

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

(Mark One)

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended September 27, 2014  
or  
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

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

Delaware  
(State or other jurisdiction  
of incorporation or organization)

20-5234618  
(IRS employer  
identification number)

101 Oakley Street  
Evansville, Indiana  
(Address of principal executive offices)

47710  
(Zip code)

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

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

Title of Each Class  
Common Stock, \$0.01 par value per share

Name of Each Exchange on Which Registered  
New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

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

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Small reporting company

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

The aggregate market value of the common stock of the registrant held by non-affiliates was approximately \$2.1 billion as of March 28, 2014, the last business day of the registrant's most recently completed second fiscal quarter. The aggregate market value was computed using the \$22.46 closing price per share for such stock on the New York Stock Exchange on such date. The calculation includes shares of the registrant's common stock held by current executive officers, directors and affiliates whose ownership exceeded 5% as of such date.

As of November 24, 2014, there were approximately 118.2 million shares of the registrant's common stock outstanding.

Documents Incorporated by Reference

None.

## EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (the "Amendment") amends Berry Plastics Group Inc.'s Annual Report on Form 10-K for the fiscal year ended September 27, 2014 (the "Form 10-K"), as filed with the Securities and Exchange Commission on November 24, 2014, and is being filed solely to amend the Report of Independent Registered Public Accounting Firm (the "Audit Report") contained in Item 8 of the Form 10-K to correct an inadvertent omission of an explanatory paragraph describing the exclusion of acquisitions from the scope of their report on internal control over financial reporting.

Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, we have included the entire text of Item 8 of the Form 10-K in this Amendment. However, there have been no changes to the text of such item other than the change stated in the immediately preceding paragraph. Furthermore, there have been no changes to the XBRL data filed in Exhibit 101 of the Form 10-K.

Except as expressly set forth above, this Amendment does not, and does not purport to, amend, update or restate the information in any other item of the Form 10-K or reflect any events that have occurred after the filing of the original Form 10-K.

**TABLE OF CONTENTS**  
**FORM 10-K/A FOR THE FISCAL YEAR ENDED SEPTEMBER 27, 2014**

	<u>Page</u>
	PART II
<b>Item 8.</b>	<b>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</b>
	4
	PART IV
<b>Item 15.</b>	<b>EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</b>
	5

**PART II**

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Index to Financial Statements**

Reports of Independent Registered Public Accounting Firm	6
Consolidated Balance Sheets as of fiscal 2014 and 2013	8
Consolidated Statements of Income and Comprehensive Income for fiscal 2014, 2013 and 2012	9
Consolidated Statements of Changes in Stockholders' Equity as of fiscal 2014, 2013 and 2012	10
Consolidated Statements of Cash Flows for fiscal 2014, 2013 and 2012	11
Notes to Consolidated Financial Statements	12

**Index to Financial Statement Schedules**

All schedules have been omitted because they are not applicable or not required or because the required information is included in the consolidated financial statements or notes thereto.

## PART IV

### **Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

1. Financial Statements

The financial statements listed under Item 8 are filed as part of this report.

2. Financial Statement Schedules

Schedules have been omitted because they are either not applicable or the required information has been disclosed in the financial statements or notes thereto.

3. Exhibits

The exhibits listed on the Exhibit Index immediately following the signature page of this report are filed as part of this Amendment No. 1 on Form 10-K/A and are meant to supplement the Exhibits listed and/or filed with the Original Report.

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

Berry Plastics Group, Inc.

We have audited the accompanying consolidated balance sheets of Berry Plastics Group, Inc. as of September 27, 2014 and September 28, 2013, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity (deficit) and cash flows for each of the three years in the period ended September 27, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Berry Plastics Group, Inc. at September 27, 2014 and September 28, 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 27, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Berry Plastics Group, Inc.'s internal control over financial reporting as of September 27, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission "(1992 framework)" and our report dated November 24, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Indianapolis, Indiana  
November 24, 2014

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Berry Plastics Group, Inc.

We have audited Berry Plastics Group, Inc.'s internal control over financial reporting as of September 27, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Berry Plastics Group Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

As indicated in the accompanying Management's Report on Internal Controls over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Graphic Flexible Packaging LLC; Qingdao P&B Co., Ltd; and Rexam Healthcare Containers and Closures, which are included in the 2014 consolidated financial statements of Berry Plastics Group, Inc. and constituted 6% of total assets as of September 27, 2014 and 4% of net sales for the year then ended. Our audit of internal control over financial reporting of Berry Plastics Group, Inc. also did not include an evaluation of the internal control over financial reporting of Graphic Flexible Packaging LLC; Qingdao P&B Co., Ltd; and Rexam Healthcare Containers and Closures.

In our opinion, Berry Plastics Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 27, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2014 consolidated financial statements of Berry Plastics Group, Inc. and our report dated November 24, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

---

Indianapolis, Indiana  
November 24, 2014

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

	September 27, 2014	September 28, 2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 129	\$ 142
Accounts receivable, net	491	449
Inventories	604	575
Deferred income taxes	166	139
Prepaid expenses and other current assets	42	32
Total current assets	<u>1,432</u>	<u>1,337</u>
Property, plant and equipment, net	1,364	1,266
Goodwill, intangible assets and deferred costs, net	2,471	2,520
Other assets	1	12
Total assets	<u>\$ 5,268</u>	<u>\$ 5,135</u>
<b>Liabilities and stockholders' equity (deficit)</b>		
Current liabilities:		
Accounts payable	\$ 395	\$ 337
Accrued expenses and other current liabilities	314	276
Current portion of long-term debt	58	71
Total current liabilities	<u>767</u>	<u>684</u>
Long-term debt, less current portion	3,860	3,875
Deferred income taxes	386	385
Other long-term liabilities	356	387
Total liabilities	<u>5,369</u>	<u>5,331</u>
Commitments and contingencies		
Redeemable Non-controlling interest	13	-
Stockholders' equity (deficit):		
Common stock: (\$0.01 par value; 400,000,000 shares authorized; 117,999,870 shares issued and 117,929,386 shares outstanding as of September 27, 2014; 115,895,927 shares issued and 115,825,443 shares outstanding as of September 28, 2013)	1	1
Additional paid-in capital	367	322
Non-controlling interest	3	3
Accumulated deficit	(442)	(504)
Accumulated other comprehensive loss	(43)	(18)
Total stockholders' equity (deficit)	<u>(114)</u>	<u>(196)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 5,268</u>	<u>\$ 5,135</u>

See notes to consolidated financial statements.



**Berry Plastics Group, Inc.**  
**Consolidated Statements of Income**  
(in millions of dollars, except per share data)

	Fiscal years ended		
	September 27, 2014	September 28, 2013	September 29, 2012
Net sales	\$ 4,958	\$ 4,647	\$ 4,766
Costs and expenses:			
Cost of goods sold	4,190	3,835	3,984
Selling, general and administrative	320	307	317
Amortization of intangibles	102	105	109
Restructuring and impairment charges	30	14	31
Operating income	316	386	325
Debt extinguishment	35	64	-
Other income, net	(7)	(7)	(7)
Interest expense, net	221	244	328
Income before income taxes	67	85	4
Income tax expense	4	28	2
Consolidated net income	63	57	2
Net income attributable to non-controlling interests	1	-	-
Net income attributable to the Company	\$ 62	\$ 57	\$ 2
Net income per share:			
Basic (see footnote 14)	\$ 0.53	\$ 0.50	\$ 0.02
Diluted (see footnote 14)	\$ 0.51	\$ 0.48	\$ 0.02

**Berry Plastics Group, Inc.**  
**Consolidated Statements of Comprehensive Income**  
(in millions of dollars)

Consolidated net income	\$ 63	\$ 57	\$ 2
Currency translation	(16)	(5)	6
Interest rate hedges	(3)	20	4
Defined benefit pension and retiree health benefit plans	(11)	34	(14)
Provision for income taxes related to other comprehensive income items	5	(20)	5
Comprehensive income	38	86	3
Comprehensive income attributable to non-controlling interests	1	-	-
Comprehensive income attributable to the Company	\$ 37	\$ 86	\$ 3

See notes to consolidated financial statements.

**Berry Plastics Group, Inc.**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficit)**  
(in millions of dollars)

	Common Stock	Additional Paid-in Capital	Notes Receivable- Common Stock	Non Controlling Interest	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balance at October 1, 2011	\$ 1	\$ 142	\$ (2)	\$ 3	\$ (48)	\$ (563)	\$ (467)
Stock compensation expense	-	2	-	-	-	-	2
Interest rate hedge, net of tax	-	-	-	-	3	-	3
Fair value adjustment of redeemable stock	-	(13)	-	-	-	-	(13)
Net income attributable to the Company	-	-	-	-	-	2	2
Currency translation	-	-	-	-	6	-	6
Defined benefit pension and retiree health benefit plans, net of tax	-	-	-	-	(8)	-	(8)
Balance at September 29, 2012	\$ 1	\$ 131	\$ (2)	\$ 3	\$ (47)	\$ (561)	\$ (475)
Stock compensation expense	-	16	-	-	-	-	16
Repayment of note receivable	-	-	2	-	-	-	2
Proceeds from issuance of common stock	-	27	-	-	-	-	27
Termination of redeemable shares	-	23	-	-	-	-	23
Proceeds from initial public offering	-	438	-	-	-	-	438
Obligation under tax receivable agreement	-	(313)	-	-	-	-	(313)
Interest rate hedge, net of tax	-	-	-	-	10	-	10
Net income attributable to the Company	-	-	-	-	-	57	57
Currency translation	-	-	-	-	(5)	-	(5)
Defined benefit pension and retiree health benefit plans, net of tax	-	-	-	-	21	-	21
Derivative amortization, net of tax	-	-	-	-	3	-	3
Balance at September 28, 2013	\$ 1	\$ 322	\$ -	\$ 3	\$ (18)	\$ (504)	\$ (196)
Stock compensation expense	-	15	-	-	-	-	15
Proceeds from issuance of common stock	-	17	-	-	-	-	17
Obligation under tax receivable agreement	-	13	-	-	-	-	13
Interest rate hedge, net of tax	-	-	-	-	(2)	-	(2)
Net income attributable to the Company	-	-	-	-	-	62	62
Currency translation	-	-	-	-	(16)	-	(16)
Defined benefit pension and retiree health benefit plans, net of tax	-	-	-	-	(7)	-	(7)
Balance at September 27, 2014	<u>\$ 1</u>	<u>\$ 367</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ (43)</u>	<u>\$ (442)</u>	<u>\$ (114)</u>

See notes to consolidated financial statements.

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

	Fiscal years ended		
	September 27, 2014	September 28, 2013	September 29, 2012
<b>Cash Flows from Operating Activities:</b>			
Consolidated net income	\$ 63	\$ 57	\$ 2
Net income attributable to non-controlling interests	1	-	-
Net income attributable to the Company	<u>\$ 62</u>	<u>\$ 57</u>	<u>\$ 2</u>
Adjustments to reconcile net cash from operating activities:			
Depreciation	256	236	246
Amortization of intangibles	102	105	109
Non-cash interest expense	7	14	24
Debt extinguishment	35	64	-
Settlement of interest rate hedge	-	16	-
Stock compensation expense	15	16	2
Deferred income tax	(4)	22	1
Impairment of long-lived assets	7	6	20
Other non-cash items	(3)	(6)	3
Changes in operating assets and liabilities:			
Accounts receivable, net	5	3	95
Inventories	19	(43)	37
Prepaid expenses and other assets	(1)	15	(7)
Accounts payable and other liabilities	30	(41)	(53)
Net cash from operating activities	<u>530</u>	<u>464</u>	<u>479</u>
<b>Cash Flows from Investing Activities:</b>			
Additions to property, plant and equipment	(215)	(239)	(230)
Proceeds from sale of assets	19	18	30
Acquisitions of business, net of cash acquired	(226)	(24)	(55)
Net cash from investing activities	<u>(422)</u>	<u>(245)</u>	<u>(255)</u>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from long-term borrowings	1,627	1,391	2
Repayment of long-term borrowings	(1,687)	(1,978)	(175)
Proceeds from issuance of common stock	17	27	-
Purchases of common stock	-	-	(6)
Payment of tax receivable agreement	(32)	(5)	-
Proceeds from initial public offering	-	438	-
Repayment of notes receivable	-	2	-
Debt financing costs	(44)	(39)	-
Net cash from financing activities	<u>(119)</u>	<u>(164)</u>	<u>(179)</u>
Effect of currency translation on cash	(2)	-	-
Net increase (decrease) in cash and cash equivalents	(13)	55	45
Cash and cash equivalents at beginning of period	142	87	42
Cash and cash equivalents at end of period	<u>\$ 129</u>	<u>\$ 142</u>	<u>\$ 87</u>

See notes to consolidated financial statements.

**Berry Plastics Group, Inc.**  
**Notes to Consolidated Financial Statements**  
(in millions of dollars, except as otherwise noted)

**1. Basis of Presentation and Summary of Significant Accounting Policies**

**Background**

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

**Basis of Presentation**

In October 2012, the Company completed an initial public offering. The proceeds, net of transaction fees, of \$438 million and cash from operations were used to repurchase \$455 million of 11% Senior Subordinated Notes. In connection with the initial public offering, the Company entered into an income tax receivable agreement that provides for the payment to pre-initial public offering stockholders, option holders and holders of our stock appreciation rights, 85% of the amount of cash savings, if any, in U.S. federal, foreign, state and local income tax that are actually realized (or are deemed to be realized in the case of a change of control) as a result of the utilization of net operating losses of the Company and its subsidiaries attributable to periods prior to the initial public offering.

In February 2014, June 2014 and August 2014, certain funds affiliated with Apollo Global Management, LLC (“Apollo”) sold 9 million shares in a secondary public offering for proceeds of \$205 million, 10 million shares in a secondary public offering for proceeds of \$237 million and 14.7 million shares in a secondary public offering for proceeds of \$360 million, respectively. The Company received no proceeds and incurred fees of approximately \$1 million related to these offerings. Following these offerings, Apollo no longer had any equity ownership in the Company.

Periods presented in these financial statements include fiscal periods ending September 27, 2014 (“fiscal 2014”), September 28, 2013 (“fiscal 2013”), and September 29, 2012 (“fiscal 2012”). Berry, through its wholly-owned subsidiaries operates in four primary segments: Rigid Open Top, Rigid Closed Top, Engineered Materials, and Flexible Packaging. The Company’s customers are located principally throughout the United States, without significant concentration in any one region or with any one customer. The Company performs periodic credit evaluations of its customers’ financial condition and generally does not require collateral. The Company’s fiscal year is based on fifty-two week periods. The Company has evaluated subsequent events through the date the financial statements were issued.

The consolidated financial statements include the accounts of Berry and its subsidiaries, all of which includes our wholly owned and majority owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. Where our ownership of consolidated subsidiaries is less than 100% the non-controlling interests are reflected in Non-controlling interest and Redeemable non-controlling interests.

**Revenue Recognition**

Revenue from the sales of products is recognized at the time title and risks and rewards of ownership pass to the customer, there is persuasive evidence of an arrangement, the sales price is fixed and determinable and collection is reasonably assured. Provisions for certain rebates, sales incentives, trade promotions, coupons, product returns and discounts to customers are accounted for as reductions in gross sales to arrive at net sales. In accordance with the Revenue Recognition standards of the Accounting Standards Codification (“Codification” or “ASC”), the Company provides for these items as reductions of revenue at the later of the date of the sale or the date the incentive is offered. These provisions are based on estimates derived from current program requirements and historical experience.

Shipping, handling, purchasing, receiving, inspecting, warehousing, and other costs of distribution are presented in Cost of goods sold in the Consolidated Statements of Income. The Company classifies amounts charged to its customers for shipping and handling in Net sales in the Consolidated Statements of Income.

## Purchases of Raw Materials and Concentration of Risk

The largest supplier of the Company's total resin material requirements represented approximately 22% of purchases in fiscal 2014. The Company uses a variety of suppliers to meet its resin requirements.

## Research and Development

Research and development costs are expensed when incurred. The Company incurred research and development expenditures of \$32 million, \$28 million, and \$25 million in fiscal 2014, 2013, and 2012, respectively.

## Stock-Based Compensation

The compensation guidance of the FASB requires that the compensation cost relating to share-based payment transactions be recognized in financial statements based on alternative fair value models. The share-based compensation cost is measured based on the fair value of the equity or liability instruments issued. The Company's share-based compensation plan is more fully described in Note 12. The Company recorded total stock compensation expense of \$15 million, \$16 million, and \$2 million for fiscal 2014, 2013 and 2012, respectively.

In August 2013, the Company recorded an \$8 million stock compensation charge related to certain modifications to the Berry Plastics Group Inc. 2006 Equity Incentive Plan and the Berry Plastics Group, Inc. 2012 Long-Term Incentive Plan (collectively, the "Plans"), and amended outstanding non-qualified stock option agreements to reflect such modifications. The modifications, include (i) accelerated vesting of all unvested options upon an employee's death or permanent disability (ii) in the event of an employee's qualified retirement, continuation of the normal vesting period applicable to the retiree's unvested options, as well as an extension of the exercise period to the end of the original ten-year term of the retiree's vested options and (iii) all unvested options and stock appreciation rights that were subject to performance-based vesting criteria as of January 1, 2013 (excluding certain IRR performance-based options) were modified to time-based vesting.

The Company utilizes the Black-Scholes option valuation model for estimating the fair value of the stock options. The model allows for the use of a range of assumptions. Expected volatilities utilized in the Black-Scholes model are based on implied volatilities from traded stocks of peer companies. Similarly, the dividend yield is based on historical experience and the estimate of future dividend yields. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The Company's options have a ten year contractual life. For purposes of the valuation model in fiscal 2014 and fiscal 2013, the Company used the simplified method for determining the granted options expected lives. The fair value for options granted has been estimated at the date of grant using a Black-Scholes model, with the following weighted average assumptions:

	Fiscal year		
	2014	2013	2012
Risk-free interest rate	1.3%	0.6%	0.6 - 0.9%
Dividend yield	0.0%	0.0%	0.0%
Volatility factor	.33	.38	.38
Expected option life	7 years	7 years	5 years

## Foreign Currency

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

## Cash and Cash Equivalents

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

## Allowance for Doubtful Accounts

The Company's accounts receivable and related allowance for doubtful accounts are analyzed in detail on a quarterly basis and all significant customers with delinquent balances are reviewed to determine future collectability. The determinations are based on legal issues (such as bankruptcy status), past history, current financial and credit agency reports, and the experience of the credit representatives. Reserves are established in the quarter in which the Company makes the determination that the account is deemed uncollectible. The Company maintains additional reserves based on its historical bad debt experience. The following table summarizes the activity for fiscal 2014, 2013 and 2012 for the allowance for doubtful accounts:

	2014	2013	2012
Allowance for doubtful accounts, beginning	\$ 3	\$ 3	\$ 4
Bad debt expense	-	1	1
Write-offs against allowance	-	(1)	(2)
Allowance for doubtful accounts, ending	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 3</u>

## Inventories

Inventories are stated at the lower of cost or market and are valued using the first-in, first-out method. Management periodically reviews inventory balances, using recent and future expected sales to identify slow-moving and/or obsolete items. The cost of spare parts inventory is charged to manufacturing overhead expense when incurred. We evaluate our reserve for inventory obsolescence on a quarterly basis and review inventory on-hand to determine future salability. We base our determinations on the age of the inventory and the experience of our personnel. We reserve inventory that we deem to be not salable in the quarter in which we make the determination. We believe, based on past history and our policies and procedures, that our net inventory is salable. Inventory as of fiscal 2014 and 2013 was:

Inventories:	2014	2013
Finished goods	\$ 353	\$ 335
Raw materials	251	240
	<u>\$ 604</u>	<u>\$ 575</u>

## Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets ranging from 15 to 25 years for buildings and improvements, two to 10 years for machinery, equipment, and tooling and over the term of the agreement for capital leases. Leasehold improvements are depreciated over the shorter of the useful life of the improvement or the lease term. Repairs and maintenance costs are charged to expense as incurred. The Company capitalized interest of \$6 million, \$5 million, and \$5 million in fiscal 2014, 2013, and 2012, respectively. Property, plant and equipment as of fiscal 2014 and 2013 was:

Property, plant and equipment:	2014	2013
Land, buildings and improvements	\$ 363	\$ 302
Equipment and construction in progress	2,509	2,241
	<u>2,872</u>	<u>2,543</u>
Less accumulated depreciation	(1,508)	(1,277)
	<u>\$ 1,364</u>	<u>\$ 1,266</u>

## Long-lived Assets

Long-lived assets, including property, plant and equipment and definite lived intangible assets are reviewed for impairment at the product line level in accordance with the Property, Plant and Equipment standard of the ASC whenever facts and circumstances indicate that the carrying amount may not be recoverable. Specifically, this process involves comparing an asset's carrying value to the estimated undiscounted future cash flows the asset is expected to generate over its remaining life. If this process were to result in the conclusion that the carrying value of a long-lived asset would not be recoverable, a write-down of the asset to fair value would be recorded through a charge to operations. Fair value is determined based upon discounted cash flows or appraisals as appropriate. Long-lived assets that are held for sale are reported at the lower of the assets' carrying amount or fair value less costs related to the assets' disposition. We recorded impairment charges totaling \$7 million, \$5 million, and \$20 million to write-down long-lived assets to their net realizable values during fiscal years 2014, 2013, and 2012 respectively.

## Goodwill

The Company follows the principles provided by the Goodwill and Other Intangibles standard of the ASC. Goodwill is not amortized but rather tested annually for impairment. The Company performs their annual impairment test on the first day of the fourth quarter in each respective fiscal year. The Company has recognized cumulative charges for goodwill impairment of \$165 million which occurred in fiscal 2011. For purposes of conducting our annual goodwill impairment test, the Company determined that we have six reporting units, Open Top, Rigid Closed Top, Engineered Films, Flexible Packaging, International and Tapes. Tapes and Engineered Films comprise the Engineered Materials operating segment. Flexible Packaging and International comprise the Flexible Packaging segment. Our International reporting unit's goodwill primarily derived from the current year P&B and C&C acquisitions. We determined that each of the components within our respective reporting units should be aggregated. We reached this conclusion because within each of our reporting units, we have similar products, management oversight, production processes and markets served which allow us to share assets and resources across the product lines. We regularly re-align our production equipment and manufacturing facilities in order to take advantage of cost savings opportunities, obtain synergies and create manufacturing efficiencies. In addition, we utilize our research and development centers, design center, tool shops, and graphics center which all provide benefits to each of the reporting units and work on new products that can not only benefit one product line, but can benefit multiple product lines. We also believe that the goodwill is recoverable from the overall operations of the unit given the similarity in production processes, synergies from leveraging the combined resources, common raw materials, common research and development, similar margins and similar distribution methodologies. In fiscal 2014, the Company applied the qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit may be less than the carrying amount. Based on our review of prior quantitative tests, changes in the carrying values, operating results, relevant market data and other factors we determined that no impairment was indicated for the Rigid Closed Top, Engineered Films, Flexible Packaging, International and Tapes reporting units. Due to the decline in operating income in the Rigid Open Top reporting unit during fiscal 2014, we completed step 1 of the impairment test which indicated no impairment existed. In fiscal 2013, the Company applied the qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit may be less than the carrying amount. Based on our review of prior quantitative tests, changes in the carrying values, operating results, relevant market data and other factors we determined that no impairment was indicated and we did not perform a two-step impairment test. In fiscal 2012, we completed step 1 of the impairment test for all the reporting units and no impairment was indicated.

The changes in the carrying amount of goodwill by reportable segment are as follows:

	<u>Rigid Open Top</u>	<u>Rigid Closed Top</u>	<u>Engineered Materials</u>	<u>Flexible Packaging</u>	<u>Total</u>
Balance as of fiscal 2012	\$ 681	\$ 832	\$ 73	\$ 40	\$ 1,626
Foreign currency translation adjustment	-	(1)	1	-	-
Acquisitions(divestitures), net	-	-	(1)	9	8
Balance as of fiscal 2013	\$ 681	\$ 831	\$ 73	\$ 49	\$ 1,634
Foreign currency translation adjustment	-	(2)	(2)	-	(4)
Acquisitions (realignment), net	-	(2)	-	31	29
Balance as of fiscal 2014	\$ 681	\$ 827	\$ 71	\$ 80	\$ 1,659

## Deferred Financing Fees

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

## Intangible Assets

Customer relationships are being amortized using an accelerated amortization method which corresponds with the customer attrition rates used in the initial valuation of the intangibles over the estimated life of the relationships which range from 11 to 20 years. Trademarks that are expected to remain in use, which are indefinite lived intangible assets, are required to be reviewed for impairment annually. Technology intangibles are being amortized using the straight-line method over the estimated life of the technology which is 11 years. License intangibles are being amortized using the straight-line method over the life of the license which is 10 years. Patent intangibles are being amortized using the straight-line method over the shorter of the estimated life of the technology or the patent expiration date ranging from 10 to 20 years, with a weighted-average life of 15 years. The Company evaluates the remaining useful life of intangible assets on a periodic basis to determine whether events and circumstances warrant a revision to the remaining useful life. We completed the annual impairment test of our indefinite lived tradenames and noted no impairment. The Company recorded a \$5 million impairment charge related to the exit of certain operations in fiscal 2013.

	Customer Relationships	Trademarks	Other Intangibles	Accumulated Amortization	Total
Balance as of fiscal 2012	\$ 1,153	\$ 289	\$ 99	\$ (584)	\$ 957
Adjustment for income taxes	(7)	(1)	5	(2)	(5)
Foreign currency translation adjustment	-	-	2	-	2
Write-off of fully amortized intangibles	-	(5)	(1)	6	-
Amortization expense	-	-	-	(105)	(105)
Impairment of intangibles	(21)	(1)	-	17	(5)
Acquisition intangibles	9	1	2	-	12
Balance as of fiscal 2013	\$ 1,134	\$ 283	\$ 107	\$ (668)	\$ 856
Adjustment for income taxes	(2)	-	(1)	-	(3)
Foreign currency translation adjustment	(3)	(1)	(2)	4	(2)
Amortization expense	-	-	-	(102)	(102)
Acquisition intangibles	38	-	5	-	43
Balance as of fiscal 2014	\$ 1,167	\$ 282	\$ 109	\$ (766)	\$ 792

## Insurable Liabilities

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

## Income Taxes

The Company accounts for income taxes under the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequence of events that have been recognized in the Company's financial statements or income tax returns. Income taxes are recognized during the period in which the underlying transactions are recorded. Deferred taxes, with the exception of non-deductible goodwill, are provided for temporary differences between amounts of assets and liabilities as recorded for financial reporting purposes and such amounts as measured by tax laws. If the Company determines that a deferred tax asset arising from temporary differences is not likely to be utilized, the Company will establish a valuation allowance against that asset to record it at its expected realizable value. The Company recognizes uncertain tax positions when it is more likely than not that the tax position will be sustained upon examination by relevant taxing authorities, based on the technical merits of the position. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company's effective tax rate is dependent on many factors including: the impact of enacted tax laws in jurisdictions in which the Company operates; the amount of earnings by jurisdiction, due to varying tax rates in each country; and the Company's ability to utilize foreign tax credits related to foreign taxes paid on foreign earnings that will be remitted to the United States.



## Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). Other comprehensive losses include net unrealized gains or losses resulting from currency translations of foreign subsidiaries, changes in the value of our derivative instruments and adjustments to the pension liability.

The accumulated balances related to each component of other comprehensive income (loss) were as follows (amounts below are net of taxes):

	Currency Translation	Defined Benefit Pension and Retiree Health Benefit Plans	Interest Rate Hedges	Accumulated Other Comprehensive Loss
Balance as of fiscal 2011	\$ (21)	\$ (21)	\$ (6)	\$ (48)
Other comprehensive income (loss)	6	(14)	4	(4)
Tax expense (benefit)	-	6	(1)	5
Balance as of fiscal 2012	\$ (15)	\$ (29)	\$ (3)	\$ (47)
Other comprehensive income (loss)	(5)	34	20	49
Tax benefit	-	(13)	(7)	(20)
Balance as of fiscal 2013	\$ (20)	\$ (8)	\$ 10	\$ (18)
Other comprehensive loss	(16)	(11)	(3)	(30)
Tax expense	-	4	1	5
Balance as of fiscal 2014	\$ (36)	\$ (15)	\$ 8	\$ (43)

## Accrued Rebates

The Company offers various rebates to customers based on purchases. These rebate programs are individually negotiated with customers and contain a variety of different terms and conditions. Certain rebates are calculated as flat percentages of purchases, while others included tiered volume incentives. These rebates may be payable monthly, quarterly, or annually. The calculation of the accrued rebate balance involves significant management estimates, especially where the terms of the rebate involve tiered volume levels that require estimates of expected annual sales. These provisions are based on estimates derived from current program requirements and historical experience. The accrual for customer rebates was \$50 million and \$55 million at the end of fiscal 2014 and 2013, respectively and is included in Accrued expenses and other current liabilities.

## Pension

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

## Net Income Per Share

The Company calculates basic net income per share based on the weighted-average number of outstanding common shares. The Company calculates diluted net income per share based on the weighted-average number of outstanding common shares plus the effect of dilutive securities.

## Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make extensive use of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of sales and expenses. Actual results could differ materially from these estimates. Changes in estimates are recorded in results of operations in the period that the event or circumstances giving rise to such changes occur.

## Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued a final standard on revenue recognition. Under the new standard, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In order to do so, an entity would follow the five-step process for in-scope transactions: 1) identify the contract with a customer, 2) identify the separate performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the separate performance obligations in the contract, and 5) recognize revenue when (or as) the entity satisfies a performance obligation. For public entities, the provisions of the new standard are effective for annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. An entity can apply the new revenue standard retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application in retained earnings. The Company is currently assessing the impact to the consolidated financial statements.

In July 2013, the FASB issued Accounting Standards Update No. 2013-11: Income Taxes (Topic 740), Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force) (“ASU 2013-11”). An entity is required to present unrecognized tax benefits as a decrease in a net operating loss, similar tax loss or tax credit carryforward if certain criteria are met. The determination of whether a deferred tax asset is available is based on the unrecognized tax benefit and the deferred tax asset that exists at the reporting date and presumes disallowance of the tax position at the reporting date. The guidance will eliminate the diversity in practice in the presentation of unrecognized tax benefits but will not alter the way in which entities assess deferred tax assets for realizability. The adoption of ASU 2013-11 did not have an impact on the Company’s consolidated financial statements.

## 2. Acquisitions

### *Graphic Flexible Packaging LLC’s Flexible Plastics and Films*

In September 2013, the Company acquired Graphic Flexible Packaging LLC’s flexible plastics and films business (“Graphic Plastics”) for a purchase price of \$61 million, net of cash acquired. Graphic Plastics is a producer of wraps, films, pouches, and bags for the food, medical, industrial, personal care, and pet food markets. The Graphic Plastics business is operated in the Company’s Flexible Packaging segment. To finance the purchase, the Company used existing liquidity. The Graphic Plastics acquisition has been accounted for under the purchase method of accounting, and accordingly, the purchase price has been allocated to the identifiable assets and liabilities based on estimated fair values at the acquisition date. The acquired assets and assumed liabilities consisted of working capital of \$8 million, property and equipment of \$18 million, intangible assets of \$25 million, goodwill of \$14 million and other long-term liabilities of \$4 million. The Company expects goodwill to be deductible for tax purposes.

### *Qingdao P&B Co., Ltd*

In January 2014, the Company acquired the controlling interest (75%) of Qingdao P&B Co., Ltd (“P&B”) for a purchase price of \$35 million, net of cash acquired. P&B utilizes thermoform, injection, and automated assembly manufacturing processes to produce products for multiple markets across China as well as globally, most predominately serving the food and personal care markets. P&B is operated in the Flexible Packaging segment. To finance the purchase, the Company used existing liquidity. The P&B acquisition has been accounted for under the purchase method of accounting, and accordingly, the purchase price has been allocated to the identifiable assets and liabilities based on estimated fair values at the acquisition date. As part of the P&B acquisition, the non-controlling interest holder has a put option, and the Company has a call option on the remaining 25% interest in P&B that becomes effective three years from the date of purchase. Upon execution of the put or call option, the purchase price for the remaining equity interest will be determined based on the fair value at the date of execution. The non-controlling interest of P&B is recorded in Redeemable non-controlling interest and will be carried at fair value with adjustments in the fair value being recorded in Additional paid-in capital. The acquired assets and assumed liabilities consisted of working capital of \$9 million, property and equipment of \$24 million, intangible assets of \$11 million, goodwill of \$10 million, other long-term liabilities of \$4 million and Redeemable non-controlling interest of \$13 million. The Company has not finalized the tax allocation of this purchase price allocation as of fiscal 2014.

### *Rexam Healthcare Containers and Closures*

In June 2014, the Company acquired Rexam’s Healthcare Containers and Closures business (“C&C”) for a purchase price of \$130 million, net of cash acquired. The C&C business produces bottles, closures and specialty products for pharmaceutical and over-the-counter applications. Facilities located in the United States are operated in the Rigid Closed Top segment, and locations outside the United States are operated in the Flexible Packaging segment. To finance the purchase, the Company used existing liquidity.

The C&C acquisition has been accounted for under the purchase method of accounting, and accordingly, the purchase price has been allocated to the identifiable assets and liabilities based on estimated fair values at the acquisition date. The acquired assets and assumed liabilities consisted of working capital of \$32 million, property and equipment of \$84 million, non-current deferred tax benefit of \$4 million, intangible assets of \$7 million, goodwill of \$6 million and other long-term liabilities of \$3 million. The Company has not finalized the purchase price allocation to the fair values of fixed assets, intangibles, deferred income taxes and is reviewing the working capital acquired as of fiscal 2014. The Company expects domestic goodwill to be deductible for tax purposes.

### 3. Long-Term Debt

#### *Term Loan Refinancing*

In January 2014, the Company entered into an incremental assumption agreement to increase the commitments under the Company's existing term loan credit agreement by \$1.125 billion. The Company borrowed loans in an aggregate principal amount equal to the full amount of the commitments on such date. The incremental term loan bears interest at LIBOR plus 2.75% per annum with a LIBOR floor of 1.00%, matures in January 2021 and is subject to customary amortization. The proceeds from the incremental term loan, in addition to existing liquidity, were used to satisfy the outstanding term loan facility that was to mature in April 2015. The Company recognized a \$2 million loss on extinguishment of debt related to this refinancing.

#### *5½% Second Priority Senior Secured Notes*

In May 2014, the Company issued \$500 million of 5½% second priority senior secured notes due 2022. Interest on the 5½% second priority senior secured notes is due semi-annually on May 15 and November 15. Proceeds from the issuance, in addition to existing liquidity, were used to satisfy and discharge all of the outstanding 9½% second priority senior secured notes. The Company recognized a \$33 million loss on extinguishment of debt related to this debt issuance.

#### *Senior Unsecured Term Loan*

In June 2014, the Company used existing liquidity to satisfy the Company's outstanding senior unsecured term loan. The net cash impact of the discharge was \$18 million as BP Parallel LLC, a non-guarantor subsidiary, had purchased assignments of approximately 98% of the total outstanding senior unsecured term loan in prior years.

Long-term debt consists of the following as of fiscal year-end 2014 and 2013:

	<b>Maturity Date</b>	<b>2014</b>	<b>2013</b>
Term loan	February 2020	1,383	1,397
Term loan	January 2021	1,122	1,125
Revolving line of credit	June 2016	-	-
9¾% Second Priority Notes	January 2021	800	800
5½% Second Priority Notes	May 2022	500	-
Retired debt		-	518
Debt discount, net		(20)	(8)
Capital leases and other	Various	133	114
		<b>3,918</b>	<b>3,946</b>
Less current portion of long-term debt		<b>(58)</b>	<b>(71)</b>
		<b>\$ 3,860</b>	<b>\$ 3,875</b>

Our wholly owned subsidiary Berry Plastics Corporation's senior secured credit facilities consist of \$2.5 billion of term loans and a \$650 million asset-based revolving line of credit ("Credit Facility"). In January 2014, the Company entered into an incremental assumption agreement to increase the commitments under the existing term loan credit agreement by \$1.125 billion. The Company borrowed loans in an aggregate principal amount equal to the full amount of the commitments on such date. The proceeds from the incremental term loan, in addition to existing liquidity, were used to satisfy the outstanding term loan facility that was to mature in April 2015. The Company recognized a \$2 million loss on extinguishment of debt and recorded \$9 million of debt discount related to this debt refinancing. The \$1.1 billion of the term loan matures in January 2021, \$1.4 billion of the term loan matures in February 2020 and the revolving line of credit matures in June 2016, subject to certain conditions. The availability under the revolving line of credit is the lesser of \$650 million or a defined borrowing base which is calculated based on available accounts receivable and inventory.

The borrowings under the senior secured credit facilities bear interest at a rate equal to an applicable margin plus, as determined at the Company's option, either (a) a base rate determined by reference to the higher of (1) the prime rate of Credit Suisse, Cayman Islands Branch, as administrative agent, in the case of the term loan facility or Bank of America, N.A., as administrative agent, in the case of the revolving credit facility and (2) the U.S. federal funds rate plus 1/2 of 1% or (b) LIBOR determined by reference to the costs of funds for eurodollar deposits in dollars in the London interbank market for the interest period relevant to such borrowing Bank Compliance for certain additional costs. The applicable margin for LIBOR rate borrowings under the revolving credit facility range from 1.75% to 2.25%, term loan maturing in January 2021 is 2.75% annum with a LIBOR floor of 1.00% and the term loan maturing in February 2020 is 2.50% per annum with a LIBOR floor of 1.00%.

In addition to paying interest on outstanding principal under the senior secured credit facilities, the Company is required to pay a commitment fee to the lenders under the revolving credit facilities in respect of the unutilized commitments thereunder at a rate equal to 0.375% to 0.50% per annum depending on the average daily available unused borrowing capacity. The Company also pays a customary letter of credit fee, including a fronting fee of 0.125% per annum of the stated amount of each outstanding letter of credit, and customary agency fees.

The term loan facility requires minimum quarterly principal payments of \$6 million, with the remaining amount payable upon maturity. The Company may voluntarily repay outstanding loans under the senior secured credit facilities at any time without premium or penalty, other than customary "breakage" costs with respect to eurodollar loans. The senior secured credit facilities contain various restrictive covenants that, among other things and subject to specified exceptions, prohibit the Company from prepaying other indebtedness, and restrict its ability to incur indebtedness or liens, make investments or declare or pay any dividends. All obligations under the senior secured credit facilities are unconditionally guaranteed by the Company and, subject to certain exceptions, each of the Company's existing and future direct and indirect domestic subsidiaries. The guarantees of those obligations are secured by substantially all of the Company's assets as well as those of each domestic subsidiary guarantor.

We are obligated to sustain a minimum fixed charge coverage ratio of 1.0 to 1.0 under the revolving credit facility (tested quarterly) at any time when the aggregate unused capacity under the revolving credit facility is less than 10% of the lesser of the revolving credit facility commitments and the borrowing base (and for 10 business days following the date upon which availability exceeds such threshold) or during the continuation of an event of default. Our fixed charge coverage ratio, as defined in the revolving credit facility, is calculated based on a numerator consisting of adjusted EBITDA less pro forma adjustments, income taxes paid in cash and capital expenditures, and a denominator consisting of scheduled principal payments in respect of indebtedness for borrowed money, interest expense and certain distributions. At the end of fiscal 2014, the Company had unused borrowing capacity of \$570 million under the revolving credit facility and thus was not subject to the minimum fixed charge coverage ratio covenant. Our fixed charge ratio was 2.42 to 1.0 at the end of fiscal 2014.

Despite not having financial maintenance covenants, our debt agreements contain certain negative covenants. The failure to comply with these negative covenants could restrict our ability to incur additional indebtedness, effect acquisitions, enter into certain significant business combinations, make distributions or redeem indebtedness. The term loan facility contains a negative covenant first lien secured leverage ratio covenant of 4.0 to 1.0 on a pro forma basis for a proposed transaction, such as an acquisition or incurrence of additional first lien debt. Our first lien secured leverage ratio was 3.0 to 1.0 at the end of fiscal 2014.

Future maturities of long-term debt as of fiscal year-end 2014 are as follows:

Fiscal Year	Maturities
2015	\$ 58
2016	49
2017	42
2018	42
2019	40
Thereafter	3,707
	<u>\$ 3,938</u>

Interest paid was \$214 million, \$245 million, and \$288 million in fiscal 2014, 2013, and 2012, respectively.

#### 4. Financial Instruments and Fair Value Measurements

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

##### *Cash Flow Hedging Strategy*

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

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

In February 2013, the Company entered into an interest rate swap transaction to protect \$1 billion of outstanding variable rate term loan debt from future interest rate volatility. The agreement swapped the greater of a three-month variable LIBOR contract or 1.00% for a fixed three-year rate of 2.355%, with an effective date in May 2016 and expiration in May 2019. In June 2013, the Company elected to settle this derivative instrument and received \$16 million as a result of this settlement. The offset is included in Accumulated other comprehensive loss and Deferred income taxes and will be amortized to Interest expense from May 2016 through May 2019, the original term of the swap agreement.

In March 2014, the Company entered into an interest rate swap transaction to manage cash flow variability associated with \$1 billion of outstanding variable rate term loan debt (the "2014 Swap"). The agreement swaps the greater of a three-month variable LIBOR contract or 1.00% for a fixed three-year rate of 2.59%, with an effective date in February 2016 and expiration in February 2019. The Company records changes in fair value in Accumulated other comprehensive income.

	<b>Liability Derivatives</b>		
	<b>Balance Sheet Location</b>	<b>2014</b>	<b>2013</b>
Interest rate swaps – 2014 Swaps	Other long-term liabilities	\$ 3	\$ -
Interest rate swaps – 2010 Swaps	Other long-term liabilities	\$ -	\$ 1

The effect of the derivative instruments on the Consolidated Statement of Income are as follows:

	<b>Statement of Income Location</b>	<b>2014</b>	<b>2013</b>
	Interest rate swaps – 2010 Swaps	Other expense (income)	\$ -
	Interest expense	\$ -	\$ 4

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

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

The Company's financial instruments consist primarily of cash and cash equivalents, long-term debt, interest rate swap agreements and capital lease obligations. The fair value of our long-term indebtedness exceeded book value by \$86 million and \$164 million as of fiscal 2014 and fiscal 2013, respectively. The Company's long-term debt fair values were determined using Level 2 inputs as other significant observable inputs were not available.

#### ***Non-recurring Fair Value Measurements***

The Company has certain assets that are measured at fair value on a non-recurring basis under the circumstances and events described in Note 1 and Note 10. The assets are adjusted to fair value only when the carrying values exceed the fair values. The categorization of the framework used to price the assets is considered a Level 3, due to the subjective nature of the unobservable inputs used to determine the fair value (see Note 1 and 10 for additional discussion).

Included in the following table are the major categories of assets measured at fair value on a non-recurring basis along with the impairment loss recognized on the fair value measurement for the year then ended.

	As of the end of fiscal 2014				
	Level 1	Level 2	Level 3	Total	Impairment Loss
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs		
Indefinite-lived trademarks	\$ -	\$ -	\$ 207	\$ 207	\$ -
Goodwill	-	-	1,659	1,659	-
Definite lived intangibles	-	-	585	585	-
Property, plant, and equipment	-	-	1,364	1,364	7
Total	\$ -	\$ -	\$ 3,815	\$ 3,815	\$ 7

	As of the end of fiscal 2013				
	Level 1	Level 2	Level 3	Total	Impairment Loss
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs		
Indefinite-lived trademarks	\$ -	\$ -	\$ 207	\$ 207	\$ -
Goodwill	-	-	1,634	1,634	-
Definite lived intangibles	-	-	649	649	5
Property, plant, and equipment	-	-	1,266	1,266	-
Total	\$ -	\$ -	\$ 3,756	\$ 3,756	\$ 5

	As of the end of fiscal 2012				
	Level 1	Level 2	Level 3	Total	Impairment Loss
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs		
Indefinite-lived trademarks	\$ -	\$ -	\$ 220	\$ 220	\$ -
Goodwill	-	-	1,626	1,626	-
Definite lived intangibles	-	-	737	737	17
Property, plant, and equipment	-	-	1,216	1,216	3
Total	\$ -	\$ -	\$ 3,799	\$ 3,799	\$ 20

#### **Valuation of Goodwill and Indefinite Lived Intangible Assets**

ASC Topic 350 requires the Company to test goodwill for impairment at least annually. The Company conducts the impairment test on the first day of the fourth fiscal quarter, unless indications of impairment exist during an interim period. When assessing its goodwill for impairment, the Company utilizes a discounted cash flow analysis in combination with a comparable company market approach to determine the fair value of their reporting units and corroborate the fair values. The Company utilizes a relief from royalty method to value their indefinite lived trademarks and uses the forecasts that are consistent with those used in the reporting unit analysis. The Company has six reporting units more fully discussed in Note 1. In fiscal 2014, fiscal 2013 and fiscal 2012 the Company determined no impairment existed. The Company did not recognize any impairment charges on the indefinite lived intangible assets in any of the years presented.

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

The Company periodically realigns their manufacturing operations which results in facilities being closed and shut down and equipment transferred to other facilities or equipment being scrapped or sold. The Company utilizes appraised values to corroborate the fair value of the facilities and has utilized a scrap value based on prior facility shut downs to estimate the fair value of the equipment, which has approximated the actual value that was received. When impairment indicators exist, the Company will also perform an undiscounted cash flow analysis to determine the recoverability of the Company's long-lived assets. The Company incurred an impairment charge of \$7 million related to property, plant and equipment in fiscal 2014. The Company did not incur an impairment charge related to property, plant and equipment in fiscal 2013. The Company wrote-down their property, plant, and equipment with a carrying value of \$1,219 million to its fair value of \$1,216 million, which resulted in an impairment charge of \$3 million during fiscal 2012. The Company did not incur an impairment charge on definite long-lived assets in fiscal 2014. The Company did recognize an impairment charge of \$5 million on definite long-lived assets related to the decision to exit certain businesses during fiscal 2013.

## 5. Goodwill, Intangible Assets and Deferred Costs

The following table sets forth the gross carrying amount and accumulated amortization of the Company's goodwill, intangible assets and deferred costs as of the fiscal year-end 2014 and 2013:

	2014	2013	Amortization Period
Deferred financing fees	\$ 28	\$ 48	Respective debt
Accumulated amortization	(8)	(18)	
Deferred financing fees, net	20	30	
Goodwill	1,659	1,634	Indefinite lived
Customer relationships	1,167	1,134	11 – 20 years
Trademarks (indefinite lived)	207	207	Indefinite lived
Trademarks (definite lived)	75	76	8-15 years
Other intangibles	109	107	10-20 years
Accumulated amortization	(766)	(668)	
Intangible assets, net	792	856	
Total goodwill, intangible assets and deferred costs	\$ 2,471	\$ 2,520	

Future amortization expense for definite lived intangibles as of fiscal 2014 for the next five fiscal years is \$93 million, \$85 million, \$74 million, \$56 million and \$51 million each year for fiscal years ending 2015, 2016, 2017, 2018, and 2019, respectively.

## 6. Lease and Other Commitments and Contingencies

The Company leases certain property, plant and equipment under long-term lease agreements. Property, plant, and equipment under capital leases are reflected on the Company's balance sheet as owned. The Company entered into new capital lease obligations totaling \$45 million, \$49 million, and \$7 million during fiscal 2014, 2013, and 2012, respectively, with various lease expiration dates through 2021. The Company records amortization of capital leases in Cost of goods sold in the Consolidated Statement of Income. Assets under operating leases are not recorded on the Company's balance sheet. Operating leases expire at various dates in the future with certain leases containing renewal options. The Company had minimum lease payments or contingent rentals of \$24 million and \$16 million and asset retirement obligations of \$7 million and \$6 million as of fiscal 2014 and 2013, respectively. Total rental expense from operating leases was \$54 million, \$53 million, and \$56 million in fiscal 2014, 2013, and 2012, respectively.

Future minimum lease payments for capital leases and non-cancellable operating leases with initial terms in excess of one year as of fiscal year-end 2014, are as follows:



	Capital Leases	Operating Leases
2015	\$ 34	\$ 46
2016	27	43
2017	19	39
2018	18	33
2019	16	27
Thereafter	31	143
	<u>145</u>	<u>\$ 331</u>
Less: amount representing interest	(16)	
Present value of net minimum lease payments	<u>\$ 129</u>	

In September 2012, the Company entered into a sale-leaseback transaction pursuant to which it sold its warehouse facility located in Lawrence, Kansas. The Company received net proceeds of \$20 million and resulted in the Company realizing a deferred gain of \$1 million which will be offset against the future lease payments over the life of the lease.

The Company is party to various legal proceedings involving routine claims which are incidental to its business. Although the Company's legal and financial liability with respect to such proceedings cannot be estimated with certainty, the Company believes that any ultimate liability would not be material to its financial position, results of operations or cash flows. The Company has various purchase commitments for raw materials, supplies and property and equipment incidental to the ordinary conduct of business.

At the end of fiscal 2014, the Company employed over 16,000 employees. Approximately 11% of our employees are covered by collective bargaining agreements. One of our eleven agreements, covering approximately 30 employees, was scheduled for renegotiation in October 2014 and was recently extended for three years. There are an additional five agreements, representing approximately 60% of the remaining employees, due for renegotiation in fiscal 2015. The remaining agreements expire after fiscal 2015. Our relations with employees under collective bargaining agreements remain satisfactory and there have been no significant work stoppages or other labor disputes during the past three years.

#### 7. Accrued Expenses, Other Current Liabilities and Other Long-Term Liabilities

The following table sets forth the totals included in Accrued expenses and other current liabilities as of fiscal year-end 2014 and 2013.

	2014	2013
Employee compensation, payroll and other taxes	\$ 99	\$ 86
Interest	44	45
Rebates	50	55
Restructuring	13	4
Tax receivable agreement obligation	39	32
Other	69	54
	<u>\$ 314</u>	<u>\$ 276</u>

The following table sets forth the totals included in Other long-term liabilities as of fiscal year-end 2014 and 2013.

	2014	2013
Lease retirement obligation	\$ 31	\$ 22
Sale-lease back deferred gain	30	32
Pension liability	45	43
Tax receivable agreement obligation	234	277
Other	16	13
	<u>\$ 356</u>	<u>\$ 387</u>

## 8. Income Taxes

The Company is being taxed at the U.S. corporate level as a C-Corporation and has provided U.S. Federal, State and foreign income taxes.

Significant components of income tax expense for the fiscal years ended 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Current			
United States			
Federal	\$ -	-	\$ (3)
State	5	2	-
Non-U.S.	3	4	4
Current income tax provision	8	6	1
Deferred:			
United States			
Federal	3	26	3
State	(5)	(3)	(1)
Non-U.S.	(2)	(1)	(1)
Deferred income tax expense (benefit)	(4)	22	1
Expense for income taxes	\$ 4	\$ 28	\$ 2

U.S. income from continuing operations before income taxes was \$58 million, \$77 million, and \$2 million for fiscal 2014, 2013, and 2012, respectively. Non-U.S. income from continuing operations before income taxes was \$9 million, \$8 million, and \$2 million for fiscal 2014, 2013, and 2012, respectively.

The reconciliation between U.S. Federal income taxes at the statutory rate and the Company's benefit for income taxes on continuing operations for fiscal 2014, 2013, and 2012 are as follows:

	2014	2013	2012
U.S. Federal income tax expense at the statutory rate	\$ 23	\$ 29	\$ 1
Adjustments to reconcile to the income tax provision:			
U.S. State income tax expense, net of valuation allowance	5	(1)	(1)
Research and development credits	(20)	-	-
Permanent differences	(2)	-	1
Changes in foreign valuation allowance	1	1	1
Rate differences between U.S. and foreign	(1)	(2)	1
APB 23	(1)	-	-
Other	(1)	1	(1)
Expense for income taxes	\$ 4	\$ 28	\$ 2

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of the net deferred income tax liability as of fiscal 2014 and 2013 are as follows:

	2014	2013
Deferred tax assets:		
Allowance for doubtful accounts	\$ 3	\$ 3
Deferred gain on sale-leaseback	13	14
Accrued liabilities and reserves	58	34
Inventories	10	9
Net operating loss carryforward	248	343
Alternative minimum tax (AMT) credit carryforward	9	9
Research and development credit carryforward	22	-
Federal and state tax credits	13	14
Other	9	7
Total deferred tax assets	<u>385</u>	<u>433</u>
Valuation allowance	<u>(56)</u>	<u>(59)</u>
Total deferred tax assets, net of valuation allowance	<u>329</u>	<u>374</u>
Deferred tax liabilities:		
Property, plant and equipment	157	187
Intangible assets	279	300
Debt extinguishment	107	132
Other	6	1
Total deferred tax liabilities	<u>549</u>	<u>620</u>
Net deferred tax liability	<u>\$ (220)</u>	<u>\$ (246)</u>

In the United States the Company had \$601 million of federal net operating loss carryforwards as of fiscal 2014, which will be available to offset future taxable income. As of fiscal year-end 2014, the Company had state and foreign net operating loss carryforwards of \$803 million and \$106 million, respectively, which will be available to offset future taxable income. If not used, the federal net operating loss carryforwards will expire in future years beginning 2025 through 2031. AMT credit carryforwards totaling \$9 million are available to the Company indefinitely to reduce future years' federal income taxes. The state net operating loss carryforwards will expire in future years beginning in 2015 through 2033. The Company has \$18 million and \$4 million of federal and state Research and Development tax credits, respectively, that will expire in future years beginning 2027 through 2034.

In connection with the initial public offering, the Company entered into an income tax receivable agreement that provides for the payment to pre-initial public offering stockholders, option holders and holders of our stock appreciation rights, 85% of the amount of cash savings, if any, in U.S. federal, foreign, state and local income tax that are actually realized (or are deemed to be realized in the case of a change of control) as a result of the utilization of our and our subsidiaries' net operating losses attributable to periods prior to the initial public offering. Based on the Company's assumptions using various items, including valuation analysis and current tax law, the Company recorded an obligation of \$313 million which was recognized as a reduction of Paid-in capital on the Consolidated Balance Sheets. The Company made payments of \$32 million and \$5 million in fiscal 2014 and 2013, respectively. The balance at the end of fiscal 2014 was \$273 million.

The Company believes that it will not generate sufficient future taxable income to realize the tax benefits in certain foreign jurisdictions related to the deferred tax assets. The Company also has certain state net operating losses that may expire before they are fully utilized. Therefore, the Company has provided a full valuation allowance against certain of its foreign deferred tax assets and a valuation allowance against certain of its state deferred tax assets included within the deferred tax assets.

Prior changes in ownership have created limitations under Sec. 382 of the Internal Revenue Code on annual usage of net operating loss carryforwards. However, all of the Company's Federal net operating loss carryforwards should be available for use within the next five years. As part of the effective tax rate calculation, if we determine that a deferred tax asset arising from temporary differences is not likely to be utilized, we will establish a valuation allowance against that asset to record it at its expected realizable value. The Company has not provided a valuation allowance on its federal net operating loss carryforwards in the United States because it has determined that future reversals of its temporary taxable differences will occur in the same periods and are of the same nature as the temporary differences giving rise to the deferred tax assets. Our valuation allowance against deferred tax assets was \$56 million and \$59 million as of fiscal year-end 2014 and 2013, respectively, related to the foreign and U.S. state operations. The Company paid cash taxes of \$7 million, \$3 million and \$2 million in fiscal 2014, 2013, and 2012, respectively.

#### Uncertain Tax Positions

We adopted the provisions of the Income Taxes standard of the Codification. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with guidance provide by FASB and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Our policy to include interest and penalties related to gross unrecognized tax benefits within our provision for income taxes did not change.

The following table summarizes the activity related to our gross unrecognized tax benefits from year-end fiscal 2013 to year-end fiscal 2014:

	2014	2013
Beginning unrecognized tax benefits	\$ 14	\$ 8
Gross increases – tax positions in prior periods	2	6
Gross increases – current period tax positions	1	1
Settlements	(2)	(1)
Lapse of statute of limitations	(1)	-
Ending unrecognized tax benefits	\$ 14	\$ 14

The amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate was \$8 million and \$7 million for fiscal year-end 2014 and 2013.

As of fiscal year-end 2014, we had \$2 million accrued for payment of interest and penalties related to our uncertain tax positions. Our penalties and interest related to uncertain tax positions are included in income tax expense.

We and our subsidiaries are routinely examined by various taxing authorities. Although we file U.S. federal, U.S. state, and foreign tax returns, our major tax jurisdiction is the U.S. The IRS has completed an examination of our 2003, 2010 and 2011 tax years. Our 2004 – 2009, 2012 and 2013 tax years remain subject to examination by the IRS. There are various other on-going audits in various other jurisdictions that are not material to our financial statements.

As of the end of fiscal 2014, we had unremitted earnings from foreign subsidiaries including earnings that have been or are intended to be permanently reinvested for continued use in foreign operations, accordingly, no provision for U.S. federal or state income taxes has been provided thereon. If distributed, those earnings would result in additional income tax expense at approximately the U.S. statutory rate. Determination of the amount of unrecognized deferred US income tax liability is not practicable due to the complexities associated with its hypothetical calculation.

#### 9. Retirement Plan

The Company maintains three defined benefit pension plans which cover certain manufacturing facilities. The Company also maintains a retiree health plan, which covers certain healthcare and life insurance benefits for certain retired employees and their spouses. Each of the three defined benefit plans and the retiree health plan are frozen plans. The Company uses fiscal year-end as a measurement date for the retirement plans.

The Company sponsors two defined contribution 401(k) retirement plans covering substantially all employees. Contributions are based upon a fixed dollar amount for employees who participate and percentages of employee contributions at specified thresholds. Contribution expense for these plans was \$8 million, \$7 million, and \$7 million for fiscal 2014, 2013, and 2012, respectively.

The projected benefit obligations of the Company's plans presented herein are equal to the accumulated benefit obligations of such plans. The tables below exclude the obligations related to the foreign plans, which carry immaterial balances. The net amount of liability recognized is included in Other long-term liabilities on the Consolidated Balance Sheets.

	Defined Benefit Pension Plans		Retiree Health Plan	
	2014	2013	2014	2013
<b>Change in Projected Benefit Obligations (PBO)</b>				
PBO at beginning of period	\$ 178	\$ 207	\$ 2	\$ 3
Service cost	-	-	-	-
Interest cost	8	7	-	-
Actuarial loss (gain)	15	(27)	-	-
Benefits paid	(9)	(9)	-	(1)
PBO at end of period	<u>\$ 192</u>	<u>\$ 178</u>	<u>\$ 2</u>	<u>\$ 2</u>
<b>Change in Fair Value of Plan Assets</b>				
Plan assets at beginning of period	\$ 141	\$ 129	\$ -	\$ -
Actual return on plan assets	15	14	-	-
Company contributions	7	7	-	-
Benefits paid	(9)	(9)	-	-
Plan assets at end of period	<u>154</u>	<u>141</u>	<u>-</u>	<u>-</u>
<b>Net amount recognized</b>	<u>\$ (38)</u>	<u>\$ (37)</u>	<u>\$ (2)</u>	<u>\$ (2)</u>

At the end of fiscal 2014 the Company had \$30 million of net unrealized losses recorded in Accumulated other comprehensive loss on the Consolidated Balance Sheets. The Company expects \$2 million to be realized in fiscal 2015.

The following table presents significant weighted-average assumptions used to determine benefit obligation and benefit cost for the fiscal years ended:

(Percents)	Defined Benefit Pension Plans		Retiree Health Plan	
	2014	2013	2014	2013
Weighted-average assumptions:				
Discount rate for benefit obligation	4.0	4.5	2.9	3.1
Discount rate for net benefit cost	4.5	3.6	3.1	2.4
Expected return on plan assets for net benefit costs	8.0	8.0	N/A	N/A

In evaluating the expected return on plan assets, Berry considered its historical assumptions compared with actual results, an analysis of current market conditions, asset allocations, and the views of advisors. The return on plan assets is derived from target allocations and historical yield by asset type. Health-care-cost trend rates were assumed to increase at an annual rate of 7.0%. A one-percentage-point change in these assumed health care cost trend rates would not have a material impact on our postretirement benefit obligation.

In accordance with the guidance from the FASB for employers' disclosure about postretirement benefit plan assets the table below discloses fair values of each pension plan asset category and level within the fair value hierarchy in which it falls. There were no material changes or transfers between level 3 assets and the other levels.

<b>Fiscal 2014 Asset Category</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 7	\$ -	\$ -	\$ 7
U.S. large cap comingled equity funds	-	47	-	47
U.S. mid cap equity mutual funds	27	-	-	27
U.S. small cap equity mutual funds	6	-	-	6
International equity mutual funds	10	-	-	10
Real estate equity investment funds	3	-	-	3
Corporate bond mutual funds	28	-	-	28
Corporate bonds	-	15	-	15
Guaranteed investment account	-	-	11	11
<b>Total</b>	<b>\$ 81</b>	<b>\$ 62</b>	<b>\$ 11</b>	<b>\$ 154</b>

<b>Fiscal 2013 Asset Category</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 5	\$ -	\$ -	\$ 5
U.S. large cap comingled equity funds	-	46	-	46
U.S. mid cap equity mutual funds	15	-	-	15
U.S. small cap equity mutual funds	8	-	-	8
International equity mutual funds	12	-	-	12
Real estate equity investment funds	4	-	-	4
Corporate bond mutual funds	33	-	-	33
Corporate bonds	-	8	-	8
Guaranteed investment account	-	-	10	10
<b>Total</b>	<b>\$ 77</b>	<b>\$ 54</b>	<b>\$ 10</b>	<b>\$ 141</b>

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the fiscal years ending as follows:

	<b>Defined Benefit Pension Plans</b>	<b>Retiree Health Plan</b>
2015	\$ 10	\$ -
2016	10	-
2017	10	-
2018	10	-
2019	10	-
2020-2024	55	1

Net pension and retiree health benefit expense included the following components as of fiscal 2014, 2013 and 2012:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Defined Benefit Pension Plans			
Service cost	\$ -	\$ -	\$ -
Interest cost	8	7	8
Amortization	-	3	2
Expected return on plan assets	(11)	(10)	(8)
Net periodic benefit cost	<b>\$ (3)</b>	<b>\$ -</b>	<b>\$ 2</b>

Our defined benefit pension plan asset allocations as of fiscal year-end 2014 and 2013 are as follows:

	2014	2013
Asset Category		
Equity securities and equity-like instruments	60%	60%
Debt securities and debt-like	28	29
Other	12	11
Total	<u>100%</u>	<u>100%</u>

The Company's retirement plan assets are invested with the objective of providing the plans the ability to fund current and future benefit payment requirements while minimizing annual Company contributions. The retirement plans held \$14 million of the Company's stock at the end of fiscal 2014. The Company re-addresses the allocation of its investments on a regular basis.

#### 10. Restructuring and Impairment Charges

The Company announced various restructuring plans in the last three fiscal years which included shutting down facilities in all four of the Company's operating segments.

During fiscal 2012, the Company announced the intention to shut down three facilities one each in Rigid Closed Top, Engineered Materials and Flexible Packaging divisions. The affected Rigid Closed Top, Engineered Materials, and Flexible Packaging businesses accounted for approximately \$14 million, \$71 million, and \$24 million of annual net sales, with the majority of the operations transferred to other facilities. During the first fiscal quarter the Company made the decision to exit certain operations in the Engineered Materials division. This decision resulted in non-cash impairment charges of \$17 million related to certain customer lists deemed to have no further value and is recorded in Restructuring and impairment charges on the Consolidated Statement of Income. The exited operations were immaterial to the Company and Engineered Materials segment.

During fiscal 2013, the Company made the decision to exit certain operations in the Engineered Materials division. This decision resulted in a non-cash impairment charges of \$6 million related to certain intangible assets deemed to have no further value recorded in Restructuring and impairment charges on the Consolidated Statement of Income. The exited businesses were immaterial to the Company and the Engineered Materials segment.

During fiscal 2014, the Company initiated a cost reduction plan designed to deliver meaningful cost savings and improved equipment utilization. The Company announced the intention to shut down four facilities, one each in Rigid Open Top, Rigid Closed Top, Engineered Materials and Flexible Packaging divisions. The affected Rigid Open Top, Rigid Closed Top, Engineered Materials, and Flexible Packaging businesses accounted for approximately \$111 million, \$14 million, \$9 million, and \$28 million of annual net sales, with the majority of the operations transferred to other facilities.

The table below sets forth the Company's estimate of the total cost of the restructuring programs since 2012, the portion recognized through fiscal year-end 2014 and the portion expected to be recognized in a future period:

	Expected Total Costs	Cumulative charges through Fiscal 2014	To be Recognized in Future
Severance and termination benefits	\$ 21	\$ 21	\$ -
Facility exit costs	24	21	3
Asset impairment	33	33	-
Total	<u>\$ 78</u>	<u>\$ 75</u>	<u>\$ 3</u>

The tables below sets forth the significant components of the restructuring charges recognized for the fiscal years ended 2014 2013 and 2012, by segment:

	Fiscal Year		
	2014	2013	2012
<b>Rigid Open Top</b>			
Severance & termination benefits	\$ 2	\$ 1	\$ -
Facility exit costs and other	8	-	-
Asset impairment	3	-	-
Total	<u>\$ 13</u>	<u>\$ 1</u>	<u>\$ -</u>
<b>Rigid Closed Top</b>			
Severance & termination benefits	\$ -	\$ 2	\$ 3
Facility exit costs and other	2	1	2
Asset impairment	-	-	4
Total	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 9</u>
<b>Engineered Materials</b>			
Severance & termination benefits	\$ 2	\$ 2	\$ 4
Facility exit costs and other	1	1	2
Asset impairment	4	6	16
Total	<u>\$ 7</u>	<u>\$ 9</u>	<u>\$ 22</u>
<b>Flexible Packaging</b>			
Severance & termination benefits	\$ 5	\$ -	\$ -
Facility exit costs and other	3	1	-
Asset impairment	-	-	-
Total	<u>\$ 8</u>	<u>\$ 1</u>	<u>\$ -</u>
<b>Consolidated</b>			
Severance & termination benefits	\$ 9	\$ 5	\$ 7
Facility exit costs and other	14	3	4
Asset impairment	7	6	20
Total	<u>\$ 30</u>	<u>\$ 14</u>	<u>\$ 31</u>

The table below sets forth the activity with respect to the restructuring accrual as of fiscal 2014 and 2013:

	Employee Severance and Benefits	Facility Exit Costs	Non-cash charges	Total
Balance as of fiscal 2012	\$ 4	\$ 3	\$ -	\$ 7
Charges	5	3	6	14
Non-cash asset impairment	-	-	(6)	(6)
Cash payments	(7)	(4)	-	(11)
Balance as of fiscal 2013	<u>2</u>	<u>2</u>	<u>-</u>	<u>4</u>
Charges	9	14	7	30
Non-cash asset impairment	-	-	(7)	(7)
Cash payments	(6)	(8)	-	(14)
Balance as of fiscal 2014	<u>\$ 5</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 13</u>



## 11. Related Party Transactions

### Management Fee

Prior to the initial public offering, the Company was charged a management fee by affiliates of Apollo and Graham Partners, Inc. ("Graham") for the provision of management consulting and advisory services provided throughout the year. The management fee was the greater of \$3 million or 1.25% of adjusted EBITDA. The management fees are classified in Selling, general, and administrative in the Statement of Income. The management services agreement with Apollo and Graham terminated upon completion of the initial public offering.

Total management fees charged by Apollo and Graham were \$9 million in fiscal 2012. The Company paid \$8 million to entities affiliated with Apollo and \$1 million to entities affiliated with Graham for fiscal 2012. In connection with the Rexam SBC acquisition, Berry management and the sponsors received a transaction fee of \$5 million in fiscal 2012.

### Other Related Party Transactions

In connection with the term loan refinancing entered into in January 2014 (see Note 6), the Company paid a \$1 million underwriting fee to Apollo Global Securities, LLC, an affiliate of Apollo that served as a manager of the offering.

In connection with the initial public offering, the Company entered into an income tax receivable agreement ("TRA") that provides for the payment to pre-initial public offering stockholders, option holders and holders of our stock appreciation rights, 85% of the amount of cash savings, if any, in U.S. federal, foreign, state and local income tax that are actually realized (or are deemed to be realized in the case of a change of control) as a result of the utilization of our and our subsidiaries' net operating losses attributable to periods prior to the initial public offering. The Company made \$32 million of payments related to the tax receivable agreement in the first fiscal quarter of 2014, of which Apollo received \$28 million.

## 12. Stockholders' Equity

### Equity Incentive Plans

In connection with Apollo's acquisition of the Company, we adopted an equity incentive plan pursuant to which options to acquire up to 7,071,337 shares of the Company's common stock may be granted. Prior to fiscal 2011, the plan was amended to allow for an additional 5,267,500 options to be granted.

In connection with the initial public offering, the Company adopted the Berry Plastics Group, Inc. 2012 Long-Term Incentive Plan, which authorized the issuance of up to 9,297,750 shares of common stock pursuant to the grant or exercise of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and other equity-based awards.

In August 2013, the Company recorded an \$8 million stock compensation charge related to certain modifications to the Berry Plastics Group Inc. 2006 Equity Incentive Plan and the Berry Plastics Group, Inc. 2012 Long-Term Incentive Plan (collectively, the "Plans"). The modifications include (i) accelerated vesting of all unvested options upon an employee's death or termination by the Company by reason of an employee's permanent disability, (ii) in the event of an employee's qualified retirement, continuation of the normal vesting period applicable to the retiree's unvested options, as well as an extension of the exercise period to the end of the original ten-year term of the retiree's vested options and (iii) all unvested options and stock appreciation rights that were subject to performance-based vesting criteria as of January 1, 2013 (excluding certain IRR performance-based options) were modified to time-based vesting.

The Company recognized total stock-based compensation expense of \$15 million, \$16 million, and \$2 million for fiscal 2014, 2013 and 2012. The intrinsic value of options exercised in fiscal 2014 was \$32 million.

Information related to the equity incentive plans as of the fiscal year-end 2014 and 2013 is as follows:

	2014		2013	
	Number Of Shares (in thousands)	Weighted Average Exercise Price	Number Of Shares (in thousands)	Weighted Average Exercise Price
Options outstanding, beginning of period	10,035	\$ 9.96	10,741	\$ 7.76
Options granted	2,727	21.02	2,819	16.01
Options exercised	(2,137)	8.19	(3,333)	7.97
Options forfeited or cancelled	(121)	15.20	(192)	10.14
Options outstanding, end of period	10,504	\$ 13.13	10,035	\$ 9.96
Option price range at end of period	\$ 3.04-22.95		\$ 3.04-17.59	
Options exercisable at end of period	5,098		5,182	
Options available for grant at period end	5,349		8,076	
Weighted average fair value of options granted during period	\$ 7.53		\$ 6.15	

The fair value for options granted has been estimated at the date of grant using a Black-Scholes model, generally with the following weighted average assumptions:

	2014	2013	2012
Risk-free interest rate	1.3%	.6%	.6 - .9%
Dividend yield	0.00%	0.00%	0.00%
Volatility factor	.33	.38	0.38
Expected option life	7 years	7 years	5 years

The following table summarizes information about the options outstanding as of fiscal 2014:

Range of Exercise Prices	Number Outstanding	Intrinsic Value of Outstanding	Weighted Remaining Contractual Life	Weighted Exercise Price	Number Exercisable	Intrinsic Value of Exercisable	Unrecognized Compensation	Weighted Recognition Period
\$3.04 - \$22.95	10,504	\$122	7 years	\$13.13	5,098	\$81	\$20	2 years

### 13. Segment and Geographic Data

Berry's operations are organized into four reportable segments: Rigid Open Top, Rigid Closed Top, Engineered Materials, and Flexible Packaging. The Company has manufacturing and distribution centers in the United States, Canada, Mexico, Belgium, France, Australia, Germany, Brazil, Malaysia, India, China, and the Netherlands. The North American operation represents 96% of the Company's net sales, 94% of total long-lived assets, and 95% of the total assets. Selected information by reportable segment is presented in the following table.

	2014	2013	2012
Net sales			
Rigid Open Top	\$ 1,110	\$ 1,127	\$ 1,229
Rigid Closed Top	1,469	1,387	1,438
Engineered Materials	1,455	1,397	1,362
Flexible Packaging	924	736	737
Total	\$ 4,958	\$ 4,647	\$ 4,766
Operating income			
Rigid Open Top	\$ 34	\$ 123	\$ 159
Rigid Closed Top	132	130	95
Engineered Materials	125	116	70
Flexible Packaging	25	17	1
Total	\$ 316	\$ 386	\$ 325
Depreciation and amortization			
Rigid Open Top	\$ 92	\$ 90	\$ 90
Rigid Closed Top	133	129	135
Engineered Materials	75	71	71
Flexible Packaging	58	51	59
Total	\$ 358	\$ 341	\$ 355

	2014	2013
Total assets		
Rigid Open Top	\$ 1,808	\$ 1,805
Rigid Closed Top	1,966	1,964
Engineered Materials	722	817
Flexible Packaging	772	549
	<u>\$ 5,268</u>	<u>\$ 5,135</u>
Goodwill		
Rigid Open Top	\$ 681	\$ 681
Rigid Closed Top	827	831
Engineered Materials	71	73
Flexible Packaging	80	49
	<u>\$ 1,659</u>	<u>\$ 1,634</u>

#### 14. Net Income Per Share

Basic net income per share is calculated by dividing the net income attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents. Diluted net income per share is computed by dividing the net income attributable to common stockholders by the weighted-average number of common share equivalents outstanding for the period determined using the treasury-stock method and the if-converted method. For purposes of this calculation, stock options are considered to be common stock equivalents and are only included in the calculation of diluted net income per share when their effect is dilutive. The Company's redeemable common stock is included in the weighted-average number of common shares outstanding for calculating basic and diluted net income per share.

The following tables and discussion provide a reconciliation of the numerator and denominator of the basic and diluted net income per share computations. The calculation below provides net income on both basic and diluted basis for fiscal 2014, 2013, and 2012 (in thousands).

	2014	2013	2012
Net income attributable to the Company	\$ 62	\$ 57	\$ 2
Weighted average shares of common stock outstanding--basic	116,875	113,486	83,435
Other common stock equivalents	4,646	5,968	3,209
Weighted average shares of common stock outstanding--diluted	<u>121,521</u>	<u>119,454</u>	<u>86,644</u>
Basic net income per share available to common shareholders	\$ 0.53	\$ 0.50	\$ 0.02
Diluted net income per share available to common shareholders	\$ 0.51	\$ 0.48	\$ 0.02

#### 15. Guarantor and Non-Guarantor Financial Information

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

## Condensed Supplemental Consolidated Statements of Operations

Fiscal 2014

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ -	\$ 638	\$ 3,904	\$ 416	\$ -	\$ 4,958
Cost of goods sold	-	557	3,284	349	-	4,190
Selling, general and administrative	-	52	232	36	-	320
Amortization of intangibles	-	10	84	8	-	102
Restructuring and impairment charges	-	-	30	-	-	30
Operating income	-	19	274	23	-	316
Debt extinguishment	-	35	-	-	-	35
Other income, net	(3)	-	(4)	-	-	(7)
Interest expense, net	34	27	176	(97)	81	221
Equity in net income of subsidiaries	(98)	(218)	-	-	316	-
Income (loss) before income taxes	67	175	102	120	(397)	67
Income tax expense (benefit)	4	44	-	5	(49)	4
Consolidated net income (loss)	63	131	102	115	(348)	63
Net income(loss) attributable to non-controlling interests	1	-	-	-	-	1
Net income(loss) attributable to the Company	\$ 62	\$ 131	\$ 102	\$ 115	\$ (348)	\$ 62
Currency translation	-	-	-	(16)	-	(16)
Interest rate hedges	-	(3)	-	-	-	(3)
Defined benefit pension and retiree benefit plans	-	(11)	-	-	-	(11)
Provision for income taxes related to other comprehensive income items	-	5	-	-	-	5
Comprehensive income (loss)	\$ 62	\$ 122	\$ 102	\$ 99	\$ (348)	\$ 37

Fiscal 2013

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ -	\$ 571	\$ 3,706	\$ 370	\$ -	\$ 4,647
Cost of sales	-	506	3,021	308	-	3,835
Selling, general and administrative	-	58	314	40	-	412
Restructuring and impairment charges	-	1	13	-	-	14
Operating income	-	6	358	22	-	386
Other income	-	56	1	-	-	57
Interest expense, net	47	24	201	(120)	92	244
Equity in net income of subsidiaries	(132)	(297)	-	-	429	-
Net income (loss) before income taxes	85	223	156	142	(521)	85
Income tax expense (benefit)	28	80	-	2	(82)	28
Net income (loss)	\$ 57	\$ 143	\$ 156	\$ 140	\$ (439)	\$ 57
Currency translation	-	-	-	(5)	-	(5)
Interest rate hedges	-	20	-	-	-	20
Defined benefit pension and retiree benefit plans	-	34	-	-	-	34
Provision for income taxes related to other comprehensive income items	-	(20)	-	-	-	(20)
Comprehensive income (loss)	\$ 57	\$ 177	\$ 156	\$ 135	\$ (439)	\$ 86

## Fiscal 2012

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ -	\$ 579	\$ 3,829	\$ 358	\$ -	\$ 4,766
Cost of sales	-	520	3,151	313	-	3,984
Selling, general and administrative expenses	-	62	329	35	-	426
Restructuring and impairment charges, net	-	1	29	1	-	31
Operating income (loss)	-	(4)	320	9	-	325
Other income	-	(7)	-	-	-	(7)
Interest expense, net	54	39	261	(110)	84	328
Equity in net income of subsidiaries	(58)	(173)	-	-	231	-
Net income (loss) before income taxes	4	137	59	119	(315)	4
Income tax expense (benefit)	2	46	1	3	(50)	2
Net income (loss)	\$ 2	\$ 91	\$ 58	\$ 116	\$ (265)	\$ 2
Currency translation	-	-	-	6	-	6
Interest rate hedges	-	4	-	-	-	4
Defined benefit pension and retiree benefit plans	-	-	(14)	-	-	(14)
Provision for income taxes related to other comprehensive income items	-	(1)	6	-	-	5
Comprehensive income (loss)	\$ 2	\$ 94	\$ 50	\$ 122	\$ (265)	\$ 3

Condensed Supplemental Consolidated Balance Sheet  
As of fiscal year-end 2014

Assets	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Current assets:						
Cash and cash equivalents	\$ -	\$ 70	\$ 15	\$ 44	\$ -	\$ 129
Accounts receivable, net	-	35	377	79	-	491
Intercompany receivable	-	3,343	-	87	(3,430)	-
Inventories	-	51	496	57	-	604
Deferred income taxes	166	-	-	-	-	166
Prepaid expenses and other current	-	15	13	14	-	42
Total current assets	166	3,514	901	281	(3,430)	1,432
Property, plant and equipment, net	-	84	1,162	118	-	1,364
Intangible assets, net	-	120	2,226	125	-	2,471
Investment in subsidiaries	69	1,237	-	-	(1,306)	-
Other assets	-	-	1	-	-	1
Total assets	\$ 235	\$ 4,955	\$ 4,290	\$ 524	\$ (4,736)	\$ 5,268

**Liabilities and equity**

## Current liabilities:

Accounts payable	\$ -	\$ 31	\$ 303	\$ 61	\$ -	\$ 395
Accrued expenses and other current liabilities	35	127	132	20	-	314
Intercompany payable	(319)	-	3,749	-	(3,430)	-
Current portion of long-term debt	-	54	-	4	-	58
Total current liabilities	(284)	212	4,184	85	(3,430)	767
Long-term debt, less current portion	-	3,858	-	2	-	3,860
Deferred income taxes	386	-	-	-	-	386
Other long-term liabilities	234	76	42	4	-	356
Total long-term liabilities	620	3,934	42	6	-	4,602
Total liabilities	336	4,146	4,226	91	(3,430)	5,369
Redeemable non-controlling interests	13	-	-	-	-	13
Other equity (deficit)	(114)	809	64	433	(1,306)	(114)
Total equity (deficit)	(114)	809	64	433	(1,306)	(114)
Total liabilities and equity (deficit)	\$ 235	\$ 4,955	\$ 4,290	\$ 524	\$ (4,736)	\$ 5,268

**Condensed Supplemental Consolidated Balance Sheet**  
As of fiscal year-end 2013

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ -	\$ 116	\$ -	\$ 26	\$ -	\$ 142
Accounts receivable, net of allowance	-	5	371	73	-	449
Intercompany receivable	348	3,448	-	40	(3,836)	-
Inventories	-	53	482	40	-	575
Deferred income taxes	139	-	-	-	-	139
Prepaid expenses and other current	-	12	11	19	(10)	32
Total current assets	487	3,634	864	198	(3,846)	1,337
Property, plant and equipment, net	-	115	1,079	72	-	1,266
Intangible assets, net	8	139	2,275	106	(8)	2,520
Investment in subsidiaries	760	905	-	-	(1,665)	-
Other assets	-	10	2	631	(631)	12
Total assets	\$ 1,255	\$ 4,803	\$ 4,220	\$ 1,007	\$ (6,150)	\$ 5,135
<b>Liabilities and equity</b>						
Current liabilities:						
Accounts payable	\$ -	\$ 9	\$ 262	\$ 66	\$ -	\$ 337
Accrued and other current liabilities	41	119	112	15	(11)	276
Intercompany payable	-	-	3,837	-	(3,837)	-
Long-term debt-current portion	-	69	-	2	-	71
Total current liabilities	41	197	4,211	83	(3,848)	684
Long-term debt	740	3,855	-	2	(722)	3,875
Deferred tax liabilities	385	-	-	-	-	385
Other long-term liabilities	285	64	44	4	(10)	387
Total long-term liabilities	1,410	3,919	44	6	(732)	4,647
Total liabilities	1,451	4,116	4,255	89	(4,580)	5,331
Redeemable shares	-	-	-	-	-	-
Other equity (deficit)	(196)	687	(35)	918	(1,570)	(196)
Total equity (deficit)	(196)	687	(35)	918	(1,570)	(196)
Total liabilities and equity (deficit)	\$ 1,255	\$ 4,803	\$ 4,220	\$ 1,007	\$ (6,150)	\$ 5,135

**Condensed Supplemental Consolidated Statements of Cash Flows**

**Fiscal 2014**

	<b>Parent</b>	<b>Issuer</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total</b>
<b>Cash Flow from Operating Activities</b>	\$ -	\$ 27	\$ 473	\$ 30	\$ -	\$ 530
<b>Cash Flow from Investing Activities</b>						
Additions to property, plant, and equipment	-	(6)	(200)	(9)	-	(215)
Proceeds from sale of assets	-	-	19	-	-	19
Investment in Parent	-	-	-	-	-	-
(Contributions) distributions to/from subsidiaries	723	(2)	-	721	(1,442)	-
Intercompany advances (repayments)	-	20	-	-	(20)	-
Investment in Issuer debt securities	-	-	-	-	-	-
Acquisition of business, net of cash acquired	-	-	(136)	(90)	-	(226)
Net cash from investing activities	723	12	(317)	622	(1,462)	(422)
<b>Cash Flow from Financing Activities</b>						
Proceeds from long-term borrowings	-	1,627	-	-	-	1,627
Proceeds from initial public offering	-	-	-	-	-	-
Payment of tax receivable agreement	(32)	-	-	-	-	(32)
Proceed from issuance of common stock	17	-	-	-	-	17
Repayment of note receivable	-	-	-	-	-	-
Repayment of long-term borrowings	(740)	(1,668)	-	-	721	(1,687)
Changes in intercompany balances	32	-	(141)	89	20	-
Contribution from Parent	-	-	-	(721)	721	-
Debt financing costs	-	(44)	-	-	-	(44)
Net cash from financing activities	(723)	(85)	(141)	(632)	1,462	(119)
Effect of currency translation on cash	-	-	-	(2)	-	(2)
Net change in cash and cash equivalents	-	(46)	15	18	-	(13)
Cash and cash equivalents at beginning of period	-	116	-	26	-	142
Cash and cash equivalents at end of period	\$ -	\$ 70	\$ 15	\$ 44	\$ -	\$ 129

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
<b>Cash Flow from Operating Activities</b>	\$ -	\$ 11	\$ 417	\$ 36	\$ -	\$ 464
<b>Cash Flow from Investing Activities</b>						
Additions to property, plant, and equipment	-	(7)	(218)	(14)	-	(239)
Proceeds from disposal of assets	-	1	17	-	-	18
Investment in Parent	-	-	-	(21)	21	--
(Contributions) distributions to/from subsidiaries	(462)	441	-	-	21	-
Intercompany advances (repayments)	-	210	-	-	(210)	-
Investment in Issuer debt securities	-	-	-	-	-	-
Acquisition of business net of cash acquired	-	-	(24)	-	-	(24)
Net cash from investing activities	(462)	645	(225)	(35)	(168)	(245)
<b>Cash Flow from Financing Activities</b>						
Proceeds from long-term debt	-	1,391	-	-	-	1,391
IPO proceeds	438	-	-	-	-	438
Payment of TRA	(5)	(5)	-	-	5	(5)
Proceed from issuance of common stock	27	-	-	-	-	27
Repayment of note receivable	2	2	-	-	(2)	2
Repayment of long-term debt	-	(1,955)	-	(2)	(21)	(1,978)
Changes in intercompany balances	-	-	(192)	(15)	207	-
Contribution from Parent	-	-	-	21	(21)	-
Deferred financing costs	-	(39)	-	-	-	(39)
Net cash from financing activities	462	(606)	(192)	4	168	(164)
Net change in cash and cash equivalents	-	50	-	5	-	55
Cash and cash equivalents at beginning of period	-	66	-	21	-	87
Cash and cash equivalents at end of period	\$ -	\$ 116	\$ -	\$ 26	\$ -	\$ 142



**Fiscal 2012**

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
<b>Cash Flow from Operating Activities</b>	\$ -	\$ (22)	\$ 504	\$ (3)	\$ -	\$ 479
<b>Cash Flow from Investing Activities</b>						
Additions to property, plant, and equipment	-	(9)	(209)	(12)	-	(230)
Proceeds from disposal of assets	-	-	30	-	-	30
Investment in Parent	-	-	-	(4)	4	-
(Contributions) distributions to/from subsidiaries	16	(20)	-	-	4	-
Intercompany advances (repayments)	-	258	-	-	(258)	-
Investment in Issuer debt securities	-	-	-	-	-	-
Acquisition of business net of cash acquired	-	-	7	(62)	-	(55)
Net cash from investing activities	<u>16</u>	<u>229</u>	<u>(172)</u>	<u>(78)</u>	<u>(250)</u>	<u>(255)</u>
<b>Cash Flow from Financing Activities</b>						
Proceeds from long-term debt	-	-	-	2	-	2
Equity contributions	-	(6)	-	-	-	(6)
Repayment of long-term debt	(16)	(155)	-	-	(4)	(175)
Changes in intercompany balances	-	-	(337)	79	258	-
Contribution from Parent	-	-	-	4	(4)	-
Deferred financing costs	-	-	-	-	-	-
Net cash from financing activities	<u>(16)</u>	<u>(161)</u>	<u>(337)</u>	<u>85</u>	<u>250</u>	<u>(179)</u>
Net change in cash and cash equivalents	-	46	(5)	4	-	45
Cash and cash equivalents at beginning of period	-	20	5	17	-	42
Cash and cash equivalents at end of period	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 87</u>

**16. Quarterly Financial Data (Unaudited)**

The following table contains selected unaudited quarterly financial data for fiscal years 2014 and 2013.

	2014				2013			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	\$ 1,140	\$ 1,210	\$ 1,298	\$ 1,310	\$ 1,072	\$ 1,150	\$ 1,221	\$ 1,204
Cost of sales	964	1,023	1,089	1,114	895	936	998	1,006
Gross profit	<u>176</u>	<u>187</u>	<u>209</u>	<u>196</u>	<u>177</u>	<u>214</u>	<u>223</u>	<u>198</u>
Net income (loss) attributable to the Company	<u>\$ 6</u>	<u>\$ 12</u>	<u>\$ 15</u>	<u>\$ 29</u>	<u>\$ (10)</u>	<u>\$ 1</u>	<u>\$ 40</u>	<u>\$ 26</u>
Net income (loss) attributable to the Company per share:								
Basic	0.05	0.10	0.13	0.25	(0.09)	0.01	0.35	0.23
Diluted	0.05	0.10	0.12	0.24	(0.09)	0.01	0.33	0.22

**17. Subsequent Events**

In the first fiscal quarter of 2015, the Company made a voluntary principal payment on the term loan of \$100 million.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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, on the 2nd day of February, 2015.

**BERRY PLASTICS GROUP, INC.**

By: /s/ Jonathan D. Rich

Jonathan D. Rich

Chairman and Chief Executive Officer

Exhibit No.

- 23.1 Consent of Independent Registered Public Accounting Firm
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer
- 32.1 Section 1350 Certification of the Chief Executive Officer
- 32.2 Section 1350 Certification of the Chief Financial Officer

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3ASR No. 333-194030) of Berry Plastics Group, Inc., and
- (2) Registration Statement (Form S-8 No. 333-184522) pertaining to the Berry Plastics Group, Inc. 2006 Equity Incentive Plan and the Berry Plastics Group, Inc. 2012 Long-Term Incentive Plan;

of our reports dated November 24, 2014, with respect to the consolidated financial statements of Berry Plastics Group, Inc. and the effectiveness of internal control over financial reporting of Berry Plastics Group, Inc. included in this Annual Report (Form 10-K/A) of Berry Plastics Group, Inc. for the year ended September 27, 2014.

/s/ Ernst and Young LLP

Indianapolis, Indiana  
February 2, 2015

---

---

## CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Jonathan D. Rich, Chairman and Chief Executive Officer of Berry Plastics Group, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Berry Plastics Group, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Jonathan D. Rich

Jonathan D. Rich  
Chairman and Chief Executive Officer

Date: February 2, 2015

---

## CHIEF FINANCIAL OFFICER CERTIFICATION

I, Mark W. Miles, Chief Financial Officer of Berry Plastics Group, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Berry Plastics Group, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Mark W. Miles

\_\_\_\_\_  
Mark W. Miles  
Chief Financial Officer

Date: February 2, 2015

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Berry Plastics Group, Inc. (the "Registrant") on Form 10-K for the fiscal year ended September 27, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan D. Rich, Chairman and Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Jonathan D. Rich

\_\_\_\_\_  
Jonathan D. Rich  
Chairman and Chief Executive Officer

Date: February 2, 2015

---

---

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Berry Plastics Group, Inc. (the "Registrant") on Form 10-K for the fiscal year ended September 27, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark W. Miles, the Chief Financial Officer and Treasurer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Mark W. Miles

Mark W. Miles

Chief Financial Officer

Date: February 2, 2015

---