has evaluated subsequent events up to the time of the filing.

Reclassification Adjustments

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. The Company historically presented Other operating expenses in its Consolidated Statements of Operations, which consisted predominately of business optimization costs and management fees to affiliates of Apollo and Graham. The Company has eliminated separate presentation of Other operating expenses from its Consolidated Statements of Operations to better align with the way the Company is reviewing its operating results. For the quarterly periods and two quarterly periods ended March 30, 2013 and March 31, 2012 business optimization costs were $2 million and $7 million and $11 million and $20 million, respectively and are included in Cost of goods sold. The Company recorded management fees of $3 million and $5 million for the quarterly period and two quarterly periods ended March 31, 2012, respectively and are included in Selling, general and administrative expense. The Company's management fee agreement with Apollo and other investors terminated upon completion of the initial public offering.

Initial Public Offering

In October 2012, the Company filed an initial public offering and sold 29,411,764 shares of common stock at $16.00 per share. In conjunction with the initial public offering the Company executed a 12.25 for one stock split of the Company's common stock. The effect of the stock split on outstanding shares and earnings per share has been retroactively applied to all periods presented. Transaction fees totaling $33 million were included in Paid-in capital on the Consolidated Balance Sheets. Proceeds, net of transaction fees, of $438 million and cash from operations were used to repurchase $455 million of 11% Senior Subordinated Notes due September 2016. As part of the repurchase the Company paid premiums of $13 million and wrote-off $3 million of deferred financing fees.

Tax Receivable Agreement

In connection with the initial public offering, the Company entered into an income tax receivable agreement ("TRA") that provides for the payment to pre-initial public offering stockholders, option holders and holders of our stock appreciation rights, 85% of the amount of cash savings, if any, in U.S. federal, foreign, state and local income tax that are actually realized (or are deemed to be realized in the case of a change of control) as a result of the utilization of our and our subsidiaries' net operating losses attributable to periods prior to the initial public offering. The Company expects to pay between $300 million and $350 million in cash related to this agreement. This range is based on the Company's assumptions using various items, including valuation analysis and current tax law. Upon the effective date of the TRA, the Company recorded an initial obligation of $300 million which is recognized as a reduction of Paid-in capital on the Consolidated Balance Sheet as of March 30, 2013. Changes in the recorded net deferred income tax assets will result in changes in the TRA obligation, and such changes will be recorded as Other expense (income) in the Consolidated Statement of Operations. Payments under the TRA are not conditioned upon the parties' continued ownership of the Company.

Redeemable Common Stock

As of September 29, 2012, the Company had entered into agreements with former employees that required the Company to redeem this common stock at pre-determined dates. Historical redemption of this stock was based on the fair value of the stock on the fixed redemption date. This redeemable common stock was recorded at its fair value in temporary equity and changes in the fair value were recorded in additional paid in capital each period. Upon completion of the initial public offering, the redemption requirement terminated resulting in the Company reclassifying the shares into equity on the Consolidated Balance Sheets.

Other Related Party Transactions

The Company recorded management fees of $3 million and $5 million for the quarterly period and two quarterly periods ended March 31, 2012, respectively, charged by Apollo and other investors to the Company. The Company's management fee agreement with Apollo and other investors terminated upon completion of the initial public offering.

BP Parallel LLC, a non-guarantor subsidiary of the Company, invested $21 million to purchase assignments of $21 million of unsecured term loan during the quarter ended December 29, 2012. Of the $21 million assignments purchased, $14 million were purchased from third parties affiliated with Apollo.

In connection with our initial public offering in October 2012, the Company paid a $1 million underwriting fee to Apollo Global Securities, LLC, an affiliate of Apollo that served as a manager of the offering.

In connection with the incremental term loan Berry Plastics Corporation entered into in February 2013, the Company paid a $1 million underwriting fee to Apollo Global Securities, LLC, an affiliate of Apollo that served as a manager of the offering.

3. Acquisitions

Stopaq®

In June 2012, the Company acquired 100% of the shares of Frans Nooren Beheer B.V. and its operating companies ("Stopaq") for a purchase price of $65 million ($62 million, net of cash acquired). Stopaq is the inventor and manufacturer of patented visco-elastic technologies for use in corrosion prevention, sealing and insulation applications ranging from pipelines to subsea piles to rail and cable joints. The newly added business is operated in the Company's Engineered Materials reporting segment. To finance the purchase, the Company used cash on hand and existing credit facilities. The Stopaq acquisition has been accounted for under the purchase method of accounting, and accordingly, the preliminary purchase price has been allocated to the identifiable assets and liabilities based on estimated fair values at the acquisition date. The Company has not finalized the purchase price allocation to the fair value on fixed assets, deferred income taxes and intangibles. The Company has recognized goodwill on this transaction as a result of expected synergies. A portion of the goodwill will not be deductible for tax purposes.

Prime Label

In October 2012, the Company acquired 100% of the shares of Prime Label and Screen Incorporated ("Prime Label") for a purchase price of $20 million. Prime Label is a leader in specialty re-sealable labels, including a patented rigid lens closure system. The newly added business is operated in the Company's Flexible Packaging reporting segment. To finance the purchase, the Company used cash on hand and existing credit facilities. The Prime Label acquisition has been accounted for under the purchase method of accounting, and accordingly, the preliminary purchase price has been allocated to the identifiable assets and liabilities based on estimated fair values at the acquisition date. The

Company has not finalized the purchase price allocation to the fair value on deferred income taxes and intangibles. The Company has recognized goodwill on this transaction as a result of expected synergies. A portion of the goodwill will not be deductible for tax purposes.

4. Restructuring and Impairment Charges

The Company incurred restructuring costs related to severance, asset impairment and facility exit costs of $1 million and $3 million for the quarterly period ended and $6 million and $26 million for the two quarterly periods ended March 30, 2013 and March 31, 2012, respectively. The tables below set forth the significant components of the restructuring charges recognized for the quarterly period ended March 30, 2013 and March 31, 2012, by segment:

	Quarterly Period Ended		Two Quarterly Periods Ended	
	March 30, 2013	March 31, 2012	March 30, 2013	March 31, 2012
Rigid Open Top				
Severance and termination benefits	$ —	$ —	$ 1	$ —
Total	$ —	$ —	$ 1	$ —
Rigid Closed Top				
Severance and termination benefits	$ 1	$ —	$ 2	$ 2
Facility exit costs and other	—	1	1	1
Asset impairment	—	1	—	4
Total	$ 1	$ 2	$ 3	$ 7
Engineered Materials				
Severance and termination benefits	$ —	$ 1	$ 1	$ 2
Facility exit costs and other	—	—	—	1
Asset impairment	—	—	—	16
Total	$ —	$ 1	$ 1	$ 19
Flexible Packaging				
Severance and termination benefits	$ —	$ —	$ —	$ —
Facility exit costs and other	—	—	1	—
Asset impairment	—	—	—	—
Total	$ —	$ —	$ 1	$ —
Consolidated				
Severance and termination benefits	$ 1	$ 1	$ 4	$ 4
Facility exit costs and other	—	1	2	2
Asset impairment	—	1	—	20
Total	$ 1	$ 3	$ 6	$ 26

The table below sets forth the activity with respect to the restructuring accrual at September 29, 2012 and March 30, 2013:

	Severance and termination benefits	Facilities exit costs and other	Non-cash	Total
Balance at October 1, 2011	$ 4	$ 3	$ —	$ 7
Charges	7	4	20	31
Non-cash asset impairment	—	—	(20)	(20)
Cash payments	(7)	(4)	—	(11)
Balance at September 29, 2012	4	3	—	7

Charges	4	2	—	6
Cash payments	(4)	(3)	—	(7)
Balance at March 30, 2013	$ 4	$ 2	$ —	$ 6

5. Accrued Expenses, Other Current Liabilities and Other Long-Term Liabilities

The following table sets forth the totals included in Accrued expenses and other current liabilities on the Consolidated Balance Sheets.

	March 30, 2013	September 29, 2012
Employee compensation, payroll and other taxes	$ 79	$ 95
Interest	42	60
Rebates	59	68
TRA obligation	63	—
Other	55	77
	$ 300	$ 300

The following table sets forth the totals included in Other long-term liabilities on the Consolidated Balance Sheets.

	March 30, 2013	September 29, 2012
Lease retirement obligation	$ 21	$ 20
Sale-lease back deferred gain	33	34
Pension liability	82	84
TRA obligation	232	—
Other	25	28
	$ 393	$ 166

6. Long-Term Debt

Long-term debt consists of the following:

	Maturity Date	March 30, 2013	September 29, 2012
Term loan	April 2015	$ 1,128	$ 1,134
Term loan	February 2020	1,400	—
Revolving line of credit	June 2016	51	73
9½% Second Priority Senior Secured Notes	May 2018	500	500
9¾% Second Priority Senior Secured Notes	January 2021	800	800
Senior Unsecured Term Loan	June 2014	18	39
Retired debt		—	1,845
Debt discount, net		(8)	(11)
Capital leases and other	Various	110	91
		3,999	4,471
Less current portion of long-term debt		(57)	(40)
		$ 3,942	$ 4,431

The Company's senior secured credit facilities consist of $2.5 billion term loan and $650 million asset based revolving line of credit. The availability under the revolving line of credit is the lesser of $650 million or based on a defined borrowing base which is calculated based on available accounts receivable and inventory. The revolving line of credit allows up to $130 million of letters of credit to be issued instead of borrowings under the revolving line of credit. At

March 30, 2013, the Company had $51 million outstanding on the revolving credit facility, $43 million outstanding letters of credit and a $38 million borrowing base reserve providing unused borrowing capacity of $518 million under the revolving line of credit. The Company was in compliance with all covenants as of March 30, 2013.

In October 2012, the Company filed an initial public offering and sold 29,411,764 shares of common stock at $16.00 per share. Proceeds, net of transaction fees, of $438 million and cash from operations were used to repurchase $455 million of 11% Senior Subordinated Notes.

In December 2012, BP Parallel LLC, invested $21 million to purchase assignments at then-prevailing market prices of $21 million of principal of the Senior Unsecured Term Loan.

In February 2013, the Company entered into an incremental assumption agreement to increase the commitments under Berry Plastics Corporation's existing term loan credit agreement by $1.4 billion. Berry Plastics Corporation borrowed loans in an aggregate principal amount equal to the full amount of the commitments on such date. The incremental term loans bear interest at LIBOR plus 2.50% per annum with a LIBOR floor of 1.00%, mature in February 2020 and are subject to customary amortization. The proceeds from the incremental term loan, in addition to borrowings under the revolving credit facility, were used to (a) satisfy and discharge all of Berry Plastics Corporation's outstanding (i) Second Priority Senior Secured Floating Rate Notes due 2014, (ii) First Priority Senior Secured Floating Rate Notes due 2015, (iii) 10 1⁄4% Senior Subordinated Notes due 2016 and (iv) 8 1⁄4% First Priority Senior Secured Notes due 2015, which, in each case, were called for redemption in February 2013 and the related indentures and (b) pay related fees and expenses. The Company recognized a $48 million loss on extinguishment of debt related to this debt refinancing.

7. Financial Instruments and Fair Value Measurements

As part of the overall risk management, the Company uses derivative instruments to reduce exposure to changes in interest rates attributed to the Company's floating-rate borrowings. For those derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation. To the extent hedging relationships are found to be effective, as determined by FASB guidance, changes in fair value of the derivatives are offset by changes in the fair value of the related hedged item are recorded to Accumulated other comprehensive loss. Management believes hedge effectiveness is evaluated properly in preparation of the financial statements.

Cash Flow Hedging Strategy

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of Accumulated other comprehensive loss and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings.

In November 2010, the Company entered into two separate interest rate swap transactions to manage cash flow variability associated with $1 billion of the outstanding variable rate term loan debt (the "2010 Swaps"). The first agreement had a notional amount of $500 million and became effective in November 2010. The agreement swaps three month variable LIBOR contracts for a fixed three year rate of 0.8925% and expires in November 2013. The second agreement had a notional amount of $500 million and became effective in December 2010. The agreement swaps three month variable LIBOR contracts for a fixed three year rate of 1.0235% and expires in November 2013. In August 2011, the Company began utilizing 1-month LIBOR contracts for the underlying senior secured credit facility. The Company's change in interest rate selection caused the Company to lose hedge accounting on both of the interest rate swaps. The Company recorded subsequent changes in fair value in the Consolidated Statement of Operations and will amortize the unrealized losses to Interest expense through the end of the respective swap agreements.

In February 2013, the Company entered into an interest rate swap transaction to manage cash flow variability associated with $1 billion of outstanding variable rate term loan debt (the "2013 Swaps"). The agreement swaps the greater of a three-month variable LIBOR contract or 1.00% for a fixed three-year rate of 2.355%, with an effective date in May 2016 and expiration in May 2019. The counterparty to the agreement is a financial institution. The company will record changes in fair value in Accumulated other comprehensive income. A 0.25% change in LIBOR would not have a material impact on the fair value of the interest rate swaps.

		Liability Derivatives	
Derivatives instruments	Balance Sheet Location	March 30, 2013	September 29, 2012
Interest rate swaps — 2010 Swaps	Other long-term liabilities	$ 4	$ 7
Interest rate swaps — 2013 Swaps	Other long-term liabilities	$ 3	-

The effect of the derivative instruments on the Consolidated Statement of Operations is as follows:

Derivatives not designated as hedging instruments under FASB guidance	Statement of Operations Location	Quarterly Period Ended March 30, 2013	Quarterly Period Ended March 31, 2012	Two Quarterly Period Ended March 30, 2013	Two Quarterly Period Ended March 31, 2012
Interest rate swaps — 2010 Swaps	Other expense (income)	$ (2)	$ 2	$ (3)	$ (1)
	Interest expense	$ 1	$ 1	$ 2	$ 2

The Fair Value Measurements and Disclosures section of the Accounting Standards Codification ("Codification" or "ASC") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value. This section also establishes a three-level hierarchy (Level 1, 2 or 3) for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date. This section also requires the consideration of the counterparty's or the Company's nonperformance risk when assessing fair value.

The Company's interest rate swap fair values were determined using Level 2 inputs as other significant observable inputs were not available.

The Company's financial instruments consist primarily of cash and cash equivalents, long-term debt, interest rate swap agreements and capital lease obligations. The fair value of the Company's long-term debt was determined using Level 2 inputs, which include using quoted prices in inactive markets or significant other observable inputs for identical or comparable assets or liabilities. The following table summarizes our long-term indebtedness for which the book value was in excess of the fair value:

	March 30, 2013	September 29, 2012
Second Priority Senior Secured Floating Rate Notes	$ —	$ 1
Senior Unsecured Term Loan	—	6

Non-recurring Fair Value Measurements

The Company has certain assets that are measured at fair value on a non-recurring basis when impairment indicators are present. The assets are adjusted to fair value only when the carrying values exceed the fair values. The categorization of the framework used to price the assets is considered a Level 3, due to the subjective nature of the unobservable inputs used to determine the fair value. These assets include primarily our definite lived and indefinite lived intangible assets, including Goodwill and our property plant and equipment. The Company conducted our annual step one evaluation of goodwill and other intangibles as of the first date of the fourth quarter and preliminarily determined no impairment existed for any of our reporting units. The Company has experienced volume declines in certain of our reporting units, however our cost reduction initiatives and profitability in these reporting units have been consistent with our estimated operating plan and previous cash flow estimates and we believe that our long term forecasts are still appropriate. We have utilized a consistent methodology with prior years, which leverages a six year discounted cash flow analysis with a terminal year in combination with a comparable company market approach to determine the fair value of our reporting units.

Included in the following table are the major categories of assets measured at fair value on a non-recurring basis as of March 30, 2013 and March 31, 2012, along with the impairment loss recognized on the fair value measurement during the period:

As of March 30, 2013					
Level 1 Quoted Prices in Active Markets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total	Quarterly Period Ended March 30,	Two Quarterly Periods Ended

	for Identical Assets or Liabilities				2013 Impairment Loss	March 30, 2013 Impairment Loss
Indefinite-lived trademarks	$ —	$ —	$ 207	$ 207	$ —	$ —
Goodwill	—	—	1,633	1,633	—	—
Definite lived intangible assets	—	—	739	739	—	—
Property, plant, and equipment	—	—	1,242	1,242	—	—
Total	$ —	$ —	$ 3,821	$ 3,821	$ —	$ —

	As of March 31, 2012					
	Level 1	Level 2	Level 3			
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs	Total	Quarterly Period Ended March 31, 2012 Impairment Loss	Two Quarterly Periods Ended March 31, 2012 Impairment Loss
Indefinite-lived trademarks	$ —	$ —	$ 220	$ 220	$ —	$ —
Goodwill	—	—	1,587	1,587	—	—
Definite lived intangible assets	—	—	814	814	—	17
Property, plant, and equipment	—	—	1,213	1,213	1	3
Total	$ —	$ —	$ 3,834	$ 3,834	$ 1	$ 20

Valuation of Property, Plant and Equipment and Definite Lived Intangible Assets

The Company periodically realigns their manufacturing operations which results in facilities being closed and shut down and equipment transferred to other facilities or equipment being scrapped. The Company utilizes appraised values to corroborate the fair value of the facilities and has utilized a scrap value based on prior facility shut downs to estimate the fair value of the equipment, which has approximated the actual value that was received. When impairment indicators exist, the Company will also perform an undiscounted cash flow analysis to determine the recoverability of the Company’s long lived assets.

8. Income Taxes

The effective tax rate was 27% and 34% for the two quarterly periods ended March 30, 2013 and March 31, 2012, respectively. A reconciliation of income tax benefit, computed at the federal statutory rate, to income tax benefit, as provided for in the financial statements, is as follows:

	Quarterly Period Ended		Two Quarterly Periods Ended	
	March 30, 2013	March 31, 2012	March 30, 2013	March 31, 2012
Income tax benefit computed at statutory rate	$ 1	$ 3	$ (4)	$ (15)
State income tax benefit, net of federal taxes	—	1	—	(1)
Change in valuation allowance	1	—	1	1
Other	—	—	—	—

Income tax expense (benefit)	$ 2	$ 4	$ (3)	$ (15)

9. Operating Segments

Berry's operations are organized into four reportable segments: Rigid Open Top, Rigid Closed Top, Engineered Materials, and Flexible Packaging. The Company has manufacturing and distribution centers in the United States, Canada, Mexico, Belgium, Australia, Germany, Brazil, Malaysia, and India. The North American operation represents 96% of the Company's net sales, 98% of total long-lived assets, and 98% of the total assets. Selected information by reportable segment is presented in the following table:

	Quarterly Period Ended		Quarterly Period Ended	
	March 30, 2013	March 31, 2012	March 30, 2013	March 31, 2012
Net sales:				
Rigid Open Top	$ 257	$ 296	$ 516	$ 583
Rigid Closed Top	353	364	666	711
Rigid Packaging	$ 610	$ 660	$ 1,182	$ 1,294
Engineered Materials	354	337	679	665
Flexible Packaging	186	186	361	361
Total net sales	$ 1,150	$ 1,183	$ 2,222	$ 2,320
Operating income (loss):				
Rigid Open Top	$ 33	$ 41	$ 60	$ 72
Rigid Closed Top	36	26	54	29
Rigid Packaging	$ 69	$ 67	$ 114	$ 101
Engineered Materials	33	21	57	23
Flexible Packaging	9	3	8	(4)
Total operating income	$ 111	$ 91	$ 179	$ 120
Depreciation and amortization:				
Rigid Open Top	$ 22	$ 23	$ 45	$ 45
Rigid Closed Top	33	33	66	68
Rigid Packaging	$ 55	$ 56	$ 111	$ 113
Engineered Materials	17	17	35	34
Flexible Packaging	13	14	26	29
Total depreciation and amortization	$ 85	$ 87	$ 172	$ 176

	March 30, 2013	September 29, 2012
Total assets:		
Rigid Open Top	$ 1,801	$ 1,773
Rigid Closed Top	1,945	1,959
Rigid Packaging	$3,746	$3,732
Engineered Materials	818	873
Flexible Packaging	518	501
Total assets	$5,082	$5,106
Goodwill:		
Rigid Open Top	$681	$681
Rigid Closed Top	831	832
Rigid Packaging	$1,512	$1,513
Engineered Materials	82	73
Flexible Packaging	39	40

Total goodwill	$1,633	$1,626

10. Guarantor and Non-Guarantor Financial Information

Berry Plastics Corporation ("Issuer") has notes outstanding which are fully, jointly, severally, and unconditionally guaranteed by the parent company and substantially all of Berry's domestic subsidiaries. Separate narrative information or financial statements of the guarantor subsidiaries have not been included because they are 100% owned by the parent company and the guarantor subsidiaries unconditionally guarantee such debt on a joint and several basis. A guarantee of a guarantor of the securities will terminate upon the following customary circumstances: the sale of the capital stock of such guarantor if such sale complies with the indenture, the designation of such guarantor as an unrestricted subsidiary, the defeasance or discharge of the indenture, as a result of the holders of certain other indebtedness foreclosing on a pledge of the shares of a guarantor subsidiary or if such guarantor no longer guarantees certain other indebtedness of the issuer. The guarantees are also limited as necessary to prevent them from constituting a fraudulent conveyance under applicable law and guarantees guaranteeing subordinated debt are subordinated to certain other of the Company's debts. Presented below is condensed consolidating financial information for the parent, issuer, guarantor subsidiaries and non-guarantor subsidiaries. Our issuer and guarantor financial information includes all of our domestic operating subsidiaries, our non-guarantor subsidiaries include our foreign subsidiaries and BP Parallel, LLC. BP Parallel, LLC is the entity that we established to buyback debt securities of Berry Plastics Group, Inc. and Berry Plastics Corporation. Berry Plastics Group, Inc. uses the equity method to account for its ownership in Berry Plastics Corporation in the Condensed Consolidating Supplemental Financial Statements. Berry Plastics Corporation uses the equity method to account for its ownership in the guarantor and non-guarantor subsidiaries. All consolidating entries are included in the eliminations column along with the elimination of intercompany balances.

Condensed Supplemental Consolidated Balance Sheet

	March 30, 2013					
	Parent	Issuer	Guarantor Subsidiaries	Non—Guarantor Subsidiaries	Eliminations	Total
Current assets	130	160	825	144	(10)	1,249
Intercompany receivable	257	3,595	—	20	(3,872)	—
Property, plant and equipment, net	—	121	1,045	76	—	1,242
Other noncurrent assets	682	932	2,328	684	(2,035)	2,591
Total assets	$ 1,069	$ 4,808	$ 4,198	$ 924	$ (5,917)	$ 5,082
Current liabilities	74	277	339	53	(11)	732
Intercompany payable	—	—	3,872	—	(3,872)	—
Noncurrent liabilities	1,310	3,961	118	8	(732)	4,665
Equity (deficit)	(315)	570	(131)	863	(1,302)	(315)
Total liabilities and equity (deficit)	$ 1,069	$ 4,808	$ 4,198	$ 924	$ (5,917)	$ 5,082

	September 29, 2012					
	Parent	Issuer	Guarantor Subsidiaries	Non—Guarantor Subsidiaries	Eliminations	Total
Current assets	120	226	759	139	(11)	1,233
Intercompany receivable	243	3,800	74	—	(4,117)	—
Property, plant and equipment, net	—	113	1,023	80	—	1,216
Other noncurrent assets	262	809	2,353	749	(1,516)	2,657
Total assets	$ 625	$ 4,948	$ 4,209	$ 968	$ (5,644)	$ 5,106
Current liabilities	18	278	315	48	(13)	646
Intercompany payable	—	—	3,966	151	(4,117)	—
Noncurrent liabilities	1,059	4,579	119	8	(853)	4,912
Equity (deficit)	(452)	91	(191)	761	(661)	(452)
Total liabilities and equity (deficit)	$ 625	$ 4,948	$ 4,209	$ 968	$ (5,644)	$ 5,106

Condensed Supplemental Consolidated Statements of Operations

	Quarterly Period Ended March 30, 2013					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ —	$ 137	$ 919	$ 94	$ —	$ 1,150
Cost of sales	—	118	743	75	—	936
Selling, general and administrative expenses	—	7	60	8	—	75
Amortization of intangibles	—	3	22	2	—	27
Restructuring and impairment charges, net	—	—	1	—	—	1
Operating income (loss)	—	9	93	9	—	111
Debt extinguishment	—	48	-	—	—	48
Other income	—	(1)	-	—	—	(1)
Interest expense, net	11	8	49	(29)	22	61
Equity in net income of subsidiaries	(14)	(81)	—	—	95	—
Net income (loss) before income taxes	3	35	44	38	(117)	3
Income tax expense (benefit)	2	14	—	1	(15)	2
Net income (loss)	$ 1	$ 21	$ 44	$ 37	$ (102)	$ 1
Comprehensive income (loss)	$ 1	$ 20	$ 44	$ 33	$ (102)	$ (4)

	Quarterly Period Ended March 31, 2012					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ —	$ 140	$ 955	$ 88	$ —	$ 1,183
Cost of sales	—	126	779	74	—	979
Selling, general and administrative expenses	—	15	61	8	—	84
Amortization of intangibles	—	3	22	1	—	26
Restructuring and impairment charges, net	—	—	2	1	—	3
Operating income (loss)	—	(4)	91	4	—	91
Other expense	—	2	-	—	—	2
Interest expense, net	14	10	66	(28)	21	83
Equity in net income of subsidiaries	(20)	(55)	—	—	75	—
	6	39	25	32	(96)	6

Net income (loss) before income taxes						
Income tax expense (benefit)	4	14	1	1	(16)	4
Net income (loss)	$ 2	$ 25	$ 24	$ 31	$ (80)	$ 2
Comprehensive income (loss)	$ 2	$ 25	$ 24	$ 39	$ (80)	$ 10

	Two Quarterly Periods Ended March 30, 2013					
	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ —	$ 270	$ 1,768	$ 184	$ —	$ 2,222
Cost of sales	—	255	1,437	139	—	1,831
Selling, general and administrative expenses	—	17	118	17	—	152
Amortization of intangibles	—	6	45	3	—	54
Restructuring and impairment charges, net	—	—	6	—	—	6
Operating income (loss)	—	(8)	162	25	—	179
Debt extinguishment	—	64	—	—	—	64
Other income	—	(4)	—	—	—	(4)
Interest expense, net	22	17	104	(60)	48	131
Equity in net income of subsidiaries	(10)	(143)	—	—	153	—
Net income (loss) before income taxes	(12)	58	58	85	(201)	(12)
Income tax expense (benefit)	(3)	24	(1)	1	(24)	(3)
Net income (loss)	$ (9)	$ 34	$ 59	$ 84	$ (177)	$ (9)
Comprehensive income (loss)	$ (9)	$ 34	$ 59	$ 82	$ (177)	$ (11)

Consolidating Statement of Cash Flows						
Cash Flow from Operating Activities	$ —	$ (6)	$ 159	$ 12	$ —	$ 165
Cash Flow from Investing Activities						
Additions to property, plant, and equipment	—	(10)	(94)	(3)	—	(107)
Proceeds from disposal of assets	—	—	2	—	—	2
Investment in Parent	—	—	—	(21)	21	—
(Contributions) distributions to/from subsidiaries	(438)	417	—	—	21	—
	—	62	—	—	(62)	—

Intercompany advances (repayments)						
Investment in Issuer debt securities	—	—	—	—	—	—
Acquisition of business net of cash acquired	—	—	(20)	—	—	(20)
Net cash used in investing activities	(438)	469	(112)	(24)	(20)	(125)
Cash Flow from Financing Activities						
Proceeds from long-term debt	—	1,392	—	—	—	1,392
Proceeds from issuance of common stock	4	—	—	—	—	4
Proceeds from initial public stock offering	438	—	—	—	—	438
Repayment of notes receivable	1	1	—	—	(1)	1
Payment of tax receivable agreement	(5)	(5)	—	—	5	(5)
Debt financing costs	—	(39)	—	—	—	(39)
Repayment of long-term debt	—	(1,881)	—	—	(21)	(1,902)
Changes in intercompany balances	—	—	(47)	(11)	58	—
Contribution from Issuer	—	—	—	21	(21)	—
Net cash provided by (used in) financing activities	438	(532)	(47)	10	20	(111)
Net increase in cash and cash equivalents	—	(69)	—	(2)	—	(71)
Cash and cash equivalents at beginning of period	—	66				