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

FORM 10-Q/A
(Amendment No. 1)

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 333-88157

CONSOLIDATED CONTAINER COMPANY LLC
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-2825338
(I.R.S. Employer
Identification No.)

3101 Towercreek Parkway, Suite 300
Atlanta, Georgia 30339
(Address of principal executive offices)

Telephone number: (678) 742-4600

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 twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of September 1, 2006, there were 1,000 of the registrant's member units outstanding.

CONSOLIDATED CONTAINER COMPANY LLC
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EXPLANATORY NOTE

Consolidated Container Company LLC (the “Company”), is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q (“Form 10-Q/A”) to restate its previously issued condensed consolidated financial statements of the Company for the quarters ended March 31, 2006 and 2005 included in the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 initially filed with the Securities and Exchange Commission (“SEC”) on May 3, 2006 as discussed in Note 18 to the condensed consolidated financial statements.

See Note 18 to the condensed consolidated financial statements for further information.

This Form 10-Q/A amends and restates only Items 1, 2, 3 and 4 of Part I, Items 3 and 6 of Part II of the original filing solely to reflect the effects of this restatement of the Company’s financial statements for the periods presented. The remaining Items contained within this Amendment No. 1 on Form 10-Q/A consist of all other Items originally contained on Form 10-Q for the fiscal quarter ended March 31, 2006. These remaining Items are not amended hereby. Except for the forgoing amended information, this Form 10-Q/A continues to describe conditions as of the date of the original filing, and the Company has not updated the disclosures contained herein to reflect events that occurred at a later date. Accordingly, this Form 10-Q/A should be read in conjunction with Company filings made with the SEC subsequent to the filing of the original Form 10-Q, including any amendments of those filings. (The Company is filing contemporaneously with this Form 10-Q/A its restated Form 10-K/A for the year ended December 31, 2005.) In addition, pursuant to the rules of the SEC, exhibits 31.1 and 31.2 of the original filing have been amended to contain currently dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Sections 302 of the Sarbanes-Oxley Act of 2002. The updated certifications are attached to this Form 10-Q/A as exhibits 31.1 and 31.2.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED CONTAINER COMPANY LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Amounts in thousands)

| | <u>March 31, 2006 (As Restated)</u> | <u>December 31, 2005</u> |
|---|---|------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 525 | \$ 1,098 |
| Accounts receivable (net of allowance for doubtful accounts of \$1,617 in 2006 and \$1,440 in 2005) | 93,100 | 80,128 |
| Related party receivable (Note 11) | 26,290 | 35,560 |
| Inventories | 49,517 | 55,018 |
| Other current assets | 18,600 | 29,393 |
| Total current assets | <u>188,032</u> | <u>201,197</u> |
| PROPERTY AND EQUIPMENT, Net | 258,287 | 259,334 |
| GOODWILL | 219,075 | 219,427 |
| INTANGIBLES AND OTHER ASSETS | 20,102 | 21,228 |
| | <u>\$ 685,496</u> | <u>\$ 701,186</u> |
| LIABILITIES AND MEMBER'S DEFICIT | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 87,602 | \$ 103,714 |
| Related party payable (Note 11) | 32,957 | 31,416 |
| Accrued liabilities | 38,620 | 47,517 |
| Revolving credit facility | 8,100 | 2,900 |
| Current portion of long-term debt | 217,351 | 218,568 |
| Total current liabilities | <u>384,630</u> | <u>404,115</u> |
| LONG-TERM DEBT | 370,235 | 365,654 |
| OTHER LIABILITIES | 40,217 | 41,401 |
| COMMITMENTS AND CONTINGENCIES (Note 10) | — | — |
| MEMBER'S DEFICIT: | | |
| Member's deficit | (78,711) | (79,118) |
| Accumulated other comprehensive income (loss): | | |
| Foreign currency translation | 12 | 21 |
| Minimum pension liability | (30,887) | (30,887) |
| Total member's deficit | <u>(109,586)</u> | <u>(109,984)</u> |
| | <u>\$ 685,496</u> | <u>\$ 701,186</u> |

See notes to condensed consolidated financial statements.

CONSOLIDATED CONTAINER COMPANY LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Amounts in thousands)

| | Three Months Ended | |
|---|---|---|
| | March 31, 2006 (As Restated) | March 31, 2005 (As Restated) |
| Net trade sales | \$188,283 | \$173,813 |
| Related party sales | 34,709 | 30,754 |
| Net sales | 222,992 | 204,567 |
| Cost of sales | 195,313 | 189,272 |
| Gross profit | 27,679 | 15,295 |
| Selling, general and administrative expense | 11,871 | 11,134 |
| Amortization expense | 307 | 83 |
| Loss on disposal of assets and impairments | 235 | 3,424 |
| Operating income | 15,266 | 654 |
| Interest expense | 14,859 | 12,998 |
| Income (loss) before taxes | 407 | (12,344) |
| Income tax expense (benefit) | 54 | (223) |
| Net income (loss) | 353 | (12,121) |
| Other comprehensive loss: | | |
| Foreign currency translation adjustment | (9) | (12) |
| COMPREHENSIVE INCOME (LOSS) | <u>\$ 344</u> | <u>\$(12,133)</u> |

See notes to condensed consolidated financial statements.

CONSOLIDATED CONTAINER COMPANY LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in thousands)

| | Three Months Ended | |
|---|------------------------------------|------------------------------------|
| | March 31, 2006 (As Restated) | March 31, 2005 (As Restated) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ 353 | \$(12,121) |
| Adjustment to reconcile net income (loss) to net cash flows from operating activities: | | |
| Depreciation and amortization | 11,214 | 11,676 |
| Amortization of debt issuance costs | 747 | 729 |
| Stock based compensation | 63 | 165 |
| Loss on disposal of assets and impairments | 235 | 3,424 |
| Accretion of discounted notes | 4,772 | 4,244 |
| Changes in operating assets and liabilities, net of the effect of the acquisitions | | |
| Accounts receivable | (12,977) | (16,140) |
| Related party receivable | 9,270 | (1,122) |
| Inventories | 5,501 | 3,760 |
| Other current assets | 10,793 | 7,860 |
| Other assets | (655) | (916) |
| Accounts payable | (16,112) | 9,082 |
| Related party payable | 1,541 | 3,188 |
| Accrued liabilities | (8,607) | (7,341) |
| Other liabilities | (1,184) | (1,723) |
| Net cash flows from operating activities | 4,954 | 4,765 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (9,256) | (6,579) |
| Net change in investments | — | 1 |
| Proceeds from disposal of property and equipment | 51 | 10 |
| Cash paid for acquisitions (net of cash acquired of \$0 in 2006 and \$350 in 2005) | (246) | (5,343) |
| Net cash flows from investing activities | (9,451) | (11,911) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net proceeds from revolving lines of credit | 5,200 | 4,900 |
| Payments on notes payable to banks, capital leases and promissory notes | (1,258) | (573) |
| Proceeds from the exercise of options | 8 | — |
| Payment of debt issuance costs | — | (3) |
| Tax distribution to the benefit of the member | (17) | (86) |
| Net cash flows from financing activities | 3,933 | 4,238 |
| Effect of foreign currency exchange rate changes on cash | (9) | (12) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (573) | (2,920) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 1,098 | 7,896 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 525 | \$ 4,976 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Cash paid during the period for interest | \$ 13,983 | \$ 13,210 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES: | | |
| Assumption of promissory notes and capital leases in relation to acquisition of STC Plastics, Inc. | \$ — | \$ 2,311 |
| Issuance of stock options of Holdings related to acquisition of STC Plastics, Inc. | \$ — | \$ 3,000 |

See notes to condensed consolidated financial statements.

CONSOLIDATED CONTAINER COMPANY LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Consolidated Container Company LLC (the "Company") have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission ("SEC") and accounting principles generally accepted in the United States of America applicable to interim financial statements. In the opinion of management, all adjustments are reflected in the accompanying unaudited condensed consolidated financial statements. The condensed consolidated balance sheet as of December 31, 2005 is derived from audited financial statements. The condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2005. Results of operations and cash flows for the three months ended March 31, 2006 and the corresponding balance sheet as of March 31, 2006 are not necessarily indicative of the results to be expected for the full year ending December 31, 2006.

The Company is wholly owned by Consolidated Container Holdings LLC ("Holdings"), a Delaware limited liability company. Holdings is a holding company with no assets, operations, or cash flow separate from its investment in the Company and its subsidiaries. The common units of Holdings are 24.5% owned by Reid Plastics Holdings Inc., 16.5% owned by Vestar Packaging LLC, 13.4% owned by Vestar CCH LLC, and 44.8% owned by Franklin Plastics, Inc., a subsidiary of Dean Foods Company ("Dean Foods"). Each of Reid Plastics Holdings Inc., Vestar CCH LLC, and Vestar Packaging LLC are controlled by Vestar Capital Partners, III L.P. and its affiliates. Additionally, in 2004 Holdings issued Series B Convertible Preferred Units, which are 73.4% owned by Vestar CCH Preferred LLC and 26.6% owned by Franklin Plastics Inc. Upon conversion of the Series B Convertible Preferred Units, the holders of such converted units would own in the aggregate in excess of approximately 95% (before management options) of the then outstanding units of Holdings.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In September 2005, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board ("FASB") issued EITF Issue 04-13, "Accounting for Purchases and Sales of Inventory with the Same Counterparty", which concluded that entities that enter into inventory purchase and sales transactions with the same counterparty, in contemplation of one another, should combine the transactions and treat them as nonmonetary exchanges involving inventory. Nonmonetary exchanges of finished goods for raw material and finished goods for work-in-process in the same line of business should be recorded at fair value. All other inventory-for-inventory exchange transactions within the same line of business do not culminate the earnings process and therefore should be recognized at carrying value. The EITF is effective for new inventory arrangements entered into, or modifications or renewals of existing inventory arrangements occurring, in interim or annual reporting periods beginning after March 15, 2006. The Company will adopt this EITF in the quarter ended June 30, 2006 and it does not anticipate that the implementation will have a material impact on its financial statements.

CONSOLIDATED CONTAINER COMPANY LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

3. BUSINESS ACQUISITIONS

STC Plastics, Inc. (“STC”)

On February 15, 2005, the Company acquired STC with the primary purpose of entering into additional polycarbonate (“PC”) market segments. The results of operations of STC have been consolidated with the Company’s operating results since the acquisition date, February 15, 2005.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at February 15, 2005. During 2005, the Company finalized the valuation of certain intangible assets.

| | <u>(Amounts in thousands)</u> |
|--------------------------------------|-------------------------------|
| Current assets | \$ 4,009 |
| Long-term assets | 4,482 |
| Goodwill | 4,873 |
| Total assets acquired | <u>13,364</u> |
| Current liabilities | 1,297 |
| Long-term liabilities | 3,385 |
| Total liabilities acquired | <u>4,682</u> |
| Net assets acquired | <u>\$ 8,682</u> |

During the first quarter of 2006, the Company finalized the allocation of the total purchase price of \$8.7 million over the fair value of the assets acquired, liabilities assumed and other intangible assets without any material adjustment of the previously recorded purchase price allocation.

One Hoss Shay Corp., dba Mayfair Plastics (“Mayfair”)

On June 30, 2005, the Company acquired Mayfair by merging Mayfair into STC, with STC being the surviving company. The primary purpose of this acquisition was to provide the Company with a west coast shuttle platform. The results of operations of Mayfair have been consolidated with the Company’s operating results since the acquisition date, June 30, 2005.

The Company allocated the total purchase price of \$6.0 million over the fair value of the assets acquired, liabilities assumed and other intangible assets based on preliminary estimates. The Company expects to finalize the Mayfair purchase price allocation by June 30, 2006.

Steel Valley Plastics, Inc. (“SVP”)

On December 14, 2005, the Company acquired substantially all of the assets of SVP. The purpose of this acquisition was to expand the Company’s presence in the bulk PC water bottle market in the northeastern and midwestern United States (“U.S.”). The results of operations of SVP have been consolidated with the Company’s operating results since the acquisition date, December 14, 2005.

During the quarter ended March 31, 2006, the Company allocated a portion of the purchase price to intangible assets totaling \$0.2 million based on preliminary estimates of SVP’s customer list and customer order backlog.

CONSOLIDATED CONTAINER COMPANY LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

The Company allocated the total purchase price of \$3.3 million, net of cash received of less than \$0.1 million and including direct costs incurred for the acquisition that were paid during December 2005 totaling \$0.1 million, over the fair value of the assets acquired, liabilities assumed and other intangible assets based on preliminary estimates. The Company expects to finalize the SVP purchase price allocation by September 30, 2006.

Assuming the STC, Mayfair and SVP acquisitions occurred as of the beginning of the periods presented, the Company's unaudited pro forma results of operations for the three months ended March 31, 2005 would have been:

| | Three Months Ended |
|-----------------|-----------------------------------|
| | March 31, 2005 |
| | (Amounts in thousands) |
| Net Sales | \$211,305 |
| Net Loss | \$ (11,922) |

4. GOODWILL

The following table presents the activity in goodwill for the first quarter ended March 31, 2006 (amounts in thousands):

| | |
|---|------------------|
| Balance at January 1, 2006 | \$219,427 |
| Purchase price allocation adjustments | <u>(352)</u> |
| Balance at March 31, 2006 | <u>\$219,075</u> |

The Company allocated the excess of the 2005 acquisition costs for STC, Mayfair and SVP over the fair value of the assets acquired and liabilities assumed to goodwill. During the first quarter of 2006, an adjustment totaling \$0.2 million was made to the purchase price allocation of SVP to record intangible assets for the customer list and customer order backlog.

5. INTANGIBLES AND OTHER ASSETS

Intangible and other assets consisted of the following at March 31, 2006 and December 31, 2005:

| | March 31, 2006 | December 31, 2005 |
|--|-------------------------------|------------------------------|
| | (Amounts in thousands) | |
| Deferred financing costs | \$ 18,559 | \$ 18,559 |
| Customer owned molds, deposits and other | 8,475 | 8,608 |
| Intangible assets | <u>7,100</u> | <u>6,961</u> |
| | 34,134 | 34,128 |
| Less accumulated amortization | <u>(14,032)</u> | <u>(12,900)</u> |
| | <u>\$ 20,102</u> | <u>\$ 21,228</u> |

The Company's intangible assets consist primarily of customer lists, which are amortized over the estimated useful life of the respective assets, which is 5-7 years. The intangible customer lists resulted from the STC, Mayfair and SVP acquisitions and are carried at a cost of \$6.2 and \$6.0 million as of March 31, 2006 and

CONSOLIDATED CONTAINER COMPANY LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

December 31, 2005, respectively. The remaining intangible assets consist of both customer contracts acquired through the normal course of business and non-compete intangible assets from past acquisitions, which are carried at a cost of \$0.9 and \$1.0 million as of March 31, 2006 and December 31, 2005, respectively. Amortization is recorded over the estimated useful life of these assets, which is 1-5 years. The accumulated amortization on the intangible assets was \$1.5 and \$1.2 million as of March 31, 2006 and December 31, 2005, respectively. The aggregate amortization of intangible assets for the three months ended March 31, 2006 and March 31, 2005 was \$0.3 and \$0.4 million, respectively. Of this amortization, approximately \$40,000 and \$0.3 million for the three months ended March 31, 2006 and March 31, 2005, respectively, related to customer contract amortization, which is an offset to sales. The annual estimated amortization expense for the aforementioned intangible assets at March 31, 2006 is as follows (amounts in thousands):

| | |
|--|----------------|
| Nine months ending December 31, 2006 | \$ 981 |
| Year ending December 31, | |
| 2007 | 1,142 |
| 2008 | 1,142 |
| 2009 | 1,108 |
| 2010 | 563 |
| 2011 and thereafter | 656 |
| | <u>\$5,592</u> |

6. INVENTORIES

Inventories consisted of the following at March 31, 2006, and December 31, 2005:

| | <u>March 31,</u> <u>2006</u> | <u>December 31,</u> <u>2005</u> |
|----------------------|---------------------------------|------------------------------------|
| | (Amounts in thousands) | |
| Finished goods | \$26,630 | \$27,974 |
| Raw materials | 22,887 | 27,044 |
| | <u>\$49,517</u> | <u>\$55,018</u> |

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2006 and December 31, 2005:

| | <u>March 31,</u> <u>2006</u> | <u>December 31,</u> <u>2005</u> |
|-------------------------------------|---------------------------------|------------------------------------|
| | (Amounts in thousands) | |
| Machinery and equipment | \$ 383,257 | \$ 383,167 |
| Leasehold improvements | 21,994 | 21,291 |
| Buildings | 21,193 | 21,001 |
| Furniture and equipment | 13,234 | 13,198 |
| Land | 8,884 | 8,884 |
| Capital leases | 803 | 803 |
| | <u>449,365</u> | <u>448,344</u> |
| Less accumulated depreciation | <u>(210,790)</u> | <u>(201,977)</u> |
| | 238,575 | 246,367 |
| Construction in progress | 19,712 | 12,967 |
| | <u>\$ 258,287</u> | <u>\$ 259,334</u> |

CONSOLIDATED CONTAINER COMPANY LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

8. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at March 31, 2006 and December 31, 2005:

| | <u>March 31, 2006</u> | <u>December 31, 2005</u> |
|--|---------------------------|------------------------------|
| | (Amounts in thousands) | |
| Rebates accrual | \$10,238 | \$12,727 |
| Employee compensation and benefits | 9,660 | 11,343 |
| Other accruals | 6,419 | 6,163 |
| Accrued pension | 6,189 | 6,189 |
| Accrued interest | 4,148 | 8,790 |
| Accrued taxes | 1,966 | 2,305 |
| | <u>\$38,620</u> | <u>\$47,517</u> |

9. REVOLVING CREDIT FACILITY AND LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2006, and December 31, 2005:

| | <u>March 31, 2006</u> | <u>December 31, 2005</u> |
|--|---------------------------|------------------------------|
| | (Amounts in thousands) | |
| Senior credit facility—term loans—8.4% | \$ 216,150 | \$ 216,700 |
| Senior secured discount notes—10 ³ / ₄ % | 182,398 | 177,685 |
| Senior subordinated notes—10 ¹ / ₈ % | 185,000 | 185,000 |
| Promissory notes—6.0%—6.3% | 3,497 | 4,246 |
| Capital lease obligations | 541 | 591 |
| | <u>587,586</u> | <u>584,222</u> |
| Less current portion | <u>(217,351)</u> | <u>(218,568)</u> |
| | <u>\$ 370,235</u> | <u>\$ 365,654</u> |

At March 31, 2006, events of default existed under the terms of the Company's senior credit facility, due in part to (a) provisions requiring the Company to maintain its financial statements in accordance with General Accepted Accounting Principles ("GAAP") and (b) noncompliance in two quarters of 2005 with financial covenants based on the restatement of the Company's financial statements. The events of default and the restatement are discussed in Note 18. As a result of the events of default, the Company classified its debt under the senior credit facility as a current liability.

Senior Credit Facility—The senior credit facility consists of a term loan with a total original principal amount of \$220.0 million and a \$45.0 million revolving credit facility ("the Revolver"). The term loan and Revolver are summarized below:

Term Loan

The term loan was originally \$220.0 million in principal, of which \$216.2 million was outstanding at March 31, 2006. The Company is required to repay the term loan in quarterly installments of \$550,000 that commenced on September 30, 2004 and continue through September 2008, with the remaining balance due December 15, 2008. At March 31, 2006, the estimated fair value of the term loan was \$216.2 million.

CONSOLIDATED CONTAINER COMPANY LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Revolver

At March 31, 2006, the Company had approximately \$8.1 million of funded borrowings outstanding on the Revolver, and \$9.1 million was reserved for outstanding standby letters of credit, leaving \$27.8 million available for future borrowings. The defaults on our senior credit facility, discussed above, result in the Company being unable to utilize borrowings under the Revolver from the date the Company gave notice of the defaults to the administrative agent, at which time the Company had \$21.0 million outstanding, until such defaults are waived. The outstanding standby letters of credit were reduced to \$9.1 million at the end of March 2006 from \$12.3 million at the end of December 2005 due to a reduction of collateral required by the Company's worker's compensation insurance carrier as a result of the Company's improved safety record. The Revolver will terminate on December 15, 2008 and all outstanding revolving loans will be due and payable on that date. As of March 31, 2006, the Revolver bore interest at a weighted average rate of approximately 10.5%.

The senior credit facility also provides for mandatory repayments from the net proceeds of certain asset sales, debt issuances, a portion of equity issuances, a portion of excess cash flow and insurance recoveries and condemnation events. No such payments were required for the period ended March 31, 2006.

Senior Secured Discount Notes—In May 2004, the Company completed an offering of \$207.0 million aggregate principal amount at maturity of 10¾% senior secured discount notes, which generated proceeds of approximately \$150.1 million at issuance. As of March 31, 2006, the accreted value of the notes, upon which interest expense was calculated, was \$182.4 million. The notes will mature on June 15, 2009. The fair value of the Company's long-term debt is based on quoted market prices. At March 31, 2006, the estimated fair value of the senior secured discount notes was \$190.4 million.

Senior Subordinated Notes—The senior subordinated notes that were issued on July 2, 1999, have an original face value of \$185.0 million and are due in full on July 15, 2009. The notes bear interest at a fixed interest rate of 10 1/8%, payable semiannually in July and January of each year. At March 31, 2006, the estimated fair value of the senior subordinated notes was \$162.3 million.

The senior credit facility, the senior secured discount notes, and the senior subordinated notes contain covenants that restrict, among other things, the Company's ability to: (i) make certain restricted payments; (ii) incur additional debt or issue preferred equity; (iii) pay dividends or make distributions on the Company's equity interests or repurchase the Company's equity interests; (iv) repurchase subordinated indebtedness; (v) issue stock of subsidiaries; (vi) make certain investments; (vii) create liens on the Company's assets; (viii) enter into transactions with affiliates; (ix) merge or consolidate with another company; (x) sell, lease or otherwise dispose of all or substantially all of the Company's assets; (xi) enter sales and leaseback transactions; and (xii) make capital expenditures above specified levels. The senior credit facility has financial maintenance covenants regarding first-lien debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"), total secured debt to consolidated EBITDA and interest coverage. Additionally, the senior credit facility contains a maximum capital expenditures covenant. At March 31, 2006, the Company was not in compliance with certain covenants under the senior credit facility, including provisions requiring it to maintain its books and records in accordance with GAAP. In addition, the restatement discussed in Note 18 caused the Company to not be in compliance with certain financial covenants for the quarters ended September 30, 2005 and December 31, 2005. The Company was, however, in compliance with the financial covenants for the period ended March 31, 2006. The Company will attempt to secure a waiver for the events of non-compliance; however it cannot guarantee that the lenders will grant such a waiver.

CONSOLIDATED CONTAINER COMPANY LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Promissory Notes—On February 11, 2005, just prior to the Company’s acquisition of STC as described in Note 3, STC issued four promissory notes in the aggregate amount of \$1.6 million to its shareholders in consideration of the repurchase of an aggregate 2,200 shares of common stock of STC. The notes bear interest at a stated rate of 2.9% per annum. The Company’s effective interest rate at the time was approximately 6.3%, and thus, the Company recorded a discount on notes payable. The discount is being amortized over the life of the notes using the interest method. All outstanding and unpaid principal and interest are due and payable on January 1, 2008.

On June 29, 2005, just prior to the Company’s acquisition of Mayfair (accomplished through a merger of Mayfair into STC, a wholly owned subsidiary of the Company) as described in Note 3, Mayfair issued two promissory notes, one for \$2.0 million and an additional note for \$0.7 million, to its shareholder in consideration of the repurchase of an aggregate 560 shares of common stock of Mayfair. As a result of the acquisition, the promissory notes become the obligation of STC. The \$2.0 million note bears interest at a rate of 6.0% per annum and STC is required to repay principal and interest in two equal installments on July 1, 2006 and July 1, 2007. All outstanding principal and interest on the \$0.7 million note was repaid on March 15, 2006.

Scheduled Maturities—The scheduled annual maturities of long-term debt at March 31, 2006, were as follows (amounts in thousands):

| | |
|--|------------------|
| Nine months ending December 31, 2006 | \$217,310 |
| Year ending December 31, | |
| 2007 | 1,170 |
| 2008 | 1,677 |
| 2009 | 392,112 |
| 2010 | <u>10</u> |
| Total amounts due at maturity | \$612,279 |
| Less: Unamortized discount on notes | <u>(24,693)</u> |
| | <u>\$587,586</u> |

10. COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are parties, in the ordinary course of business, to certain environmental and other claims and litigation. In management’s opinion, the settlement of such matters is not expected to have a material impact on the consolidated financial statements.

In 1997, the Company entered into an agreement with a former management shareholder. The agreement calls for payments of up to \$3.4 million if specified investment returns of Reid Plastics are achieved, and up to \$4.8 million upon an initial public offering of Reid Plastics Holdings, if specified investment returns are achieved, or specified qualified sales of Reid Plastics Holdings by Vestar Reid, the parent of Reid Plastics Holdings and a controlled affiliate of Vestar Capital Partners III, L.P. The Company made no payment for the three months ended March 31, 2006 and 2005 under the terms of the 1997 agreement.

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In July 2004, the management committee of Holdings adopted a long-term incentive plan (“LTIP”) for some of the key employees of the Company. Under the LTIP, if a liquidity event were to occur, then the compensation committee of Holdings’ management committee would approve cash payments to participants based on formulas which would take into account, among other factors, the appreciation in value of the member units of Holdings, the allocation percentage granted to each participant, and the vesting of each award. As defined in the LTIP, a liquidity event includes:

- the sale of units of Holdings held by Vestar Packaging LLC and its affiliates, for cash or marketable securities, resulting in Vestar Packaging LLC and its affiliates’ owning less than a majority of the total voting power of Holdings;
- the sale of substantially all of the assets of the Company or of Holdings; or
- an initial public offering of the member units of Holdings.

Each participant’s award is subject to reduction or forfeiture due to certain events including termination of the participant’s employment with the Company prior to the occurrence of a liquidity event, depending on the reason for such termination of employment.

The aggregate of all awards granted under the LTIP (which includes two separate pools referred to as Bonus Pool-A and Bonus Pool-B) is limited to a maximum payout of approximately \$11.8 million, which includes maximum potential payouts of approximately \$8.8 million under Bonus Pool-A and approximately \$3.0 million under Bonus Pool-B. The compensation committee of Holdings’ management committee administers the plan. In the first quarter of 2006, the compensation committee approved awards totaling 96% of the shares of Bonus Pool-B and a reallocation of Bonus Pool-A shares that were forfeited by three employees upon leaving the Company. Such reallocation has been made to those Bonus Pool-A participants who are currently employed by the Company. Also in the first quarter of 2006, the compensation committee approved an advance of a portion of Bonus Pool-A to participants who remain employed through the time of the advance, which will be paid no later than the end of the first quarter of 2007. The advance will equal 50% of an estimate of Bonus Pool-A. Such estimate will be calculated as if there were a liquidity event on December 31, 2006. Details of the advance have not been finalized as of the filing of this report.

11. RELATED PARTY TRANSACTIONS

The Company had bottle sales and gross brokered resin sales to Dean Foods of approximately \$61.2 and \$57.9 million for the three months ended March 31, 2006 and 2005, respectively. Accounts receivable from Dean Foods at March 31, 2006 and December 31, 2005 amounted to approximately \$24.7 and \$33.9 million, respectively. Amounts payable to Dean Foods at March 31, 2006 and December 31, 2005 were approximately \$33.0 and \$31.4 million, respectively.

The Company has other related party sales and purchases in the normal course of business with companies affiliated with certain of the non-employee members of our management committee. Included in our consolidated financial statements for such transactions are the following:

- Net sales of \$1.9 and \$1.8 million for the three months ended March 31, 2006 and 2005, respectively,
- Purchases of raw materials of \$0.4 and \$0.5 million for the three months ended March 31, 2006 and 2005, respectively,

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- Selling, general and administrative expenses of less than \$0.1 million in each of the three months ended March 31, 2006 and 2005, respectively, and
- Related party receivables of \$1.6 and \$1.7 million at March 31, 2006 and December 31, 2005, respectively.

12. GUARANTOR FINANCIAL STATEMENTS

Separate financial statements of the subsidiary guarantors are not included herewith as management has determined that such information is not material to investors because (i) the subsidiary guarantors constitute substantially all of the Company's direct and indirect subsidiaries and have fully and unconditionally guaranteed the notes on a joint and several basis, and (ii) Holdings is a holding company with no assets, operations or cash flow separate from its investment in the Company and its subsidiaries.

13. SHARE-BASED COMPENSATION

At the formation of the Company, Holdings adopted a 1999 Unit Option Plan to provide some of the Company's key employees with options to acquire member units of Holdings. At March 31, 2006, there were 27,690,000 options available under this plan and two amended and restated versions of the plan (collectively referred to below as the "CCH Option Plan"). As of March 31, 2006, there were 23,866,807 options outstanding with an average exercise price of \$0.05 per member unit. The exact pricing, performance criteria, vesting terms and redemption of options granted under the CCH Option Plan are governed by individual unit option agreements between the employee and Holdings and, if the options are exercised, the terms of the options will be governed by special unit acquisition, ownership and redemption agreements. However, generally the options vest ratably on a daily or an annual basis over a five-year period and the options have a contractual life of ten years, unless the employee terminates prior to that time.

In addition to options to purchase member units in Holdings that were granted to some of the Company's key employees under the CCH Option Plan, certain of the Company's current and former employees hold options to purchase member units of Holdings that were issued in exchange for previously owned Franklin Plastics options. Under this plan, called the Consolidated Container Holdings LLC Replacement Units Option Plan for Options Issued Pursuant to the Franklin Plastics Inc. 1998 Stock Option Plan (the "Franklin Replacement Option Plan"), the rights to acquire 129,658 member units were outstanding at March 31, 2006. The compensation committee of the management committee administers each of these option plans.

As these options relate to the parent company's securities, expense and a capital contribution from the parent company have been reflected in the Company's condensed consolidated financial statements.

Historically, the Company used the fair value provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 "Accounting for Stock Based Compensation" ("SFAS 123"), to account for its share-based compensation plans. Effective January 1, 2006, it adopted SFAS No. 123R, "Share-Based Payments" ("SFAS 123R"), which replaces SFAS 123. SFAS 123R applies to all share-based payment transactions in which an entity acquires goods or services by issuing (or offering to issue) its shares, share options, or other equity instruments. SFAS 123R requires that the cost resulting from all share-based payment transactions be recognized in the financial statements.

The Company applied the modified prospective application method in its adoption of SFAS 123R. Implementing SFAS 123R did not have a material effect on the Company's condensed consolidated financial statements. A cumulative effect of change in accounting principle due to the requirement to estimate the impact

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of expected forfeitures at the grant date resulted in a benefit of approximately \$12,000 in the first quarter 2006, which is included in selling, general and administrative expenses in the condensed consolidated statement of operations and comprehensive income (loss) for the period ended March 31, 2006.

Because the Company's member units are not publicly traded, there is no observable market price for its units or its options. Thus, the Company selected the Black-Scholes option valuation model to estimate fair value, which is consistent with the Company's valuation techniques previously utilized for the fair value application under SFAS 123. This model requires an estimate of the volatility of the Company's share price, however, because the Company's member units are not publicly traded, it determined that it is not practicable for it to estimate the expected volatility of its share price. Thus, the Company accounted for equity share options based on a value calculated using the historical volatility of an appropriate industry sector index instead of the expected volatility of the entity's share price (the "calculated value").

In determining the expense to be recorded for options, the significant assumptions utilized in applying the Black-Scholes option valuation model are the risk-free interest rate, expected term, dividend yield, and expected volatility. The risk-free interest rate is the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term approximating the expected term used as the assumption in the model. The expected term of an option award is based on historical experience of similar awards. Because the Company has only been in existence since 1999, and there have been very few option exercises in the history of the plan, the Company elected to calculate the expected term of its options using the simplified method for "plain vanilla" share options granted prior to December 21, 2007 per SEC Staff Accounting Bulletin Topic 14.D.2. The historical volatility was calculated using the Dow Jones U.S. Small-Cap Index for the Containers & Packaging subsector. The dividend yield of the index was assumed to be zero. The weighted average assumptions used by the Company in applying the Black-Scholes valuation model for option grants in the first quarter of 2006 are illustrated in the following table. No options were granted in the same period of 2005:

| | |
|-------------------------|-------|
| Risk-free interest rate | 4.49% |
| Expected life (years) | 6.25 |
| Expected volatility | 26.1% |
| Dividend yield | 0.0% |

The weighted average grant-date calculated value of options granted during the quarter was \$0.07/share.

The following table summarizes the option transactions for the quarter ended March 31, 2006:

| | <u>Options</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Remaining Contractual Term</u> | <u>Aggregate Intrinsic Value</u> |
|-------------------------------|-------------------|--|--|--|
| Outstanding January 1, 2006 | 16,177,657 | \$0.09 | | |
| Granted | 5,310,500 | 0.05 | | |
| Forfeited | (65,593) | 0.05 | | |
| Expired | (457,957) | 0.05 | | |
| Exercised | (158,142) | 0.05 | | |
| Outstanding at March 31, 2006 | <u>20,806,465</u> | <u>\$0.08</u> | <u>8</u> | <u>\$6.3 million</u> |

The aggregate intrinsic value of options exercised during the three months ended March 31, 2006 was approximately \$48,000.

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A summary of the status of the Company's nonvested option shares as of March 31, 2006 and changes during the three months then ended is presented below:

| | <u>Options</u> | <u>Weighted Average Grant-Date Calculated Value</u> |
|-----------------------------------|-------------------|---|
| Nonvested January 1, 2006 | 7,558,908 | \$0.07 |
| Granted | 5,310,500 | 0.07 |
| Vested | (744,040) | 0.10 |
| Forfeited | <u>(65,593)</u> | <u>0.04</u> |
| Nonvested at March 31, 2006 | <u>12,059,775</u> | <u>\$0.07</u> |

As of March 31, 2006, there was \$0.6 million of unrecognized compensation cost related to nonvested option shares that is expected to be recognized over a weighted average period of 4.6 years.

The Company had 8.7 million vested options at March 31, 2006 with a weighted average exercise price of \$0.12 per share and a weighted average remaining contractual term of six years. The calculated value of options vested during the three months ended March 31, 2006 was less than \$0.1 million.

The Company recorded compensation cost for awards issued, modified, repurchased, or cancelled after December 31, 2005 under the guidance found in SFAS 123R. For awards issued prior to the effective date, compensation costs were recorded using the SFAS 123 assumptions, as adjusted for the effect of estimating forfeitures. Under both methods, expense has been recorded over a requisite service period of five years. Compensation cost included in net income for the three months ended March 31, 2006 was approximately \$0.1 million compared to \$0.2 million included in net loss for the three months ended March 31, 2005.

14. PENSION AND POST-RETIREMENT BENEFITS

The components of net periodic benefit costs of the pension and other post-retirement benefits for the three months ended March 31, 2006 and 2005 are as follows:

| | <u>Pension Benefits</u> | | <u>Other Post-Retirement Benefits</u> | |
|--|---|---------------|---|--------------|
| | <u>Three Months Ended March 31,</u> | | <u>Three Months Ended March 31,</u> | |
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| | (Amounts in thousands) | | | |
| Service cost | \$ 151 | \$ 170 | \$ 9 | \$ 16 |
| Interest cost | 1,340 | 1,386 | 30 | 29 |
| Expected return on plan assets | (1,518) | (1,419) | — | — |
| Amortization of prior service cost | — | 20 | — | — |
| Recognized actuarial loss (gain) | <u>826</u> | <u>742</u> | <u>(4)</u> | <u>(9)</u> |
| Net periodic benefit cost | <u>\$ 799</u> | <u>\$ 899</u> | <u>\$ 35</u> | <u>\$ 36</u> |

The Company previously disclosed in its financial statements for the year ended December 31, 2005, that it expected to contribute \$6.2 million to its defined benefit pension plans in 2006. As of March 31, 2006, \$1.4 million of contributions have been made.

CONSOLIDATED CONTAINER COMPANY LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

15. FIXED ASSET IMPAIRMENT

In June 2005, the Company's second largest customer, The Procter & Gamble Company ("P&G"), ended one of their contracts with the Company, which would have otherwise expired on December 31, 2005, regarding polyethylene terephthalate ("PET") bottle production at the Company's operation located at P&G's Kansas City, Kansas facility. In 2004, this business accounted for \$41.8 million or 5.5% of the Company's sales. In exchange for the early exit from this contract, the Company received extensions on two other contracts with P&G including the continued supply of PET preforms to the Kansas City facility. Included in loss on disposal of assets and impairments in the condensed consolidated statement of operations and comprehensive income (loss) for the three months ended March 31, 2005, is a \$3.2 million dollar charge related to the write-down of the assets at the Kansas City facility to their estimated sales price.

16. INCOME TAXES

As a limited liability company, the Company does not pay U.S. federal income taxes under the provisions of the Internal Revenue code. Any taxable income or loss generated by the Company is distributed to its partners to be included in their tax returns. However, the amalgamation of two of the Company's wholly owned foreign subsidiaries in 2004 and the acquisitions of two U.S. domestic corporations during 2005, STC and Mayfair, have made it necessary for the Company to calculate deferred tax assets and liabilities pursuant to SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"), for financial reporting purposes.

At March 31, 2006, Reid Canada, Inc., a wholly owned subsidiary of the Company, had net operating loss carryforwards of \$3.2 million for income tax purposes that expire in years 2008 through 2016. These carryforwards were generated in Reid Canada, Inc.'s former sister company, Stewart/Walker Plastics Ltd., and pursuant to the amalgamation of Reid Canada, Inc. and Stewart/Walker Plastics Ltd., the net operating losses were owned by Reid Canada, Inc. A valuation allowance of \$1.9 million was established against the deferred tax asset related to the net operating loss due to uncertainty regarding the entity's ability to generate taxable income.

The provision for income taxes for the three months ended March 31, 2006 and 2005 are as follows:

| | Three Months Ended March 31, | |
|--|---------------------------------|---------|
| | 2006 | 2005 |
| | (Amounts in thousands) | |
| Current (benefit) provision: | | |
| Federal | \$(104) | \$ 37 |
| State | — | 14 |
| Foreign | 28 | — |
| Total current (benefit) provision | (76) | 51 |
| Deferred provision (benefit): | | |
| Federal | 120 | — |
| State | 5 | — |
| Foreign | 5 | (274) |
| Total deferred provision (benefit) | 130 | (274) |
| Total provision (benefit) | \$ 54 | \$(223) |

CONSOLIDATED CONTAINER COMPANY LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income taxes as of March 31, 2006 and December 31, 2005 are as follows:

| | <u>March 31,</u> <u>2006</u> | <u>December 31,</u> <u>2005</u> |
|---|---------------------------------|------------------------------------|
| | (Amounts in thousands) | |
| Current deferred tax assets: | | |
| Accruals and reserves | \$ 59 | \$ 49 |
| Inventories | (3) | 38 |
| Net operating loss carryforwards | 41 | 258 |
| Total current deferred tax assets | <u>97</u> | <u>345</u> |
| Non-current deferred tax assets: | | |
| Net operating loss carryforwards | 1,098 | 1,107 |
| Total non-current deferred tax assets | <u>1,098</u> | <u>1,107</u> |
| Valuation allowance | (664) | (638) |
| Net non-current deferred tax assets | <u>434</u> | <u>469</u> |
| Net deferred tax assets | <u>531</u> | <u>814</u> |
| Current deferred tax liabilities: | | |
| State taxes | 13 | 20 |
| Non-current deferred tax liabilities: | | |
| Fixed assets | 910 | 924 |
| Amortizable intangibles | 1,972 | 2,075 |
| Other | 5 | — |
| Total | <u>2,887</u> | <u>2,999</u> |
| Total deferred tax liabilities | <u>2,900</u> | <u>3,019</u> |
| Net deferred tax liabilities | <u>\$(2,369)</u> | <u>\$(2,205)</u> |

17. BUSINESS INTERRUPTION INSURANCE PROCEEDS

During the first quarter of 2006, the Company received business interruption insurance proceeds totaling \$2.0 million related to the hurricanes in 2005. The proceeds were recorded as a reduction of cost of sales in the Company's condensed consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2006.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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18. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Subsequent to the issuance of the Company's condensed consolidated financial statements, for the period ended March 31, 2006, management identified accounting errors in the Company's historical consolidated financial statements as described below:

- The Company had not fulfilled certain obligations to Dean Foods, formerly known as Suiza Foods Corporation, and its affiliates under bottle and resin supply agreements, resulting in an overstatement of net sales of approximately \$0.5 and \$0.4 million and an understatement in cost of sales of \$1.3 and \$1.0 million for the three months ended March 31, 2006 and 2005, respectively.
- After a review of contracts with other customers with similar terms to the agreements with Dean Foods and its affiliates, the Company identified accounting errors related to certain of these agreements resulting in an overstatement of net sales of less than \$0.1 million for each of the three months ended March 31, 2006 and 2005.
- These two previously noted accounting errors caused events of default under the Company's senior credit facility, due in part to (a) provisions requiring the Company to maintain its consolidated financial statements in accordance with GAAP and (b) noncompliance in two quarters of 2005 with financial covenants based on the restatement of the Company's consolidated financial statements. The events of default, for which the Company has not received waivers, require that amounts outstanding under the senior credit facility be classified as a current liability. Accordingly, the Company reclassified debt of \$214.0 and \$214.5 million under the senior credit facility as of March 31, 2006 and December 31, 2005, respectively, from long term debt, as previously reported, to current liabilities in the accompanying condensed consolidated balance sheets.
- In assessing the impact of the restatement, management determined that there were offsetting errors in the inventory valuation and lower-of-cost-or market calculations associated with the accounting for rebates and the actual cost of resin. The result of these items was a net understatement of inventory of less than \$0.1 million for each of the periods ended March 31, 2006 and December 31, 2005, respectively, and an understatement of cost of sales of less than \$0.1 million for the three months ended March 31, 2006 and an overstatement of cost of sales of \$0.5 million for the three months ended March 31, 2005.
- In addition, the Company has determined that transactions and amounts due to/from related parties should have been separately presented in the consolidated financial statements.

As a result, the Company has restated the accompanying condensed consolidated financial statements. These corrections result in a reduction of net sales of approximately \$0.5 million for each of the quarters ended March 31, 2006 and 2005, respectively, and an increase in cost of sales of \$1.3 and \$0.5 million for the quarters ended March 31, 2006 and 2005, respectively. The restatement adjustments result in a \$25.0 million increase in ending member's deficit as of March 31, 2006.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

A summary of the significant effects of the restatement is as follows:

Consolidated Balance Sheet Effects:

| | <u>March 31, 2006</u> | | |
|--|---------------------------------------|--------------------|------------------------|
| | <u>As Previously Reported</u> | <u>Restatement</u> | <u>As Restated</u> |
| | (Amounts in thousands) | | |
| Accounts receivable | \$119,390 | \$ (26,290) | \$ 93,100 |
| Related party receivable | — | (26,290) | (26,290) |
| Inventory | 49,458 | 59 | 49,517 |
| Total current assets | 187,973 | 59 | 188,032 |
| Total assets | 685,437 | 59 | 685,496 |
| Related party payable | — | 32,957 | 32,957 |
| Accrued liabilities | 46,487 | (7,867) | 38,620 |
| Current portion of long term debt | 3,401 | 213,950 | 217,351 |
| Total current liabilities | 145,590 | 239,040 | 384,630 |
| Long term debt | 584,185 | (213,950) | 370,235 |
| Member's deficit | (53,680) | (25,031) | (78,711) |
| Total member's deficit | (84,555) | (25,031) | (109,586) |
| Total liabilities and member's deficit | 685,437 | 59 | 685,496 |

Consolidated Statements of Operations and Comprehensive Loss Effects:

| | <u>Three Months Ended March 31, 2006</u> | | | <u>Three Months Ended March 31, 2005</u> | | |
|-----------------------------------|--|--------------------|------------------------|--|--------------------|------------------------|
| | <u>As Previously Reported</u> | <u>Restatement</u> | <u>As Restated</u> | <u>As Previously Reported</u> | <u>Restatement</u> | <u>As Restated</u> |
| | (Amounts in thousands) | | | (Amounts in thousands) | | |
| Net trade sales | \$223,523 | \$(35,240) | \$188,283 | \$205,020 | \$(31,207) | \$173,813 |
| Related party sales | — | 34,709 | 34,709 | — | 30,754 | 30,754 |
| Net sales | 223,523 | (531) | 222,992 | 205,020 | (453) | 204,567 |
| Cost of sales | 194,017 | 1,296 | 195,313 | 188,730 | 542 | 189,272 |
| Gross profit | 29,506 | (1,827) | 27,679 | 16,290 | (995) | 15,295 |
| Operating income | 17,093 | (1,827) | 15,266 | 1,649 | (995) | 654 |
| Income (loss) before income taxes | 2,234 | (1,827) | 407 | (11,349) | (995) | (12,344) |
| Net income (loss) | 2,180 | (1,827) | 353 | (11,126) | (995) | (12,121) |
| Comprehensive income (loss) | 2,171 | (1,827) | 344 | (11,138) | (995) | (12,133) |

Consolidated Statements of Cash Flows Effects:

| | <u>Three Months Ended March 31, 2006</u> | | | <u>Three Months Ended March 31, 2005</u> | | |
|--------------------------|--|--------------------|------------------------|--|--------------------|------------------------|
| | <u>As Previously Reported</u> | <u>Restatement</u> | <u>As Restated</u> | <u>As Previously Reported</u> | <u>Restatement</u> | <u>As Restated</u> |
| | (Amounts in thousands) | | | (Amounts in thousands) | | |
| Net income (loss) | \$ 2,180 | \$(1,827) | \$ 353 | \$(11,126) | \$ (995) | \$(12,121) |
| Accounts receivable | (3,707) | (9,270) | (12,977) | (17,262) | 1,122 | (16,140) |
| Related party receivable | — | 9,270 | 9,270 | — | (1,122) | (1,122) |
| Inventory | 5,481 | 20 | 5,501 | 4,266 | (506) | 3,760 |
| Related party payable | — | 1,541 | 1,541 | — | 3,188 | 3,188 |
| Accrued liabilities | (8,873) | 266 | (8,607) | (5,654) | (1,687) | (7,341) |

CONSOLIDATED CONTAINER COMPANY LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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19. BROKERED RESIN

The Company brokers resin to certain dairy and other customers for a brokerage commission. The Company accounts for these transactions on a net basis recording the brokering commission in net sales in the consolidated financial statements as the Company does not retain inventory risk, nor is it the primary obligor to these customers. Gross resin brokered on behalf of customers not included in net sales was \$30.2 and \$31.5 million for the three months ended March 31, 2006 and 2005, respectively.

20. SENIOR CREDIT FACILITY DEFAULT

As of March 31, 2006, events of default existed under the Company's senior credit facility due in part to (a) provisions requiring the Company to maintain its financial statements in accordance with Generally Accepted Accounting Principles and (b) noncompliance in two quarters of 2005 with financial covenants based on the restatement of the Company's consolidated financial statements. Such failure permits the lenders under the senior credit facility to accelerate such debt. The Company has begun discussions with members of the bank group that participates in its senior credit facility to obtain a permanent waiver and believes it will be able to obtain the waiver; however the Company can give no assurance that it will be able to obtain such a waiver. Following the Company's filing of its Form 10-K/A for the year ended December 31, 2005, its Form 10-Q/A for the period ended March 31, 2006 and its Form 10-Q for the period ended June 30, 2006, the Company will seek the permanent waiver of the existing events of default under the senior credit agreement from its lenders. If the Company is unable to obtain such a waiver from its lenders on terms acceptable to the Company, it will immediately pursue its options to refinance its debt.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a leading North American developer, manufacturer, and marketer of rigid plastic containers for many of the largest branded consumer products and beverage companies in the world. We serve our customers with a wide range of manufacturing capabilities and services through a domestic, nationwide network of 54 strategically located manufacturing facilities and a research, development and engineering center located in Atlanta, Georgia. In addition, we have three international manufacturing facilities in Canada and Mexico. We sell containers to the dairy, water, juice & other beverage, household chemicals & personal care, agricultural & industrial, food and automotive sectors. Our container product line ranges in size from two-ounce to six-gallon containers and consists of single and multi-layer containers made from a variety of plastic resins, including high density polyethylene ("HDPE"), PC, polypropylene, and PET.

Management believes that the following factors are critical to our success:

- offsetting competitive price and volume declines over time through continuing cost reductions and effective sales and marketing;
- improving relationships with and executing on the demands of our customers; and
- prudently investing our capital to meet our customer demands and achieve the above goals of realizing cost reductions and exceeding customer expectations.

Generally speaking, industry practices and many of our agreements with our customers permit us to pass-through substantially all changes in HDPE (and other resin) prices to our customers. We would note, however, that we cannot guarantee that we will always have the ability to pass through such increases, especially if our customers were unable to pass such increased costs on to their end-customers.

As a limited liability company, we do not pay U.S. federal income taxes under the provisions of the Internal Revenue Code, as respective shares of the applicable income or loss based on ownership are included in the tax returns of our owners. We may make tax distributions to our owners to reimburse them for such tax obligations, if any, as they arise. Additionally, the amalgamation of two of our wholly owned foreign subsidiaries in 2004 and the acquisition of STC and Mayfair in 2005, both U.S. domestic corporations, have made it necessary for the Company to calculate deferred tax assets and liabilities pursuant to SFAS 109 for financial reporting purposes.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the U.S. requires management to make judgments, assumptions and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Note 1 to the consolidated financial statements in the Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005, describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, worker's compensation and benefit plan accruals, goodwill impairment analysis, provisions for closed facilities and related severances, and other contingencies. Actual results could differ from these estimates. The critical accounting policies are impacted significantly by judgments, assumptions and estimates used in the preparation of the consolidated financial statements.

Results of Operations

The following management's discussion and analysis of financial condition and results of operations gives effect to the restatement discussed in Note 18 to the condensed consolidated financial statements.

Three months ended March 31, 2006, compared to three months ended March 31, 2005

Net Sales. Net sales for the first quarter of 2006 were \$223.0 million, an increase of \$18.4 million or 9.0%, compared to \$204.6 million for the same period of 2005. This increase results from the impact of higher average resin costs during 2006. Resin prices as evidenced by the published index prices for HDPE resin continued their declines from the end of 2005 and by the end of the first quarter of 2006 had reversed half, or \$0.16 per pound, of the increases in the last half of 2005, but still remained higher than the prior year's quarter. We estimate that sales would have been approximately \$204.1 million, a decrease of \$0.4 million from the same period during 2005, after adjustment for the change in resin costs. This decline was primarily attributable to the revenue impact of the sale of our Kansas City, Kansas operation; however, offsetting this and the three other 2005 plant sales or closures were the continued commercialization of new business and the three acquisitions in 2005 which resulted in higher total volumes on a year-over-year basis in the first quarter of 2006.

Gross Profit. Gross profit for the first quarter of 2006 was \$27.7 million, an increase of \$12.4 million or 81.0%, compared to \$15.3 million for the same period of 2005. The increase is attributable to several factors, including the aforementioned higher volumes and the favorable resin environment, business interruption insurance proceeds totaling \$2.0 million received during the first quarter of 2006 related to the hurricanes in 2005, lower lease expenses during 2006 compared to 2005 totaling \$1.0 million, and improved operating trends as a result of capital programs and strategic initiatives.

Selling, General and Administrative Expense. Selling, general and administrative expense ("SG&A") includes non-production related costs including salaries, benefits, travel, rent, and other costs for our corporate functions (such as executive management, sales, procurement, finance and accounting, and human resources). For the first quarter of 2006, SG&A was \$11.9 million, an increase of \$0.7 million or 6.6%, compared to \$11.1 million for the same period of 2005. This increase is due to an increase of \$1.0 million in the incentive compensation accrual caused by favorable company performance during 2006 compared to 2005. Also accounting for the increase was the 2006 accrual of \$0.5 million for the advancement of a portion of the LTIP Bonus Pool-A to participants who remain employed through the time of the advance, which will be paid out no later than the end of the first quarter of 2007. Partially offsetting the increase was lower salary and related expenses during the first quarter of 2006 resulting from our reorganization in the second quarter of 2005.

Loss on Disposal of Assets and Impairments. Loss on disposal of assets and impairments for the first quarter of 2006 was \$0.2 million, compared to \$3.4 million for the same period of 2005. The loss in 2005 was primarily due to the sale of our PET bottle production operation which was located on-site at a customer's Kansas City, Kansas facility. As a result, a \$3.2 million charge was recognized for the write-down of the assets at the Kansas City facility to the contractually defined sales price to the new supplier.

Interest Expense. Interest expense primarily includes interest as set forth in the terms of our senior credit facility, senior secured discount notes and senior subordinated notes, promissory notes and the amortization of deferred financing fees. Interest expense for the first quarter of 2006 was \$14.9 million, an increase of \$1.9 million or 14.3%, compared to \$13.0 million for the same period of 2005. This increase is primarily due to an approximate two percentage point increase in weighted-average interest rates on floating-rate debt and higher average revolver borrowings.

Liquidity and Capital Resources

Our principal uses of cash are for capital expenditures, working capital, debt service, and acquisitions. Funds for these purposes are generated primarily from operations and borrowings under our senior credit facility.

Cash provided by operating activities in the first three months of 2006 was \$5.0 million, compared to \$4.8 million in the same period in 2005. The change was primarily due to an improvement in our operating results, discussed more fully above, and an improvement in accounts receivable in the first quarter of 2006 versus the same period in 2005. Accounts receivable increased during the first quarter of 2005 due to higher sales in March 2005 versus December 2004 and an increase in days sales outstanding, caused by an increase in sales to a large customer with extended terms. Offsetting the improvement was a decrease in accounts payable in the first quarter of 2006 versus an increase in the same period in 2005 caused by the timing of payments and shortened payment terms with two significant vendors.

Cash used in investing activities in the first three months of 2006 was \$9.5 million, compared to \$11.9 million in the same period of 2005. The change was primarily due to the \$5.3 million net payment for the acquisition of STC during the first quarter of 2005, partially offset by higher capital expenditures during the first quarter of 2006.

Cash provided by financing activities in the first three months of 2006 was \$3.9 million, a change of \$0.3 million, compared to \$4.2 million during the same period in 2005. This was primarily due to our March 2006 payoff of a \$0.7 million promissory note related to the acquisition of Mayfair, offset by slightly higher borrowings on the revolver of \$0.3 million.

Senior Credit Facility—Our senior credit facility consists of the following:

- a term loan totaling \$220.0 million, and
- a \$45.0 million revolving credit facility.

At March 31, 2006, events of default existed under the terms of our senior credit facility, due in part to (a) provisions requiring us to maintain our financial statements in accordance with GAAP and (b) noncompliance in two quarters of 2005 with financial covenants based on the restatements of our financial statements as discussed in Note 18 to the accompanying condensed consolidated financial statements. As a result of the events of default caused by the restatement of our financial statements, we have reclassified our debt of \$214.0, and \$214.5 million under the senior credit facility as of March 31, 2006 and December 31, 2005, respectively, from long term debt, as previously recorded, to current liabilities in the accompanying condensed consolidated balance sheets.

At March 31, 2006, we had \$8.1 million of funded borrowings outstanding on the revolving credit facility, and \$9.1 million was reserved for outstanding standby letters of credit, leaving \$27.8 million available for future borrowings. However, due to the events of default, discussed above, the Company is unable to utilize the available borrowings at the date of this report. The outstanding standby letters of credit were reduced to \$9.1 million at the end of March 2006 from \$12.3 million at the end of December 2005 due to a reduction of collateral required by our worker's compensation insurance carrier as a result of our improved safety record. The revolving credit facility matures on December 15, 2008. The amortization schedule of the term loan includes quarterly installments of \$550,000 that commenced September 30, 2004 and continues through September 2008, with the remaining balance due December 15, 2008.

The senior credit facility also provides for mandatory repayments from the net proceeds of certain asset sales, debt issuances, a portion of equity issuances, a portion of excess cash flow and insurance recoveries and condemnation events. No such payments were required for the period ended March 31, 2006.

Senior Secured Discount Notes—In May 2004, the Company completed an offering of \$207.0 million aggregate principal amount at maturity of 10¾% senior secured discount notes, which generated proceeds of approximately \$150.1 million at issuance. As of March 31, 2006, the accreted value of the notes, upon which interest expense was calculated, was \$182.4 million. The senior secured discount notes will mature on June 15, 2009.

Senior Subordinated Notes—The senior subordinated notes that were issued on July 2, 1999, have an original face value of \$185.0 million and are due in full on July 15, 2009. The notes bear interest at a fixed interest rate of 10 1/8%, payable semiannually in July and January of each year.

The senior credit facility, the senior secured discount notes, and/or the senior subordinated notes contain covenants that restrict, among other things, our ability to: (i) make certain restricted payments; (ii) incur additional debt or issue preferred equity; (iii) pay dividends or make distributions on our equity interests or repurchase our equity interests; (iv) repurchase subordinated indebtedness; (v) issue stock of subsidiaries; (vi) make certain investments; (vii) create liens on our assets; (viii) enter into certain transactions with affiliates; (ix) merge or consolidate with another company; (x) sell, lease or otherwise dispose of all or substantially all of our assets; (xi) enter sales and leaseback transactions; and (xii) make capital expenditures above specified levels. The senior credit facility has financial maintenance covenants regarding first-lien debt to EBITDA, total secured debt to consolidated EBITDA and interest coverage. Additionally, the senior credit facility contains a maximum capital expenditures covenant. At March 31, 2006, we were not in compliance with certain covenants under the senior credit facility, including provisions requiring us to maintain our books and records in accordance with GAAP. In addition, the restatement discussed in Note 18 caused us to not be in compliance with certain financial covenants for the quarters ended September 30, 2005 and December 31, 2005. We were, however, in compliance with the financial covenants for the period ended March 31, 2006. We will attempt to secure a waiver for the events of non-compliance, however we cannot guarantee that the lenders will grant such a waiver or under what terms such a waiver would be granted.

Promissory Notes—On February 11, 2005, just prior to the Company's acquisition of STC as described above, STC issued four promissory notes in the aggregate amount of \$1.6 million to its shareholders in consideration of the repurchase of an aggregate 2,200 shares of common stock of STC. The notes bear interest at a stated rate of 2.9% per annum. The Company's effective interest rate at the time was approximately 6.3%, and thus, the Company recorded a discount on notes payable. The discount is being amortized over the life of the notes using the interest method. All outstanding and unpaid principal and interest are due and payable on January 1, 2008.

On June 29, 2005, just prior to the Company's acquisition of Mayfair (accomplished through a merger of Mayfair into STC, a wholly owned subsidiary of the Company) as described above, Mayfair issued two promissory notes, one for \$2.0 million and an additional note for \$0.7 million, to its shareholder in consideration of the repurchase of an aggregate 560 shares of common stock of Mayfair. As a result of the acquisition, the promissory notes become the obligation of STC. The \$2.0 million note bears interest at a rate of 6.0% per annum and STC is required to repay principal and interest in two equal installments on July 1, 2006 and July 1, 2007. All outstanding principal and interest on the \$0.7 million note was repaid on March 15, 2006.

The Company, its officers, principal shareholders or affiliates thereof have entered and may, from time to time, enter the market to purchase or sell our securities, including our senior secured discount notes and/or our senior subordinated notes, in compliance with any applicable securities laws and our internal restrictions and procedures.

The events of default on our senior credit facility, discussed above, result in our being unable to utilize borrowings under the revolving credit facility from the date the Company gave notice of such events of default to the administrative agent, at which time we had \$21.0 million outstanding, until such events of default are waived. Assuming such a waiver is received, management believes cash on hand at March 31, 2006, future funds generated by operations, and borrowings under our senior credit facility prior to the recognition of the events of default will be sufficient to meet working capital and capital expenditure requirements for the twelve months ending March 31, 2007.

We also have contractual obligations and commercial commitments that may affect our financial condition. The following tables identify material obligations and commitments as of March 31, 2006, as restated (customer-specific commitments arising in the ordinary course of business are not included):

| <u>Contractual Cash Obligations</u> | <u>Payments Due by Period</u> | | | | |
|--|-------------------------------|-----------------------------|----------------------|----------------------|--------------------------|
| | <u>Total</u> | <u>Less Than 1 Year</u> | <u>2-3 Years</u> | <u>4-5 Years</u> | <u>After 5 Years</u> |
| | (Amounts in thousands) | | | | |
| Long Term Debt (a) | \$611,738 | \$217,163 | \$ 2,575 | \$392,000 | \$ — |
| Interest on Long Term Debt (b) | 162,439 | 38,829 | 103,239 | 20,371 | — |
| Operating Leases (c) | 92,752 | 16,498 | 29,232 | 22,428 | 24,594 |
| Pension Obligation (d) | 25,013 | 6,220 | 10,269 | 6,287 | 2,237 |
| Revolving Credit Facility (e) | 8,100 | 8,100 | — | — | — |
| Capital Leases | 541 | 188 | 258 | 95 | — |
| Total Contractual Cash Obligations | <u>\$900,583</u> | <u>\$286,998</u> | <u>\$145,573</u> | <u>\$441,181</u> | <u>\$26,831</u> |

| <u>Other Commercial Commitments</u> | <u>Commitment Expiration per Period</u> | | | | |
|---|---|-----------------------------|----------------------|----------------------|--------------------------|
| | <u>Total</u> | <u>Less Than 1 Year</u> | <u>2-3 Years</u> | <u>4-5 Years</u> | <u>After 5 Years</u> |
| | (Amounts in thousands) | | | | |
| Standby Letters of Credit | \$ 9,077 | \$ 9,077 | \$ — | \$ — | \$ — |
| Revolving Credit Facility (f) | 27,823 | 27,823 | — | — | — |
| Total Commercial Commitments | <u>\$ 36,900</u> | <u>\$ 36,900</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |

- (a) The amount included in the above schedule for our senior secured discounts notes and the STC promissory note is the amount due at maturity. As of March 31, 2006, the unamortized discount on that debt was \$24.7 million, leaving the total book value of long term debt, including capital lease obligations, at \$587.6 million. A description of significant terms and conditions of our senior credit facility, senior secured discount notes, senior subordinated notes and promissory notes is included in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005. As noted in Note 18 to our condensed consolidated financial statements, we have reclassified our obligations under our senior credit facility from long term debt, as previously reported, to current liabilities due to the existence of events of default as of March 31, 2006.
- (b) Interest on long term debt includes interest on our fixed- and floating-rate debt as well as fees for unutilized commitments and letters of credit. The interest portion was estimated assuming the weighted average interest rate in effect for floating-rate debt as of March 31, 2006 remained in effect through the maturity of the debt. Our senior credit facility has been classified as short term in the above table and in our financial statements resulting from the restatement discussed in Note 18 to our condensed consolidated financial statements. Although a waiver for the existence of events of default as of March 31, 2006 has not been obtained, interest of \$18.8 and \$32.2 million for one year or less and two-to-three years, respectively, related to this facility has been calculated based upon its contractual maturity date and included in all applicable years. We cannot guarantee that we will be able to obtain such a waiver.
- (c) Included in operating leases are non-cancelable lease arrangements for facilities, machinery and equipment and vehicles. Minimum payments have not been reduced by minimum sublease rentals of \$0.6 million due in the future under non-cancelable subleases.
- (d) We have estimated cash obligations related to our pension plan for seven years, as it is not practicable to estimate thereafter.
- (e) The revolving credit facility represents the actual outstanding balance as of March 31, 2006.
- (f) The revolving credit facility represents the unused borrowing commitment available to us as of March 31, 2006, excluding our minimum borrowing increment of \$0.1 million.

Off-Balance Sheet Arrangements

At March 31, 2006, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Recently Issued Accounting Standards

In September 2005, the EITF of the FASB issued EITF Issue 04-13, "Accounting for Purchases and Sales of Inventory with the Same Counterparty," which concluded that entities that enter into inventory purchase and sales transactions with the same counterparty, in contemplation of one another, should combine the transactions and treat them as nonmonetary exchanges involving inventory. Nonmonetary exchanges of finished goods for raw material and finished goods for work-in-process in the same line of business should be recorded at fair value. All other inventory-for-inventory exchange transactions within the same line of business do not culminate the earnings process and therefore should be recognized at carrying value. The EITF is effective for new inventory arrangements entered into, or modifications or renewals of existing inventory arrangements occurring, in interim or annual reporting periods beginning after March 15, 2006. The Company will adopt this EITF in the quarter ended June 30, 2006 and it does not anticipate that the implementation will have a material impact on its financial statements.

Forward Looking Statements

The statements other than statements of historical facts included in this quarterly report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements, as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current assumptions, expectations and projections about future events.

Forward-looking statements may be indicated by phrases such as "will," "estimates," "plans," "strategy," "believes," "anticipates," "expects," "intends," "foresees," "projects," "forecasts" or words of similar meaning or import. We have made such statements in prior filings with the SEC and in this report. Such statements are subject to certain risks, uncertainties, or assumptions, and therefore, management can make no representations or warranties as to the accuracy or reasonableness of such statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those set forth in applicable forward looking statements.

These statements may also involve risks and uncertainties that could cause our actual results of operations or financial condition to materially differ from our expectations in this, including, but not limited to:

- the costs and availability of raw materials, particularly resins;
- increases in the costs of compliance with laws and regulations, including environmental laws and regulations;
- the loss of any of our major customers, including the risk that our customers will purchase less of our products than we expect under requirements contracts;
- unseasonable weather changes, particularly during the spring and summer months;
- the ability to compete effectively regionally and nationally;
- the ability to develop or adapt to new technologies;
- our dependence on key management;

- our ability to obtain additional financing or make payments on our debt;
- our high degree of leverage and substantial indebtedness;
- regulatory developments, industry conditions and market conditions; and
- general economic conditions.

For further discussion of the factors noted above and other relevant factors, please see the information set forth under the caption “Risk Factors” in Item 1A of our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005.

Any forward-looking statements made herein speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any such statements, to reflect any change in our expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary exposure to market risk is changing interest rates due to some of our debt bearing a floating-rate of interest. Our policy is to manage interest rate risk by using a combination of fixed- and floating-rate debt. A hypothetical 10.0% increase in interest rates for the three months ended March 31, 2006, would have increased floating-rate interest expense by approximately \$0.4 million. The fair value of the Company’s long-term debt is based on quoted market prices. At March 31, 2006, the estimated fair value of the term loans, the senior secured discount notes and the senior subordinated notes was \$216.2, \$190.4, and \$162.3 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosures. Because of inherent limitations, our disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of such disclosure controls and procedures are met.

Our management, including a disclosure committee that includes our Chief Executive Officer, Chief Financial Officer and other members of our senior management and finance teams, had previously evaluated the effectiveness of the design and operation of our disclosure controls and procedures, pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b) as of the end of the period covered by this report and previously concluded that such disclosure controls and procedures were effective. However, subsequently we discovered material weaknesses, as described below in our “internal control over financial reporting”. Therefore, our principal executive and financial officer each concluded that, as of the end of the period covered by this report, as amended, our disclosure controls and procedures were not effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Changes in internal control over financial reporting. During fiscal 2006, management identified accounting errors in its consolidated financial statements relating to the accounting for such customer contracts as well as errors in inventory valuation as it relates to rebates and the accounting for the actual cost of resin. On August 23, 2006, the audit committee of the Company determined that our previously issued financial statements for the years ended December 31, 2005, 2004 and 2003, included in our Annual Report on Form 10-K for the fiscal year

ended December 31, 2005, and for the quarters ended March 31, 2006 and 2005, included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, should be restated. The restatement is further discussed in Note 18 to the accompanying condensed consolidated financial statements. Public Company Accounting Oversight Board's Auditing Standard No. 2, An Audit of Internal Control over Financial Reporting Performed in Conjunction with an Audit of Financial Statements, provides that a restatement of previously issued financial statements is a strong indicator of the existence of a "material weakness" in the design or operation of internal control over financial reporting. Based upon that standard, management has concluded that the control deficiencies surrounding management's oversight of the accounting for contracts and inventory valuation represented a material weakness in internal control over financial reporting.

As a part of its planned remedial measures related to the accounting for contracts, our management initiated a formal review to reassess the accounting for all existing customer contracts with annual revenues of at least \$5.0 million. This process was undertaken by key members of our management with the goal of verifying and of training its accounting personnel regarding the proper accounting treatment and disclosure with regard to such contracts. In addition, by December 31, 2006, we plan to fully remediate the material weakness described above by implementing additional review and validation procedures over contract review and revenue recognition. The remedial measures will include adoption of formal procedures whereby all contracts are independently reviewed by a Contract Review Committee comprised of key members of our management and finance teams for identification of any complex accounting issues and adoption of a process performed by the Contract Review Committee to formally validate and approve the preliminary conclusions reached by our accounting staff regarding the proper treatment of these issues.

To remediate the material weakness related to inventory valuation, management will implement a secondary detail review process performed by qualified internal or external resources that will assess the assumptions used, calculations performed and accounting guidance available related to this area and other areas determined by management to be critical and especially complex. A written report summarizing the steps performed and conclusions reached regarding each process will then be presented to the Company's closing committee, which is made up of senior members of the accounting management team, for their approval of the conclusions reached.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect future misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There have been no other changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our management continues to review our internal controls and procedures and the effectiveness of those controls. We are continuing the efforts we began during the fourth fiscal quarter for the period ended December 31, 2004 when the Company formally initiated the process of documenting internal controls over financial reporting in an effort to be in compliance with the Sarbanes-Oxley Act of 2002 Rule 404 by December 31, 2007.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Environmental Matters. We are a party to a number of environmental legal proceedings. The circumstances surrounding these proceedings are discussed under the heading “Environmental, Health and Safety Matters” in Item 1 of Part I of our Annual Report on Form 10-K/A for the year ended December 31, 2005. Since the original filing of our Annual Report, there have been developments in two of the environmental matters described in such report.

On or about July 22, 2005, we received a *de minimis* settlement agreement proposal from the Environmental Protection Agency (“EPA”), offering to resolve our alleged liability for the Spectron Superfund Site, Elkton, Maryland (“Spectron Site”) for payment of \$5,955. The EPA’s settlement proposal was addressed to “RXI Plastics, Inc. (Continental Plastics)” in care of “Consolidated Container Company.” On August 18, 2005, without admitting any liability for Continental Plastics, RXI Plastics or the Spectron Site, and despite our belief that we are not responsible for this site, we notified the EPA of our agreement to enter into this *de minimis* settlement. We received notification from the EPA confirming the entry of a Consent Decree effecting the settlement, and pursuant to the Consent Decree, in fulfillment of the settlement, we will have paid to the EPA and the PRP group a collective amount of \$5,955 by April 17, 2006. We believe that the Consent Decree and its settlement payment will eliminate any further legal or financial liability we may have with respect to this site.

In Item 1 of Part I of our Annual Report on Form 10-K/A, we identified several asbestos-related cases in which we were attempting to obtain dismissals because we had been improperly made a party to the lawsuits. Since the original filing of the Form 10-K, we obtained a dismissal in the *Powell v. American Standard, Inc., et al* lawsuit.

Other Matters. We are a party to various litigation matters arising in the ordinary course of our business. We cannot estimate with certainty the ultimate legal and financial liability with respect to those litigation matters but believe, based on our examination of these matters, experience to date, and discussions with counsel, that any ultimate liability will not be material to our financial position, results of operations or cash flows.

On May 18, 2005, we initiated suit in the United States District Court for the Western District of Tennessee against customer Warren Unilube (“Warren”) for Warren’s anticipated breach of contract. In the suit, we contended that a contract they entered into with former customer Coastal Unilube was assigned to Warren Unilube by Coastal and that Warren is therefore bound by the contract until at least December 31, 2007. Warren, however, had indicated to us that it intended to stop purchasing from us before the December 2007 date. In March 2006 we obtained an injunction against Warren, requiring them to continue purchasing from us according to the contract until a trial on the matter. Warren represents the significant share of the sales volume at our West Memphis facility, with the facility totaling \$14.7 million in sales in 2005. Sales to Warren were also recognized out of our Memphis facility in 2005.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The restatement of our financial statements, discussed in Note 18 to the condensed consolidated financial statements, has caused events of default under our senior credit facility, due in part to (a) provisions requiring us to maintain our financial statements in accordance with GAAP and (b) noncompliance in two quarters of 2005 with financial covenants based on the restatement of our financial statements. We will attempt to secure a waiver for these events of non-compliance; however we cannot guarantee that the lenders will grant such a waiver.

ITEM 6. EXHIBITS

| <u>Exhibit No.</u> | <u>Description of Exhibits</u> |
|--------------------|--|
| 31.1 | Statement of Chief Executive Officer of Consolidated Container Company LLC Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Statement of Chief Financial Officer of Consolidated Container Company LLC Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |

SIGNATURE

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 thereunto duly authorized.

October 2, 2006

CONSOLIDATED CONTAINER COMPANY LLC
(Registrant)

By: /s/ JEFFREY M. GREENE
Jeffrey M. Greene
President, Chief Executive Officer, and Manager

By: /s/ RICHARD P. SEHRING
Richard P. Sehring
Chief Financial Officer

EXHIBIT INDEX

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