New Giant CORP
Form S-4/A
October 17, 2007

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As filed with the Securities and Exchange Commission on October 17, 2007

Registration No. 333-145849

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

Amendment No. 1
to
FORM S-4
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

NEW GIANT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**2361**	**26-0405422**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

814 Livingston Court
Marietta, Georgia 30067
(770) 644-3000
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Stephen A. Hellrung, Esq.
Senior Vice President, General Counsel and Secretary
814 Livingston Court
Marietta, Georgia 30067
(770) 644-3000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

William Scott Ortwein, Esq.
Justin R. Howard, Esq.
Alston & Bird LLP
1201 West Peachtree Street
Atlanta, Georgia 30309
(404) 881-7000

David J. Sorkin, Esq.
Andrew W. Smith, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
(212) 455-2000

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

PRELIMINARY COPY SUBJECT TO COMPLETION, DATED [l], 2007

BUSINESS COMBINATION PROPOSED YOUR VOTE IS IMPORTANT

To our stockholders:

I am pleased to invite you to attend the special meeting of stockholders of Graphic Packaging Corporation (Graphic) to be held on [l], [l], 2007 at 10:00 a.m., local time at the offices of Alston & Bird LLP, Atlantic Center Plaza, 1180 West Peachtree Street, 15th Floor, Atlanta, Georgia 30309. At the special meeting, you will be asked to consider and vote on (1) a proposal to adopt the transaction agreement and agreement and plan of merger, dated as of July 9, 2007, that Graphic and certain of its affiliates entered into with Bluegrass Container Holdings, LLC (BCH), the company that holds all of the equity interests of Altivity Packaging, LLC (Altivity), and BCH s equity holders, which provides for the combination of the businesses of Graphic and Altivity, (2) a proposal to approve provisions in New Giant Corporation s restated certificate of incorporation authorizing 1.1 billion shares of capital stock, including 1 billion shares of common stock and 100 million shares of preferred stock, and (3) any proposal by Graphic to adjourn or postpone the special meeting, if determined to be necessary.

If the transactions contemplated by the transaction agreement are completed, you will receive one share of common stock of a new company, currently named New Giant Corporation, which we refer to as New Graphic, for each share of Graphic common stock that you held immediately prior to the effective time of the merger. New Graphic will also issue shares of its common stock to BCH s current equity holders such that upon the completion of these transactions, BCH s current equity holders will own approximately 40.6% of New Graphic common stock, and holders of Graphic common stock immediately prior to the effective time will own approximately 59.4% of New Graphic common stock, each calculated on a fully diluted basis. In connection with these transactions, New Graphic will be renamed Graphic Packaging Holding Company, and its common stock will be listed on the New York Stock Exchange under the symbol GPK, which is the symbol under which Graphic common stock is currently traded on the NYSE.

The board of directors of Graphic has unanimously approved the transaction agreement and the transactions and has determined that the transactions are advisable and in the best interests of Graphic and its stockholders.

This proxy statement/prospectus describes these transactions and provides specific information concerning the special meeting. We encourage you to read this entire document carefully.

Sincerely,

David W. Scheible
President and Chief Executive Officer

For a discussion of certain risk factors that you should consider in evaluating the transactions contemplated by the transaction agreement and an investment in New Graphic common stock, see Risk Factors beginning on

page 20.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the transactions or passed on the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

We may amend or supplement this proxy statement/prospectus from time to time by filing amendments or supplements as required.

This proxy statement/prospectus is dated [l], 2007, and is first being mailed to Graphic stockholders on or about [l], 2007.

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GRAPHIC PACKAGING CORPORATION

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS TO BE HELD [l], 2007

To our stockholders:

Graphic Packaging Corporation (Graphic) will hold a special meeting of its stockholders on [l], 2007 at 10:00 a.m., local time, at the offices of Alston & Bird LLP, Atlantic Center Plaza, 1180 West Peachtree Street, 15th Floor, Atlanta, Georgia 30309, for the following purposes:

1. To vote on a proposal to adopt the transaction agreement and agreement and plan of merger, dated as of July 9, 2007, by and among Graphic, Bluegrass Container Holdings, LLC (BCH), TPG Bluegrass IV, L.P., TPG Bluegrass IV-AIV 2, L.P., TPG Bluegrass V, L.P., TPG Bluegrass V-AIV 2, L.P., Field Holdings, Inc., TPG FOF V-A, L.P., TPG FOF V-B, L.P., BCH Management, LLC, (collectively with TPG Bluegrass IV, L.P., TPG Bluegrass IV-AIV 2, L.P., TPG Bluegrass V, L.P., TPG Bluegrass V-AIV 2, L.P., Field Holdings, Inc., TPG FOF V-A, L.P., TPG FOF V-B, L.P. and any transferees of their interests in BCH, the Sellers), New Giant Corporation (New Graphic) and Giant Merger Sub, Inc. (Merger Sub) and to approve the transactions contemplated by such transaction agreement. The transaction agreement contemplates, among other transactions, that:

Merger Sub, a new, wholly-owned subsidiary of New Graphic, will merge with and into Graphic, as a result of which Graphic will become a wholly-owned subsidiary of New Graphic (the merger);

each share of Graphic common stock outstanding immediately prior to the merger will be converted into the right to receive one share of the common stock of New Graphic pursuant to the merger; and

immediately after the merger, the Sellers will transfer all of their equity interests in BCH, the company that holds all of the equity interests in Altivity Packaging, LLC, to New Graphic in exchange for shares of common stock of New Graphic (the exchange, and together with the merger, the transactions).

2. To vote on a proposal to approve provisions in New Graphic s restated certificate of incorporation authorizing 1.1 billion shares of capital stock, including 1 billion shares of common stock and 100 million shares of preferred stock. THIS PROVISION WILL ONLY BE IMPLEMENTED IF PROPOSAL 1 IS ALSO APPROVED.

3. To vote upon any proposal by Graphic to adjourn or postpone the special meeting, if determined to be necessary.

A copy of the transaction agreement is attached to this proxy statement/prospectus as Annex A. The certificate of incorporation and by-laws of New Graphic to be in effect following the merger are set forth as Annex B and Annex C, respectively, to this proxy statement/prospectus.

The board of directors of Graphic has unanimously approved the transaction agreement and the transactions and has determined that the transactions are advisable and in the best interests of Graphic and its stockholders. **The board of directors of Graphic recommends that you vote FOR the adoption of the transaction agreement and the approval of the transactions, FOR the approval of the provisions of New Graphic s restated certificate of incorporation increasing New Graphic s authorized capital stock, and FOR the adjournment or postponement of the special meeting, if determined to be necessary**.

Only Graphic stockholders of record at the close of business on [l], 2007 are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. No business other than the proposals described in this notice will be considered at the special meeting or any adjournment or postponement thereof. A complete list of Graphic stockholders of record entitled to vote at the special meeting will be available for inspection at the special meeting.

Your vote is very important, regardless of the number of shares you own. Graphic cannot complete the transactions unless the transaction agreement is adopted and the transactions are approved by the affirmative vote of a majority of the issued and outstanding shares of Graphic common stock. Please submit your proxy as soon as possible to make sure that your shares are represented at the special meeting.

For your shares to be voted, you may complete, sign, date and return the enclosed proxy card or you may submit your proxy by telephone or over the Internet. If you are a holder of record, you may also cast your vote in person at the special meeting. If your shares are held in an account by a broker, bank or other nominee, you must instruct them on how to vote your shares. **If you do not submit your proxy, vote in person or instruct your broker, bank or other nominee how to vote, it will have the same effect as voting AGAINST the adoption of the transaction agreement and the approval of the transactions.**

By order of the board of directors,

Stephen A. Hellrung
Senior Vice President, General Counsel and Secretary
[l], 2007

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REFERENCE TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Graphic from other documents that are not included in or delivered with this proxy statement/prospectus. The Securities and Exchange Commission (the SEC) maintains a website that contains annual, quarterly and current reports, proxy and information statements and other information regarding registrants, like Graphic, that file reports with the SEC electronically. The SEC s website address is *http://www.sec.gov*. You may also read and copy any document Graphic files with the SEC at the SEC s public reference room, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of its public reference room. The information Graphic files with the SEC and other information about Graphic is also available on Graphic s website at *http://www.graphicpkg.com*. However, the information on Graphic s website is not a part of, nor incorporated by reference into, this proxy statement/prospectus. For a listing of the documents incorporated by reference, please see Where You Can Find More Information.

You can also obtain those documents incorporated by reference in this proxy statement/prospectus without charge by contacting Graphic at:

Graphic Packaging Corporation
814 Livingston Court
Marietta, Georgia 30067
(770) 644-3000
Attention: Investor Relations Department

In order to ensure timely delivery of requested documents, any request should be made at least five business days prior to the date on which an investment decision is to be made and, in any event, no later than [l], 2007, which is five business days prior to the special meeting.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

The following questions and answers are intended to briefly address some frequently asked questions regarding the merger (as defined below) and the exchange (as defined below and together with the merger, the transactions) contemplated by the transaction agreement (as defined below). These questions and answers may not address all questions that may be important to you as a stockholder of Graphic Packaging Corporation (Graphic). You are urged to read this entire proxy statement/prospectus carefully and the other documents to which Graphic and New Graphic (as defined below) refer you before casting your vote on adoption of the transaction agreement and approval of the transactions.

Q: When and where is the special meeting?

A: The special meeting will take place on [l], 2007, at 10:00 a.m., local time, at the offices of Alston & Bird LLP, Atlantic Center Plaza, 1180 West Peachtree Street, 15th Floor, Atlanta, Georgia 30309.

Q: What am I being asked to vote on?

A: You are being asked to vote to adopt the transaction agreement and agreement and plan of merger, dated as of July 9, 2007 (the transaction agreement), by and among Graphic, Bluegrass Container Holdings, LLC (BCH), the company that holds all of the equity interests in Altivity Packaging, LLC (Altivity), TPG Bluegrass IV, L.P., TPG Bluegrass IV-AIV 2, L.P., TPG Bluegrass V, L.P., TPG Bluegrass V-AIV 2, L.P., TPG FOF V-A, L.P., TPG FOF V-B, L.P. (collectively with TPG Bluegrass IV, L.P., TPG Bluegrass IV-AIV 2, L.P., TPG Bluegrass V, L.P., TPG Bluegrass V-AIV 2, L.P. and TPG FOF V-A, L.P., the TPG Entities), BCH Management, LLC, Field Holdings, Inc. (together with BCH Management, LLC, the TPG Entities, and any transferee of their interests in BCH, the Sellers), New Giant Corporation (New Graphic) and Giant Merger Sub, Inc. (Merger Sub) and approve the transactions. The transaction agreement contemplates, among other transactions, that:

Merger Sub, a new, wholly-owned subsidiary of New Graphic, will merge with and into Graphic, as a result of which Graphic will become a wholly-owned subsidiary of New Graphic (the merger);

each share of Graphic common stock outstanding immediately prior to the merger will be converted into the right to receive one share of the common stock of New Graphic pursuant to the merger; and

immediately after the merger, the Sellers will transfer all of their equity interests in BCH to New Graphic in exchange for shares of common stock of New Graphic (the exchange).

Upon the completion of the transactions, Graphic stockholders, in the aggregate, will hold approximately 59.4%, and the Sellers will hold approximately 40.6%, of the outstanding common stock of New Graphic, each calculated on a fully diluted basis.

For a more detailed discussion about the transactions, please see The Transactions beginning on page 33 and The Transaction Agreement and Agreement and Plan of Merger beginning on page 59.

You are also being asked to vote to approve a provision in New Graphic s restated certificate of incorporation authorizing 1.1 billion shares of capital stock, including 1 billion shares of common stock and 100 million shares of preferred stock.

In addition, you are being asked to vote to approve any proposal by Graphic to adjourn or postpone the special meeting, if determined to be necessary.

Q: What will I receive after the transactions are completed?

A: After the transactions are completed, you will receive one share of New Graphic common stock for each share of Graphic common stock you hold.

Q: Are there any important risks related to the transactions or New Graphic s business of which I should be aware?

A: Yes, there are important risks involved. Before making any decision on whether and how to vote, Graphic urges you to read carefully and in its entirety the section entitled Risk Factors beginning on page 20.

Q: Will my rights as a stockholder of New Graphic be different from my rights as a stockholder of Graphic?

A: Yes, there are certain material differences between your rights as a stockholder of Graphic and your rights as a stockholder of New Graphic. We urge you to read the section entitled Description of New Graphic Capital Stock beginning on page 127 and Comparison of Rights of Graphic Stockholders and New Graphic Stockholders beginning on page 134.

Q: What stockholder approvals are needed to approve the transactions?

A: The adoption of the transaction agreement and the approval of the transactions and the approval of the provision in New Graphic s restated certificate of incorporation each requires the affirmative vote of a majority of the issued and outstanding shares of Graphic common stock as of the record date.

Pursuant to the voting agreement, dated as of July 9, 2007, entered into by and among BCH, Graphic, certain members and affiliates of the Coors family (the Coors Family Stockholders), Clayton, Dubilier & Rice Fund V Limited Partnership (the CDR Fund) and EXOR Group S.A. (EXOR), each of the Coors Family Stockholders, the CDR Fund and EXOR has agreed, subject to limited exceptions, to vote all of its shares of Graphic common stock in favor of adopting the transaction agreement and approving the transactions and any other action reasonably requested by BCH in furtherance thereof. The Coors Family Stockholders, the CDR Fund and EXOR collectively hold 129,376,414 issued and outstanding shares of Graphic common stock, which represented approximately 65% of the total number of shares of Graphic common stock issued and outstanding as of July 9, 2007 and as of the record date.

Q: Who is entitled to vote at the special meeting?

A: Graphic stockholders as of the close of business on [l], 2007, which is the record date for the special meeting, are entitled to vote at the special meeting. As of [l], 2007, there were [l] shares of Graphic common stock issued and outstanding and entitled to be voted at the special meeting. Each share of Graphic common stock outstanding on the record date will entitle its holder of record on such date to one vote on the transaction agreement and the transactions.

Q: Who can attend the special meeting?

A: Only stockholders, their designated proxies and guests of Graphic may attend the special meeting. If you plan to attend the special meeting, you must be a stockholder of record as of [l], 2007 or, if you have beneficial ownership of shares of Graphic common stock held of record by a broker, bank or other nominee, you must bring an account statement or letter from your broker, bank or other nominee showing that you are the beneficial owner of shares of Graphic common stock as of the record date in order to be admitted to the special meeting.

Q: What happens if I sell my shares of Graphic common stock before the special meeting?

A:

The record date for the special meeting is [l], 2007. If you transfer your shares of Graphic common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting but will transfer the right to receive one share of New Graphic common stock for each share of Graphic common stock you hold (if the transactions are completed) to the person to whom you transfer your shares.

Q: If I would like to submit a proxy, what do I need to do now?

A: If your shares are registered directly in your name at Graphic s transfer agent, you are considered a stockholder of record and you may submit your proxy (i) by mail by completing, signing, dating and returning the enclosed proxy card by mailing it in the enclosed postage prepaid envelope provided for

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receipt prior to the date of the special meeting or (ii) by telephone or through the Internet until 11:59 p.m. Eastern Time on [l], 2007. Instructions for voting by telephone or through the Internet are contained on the enclosed proxy card. Please submit your proxy as soon as possible so that your shares may be represented at the special meeting.

Q: If my shares are held in street name by a broker, bank or other nominee, will my broker, bank or other nominee vote my shares for me?

A: If your shares are registered through a broker, bank or other nominee, your shares are considered to be held beneficially in street name. Your broker, bank or other nominee will vote your shares for you only if you provide instructions to it on how to vote. You should follow the directions your broker, bank or other nominee provides on how to instruct it to vote your shares. If your broker, bank or other nominee holds your shares and you wish to vote your shares in person at the special meeting, please bring an account statement or a letter from your broker, bank or other nominee identifying you as the beneficial owner of the shares as of the record date and granting you a proxy to vote those shares at the special meeting.

Q: What do I do if I want to change my vote or vote in person?

A: You may revoke your vote at any time before the special meeting by:

executing and submitting a revised proxy (including by telephone or over the Internet);

sending written notice of revocation to Graphic s Secretary at the address provided at the beginning of this proxy statement/prospectus; or

voting in person at the meeting.

If your shares are registered directly in your name, you are considered the stockholder of record and you may vote in person at the special meeting. If your shares are held beneficially in street name and you wish to vote in person at the special meeting, you will need to obtain a proxy from the broker, bank or other nominee that holds your shares. Please note that even if you plan to attend the special meeting, Graphic recommends that you submit your proxy card voting your shares before the special meeting in case you later decide not to attend the meeting.

Q: What will happen if I do not send in my proxy or if I abstain from voting?

A: If you do not send in your proxy or if you abstain from voting, it will have the effect of a vote AGAINST the adoption of the transaction agreement and the approval of the transactions, and AGAINST the approval of the provisions in New Graphic s restated certificate of incorporation increasing the authorized capital stock of New Graphic. If you do not send in your proxy it will not affect the proposal to adjourn or postpone the special meeting, if determined to be necessary. If you return your proxy, but mark abstain, it will have the effect of a vote AGAINST the proposal to adjourn or postpone the special meeting, if determined to be necessary.

Q: Should I send in my stock certificates now?

A: No. If the transactions are completed and you hold stock certificates evidencing your shares of Graphic common stock, New Graphic will send you written instructions for exchanging your Graphic stock certificates.

Q: How will Graphic solicit proxies?

A: Proxies may be solicited by mail or facsimile, or by Graphic s directors, officers or employees, without extra compensation, in person or by telephone. Graphic will reimburse brokers, banks and other nominees for their reasonable out-of-pocket expenses for forwarding solicitation material to the beneficial owners of Graphic common stock.

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Q: Who can help answer my questions?

A: If you have any questions about the special meeting or the transaction agreement or the transactions, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card, you may contact:

Graphic Packaging Corporation
814 Livingston Court
Marietta, Georgia 30067
(770) 644-3000
Attention: Investor Relations Department

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SUMMARY

This summary is qualified in its entirety by the more detailed information included elsewhere in this proxy statement/prospectus. Because this is a summary, it may not contain all of the information that is material or important to you. You should read this entire proxy statement/prospectus carefully, including the section entitled Risk Factors, as well as Graphic s periodic and other reports filed with the SEC under the Securities and Exchange Act of 1934, as amended (the Exchange Act), and incorporated by reference in this proxy statement/prospectus before making a decision. See Where You Can Find More Information.

The Companies

GRAPHIC PACKAGING CORPORATION

814 Livingston Court
Marietta, Georgia 30067
(770) 644-3000

Graphic is a leading provider of paperboard packaging solutions for a wide variety of products to multinational food, beverage and other consumer products companies. Graphic strives to provide its customers with packaging solutions designed to deliver marketing and performance benefits at a competitive cost by capitalizing on its low-cost paperboard mills and converting plants, its proprietary carton designs and packaging machines, and its commitment to customer service.

Graphic focuses on providing a range of paperboard packaging products to major companies with well-recognized brands. Its customers generally have prominent market positions in the beverage, food and household products industries. Graphic offers customers its paperboard, cartons and packaging machines, either as an integrated solution or separately. Graphic has long-term relationships with major companies, including Kraft Foods, Inc., Anheuser-Busch Companies, Inc., General Mills, Inc., SABMiller plc., Molson Coors Brewing Company, and numerous Coca-Cola and Pepsi bottling companies.

BLUEGRASS CONTAINER HOLDINGS, LLC and ALTIVITY PACKAGING, LLC

1500 Nicholas Boulevard
Elk Grove Village, Illinois 60007
(888) 801-2579

Bluegrass Container Holdings, LLC is a privately-held holding company that conducts no operations and its only material asset is its membership interest in Altivity Packaging, LLC (Altivity). Altivity, headquartered in the Chicago, Illinois area, is a provider of packaging solutions, including folding cartons and paperboard, multi-wall bags, flexible packaging and labels. The end-markets for Altivity s products are primarily consumer oriented, which provides stability and long-term predictable growth. Altivity has approximately 7,900 employees and owns 6 boxboard mills, 23 folding carton plants, 12 multi-wall bag and specialty facilities, 10 flexible packaging and labels facilities and 5 ink facilities.

Across its businesses, Altivity provides packaging solutions to customers in the consumer packaged goods, agriculture, pet care, building materials and chemicals industries. These end-markets are generally characterized by stable and predictable demand growth. Key demand drivers in these markets include rising disposable income levels and increased consumption of non-durable goods among consumers. Altivity s customer base includes a number of well-known, blue-chip companies.

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NEW GIANT CORPORATION

814 Livingston Court
Marietta, Georgia 30067
(770) 644-3000

New Graphic was formed in June 2007 as a Delaware corporation and is currently a wholly-owned subsidiary of Graphic. To date, New Graphic has not conducted any activities other than those related to its formation and the completion of the transactions. In connection with the transactions, New Graphic s name will be changed to Graphic Packaging Holding Company, and its common stock will be listed on the New York Stock Exchange (NYSE) under the symbol GPK, which is the symbol under which Graphic common stock is currently listed on the NYSE.

GIANT MERGER SUB, INC.

814 Livingston Court
Marietta, Georgia 30067
(770) 644-3000

Merger Sub was formed in June 2007 as a Delaware corporation and is currently a wholly-owned subsidiary of New Graphic. To date, Merger Sub has not conducted any activities other than those related to its formation and the completion of the transactions. In the merger, Merger Sub will be merged with and into Graphic, with Graphic as the surviving corporation.

Organization of Graphic and BCH

The following charts depict the organization and ownership structure of Graphic and BCH immediately prior to the consummation of the transactions.

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Organization of New Graphic

The following chart depicts the anticipated organization of New Graphic upon the completion of the transactions and a post-closing inter-company reorganization that New Graphic expects to take to position BCH and Altivity as subsidiaries of Graphic s operating company, Graphic Packaging International, Inc. This reorganization will include the contribution of the BCH equity interests from New Graphic to Graphic, and from Graphic to Graphic Packaging International, Inc., the results of which are reflected in the following chart.

The Transaction Agreement and the Transactions (Page 59)

The Transaction Agreement

The transaction agreement, a summary of which is provided beginning on page 59 of this proxy statement/prospectus, is attached as Annex A to this proxy statement/prospectus. You are urged to read the transaction agreement in its entirety.

Merger of Graphic and Merger Sub

The transaction agreement provides that Merger Sub, a new, wholly-owned subsidiary of New Graphic, will merge with and into Graphic. As a result, Graphic will survive the merger and become a wholly-owned subsidiary of New Graphic.

What Graphic Stockholders Will Receive in the Merger

Upon the completion of the merger, each outstanding share of Graphic common stock will be converted into the right to receive one share of New Graphic common stock.

Contribution from the Sellers to New Graphic

Immediately after the completion of the merger, the Sellers will transfer all of the outstanding equity interests of BCH to New Graphic in exchange for 139,445,038 shares of New Graphic common stock.

Ownership of New Graphic Upon Completion of the Transactions

Upon the completion of these transactions, Graphic stockholders, in the aggregate, will hold approximately 59.4%, and the Sellers will hold approximately 40.6%, of the outstanding common stock of New Graphic, each calculated on a fully diluted basis.

Recommendation of Graphic s Board of Directors (Page 38)

Graphic s board of directors has unanimously determined that the transaction agreement and the transactions are advisable, fair to and in the best interests of Graphic stockholders, and has unanimously approved the transaction agreement and the transactions. Graphic s board of directors recommends that you vote FOR the adoption of the transaction agreement and approval of the transactions. If the board of directors of Graphic amends, modifies or otherwise changes its recommendation regarding adoption of the transaction agreement and approval of the transactions, Graphic is still obligated to submit the transaction agreement and the transactions to a vote of its stockholders.

Reasons of Graphic for the Transactions (Page 38)

The Graphic board of directors, in reaching its unanimous decision to approve the transaction agreement and the transactions and recommend them to Graphic stockholders, consulted with Graphic s management, its financial advisor and its legal counsel, and considered the following factors, among others described herein, as generally supporting its decision:

- The Graphic board of directors believed that the combination of the operations of Graphic and Altivity would provide stronger and more stable cash flows, and therefore greater financial stability, than could have been achieved by Graphic on a stand-alone basis. This enhanced financial performance and position should permit New Graphic to accelerate its debt reduction, enhance the company s credit profile, improve leverage ratios and finance ongoing investments.

- The complementary product offerings of Graphic and Altivity, which when combined create an ability to offer comprehensive consumer packaging solutions to existing and new customers of both companies.

- The new company will have expanded market reach into smaller specialty segments of the folding carton market, as well as new packaging markets, including labels, flexible packaging and multi-wall bags.

- The opportunity to achieve significant cost synergies identified in connection with the transactions, including:

  - operating and overhead expense reductions;

  - supply chain procurement improvements;

  - facility optimization; and

  - manufacturing process improvements.

The opportunity for additional cost savings from Altivity s ongoing integration of Smurfit-Stone Container Corporation s Consumer Packaging Division and the Field Companies (as defined below) as a result of manufacturing network optimization efforts, overhead reduction and supply chain improvements.

The ability to offer a tax-free transaction to Altivity s current owners by structuring the transactions under the federal income tax laws as a contribution by Graphic and BCH of their respective businesses to New Graphic.

The opinion of Goldman Sachs, dated July 9, 2007, provided to the Graphic board of directors, that, as of the date of the opinion, and based upon and subject to the factors and assumptions set forth in the opinion, the 139,445,038 shares of New Graphic common stock, taken in the aggregate, to be issued by New Graphic in exchange for 100% of the outstanding equity interests in BCH pursuant to the transaction agreement was fair from a financial point of view to Graphic, as more fully described below under The Transactions Opinion of Financial Advisor to Graphic.

In making its determination to approve the transaction agreement and the transactions, the Graphic board of directors did not assign any relative or specific weights to the various factors that it considered in reaching its determination that the transaction agreement and the transactions are advisable, fair to, and in the best interests of, Graphic and Graphic stockholders. Rather, the Graphic board of directors viewed its position and recommendation as being based on the totality of the information presented to it, and the factors it considered. In addition, individual members of the Graphic board of directors, in making their decisions, may have given different weight to different information and factors.

Opinion of Financial Advisor (Page 40)

On July 9, 2007, Goldman Sachs delivered its opinion to Graphic s board of directors that, as of July 9, 2007 and based upon and subject to the factors and assumptions set forth in the opinion, the 139,445,038 shares of New Graphic common stock, taken in the aggregate, to be issued by New Graphic in exchange for 100% of the outstanding equity interests in BCH pursuant to the transaction agreement was fair from a financial point of view to Graphic.

The full text of the written opinion of Goldman Sachs, dated July 9, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex G. Goldman Sachs provided its advisory services and opinion for the information and assistance of Graphic s board of directors in connection with its consideration of the transactions. The Goldman Sachs opinion is not a recommendation as to how any holder of Graphic common stock should vote with respect to such transactions or any other matter. Pursuant to an engagement letter between Graphic and Goldman Sachs, Graphic has agreed to pay Goldman Sachs a transaction fee of $20 million, all of which is payable only upon consummation of the transactions.

Interests of Certain Persons (Page 49)

In considering the recommendation of the Graphic board of directors with respect to the transaction agreement and the transactions, Graphic stockholders should be aware that some of Graphic s executive officers and directors have interests in the transactions and have arrangements that are different from, or in addition to, those of Graphic stockholders generally. The Graphic board of directors was aware of these interests, which include the vesting of certain equity compensation awards, arrangements under certain executive officer employment agreements, continuing board positions, indemnification obligations and reimbursement of certain legal fees, and considered them, among other matters, in reaching its decisions to approve the transaction agreement and the transactions and to recommend that Graphic stockholders vote in favor of adopting the transaction agreement and approving the transactions.

Conditions to the Transactions (Page 60)

The obligations of the parties to complete the transactions are subject to, among others, the following conditions:

the adoption of the transaction agreement and the approval of the transactions by Graphic stockholders;

no law, order or judgment having been issued, enacted, entered or enforced by any court or other governmental authority preventing or making illegal the consummation of the transactions;

the expiration or termination of any waiting period applicable to the transactions in respect of filings by Graphic and BCH under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act).

the approval of the listing on the NYSE of New Graphic common stock to be issued in connection with the transactions;

the registration statement of which this proxy statement/prospectus forms a part shall have become effective under the Securities Act of 1933, as amended (the Securities Act) and shall not be the subject of any stop order or proceedings seeking a stop order; and

other customary conditions set forth in the transaction agreement, including the receipt of tax opinions, the accuracy of the representations and warranties, and the performance of obligations under the transaction agreement having been satisfied or waived.

Regulatory Approvals (Page 50)

The transaction agreement requires that Graphic and BCH submit filings with, and obtain certain orders or approvals from the Federal Trade Commission and the Department of Justice (DOJ) pursuant to the HSR Act and the German Cartel Office. Clearance of the transactions from the German Cartel Office was received on August 28, 2007. A request was received on August 22, 2007 for additional information, commonly referred to as a second request, from the Antitrust Division of the DOJ regarding the transactions. The second request extends the waiting period imposed by the HSR Act until 30 days after the second request has been substantially complied with, unless that period is extended voluntarily by the parties or terminated sooner by the DOJ.

No Solicitation (Page 62)

The transaction agreement generally prohibits Graphic, BCH and each Seller from directly or indirectly soliciting or participating in discussions or negotiations regarding any takeover proposal other than the transactions. If, however, prior to obtaining its stockholders approval of the transactions, Graphic receives an unsolicited bona fide, written takeover proposal that the Graphic board of directors determines in good faith, after consultation with its legal advisor and financial advisor, would reasonably be expected to result in a superior proposal, as described herein, Graphic may furnish information to the person making such takeover proposal and participate in discussions or negotiations regarding such takeover proposal, if and only to the extent that the Graphic board of directors concludes in good faith, after consultation with its counsel, that the failure to take such action would be reasonably expected to violate its fiduciary duties under applicable law.

Termination (Page 64)

The transaction agreement may be terminated at any time prior to the occurrence of the transactions under any of the following circumstances:

by mutual consent of the Sellers Representative (as defined herein) and Graphic;

by either the Sellers Representative or Graphic if:

any governmental law or order prohibiting the completion of the transactions becomes final;

the transactions have not been completed by March 31, 2008 (which date may be extended to May 31, 2008 if the delay is the result of the failure to obtain antitrust approvals);

Graphic stockholders fail to adopt the transaction agreement and approve the transactions at the special meeting; or

- there shall have been a breach by the other party of any of the covenants, agreements, representations or warranties of such other party contained in the transaction agreement in a material way; or

- by the Sellers Representative if the Graphic board of directors (i) changes its recommendation regarding the transaction agreement and the transactions or (ii) fails to publicly reaffirm its recommendation regarding the transaction agreement and the transactions or if Graphic otherwise breaches certain provisions of the transaction agreement relating to its obligations not to solicit alternative takeover proposals.

Termination Fees (Page 65)

If the transaction agreement is terminated in certain circumstances in which the Graphic board of directors adversely changes its recommendation regarding the transaction agreement and the transactions or takes certain other specified actions, Graphic may be required to pay BCH a termination fee of $35,000,000. If the transaction agreement is terminated in certain circumstances in which a takeover proposal has been made prior to the transaction agreement being terminated, but the takeover proposal is not consummated, Graphic may be required to pay BCH an amount equal to the documented out-of-pocket fees and expenses of BCH incurred by BCH and the Sellers in connection with the transaction agreement and the transactions, up to a maximum amount of $5,000,000. If within 12 months of such termination Graphic consummates or enters into a binding written agreement with respect to a takeover proposal, Graphic shall pay BCH the excess of the difference between $35,000,000 and any out-of-pocket expenses previously paid.

Financing (Page 55)

Graphic currently expects to complete the following financing transactions through its wholly-owned subsidiary, Graphic Packaging International, Inc., in connection with the transactions:

- The closing of a new $1.2 billion senior secured term loan facility to refinance the outstanding amounts under BCH s existing first and second lien credit facilities.

- The closing of a new $600 million senior secured asset-based revolving credit facility. However, if an asset-based revolving credit facility containing terms that are satisfactory to Graphic cannot be arranged prior to the closing of the transactions, Graphic Packaging International, Inc. may instead elect to increase the size of its existing revolving credit facility to up to $400 million from $300 million.

- An amendment or amendment and restatement of Graphic Packaging International, Inc. s existing May 16, 2007 credit agreement to, among other things, accommodate the transactions and to allow for the reprioritization of liens in connection with the above-described asset-based revolving credit facility if obtained.

The foregoing financing transactions are referred to in this document as the refinancing.

Assuming hypothetically the transaction closed on June 30, 2007, Graphic and BCH currently expect that approximately $1.2 billion of borrowings and cash-on-hand would have been required to consummate the refinancing and pay fees and expenses related to the refinancing and the transactions with approximately $1.1 billion expected to be drawn under the new senior secured term loan facility and approximately $5 million expected to be drawn under the revolving credit facility. With the borrowings under the amended or amended and restated credit facility and/or the new senior-secured asset based revolving credit facility, Graphic and BCH expect that all outstanding amounts under BCH s existing first and second lien credit facilities (estimated to be approximately $1.1 billion at the time of the transactions) will be repaid in full and such BCH credit facilities will be terminated. Undrawn amounts under the revolving credit facility will be available on a revolving credit basis for general corporate purposes of the borrower and its subsidiaries.

The indentures governing Graphic Packaging International Inc. s 8.5% Senior Notes and 9.5% Senior Subordinated Notes do not prohibit the consummation of the transactions. Both of Graphic Packaging International, Inc. s 8.5% Senior Notes and 9.5% Senior Subordinated Notes will remain outstanding without amendment after the consummation of the transactions.

No Dissenters Rights (Page 32)

Although Graphic stockholders that are not subject to the voting agreement may vote against adoption of the transaction agreement and approval of the transactions, under no circumstances are holders of Graphic common stock entitled to dissenters rights of appraisal under Delaware law in connection with the transactions.

Material U.S. Federal Income Tax Consequences (Page 51)

The parties have structured the transactions to qualify as exchanges under Section 351 of the Internal Revenue Code or a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. The exchange of Graphic shares for New Graphic shares will generally not be taxable to Graphic stockholders. The completion of the transactions is conditioned upon, among other things, Graphic receiving an opinion of Alston & Bird LLP regarding the tax treatment of the transactions and BCH receiving an opinion of Simpson Thacher & Bartlett LLP regarding the tax treatment of the transactions.

Tax matters are very complicated and the tax consequences of the transactions to each Graphic stockholder will depend on such stockholder s particular facts and circumstances. **Graphic stockholders are urged to consult their tax advisors to understand fully the tax consequences to them of the transactions.**

Restated Certificate of Incorporation and Amended and Restated By-laws (Page 127)

Effective upon the closing of the transactions, New Graphic s certificate of incorporation and by-laws will be amended (as amended, New Graphic s certificate of incorporation and New Graphic s by-laws, respectively) to set forth certain rights, preferences, powers and restrictions of the capital stock of New Graphic and will govern certain aspects of the internal affairs of New Graphic. A summary of these rights is set forth in Description of New Graphic Capital Stock. New Graphic s certificate of incorporation and New Graphic s by-laws, in the forms which give effect to certain changes contemplated in connection with the merger, are attached as Annex B and Annex C, respectively, to this proxy statement/prospectus.

You are urged to read these documents, as they will govern your rights as a stockholder of New Graphic, which will be different from your rights currently as a Graphic stockholder. For further discussion regarding these differences, please see Comparison of Rights of Graphic Stockholders and New Graphic Stockholders.

The Stockholders Agreement (Page 70)

Certain entities that will be significant stockholders of New Graphic after the completion of the transactions, which we refer to as the covered stockholders, have entered into a stockholders agreement that will become effective upon completion of the transactions. The covered stockholders are the Coors Family Stockholders, the CDR Fund, EXOR, Field Holdings, Inc. and the TPG Entities. The stockholders agreement is attached as Annex E to this proxy statement/prospectus, and you are urged to read the stockholders agreement in its entirety. The stockholders agreement, among other things: (i) provides the covered stockholders certain rights to designate members of New Graphic s board of directors; (ii) restricts the ability of the covered stockholders to transfer their shares of New Graphic common stock; and (iii) limits the covered stockholders from acquiring additional shares of New Graphic common stock and from taking certain other actions with respect to New Graphic described herein.

The Registration Rights Agreement (Page 74)

The covered stockholders, certain other individuals who will become stockholders of New Graphic and New Graphic have entered into a registration rights agreement that will become effective upon completion of the transactions. The registration rights agreement is attached as Annex F to this proxy statement/prospectus, and you are urged to read the registration rights agreement in its entirety. The registration rights agreement, among other things, provides the parties thereto with the right to request registration of their New Graphic common stock with the SEC and/or participate in registered offerings of common stock by New Graphic under certain circumstances described herein.

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SUMMARY HISTORICAL AND UNAUDITED PRO FORMA CONDENSED CONSOLIDATED/COMBINED FINANCIAL DATA

Summary Historical Consolidated Financial Data of Graphic

The following summary historical consolidated financial data of Graphic as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004 have been derived from Graphic s audited consolidated financial statements incorporated by reference in this proxy statement/prospectus. The following summary historical consolidated financial data of Graphic as of December 31, 2004, 2003 and 2002 and for the years ended December 31, 2003 and 2002 have been derived from Graphic s audited consolidated financial statements which are not included in, or incorporated by reference in, this proxy statement/prospectus. The following summary historical consolidated financial data of Graphic as of June 30, 2007 and for the six months ended June 30, 2007 and 2006 have been derived from Graphic s unaudited condensed consolidated financial statements incorporated by reference in this proxy statement/prospectus. Graphic s unaudited condensed consolidated financial statements were prepared on a basis consistent with that used in preparing its audited consolidated financial statements and include all material adjustments that, in the opinion of Graphic s management, are necessary for a fair presentation of Graphic s financial position and results of operations for the unaudited periods. The summary historical consolidated financial data of Graphic set forth below should be read in conjunction with Graphic s Management s Discussion and Analysis of Financial Condition and Results of Operations and Graphic s historical consolidated financial statements and the notes thereto included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and in its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007, each incorporated by reference herein. Historical results are not necessarily indicative of results that may be expected for any future period. The historical results of Graphic are not necessarily indicative of the results that may be expected for New Graphic for any future period.

	Six Months Ended June 30,		Years Ended December 31,				
	2007	2006	2006	2005	2004	2003(a)	2002
	(unaudited)		In millions, except per share amounts				
Statement of Operations Data:							
Net Sales	$ 1,256.0	$ 1,205.9	$ 2,413.0	$ 2,384.0	$ 2,386.5	$ 1,683.3	$ 1,247.3
Cost of Sales	1,103.3	1,066.0	2,109.8	2,071.3	2,026.7	1,398.5	984.8
Selling, General and Administrative	97.0	100.6	201.2	206.1	202.3	153.1	117.3
Research, Development and Engineering	5.0	6.0	11.4	9.9	9.6	7.4	5.2
Other Expense (Income), Net	1.6	(0.5)	0.3	9.8	32.3	18.2	(0.6)
Income from Operations	49.1	33.8	90.3	86.9	115.6	106.1	140.6
Interest Income	0.3	0.4	0.6	0.6	0.6	1.0	1.4
Interest Expense	(86.6)	(84.7)	(172.2)	(156.5)	(149.6)	(144.5)	(147.4)
Loss on Early Extinguishment of Debt	(9.5)					(45.3)	(11.5)

Loss before Income Taxes and Equity in Net Earnings of Affiliates	(46.7)	(50.5)	(81.3)	(69.0)	(33.4)	(82.7)	(16.9)
Income Tax Expense	(13.8)	(9.5)	(20.2)	(23.3)	(28.9)	(14.3)	(33.1)
Loss before Equity in Net Earnings of Affiliates	(60.5)	(60.0)	(101.5)	(92.3)	(62.3)	(97.0)	(50.0)
Equity in Net Earnings of Affiliates	0.5	0.5	1.0	1.2	1.4	1.3	1.0
Net Loss	(60.0)	(59.5)	(100.5)	(91.1)	(60.9)	(95.7)	(49.0)
Loss Per Share:							
Basic	(0.30)	(0.30)	(0.50)	(0.46)	(0.31)	(0.65)	(0.43)
Diluted	(0.30)	(0.30)	(0.50)	(0.46)	(0.31)	(0.65)	(0.43)
Weighted Average Shares Outstanding:							
Basic	201.5	200.9	201.1	200.0	198.9	148.3	115.1
Diluted	201.5	200.9	201.1	200.0	198.9	148.3	115.1
Balance Sheet Data:							
Cash and Cash Equivalents	11.8	7.3	7.3	12.7	7.3	17.5	13.8
Total Assets	3,203.5	3,346.2	3,233.6	3,356.0	3,465.3	3,612.0	2,251.2
Total Debt	1,968.4	1,998.0	1,922.7	1,978.3	2,025.2	2,154.6	1,528.4
Total Shareholders Equity	134.8	214.2	181.7	268.7	386.9	438.4	87.8

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	Six Months Ended June 30,		Years Ended December 31,				
	2007	2006	2006	2005	2004	2003(a)	2002
	(unaudited)		In millions, except per share amounts				
Other Data:							
Depreciation and Amortization	103.5	98.8	196.0	205.3	228.9	160.4	133.8
Capital Spending(b)	42.6	43.4	94.5	110.8	149.1	136.6	56.0

(a) Graphic (formerly known as Riverwood Holding, Inc.) was incorporated on December 7, 1995 under the laws of the State of Delaware. On August 8, 2003, the corporation formerly known as Graphic Packaging International Corporation (GPIC) merged with and into Riverwood Acquisition Sub LLC, a wholly-owned subsidiary of Riverwood Holding, Inc. (Riverwood Holding), with Riverwood Acquisition Sub LLC as the surviving entity. Riverwood Acquisition Sub LLC then merged into Riverwood Holding, which was renamed Graphic Packaging Corporation.

(b) Includes capitalized interest and amounts invested in packaging machinery.

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Summary Historical Consolidated Financial Position of BCH

Altivity Packaging, LLC (formerly known as Bluegrass Container Company, LLC) (Altivity, or the Successor), a Delaware limited liability company and a wholly-owned subsidiary of BCH, purchased substantially all of the assets of the Consumer Packaging Division (CPD or the Predecessor) of Smurfit-Stone Container Enterprises, Inc. (SSCE), a wholly-owned subsidiary of Smurfit-Stone Container Corporation (SSCC) (the CPD acquisition). BCH is majority-owned by investment vehicles affiliated with TPG Capital, L.P. (TPG). Bluegrass completed the CPD acquisition on June 30, 2006. On August 16, 2006, Bluegrass completed the acquisition of substantially all of the operational assets of Field Holdings, Inc., a Delaware corporation, Field Container Company, L.P., a Delaware limited partnership and Field Container Management Corporation, a Delaware corporation (collectively, the Field Companies) (the Field acquisition).

The following summary historical consolidated financial data of BCH, the company that holds all of the equity interests of Altivity, as of December 31, 2006 and 2005 and for the period from July 1, 2006 to December 31, 2006, the period from January 1, 2006 to June 30, 2006 and for the years ended December 31, 2005 and 2004 have been derived from BCH s audited consolidated financial statements included in this proxy statement/prospectus. The following summary historical consolidated financial data of BCH as of December 31, 2004 and 2003 and for the year ended December 31, 2003 have been derived from BCH s audited consolidated financial statements which are not included in this proxy statement/prospectus. The following summary historical consolidated financial data of BCH as of June 30, 2007 and 2006 and for the six months ended June 30, 2007 and 2006 have been derived from BCH s unaudited condensed consolidated financial statements included in this proxy statement/prospectus. BCH s unaudited condensed consolidated financial statements were prepared on a basis consistent with that used in preparing its audited consolidated financial statements and include all material adjustments that, in the opinion of BCH s management, are necessary for a fair presentation of BCH s financial position and results of operations for the unaudited periods. Financial data as of December 31, 2002 and for the fiscal year ended December 31, 2002 is unavailable and has not been presented. As noted above, Altivity was created by the acquisition and combination of CPD, a division of SSCC, a publicly held company, and the privately held Field Companies. When Altivity acquired CPD, SSCC had only prepared audited financial statements for CPD as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005. Information for 2002 is unavailable and cannot be provided without unreasonable effort and expense. The omission of this data does not have a material impact on the reader s understanding of BCH s financial results and related trends.

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The summary historical consolidated financial data of BCH set forth below should be read in conjunction with BCH s Management s Discussion and Analysis of Financial Condition and Results of Operations and BCH s historical consolidated financial statements and the notes thereto included in this proxy statement/prospectus. Historical results are not necessarily indicative of results that may be expected for any future period. The historical results of BCH are not necessarily indicative of the results that may be expected for New Graphic for any future period.

	Successor Company	**Predecessor Company**	**Successor Company**		**Predecessor Company**		
	Six Months Ended June 30,		**July 1, 2006 to December 31,**	**January 1, 2006 to June 30,**	**Years Ended December 31,**		
	2007	**2006**	**2006**	**2006**	**2005**	**2004**	**2003**
	(unaudited)			**In millions**			
Statement of Operations Data:							
Net Sales	$ 1,000.3	$ 789.4	$ 964.2	$ 789.4	$ 1,584.4	$ 1,541.2	$ 1,520.2
Cost of Sales	870.2	699.0	881.3	699.0	1,381.1	1,338.2	1,316.8
Selling, General and Administrative	96.9	75.4	89.7	75.4	141.0	137.9	136.5
Litigation Charge					4.0		
Restructuring Charges					5.0	1.9	10.8
Loss (Gain) on Sale of Assets	0.3	(0.1)		(0.1)	(0.1)	0.1	0.1
Gain on Insurance Claim	(1.3)						
Income (Loss) from Operations	34.2	15.1	(6.8)	15.1	53.4	63.1	56.0
Interest Expense, Net	(47.4)	(0.6)	(45.8)	(0.6)	(1.2)	(0.9)	(0.8)
Other (Expense) Income, Net	(0.2)		(0.4)		0.1	0.2	0.4
Income (Loss) before Income Taxes and Cumulative Effect of Accounting Change	(13.4)	14.5	(53.0)	14.5	52.3	62.4	55.6
Income Tax Expense	(1.1)	(5.8)	(0.5)	(5.8)	(20.9)	(24.8)	(22.1)
Income (Loss) before Cumulative Effect of Accounting Change	(14.5)	8.7	(53.5)	8.7	31.4	37.6	33.5
Cumulative Effect of Accounting Change							(0.1)
Net (Loss) Income	(14.5)	8.7	(53.5)	8.7	31.4	37.6	33.4
Balance Sheet Data:							
Cash and Cash Equivalents	100.0		99.2				0.1
Total Assets	1,691.6	836.0	1,671.2	836.0	821.8	841.8	830.1
Total Debt	1,159.1	17.0	1,163.3	17.0	16.9	17.6	10.6
Total Equity	242.9	615.0	244.5	615.0	576.6	587.9	596.3

Other Data:							
Depreciation and Amortization	44.3	20.4	42.5	20.4	40.4	39.5	36.8
Capital Spending	39.9	39.0	21.4	39.0	37.9	31.5	37.8

Summary Unaudited Pro Forma Condensed Combined Financial Data of New Graphic (Page 76)

The following summary unaudited pro forma condensed combined statement of operations data of New Graphic for the year ended December 31, 2006 and for the six months ended June 30, 2007 give effect to the transactions as if they had been completed on January 1, 2006. The following summary unaudited pro forma condensed combined balance sheet data of New Graphic as of June 30, 2007 give effect to the transactions as if they had been completed on June 30, 2007.

The summary unaudited pro forma condensed combined financial data of New Graphic for the year ended December 31, 2006 and as of and for the six months ended June 30, 2007 are based on the unaudited pro forma condensed combined financial information set forth elsewhere in this proxy statement/prospectus. See Unaudited Pro Forma Condensed Combined Financial Information. Such financial data does not purport to reflect what New Graphic s actual results of operations and financial position would have been had the transactions in fact occurred (i) as of January 1, 2006 (in the case of the unaudited pro forma condensed combined statement of operations data for the year ended December 31, 2006 and the six months ended June 30, 2007) or (ii) as of June 30, 2007 (in the case of the unaudited pro forma condensed combined balance sheet data as of June 30, 2007), nor are they necessarily indicative of the results of operations that New Graphic may achieve in the future.

The summary unaudited pro forma condensed combined financial data of New Graphic set forth below should be read in conjunction with Graphic s Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes thereto included in Graphic s Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and in Graphic s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007, each incorporated by reference herein. The summary unaudited pro forma condensed combined financial data of New Graphic set forth below should also be read in conjunction with Unaudited Pro Forma Condensed Combined Financial Information and the historical financial statements of BCH and the notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations of BCH included in this proxy statement/prospectus. The historical results of Graphic and BCH are not necessarily indicative of the results that may be expected for New Graphic for any future period.

The pro forma financial information included herein does not include adjustments for any transactions other than the transactions contemplated by the transaction agreement. The financial condition, results of operations and cash flows of the Field Companies have not been included in the combined financial statements of BCH as of any dates or for any periods prior to its acquisition by BCH.

	Six Months Ended June 30, 2007	Year Ended December 31, 2006
	In millions, except per share data	
Statement of Operations Information		
Net Sales	$ 2,234.3	$ 4,364.3
Income from Operations	67.2	70.2
Loss per Basic and Diluted Share	(0.22)	(0.43)
Balance Sheet Information		
Cash and Cash Equivalents	14.0	
Total Assets	5,261.9	
Total Debt	3,073.7	

Total Shareholders Equity	794.5

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HISTORICAL AND PRO FORMA PER SHARE DATA

The following table shows selected historical per share data for Graphic and unaudited pro forma per share data for New Graphic. The pro forma data gives effect to the transactions as if they had occurred on January 1, 2006. We compute basic earnings per share based upon the weighted average number of shares of Graphic common stock outstanding during the period presented. We include options to purchase shares of Graphic common stock and restricted stock units or other securities convertible into shares of Graphic common stock granted to Graphic s directors, officers and employees in the computation only after the options or stock units become fully vested and only if Graphic or New Graphic has positive net income. We compute diluted earnings per share based upon the weighted average number of shares of Graphic common stock and dilutive common stock equivalents outstanding during the periods presented. The diluted earnings per share computations include the dilutive impact of options to purchase common stock which were outstanding during the period calculated by the treasury stock method, unvested stock grants and other restricted awards to directors, officers and employees. The pro forma data gives effect to the issuance of the total number of shares to be issued in the transactions (based on the weighted average number of shares outstanding during the year ended December 31, 2006 and the six months ended June 30, 2007).

	As of and for the Six Months Ended June 30, 2007 (Unaudited)	As of and for the Year Ended December 31, 2006
Basic earnings per share		
Historical	$ (0.30)(1)	$ (0.50)(2)
Pro forma	(0.22)	(0.43)
Diluted earnings per share		
Historical	(0.30)(1)	(0.50)(2)
Pro forma	(0.22)	(0.43)
Dividends per share		
Historical		
Pro forma		
Book value per share		
Historical	0.67	0.91
Pro forma	2.32	

(1) Amounts derived from Graphic s unaudited condensed consolidated financial statements as of, and for the six months ended June 30, 2007.

(2) Amounts derived from Graphic s audited consolidated financial statements as of, and for the year ended December 31, 2006.

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PER SHARE MARKET PRICE INFORMATION

Historical Price Range of Graphic Common Stock

Graphic common stock is traded on the NYSE under the symbol GPK. The following table shows the high and low sales prices per share of Graphic common stock for the periods indicated, as reported on the NYSE composite transaction tape. On July 9, 2007, the last trading day before the public announcement of the execution of the transaction agreement, the last reported sale price of Graphic common stock was $4.89 per share. On [l], 2007, the last reported sale price of Graphic common stock was $[l] per share. As of [l], 2007, Graphic common stock was held by [l] holders of record and, as of [l], 2007, the number of outstanding shares of Graphic common stock was [l]. The historical range of the high and low sales price per share for each quarter of 2007 (year to date), 2006 and 2005 are as follows:

	High	Low
2007		
First Quarter	$ 6.04	$ 4.11
Second Quarter	$ 5.40	$ 4.52
Third Quarter	$ 6.10	$ 4.07
Fourth Quarter (through [l], 2007)	$ [l]	$ [l]
2006		
First Quarter	$ 3.00	$ 1.94
Second Quarter	$ 4.09	$ 2.09
Third Quarter	$ 4.09	$ 3.20
Fourth Quarter	$ 4.57	$ 3.45
2005		
First Quarter	$ 7.42	$ 4.26
Second Quarter	$ 4.63	$ 2.98
Third Quarter	$ 3.97	$ 2.72
Fourth Quarter	$ 3.04	$ 2.09

Dividend Policy

No dividends have been paid since 1996 to the Graphic common stockholders. New Graphic does not intend to pay dividends at this time. Additionally, Graphic s credit facilities and the indentures governing its debt securities place substantial limitations on Graphic s ability to pay cash dividends on its common stock. New Graphic expects the credit facilities to be entered into in connection with the transactions to contain similar restrictions.

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RISK FACTORS

Risks Related to the Transactions

In addition to the other information included or incorporated by reference in this proxy statement/prospectus, Graphic stockholders should carefully consider the matters described below to determine whether to vote to adopt the transaction agreement and approve the transactions. Many of the risks described below are present with Graphic s current business activities and opportunities and will continue after the completion of the transactions.

The anticipated benefits of combining the operations of Graphic and Altivity may not be realized, and New Graphic may face difficulties integrating Altivity s operations.

Graphic and BCH entered into the transaction agreement with the expectation that the transactions would result in various benefits, including, among other things, cost synergies and operating efficiencies. However, the achievement of the anticipated benefits of the transactions, including the cost synergies, cannot be assured or may take longer than expected. In addition, New Graphic may not be able to integrate Altivity s operations with Graphic s existing operations without encountering difficulties, including:

- inconsistencies in standards, systems and controls;
- the diversion of management s focus and resources from ordinary business activities and opportunities;
- difficulties in achieving expected cost savings associated with the transactions;
- difficulties in the assimilation of employees and in creating a unified corporate culture;
- challenges in retaining existing customers and obtaining new customers; and
- challenges in attracting and retaining key personnel.

These risks may be exacerbated by the fact that Altivity is the result of the combination of the Smurfit-Stone Container Corporation s Consumer Packaging Division and the Field Companies in 2006, and Altivity continues to integrate these predecessor companies and receive integration support from Smurfit-Stone Container Corporation. As a result of these risks, New Graphic may not be able to realize the expected revenue and cash flow growth and other benefits that it expects to achieve from the transactions. In addition, New Graphic may be required to spend additional time or money on integration efforts that would otherwise have been spent on the development and expansion of its business and services.

Graphic and Altivity will be subject to business uncertainties and contractual restrictions in advance of the transactions, which could have a material adverse effect on their businesses.

Uncertainty about the effect of the transactions on customers or suppliers could cause customers, suppliers and others that deal with Graphic and Altivity to seek to change existing business relationships with Graphic and Altivity prior to the close of the transactions, which may have an adverse effect on New Graphic. In addition, if key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain an employee of New Graphic, New Graphic s business could be materially affected. Further, the transaction agreement restricts Graphic and Altivity, without the other party s consent, from making certain acquisitions and taking other specified actions until the transactions occur or the transaction agreement terminates. These restrictions may prevent Graphic and Altivity from pursuing otherwise attractive business opportunities and making other changes to their businesses that may arise prior to completion of the transactions or termination of the transaction agreement.

The failure to complete the transactions could cause Graphic to incur significant fees and expenses and could lead to negative perceptions among investors, potential investors and customers.

In the event the transactions are not completed, Graphic may bear certain fees and expenses associated with the transactions that would not be offset by any benefits from the transactions, in addition to the

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significant costs incurred prior to any termination of the transaction agreement. In addition, investors, potential investors and customers may consider the failure to complete the transactions to be a significantly negative development regarding Graphic. The market price of Graphic common stock may reflect positive market assumptions that the transactions will be completed and the related benefits will be realized. As a consequence of any or all of the foregoing, Graphic s stock price may be negatively impacted by the failure to complete the transactions.

Graphic may waive one or more of the conditions to the transaction agreement that is important to you without your approval.

Each of the conditions to Graphic s obligation to complete the transactions may be waived, in whole or in part, by Graphic, to the extent permitted by applicable law. Graphic s board of directors will evaluate the materiality of any waiver to determine whether amendment of this proxy statement/prospectus and resolicitation of proxies is necessary. If Graphic s board of directors determines that a waiver is not significant enough to require resolicitation of its stockholders proxies, it will have the discretion to complete the transactions without seeking further stockholder approval. See The Transaction Agreement and Agreement and Plan of Merger Conditions. Because certain conditions may not be satisfied prior to the date of the special meeting, there is a risk that Graphic s board of directors may waive a condition that is important to you without your approval.

The transactions are subject to various regulatory approvals, approval by Graphic stockholders and other customary closing conditions prior to consummation.

The transactions, which have been unanimously approved by the boards of directors of Graphic and New Graphic and the board of managers of BCH, are subject to various regulatory approvals, approval by Graphic s stockholders and other customary closing conditions. If the necessary approvals are not obtained by the contractual deadline of March 31, 2008 (which date may be extended to May 31, 2008 if the delay is the result of the failure to obtain antitrust approvals), the transactions may not be completed, which could cause Graphic s earnings or stock price to decline.

With respect to the approval required from the Federal Trade Commission and the Antitrust Division of the DOJ, a request was received on August 22, 2007 for additional information, commonly referred to as a second request, from the Antitrust Division of the DOJ regarding the transactions. The second request extends the waiting period imposed by the HSR Act until 30 days after the second request has been substantially complied with, unless that period is extended voluntarily by the parties or terminated sooner by the DOJ. In addition, the DOJ, the Federal Trade Commission or others could take additional action under the antitrust laws with respect to the transactions, including seeking to enjoin the consummation of the transactions before the effective time of the transactions or to impose conditions on, or to require divestitures relating to, the divisions, operations or assets of Graphic or BCH. These conditions or divestitures may jeopardize or delay completion of the transactions or may reduce the benefits of the transactions and negatively impact the pro forma financial information included in this proxy statement/prospectus. Even if all governmental approvals are obtained, no assurance can be given as to the terms, conditions and timing of the governmental approvals.

Certain directors and executive officers of Graphic may have interests in the transactions different from, or in addition to, the interests of other stockholders of Graphic.

Certain of the directors and executive officers of Graphic are parties to agreements or participate in other arrangements that give them interests in the transactions that are different from, or in addition to, your interests as a stockholder of Graphic. In voting on the adoption of transaction agreement and approval of the transactions, you should consider whether these interests may have influenced the decisions of Graphic s directors and executive officers in pursuing, executing, approving and recommending the transaction agreement and the transactions. These different interests include vesting of certain equity compensation awards, arrangements under certain executive officer employment agreements, continuing board positions,

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indemnification obligations and reimbursement of certain legal fees and are described under The Transaction Interests of Graphic s Directors and Executive Officers in the Transactions.

Neither New Graphic nor its stockholders will have the protection of any indemnification, escrow, price adjustment or other provisions that allow for a post-closing adjustment to be made to the transaction consideration in the event that any of the representations and warranties made by BCH or the Sellers in the transaction agreement ultimately proves to be inaccurate or incorrect.

As is often the case in stock for stock transactions, the representations and warranties made by Graphic and BCH to each other in the transaction agreement will not survive the completion of the transactions. As a result, Graphic and its stockholders will not have the protection of any indemnification, escrow, price adjustment or other provisions that allow for a post-closing adjustment to be made to the transaction consideration if any representation or warranty made by BCH or Sellers in the transaction agreement proves to be inaccurate or incorrect. Accordingly, to the extent such representation or warranties are incorrect, our financial condition or results of operations could be adversely affected.

Risks Relating to the Business of New Graphic

After completion of the transactions, New Graphic will be subject to many risks and uncertainties. Many of these risks are substantially similar to the risks currently faced by Graphic. New Graphic s risks and uncertainties include the following.

New Graphic will have significant debt that could negatively impact its business, and its credit ratings are anticipated to be less than investment grade.

New Graphic will be highly leveraged and will have pledged substantially all of its assets to secure its debt. Assuming hypothetically that the transactions were closed on June 30, 2007, on that date New Graphic would have total pro forma net debt (defined as total debt minus cash and cash equivalents) of $3.1 billion, which includes:

- debt outstanding under New Graphic s credit agreement, as amended or amended and restated in connection with the transactions, which is expected to include term loans in an aggregate outstanding principal amount at the time of the consummation of the transactions equal to $2.2 billion and revolving loans in an aggregate outstanding principal amount equal to approximately $5 million;
- $425 million of 8.5% Senior Notes;
- $425 million of 9.5% Senior Subordinated Notes; and
- approximately $15.2 million of other debt.

New Graphic s significant level of debt could:

- make it difficult to satisfy its financial obligations, including debt service requirements;
- limit its ability to obtain additional financing to operate its business;
- limit its financial flexibility in planning for and reacting to business and industry changes;
- impact the evaluation of its creditworthiness by counterparties to commercial agreements;

place it at a competitive disadvantage compared to less leveraged companies;

increase its vulnerability to general adverse economic and industry conditions, including changes in interest rates and volatility in commodity prices; and

require it to dedicate a substantial portion of its cash flows to payments on its debt, thereby reducing the availability of its cash flow for other purposes including its operations, capital expenditures and future business opportunities.

New Graphic may incur additional indebtedness as part of completing the transactions and in the future. If new debt is added to the current debt levels of New Graphic and its subsidiaries, the related risks that New Graphic and its subsidiaries face could increase significantly.

The payment of dividends on New Graphic common stock will be restricted and, moreover, subject to the discretion of New Graphic s board of directors.

The financing agreements under which certain of New Graphic s subsidiaries will be borrowers and New Graphic will be a guarantor will contain certain restrictions on the payment of dividends on New Graphic common stock similar to those to which Graphic is currently subject. See Per Share Market Price Information Dividend Policy. Moreover, even if permitted under New Graphic s financing agreements, dividend payments on New Graphic common stock will be at the discretion of New Graphic s board of directors. Graphic has not paid a dividend on its common stock since 1996, and New Graphic does not intend to pay dividends at this time.

New Graphic s access to the capital markets may be limited.

New Graphic will be a highly leveraged company that may require additional capital from time to time. Unlike those companies in New Graphic s industry that are investment grade and for which the capital markets are typically open, New Graphic s access to the capital markets may be limited (following the closing of the transactions). Moreover, the timing of any capital-raising transaction may be impacted by unforeseen events, such as strategic growth opportunities, which could require New Graphic to pursue additional capital in the near term. New Graphic s ability to obtain capital and the costs of such capital are dependent on numerous factors, including:

- general economic and capital market conditions;
- covenants in its existing debt and credit agreements;
- credit availability from banks and other financial institutions;
- investor confidence in New Graphic;
- its consolidated financial performance;
- its levels of indebtedness;
- its maintenance of acceptable credit ratings;
- its cash flow;
- provisions of tax and securities laws that may impact raising capital; and
- its long-term business prospects.

New Graphic may not be successful in obtaining additional capital for these or other reasons. An inability to access capital may limit New Graphic s ability to pursue development projects, plant improvements or acquisitions that it may rely on for future growth and to comply with regulatory requirements and, as a result, may have a material adverse effect on New Graphic s financial condition, results of operations and cash flows, and on its ability to execute its business strategy.

New Graphic will be dependent on key customers and strategic relationships, and the loss of or reduced sales to key customers or changes in these relationships could result in decreased revenues, lower cash flows and harm New Graphic s financial position.

The loss of one or more key customers or strategic relationships, or a declining market in which these customers reduce orders or request reduced prices, may result in decreased revenues, negatively impact New Graphic s cash flows and harm its financial condition. New Graphic s success will depend upon its relationships with the key customers of Graphic and Altivity, including Anheuser-Busch Companies, SABMiller plc, Molson Coors Brewing Company, numerous Coca-Cola and Pepsi bottling companies, Inbev, Asahi

Breweries, Kraft Foods, Inc., General Mills, Inc. Nestle Group, Unilever, PepsiCo, Inc., The Schwann s Food Company, and Perseco, among others. Graphic s top ten customers accounted for approximately 48% of its net sales in 2006, and Altivity s top ten customers accounted for approximately 29% of its net sales in 2006.

From time to time New Graphic s contracts with its customers will come up for renewal, and New Graphic may be unable to renew agreements with its key customers. New Graphic may not be able to enter contracts with new customers to replace any key customers or strategic relationships that are lost or reduced. In addition, Graphic s and Altivity s contracts typically do not require customers to purchase any minimum level of products and many of New Graphic s contracts will permit customers to obtain price quotations from its competitors, which New Graphic would generally have to meet to retain their business.

New Graphic will face intense competition and, if it is unable to compete successfully against other manufacturers of packaging product solutions it could lose customers and its revenues may decline.

Graphic and Altivity currently are, and New Graphic will be, subject to strong competition. New Graphic has a number of large domestic and foreign competitors in the paperboard packaging industry. New Graphic s primary competitors in one or more of the segments in which it competes include Caraustar Industries, Inc., Cascades, Inc., Stora Enso (OYJ) Corporation, Ponderosa Paper, LLC, Klabin S.A., Hansol Paper Manufacturing Company, International Paper Company, MeadWestvaco Corporation (MeadWestvaco), Packaging Corporation of America, R.A. Jones & Company, Inc. and Rock-Tenn Company. In addition, companies not currently in direct competition with Graphic or Altivity may introduce competing products in the future, and New Graphic may face increasing competition from products imported from Asia and South America. There are also substitutes for paperboard packaging for many products currently packaged in paperboard, including plastic, corrugated and shrink-wrap packaging.

New Graphic s highly leveraged capital structure could limit its ability to respond to market conditions or to make necessary or desirable capital expenditures as quickly as its competitors. In addition, New Graphic could experience increased competition if there are new entrants in segments in which it operates. In beverage multiple packaging, cartons made from CUK board compete with plastics and corrugated packaging for packaging glass or plastic bottles, cans and other primary containers. Plastics and corrugated packaging generally provide lower-cost packaging solutions.

New Graphic s paperboard sales for use in consumer products packaging are affected by competition from other substrates, including CUK board, solid bleached sulfate and recycled clay-coated news and, internationally, white lined chip board and folding boxboard. Paperboard grades compete based on price, strength and printability. There are a large number of suppliers in paperboard packaging which are subject to significant competitive and other business pressures. Suppliers of paperboard compete primarily on the basis of strength and printability of their paperboard, quality, service and price. These grades of paperboard face substitution in folding carton applications for each other or by alternative substrates including corrugated paperboard, flexible packaging and a variety of paper and film laminated structures.

Significant increases in prices for raw materials, energy, transportation and other necessary supplies and services could adversely affect New Graphic s financial results.

Increases in the cost and availability of raw materials, including petroleum-based materials, the cost of energy, transportation and other necessary services could have an adverse effect on New Graphic s financial results. New Graphic may also be limited in its ability to pass along such cost increases to customers due to contractual provisions and competitive reasons.

There is no guarantee that New Graphic s efforts to reduce costs will be successful.

New Graphic will utilize a global continuous improvement initiative that uses statistical process control to help design and manage many types of activities, including production and maintenance. New Graphic s ability to implement successfully its business strategies and to realize anticipated savings is subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond New Graphic s control. These strategies include the infrastructure and reliability improvements at New Graphic s West

Monroe mill. In addition, Altivity has been actively engaged in integrating the recently acquired Smurfit-Stone Container Corporation s Consumer Packaging Division and the Field Companies, and New Graphic will continue to focus on realizing cost savings from manufacturing network, overhead and supply chain improvements. If New Graphic cannot successfully implement the strategic cost reductions or other cost savings plans, it may not be able to compete successfully against other manufacturers. In addition, any failure to generate anticipated efficiencies and savings could adversely affect New Graphic s financial results.

Loss of key management personnel could adversely affect New Graphic s business.

New Graphic s future success will depend, in significant part, upon the service of David W. Scheible, who will be its President and Chief Executive Officer, and Daniel J. Blount, who will be its Senior Vice President and Chief Financial Officer. New Graphic has employment agreements with each of these executive officers. The loss of the services of one or both of these executive officers could adversely affect its future operating results because of their experience and knowledge of New Graphic s business and customer relationships. New Graphic does not expect to maintain key person insurance on any of its executive officers.

Work stoppages and other labor relations matters may make it substantially more difficult or expensive for New Graphic to manufacture and distribute its products, which could result in decreased sales or increased costs, either of which would negatively impact New Graphic s financial condition and results of operations.

Approximately 46% of Graphic s and Altivity s workforce is represented by labor unions, whose goals and objectives may differ significantly from New Graphic s. The collective bargaining agreements covering these employees expire between October 31, 2008 and February 28, 2013, with seventeen agreements covering approximately 37% of the workforce expiring in 2008. Graphic or New Graphic may not be able to successfully negotiate agreements on terms that are advantageous to New Graphic without work stoppages or other labor difficulties. These events may also occur in the ordinary course of business apart from contract re-negotiations. In addition, labor organizing activities could occur at any of New Graphic s facilities. Increased unionization of the workforce or a prolonged disruption at any of New Graphic s facilities due to work stoppages or other labor difficulties could have a material adverse effect on its net sales, margins and cash flows. In addition, if new union agreements contain significant increases in wages or other benefits, New Graphic s margins would be adversely impacted.

New Graphic may not be able to adequately protect its intellectual property and proprietary rights, which could harm its future success and competitive position.

New Graphic s future success and competitive position depend in part upon its ability to obtain and maintain protection for certain proprietary carton and packaging machine technologies used in its products, particularly those incorporating the Fridge Vendor®, IntegraPak®, MicroFlex Q®, Micro-Rite®, Quilt Wave®, Qwik Crisp® and Z-Flute®, Alti-Kraft®, Alti-Print®, Cap-Sac®, DI-NA-Cal®, Force Flow®, Kitchen Master®, Lithoflute®, Lustergrip®, Master Impressions®, Master Coat®, Peel Pak®, Shape FX®, Soni-Lok®, Soni-Seal®, The Yard Master® technologies. Failure to protect New Graphic s existing intellectual property rights may result in the loss of valuable technologies or may require it to license other companies intellectual property rights. It is possible that any of the patents owned by New Graphic may be invalidated, circumvented, challenged or licensed to others or any of its pending or future patent applications may not be issued within the scope of the claims sought by New Graphic, if at all. Further, others may develop technologies that are similar or superior to New Graphic s technologies, duplicate its technologies or design around its patents, and steps taken by New Graphic to protect its technologies may not prevent misappropriation of such technologies.

New Graphic will be subject to environmental, health and safety laws and regulations, and costs to comply with such laws and regulations, or any liability or obligation imposed under such laws or regulations, could

negatively impact its financial condition and results of operations.

New Graphic will be subject to a broad range of foreign, federal, state and local environmental, health and safety laws and regulations that change from time to time, including those governing discharges to air, soil and water, the management, treatment and disposal of hazardous substances, solid waste and hazardous wastes, the investigation and remediation of contamination resulting from historical site operations and releases of hazardous substances, and the health and safety of employees. Compliance initiatives could result in significant costs, which could negatively impact New Graphic s financial position, results of operations or cash flows. Any failure to comply with such laws and regulations or any permits and authorizations required thereunder could subject New Graphic to fines, corrective action or other sanctions.

In addition, some of New Graphic s current and former facilities may be the subject of environmental investigations and remediation resulting from historical operations and the release of hazardous substances or other constituents. Some current and former facilities have a history of industrial usage for which investigation and remediation obligations may be imposed in the future or for which indemnification claims may be asserted against New Graphic. Also, potential future closures or sales of facilities may necessitate further investigation and may result in future remediation at those facilities.

New Graphic s operations outside the U.S. will be subject to the risks of doing business in foreign countries.

New Graphic will have a mill and several converting plants in 7 foreign countries and will sell its products worldwide. For 2006, before intercompany eliminations, net sales from operations outside of the U.S. represented approximately 21% of Graphic s net sales and approximately 5% of BCH s net sales. New Graphic s revenues from export sales will fluctuate with changes in foreign currency exchange rates. At December 31, 2006, approximately 8% of Graphic s total assets and approximately 4% of BCH s total assets were denominated in currencies other than the U.S. dollar. New Graphic will have significant operations in countries that use the Swedish krona, the British pound sterling, the Australian dollar, the Japanese yen, the Euro, the Canadian dollar and the Mexican peso as their functional currencies. New Graphic cannot predict major currency fluctuations. New Graphic will continue to pursue Graphic s currency hedging program in order to limit the impact of foreign currency exchange fluctuations on financial results.

New Graphic will be subject to the following significant risks associated with operating in foreign countries:

- compliance with and enforcement of environmental, health and safety and labor laws and other regulations of the foreign countries in which New Graphic operates;

- export compliance;

- imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries; and

- imposition or increase of investment and other restrictions by foreign governments.

If any of the above events were to occur, New Graphic s financial position, results of operations or cash flows could be adversely impacted, possibly materially.

If New Graphic issues a material amount of its common stock in the future, certain New Graphic stockholders sell a material amount of New Graphic common stock, or a material amount of interests in the indirect stockholders of New Graphic are sold, New Graphic s ability to use its net operating losses to offset its future taxable income may be limited under Section 382 of the Internal Revenue Code.

New Graphic s ability to utilize previously incurred net operating losses (NOLs) of Graphic to offset future taxable income would be reduced if New Graphic were to undergo an ownership change within the meaning of Section 382 of the Internal Revenue Code. In general, an ownership change occurs whenever the percentage of the stock of a corporation owned, directly or indirectly, by 5-percent stockholders (within the meaning of Section 382 of the Internal Revenue Code) increases by more than 50 percentage points over the lowest percentage of the stock of such corporation owned, directly or indirectly, by such 5-percent stockholders at any time over the preceding three years. Under certain circumstances, issuances of New Graphic common stock by New Graphic or sales or other dispositions of New Graphic common stock by the Coors Family Stockholders, the CDR Fund, EXOR, the TPG Entities or other stockholders could trigger an ownership change, and New Graphic will have limited control over the timing of any such issuances, sales or other dispositions of New Graphic common stock. Additionally, under certain circumstances, issuances, sales or other dispositions of interests in the CDR Fund, the TPG Entities or other stockholders could trigger an ownership change, and New Graphic will have no control over the timing of any such issuances, sales or other dispositions of interests in such entities. Any such future ownership change could result in limitations, pursuant to Section 382 of the Internal Revenue Code, on New Graphic s utilization of NOLs to offset its future taxable income.

More specifically, depending on prevailing interest rates and New Graphic s market value at the time of such future ownership change, an ownership change under Section 382 of the Internal Revenue Code would establish an annual limitation which might prevent full utilization of the deferred tax assets attributable to Graphic s previously incurred NOLs against the total future taxable income of a given year. The transactions will increase the likelihood that previously incurred NOLs will become subject to the limitations set forth in Section 382 of the Internal Revenue Code. If such an ownership change were to occur, New Graphic s ability to raise additional equity capital may be adversely affected.

The magnitude of such limitations and their effect on New Graphic is difficult to assess and depends in part on New Graphic s value at the time of any such ownership change and prevailing interest rates. For accounting purposes, at December 31, 2006, Graphic s United States federal net operating loss was approximately $1.3 billion and the related deferred tax asset attributable to its previously incurred NOLs was valued at approximately $514.3 million fully offset by a corresponding valuation allowance. Graphic believes that it has generated material incremental NOLs in 2007.

Risks Associated with New Graphic Common Stock

The value of the shares of New Graphic common stock that you receive upon the completion of the transactions may be less than the value of your shares of Graphic common stock as of the date of the transaction agreement or on the date of the special meeting.

The exchange ratio of Graphic common stock for New Graphic common stock in the merger, as well as the number of shares to be issued to the Sellers, is fixed and will not be adjusted in the event of any change in the stock price of Graphic or the value of BCH before the completion of the transactions. The relative price of shares of Graphic common stock and the value of BCH may vary significantly between the date of this proxy statement/prospectus, the date of the special meeting and the date of the completion of the transactions. These variations may be caused by, among other things, changes in the businesses, operations and results of Graphic or BCH, market expectations of the likelihood that the transactions will be completed and the timing of completion, the prospects of post-transaction operations, the effect of any conditions or restrictions imposed on or proposed with respect to New Graphic by regulatory agencies and authorities, general market and economic conditions and other factors. In addition, it is impossible to predict accurately the market price of New Graphic common stock to be received by Graphic stockholders after the completion of the transactions. Accordingly, the price of Graphic common stock on the date of the special meeting may not be indicative of its price immediately before the completion of the transactions and the price of New Graphic common stock after the transactions are completed.

A few significant stockholders may influence or control the direction of New Graphic s business. If the ownership of New Graphic common stock continues to be highly concentrated, it may limit the ability of you and other stockholders to influence significant corporate decisions.

The interests of the Coors Family Stockholders, the CDR Fund, EXOR and the TPG Entities may not be fully aligned with your interests and this could lead to a strategy that is not in your best interest. Following the completion of the transactions, the Coors Family Stockholders, the CDR Fund and EXOR will beneficially own approximately 18.4%, 10.0% and 10.0%, respectively, and the TPG Entities will own approximately 38.6% of New Graphic common stock, each calculated on a fully diluted basis. As a result, the Coors Family Stockholders, the CDR Fund, EXOR and the TPG Entities will exercise significant influence over matters requiring stockholder approval. New Graphic has entered into a new stockholders agreement that will become effective upon the completion of the transactions, pursuant to which the Coors Family Stockholders, the CDR

Fund, EXOR and the TPG Entities will have the right to designate for nomination for election, in the aggregate, six members of New Graphic s board of directors following the completion of the transactions. The concentrated holdings of the Coors Family Stockholders, the CDR Fund, EXOR and the TPG Entities and the presence of their designees on New Graphic s board of directors may delay or deter possible changes in control of New Graphic, which may reduce the market price of New Graphic, or may otherwise result in New Graphic either taking actions that New Graphic s other stockholders do not support or failing to take actions that New Graphic s other stockholders do support. See Other Agreements Stockholders Agreement and Description of New Graphic Capital Stock.

New Graphic stockholders may be adversely affected by the expiration of the transfer restrictions in the stockholders agreement, which would enable the Coors Family Stockholders, the CDR Fund, EXOR and the TPG Entities to transfer a significant percentage of their New Graphic common stock to a third party.

The transfer provisions in the stockholders agreement, subject to specified exceptions (see Other Agreements Stockholders Agreement Transfer Restrictions), restrict the covered stockholders from transferring shares of New Graphic common stock. Many of these restrictions will expire 180 days from the date of the closing of the transactions.

When the transfer restrictions in the stockholders agreement expire or are terminated, the covered stockholders will be free to sell their shares of New Graphic common stock, subject to certain exceptions and limitations under the securities laws, to any person on the open market, in privately negotiated transactions or otherwise in accordance with law. In addition, at any time after 180 days from the date of the closing of the transactions, the covered stockholders will be able to exercise their rights, subject to certain limitations, to require New Graphic to register their shares of New Graphic common stock for resale in a public offering. These sales or transfers could create a substantial decline in the price of shares of New Graphic common stock. See Other Agreements Stockholders Agreement and Other Agreements Registration Rights Agreement.

New Graphic s proposed certificate of incorporation, by-laws, stockholder rights plan and Delaware law may discourage takeovers and business combinations that its stockholders might consider in their best interests.

Provisions in New Graphic s proposed certificate of incorporation and by-laws attached to this proxy statement/prospectus as Annexes B and C, respectively, New Graphic s proposed stockholder rights plan and provisions of Delaware corporate law, may delay, deter, prevent or render more difficult a takeover attempt which is not approved by New Graphic s board of directors but which New Graphic stockholders might consider in their best interests. These provisions include:

- authorization of the issuance of preferred stock, the terms of which may be determined at the sole discretion of the board of directors;
- a classified board of directors with staggered, three-year terms;
- provisions giving the board of directors sole power to set the number of directors;
- limitation on the ability of stockholders to remove directors;
- prohibition on stockholders calling special meetings of stockholders;
- establishment of advance notice requirements for stockholder proposals and nominations for election to the board of directors at stockholder meetings; and

requirement that the holders of at least 75% of outstanding common stock approve the amendment of New Graphic s by-laws and provisions of New Graphic s certificate of incorporation governing the classified board and the liability of directors.

These provisions may prevent New Graphic stockholders from receiving the benefit from any premium to the market price of New Graphic common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of New Graphic common stock if they are viewed as discouraging takeover attempts in the future. These provisions may also make it difficult for stockholders to replace or remove New Graphic s management. See Description of New Graphic Capital Stock.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus includes or incorporates by reference statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. All statements included or incorporated by reference in this proxy statement/prospectus, other than statements of historical fact, that address activities, events or developments that New Graphic or its management expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements represent New Graphic s reasonable judgment regarding the future based on various factors and using numerous assumptions and are subject to known and unknown risks, uncertainties and other factors that could cause, among other statements, the actual results and financial position of New Graphic and the effects and consequences of the transactions to differ materially from those contemplated by the statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They may use words such as anticipate, estimate, project, forecast, plan, may, will, should, expe words of similar meaning. In addition to factors previously disclosed in Graphic s SEC reports and those identified elsewhere in this proxy statement/prospectus, including those matters discussed under the caption Risk Factors the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

the ability of Graphic and BCH to complete the transactions;

the success of the business of New Graphic after the completion of the transactions;

the successful integration of Graphic and BCH after the completion of the transactions;

the anticipated benefits of combining Graphic and BCH;

beliefs and assumptions about costs relating to the transactions and integrating Graphic and BCH;

inflation of and volatility in raw material and energy costs;

New Graphic s substantial amount of debt;

continuing pressure for lower cost products;

New Graphic s ability to implement its business strategies, including productivity initiatives and cost reduction plans;

currency movements and other risks of conducting business internationally;

the impact of regulatory and litigation matters, including those that impact New Graphic s ability to protect and use its intellectual property;

the availability of net operating losses to offset future taxable income; and

the interests and actions of the Coors Family Stockholders, the CDR Fund, EXOR and the TPG Entities and the implications of these stockholders significant influence over New Graphic.

Undue reliance should not be placed on such forward-looking statements, as such statements speak only as of the date on which they are made and New Graphic undertakes no obligation to update such statements.

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THE SPECIAL MEETING

General

The Graphic board of directors is using this proxy statement/prospectus to solicit proxies from the holders of shares of Graphic common stock for use at the special meeting. This proxy statement/prospectus and accompanying proxy card are first being mailed to Graphic stockholders on or about [l], 2007.

Date, Time and Place of the Special Meeting

Graphic will hold its special meeting of stockholders on [l], [l], 2007, at 10:00 a.m., local time, at the offices of Alston & Bird LLP, Atlantic Center Plaza, 1180 West Peachtree Street, 15th Floor, Atlanta, Georgia 30309, or at any reconvened meeting after an adjournment or postponement of the special meeting.

Purpose of the Special Meeting

At the special meeting, holders of Graphic common stock will be asked (1) to adopt the transaction agreement and approve the transactions, (2) to approve the provisions in New Graphic s restated certificate of incorporation authorizing 1.1 billion shares of capital stock, including 1 billion shares of common stock and 100 million shares of preferred stock and (3) to approve any proposal by Graphic to adjourn or postpone the special meeting, if determined to be necessary.

The Graphic board of directors has unanimously approved the transaction agreement and the transactions and recommends that Graphic stockholders vote FOR the adoption of the transaction agreement and the approval of the transactions, FOR the proposal to approve provisions of New Graphic s restated certificate of incorporation authorizing additional capital stock and FOR the adjournment or postponement of the special meeting, if determined to be necessary. Implementation of the proposal relating to the authorization of additional capital stock is conditioned upon the adoption of the transaction agreement and approval of the transactions.

Record Date and Outstanding Shares

The Graphic board of directors has fixed the close of business on [l], 2007 as the record date for determining holders of outstanding shares of Graphic common stock entitled to notice of, and to vote at, the special meeting or any adjournment or postponement of the special meeting. As of the record date, there were outstanding [l] shares of Graphic common stock held of record by [l] stockholders. Graphic common stock is the only class of outstanding securities entitled to notice of, and to vote at, the special meeting. Each holder of Graphic common stock is entitled to one vote at the special meeting for each share of Graphic common stock held by that stockholder at the close of business on the record date.

Quorum

In order to carry out the business of the special meeting, there must be a quorum. This means that at least one-third (1/3) of the outstanding shares eligible to vote must be represented at the special meeting, either by proxy or in person. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of votes present at the special meeting for purposes of calculating whether a quorum is present.

Vote Required

Adoption of the transaction agreement and approval of the transactions and approval of the provisions of New Graphic s restated certificate of incorporation increasing the authorized capital stock requires the affirmative vote of a majority of the issued and outstanding shares of Graphic common stock. In accordance with the rules of the NYSE, brokers, banks and other nominees who hold shares in street name for customers may not exercise discretionary voting authority with respect to the adoption of the transaction agreement and the approval of the transactions. Thus, absent specific instructions from the beneficial owner of such shares, brokers, banks and other nominees may not vote such shares with respect to the adoption of the transaction agreement and the approval of the transactions. Shares represented by these broker non-votes will not vote, effectively counting as votes AGAINST the proposal to adopt the transaction agreement and approve the transactions and the proposal to approve provisions of New Graphic s restated certificate of incorporation increasing the authorized capital stock of New Graphic. Abstentions also have the same effect as shares voted AGAINST the proposal to adopt the transaction agreement and approve the transactions.

Approval of a proposal to adjourn or postpone the special meeting, if determined to be necessary, requires the affirmative vote of holders of a majority of the shares present in person or by proxy and entitled to vote at the special meeting (whether or not a quorum is present). Abstentions and broker non-votes with respect to the adjournment or postponement of the special meeting, if determined to be necessary, will have the effect of a vote against such proposal.

Voting Agreement

Pursuant to the voting agreement, dated as of July 9, 2007, entered into by and among BCH, Graphic, the Coors Family Stockholders, the CDR Fund and EXOR, each of the Coors Family Stockholders, the CDR Fund and EXOR has agreed to vote all of its shares of Graphic common stock, subject to certain exceptions, in favor of adopting the transaction agreement and approving the transactions and any other action reasonably requested by BCH in furtherance thereof. The Coors Family Stockholders, the CDR Fund and EXOR collectively hold 129,376,414 issued and outstanding shares of Graphic common stock, which represented approximately 65% of the total number of shares of Graphic common stock issued and outstanding as of July 9, 2007 and as of the record date. See The Transactions Voting Agreement.

As of the record date, Graphic s executive officers and directors (excluding representatives of the Coors Family Stockholders, the CDR Fund and EXOR) had the right to vote less than 1% of the shares of Graphic common stock outstanding and entitled to vote at the special meeting. Graphic s directors and executive officers have indicated their intention to vote their shares of Graphic common stock for the adoption of the transaction agreement and the approval of the transactions.

Solicitation of Proxies

Graphic will bear the cost of soliciting proxies. Proxies may be solicited by mail or facsimile, or by Graphic s directors, officers or employees, without extra compensation, in person or by telephone. Graphic will reimburse brokers, banks and other nominees for their reasonable out-of-pocket expenses for forwarding solicitation material to the beneficial owners of Graphic common stock.

Questions concerning the proposal to be acted upon at the special meeting should be directed to Graphic s Investor Relations Department at (770) 644-3000. Additional copies of this proxy statement/prospectus or the proxy card may be obtained from Graphic s Investor Relations Department at its principal executive office at 814 Livingston Court, Marietta, Georgia 30067, and the telephone number is (770) 644-3000. For a period of at least ten days prior to the special meeting, a complete list of stockholders entitled to vote at the special meeting will be available for inspection during ordinary business hours at Graphic s executive offices by stockholders of record for proper purposes.

Revocation of Proxies

The enclosed proxy, even though executed and returned, may be revoked at any time before the special meeting by:

executing and submitting a revised proxy (including a telephone or Internet vote);

sending written notice of revocation to Graphic s Secretary at the address provided at the beginning of this proxy statement/prospectus; or

voting in person at the special meeting.

In the absence of a revocation, shares represented by proxies submitted in response to this solicitation will be voted at the special meeting.

Voting by Telephone or Internet

Stockholders of record can simplify their voting and reduce Graphic s costs by voting their shares by telephone or through the Internet. The telephone and Internet voting procedures are designed to authenticate stockholders identities, allow stockholders to vote their shares and confirm that their instructions have been properly recorded. If your shares are held in the name of a broker, bank or other nominee, the availability of telephone and Internet voting will depend upon the voting processes of the broker, bank or other nominee. Accordingly, stockholders should follow the voting instructions on the form they receive from their broker, bank or other nominee.

Stockholders who elect to vote by telephone or through the Internet may incur telecommunications and Internet access charges and other costs for which they are solely responsible. The telephone and Internet voting facilities for stockholders of record will close at 11:59 p.m., Eastern Time, on [l], 2007. Instructions for voting by telephone or through the Internet are contained on the enclosed proxy card. Voting your shares by telephone or through the Internet will not affect your right to vote in person if you decide to attend the special meeting; however, if you attend and vote at the special meeting, any votes you cast previously via telephone or the Internet will automatically be revoked and superseded by the votes cast at the special meeting.

Voting by Mail

Stockholders who elect to vote by mail are asked to sign, date and return the enclosed proxy card using the postage-paid envelope provided. The persons named as proxies on the proxy card were designated by the Graphic board of directors. All shares represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the stockholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted FOR the adoption of the transaction agreement and approval of the transactions and FOR any proposal by Graphic to adjourn or postpone the special meeting.

Special Meeting Attendance and Voting in Person

Only stockholders, their designated proxies and guests of Graphic may attend the special meeting. If you plan to attend the special meeting, you must be a stockholder of record as of [l], 2007 or, if you have beneficial ownership of shares of Graphic common stock held by a broker, bank or other nominee, you must bring an account statement or letter from your broker, bank or other nominee showing that you are the beneficial owner of shares of Graphic common stock as of the record date in order to be admitted to the special meeting.

If your shares are held by a broker, bank or other nominee and you wish to vote your shares in person at the special meeting, please also bring a letter from your broker, bank or other nominee granting you a proxy to vote those shares at the special meeting.

Dissenters Rights

Although Graphic stockholders that are not subject to the voting agreement may vote against adoption of the transaction agreement and approval of the transactions, under no circumstances are holders of Graphic common stock entitled to dissenters rights of appraisal under Delaware law in connection with the transactions.

THE TRANSACTIONS

Background of the Transactions

In 2006, having substantially completed the integration of Graphic Packaging International Corporation and Riverwood Holding, Inc. and related business optimization initiatives, Graphic began exploring various strategic alternatives to strengthen its business, expand its product offerings and increase stockholder value, including potential acquisitions and business combinations.

In October and November 2006, representatives of Goldman Sachs, Graphic s financial advisor, met several times with Stephen M. Humphrey, President and Chief Executive Officer of Graphic, and David W. Scheible, then Senior Vice President and Chief Operating Officer and, as of January 1, 2007, President and Chief Executive Officer of Graphic, to discuss a potential transaction with Altivity.

On October 24, 2006 Messrs. Humphrey and Scheible and representatives of Goldman Sachs met with Michael G. MacDougall, a partner of TPG and a member of the Altivity board of directors, and discussed briefly the potential for a transaction between Graphic and Altivity.

On November 16, at a regularly scheduled meeting of the Graphic board of directors, representatives of Goldman Sachs discussed several potential acquisition opportunities for Graphic, including Altivity. At this meeting, the Graphic board of directors authorized the retention of Goldman Sachs to assist it in evaluating a potential transaction with Altivity and authorized Graphic management to continue their work in such regard. In determining to engage Goldman Sachs as financial advisor to Graphic in connection with a potential transaction with Altivity, the board of directors considered that Goldman Sachs is an internationally recognized investment banking firm that has substantial experience in transactions similar to the potential transaction. The board of directors also carefully considered the terms and structure of the proposed engagement letter with Goldman Sachs and determined that such terms, including the amount of the transaction fee and that such fee would be payable in its entirety only upon consummation of the potential transaction were customary and appropriate for this engagement. After the adjournment of the Graphic board meeting, Graphic executed an engagement letter with Goldman Sachs.

During November and December 2006, Goldman Sachs and Graphic management commenced a preliminary financial analysis of the Altivity business and began to evaluate strategic considerations related to the acquisition of Altivity by Graphic based on publicly available information and the limited information exchanged by the parties.

On December 21, the Graphic board of directors held a special meeting by teleconference to discuss the preliminary financial analysis of the Altivity business. Goldman Sachs and Graphic management discussed the results of this valuation and answered questions from the board of directors. At the conclusion of this meeting, the Graphic board of directors authorized Goldman Sachs to begin discussions with TPG regarding a transaction in which Graphic would acquire Altivity.

During late December and early January, Mr. Scheible and representatives of Goldman Sachs held several conversations with Mr. MacDougall and other representatives of TPG to discuss a potential combination of Graphic and Altivity and to exchange further limited information on the two companies.

On January 9, 2007, Mr. Scheible held an introductory meeting with Altivity and TPG representatives in Chicago to discuss the business and prospects of Graphic and Altivity and the potential for a transaction between the two companies. As a result of the favorable discussions at this meeting, the parties agreed to conduct preliminary due diligence activities and to exchange limited non-public information about their respective businesses. On January 10, TPG, Altivity and Graphic signed a customary reciprocal confidentiality agreement.

During January, the parties exchanged limited, high level due diligence materials and conducted discussions about the Graphic and Altivity businesses and the potential benefits of a combination of the two companies.

On January 29 and 30, Mr. Scheible, Daniel J. Blount, Senior Vice President and Chief Financial Officer, Michael P. Doss, Senior Vice President, Consumer Products Packaging, other representatives of Graphic and Goldman Sachs met with Mr. MacDougall, Nathan Wright, Jeffrey Liaw and Benjamin Landis, representatives of TPG, Lawrence I. Field, a member of Altivity s board of directors and the President of Field Holdings, Inc., George V. Bayly, Chairman and interim Chief Executive Officer of Altivity, Donald Sturdivant, Executive Vice President of Operations of Altivity, and representatives of Altivity s financial advisor, Banc of America Securities LLC. At this meeting, the parties discussed their respective businesses and financial performance as well as the benefits and challenges of a combination. Based upon these initial discussions, the parties agreed to initiate a process to further explore a transaction including high level discussions regarding the financial performance and outlook of the respective businesses.

On February 8, the Graphic board of directors held a special meeting by teleconference to discuss the potential transaction with Altivity and related matters. Mr. Scheible and representatives of Goldman Sachs reported on the meeting among the parties at the end of January. At this meeting, the Graphic board of directors authorized management to expand its due diligence investigation of Altivity and discussions with Altivity and TPG and their advisors regarding a potential transaction.

During the remainder of February, the parties continued high level due diligence investigations focused primarily on the historical financial performance and prospective outlook for the respective businesses and worked with their respective financial advisors to determine an appropriate ownership split in the combined entity between the equity holders of each company in a potential combination transaction.

On March 2, the Graphic board of directors held a special meeting by teleconference to discuss the progress of the company s investigation of a potential transaction with Altivity. At this meeting, representatives of Goldman Sachs discussed their preliminary financial analysis relating to a potential transaction with Altivity, and the board and management discussed potential valuation ranges for Altivity and other proposed principal terms of a potential transaction, including board composition and other governance matters. The Graphic board of directors then authorized Goldman Sachs to discuss with Altivity s financial advisors a proposed division of ownership interests in a combined entity prepared by Graphic management and other principal terms of a potential transaction.

On March 6, based on the then-known information and subject to confirmatory due diligence, Goldman Sachs, on behalf of Graphic, had discussions with TPG and Altivity s financial advisor relating to preliminary terms of a potential transaction in which Graphic proposed that the owners of BCH would receive 40% of Graphic s common stock in exchange for their ownership interests in BCH and the Graphic stockholders would retain 60% of Graphic s common stock. Graphic also proposed that the post-closing Graphic board of directors be comprised of a majority of independent directors with Graphic designating five of the independent directors and TPG designating one independent director and the balance of the board to be comprised of two TPG designees, one designee from each of the Coors Family Stockholders, the CDR Fund and EXOR and the Chief Executive Officer of Graphic. In addition, Graphic proposed that the current Graphic Chairman of the Board John R. Miller would become Chairman of the Board of the combined company, that Mr. Scheible would become President and Chief Executive Officer and that the headquarters of the combined business would be in Atlanta, Georgia. The proposal also noted that there would be a registration rights agreement with customary terms and a stockholders agreement that was generally consistent with the terms of the existing Graphic stockholders agreement.

The parties participated in several telephonic discussions regarding the preliminary terms between March 6 and March 14. Among other things, later in the week of March 6, BCH s financial advisors, at the direction of Altivity, proposed to Goldman Sachs that Altivity s owners should receive 45% of the common stock of the combined company and greater governance rights in the combined company. On March 14, Graphic again proposed that the equity holders of BCH should receive 40% of the combined company and that the current Graphic stockholders should receive 60%

of the combined company, in each case on a fully diluted basis and subject to adjustments relating to the apportionment of transaction costs. The parties continued to discuss the ownership split proposed by Graphic and the other Graphic proposed terms, including board composition over

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the next two weeks. During these discussions, TPG indicated that it would be a condition to any transaction that each of the Coors Family Stockholders, the CDR Fund and EXOR agree to support the transaction.

Also during this period, Graphic, TPG and their respective financial and legal advisors began preliminary discussions regarding potential transaction structures that would provide the owners of BCH with tax-free treatment of any Graphic common stock received in the transaction, which was also indicated by TPG to be a requirement of a transaction with Graphic.

On March 28 and April 9, the Graphic board of directors held special meetings by teleconference to discuss the proposed principal terms. At these board meetings, management and representatives of Goldman Sachs updated the board as to the status of negotiations with TPG regarding the potential transaction with Altivity. Also, at the board meeting on April 9, representatives of Alston & Bird LLP, legal advisors to Graphic, advised the directors as to their fiduciary duties under Delaware law and discussed issues relating to the transaction. Alston & Bird also led a discussion with the directors relating to governance matters arising from the issuance to affiliates of TPG of a significant percentage of Graphic s outstanding common stock and potential terms of a standstill agreement that would, among other things, restrict TPG from acquiring additional shares of Graphic common stock after completion of the transactions.

On April 13, Graphic distributed a term sheet that included modified proposals regarding board composition and other governance matters. Discussions were held during this week among Messrs. Miller, Scheible, MacDougall and Liaw and Graphic s and TPG s respective financial advisors regarding board composition and other governance matters.

In late April, based on the progress reached with respect to the principal terms and the preliminary results of high level due diligence, the parties agreed to conduct more detailed due diligence investigations. During late April through early June, the parties performed detailed due diligence, including several meetings among Graphic and its advisors and TPG, Altivity and their advisors.

During April and May, the parties held several meetings with a consulting firm to discuss potential cost savings and other cost synergies from a combination of the two companies.

Also during this period, the parties and their advisors agreed on the proposed structure of the transaction involving the creation of a new holding company as described in detail elsewhere in this proxy statement/prospectus.

On May 15, the Graphic board of directors held a meeting and discussed the status of the transaction and due diligence. Messrs. Blount and Scheible reported on the status of the discussions between the parties and the progress of due diligence. Graphic s legal advisor discussed some of the specific governance provisions being negotiated, including the board composition and proposed standstill provisions that would, among other things, restrict TPG from acquiring additional shares of Graphic common stock after completion of the transactions. Graphic s legal advisors also advised the directors as to their fiduciary duties under Delaware law and discussed potential issues relating to the antitrust clearance process in connection with the potential transaction. The directors discussed the status of the proposed transaction and due diligence and asked questions of management and Graphic s financial and legal advisors.

From May 15 through May 17, Messrs. Scheible, Blount and Doss, and other Graphic representatives met with Messrs. Liaw, Wright, Sturdivant, Landis and Mr. Edward Byczynski, Altivity s chief financial officer, and other TPG and Altivity representatives for mutual management presentations and discussions regarding year-to-date performance, 2007 full-year forecast and potential cost savings opportunities. The meeting was also attended by representatives of the legal, financial and other advisors to Graphic and Altivity.

On May 16, Mr. Scheible met with Kelvin L. Davis, a senior partner of TPG, to discuss the management team of the new combined company, as well as potential approaches to appoint key managers following the close of the transactions.

On May 25, Altivity s legal advisors, Simpson Thacher & Bartlett LLP, circulated an initial draft transaction agreement and agreement and plan of merger. On May 29, Graphic s legal advisors circulated an initial draft stockholders agreement and registration rights agreement.

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On June 4, Altivity s legal advisors circulated an initial draft voting agreement that contemplated that the Coors Family Stockholders, the CDR Fund and EXOR would agree to vote all of the shares of Graphic common stock owned by them in favor of the adoption of the transaction agreement at the special meeting of Graphic stockholders that would be called to consider the transaction agreement.

On June 5, representatives of TPG, Altivity and Graphic, including their respective legal and financial advisors, met to discuss plans to finalize their respective due diligence processes. At this meeting, it was decided that KPMG, Graphic s accounting advisor, would be granted additional access to Altivity management to finalize their diligence. Representatives from KPMG and Mr. Blount traveled to Altivity s offices in the Chicago area on June 7 to spend additional time with management on key open diligence points, primarily related to the cost savings initiatives at Altivity.

Also on June 5, Graphic s legal advisors delivered to Altivity s legal advisors comments on the draft transaction agreement. During the period from June 5 through July 9, Graphic s and Altivity s legal advisors negotiated the provisions of the transaction agreement and the related disclosure schedules. The negotiations, among other things, addressed the nature of the representations and warranties to be made by the parties, the limitations on the conduct of business between signing and closing, the extent of Graphic s obligation to take actions to obtain requisite regulatory approvals, the parties respective rights and obligations in the event a third party sought to make a takeover proposal for Graphic and various provisions relating to termination fees and expense reimbursements.

In addition, during that period, Graphic s and Altivity s legal advisors, together with representatives of and advisors to the Coors Family Stockholders, the CDR Fund and EXOR, negotiated the provisions of the voting agreement, the stockholders agreement and the registration rights agreement. The negotiations, among other things, addressed the circumstances under which these stockholders would be required to vote their shares of Graphic common stock in favor of the transaction agreement and transactions, board and committee composition and related designation rights, the mechanics, timing and limitations under which these stockholders could sell New Graphic common stock, and the restrictions and limitations on the ability of the parties to acquire additional shares of New Graphic common stock and to take other actions with respect to controlling New Graphic after completion of the transactions.

On June 6 and 7, Messrs. Blount and Liaw and other representatives from Graphic and Altivity held several conference calls with potential lenders regarding the transaction financing. Throughout this period and through July 8, representatives of Graphic, in particular Mr. Blount, with the assistance of potential financing sources, including representatives of TPG, negotiated the terms of the financing for the transactions with representatives of a bank group that included Bank of America, N.A., Goldman Sachs Credit Partners, L.P. and JPMorgan Chase Bank, N.A.

On June 11, the Graphic board of directors, together with Graphic s legal and financial advisors, met by telephone. During this meeting, Messrs. Scheible and Blount updated the directors on the status of the negotiations of the transactions. They also provided a summary of due diligence conducted by representatives of and advisors to Graphic. In addition, Goldman Sachs discussed a preliminary financial analysis of Altivity, and Graphic s legal advisor discussed some of the principal transaction terms. The directors asked management and Graphic s financial and legal advisors questions related to these matters and discussed the information presented.

On June 12, representatives of the Coors Family Stockholders, the CDR Fund, EXOR, Messrs. MacDougall and Liaw and representatives of Graphic s and Altivity s financial and legal advisors met in New York to discuss the prospects of the combined company and to negotiate terms of the stockholders and registration rights agreement, including, among other things, board and committee composition and related designation rights, the mechanics, timing and limitations under which these stockholders could sell New Graphic common stock, and the restrictions and limitations on the ability of the parties to acquire additional shares of New Graphic common stock and to take other actions with respect to controlling New Graphic after completion of the transactions.

On June 14, Messrs. Blount and Liaw met by telephone to discuss the status of the financing for the transaction and related matters.

On June 15, Messrs. Scheible and Liaw and a representative of the Coors Family Stockholders met to discuss issues relating to the mechanics, timing and limitations under which the stockholders could sell New Graphic common stock following the transactions.

On June 22, Messrs. Scheible and Liaw continued ongoing discussions regarding the calculation of shares of New Graphic common stock to be issued to the Graphic stockholders and the equity holders of BCH in the proposed transactions. These discussions continued until shortly before the announcement of the transaction agreement in July.

On June 25, the Graphic board of directors held a special meeting by teleconference to discuss the status of the transaction. Representatives of Graphic s financial and legal advisors were also in attendance.

On July 2, Mr. Scheible, representatives of TPG and representatives of Graphic s and Altivity s financial and legal advisors held a conference call in which they negotiated and finalized substantially all remaining issues in the transaction documents, including the number of shares to be issued to the equity holders of BCH in the transactions.

On July 9, the Graphic board of directors held a telephonic meeting, which was attended by Graphic s legal and financial advisors. At the meeting, Graphic s legal advisors summarized the principal terms of the draft transaction agreement and voting agreement, including the key deal protection provisions, the stockholders agreement and registration rights agreement, and again reviewed the fiduciary duties of the directors under Delaware law. Goldman Sachs reviewed its final financial analysis and rendered its oral opinion (subsequently confirmed in writing) to the Graphic board of directors that, as of July 9, 2007, and based upon and subject to the factors and assumptions therein, the 139,445,038 shares of New Graphic common stock, taken in the aggregate, to be issued by New Graphic in exchange for 100% of the outstanding equity interests in BCH pursuant to the transaction agreement was fair from a financial point of view to Graphic. The board of directors then discussed with Graphic s management team and its legal and financial advisors the terms of the proposed transactions and, based on the factors outlined below under Reasons for the Transactions and Recommendation of the Graphic Board of Directors, determined to proceed with the proposed transactions. The Graphic board of directors, by unanimous vote, determined that the transaction agreement and the transactions were advisable, fair to and in the best interests of Graphic stockholders, and unanimously approved the transaction agreement and the transactions and the voting agreement, the stockholders agreement and the registration rights agreement. The Graphic board also approved an amendment to Graphic s existing stockholder protection rights plan to exempt the transactions and related actions from the provisions of the plan.

Thereafter, in the evening of July 9, Graphic, New Graphic, Giant Merger Sub, Inc. and the other parties thereto executed the transaction agreement and Graphic, the Coors Family Stockholders, the CDR Fund, EXOR and BCH executed the voting agreement. In addition, New Graphic and certain individuals and entities that will be stockholders of New Graphic after the completion of the transactions entered into the stockholders agreement and the registration rights agreement. Graphic also entered into financing commitment letters with several institutional banks relating to the proposed refinancing of Altivity s outstanding indebtedness and other debt facilities. See The Transactions Financing for a detailed discussion of the terms of the proposed financing.

On July 10, before the opening of trading on the NYSE, Graphic and Altivity issued a joint press release announcing the execution of the transaction agreement. The terms of the transaction agreement, the voting agreement, the stockholders agreement and the registration rights agreement are detailed below under The Transaction Agreement and Agreement and Plan of Merger, The Transactions Voting Agreement, Other Agreements Stockholders Agreement and Other Agreements Registration Rights Agreement.

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Reasons for the Transactions and Recommendation of the Graphic Board of Directors

The Graphic board of directors, in reaching its unanimous decision to approve the transaction agreement and the transactions and recommend them to Graphic stockholders, consulted with Graphic s management, its financial advisor and its legal counsel, and considered the following factors as generally supporting its decision:

The Graphic board of directors believed that the combination of the operations of Graphic and Altivity would provide stronger and more stable cash flows, and therefore greater financial stability, than could have been achieved by Graphic on a stand-alone basis. This enhanced financial performance and position should permit New Graphic to accelerate its debt reduction, enhance its credit profile, improve leverage ratios and finance ongoing investments.

The complementary product offerings of Graphic and Altivity, which when combined create an ability to offer comprehensive consumer packaging solutions to existing and new customers of both companies.

The new company will have expanded market reach into small specialty segments of the folding carton market, as well as new packaging markets, including labels, flexible packaging and multi-wall bags.

The expansion of product growth opportunities for the combined company in the packaging market.

The opportunity to achieve significant cost synergies identified in connection with the transactions, including:

operating and overhead expense reductions;

supply chain procurement improvements;

facility optimization; and

manufacturing process improvements.

The opportunity for additional cost savings from Altivity s ongoing integration of Smurfit-Stone Container Corporation s Consumer Packaging Division and the Field Companies as a result of manufacturing network optimization efforts, overhead reduction and supply chain improvements.

The potential for enhanced liquidity for stockholders.

Potential tax savings from Graphic s net operating losses.

The balance of rights and restrictions in the stockholders agreement. While the TPG Entities would have a significant share ownership position in New Graphic, the stockholders agreement and the New Graphic stockholders rights plan, subject to their terms, would prevent the acquisition of additional equity securities of New Graphic and restrict the ability of the TPG Entities to exert control over New Graphic.

The transactions are intended to be tax-free to Graphic stockholders. The transactions are not intended to result in any adverse tax consequences to a Graphic stockholder that does not have certain tax attributes. See Material U.S. Federal Tax Consequences to Graphic Stockholders.

The ability to offer a tax-free transaction to Altivity s current owners by structuring the transactions under federal income tax laws as a contribution by Graphic and BCH of their respective businesses to New Graphic.

The terms and conditions of the transaction agreement, including:

the closing conditions to the transaction;

the provisions of the transaction agreement that allow Graphic to engage in negotiations with, and provide information to, third parties, under certain limited circumstances in response to an unsolicited written takeover proposal that the Graphic board of directors determines in good faith, after

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consultation with its legal advisors and its financial advisors, would reasonably be expected to result in a superior proposal (defined below), if the Graphic board of directors concludes that the failure to take such action would be reasonably expected to violate its fiduciary duties;

the provisions of the transaction agreement that allow the Graphic board of directors, under certain limited circumstances if required in order not to violate its fiduciary duties under applicable law, to change its recommendation that Graphic stockholders vote in favor of the adoption of the transaction agreement. Such a change, if made in connection with a superior proposal, would reduce the percentage of the shares of Graphic common stock owned by certain parties to the stockholders agreement that are required to be voted in favor of the adoption of the transaction agreement under the terms of the voting agreement; and

the termination fee of up to $35,000,000 and the circumstances under which such fee is payable (including a termination due to a change of recommendation, as referenced above), which the Graphic board of directors concluded were reasonable in light of the benefits of the transactions and commercial precedent.

The opinion of Goldman Sachs, dated July 9, 2007, provided to the Graphic board of directors, that, as of the date of the opinion, and based upon and subject to the factors and assumptions set forth in the opinion, the 139,445,038 shares of New Graphic common stock, taken in the aggregate, to be issued by New Graphic in exchange for 100% of the outstanding BCH equity interests pursuant to the transaction agreement was fair from a financial point of view to Graphic, as more fully described below under Opinion of Financial Advisor to Graphic.

The Graphic board of directors also considered the following risks and other potential adverse consequences of the proposed transactions to Graphic:

The difficulty of integrating Graphic and Altivity, including difficulties in the ongoing integration of Smurfit-Stone Container Corporation s Consumer Packaging Division and the Field Companies.

The risk that the identified cost synergies will not be fully attained within the expected time frame, or at all.

The substantial costs to be incurred in connection with the transactions, including transaction expenses and costs related to integration of the two companies.

The initial highly leveraged financial position of the combined company.

The presence of a new large stockholder, the TPG Entities, which have the right to nominate three directors to the board of directors of New Graphic following the completion of the transactions and will otherwise be able to exercise significant influence over matters requiring stockholder approval, which could result in New Graphic taking actions that New Graphic s other stockholders do not support.

The potential that the transactions would not be consummated and the resulting expenditure of resources without receipt of the expected benefits.

The risk that various provisions of the transaction agreement, including the requirement that Graphic submit the transaction agreement to its stockholders even if the Graphic board of directors changes its recommendation of the transaction agreement and the transactions, and the voting agreement may have the effect of discouraging other persons potentially interested in an acquisition of, or combination with, Graphic from pursuing that opportunity.

The absence of contractual indemnities for breaches of representations and warranties by BCH.

Loss of customers or key employees.

The other risks described in Risk Factors beginning on page 20.

The Graphic board of directors determined that these potential adverse consequences were outweighed by the potential benefits of the transactions.

This discussion of the information and factors considered by the Graphic board of directors is for illustrative purposes only and is not intended to be exhaustive. In making its determination to approve the transaction agreement and the transactions, the Graphic board of directors did not assign any relative or specific weights to the various factors that it considered in reaching its determination that the transaction agreement and the transactions are advisable, fair to, and in the best interests of, Graphic and Graphic stockholders. Rather, the Graphic board of directors viewed its position and recommendation as being based on the totality of the information presented to it, and the factors it considered. In addition, individual members of the Graphic board of directors, in making their decisions, may have given different weight to different information and factors.

Graphic s board of directors has unanimously determined that the transaction agreement and the transactions are advisable, fair to and in the best interests of Graphic stockholders, and has unanimously approved the transaction agreement and the transactions. Graphic s board of directors recommends that you vote FOR the adoption of the transaction agreement and approval of the transactions. If the board of directors of Graphic amends, modifies or otherwise changes its recommendation regarding adoption of the transaction agreement and approval of the transactions, Graphic is still obligated to submit the transaction agreement and the transactions to a vote of its stockholders.

Opinion of Financial Advisor to Graphic

On July 9, 2007, Goldman Sachs rendered its opinion to Graphic s board of directors that, as of July 9, 2007, and based upon and subject to the factors and assumptions set forth therein, the 139,445,038 shares of New Graphic common stock, taken in the aggregate, to be issued by New Graphic in exchange for 100% of the outstanding equity interests in BCH pursuant to the transaction agreement was fair from a financial point of view to Graphic.

The full text of the written opinion of Goldman Sachs, dated July 9, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex G. Goldman Sachs provided its advisory services and opinion for the information and assistance of Graphic s board of directors in connection with its consideration of the transactions. The Goldman Sachs opinion is not a recommendation as to how any holder of Graphic common stock should vote with respect to the transactions or any other matter.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

- the transaction agreement;
- annual reports to stockholders and Annual Reports on Form 10-K of Graphic for the three fiscal years ended December 31, 2006;
- audited financial statements and accompanying notes of Altivity for the two fiscal years ended December 31, 2006;
- the unaudited balance sheet of BCH as of March 31, 2007;
- certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Graphic;
- certain other communications from Graphic and Altivity to their respective equity holders;
- certain internal financial analyses and forecasts for Altivity and BCH prepared by the management of BCH;

certain internal financial analyses and forecasts for Graphic prepared by its management; and

certain financial analyses and forecasts for Altivity and BCH prepared by the management of Graphic, which we refer to as the forecasts, including certain cost savings and operating synergies projected by the management of Graphic to result from the transactions, which we refer to as the synergies.

Goldman Sachs also held discussions with members of the senior managements of Graphic and BCH regarding their assessment of the strategic rationale for, and the potential benefits of, the transactions and the past and current business operations, financial condition, and future prospects of Graphic and BCH. In addition, Goldman Sachs compared certain financial and stock market information for Graphic and certain financial information for BCH with similar financial and stock market information for certain other companies, the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the paper-based packaging industry specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

For purposes of rendering the opinion described above, Goldman Sachs relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, accounting, legal, tax and other information provided to, discussed with or reviewed by it. In that regard, Goldman Sachs assumed with Graphic s consent that the forecasts, including the synergies, were reasonably prepared on a basis reflecting the best then currently available estimates and judgments of Graphic. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of Graphic or BCH or any of their respective subsidiaries, and Goldman Sachs was not furnished with any such evaluation or appraisal. Goldman Sachs opinion does not address any legal, regulatory or tax matters. In addition, Goldman Sachs opinion does not address the underlying business decision of Graphic to engage in the transactions or the relative merits of the transactions as compared to any strategic alternative that may be available to Graphic, nor does it express any opinion as to the prices at which shares of Graphic common stock or New Graphic common stock will trade at any time. Goldman Sachs assumed with Graphic s consent that all governmental, regulatory or other consents and approvals necessary for the consummation of the transactions will be obtained without any adverse effect on Graphic or BCH or on the expected benefits of the transactions in any way meaningful to Goldman Sachs analysis. Goldman Sachs opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to it as of the date of its opinion, and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after such date.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the Graphic board of directors in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before July 9, 2007 and is not necessarily indicative of current market conditions.

Contribution Analysis

Goldman Sachs analyzed the relative potential contribution of Graphic and BCH to the combined company s equity value following consummation of the transactions based on earnings before interest, tax, depreciation and amortization, or EBITDA, and net cash provided by operating activities less capital expenditures, or free cash flow, in each case before taking into account any of the possible benefits that may be realized following the transactions. Goldman Sachs used these values to compare the approximate contribution by Graphic and BCH to the estimated EBITDA and free cash flows of the combined company to the pro forma ownership of the combined company by Graphic and BCH stockholders following the consummation of the transactions. This analysis was performed based on fiscal year 2006 EBITDA for Graphic and BCH provided by their respective managements, in each case as adjusted by Graphic management, and estimated EBITDA and free cash flows for fiscal years 2007 through 2009 for Graphic and BCH provided to Goldman Sachs by Graphic management. In addition, for illustrative purposes, Goldman Sachs also used in its analysis fiscal year 2007 EBITDA estimates provided by BCH management (unadjusted by Graphic management). For purposes of this analysis, Goldman Sachs assumed BCH was valued at

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Graphic s trading multiples for fiscal years 2006 through 2009. Goldman Sachs also assumed Graphic s share price of $4.91 as of July 6, 2007, 203.9 million fully diluted shares outstanding and estimated net debt of BCH and Graphic based on amounts outstanding as of March 31, 2007 for each company. The following table presents the results of this analysis:

	EBITDA	EBITDA Capital Expenditures(1)	EBITDA Ordinary Capital Expenditures(2)	Free Cash Flow(3)
Graphic Contribution to Combined Company Equity Value	55 68%	59 80%	52 70%	43 79%

(1) BCH s capital expenditures for fiscal years 2007 through 2009 include capital expenditures to achieve cost savings for BCH as a standalone company resulting from the integration of Smurfit-Stone Container Corporation s Consumer Packaging Division and the Field Companies.

(2) BCH s ordinary capital expenditures for fiscal years 2007 through 2009 exclude capital expenditures to achieve cost savings for BCH as a standalone company resulting from the integration of Smurfit-Stone Container Corporation s Consumer Packaging Division and the Field Companies.

(3) BCH s free cash flows for fiscal years 2007 through 2009 exclude capital expenditures and other expenditures to achieve cost savings for BCH as a standalone company resulting from the integration of Smurfit-Stone Container Corporation s Consumer Packaging Division and the Field Companies.

Analysis of Transaction Implied Multiples

Goldman Sachs calculated an implied enterprise value of approximately $1.8 billion for BCH based on the approximately 59% pro forma ownership of the combined company by Graphic stockholders, net debt of BCH of approximately $1.1 billion, and Graphic s equity value of approximately $1.0 billion as of July 6, 2007. Goldman Sachs then calculated the implied ratio of enterprise value to both EBITDA and EBITDA minus ordinary capital expenditures for BCH, in each case for fiscal years 2006, 2007, 2008 and 2009 based on the Graphic management forecasts for BCH. Goldman Sachs then compared such multiples with those of Graphic and Rock-Tenn Company. The following table presents the results of Goldman Sachs analysis:

	BCH Implied Multiple	Graphic Implied Multiple	Rock-Tenn Implied Multiple
Enterprise Value/EBITDA	7.0x - 10.6x	6.7x - 9.2x	7.3x - 8.0x
Enterprise Value/EBITDA Ordinary Capital Expenditures	8.9x - 15.1x	8.4x - 12.9x	10.0x - 11.3x

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Illustrative Discounted Cash Flow Analysis

Goldman Sachs performed an illustrative discounted cash flow analysis on Graphic and BCH using projections for the respective companies prepared by Graphic management. Goldman Sachs calculated indications of net present value as of September 30, 2007 of unlevered free cash flows for Graphic and BCH for fiscal years 2008 through 2010 using discount rates ranging from 10.0% to 14.0%. Goldman Sachs also calculated illustrative terminal values in fiscal year 2010 for each of Graphic and BCH based on multiples ranging from 7.0x EBITDA to 9.0x EBITDA. These illustrative terminal values were then discounted to calculate implied indications of present values using discount rates ranging from 10.0% to 14.0%. The ranges of discount rates were chosen to reflect a theoretical analysis of weighted average cost of capital for Graphic and BCH. The following table summarizes the illustrative ranges of equity value for Graphic and BCH implied by the illustrative discounted cash flow analysis and illustrates Graphic s and BCH s equity holders implied pro forma ownership of the combined company calculated on this basis, which Goldman Sachs compared to the pro forma ownership of the combined company by Graphic and BCH stockholders following the consummation of the transactions.

	Illustrative Equity Value (US$ in millions)	Implied Pro Forma Ownership (%)
Graphic	1,039 - 2,017	64.06 - 64.74
BCH	566 - 1,132	35.26 - 35.94

Selected Transactions Analysis

Goldman Sachs analyzed certain public information relating to the following selected transactions in the folding carton and paper-based packaging industry since 1994 (listed by acquirer, followed by target and announcement year):

Carter Holt Harvey Limited International Paper Company s beverage packaging business (2007);

Texas Pacific Group Field Container Company, L.P. (2006);

Texas Pacific Group Smurfit-Stone Container Corporation s consumer packaging segment (2006);

American Capital Strategies Ltd. Ranpak Corporation (2005);

Rock-Tenn Company Gulf States Paper Corporation (2005);

Sonoco Products Company CorrFlex Graphics, LLC (2004);

Riverwood Holding, Inc. Graphic International Corporation (2003);

Solo Cup Company Sweetheart Holdings Inc. (2003);

SCA Packaging International BV Tuscarora Incorporated (2001);

Chesapeake Corporation First Carton Group Limited (2000);

Westvaco Corporation IMPAC Group, Inc. (2000);

International Paper Company Shorewood Packaging Corporation (2000);

Westvaco Corporation Mebane Packaging Group Inc. (2000);

Chesapeake Corporation Boxmore International PLC (1999);

Chesapeake Corporation Consumer Promotions International, Inc. (1999);

Gulf States Paper Corporation Laird Packaging, Inc. (1999);

ACX Technologies, Inc. Fort James Packaging Corporation s packaging business (1999);

Caraustar Industries, Inc. Tenneco Packaging Inc. s folding carton division (1999);

Caraustar International Paper Company s boxboard mill (1999);

Chesapeake Corporation Field Group P.L.C. (1999);

Huhtamaki Royal Packaging Industries Van Leer N.V. (1999);

Madison Dearborn Partners Tenneco Automotive Inc. s containerboard business (1999);

IMPAC Group, Inc. Tinsley Robor PLC (1998);

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Packaging Dynamics Corporation Bagcraft Corporation of America (1998);

Shorewood Packaging Corporation Queens Group, Inc. (1998);

Huhtamaki Oy Sealright Co., Inc. (1998);

The Blackstone Group Graham Packaging Holdings Company (1997);

ACX Technologies, Inc. Britton Group plc (UPC packaging only) (1997);

Caraustar Industries, Inc. Oak Tree Packaging Corporation (1997);

Cravey, Green & Whalen Mebane Packaging Group (1997);

Ranger Waldorf (1997);

Heritage Partners Klearfold, Inc. (1996);

Caraustar Industries, Inc. Tenneco, Inc. (Ritman and Tana plants) (1996);

Caraustar Industries, Inc. GAR Holding Company (1995);

Clayton Dubilier Riverwood International Corporation (1995);

Republic Group Incorporated Halltown Paperboard Company/Dillard Investment Corporation (1995);

Ranger Olympic Packaging (1994);

Alusuisse-Lonza Holding AG Lawson Mardon Group Ltd. (1994); and

Shorewood Packaging Corporation Premium Packaging Group of Cascades Paperboard International, Inc. (1994).

For each of the selected transactions, Goldman Sachs calculated and compared levered aggregate consideration as a multiple of latest twelve months sales and EBITDA. While none of the companies that participated in the selected transactions are directly comparable to Graphic, the companies that participated in the selected transactions are companies with operations that, for the purposes of analysis, may be considered similar to certain of Graphic s results, market size and product profile.

The following table presents the results of this analysis:

Levered Market Capitalization as a Multiple of:	**Selected Transactions Range**	**Selected Transactions Median**
LTM Sales	0.6x-1.9x	0.9x
LTM EBITDA	4.8x-10.3x	7.2x

Levered aggregate consideration as a multiple of current year EBITDA for this transaction was approximately 8.7x.

Illustrative Future Stock Price Analysis

Goldman Sachs performed an illustrative analysis of the implied present value of the future stock price of Graphic, which is designed to provide an indication of the present value of a theoretical future value of a company s equity as a function of such company s estimated forward EBITDA and its assumed EBITDA trading multiple. For this analysis, Goldman Sachs used the financial forecasts for Graphic prepared by its management for fiscal years 2008 through 2010 under three scenarios:

Scenario one: Graphic continuing as a standalone company;

Scenario two: Graphic combining with BCH, assuming synergies for fiscal years 2008, 2009 and 2010, and no limitations on the use of Graphic s net operating losses, or NOLs; and

Scenario three: Graphic combining with BCH, assuming synergies for fiscal years 2008, 2009 and 2010, and an NOL limitation per Graphic management s guidance.

Goldman Sachs calculated implied per share values for the common stock under each scenario for each of the fiscal years 2007 to 2009 by applying a forward EBITDA multiple of 8.5x to EBITDA estimates prepared by Graphic management of fiscal years 2008 to 2010 adjusted to include synergies, but which excludes costs to achieve such synergies. Goldman Sachs then discounted those values to July 6, 2007 using an equity discount rate of 12.0%. Goldman Sachs assumed 343.4 million pro forma diluted shares outstanding of the combined entity. This analysis resulted in a range of implied present values per share of Graphic common stock of $6.96 to $8.74 for Graphic as a standalone company, as compared to a range of implied present values per share of common stock of the combined company of $6.99 to $9.99 for scenarios two and three on a combined basis.

Pro Forma Merger Analysis

Goldman Sachs prepared illustrative pro forma analyses of the potential financial impact of the transactions using earnings estimates for Graphic on a standalone and combined basis prepared by Graphic management. For each of fiscal years 2008 and 2009, Goldman Sachs compared the projected earnings per share, cash earnings per share and free cash flows per share of Graphic common stock, on a standalone basis, to the projected earnings per share, cash earnings per share and free cash flows per share of the common stock of the combined companies, respectively. The earnings per share and cash earnings per share calculations added back expensed cost to achieve synergies. Goldman Sachs assumed no limitations on the use of Graphic s NOLs. Based on such analyses, the proposed transactions would be accretive to Graphic stockholders on an earnings per share, cash earnings per share and free cash flows per share basis in fiscal years 2008 and 2009.

Goldman Sachs also performed the foregoing analyses assuming an NOL limitation per Graphic management s guidance. Based on such analyses, the proposed transactions would be accretive to Graphic stockholders on an earnings per share basis in fiscal years 2008 and 2009; accretive on a cash earnings per share basis in fiscal year 2008 and neither accretive nor dilutive in fiscal year 2009; and dilutive on a free cash flow per share basis in fiscal years 2008 and 2009.

Miscellaneous

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to Graphic or BCH or the contemplated transactions.

Goldman Sachs prepared these analyses for purposes of providing its opinion to Graphic s board of directors as to the fairness, from a financial point of view to Graphic, of the 139,445,038 shares of New Graphic common stock, taken in the aggregate, to be issued by New Graphic in exchange for 100% of the outstanding equity interests in BCH pursuant to the transaction agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Graphic, BCH, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The transaction consideration was determined through arm s-length negotiations between Graphic and BCH and was approved by Graphic s board of directors. Goldman Sachs provided advice to Graphic during these negotiations. Goldman Sachs did not, however, recommend any specific amount of consideration to Graphic or its board of directors or that any specific amount of consideration constituted the only appropriate consideration for the transaction.

As described below, Goldman Sachs opinion to the Graphic s board of directors was one of many factors taken into consideration by the Graphic board of directors in making its determination to approve the transaction agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex G.

Goldman Sachs and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. Goldman Sachs has acted as financial advisor to Graphic in connection with, and have participated in certain of the negotiations leading to, the transactions contemplated by the transaction agreement. An affiliate of Goldman Sachs entered into financing commitments to provide Graphic with one third of the senior secured credit facilities in connection with the consummation of the transactions, and has agreed to act as joint lead arranger and bookrunner in respect of the syndication of such credit facilities and the consummation of certain amendments to Graphic s existing senior secured credit facilities, in each case subject to the terms of such commitments and agreements. Goldman Sachs expects to receive fees in connection with these financing commitments and facilities that are contingent upon their closing upon consummation of the transactions.

In addition, Goldman Sachs and its affiliates have provided certain investment banking and other financial services to Graphic and its affiliates from time to time, including having acted as joint book manager in connection with the refinancing of Graphic s senior secured credit facility in May 2007. Goldman Sachs also has provided certain investment banking and other financial services to Clayton, Dubilier and Rice, Inc., or CD&R, an affiliate of a significant stockholder of Graphic, and its affiliates and portfolio companies from time to time, including having acted as its financial advisor in connection with the sale of Kinko s, a former portfolio company of CD&R, in February 2004; and as its financial advisor in connection with the sale of VWR International, a former portfolio company of CD&R, announced in May 2007. Goldman Sachs also has provided certain investment banking and other financial services to TPG Capital, or TPG, a significant equity holder of BCH, and its affiliates and portfolio companies from time to time, including having acted as its financial advisor in connection with the acquisition of Texas Genco Holdings Inc. by TPG in December 2004; as underwriter with respect to the initial public offering of shares of common stock of Burger King Holdings, Inc., or Burger King, a portfolio company of TPG, in May 2006; as underwriter with respect to the initial public offering of shares of common stock of J. Crew Group, Inc., or J. Crew, a portfolio company of TPG, in June 2006; as joint bookrunner with respect to a follow on offering of shares of common stock of J. Crew in January 2007; as joint bookrunner with respect to a follow on offering of shares of common stock of Burger King in February 2007; as financial advisor to the consortium that includes TPG with respect to its proposed acquisition of Biomet, Inc, including acting as joint bookrunner and joint lead arranger with respect to the financing of such acquisition, announced December 2006; and as financial advisor to the consortium that includes TPG with respect to its acquisition of TXU Corp., completed in October 2007. Goldman Sachs may provide investment banking and other financial services to Graphic and its affiliates and CD&R and TPG and their respective affiliates and portfolio companies in the future. In connection with the above-described services Goldman Sachs has received, and may receive, compensation.

Goldman Sachs is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman Sachs and its affiliates may provide such services to Graphic and its affiliates, BCH, CD&R and TPG and their respective affiliates and portfolio companies, may actively trade the debt and equity securities (or related derivative securities) of Graphic, BCH and affiliates and portfolio companies of CD&R and TPG for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities. Affiliates of Goldman Sachs have co-invested with CD&R and TPG and their respective affiliates from time to time and such affiliates of Goldman Sachs have invested and may invest in the future in limited partnership units of affiliates of CD&R and TPG.

The board of directors of Graphic selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the transactions. Pursuant to a letter agreement dated November 13, 2006, as amended on July 9, 2007, Graphic engaged Goldman Sachs to act as its financial advisor in connection with the contemplated transactions. Pursuant to the terms of this engagement letter, as amended, Graphic has agreed to pay Goldman Sachs a transaction fee of $20 million, all of which is payable only upon consummation of the transactions. The board of directors does not believe that the structure of the engagement letter with Goldman Sachs should materially affect your consideration of the transactions. In addition, Graphic has agreed to reimburse Goldman Sachs for its expenses, including attorneys fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

Voting Agreement

The following is a summary of the material provisions of the voting agreement. This summary is qualified in its entirety by reference to the voting agreement, which is incorporated by reference in its entirety and attached to this proxy statement/prospectus as Annex D. This summary may not contain all of the information about the voting agreement which is important to you, and we encourage you to read the voting agreement in its entirety.

Concurrently with the execution of the transaction agreement, BCH executed a voting agreement with the Coors Family Stockholders, the CDR Fund, EXOR and Graphic to facilitate the transactions. As of July 9, 2007 and as of the record date, the Coors Family Stockholders, the CDR Fund and EXOR collectively beneficially owned 129,376,414 shares of Graphic common stock, which represented approximately 65% of Graphic common stock outstanding as of July 9, 2007 and as of the record date.

Voting of Shares

Under the voting agreement, and as further described below, each of the Coors Family Stockholders, the CDR Fund and EXOR has agreed, prior to termination of the voting agreement, at the special meeting and at any other meeting of the stockholders of Graphic, however called, including any adjournment or postponement thereof, and in connection with any written consent of the stockholders of Graphic, such stockholder shall, in each case to the fullest extent that its shares of Graphic common stock are entitled to vote thereon or consent thereto, vote or consent:

- in favor of the adoption of the transaction agreement and approval of the transactions and any other related proposal submitted for a vote of Graphic stockholders in furtherance of the transaction agreement, as reasonably requested by BCH;

- against any action or agreement submitted for a vote or written consent of Graphic stockholders that is in opposition to, or competitive or materially inconsistent with the transactions or that would result in a breach of the transaction agreement by Graphic or of the voting agreement by such stockholder; and

- against any takeover proposal and any other action, agreement or transaction submitted for a vote or written consent of Graphic stockholders that would reasonably be expected to impede, interfere with, delay, postpone, discourage, frustrate the purposes of or adversely affect the transactions contemplated by the transaction agreement or the voting agreement or Graphic s performance of its obligations under the transaction agreement or by such stockholder of its obligations under the voting agreement.

The obligations of the Coors Family Stockholders, the CDR Fund and EXOR to vote as described in the paragraph above apply whether or not the transactions or any action described above is recommended by the Graphic board of directors. However, if the Graphic board of directors changes adversely its recommendation with respect to the transaction agreement in connection with a takeover proposal, the obligation of such stockholders to vote in the manner described in the paragraph above will only apply to an aggregate number of such stockholders shares equal to 32% of the outstanding shares of Graphic common stock. In that instance, each of such stockholders has agreed to cause its remaining shares so entitled to vote to be voted in a manner that is proportionate to the manner in which all shares of Graphic common stock (other than shares voted by the stockholders subject to the voting agreements) which are voted in respect of such matter, are voted.

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Grant of Proxy

In furtherance of the voting agreement, each of the Coors Family Stockholders, the CDR Fund and EXOR granted an irrevocable proxy to designated officers of BCH to vote its shares in the manner described in the two immediately preceding paragraphs.

Transfer and Other Restrictions

Each of the Coors Family Stockholders, the CDR Fund and EXOR has agreed that beginning July 9, 2007, until the termination of the voting agreement, it will not:

- sell, transfer, assign, pledge or similarly dispose of its shares of Graphic common stock or any interest in Graphic common stock (except for certain transfers to related parties of the stockholders that agree to be bound by the voting agreement);

- enter into any agreement, arrangement or understanding with any person, or take any action that would violate or conflict with its representations, warranties, covenants or obligations under the voting agreement or that would restrict or otherwise affect its legal power, authority and right to perform its covenants and obligations under the voting agreement; or

- take any action that could restrict or otherwise affect such stockholder s legal power, authority and right to comply with and perform its covenants and obligations under the voting agreement.

No Solicitation

Each of the Coors Family Stockholders, the CDR Fund and EXOR has also agreed not to, and not to permit any of its subsidiaries, representatives or affiliates to:

- solicit, initiate, or knowingly encourage or knowingly facilitate any takeover proposal or the making or consummation of a takeover proposal;

- enter into, continue or otherwise participate in any discussions or negotiations regarding, furnish any confidential information in connection with, or otherwise cooperate in any way with any takeover proposal;

- waive, terminate, modify or fail to enforce any provision of any standstill or similar obligation of any person other than BCH;

- make or participate in any solicitation of proxies, or powers of attorney or similar rights to vote, or seek to advise or influence any person with respect to the voting of Graphic common stock other than to recommend the adoption of the transaction agreement;

- approve, adopt or recommend or allow any of its subsidiaries to execute or enter into, any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement, or other similar contract or any tender or exchange offer providing for, with respect to, or in connection with, any takeover proposal; or

- agree or publicly propose to do any of the foregoing.

For purposes of the voting agreement, the term takeover proposal has the meaning described under The Transaction Agreement and Agreement and Plan of Merger No Other Transactions Involving Graphic or the Sellers.

The voting agreement terminates on the earlier to occur of:

- the closing of the transactions;
- the date of termination of the transaction agreement in accordance with its terms; and

the delivery of written notice of termination by the stockholders to BCH following any amendment to the transaction agreement, without the prior written consent of the Graphic stockholders, if such amendment changes the form or reduces the amount of consideration to be paid in the merger.

Interests of Graphic s Directors and Executive Officers in the Transactions

In considering the recommendation of the Graphic board of directors with respect to the transaction agreement and the transactions, Graphic stockholders should be aware that some of Graphic s executive officers and directors have interests in the transactions and have arrangements that are different from, or in addition to, those of Graphic stockholders generally. The Graphic board of directors was aware of these interests, which include the vesting of certain equity compensation awards, arrangements under certain executive officer employment agreements, continuing board positions, indemnification obligations and reimbursement of certain legal fees and considered them, among other matters, in reaching its decisions to approve the transaction agreement and the transactions and to recommend that Graphic stockholders vote in favor of adopting the transaction agreement and approving the transactions.

Equity Compensation Awards

The transaction agreement provides that upon completion of the merger, each Graphic stock option, including those held by executive officers and directors of Graphic, will be converted into an option to purchase New Graphic common stock on a one-for-one basis. In addition, the transaction agreement provides that, upon completion of the merger, each share of restricted stock or performance unit and other equity awards based upon shares of Graphic common stock other than restricted stock units, including those held by executive officers and directors of Graphic, will be converted into equity-based awards with respect to New Graphic common stock on a one-for-one basis. In accordance with the terms of Graphic s 2004 Stock and Incentive Compensation Plan, 4.8 million restricted stock units will immediately vest and become payable upon completion of the transactions. In connection with the payments in respect of these units, New Graphic will issue an aggregate of 1.8 million shares of New Graphic common stock and make aggregate cash payments of $14.7 million. The executive officers of Graphic listed below have restricted stock units that will vest and become payable, one-half in shares and one-half in cash, upon completion of the transactions. The gross number of shares and gross amount of cash payable (prior to the withholding of shares and cash for taxes) is set forth beside each such officer s name:

	Shares	Cash*
Daniel J. Blount	128,052	$ 590,320
Michael P. Doss	79,188	$ 365,057
Stephen A. Hellrung	131,910	$ 608,105
Stephen M. Humphrey	579,093	$ 2,669,619
Wayne E. Juby	123,498	$ 569,326
David W. Scheible	257,178	$ 1,185,591
Michael R. Schmal	133,702	$ 616,366
Robert M. Simko	115,541	$ 532,644

* Based upon an assumed market value of Graphic s common stock of $4.61 per share, the closing price of Graphic on August 28, 2007.

Continuing Executive Positions

Although final determinations have not been made with respect to the senior management of New Graphic, other than the President, Chief Executive Officer and Chief Financial Officer, New Graphic expects that some, if not all, of Graphic s executive officers will serve as executive officers of New Graphic upon completion of the transactions. Although New Graphic has not finalized its management team, New Graphic expects to retain the majority of Altivity s employees, including members of Altivity s management team.

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Continuing Board Positions

New Graphic s board of directors will consist initially of 13 directors. Eight members of Graphic s current board of directors, John D. Beckett, G. Andrea Botta, Kevin J. Conway, Jeffrey H. Coors, Harold R. Logan, John R. Miller, Robert W. Tieken and David W. Scheible, are each expected to serve as members of New Graphic s board of directors.

Indemnification Obligations

New Graphic has agreed to indemnify officers, directors and managers of BCH, Altivity and Graphic against claims arising from facts or events that occurred before the closing date of the transaction agreement to the fullest extent permitted by law (including with respect to the advancement of expenses). Such provisions will not be amended, repealed or otherwise modified for six years from the closing date of the transaction agreement in any manner that would affect adversely the rights of individuals who at or at any time before the closing date of the transaction agreement were employees, directors, members or managers of BCH, Altivity and Graphic, as applicable.

Reimbursement of HSR Filing Fees

Graphic has previously reimbursed each of the Coors Family Stockholders, the CDR Fund, and EXOR $125,000 for filing fees associated with filings submitted by each of them relating to the transactions under the HSR Act and has agreed to reimburse them for legal fees incurred in the preparation of the filings under the HSR Act and negotiation of the transactions.

Accounting Treatment

New Graphic will account for the transactions using the purchase method of accounting in accordance with generally accepted accounting principles in the United States (GAAP), with Graphic being treated as the acquirer for accounting purposes. Under the purchase method of accounting, the purchase price will be allocated to the individual tangible and intangible assets acquired and liabilities assumed from BCH based on their fair market values at the date of the completion of the transactions. Any excess of the purchase price over these fair market values will be treated as goodwill. The acquired assets, liabilities and results of operations will be consolidated into the assets, liabilities and results of operations of New Graphic on a prospective basis after the completion of the transactions.

Regulatory Approvals

In order to complete the transactions, Graphic and BCH were required to submit filings with, and obtain certain orders or approvals from, a number of regulatory authorities. The material regulatory approvals and filings are described below. Graphic and BCH are not aware of any other material approvals or filings that are required before completing the transactions.

Hart-Scott-Rodino Act

The transactions are subject to the requirements of the HSR Act and the rules and regulations promulgated thereunder. Each of Graphic, BCH, the Coors Family Stockholders, the CDR Fund, EXOR and the TPG Entities have submitted their required filings under the HSR Act to the Federal Trade Commission and the DOJ. A request was received on August 22, 2007 for additional information, commonly referred to as a second request, from the Antitrust Division of the DOJ regarding the transactions. The second request extends the waiting period imposed by the HSR Act until 30 days after the second request has been substantially complied with, unless that period is extended voluntarily by the parties or terminated sooner by the DOJ. In addition, the DOJ, the Federal Trade Commission or others could take additional action under the antitrust laws with respect to the transactions, including seeking to enjoin the consummation of the transactions before the effective time of the transactions or to impose conditions on, or to require divestitures relating to, the divisions, operations or assets of Graphic or BCH. There can be no assurance that a challenge to the transactions on antitrust grounds will not be made or, if such a challenge is made, that it would not be successful.

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Other Regulatory Filings

The transactions are also subject to the approval by the German Cartel Office. On August 2, 2007, Graphic made a filing with the German Cartel Office. Clearance of the transactions from the German Cartel Office was received on August 28, 2007.

Material U.S. Federal Income Tax Consequences to Graphic Stockholders

The following summary discusses the anticipated material U.S. federal income tax consequences of the transactions to Graphic stockholders. This summary does not deal with special situations. For example, the summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as expatriates, brokers and dealers in securities or currencies, financial institutions, mutual funds, tax-exempt entities, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, and insurance companies;
- tax consequences to Graphic stockholders who acquired their shares of Graphic common stock pursuant to the exercise of employee stock options or warrants or otherwise as compensation;
- tax consequences to persons holding Graphic common stock as part of a hedging, integrated, constructive sale or conversion transaction, a straddle or other risk reduction transaction;
- tax consequences to holders of outstanding Graphic stock options;
- tax consequences to U.S. holders, as defined below, of Graphic common stock whose functional currency is not the U.S. dollar;
- tax consequences to certain non-U.S. holders, as defined below, subject to special rules such as controlled foreign corporations, passive foreign investment companies and foreign personal holding companies ;
- alternative minimum tax consequences, if any; and
- any state, local, foreign or other tax consequences.

If a partnership holds Graphic common stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership holding Graphic common stock, you are strongly encouraged to consult your own tax advisor as to your tax treatment as a partner.

This summary is based on the Internal Revenue Code, its legislative history, Treasury Department regulations, IRS rulings, and judicial decisions, all as of the date hereof. Any of these authorities may be changed, possibly retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. This discussion assumes that Graphic stockholders hold their Graphic common stock, and will hold New Graphic common stock, as a capital asset within the meaning of Section 1221 of the Internal Revenue Code.

This summary is not binding on the IRS and no ruling will be sought from the IRS as to the tax consequences of the transactions. This summary is not a complete analysis or description of all potential U.S. federal income tax consequences of the transactions. There can be no assurance that the IRS or the courts will agree with the statements and conclusions in the summary. **Accordingly, you are strongly encouraged to consult your own tax advisor concerning the specific U.S. federal income and estate tax consequences to you of the transactions relating to**

your own personal tax situation and any consequences arising under the laws of any state, local, foreign or other taxing jurisdiction.

Tax Treatment of Transactions

Alston & Bird LLP, counsel to Graphic, will deliver a tax opinion to Graphic, dated as of the closing date of the transactions, to the effect that, on the basis of the facts, representations and assumptions set forth in

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such opinion, the exchange of Graphic common stock for New Graphic common stock, taken together with the exchange of equity interests of BCH held by the Sellers for New Graphic common stock, will constitute an exchange to which Section 351 of the Internal Revenue Code applies, or the exchange of Graphic common stock for New Graphic common stock will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, or both. Any change in currently applicable law, which may or may not be retroactive, or failure of any factual representations or assumptions to be true, correct and complete in all material respects, could affect the continuing validity of the Alston & Bird tax opinion.

Considerations for U.S. Holders of Graphic Common Stock

The following is a summary of the material U.S. federal income tax consequences if you are a U.S. holder of Graphic common stock. Certain considerations for non-U.S. holders of Graphic common stock are described under Considerations for Non-U.S. Holders of Graphic Common Stock below. U.S. holder means a beneficial owner of Graphic common stock that is for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, or a partnership or other entity treated as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any political subdivision of the United States;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) it is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

You will not recognize gain or loss on the exchange of your Graphic common stock for New Graphic common stock pursuant to the transactions. Your aggregate tax basis in New Graphic common stock received in the transactions will be the same as your aggregate tax basis in Graphic common stock exchanged in the transactions. Your holding period for New Graphic common stock received in the transactions will include the period for which you held Graphic common stock exchanged in the transactions. If you acquired different blocks of Graphic common stock at different times and at different prices, your tax basis and holding period in your New Graphic common stock may be determined with reference to each block of Graphic common stock.

Distributions, if any, on New Graphic common stock will constitute dividends for U.S. federal income tax purposes to the extent of New Graphic s current or accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent that a U.S. holder receives a distribution on common stock that exceeds New Graphic s current and accumulated earnings and profits, the distribution will be treated first as a non-taxable return of capital reducing the holder s tax basis in New Graphic common stock. Any distribution in excess of the U.S. holder s tax basis in the common stock will be treated as capital gain. Dividends paid to an individual U.S. holder in taxable years beginning before 2011 that constitute qualified dividend income generally will be taxable at a preferential rate of 15%.

A U.S. holder of New Graphic common stock will generally recognize gain or loss upon the sale, exchange, redemption or other taxable disposition of such common stock measured by the difference between:

- the amount of cash and the fair market value of any property received; and
- the U.S. holder s tax basis in such stock.

Gain or loss on the disposition of New Graphic common stock will be capital gain or loss and will be long-term capital gain or loss if the holding period of the common stock disposed of exceeded one year. Net long-term capital gain recognized by non-corporate U.S. holders prior to 2011 is generally taxable at a maximum rate of 15%. The deductibility of net capital losses is subject to limitations.

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Considerations for Non-U.S. Holders of Graphic Common Stock

The following is a summary of the material U.S. federal income tax consequences if you are a non-U.S. holder of Graphic common stock. Non-U.S. holder means a beneficial owner of a share of common stock that is not a U.S. holder. Special rules may apply to certain non-U.S. holders such as controlled foreign corporations, passive foreign investment companies, and foreign personal holding companies. All non-U.S. holders are strongly urged to consult their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

You will not recognize gain or loss on the exchange of your Graphic common stock for New Graphic common stock pursuant to the transactions. Your aggregate tax basis in New Graphic common stock received in the transactions will be the same as your aggregate tax basis in Graphic common stock exchanged in the transactions. Your holding period for New Graphic common stock received in the transactions will include the period for which you held Graphic common stock exchanged in the transactions. If you acquired different blocks of Graphic common stock at different times and at different prices, your tax basis and holding period in your New Graphic common stock may be determined with reference to each block of Graphic common stock.

Any dividends paid to you with respect to your shares of New Graphic common stock generally will be subject to U.S. federal withholding tax at a 30% rate or such lower rate as may be specified by an applicable treaty. However, dividends that are effectively connected with the conduct of a trade or business within the United States or, where an applicable tax treaty so provides, are attributable to a U.S. permanent establishment, generally are not subject to the withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable graduated individual or corporate rates. Certain certification and disclosure requirements must be complied with for effectively connected income to be exempt from withholding. Any such effectively connected dividends received by a foreign corporation may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable treaty.

A non-U.S. holder of shares of New Graphic common stock that wishes to claim the benefit of an applicable treaty rate is required to satisfy applicable certification and other requirements. If you are eligible for a reduced rate of U.S. withholding tax under an income tax treaty, you may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Information Reporting and Backup Withholding

Generally, the amount of dividends paid to you and the amount of tax, if any, withheld from those payments must be reported to the IRS and to you in information returns. If the provisions of certain income tax treaties apply to dividend payments made to you, copies of those information returns may be made available to the tax authorities of the country where you reside.

In general, if you are not a U.S. person you will not be subject to backup withholding with respect to payments that are made to you provided that:

- there is no actual knowledge or reason to know that you are a U.S. person, as defined under the Internal Revenue Code, that is not an exempt recipient; and

- you have provided your name and address, and certified under penalties of perjury, that you are not a U.S. person, which certification may be made on the appropriate IRS Form W-8BEN; W-8ECI, W-8EXP or W-8IMY or substitute IRS Form W-8BEN, W-8ECI, W-8EXP or W-8IMY.

If you are a U.S. person, you generally will not be subject to backup withholding if you provide a taxpayer identification number and other information, certified under penalties of perjury, or otherwise establish, in the manner prescribed by law, an exemption from backup withholding.

Information reporting and, depending on the circumstances, backup withholding at a rate of 28%, subject to future adjustment under applicable law, will apply with respect to the proceeds of the sale or other disposition of New Graphic common stock within the United States or conducted through certain U.S.-related financial intermediaries, unless:

the payor of the proceeds receives the statement described above and does not have actual knowledge or reason to know that you are a U.S. person, as defined under the Internal Revenue Code, that is not an exempt recipient;

you provide the payor with a taxpayer identification number and other information, certified under penalties of perjury; or

you otherwise establish, in the manner prescribed by law, an exemption from backup withholding.

Backup withholding is not an additional income tax. Any amounts withheld from a payment to a holder under the backup withholding rules will be allowed as a credit against the holder s U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is furnished to the IRS.

This summary is not a complete analysis or description of all potential U.S. federal income tax consequences of the transactions. This summary does not address tax consequences that may vary with, or are contingent on, individual circumstances. In addition it does not address any non-income tax or any foreign, state or local tax consequences of the transactions. **Accordingly, you are strongly encouraged to consult your own tax advisor concerning the specific U.S. federal income and estate tax consequences to you of the transactions relating to your personal tax situation and any consequences arising under the laws of any state, local, foreign or other taxing jurisdiction.**

Federal Securities Laws Consequences; Stock Transfer Restrictions

If the transactions are completed, Graphic will delist its common stock from the NYSE and will deregister its common stock under the Exchange Act, as a result of which Graphic will no longer be required to file annual, quarterly, current and other reports with the SEC. The stockholders of Graphic will become stockholders of New Graphic and their rights as stockholders will be governed by Delaware law and by New Graphic s certificate of incorporation and New Graphic s by-laws. See Description of New Graphic Capital Stock and Comparison of Rights of Graphic Stockholders and New Graphic Stockholders.

All shares of New Graphic common stock received by Graphic stockholders in the merger will be freely transferable under the federal securities laws, except that shares of New Graphic common stock received by persons who are deemed to be affiliates of New Graphic under the Securities Act, at the time of the special meeting may be resold by them only in transactions permitted by Rule 145 or as otherwise permitted under the Securities Act. Persons who may be deemed to be affiliates of New Graphic for such purposes generally include individuals or entities that control, or are controlled by or are under common control with, New Graphic and may include certain officers, directors and significant stockholders of New Graphic, such as the Coors Family Stockholders, the CDR Fund, EXOR and the TPG Entities (although the shares being issued to the TPG Entities and the other Sellers in the exchange are being issued in a transaction exempt from the registration requirements of the Securities Act and not under this registration statement).

Graphic s registration statement on Form S-4, of which this proxy statement/prospectus is a part, does not cover the resale of shares of New Graphic common stock to be received in connection with the transactions by persons who may be deemed to be affiliates of New Graphic, and no person is authorized to make any use of this document in connection with any such sale. However, the Coors Family Stockholders, the CDR Fund, EXOR and the Sellers are parties to a registration rights agreement with New Graphic. This registration rights agreement provides each of the Coors Family Stockholders, the CDR Fund, EXOR and the Sellers with the right in certain instances to demand registration of their shares of New Graphic common stock or to participate in registered offerings of shares by New Graphic. See Other Agreements Registration Rights Agreement.

The Coors Family Stockholders, the CDR Fund, EXOR, the TPG Entities, and certain other owners of BCH equity interests have also entered into a stockholders agreement that restricts their ability to transfer shares of New Graphic common stock to be received in connection with the transactions. See Other Agreements Stockholders Agreement.

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Rights Agreement

Graphic entered into a rights agreement dated August 7, 2003, with Wells Fargo Bank Minnesota, N.A. (now known as Wells Fargo Bank, N.A.) as rights agent. Under this agreement, Graphic effected a dividend of stockholder rights that carry certain conversion rights in the event of a significant change in beneficial ownership of Graphic. One right is attached to each share of Graphic common stock outstanding and is not detachable until such time as a person or group of affiliated or associated persons acquires beneficial ownership of 15% or more of Graphic s outstanding common stock. The time that such an acquisition occurs is referred to in the rights agreement as a stock acquisition time. Each right entitles each registered holder (excluding the acquiring person or group) to purchase from Graphic one-thousandth of a share of Series A junior participating preferred stock, par value $0.01 per share, at a purchase price of $35.00 per one-thousandth of a share. Registered holders would receive shares of Graphic common stock valued at twice the exercise price of the right upon exercise. Upon the occurrence of a stock acquisition time, Graphic is entitled to exchange one share of its common stock for each right outstanding, or to redeem the rights at a price of $0.001 per right. The rights will expire on August 8, 2013.

In connection with the proposed transactions, Graphic and the rights agent amended the terms of the rights agreement so that the execution and delivery of the transaction agreement and voting agreement and the consummation of the transactions will not constitute a stock acquisition time. This means that holders of Graphic common stock will not obtain the detachable rights in connection with the proposed transactions.

Also, in connection with the proposed transactions, the board of directors of New Graphic will adopt a new stockholder rights plan. See Description of New Graphic Capital Stock New Rights Plan.

Financing

Refinancing Transactions

As contemplated by the commitment letter between Graphic and each of Bank of America, N.A., Goldman Sachs Credit Partners, L.P. and JPMorgan Chase Bank N.A., Graphic currently expects to complete the following refinancing transactions through its wholly-owned subsidiary, Graphic Packaging International, Inc., in connection with the transactions:

The closing of a new $1.2 billion senior secured term loan facility to refinance the outstanding amounts under BCH s existing first and second lien credit facilities.

The closing of a new $600 million senior secured asset-based revolving credit facility. However, if an asset-based revolving credit facility containing terms that are satisfactory to Graphic cannot be arranged prior to the closing of the transactions, Graphic Packaging International, Inc. may instead elect to increase the size of its existing revolving credit facility to up to $400 million from $300 million.

An amendment or amendment and restatement of Graphic Packaging International, Inc. s existing May 16, 2007 credit agreement to, among other things, accommodate the transactions and to allow for the reprioritization of liens in connection with the above-described asset-based revolving credit facility if obtained.

The foregoing refinancing transactions are referred to in this document as the refinancing.

Existing Graphic Indebtedness; Certain Amendments to Senior Secured Facility

On May 16, 2007, Graphic refinanced its existing senior secured credit facility with various lenders and Bank of America, N.A., as administrative agent. The current credit facility consists of a $300 million revolving facility having a maturity date of March 16, 2013 and a $1,055 million term loan facility due on May 16, 2014. The revolving facility initially bore interest at a rate of LIBOR plus 225 basis points but is subject to adjustment pursuant to a pricing grid based upon Graphic s consolidated leverage ratio. The term loan facility bears interest at a rate of LIBOR plus 200 basis points.

Under the terms of the existing credit facility, Graphic must comply with a maximum consolidated leverage ratio covenant and a minimum consolidated interest coverage ratio covenant. In addition, covenants under the facility impose restrictions upon Graphic s ability to, among other things:

- incur additional indebtedness;
- incur guarantee obligations;
- create or permit liens on Graphic s assets;
- dispose of assets;
- prepay other indebtedness;
- make dividends and other restricted payments;
- make certain debt or equity investments;
- make certain acquisitions;
- engage in certain transactions with affiliates; and
- change the business conducted by Graphic and its subsidiaries.

Graphic s obligations under the credit facility are secured by substantially all of the assets of Graphic.

Pursuant to the refinancing, the above-described existing Graphic credit facility will remain in place but will be amended or amended and restated to accommodate the transactions, to permit the incurrence of the new senior secured term loan facility that will be necessary to refinance BCH s existing first and second lien credit facilities and to allow for the reprioritization of the lien in connection with the above-described senior secured asset-based revolving credit facility, if obtained. However, the amendment or amendment and restatement of the existing Graphic credit facility will not materially alter certain of the principal economic terms of the existing credit facility including the maturity dates of the facilities and the interest rate applicable to the existing term loan and the revolving credit facility, if such facility remains in place. The amendment or amendment and restatement will modify various affirmative, negative and financial covenants from those contained in the existing facility.

On August 8, 2003, Graphic Packaging International, Inc. issued its 8.50% senior notes due August 15, 2011 in an aggregate principal amount equal to $425 million and its 9.50% senior subordinated notes due August 15, 2013 in an aggregate principal amount equal to $425 million. Each issuance of notes was issued pursuant to an indenture, each dated August 8, 2003. These indentures do not prohibit the consummation of the transactions. It is expected that the senior notes and senior subordinated notes will remain outstanding after the transactions and their terms and the terms of the indentures will not be amended.

New Graphic Credit Facilities

Pursuant to a commitment letter dated July 9, 2007, Bank of America, N.A., Goldman Sachs Credit Partners L.P., JPMorgan Chase Bank, N.A. and certain of their affiliates (which we refer to as the joint bookrunners) have committed to provide the refinancing, subject to certain conditions. Graphic Packaging International, Inc. will be the borrower under the new credit facilities and is referred to in this summary of the new credit facilities as the borrower.

The new credit facilities are expected to provide for aggregate maximum borrowings of $1.8 billion under (1) a term loan facility providing for term loans in an aggregate principal amount of up to $1.2 billion, and (2) an asset-based revolving credit facility providing for up to $600 million in revolving loans to the borrower (including letters of credit and swingline loans) outstanding at any time. However, if an asset-based loan facility that is satisfactory to Graphic cannot be arranged prior to the closing of the transactions, Graphic s existing revolving credit facility, as described above, will be increased to up to $400 million from $300 million.

Availability. The availability of the new credit facilities are subject to conditions precedent, which include the following:

the consummation of the transactions in all material respects in accordance with the transaction agreement without modifications, amendments or waivers material and adverse to the lenders;

the negotiation, execution and delivery of definitive loan documentation, provided that such documentation will not contain any provisions which would cause the new credit facilities to not be available if the explicit conditions in the commitment letter are met and representations and warranties will be limited to those representations and warranties in the transaction agreement to the extent material to the interests of the lenders and certain specified representations and warranties;

the delivery of certain financial statements; and

the delivery of certain customary closing certificates and opinions.

Maturity; Prepayments. The new term loans are expected to mature on May 16, 2014, the new asset-based revolving credit facility, if obtained, is expected to mature on the date six years after the closing of the transactions, and the increased revolving credit facility is expected to mature on May 16, 2013, if the asset-based facility is not obtained. Amortization of the principal amount of the new term loan facility will be required semi-annually in an annual amount of 1.0% of the original amount of the term loans thereunder. (It is expected that the amortization of Graphic s existing $1,055 million term loan will remain unchanged and will continue to amortize in an annual amount of 1.0% of the original amount of the existing term loans payable in semi-annual installments.)

Subject to certain exceptions, the new credit facilities are expected to be subject to mandatory prepayment and reduction in an amount equal to:

the net proceeds of certain debt offerings by the borrower and its subsidiaries (other than debt offerings permitted by the credit facilities); and

the net proceeds of certain non-ordinary asset sales by the borrower and its subsidiaries if the borrower s secured leverage ratio exceeds an agreed level.

Security; Guaranty. The obligations of the borrower under the new credit facilities are expected to be guaranteed by Graphic and each existing or future domestic subsidiary of the borrower (including BCH and its subsidiaries). In addition, the new credit facilities and the guarantees thereunder are expected to be secured by security interests in and pledges of or liens on substantially all of the material tangible and intangible assets of the borrower and the guarantors, including pledges of all the capital stock of the borrower and certain direct or indirect domestic subsidiaries of the borrower and of up to 65% of the capital stock of each direct foreign subsidiary of the borrower. If the asset-based revolving credit facility is obtained, the lenders thereunder shall obtain a first-priority security interest and lien upon all accounts receivable and inventory of the borrower and the guarantors and a second-priority lien and security interest on substantially all of the other tangible and intangible assets (including property, plant and equipment and general intangibles) of the borrower and the guarantors. In such case, the lenders under the existing and new term loans will obtain a first-priority security interest and lien upon all tangible assets of the borrower and the guarantors (including property, plant and equipment and general intangibles) excluding all accounts receivable and inventory and a second-priority security interest and lien on the accounts receivable and inventory. If the asset-based revolving credit facility is not obtained, the lenders under the revolving credit facility and the term loan facility will share in all collateral security on a *pari passu* basis.

Interest. The commitment letter provides that the interest rate on Graphic s existing term loan and on Graphic s new term loan will bear interest at LIBOR plus 200 basis points, subject to limited adjustment. The outstanding borrowings under the asset-based revolving facility are expected to bear interest at LIBOR plus a margin ranging from 125 basis points to 175 basis points depending upon excess availability thereunder, subject to adjustment. (If the asset-based revolving facility is not ultimately consummated, the interest rate on the existing Graphic revolver, as increased to $400 million from $300 million, will remain unchanged and will continue to bear interest at LIBOR plus a margin ranging between 175 basis points and 225 basis points depending upon Graphic s consolidated leverage ratio.)

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Fees. Subject to the consummation of the transactions, Graphic has agreed to pay (or cause the borrower to pay) certain fees with respect to the new credit facilities, including (i) fees on the unused commitments of the lenders, (ii) letter of credit fees on the aggregate face amount of outstanding letters of credit plus (minus in the case of the asset-based facility) a fronting bank fee for the letter of credit issuing bank, (iii) quarterly administration fees and (iv) arrangement and other similar fees.

Covenants. It is anticipated that the new credit facilities will be subject to covenants similar to those contained in Graphic s existing credit facility, as the same is amended or amended and restated, including certain financial covenants and covenants that, among other things, would limit or restrict the ability of the borrower and its subsidiaries to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay subordinated indebtedness, make restricted payments, create liens, make equity or debt investments, make acquisitions or engage in mergers or consolidations.

Events of Default. It is anticipated that the new credit facilities will be subject to customary events of default similar to those contained in Graphic s existing credit facility, as the same is amended or amended and restated, including non-payment of principal, interest or fees, failure to comply with covenants, inaccuracy of representations or warranties in any material respect, cross default to certain other indebtedness, loss of lien perfection or priority, material judgments and change of ownership or control.

Sources and Uses of Funds

Graphic and BCH currently expect that approximately $1.2 billion of borrowings and cash-on-hand will be required to consummate the refinancing and pay fees and expenses related to the refinancing and the transactions. Assuming the transaction closed on June 30, 2007, approximately $1.1 billion would have been required to be drawn under the new senior secured term loan facility and approximately $5 million would be expected to have been drawn under the revolving credit facility. With the borrowings under the amended or amended and restated credit facility and/or the new senior secured asset-based revolving credit facility, Graphic and BCH expect that all outstanding amounts under BCH s existing first and second lien credit facilities (estimated to be approximately $1.1 billion at the time of the transactions) will be repaid in full and such BCH credit facilities will be terminated. Undrawn amounts under the revolving credit facility will be available on a revolving credit basis for general corporate purposes of the borrower and its subsidiaries.

Exchange of Shares

Exchange Agent

Prior to the transactions, Graphic will appoint an exchange agent to effect the exchange of certificates representing shares of Graphic common stock for certificates representing shares of New Graphic common stock. Prior to the completion of the transactions, New Graphic will deposit with the exchange agent, in trust for the holders of Graphic common stock, certificates representing New Graphic common stock issuable upon conversion of shares of Graphic common stock.

Exchange of Graphic Shares

Promptly after the transactions, the exchange agent will mail to each holder of certificates of Graphic common stock a letter of transmittal and instructions explaining how to surrender such certificates to the exchange agent.

Graphic stockholders who surrender their stock certificates to the exchange agent, together with a properly completed and signed letter of transmittal and any other documents required by the instructions to the letter of transmittal, will receive New Graphic common stock certificates representing such number of shares as such holders are entitled to receive in accordance with the transaction agreement.

Graphic common stock certificates should not be returned with the enclosed proxy card and should not be forwarded to the exchange agent except with a signed letter of transmittal and any other documents that may be required by the exchange agent, as provided in the instructions that will accompany the letter of transmittal, which will be provided to Graphic stockholders following the transactions.

THE TRANSACTION AGREEMENT AND AGREEMENT AND PLAN OF MERGER

Graphic, BCH, the Sellers, Merger Sub, and New Graphic entered into the transaction agreement on July 9, 2007. The transaction agreement, in general, provides for the combination of the businesses of Graphic and BCH. The following is a summary of the material provisions of the transaction agreement. This summary is qualified in its entirety by reference to the transaction agreement, which is incorporated by reference in its entirety and attached to this proxy statement/prospectus as Annex A. This summary may not contain all of the information about the transaction agreement which is important to you, and we encourage you to read the transaction agreement in its entirety.

The transaction agreement has been included to provide you with information regarding its terms, and we recommend that you read carefully the transaction agreement in its entirety. The transaction agreement contains representations and warranties of the parties as of specific dates and that may have been used for the purposes of allocating risk between the parties and not for establishing matters as facts. Those representations and warranties are qualified in several important respects, which you should consider as you read them in the transaction agreement, including contractual standards of materiality that may be different from what may be viewed as material to stockholders. Except for the parties themselves, under the terms of the transaction agreement only certain other specifically identified persons are third party beneficiaries of the transaction agreement who may enforce its terms. As stockholders, you are not third party beneficiaries of the transaction agreement and therefore may not directly enforce its terms and conditions. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the transaction agreement and subsequently developed or new information qualifying a representation or warranty may have been included in this proxy statement/prospectus.

The transaction agreement provides for the Sellers to exchange BCH equity interests owned by each Seller for newly issued shares of New Graphic common stock. New Graphic will issue an aggregate of 139,445,038 shares of New Graphic common stock to the Sellers for all of the equity interests of BCH. The total number of shares of New Graphic common stock issued to the Sellers is expected to constitute 40.6% of the total number of shares of New Graphic common stock on a fully diluted basis (which includes, in addition to outstanding shares of Graphic common stock, Graphic s restricted stock units, in the money stock options, phantom stock and stock issued in connection with Graphic s employee incentive program), and the total number of shares of New Graphic common stock issued to Graphic stockholders is expected to constitute 59.4% of the total number of shares of New Graphic common stock on a fully diluted basis.

The transaction agreement also governs the merger of Merger Sub, a wholly-owned subsidiary of New Graphic, with and into Graphic, the result of which will be the conversion of each outstanding share of Graphic common stock into the right to receive one share of New Graphic s newly issued common stock. Pursuant to the transaction agreement, New Graphic and the Sellers have entered into, and will enter into, additional agreements in connection with the transactions, including the following agreements:

- the voting agreement;
- the stockholders agreement; and
- the registration rights agreement.

With regard to certain matters pertaining to the transaction agreement, the Sellers have appointed TPG Bluegrass V-AIV 2, L.P. as their representative to act on behalf of the Sellers under the transaction agreement. When acting in this capacity, we refer to TPG Bluegrass V-AIV 2, L.P. as the Sellers Representative.

The Transactions

Merger of Graphic and Merger Sub

In connection with the merger, Merger Sub, a new, wholly-owned subsidiary of New Graphic, will merge with and into Graphic. As a result, Graphic will survive the merger and become a wholly-owned subsidiary of

New Graphic. Upon the completion of the merger, each outstanding share of Graphic common stock will be converted into the right to receive one share of New Graphic common stock.

Contribution from the Sellers to New Graphic

Immediately after the completion of the merger, the Sellers will contribute all of the outstanding equity interests of BCH to New Graphic in exchange for 139,445,038 shares of New Graphic common stock. Of those shares of New Graphic common stock being issued to the Sellers in the transaction, 3,286,732 shares are being issued in exchange for the profits units of BCH, which are indirectly held by members of Altivity s management. In most cases those shares will be subject to forfeiture back to New Graphic if the manager terminates his employment with New Graphic; those forfeiture restrictions will lapse over the 18 months following the closing.

Upon the completion of these transactions, Graphic stockholders, in the aggregate, will hold approximately 59.4%, and the Sellers will hold approximately 40.6%, of the common stock of New Graphic that will be outstanding, each calculated on a fully diluted basis.

Conditions

Conditions to the Obligations of Graphic, BCH and the Sellers to Complete the Transactions

The respective obligations of each party to complete the transactions are subject to the satisfaction or waiver on or prior to the closing date of the transactions, of the following conditions:

- the adoption of the transaction agreement and the approval of the transactions by Graphic stockholders;
- no law, order or judgment having been issued, enacted, entered or enforced by any court or other governmental authority preventing or making illegal the consummation of the transactions;
- any required clearance or approval of the German Cartel Office;
- the expiration or termination of any waiting period applicable to the transactions in respect of filings by Graphic and BCH under the HSR Act;
- the approval of the listing on the NYSE of New Graphic common stock to be issued in connection with the transactions; and
- the registration statement of which this proxy statement/prospectus forms a part shall have become effective under the Securities Act and shall not be the subject of any stop order or proceeding seeking stop order.

Conditions to the Obligations of the Sellers to Complete the Transactions

The Sellers obligations to complete the transactions are further subject to the satisfaction or waiver on or prior to the closing date of the transactions, of the following additional conditions:

- the representations and warranties of Graphic must be true and correct on the date of the transaction agreement and as of the closing date of the transactions as though they were made on and as of such date, except for representations and warranties which speak as of an earlier date, which must be true and correct as of such date, except where the failure of such representations and warranties to be true and correct does not have, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, as described below, on Graphic;

Graphic, New Graphic and Merger Sub must have performed in all material respects all obligations required to be performed by them under the transaction agreement prior to the closing date of the transactions;

BCH must have received an opinion from Simpson Thacher & Bartlett LLP, counsel to BCH, regarding the tax treatment of the merger and the contribution of the equity interests of BCH by the Sellers as exchanges under Section 351 of the Internal Revenue Code and that the exchange and subsequent liquidation of certain corporate Sellers will be treated for federal income tax purposes as transactions described in Section 368(a) of the Internal Revenue Code; and

New Graphic, along with any of the TPG Entities that make such a request of New Graphic, shall have entered into management rights agreements substantially in the forms of the existing management rights agreements certain of the Sellers have entered into with BCH.

Conditions to the Obligations of Graphic to Complete the Transactions

Graphic s obligations to complete the transactions are further subject to the satisfaction or waiver, on or prior to the closing date of the transactions, of the following additional conditions:

the representations and warranties of the Sellers and BCH must be true and correct as of the closing date of the transactions as though they were made on and as of such date, except for representations and warranties which speak as of an earlier date, which must be true and correct as of such date, except where the failure of such representations and warranties to be true and correct does not have, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, as described below, on BCH;

BCH and the Sellers must have performed in all material respects all obligations required to be performed by them under the transaction agreement prior to the closing date of the transactions; and

Graphic must have received the opinion of Alston & Bird LLP, counsel to Graphic, to the effect that the exchange of BCH equity interests and Graphic common stock for New Graphic common stock pursuant to the transactions, taken together, will, with respect to Graphic, be treated for Federal income tax purposes as a transaction described in Section 351 or 368(a) of the Internal Revenue Code.

Material Adverse Effect means, with respect to any person, any event, condition, change, occurrence, development or state of circumstances which, individually or in the aggregate, has or would reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of such person and its subsidiaries considered as a single enterprise, or on the ability of such person to consummate the transactions. However, none of the following events, conditions, changes, occurrences, developments or states of circumstances shall be deemed, either alone or in combination, nor considered in determining whether any matter has or would reasonably be expected to have, a material adverse effect on the business, financial condition or results of operations of such person:

changes or developments in financial, economic, political or industry conditions in the United States or any other jurisdiction in which such person has substantial business operations (except to the extent those changes have a materially disproportionate effect on such person);

changes or developments resulting from factors generally affecting any business in which such person has substantial business operations (except to the extent those changes have a materially disproportionate effect on such person and its subsidiaries);

changes or developments, after the date of the transaction agreement, in any laws or generally accepted accounting principles or the interpretation or enforcement thereof;

changes or developments resulting from or caused by natural disasters, outbreak of major hostilities in which the United States is involved or any act of war or terrorism within the United States or directed against its facilities or citizens wherever located;

changes or developments relating to the announcement of, entry into, pendency of, actions contemplated by or performance of obligations under, the transaction agreement and the transactions or the identity of the parties to the transaction agreement, including any termination of, reduction in or similar adverse impact on relationships, contractual or otherwise, with any customers, suppliers, distributors, partners or employees of such person relating thereto;

failure by such person to meet internal or third party projections or forecasts or any published revenue or earnings projections for any period; provided, that this exception shall not prevent or otherwise affect

- any determination that any event, condition, change, occurrence, development or state of facts underlying such failure has or resulted in, or contributed to, a Material Adverse Effect;

- changes in the market value or the market price or trading value of the publicly traded securities of such person; provided, that this exception shall not prevent or otherwise affect any determination that any event, condition, change, occurrence, development or state of facts underlying such change has or resulted in, or contributed to, a Material Adverse Effect; or

- actions required or contemplated to be taken by such person under the transaction agreement or taken at the express request or direction of the other party to the transaction agreement.

No Other Transactions Involving Graphic or the Sellers

No Solicitation of Takeover Proposals

Graphic, BCH and each Seller have agreed that neither it nor its subsidiaries will, and each of Graphic and the Sellers will use its reasonable best efforts to cause its and its subsidiaries representatives not to directly or indirectly:

- solicit, initiate, knowingly encourage or knowingly facilitate any takeover proposal, as described below or the consummation thereof;

- enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any person any information in connection with, or otherwise cooperate in any way with any takeover proposal; or

- waive, terminate, modify or fail to enforce any provision of any standstill or similar obligation of any person.

A takeover proposal means any inquiry, proposal or offer from any person, other than the Sellers, New Graphic, Merger Sub or any of their affiliates, relating to:

- any direct or indirect acquisition or purchase, in one transaction or a series of related transactions, of assets or businesses that constitute 15% or more of the consolidated revenues, net income or assets of BCH or Graphic, as the case may be, or 15% or more of any class of equity securities of BCH or Graphic, as the case may be; or

- any tender offer or exchange offer, merger, consolidation, business combination, recapitalization, liquidation, dissolution, joint venture, share exchange or similar transaction that if consummated would result in any person beneficially owning 15% or more of any class of equity securities of BCH or Graphic or any resulting parent of BCH or Graphic, as the case may be;

in each case other than the transactions.

If, however, prior to obtaining its stockholders approval of the transaction agreement, Graphic receives an unsolicited, bona fide, written takeover proposal that the Graphic board of directors determines in good faith, after consultation with its legal advisors and financial advisors, would reasonably be expected to result in a superior proposal, as described below, Graphic may furnish information to the person making such takeover proposal pursuant to a customary confidentiality agreement (including standstill provisions) not less restrictive than the provisions of the confidentiality agreement between Graphic and BCH and participate in discussions or negotiations regarding such takeover proposal, if and only to the extent that the Graphic board of directors concludes in good faith, after consultation with its counsel, that the failure to take such action would be reasonably expected to violate its fiduciary duties under applicable law.

A superior proposal means any bona fide written offer made by a third party that if consummated would result in such person owning, directly or indirectly, more than 50% of the shares of Graphic common stock or of any other surviving entity then outstanding or all or substantially all the assets of Graphic, which the Graphic board of directors determines in good faith (after consultation with its legal advisors and financial advisors) taking into account all relevant financial, legal, regulatory and other aspects of such proposal, including any break-up fee, expense reimbursement provisions and conditions to consummation, and the person making the proposal:

- to be more favorable to the stockholders of Graphic from a financial point of view than the transactions (after giving effect to any changes proposed by BCH in response to such offer) and reasonably capable of being completed in a timely manner on the terms set forth in the proposal; and

- for which financing, to the extent required, is reasonably assured of being obtained.

Change in Graphic Board of Directors Recommendation

The Graphic board of directors may not:

- withdraw, modify, or qualify in any manner or take any action or make any public statement that is inconsistent with, its recommendation of the transaction agreement and the transactions;

- approve or recommend, or publicly propose to approve or recommend, any takeover proposal; or

- allow Graphic to execute or enter into, any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement, or other similar contract or any tender or exchange offer providing for, with respect to, or in connection with, any takeover proposal;

unless, prior to obtaining its stockholders approval of the transaction agreement, the Graphic board of directors has concluded in good faith, after consultation with, and taking into account the advice of, its legal advisors, that the failure of the board of directors to change, amend or otherwise modify its recommendation would be reasonably expected to violate its fiduciary duties under applicable law. If the Graphic board of directors makes such a determination, then the Graphic board of directors may adversely change its recommendation regarding the transaction agreement and transactions, so long as Graphic has:

- provided to BCH five business days prior written notice advising BCH that the Graphic board of directors intends to take such action and specifying the reasons therefor in reasonable detail, including, if applicable, the terms and conditions of any superior proposal that is the basis of the proposed action by the Graphic board of directors and the identity of the person making the proposal (any material amendment to such superior proposal will require a new written notice to BCH plus two additional business days); and

- during such five business day period, if requested by BCH, engaged in good faith negotiations with BCH to amend the transaction agreement or make other agreements in such a manner that failure to take the proposed action by the board of directors would not be reasonably expected to violate its fiduciary duties under applicable law.

Graphic shall, as promptly as practicable (and in any event within 24 hours after receipt), advise BCH orally and in writing of any takeover proposal or any matter giving rise to a change in the recommendation of the Graphic board of directors regarding the transactions and the material terms and conditions of any such takeover proposal or any matter giving rise to a change in the recommendation of the Graphic board of directors. Graphic shall keep BCH informed on a reasonably current basis of material developments with respect to any such takeover proposal or any matter giving rise to a change in the recommendation of the Graphic board of directors.

Stockholder Meeting

The obligation of Graphic to call, give notice of, convene and hold a stockholders meeting so Graphic stockholders can vote on the adoption of the transaction agreement and approval of the transactions is not limited or otherwise affected by the commencement, disclosure, announcement or submission to it of any takeover proposal. If the board of directors of Graphic amends, modifies or otherwise changes its recommendation regarding the transaction agreement and the transactions, Graphic is still obligated to submit the transaction agreement and the transactions to a vote of its stockholders.

In addition, the transaction agreement does not prohibit Graphic from taking and disclosing to Graphic stockholders a position contemplated by Rule 14e-2(a)(2) or (3) under the Exchange Act or making a statement required under Rule 14d-9 under the Exchange Act with respect to a tender or exchange offer by a third party; *provided, that* compliance with those rules will not limit or modify the effect that any action pursuant to such rules has under the transaction agreement and in no event shall Graphic, or its board of directors or any committee thereof take, or agree or resolve to take, any action recommending that Graphic stockholders tender their shares of Graphic common stock in connection with any such tender or exchange offer unless the Graphic board of directors determines in good faith (after consultation with its financial advisor and legal counsel) that the failure of the Graphic board of directors to take such action would be reasonably expected to violate its fiduciary duties under applicable law, and Graphic shall have complied in all material respects with all of its obligations under the takeover proposals provisions of the transaction agreement.

Termination of the Transaction Agreement

The transaction agreement may be terminated at any time prior to the completion of the transactions (regardless of whether Graphic stockholders have adopted the transaction agreement) under any of the following circumstances:

- by mutual consent of the Sellers Representative and Graphic;
- by either the Sellers Representative or Graphic if:
  - any judgment, decree, injunction, ruling, award, settlement, stipulation or order permanently restraining, enjoining or otherwise prohibiting the completion of the transactions becomes final and non-appealable, except no party may terminate the transaction agreement if such party s failure to fulfill any obligation under the transaction agreement has been the cause of such action;
  - the transactions have not been completed by March 31, 2008 (which date may be extended by Graphic or the Sellers Representative by written notice to the other prior to March 31, 2008 to May 31, 2008 if the delay is the result of the failure to obtain antitrust approvals), except no party may terminate the transaction agreement on such date if such party s failure to fulfill any obligation under the transaction agreement has prevented the completion of the transactions from occurring prior to such date;
  - Graphic stockholders fail to adopt the transaction agreement and approve the transactions at the special meeting;
  - there shall have been a breach by the other party of any of the covenants or agreements or any of the representations or warranties on the part of such other party, which breach, either individually or in the aggregate, would result in, if occurring or continuing on the closing date of the transactions, the closing conditions under the transaction agreement to fail to be satisfied, which breach is not cured within 30 days after notice of such breach or which cannot be cured within such time frame; *provided, however,* that no party may terminate the transaction agreement under this provision if such party is in material breach of any covenant or other agreement or in willful and material breach of any representation or warranty; or
- by Sellers Representative if, prior to the time the transaction agreement has been adopted and the transactions approved by Graphic stockholders,
  - the Graphic board of directors (i) withdraws, amends, modifies or qualifies or publicly proposes to withdraw, amend, modify or qualify its recommendation, approval, adoption or declaration of advisability of the transaction agreement or has recommended that Graphic stockholders reject the transaction agreement or the

transactions; or (ii) fails to publicly reaffirm its adoption and recommendation of the transactions within ten business days of receipt of a written request by BCH to provide such reaffirmation following a takeover proposal; or

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Graphic has materially breached certain provisions of the transaction agreement relating to the non-solicitation of takeover proposals and such breach is not cured within 30 days after notice of such breach or exempts any person from any Delaware interested stockholder law or amends its stockholder rights plan to exclude any person for the purpose of permitting an acquisition of shares of Graphic common stock.

Fees and Expenses

General

Whether or not transactions are consummated, all costs and expenses incurred in connection with the transactions shall be paid by the party incurring such expense, except as discussed below, although BCH may pay expenses of the Sellers. If the transactions are consummated, New Graphic shall pay, or cause to be paid, any and all property or transfer taxes imposed on the parties hereto in connection with the transactions, and expenses incurred in connection with filing, printing and mailing this prospectus/proxy statement will be paid by Graphic.

***Payment of the Termination Fee by Graphic*.**

Under the terms of the transaction agreement, Graphic will be obligated to pay to BCH a termination fee in the amount of $35,000,000 if the transaction agreement is terminated:

by either Sellers Representative or Graphic, if the transactions have not been completed by March 31, 2008 (which date may be extended by Graphic or Sellers Representative by written notice to the other prior to March 31, 2008 to May 31, 2008 if the delay is the result of the failure to obtain antitrust approvals) and the Graphic board of directors had previously adversely changed its recommendation regarding the transaction agreement and the transactions;

by Sellers Representative due to a breach by Graphic of any of its covenants or agreements or representations or warranties, which breach, either individually or in the aggregate, would result in, if occurring or continuing on the closing date, the closing conditions under the transaction agreement to fail to be satisfied, which breach is not cured within 30 days after notice of such breach or which cannot be cured within such time frame and the Graphic board of directors had previously adversely changed its recommendation regarding the transaction agreement and the transactions; or

by Sellers Representative prior to the time the transaction agreement has been adopted and the transactions approved by Graphic stockholders, if (i) the Graphic board of directors (x) withdraws, amends, modifies or qualifies or publicly proposes to withdraw, amend, modify or qualify its recommendation, approval, adoption or declaration of advisability of the transaction agreement or has recommended that Graphic stockholders reject the transaction agreement or the transactions; or (y) fails to publicly reaffirm its adoption and recommendation of the transactions within ten business days of receipt of a written request by BCH to provide such reaffirmation following a takeover proposal; or (ii) Graphic has materially breached certain provisions of the transaction agreement relating to non-solicitation or takeover proposals which such breach is not cured within 30 days after notice of such breach or exempts any person from any Delaware interested stockholder law or amends its stockholder rights plan to exclude any person for the purpose of permitting an acquisition of shares of Graphic common stock.

Additionally, in the event that prior to obtaining the approval of the Graphic stockholders of the transaction agreement and the transactions, a takeover proposal (substituting 50% for each instance of 15% in the definition of takeover proposal above) shall have been made to Graphic or shall have been made publicly to the stockholders of Graphic or shall have otherwise become publicly known or any person shall have publicly announced an intention to make a takeover proposal and, in each case, such takeover proposal is not withdrawn or abandoned at least 15 days prior to the earlier of (i) the date of the Graphic stockholders meeting and (ii) the date of termination of the transaction agreement and thereafter the transaction agreement is terminated in the following circumstances (but does not otherwise result in the payment of the termination fee):

by either Sellers Representative or Graphic, if the transactions have not been completed by March 31, 2008 (which date may be extended by Graphic or the Sellers Representative by written notice to the other prior to March 31, 2008 to May 31, 2008 if the delay is the result of failure to obtain antitrust approvals);

by either Sellers Representative or Graphic, if Graphic stockholders fail to adopt the transaction agreement and approve the transactions at the special meeting; or

by either Sellers Representative, due to a breach by Graphic of any of its covenants or agreements or representations or warranties, which breach, either individually or in the aggregate, would result in, if occurring or continuing on the closing date, the closing conditions under the transaction agreement to fail to be satisfied, which breach is not cured within 30 days after notice of such breach or which cannot be cured within such time frame;

then Graphic shall pay to BCH an amount equal to the documented out-of-pocket fees and expenses of BCH incurred by BCH and the Sellers and their representatives (excluding any consulting, investment banking or similar fee) in connection with the authorization, preparation, negotiation, execution and performance of the transaction agreement and the transactions, up to a maximum amount of $5,000,000. If within 12 months of such termination Graphic consummates or enters into a binding written agreement with respect to a takeover proposal (substituting 50% for each instance of 15% in the definition of takeover proposal above), Graphic shall pay BCH the excess of the difference between $35,000,000 and any out-of-pocket expenses previously paid.

Other Covenants

Employee and Employee Benefit Matters

For a period of twelve months following the closing of the transactions, New Graphic shall provide to officers and employees of BCH and Graphic who become employees of New Graphic employee benefits on terms and conditions which are no less favorable in the aggregate than those provided to such employees immediately prior to the closing of the transactions. New Graphic will review, evaluate and analyze the existing Graphic and BCH benefit plans with a view towards developing an appropriate and effective benefit plan for employees of New Graphic on a going forward basis. New Graphic will also honor, in accordance with their terms, all vested or accrued benefit obligations to, the employees of New Graphic, including, without limitation, any benefits or rights arising as a result of the transactions.

Conduct of Business Pending the Closing

The transaction agreement provides that each of BCH and Graphic will conduct its business in the ordinary course and use its reasonable best efforts to preserve substantially intact its business organization, and to preserve its present relationships with customers, suppliers and other persons with which it has significant business relations.

In addition, subject to certain exceptions each of BCH and Graphic have also agreed, prior to the closing of the transactions, not to:

pay any dividends;

split, combine or reclassify any capital stock;

redeem any shares of capital stock;

issue any additional shares of capital stock or rights to purchase such shares;

amend its governing documents;

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acquire in any manner assets of any third party, except for certain capital expenditures not in excess of $20 million, ordinary course transactions or other acquisitions not in excess of $1 million;

sell, lease or encumber any of its material properties or assets to third parties, except for disclosed agreements, ordinary course transactions or other sales, leases or encumbrances on assets not exceeding $10 million in the aggregate in any 6 month period;

redeem or incur additional indebtedness, except in the ordinary course of business under current agreements;

settle, waive or assign any claims or rights material to such person;

enter into, materially modify, terminate or cancel any material contract;

adopt, enter into, terminate or amend any Benefit Plan;

make any material changes in accounting methods, principles or practices, except as required by GAAP; or

make any material changes in its method of tax accounting or tax elections.

Reasonable Best Efforts

The parties to the transaction agreement have agreed to cooperate and to use their reasonable best efforts to take all actions necessary, proper or advisable to complete the transactions as soon as practicable.

In addition, the parties to the transaction agreement have agreed, among other things, to make, appropriate filings pursuant to the HSR Act. Graphic and BCH made these filings on July 23, 2007. On August 22, 2007, Graphic and BCH received a second request from the DOJ regarding the transactions, which extends the waiting period imposed by the HSR Act until 30 days after Graphic and BCH have substantially complied with the second request, unless that period is extended voluntarily by the parties or terminated sooner by the DOJ. The parties have agreed to supply as promptly as practicable any additional information and documentary material that may be requested pursuant to applicable antitrust laws. See The Transactions Regulatory Approvals Hart-Scott-Rodino Act.

Each of Graphic and BCH have agreed to use their best efforts to cause the expiration or termination of the applicable waiting periods under the HSR Act and the receipt of required approvals under antitrust laws as soon as practicable, including selling, holding separate or disposing of any business or assets or conducting its business in any specified manner. However, neither Graphic nor BCH would be required to take any such action:

if doing so would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on New Graphic; or

that is not conditioned upon the completion of the transactions.

Graphic and BCH have further agreed that they will use reasonable best efforts to:

cooperate with each other in connection with any filing or submission and in connection with any investigation or other inquiry;

promptly inform each other of the status of any of the matters contemplated by the transaction agreement, including copies of any written communication received by or given to any governmental authority or in connection with any proceeding by a private party regarding the transactions; and

consult with each other prior to any meeting with any governmental authority or in connection with any proceeding by a private party and give the other party an opportunity to participate in such meetings.

If any objections are asserted with respect to the transactions by any law or governmental order or any administrative or judicial action or proceeding is instituted (or threatened to be instituted) challenging the transactions as violative of any antitrust law, or if any law, order or decree is enacted, entered, promulgated or enforced by a governmental entity that would make the transactions illegal or would otherwise prohibit or materially impair or delay the consummation of the transactions, each of Graphic and BCH have agreed to use its best efforts to resolve such objections, actions or proceedings to permit the consummation of the transactions, including selling, holding separate or disposing of any business or assets or conducting its business in any specified manner, subject to the limitations described above. Each of Graphic and BCH have also agreed to use its best efforts to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the transactions and to have such statute, rule, regulation, executive order, decree, injunction or administrative order repealed, rescinded or made inapplicable so as to permit consummation of the transactions.

Other Customary Covenants

The transaction agreement contains other customary covenants relating to the completion of the transactions, including covenants relating to this proxy statement/prospectus and the special meeting of Graphic stockholders that will be convened to vote on the transaction agreement and the transactions, the listing of New Graphic common stock, access to information, confidentiality, public announcements, preservation of books and records, compliance with certain SEC matters, restrictions on transfer of BCH equity interests, amendment to the Graphic stockholder rights plan, establishment of a New Graphic stockholder rights plan and a mutual release by each Seller, on the one hand, and BCH and New Graphic, on the other hand, and certain tax matters.

Representations and Warranties

Graphic, BCH, New Graphic and Merger Sub have made various representations and warranties in the transaction agreement. These representations and warranties relate to, among other things:

- organization, standing, power and foreign qualifications;
- capitalization, including the capitalization of New Graphic;
- authorization and the absence of conflicts;
- necessary consents and approvals for the completion of the transactions;
- subsidiaries;
- reports, financial statements and no undisclosed liabilities;
- absence of certain changes or other material adverse effect;
- litigation;
- broker s or finder s fees;
- employee benefit plans;
- taxes;
- environmental matters;

compliance with law;

labor matters;

real and tangible property;

material contracts;

intellectual property;

information supplied in this proxy statement/prospectus;

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- affiliate transactions; and
- insurance.

The Sellers have made various representations and warranties in the transaction agreement. These representations and warranties relate to, among other things:

- organization, standing, power and foreign qualifications;
- the ownership of equity interests;
- authorization and the absence of conflicts;
- accredited investor status;
- information supplied in this proxy statement/prospectus; and
- broker s or finder s fees.

Amendment

The transaction agreement cannot be amended except by an instrument in writing signed on behalf of each party thereto. The transaction agreement may be amended at any time, except that if Graphic stockholders approve the transactions, then no amendment may be made to the transaction agreement that would materially and adversely affect the rights of such stockholders (except for a termination of the transaction agreement pursuant to the terms thereof) without the further approval of such stockholders.

Governing Law

The transaction agreement is governed by and is to be construed in accordance with the laws of the State of Delaware. The parties have agreed that all litigation arising out of or related to the transaction agreement must be brought in any state or federal court sitting in Delaware.

OTHER AGREEMENTS

Stockholders Agreement

The following is a summary of the material provisions of the stockholders agreement. This summary is qualified in its entirety by reference to the stockholders agreement, which is incorporated by reference in its entirety and attached to this proxy statement/prospectus as Annex E. This summary may not contain all of the information about the stockholders agreement which is important to you, and we encourage you to read the stockholders agreement in its entirety.

Certain individuals and entities that will be significant stockholders of New Graphic after the completion of the transactions, which we refer to as the covered stockholders have entered into the stockholders agreement, that will become effective upon completion of the transactions. The covered stockholders are the Coors Family Stockholders, the CDR Fund, EXOR, Field Holdings, Inc. and the TPG Entities. The parties thereto have made certain agreements regarding matters further described below, that, among other things: (i) provides the covered stockholders certain rights to designate members of New Graphic s board of directors; (ii) restricts the ability of the covered stockholders to transfer their shares of New Graphic common stock; and (iii) limits the covered stockholders from acquiring additional shares of New Graphic common stock and from taking certain other actions with respect to New Graphic.

Composition of New Graphic s Board of Directors

Under the terms of the stockholders agreement, the board of directors of New Graphic will initially consist of thirteen members, which will include eight of the nine current members of Graphic s board of directors, classified into three classes. Class I will initially consist of five members, and classes II and III will each initially consist of four members. The initial term of each class, starting with Class I, will expire at the first, second and third annual meetings of stockholders following the completion of the transactions.

Upon consummation of the transactions, New Graphic s board of directors will consist of John R. Miller (who will be the non-executive chairman), G. Andrea Botta, Jeffrey H. Coors, Kevin J. Conway, Harold R. Logan, Jr., David W. Scheible, John D. Beckett, Robert W. Tieken, George V. Bayly (the current interim Chief Executive Officer of Altivity), Kelvin L. Davis, Michael G. MacDougall, Jeffrey Liaw and one additional independent director (as described below) to be designated by the TPG Entities and acceptable to Graphic. Jeffrey H. Coors is the Coors Family Stockholders designee; Kevin J. Conway is the CDR Fund s designee; and G. Andrew Botta is EXOR s designee. Kelvin L. Davis, Michael G. MacDougall and Jeffrey Liaw are the TPG Entities designees.

Designation Rights

The stockholders agreement provides that each of the Coors Family Stockholders, the CDR Fund, EXOR and the TPG Entities will have the right, subject to requirements related to stock ownership, to designate a certain number of individuals for nomination for election to the board of directors of New Graphic as described below. Each of the Coors Family Stockholders, the CDR Fund and EXOR is entitled to designate one individual for nomination for election to the board for so long as each such stockholder owns at least 3% of the fully diluted shares of New Graphic common stock.

The TPG Entities, as a group, are entitled to designate the following number of individuals for nomination for election to the New Graphic board of directors for so long as they meet the requirements related to stock ownership specified below:

three individuals for so long as the TPG Entities own at least 20% of the fully diluted shares of New Graphic common stock in the aggregate;

two individuals for so long as the TPG Entities own at least the lesser of (i) 16% of the fully diluted shares of New Graphic common stock in the aggregate or (ii) the percentage of New Graphic common stock then held by the Coors Family Stockholders, but not less than 10%; and

one individual for so long as the TPG Entities own at least 3% of the fully diluted outstanding shares of New Graphic common stock.

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The stockholders agreement further provides that each of the other directors, not designated in the manner described above, will be independent directors, as described below, designated for nomination by the nominating and corporate governance committee of the board.

Pursuant to the stockholders agreement, at each meeting of the stockholders of New Graphic at which directors of New Graphic are to be elected, New Graphic will recommend that the stockholders elect to the board of directors of New Graphic the designees of the individuals designated by the Coors Family Stockholders, the CDR Fund, EXOR and the TPG Entities. In addition, the then serving Chief Executive Officer of New Graphic shall be nominated for election to the board.

In the event that the Coors Family Stockholders, the CDR Fund, EXOR or the TPG Entities lose the right to designate a person to the board, such designee will resign immediately upon receiving notice from the nominating and corporate governance committee that it has identified a replacement director, and will resign in any event no later than 120 days after the designating person or entity loses the right to designate such designee to the board. The board seat formerly occupied by such designee shall become a seat for an additional New Graphic independent director to be selected solely by the nominating and corporate governance committee or the board may determine to reduce its size by the number of vacated board seats.

An independent director is a director who: (i) is not an officer or employee of New Graphic or any of its affiliates, (ii) is not an officer or employee of any covered stockholder or, if such covered stockholder is a trust, a direct or indirect beneficiary of such trust and (iii) meets the standards of independence under applicable law and the requirements applicable to companies listed on the NYSE.

Agreement to Vote for Directors; Vacancies

Each covered stockholder agrees to vote all of the shares owned by such covered stockholder in favor of the CEO director and each of the parties designees to the board, and to take all other steps within such covered stockholder s power to ensure that the composition of the board is as contemplated by the stockholders agreement.

As long as the Coors Family Stockholders, the CDR Fund, EXOR or the TPG Entities, as the case may be, has the right to designate a person for nomination for election to the board, at any time at which the seat occupied by such party s designee becomes vacant as a result of death, disability, retirement, resignation, removal or otherwise, such party will be entitled to designate for appointment by the remaining directors an individual to fill such vacancy and to serve as a director. New Graphic and each of the covered stockholders has agreed to take such actions as will result in the appointment to the board as soon as practicable of any individual so designated by the Coors Family Representative, the CDR Fund, EXOR or the TPG Entities.

In addition, each covered stockholder has agreed that: (i) it will not vote or give any proxy or written consent in favor of the removal as a director of New Graphic of any of the designees of the covered stockholders (other than such covered stockholders own designee) without the prior written consent of the applicable covered stockholder unless such designee has taken any action contrary to the stockholders agreement; (ii) it will not give any proxy with respect to shares of New Graphic common stock entitling the holder of such proxy to vote on the election of directors unless the holder of such proxy has agreed to comply with the obligations of the stockholders agreement; and (iii) if, in connection with the election of any director, any covered stockholder indicates that it will not vote as required by the stockholders agreement or votes or gives any proxy in contravention of the stockholders agreement, such breaching covered stockholder constitutes the covered stockholder whose interests are detrimentally affected by such failure to vote as the breaching covered stockholder s irrevocable proxy and attorney-in-fact to vote the breaching covered stockholder s shares in accordance with the stockholders agreement.

At any time at which a vacancy is created on the board as a result of the death, disability, retirement, resignation, removal or otherwise of one of the independent directors before the expiration of his or her term as director, the nominating and corporate governance committee will notify the board of a replacement who is a New Graphic independent director. Each of New Graphic and the covered stockholders has agreed to take such actions as will result in the appointment of such replacement to the board as soon as practicable.

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Actions of the Board of Directors; Affiliate Agreements

The stockholders agreement provides that actions of the board will require the affirmative vote of at least a majority of the directors present in person or by telephone at a duly convened meeting at which a quorum is present, or the unanimous written consent of the board, except that a board decision regarding the merger, consolidation or sale of substantially all the assets of New Graphic will require the affirmative vote of a majority of the directors then in office. In addition, a decision by New Graphic to enter into, modify or terminate any agreement with an affiliate of the Coors Family Stockholders, the CDR Fund, EXOR or the TPG Entities will require the affirmative vote of a majority of the directors not nominated by a covered stockholder which, directly or indirectly through an affiliate, has an interest in that agreement.

Committees of the Board of Directors

The stockholders agreement provides for the board to have an audit committee, a compensation and benefits committee and a nominating and corporate governance committee as follows:

- the audit committee will have at least three members, each of whom will be an independent director;

- the compensation and benefits committee will have three members, each of whom will be an independent director;

- the nominating and corporate governance committee will have five members, consisting of the directors designated by the Coors Family Stockholders, the CDR Fund, EXOR and two of the directors designated by the TPG Entities. The chairman of the nominating and corporate governance committee shall be any member of the committee chosen by an affirmative vote of a majority of the members of the committee; provided, however, that initially the chairman shall be John R. Miller, who shall be a non-voting chairman, and in which case the committee shall have six members.

Each of New Graphic and the covered stockholders has agreed to take all steps within their power to ensure that the composition of the board s committees are as provided in the stockholders agreement. The rights described above of each of the covered stockholders to have its director designee sit as a member of board committees will cease at such time as such stockholder holds less than 3% of the fully diluted shares of New Graphic common stock, and in the case of the two TPG Entities designees on the nominating and corporate governance committee, one such designee shall resign from the committee at such time as the TPG Entities have the right to designate only one director for nomination for election to the board. The New Graphic board of directors will fill any committee seats that become vacant in the manner provided in the preceding sentence with independent directors. The board is prohibited from forming an executive committee.

Transfer Restrictions

The covered stockholders are generally restricted from transferring their shares until the expiration of a lock-up period of 180 days after closing of the transactions. After the expiration of the lock-up period, the covered stockholders may transfer their shares:

- to New Graphic or in a transaction approved by the New Graphic board of directors;

- to certain affiliated permitted transferees that agree to be bound by the stockholders agreement;

- pursuant to a public offering; or

pursuant to a transfer made in accordance with Rule 144 of the Securities Act or that is exempt from the registration requirements of the Securities Act, to any person so long as such transferee would not own in excess of 5% of the fully diluted shares of New Graphic common stock.

The share certificates owned by each covered stockholder will bear customary legends with respect to transfer restrictions.

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Standstill Agreement

The covered stockholders are also subject to standstill provisions that generally restrict the covered stockholders from acquiring additional equity securities of New Graphic (or any rights to purchase equity securities) that would increase such covered stockholder s beneficial ownership of New Graphic common stock on a percentage basis greater than the percentage held as of the closing date of the transactions, or otherwise take action to increase such covered stockholder s control over New Graphic. These restrictions prohibit the covered stockholders from taking the following actions, among other items:

acquiring the beneficial ownership of additional equity securities (or the rights to purchase equity securities) of New Graphic, subject to certain exceptions;

making or participating in any solicitation of proxies to vote any securities of New Graphic in an election contest;

participating in the formation of a group with respect to shares of New Graphic common stock (except to the extent such group is formed with respect to the stockholders agreement or the registration rights agreement);

granting any proxy to any person other than New Graphic or its designees to vote at any meeting of the New Graphic stockholders;

initiating or soliciting stockholders for the approval of one or more stockholder proposals with respect to New Graphic;

seeking to place a representative on the New Graphic board of directors, except as contemplated by the stockholders agreement;

seeking to publicly call a meeting of the New Graphic stockholders;

making any public announcement or proposal with respect to any form of business combination involving New Graphic; and

disclosing any plan to do any of the foregoing or assist or encouraging any third party to do any of the foregoing.

Once the TPG Entities transfer New Graphic common stock such that their aggregate percentage holdings of the outstanding New Graphic common stock drops below 25%, and then below 15%, respectively, the TPG Entities may not acquire beneficial ownership on a percentage basis of shares greater than 25% or 15%, as the case may be.

Effectiveness; Term of Stockholders Agreement

The stockholders agreement will not be effective until the closing of the transactions. In addition, the stockholders agreement will terminate under the following circumstances:

by the unanimous consent of New Graphic and the covered stockholders;

with respect to any covered stockholder, at such time as such covered stockholder holds less than 3% of the fully diluted shares of New Graphic common stock;

except with respect to the standstill provisions, at such time as no more than one of the covered stockholders holds more than 3% of the fully diluted shares of New Graphic common stock;

except with respect to the standstill provisions, at such time as approved by each of the covered stockholders who holds in excess of 3% of the fully diluted shares of New Graphic common stock; or

upon the fifth anniversary of the effective date of the stockholders agreement; *provided, however*, that the confidentiality provisions of the stockholders agreement shall survive for one year following the termination of the stockholders agreement.

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Notwithstanding the foregoing, the standstill provisions of the stockholders agreement will terminate on the earlier of the date on which the TPG Entities or the covered stockholders other than the TPG Entities collectively, beneficially own less than 10% of the fully diluted shares of New Graphic common stock and the third anniversary of the closing of the transactions; *provided, however*, that in no event will the standstill provisions of the stockholders agreement terminate prior to the second anniversary of the closing of the transactions.

Registration Rights Agreement

The following is a summary of the material terms of the registration rights agreement among New Graphic and the Coors Family Stockholders, the CDR Fund, EXOR, the TPG Entities and certain other anticipated stockholders of New Graphic. This summary is qualified in its entirety by reference to the registration rights agreement, which is incorporated by reference in its entirety and attached to this proxy statement/prospectus as Annex F. This summary may not contain all of the information about the registration rights agreement which is important to you, and we encourage you to read the registration rights agreement in its entirety.

Demand Registration Rights

The registration rights agreement, dated as of July 9, 2007, becomes effective immediately upon the completion of the transactions. The registration rights agreement provides that 180 days following the closing, the stockholder parties to the agreement representing 10% of the number of outstanding shares of New Graphic (for the first two requests) and 5% at all times thereafter (which percentage drops to 3% to the extent the stockholder has held less than 5% for more than 180 days prior to the request), may request on one or more occasions that New Graphic prepare and file a registration statement (including, except as to the initial registration, a shelf registration statement pursuant to Rule 415 under the Securities Act, providing for an offering to be made on a continuous basis, if so requested and if New Graphic is eligible to use Form S-3) relating to the sale of their New Graphic common stock. Notwithstanding the previous sentence, the first request must be made by at least two of four of the Coors Family Stockholders, the CDR Fund, EXOR and the TPG Entities, although only one of such four stockholders actually need offer its shares, and the first registration and offering must be a marketed underwritten offering.

Upon receipt of such a request, New Graphic is required to promptly give written notice of such requested registration to all holders of registrable securities under the registration rights agreement and, thereafter, to use its reasonable best efforts to effect the registration under the Securities Act of all registrable securities which it has been requested to register pursuant to the terms of the registration rights agreement. New Graphic is not required to effect a registration requested by the stockholder parties for 180 days after the effectiveness of the registration statement for the first registration effected pursuant to such a request. In all cases, New Graphic s obligations to register the registrable securities are subject to the minimum and maximum offering size limitations set forth below.

The stockholder parties have the right to request that any offering requested by them under the registration rights agreement be an underwritten offering. In such case, the requesting stockholder parties by majority of shares requested to be included in the registration will have the right to select one or more underwriters to administer the requested offering, subject to approval by the finance committee (described below), which shall not be unreasonably withheld.

With respect to the first two requests to effect a registration, New Graphic will not be required to effect such registration if such requests relate to less than 10% of the outstanding shares of common stock. Any request for registration after the first two requests will be subject to a minimum offering size of 5% of the outstanding shares of New Graphic common stock.

If the stockholder parties request registration of any of their shares of New Graphic common stock, New Graphic is required to prepare and file a registration statement with the SEC as soon as possible, and no later than 60 days after receipt of the request (45 days in the case of a Form S-3 registration statement), subject to the right of New Graphic and the finance committee described below to delay such filing.

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New Graphic is permitted to postpone an offering for a reasonable time period that does not exceed 60 days if the New Graphic board of directors determines that the offering would reasonably be expected to materially adversely affect or materially interfere with a material financing of New Graphic or a material transaction under consideration by New Graphic or would require disclosure of information that has not been, and is not otherwise required to be, disclosed to the public, the premature disclosure of which could materially adversely affect New Graphic, subject to certain limitations.

If New Graphic is participating in a sale with other stockholders who have requested registration and New Graphic and holders of a majority of the shares requesting registration determine that the offering should be limited due to market conditions, New Graphic is permitted to include no more than 25% of its shares in the total number of shares of New Graphic common stock being offered in such offering.

Incidental Registration Rights

In the event that New Graphic proposes to register equity securities, subject to certain limitations, New Graphic is required to promptly give written notice of such proposed registration to all holders of registrable securities (as defined below). Under certain circumstances, New Graphic will be obligated to include in such registration the securities of such stockholders desiring to sell their New Graphic common stock. If New Graphic is advised by the managing underwriters (or, in connection with an offering that is not underwritten, by an investment banking firm of nationally recognized standing involved in such offering) that the offering should be limited due to market conditions, securities being sold by New Graphic will have priority in being included in such registration.

Fees and Expenses

New Graphic is generally obligated to pay the expenses related to such registrations, except in the cases where stockholders requesting registration have refused to proceed with the transaction.

Finance Committee

Under the terms of the registration rights agreement, New Graphic and the New Graphic stockholders party thereto will create a finance committee which will initially consist of two representatives designated by the TPG Entities, the chief executive officer of New Graphic, and one representative of each of the Coors Family Stockholders, the CDR Fund and EXOR. Each party s right to membership on the Finance Committee ends at the same time as its right to nominate members of the New Graphic board of directors ends under the stockholders agreement. The finance committee will have the authority to specify reasonable limitations on a registration or offering requested pursuant to the registration rights agreement, including setting the maximum size of the registration or offering, the timing of registration or offering, the underwriters and the plan of distribution. Notwithstanding the foregoing, the finance committee does not have the authority to delay a proposed registration or offering for more than three months, subject to certain further limitations.

Termination

The registration rights agreement will terminate on the earliest to occur of its termination by unanimous consent of the parties thereto, the date on which no shares of New Graphic common stock subject to the agreement are outstanding, or the dissolution, liquidation or winding up of New Graphic.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined statements of operations of New Graphic for the year ended December 31, 2006 and for the six months ended June 30, 2007 give effect to the transactions and the Field acquisition as if they had been completed on January 1, 2006. The following unaudited pro forma condensed combined balance sheet of New Graphic as of June 30, 2007 gives effect to the transactions as if they had been completed on June 30, 2007.

The unaudited pro forma condensed combined financial information of New Graphic, which has been prepared using the purchase method of accounting for business combinations with Graphic as the acquirer, is based upon the historical financial statements of Graphic and BCH (the holding company of Altivity Packaging, LLC) and does not reflect any of the synergies and cost reductions that may result from the transactions. In addition, this unaudited pro forma condensed combined financial information of New Graphic does not include any transition costs, restructuring costs or recognition of compensation expenses or other one-time charges that may be incurred in connection with integrating the operations of Graphic and BCH.

The unaudited pro forma condensed combined financial statements of New Graphic for the year ended December 31, 2006 and as of and for the six months ended June 30, 2007 are based on certain assumptions and adjustments by the management of Graphic as discussed in the accompanying Notes to Unaudited Pro Forma Condensed Combined Statements of Operations and accompanying Notes to Unaudited Pro Forma Condensed Combined Balance Sheet and do not purport to reflect what New Graphic s actual results of operations and financial position would have been had each such transaction in fact occurred (i) as of January 1, 2006 (in the case of the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2006 and the six months ended June 30, 2007) or (ii) as of June 30, 2007 (in the case of the unaudited pro forma condensed combined balance sheet as of June 30, 2007), nor are they necessarily indicative of the results of operations that New Graphic may achieve in the future.

The unaudited pro forma condensed combined financial information of New Graphic set forth below should be read in conjunction with Graphic s Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes thereto included in Graphic s Annual Report on Form 10-K for the fiscal year ended December 31, 2006, and in Graphic s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007, each incorporated by reference herein. The pro forma financial information included herein does not include adjustments for any transactions other than the transactions contemplated by the transaction agreement.

The unaudited pro forma condensed combined financial information of New Graphic set forth below should also be read in conjunction with Summary Historical and Unaudited Pro Forma Condensed Consolidated/Combined Financial Data, the historical financial statements of BCH and Management s Discussion and Analysis of Financial Condition and Results of Operations of BCH included in this proxy statement/prospectus. Because of the timing of acquisitions, period-to-period comparisons and analyses of financial condition and results of operations of BCH may not be helpful for understanding the financial and operational performance of BCH as a whole.

The historical results of Graphic and BCH are not necessarily indicative of the results that may be expected for New Graphic for any future period.

In creating the unaudited pro forma condensed combined financial statements, the primary adjustments to the historical financial statements of Graphic and BCH were purchase accounting adjustments, which include adjustments necessary to allocate the purchase price to the tangible and intangible assets and liabilities of BCH based on their estimated fair values.

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UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

	As of June 30, 2007			
	Historical			Condensed
	Graphic	BCH	Pro Forma Adjustments	Pro Forma Combined
	In millions			
ASSETS				
Current Assets:				
Cash and Equivalents	$ 11.8	$ 100.0	$ (26.0)(a)	$ 14.0
			(71.8)(b)	
Receivables, Net	261.8	193.2	(5.0)(c)	450.0
Inventories	297.9	233.5	22.9(d)	554.3
Other Current Assets	25.1	10.0		35.1
Total Current Assets	596.6	536.7	(79.9)	1,053.4
Property, Plant and Equipment, Net	1,436.7	611.6	90.5(e)	2,138.8
Goodwill	642.3	375.4	51.4(f)	1,069.1
Intangible Assets, Net	144.2	138.6	325.3(f)	608.1
Deferred Tax Assets	345.6			345.6
Other Assets	38.1	29.3	(38.5)(b)	46.9
			18.0(b)	
Total Assets	$ 3,203.5	$ 1,691.6	$ 366.8	$ 5,261.9
LIABILITIES				
Current Liabilities:				
Short Term Debt	$ 23.7	$ 10.5	$	$ 34.2
Accounts Payable	191.0	156.8	(5.0)(c)	342.8
Other Accrued Liabilities	174.7	85.7	8.8(a)	269.2
Total Current Liabilities	389.4	253.0	3.8	646.2
Long Term Debt	1,944.7	1,148.6	(53.8)(b)	3,039.5
Deferred Tax Liabilities	484.9	0.2		485.1
Accrued Pension and Postretirement Benefits	207.5	45.1		252.6
Other Noncurrent Liabilities	42.2	1.8		44.0
Total Liabilities	$ 3,068.7	$ 1,448.7	$ (50.0)	$ 4,467.4
SHAREHOLDERS EQUITY				
Preferred Stock	$	$	$	$
Contributed Capital		314.2	(314.2)(a)	
Common Stock	2.0		0.1(a)	3.5

Capital in Excess of Par Value	1,190.3		1.4(a) 1.7(a) 684.7(a)	1,876.7
Accumulated Deficit	(961.1)	(68.0)	68.0(a) (10.6)(a) (17.6)(b)	(989.3)
Accumulated Other Comprehensive Loss	(96.4)	(3.3)	3.3(a)	(96.4)
Total Shareholders Equity	134.8	242.9	416.8	794.5
Total Liabilities and Shareholders Equity	$ 3,203.5	$ 1,691.6	$ 366.8	$ 5,261.9

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NEW GIANT CORPORATION

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

	For the Six Months Ended June 30, 2007			
	Historical		Pro Forma	Condensed Pro Forma
	Graphic	BCH	Adjustments	Combined
	In millions, except per share amounts			
Net Sales	$ 1,256.0	$ 1,000.3	$ (22.0)(c)	$ 2,234.3
Cost of Sales	1,103.3	870.2	(22.0)(c) 5.1(e) 5.7(f)	1,962.3
Selling, General and Administrative	97.0	96.9	5.3(f)	199.2
Research, Development and Engineering	5.0			5.0
Other Expense (Income), net	1.6	(1.0)		0.6
Income (Loss) from Operations	49.1	34.2	(16.1)	67.2
Interest Income	0.3	2.4		2.7
Interest Expense	(86.6)	(49.8)	15.6(b)	(120.8)
Other		(0.2)		(0.2)
Loss on Early Extinguishment of Debt	(9.5)			(9.5)
Loss before Income Taxes and Equity in Net Earnings of Affiliates	(46.7)	(13.4)	(0.5)	(60.6)
Income Tax Expense	(13.8)	(1.1)		(14.9)
Loss before Equity in Net Earnings of Affiliates	(60.5)	(14.5)	(0.5)	(75.5)
Equity in Net Earnings of Affiliates	0.5			0.5
Net Income (Loss)	$ (60.0)	$ (14.5)	$ (0.5)	$ (75.0)
Income (Loss) Per Share:				
Basic	(0.30)			(0.22)
Diluted	(0.30)			(0.22)
Weighted Average Shares Outstanding:				
Basic	201.5		141.2	342.7
Diluted	201.5		141.2	342.7

NEW GIANT CORPORATION

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

	For The Year Ended December 31, 2006					
	Historical					
		BCH				
		Predecessor	Successor	Field		Condensed
					Pro	Pro
		Jan. 1-	Jul. 1-	Jan. 1-	Forma	Forma
	Graphic	June 30	Dec. 31	Aug. 16	Adjustments	Combined
	In millions, except per share amounts					
Net Sales	$ 2,413.0	$ 789.4	$ 964.2	$ 229.2	$ (31.5)(c)	$ 4,364.3
Cost of Sales	2,109.8	699.0	881.3	197.9	(31.5)(c) 10.1(e) 11.5(f)	3,878.1
Selling, General and Administrative	201.2	75.4	89.7	25.1	10.5(f)	401.9
Research, Development and Engineering	11.4					11.4
Other Expense (Income), net	0.3	(0.1)		2.5		2.7
Income (Loss) from Operations	90.3	15.1	(6.8)	3.7	(32.1)	70.2
Interest Income	0.6		2.7			3.3
Interest Expense	(172.2)	(0.6)	(48.5)	(3.8)	30.3(b)	(194.8)
Other			(0.4)	1.2		0.8
Loss before Income Taxes and Equity in Net Earnings of Affiliates	(81.3)	14.5	(53.0)	1.1	(1.8)	(120.5)
Income Tax Expense	(20.2)	(5.8)	(0.5)	(0.8)		(27.3)
Loss before Equity in Net Earnings of Affiliates	(101.5)	8.7	(53.5)	0.3	(1.8)	(147.8)
Equity in Net Earnings of Affiliates	1.0					1.0
Net Income (Loss)	$ (100.5)	$ 8.7	$ (53.5)	$ 0.3	$ (1.8)	$ (146.8)
Income (Loss) Per Share:						
Basic	(0.50)					(0.43)
Diluted	(0.50)					(0.43)
Weighted Average Shares Outstanding:						
Basic	201.1				141.2	342.3
Diluted	201.1				141.2	342.3

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Notes to Unaudited Pro Forma Condensed Combined Financial Statements

Note 1. Basis of Presentation

These unaudited pro forma condensed combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP) and pursuant to the rules and regulations of the SEC and present the pro forma financial position and results of operations of the combined company based upon historical financial information after giving effect to the transactions, the Field acquisition by BCH, and financing transactions and adjustments described in these footnotes. Certain footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only. These unaudited pro forma condensed combined financial statements are not necessarily indicative of the results of operations that would have been achieved had the transaction actually taken place at the dates indicated and do not purport to be indicative of New Graphic s future financial position or operating results. The unaudited pro forma condensed combined financial statements should be read in conjunction with the historical financial statements described below.

The pro forma balance sheet was prepared by combining the historical consolidated balance sheet data as of June 30, 2007 of Graphic and BCH, assuming the transactions and related financing transactions had occurred on June 30, 2007. The pro forma statements of operations for the six months ended June 30, 2007 and the year ended December 31, 2006 have been prepared by combining the consolidated statements of operations for those periods, assuming the transactions and related financing transactions had occurred on January 1, 2006. In addition, the combined pro forma statement of operations for the year ended December 31, 2006 includes the unaudited historical results of the Field Companies for the period January 1, 2006 through August 16, 2006. On August 16, 2006, BCH completed the acquisition of substantially all of the assets of Field Holdings, Inc., a Delaware corporation, Field Container Company, L.P., a Delaware limited partnership, and Field Container Management Corporation, a Delaware corporation (collectively, the Field Companies). Subsequent to August 16, 2006, the results of operations of the Field Companies are reflected in the BCH results of operations. Management has included the historical results of the Field Companies as these operations will be part of the ongoing entity.

The transactions will be accounted for using the purchase method of accounting. The transactions are accounted for such that Graphic is treated as the acquirer and BCH as the acquired company. Under the purchase method, the purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. Any excess of the purchase price over the estimated fair value of the net assets acquired (including both tangible and identifiable intangible assets) is allocated to goodwill.

The unaudited pro forma condensed combined financial statements and purchase price allocations have been prepared based on available information and estimates and assumptions that management believes are reasonable. However, the allocation of the purchase price has not been finalized and the actual adjustments to our combined financial statements upon the closing of the transactions will depend on the net assets on the closing date of the transactions. Accordingly, there can be no assurance that the final allocation of the purchase price will not differ from the preliminary allocation reflected in the unaudited pro forma condensed financial combined financial statements. However, management does not believe the final purchase price allocation will differ materially from the preliminary valuation. Management is unaware of any other acquisition-related contingencies that would impact the purchase price allocation or post-acquisition operating results.

The unaudited pro forma condensed combined financial statements do not include any transition costs, restructuring costs or recognition of compensation expenses or other one-time charges that may be incurred in connection with integrating the operations of Graphic and BCH. In addition, synergies and cost reductions that

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Notes to Unaudited Pro Forma Condensed Combined Financial Statements

may result from the transaction have not been reflected in the unaudited pro forma condensed combined financial statements. The initial forecast is to achieve more than $90 million of cost synergies, of which two-thirds are expected to be realized by 2009, through operating and overhead expense reduction, supply chain procurement improvements, facility optimization and manufacturing process improvements.

The unaudited pro forma condensed combined financial statements do not reflect significant operational and administrative cost savings that management of the combined company estimates may be achieved as a result of the transactions.

Note 2. Pro Forma Transactions

On July 9, 2007, Graphic entered into a transaction agreement and agreement and plan of merger (the transaction agreement) by and among Graphic, Bluegrass Container Holdings, LLC (BCH), TPG Bluegrass IV, L.P. (TPG IV), TPG Bluegrass IV-AIV 2, L.P. (TPG IV-AIV), TPG Bluegrass V, L.P. (TPG V), TPG Bluegrass V-AIV 2, L.P. (TPG V-AIV), Field Holdings, Inc. (Field Holdings), TPG FOF V-A, L.P. (FOF V-A), TPG FOF V-B, L.P. (FOF V-B), BCH Management, LLC (together with Field Holdings, TPG IV, TPG IV-AIV, TPG V, TPG V-AIV, FOF V-A, FOF V-B and any transferee of their interests in BCH, the Sellers), New Giant Corporation, a wholly-owned subsidiary of Graphic (New Graphic), and Giant Merger Sub, Inc., a wholly-owned subsidiary of New Graphic (Merger Sub). Under the terms of the transaction agreement, Merger Sub will be merged with and into Graphic (the merger), and Graphic will become a wholly-owned subsidiary of New Graphic. As a result of the merger, each issued and outstanding share of Graphic s common stock will be converted into the right to receive one newly issued share of New Graphic common stock. The transaction agreement also provides for each Seller to exchange BCH equity interests owned by each Seller for newly issued shares of New Graphic common stock (the exchange, and together with the merger, the transactions). Contemporaneously with the closing of the transactions, New Graphic expects to take certain reorganization steps such that BCH will become a wholly-owned subsidiary of Graphic Packaging International, Inc., a direct, wholly-owned subsidiary of Graphic.

The effect of the transactions and post-closing reorganization is that New Graphic will directly hold all of the equity of Graphic and indirectly hold all of the equity interests of BCH. Graphic s current stockholders will initially own approximately 59.4% of New Graphic s common stock, while the equity holders of BCH will initially own approximately 40.6% of New Graphic s common stock, each calculated on a fully diluted basis.

In connection with the transactions, the combined company intends to refinance the existing bank financing of Graphic and BCH. For accounting purposes, the purchase price of BCH of $1,871.2 million, including assumed debt of $1,159.1 million, is based upon the estimated fair value of 139.4 million shares of New Graphic common stock to be issued in the transactions which approximates $686.1 million plus estimated direct transaction costs to be incurred of approximately $26 million (comprised of Graphic s financial advisory and legal fees and excluding transaction-related expenses). The estimated value of New Graphic common stock of $4.92 per share used in the calculation of the purchase price is based upon available information and management s best estimates as of July 6, 2007. The actual fair value of New Graphic common stock and the purchase price may change subject to final valuation.

The purchase consideration of $1,871.2 million was allocated to assets acquired and liabilities assumed based on their estimated fair value as of the acquisition date. A preliminary allocation of the purchase cost has been made to major categories of assets and liabilities in the accompanying unaudited pro forma condensed combined financial statements based on management s estimates. The final purchase price allocation is dependent on, among other things, the finalization of asset and liability valuations. As of the date of this proxy statement/prospectus, only a preliminary valuation has been completed to estimate the fair values of the assets acquired and liabilities assumed and the related allocation of purchase price. The total estimated purchase price, calculated as described above, has been allocated to the unaudited pro forma condensed combined

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NEW GIANT CORPORATION

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

balance sheet, to the assets acquired and liabilities assumed based on preliminary estimates of their fair values. A final determination of these fair values will reflect consideration of a final valuation. This final valuation will be based on the actual net tangible and identifiable intangible assets that existed as of the closing date of the transactions. Any final adjustment will change the allocations of purchase price, which could affect the fair value assigned to the assets and liabilities and could result in a change to the unaudited pro forma condensed combined financial statements, including a change to goodwill and a change to the amortization of tangible and identifiable intangible assets. The actual allocation of purchase cost and its effect on results of operations may differ significantly from the pro forma amounts included herein. The excess of the purchase cost over the net tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill.

The preliminary allocation of the purchase consideration is as follows (in millions):

Estimated Purchase Price	$ 686.1
Estimated Acquisition Costs	26.0
Assumed Debt	1,159.1
Total Estimated Purchase Consideration	$ 1,871.2
Preliminary Allocation of Purchase Price:	
Property, Plant and Equipment	702.1
Inventories	256.4
Customer Relationships	444.5
Patents and Trademarks	8.4
Other Identifiable Intangible Assets(a)	11.0
Deferred Taxes(b)	
Other Net Assets:	
Cash	100.0
Receivables, Net	193.2
Other Current Assets	10.0
Other Assets	8.4
Accounts Payable	(156.8)
Accrued Liabilities	(85.7)
Lease Obligations	(0.2)
Other Noncurrent Liabilities	(46.9)
Net Assets Acquired(c)	22.0
Goodwill	426.8
Total Estimated Fair Value of Net Assets Acquired	$ 1,871.2

(a)

Includes other identifiable intangible assets consisting of non-compete agreements of $10.9 million, favorable lease agreements of $2.1 million, and unfavorable supply contracts of $2.0 million. The non-compete agreements, which resulted from BCH s acquisitions of CPD and the Field Companies, have estimated remaining lives of 3.4 years and annual amortization expense of $3.2 million.

(b) Graphic recorded deferred taxes of $168.8 million as a result of the step-up in net assets. These deferred taxes were offset by the release of a corresponding amount of the valuation allowance related to deferred tax assets associated with net operating losses of Graphic. As such, there was no impact on goodwill in the purchase price allocation.

(c) At date of acquisition, it was assumed that the book value approximated fair market value.

NEW GIANT CORPORATION

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

Note 3. Pro Forma Adjustments for the Acquisition

The unaudited pro forma condensed combined financial statements give effect to the transactions described in Note 2, as if they had occurred on June 30, 2007 for purposes of the unaudited pro forma condensed combined balance sheet and January 1, 2006 for purposes of the unaudited pro forma condensed combined statements of operations. The unaudited pro forma condensed combined statements of operations do not include any material non-recurring charges that will arise as a result of the transactions described in Note 2. Adjustments in the unaudited pro forma condensed combined financial statements are as follows:

a. This adjustment reflects the elimination of the historical equity of BCH and reflects the new equity structure of the combined company, including the following:

Issuance of 1,775,667 shares of common stock in payment of restricted stock units granted under the Graphic Packaging Corporation 2004 Stock and Incentive Compensation Plan (the 2004 Plan). Such restricted stock units vest and become payable pursuant to Section 18.1(b) of the 2004 Plan upon a change of control. Change of Control is defined in the 2004 Plan to include an acquisition by any person of thirty percent (30%) or more of the combined voting power of the then outstanding voting securities of Graphic entitled to vote generally in the election of directors, which will occur upon the consummation of the merger and the exchange. The unaudited pro forma condensed combined statement of operations does not reflect the $4.9 million non-cash expense nor the $5.7 million cash expense for the vesting and payout of the restricted stock units, as these amounts are directly related to the transactions and are not expected to have a continuing impact on operations.

Issuance of 139,445,038 shares of common stock to BCH at a share price of $4.92.

Acquisition costs of approximately $26.0 million.

Upon completion of the transactions, approximately 342.2 million shares of $0.01 par value of combined company common stock would have been outstanding as of June 30, 2007.

b. As contemplated by the commitment letter between Graphic and each of Bank of America, N.A., Goldman Sachs Credit Partners, L.P. and JPMorgan Chase Bank, N.A., the combined company intends to refinance the existing bank financing of Graphic and BCH as follows (in millions):

	Existing Combined Debt at June 30, 2007	Refinanced Pro Forma Combined Debt at June 30, 2007
Bank financing	$ 2,203.8	$ 2,203.8
Senior and senior subordinated notes	850.0	850.0

Revolving credit facilities		58.5		4.7
Other debt		15.2		15.2
Total	$	3,127.5	$	3,073.7

Refinanced pro forma combined debt at June 30, 2007 is classified in the unaudited pro forma condensed combined balance sheet as follows:

Short-term debt	$	34.2
Long-term debt		3,039.5
Total debt	$	3,073.7

The pro forma adjustments reflect the refinancing of the combined company s bank financing, including the write-off of unamortized debt issuance costs of $38.5 million (representing a write-off of $17.6 million and $20.9 million of Graphic and BCH unamortized debt issuance costs, respectively), and the repayment of

NEW GIANT CORPORATION

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

$53.8 million of combined debt which is reflected as a reduction to other assets and cash in the combined balance sheet at June 30, 2007; and the recognition of new debt issuance costs related to the refinancing of $18 million which is reflected as an increase to other assets in the combined balance sheet at June 30, 2007. The new debt issuance costs of $18 million will be amortized using either the effective interest or straight line method depending on the debt instrument to which the costs pertain. Note that the unaudited pro forma condensed combined statement of operations do not reflect the $17.6 million impact of the write-off of the unamortized debt issuance costs as the amount is directly related to the transactions and is not expected to have a continuing impact on operations. Further, the $20.9 million of BCH unamortized debt issuance costs were assigned a fair value of zero in the purchase price allocation and thus are reflected in goodwill because the combined company would not receive any benefits from these costs. As such, there is no impact to the unaudited pro forma condensed combined statement of operations.

The pro forma interest expense adjustments reflect an average variable interest rate of LIBOR +2.0% for the combined company s new bank debt. The pro forma cash interest savings of $11.4 million and $23.0 million for the six months ended June 30, 2007 and the year ended December 31, 2006, respectively, were increased by the lower amortization of debt issue costs of $4.2 million and $7.3 million, respectively. A 0.125% change in the assumed variable interest rate related to the bank financing, without taking interest rate hedges into account, would change annual pro forma interest expense by approximately $3 million. The total blended interest rate utilized in the pro forma adjustments approximated 8%.

c. During the periods presented, Graphic sold coated unbleached kraft (CUK) folding boxboard to BCH for use in certain cartons manufactured by BCH. This pro forma adjustment eliminates the sales and cost of goods sold and the respective accounts receivable and accounts payable related to these transactions.

d. Represents a $22.9 million step-up in inventory basis to fair market value of inventories acquired in the transactions. The pro forma combined statement of operations does not reflect the impact on cost of sales of an increase of $22.9 million of the estimated purchase accounting adjustment to value inventories at estimated selling prices less the sum of costs of disposal and a reasonable profit allowance for the selling effort. The amount is directly related to the transactions and is not expected to have a continuing impact on New Graphic s operations. Note that as a result of the Field acquisition by BCH, BCH recognized a step-up in inventory basis to fair market value in the amount of $7.6 million, which is recorded as cost of sales in the historical financial statements of the Successor during the period from July 1, 2006 to December 31, 2006.

e. Property, plant and equipment acquired in the transactions were stepped-up by $90.5 million to fair market value at June 30, 2007. This adjustment of $90.5 million will be depreciated on a straight-line basis over the remaining useful life of the respective assets, which ranges from 3 years to 15 years. The incremental depreciation expense related to the fair market value adjustment approximates $5.1 million and $10.1 million for the six month period ended June 30, 2007 and the year ended December 31, 2006, respectively, and is reflected in cost of sales in the statements of operations.

f. The fair market value of acquired intangible assets was adjusted as follows at June 30, 2007:

Customer Relationships	$ 320.0
Trademarks and Patents	2.7

Lease and Supply Contracts	2.6
Total fair market value adjustment to intangible assets at June 30, 2007	$ 325.3

This adjustment of $325.3 million will be amortized on a straight-line basis over the remaining useful life of 16 years for customer relationships, 4 years for trademarks and patents, and the remaining contractual period for the lease and supply contracts. Incremental amortization expense recorded for the transactions was $11.0 million and $22.0 million for the six month period ended June 30, 2007 and the year ended December 31, 2006, respectively, and is reflected in cost of sales and selling, general and administrative in the

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Notes to Unaudited Pro Forma Condensed Combined Financial Statements

statements of operations. In addition, as a result of the transactions, goodwill, which has an indefinite life, is estimated to be $426.8 million, which results in an adjustment of $51.4 million.

g. Represents the estimated tax effect of the pro forma adjustments at a statutory rate of approximately 38.2%. All current federal tax expense has been fully offset by the utilization of Graphic net operating loss carryovers. This also results in a corresponding reduction of Graphic s deferred tax valuation allowance. Graphic has recorded the valuation allowance because it is more likely than not that the deferred tax asset will not be realized.

Note 4. Unaudited Pro Forma Loss Per Share

The following table sets forth the computation of unaudited pro forma basic and diluted loss per share (in millions, except for per share information):

	Year Ended December 31, 2006			Six Months Ended June 30, 2007		
	Loss	Shares	Per share Amount	Loss	Shares	Per Share Amount
(Loss) income per basic share	$ (146.8)	342.3	$ (0.43)	$ (75.0)	342.7	$ (0.22)
Loss per diluted share	$ (146.8)	342.3	$ (0.43)	$ (75.0)	342.7	$ (0.22)

Shares utilized in the calculation of pro forma basic and diluted loss per share are as follows:

In millions of shares	Year Ended December 31, 2006	Six Months Ended June 30, 2007
Weighted average Graphic shares outstanding	201.1	201.5
Shares issued in the transactions	139.4	139.4
Shares issued for restricted stock units	1.8	1.8
Total	342.3	342.7

Other potentially dilutive securities consisting of stock options, totaling 12.7 million and 14.9 million for the six months ended June 30, 2007 and the year ended December 31, 2006, respectively, were excluded from the per share calculations above, because of their anti-dilutive effect.

INFORMATION ABOUT GRAPHIC PACKAGING CORPORATION

Graphic is a leading provider of paperboard packaging solutions for a wide variety of products to multinational food, beverage and other consumer products companies. Graphic strives to provide its customers with packaging solutions designed to deliver marketing and performance benefits at a competitive cost by capitalizing on its low-cost paperboard mills and converting plants, its proprietary carton designs and packaging machines, and its commitment to customer service.

Graphic focuses on providing a range of paperboard packaging products to major companies with well-recognized brands. Its customers generally have prominent market positions in the beverage, food and household products industries. Graphic offers customers its paperboard, cartons and packaging machines, either as an integrated solution or separately. Graphic has long-term relationships with major companies, including Kraft Foods, Inc., Anheuser-Busch Companies, Inc., General Mills, Inc., SABMiller plc., Molson Coors Brewing Company, and numerous Coca-Cola and Pepsi bottling companies.

This proxy statement/prospectus incorporates important business and financial information about Graphic from other documents that are not included or delivered with this proxy statement/prospectus. For a listing of the documents incorporated by reference in this proxy statement/prospectus, see Where You Can Find More Information.

INFORMATION ABOUT BLUEGRASS CONTAINER HOLDINGS, LLC AND ALTIVITY PACKAGING, LLC

Overview

Bluegrass Container Holdings, LLC is a privately-held holding company that conducts no operations and its only material asset is its membership interest in Altivity Packaging, LLC (Altivity). Altivity, headquartered in the Chicago, Illinois area, is a provider of packaging solutions, including folding cartons and paperboard, multi-wall bags, flexible packaging and labels. The end-markets for Altivity s products are primarily consumer oriented, which provides stability and long-term predictable growth. Altivity has approximately 7,900 employees and owns 6 boxboard mills, 23 folding carton plants, 12 multi-wall bag and specialty facilities, 10 flexible packaging and labels facilities and 5 ink facilities.

Across its businesses, Altivity provides packaging solutions to customers in the consumer packaged goods, agriculture, pet care, building materials and chemicals industries. These end-markets are generally characterized by stable and predictable demand growth. Key demand drivers in these markets include rising disposable income levels and increased consumption of non-durable goods among consumers.

Altivity s customer base includes a number of well-known, blue-chip companies. As these large consumer product companies have increasingly focused on product positioning as a differentiating factor on retail shelves, packaging has become an integral part of a product s merchandising strategy. Effective packaging communicates quality, product attributes, product differentiation, and brand identification to potential customers. Across all segments, Altivity works closely with its customers in the early stages of product development to engineer and create innovative packaging solutions.

Altivity s business includes three major segments:

Folding Cartons & Paperboard

Multi-wall Bags

Flexible Packaging/Labels

Folding Cartons & Paperboard

Altivity s folding cartons and paperboard segment is an integrated folding carton platform with a long history of delivering value-added packaging solutions to a roster of well-known customers. Altivity offers

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customers one of the industry s widest ranges of converted boxboard products made from a complete array of recycled and virgin boxboard grades.

The segment s folding carton operations include a national network of 23 converting facilities, strategically located to enable timely product delivery and exemplary customer service to customers. The integrated business is supported by Altivity s six low-cost coated recycled boxboard mills.

The low-cost paperboard mills house seven paper machines and produce approximately 715,000 tons annually, making it among the largest paperboard production bases in North America. Altivity s scale in paperboard production enables optimization across facilities and provides savings through procurement and freight, as well as supply chain reliability for customers.

The segment is a major supplier to the cereal/dry food, cookie and cracker, bakery goods, soap and detergent and facial tissue end-markets.

Multi-wall Bags

Altivity s multi-wall bags business is the leading supplier of multi-wall bags in North America. Altivity produces approximately 1.1 billion bags annually and operates 12 multi-wall bag and specialty plants that print, fold and glue paper into packaging. Altivity and its predecessors have made significant investments over the past four years to install state-of-the-art equipment at major plants to expand the business s ability to manufacture a full range of products.

In addition to a full range of products, Altivity provides multi-wall bag customers with value-added graphical and technical support, customized packaging equipment solutions and packaging workshops to help educate customers.

Altivity s multi-wall bag facilities are strategically located throughout the U.S., allowing it to provide a high level of service to customers, minimize freight and logistics costs, improve order turnaround times and improve supply chain reliability. Furthermore, with relatively comparable manufacturing lines in each of the major facilities, Altivity has the capacity and the flexibility to manufacture all of its primary multi-wall bag product lines at each location.

The Altivity multi-wall bag business had traditionally provided packaging for low-cost, bulk-type commodity products. However, with the continuing evolution of materials management, bag construction, and distribution systems, the business has gained access to end-markets in which higher-value products are now being packaged in multi-wall bags. For example, today s applications include custom-designed barriers (caustic soda), variable package sizes for varying product weights and increasingly higher quality graphics for enhanced consumer appeal. The business provides customers in a wide variety of end-markets with high-end graphical printing solutions that enable Altivity to grow with its customers.

Flexible Packaging/Labels

Flexible Packaging

Altivity s flexible packaging segment operates five modern and technologically competitive manufacturing plants in North America and produces products such as shingle wrap, batch inclusion bags and film, retort pouches (such as meals ready to go), medical test kit and transdermal patch overwraps, multilayer laminations for hard-to-hold products (such as iodine) and plastic bags and films for building materials (such as ready-mix concrete).

Altivity s flexible packaging business has an established position in end-markets for food products, pharmaceutical and medical products, personal care, industrial, pet food and pet care products, horticulture and military and commercial retort pouches. With the capacity to extrude up to seven layers of multi-layer films and state-of-the-art printing capabilities, the business is ideally positioned to service a variety of niche flexible packaging applications such as stand-up pouches, condiment containers for the fast food industry and plastic valve and shipping sacks.

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Altivity s flexible packaging manufacturing facilities consist of four U.S. and one Canadian based operation. These plants offer flexographic and rotogravure printing, thermoforming and barrier coating, mono layer and co-extruded films, extrusion lamination, adhesive lamination both stand alone and in-line with flexographic printing, polyethylene bags and rolls, shipping sacks and valve bags.

Labels

Altivity s labels business focuses on two product lines: heat transfer labels and litho labels. As a result of recent investments, Altivity has penetrated new markets such as shrink sleeve, pressure sensitive and in-mold labels.

Altivity s labels plants in St. Charles, Illinois, Norwood, Ohio and Greensboro, North Carolina feature state-of-the-art lithographic printing presses, including eight color sheet-fed and roll-to-roll equipment that produce both cut and stack, pressure sensitive and heat transfer labels. The labels business can provide customers with high quality labels utilizing virtually any technology application.

Altivity s labels business includes cut & stack labels and pressure sensitive labels which are predominantly sold to food product manufacturers and industrial and household product manufacturers. Finally, heat transfer labels are commonly used in health and beauty applications, as well as in food, beverage, household and automotive markets.

Competition

Although a relatively small number of large competitors hold a significant portion of the paperboard packaging industry, Altivity s business is subject to strong competition. Altivity s primary competitors include, in the folding cartons and paperboard segment, Rock-Tenn Company, International Paper Company, Caraustar Industries, Inc., MeadWestvaco, Simkins-Hallin Lumber Company, The Specialized Packaging Group, Inc., White Pigeon Paper Company, The Newark Group and Cascades Inc., and in the multi-wall bag segment, Hood Packaging Corporation, Exopack LLC, Bemis Company, Inc., Mondi Group and Mid-America Paper Recycling Co. Additionally, Altivity faces increasing competition from products imported from Asia and South America.

There are a large number of producers in the paperboard markets, which are subject to significant competitive and other business pressures. Suppliers of paperboard compete primarily on the basis of price, strength and printability of their paperboard, quality and service.

Energy and Raw Materials

Paper board, natural kraft, recycled fiber and other paper substrates, poly sheeting and plastic resins used in the manufacture of folding cartons and coated recycle paperboard, multi-wall bags, flexible packaging and labels, as well as various chemicals used to produce coated recycled paperboard represent the largest components of Altivity s variable costs of production. The cost of these materials is subject to market fluctuations caused by factors largely beyond Altivity s control.

Folding Carton

The majority of external board purchases are acquired through long term arrangements with major industry suppliers including Smurfit Stone Container Corporation, MeadWestvaco, Georgia-Pacific LLC and International Paper Company. The folding carton business also purchases a variety of other raw materials and supplies for the converting operations, including adhesives, inks and coatings, and printing press consumables such as plates and blankets. These materials are purchased from a diverse supplier base that includes both direct manufacturers and select third-party distributors under a range of short-term and longer-term contractual agreements.

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Mills

Altivity s coated recycled board is made from 100% recycled fiber that is currently sourced primarily through a supply agreement with Smurfit Stone Container Corporation. Altivity believes that this agreement provides better stability in its long-term fiber supply relative to its competitors. In addition, ready-access to a consistent, stable and familiar fiber source results in increased manufacturing efficiencies and a more consistent level of coated recycled product quality.

The mills also purchase a variety of other raw materials and chemicals such as latex, kaolin and titanium dioxide from a diversified base of suppliers. Altivity has secured access to these materials under a variety of mid to long-term contracts and enjoys a long-standing relationship with a majority of its supplier base.

Multi-wall

The multi-wall bag operations use a combination of natural Kraft, high performance, bleached, metallic and clay coated papers in its converting operations. The paper is supplied directly through North American paper mills, including Smurfit Stone Container Corporation, KapStone Kraft Paper Corporation, Georgia-Pacific LLC, Fraser Papers, Tolko Industries Ltd. and Canfor Corporation, under supply agreements that are typically reviewed annually.

Flexible/Label

The flexible packaging group currently purchases the majority of its primary raw material of polyethylene resins or additives from Equistar Chemical Company, Dow Chemical Canada, Inc., AT Plastics, Inc., Nova Chemicals, Spartech Plastics and Pliant Corp. Other key material purchases include films, such as nylon, both saran coated and not, polyester film, metallized polyester film, polypropylene films for retort pouch packaging, aluminum foil, inks and adhesives that are secured through a variety of short and mid-term agreements.

The label group purchases its primary raw materials, which includes heat transfer papers and coated one-side and two-side papers from a limited number of suppliers. In addition, the group purchases wet strength and metallized paper for specific, niche label applications and shrink sleeve film substrates through short and mid-term agreements.

Energy, including natural gas, fuel oil and electricity, represents a significant portion of Altivity s manufacturing costs. Altivity has entered into contracts designed to manage risks associated with future variability in cash flows and price risk related to future energy cost increases for a portion of its natural gas requirements, primarily at its U.S. mills through March 31, 2008. Altivity plans to continue its hedging program for natural gas as discussed in Note 10 in the Notes to BCH s Consolidated Financial Statements included herein.

Altivity purchases a variety of other raw materials for the manufacture of its products, such as inks, aluminum foil, plastic filling, plastic resins, adhesives, process chemicals and coating chemicals such as kaolin and titanium dioxide. While such raw materials are generally readily available from many sources, and Altivity is not dependent upon any one source of such raw materials, Altivity has developed strategic long-standing relationships with some of its vendors, including the use of multi-year supply agreements, in order to provide a guaranteed source of raw materials that satisfies customer requirements.

Altivity is negatively impacted by inflationary pressures, including higher costs for energy, chemical-based inputs and freight. Since negotiated contracts and the market largely determine the pricing for its products, Altivity is at times limited in its ability to pass through to its customers any inflationary or other cost increases that Altivity incurs.

Seasonality

Altivity s net sales, income from operations and cash flows from operations are subject to moderate seasonality, with demand usually increasing in late summer and early fall due to the seasonality of the folding carton business.

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Research, Development and Engineering

Altivity s research and development staff works directly with its sales and marketing personnel in meeting with customers and pursuing new business. Altivity s development efforts include, but are not limited to, new product and innovation teams to assist in working with customers, sales, marketing and manufacturing to develop new package features, modifications and designs; technical assistance to provide test programs for new or existing packages to provide recommendations for performance packaging modifications, product fitness for use and shelf life improvements and to determine package construction and design; addressing customers questions related to the compliance of Altivity s products to federal, state and local regulations; production of samples for marketing evaluation, checking the package size or other evaluations; and assistance to identify and quantify the key characteristics of materials which affect product and package performance.

Patents and Trademarks

As of December 31, 2006, Altivity had a large patent portfolio, presently owning, controlling or holding rights to more than 61 U.S. and foreign patents, with more than 30 U.S. and foreign patent applications currently pending. Altivity s patent portfolio consists primarily of patents relating to packaging machinery, structural carton designs, multi-wall bag packaging and manufacturing methods. These patents and processes are significant to Altivity s operations and are supported by trademarks such as Alti-Kraft®, Alti-Print®, Cap-Sac®, DI-NA-Cal®, Force Flow®, Kitchen Master®, Lithoflute®, Lustergrip®, Master Impressions®, Master Coat®, Peel Pak®, Shape FX®, Soni-Lok®, Soni-Seal®, and The Yard Master®. Altivity takes significant steps to protect its intellectual property and proprietary rights. Altivity does not believe that the expiration of any of its patents at the end of their normal lives will have a material adverse effect on its financial condition or results of operations, and Altivity s operations are not dependent upon any single patent or trademark.

Employees and Labor Relations

As of December 31, 2006, Altivity had approximately 7,900 employees worldwide (excluding employees of joint ventures), of which approximately 59% were represented by labor unions and covered by collective bargaining agreements. Altivity considers its employee relations to be satisfactory.

Certain employees in the U.S. are covered by collective bargaining agreements at 35 different sites with 49 union contracts. Altivity has contracts with International Brotherhood of Teamsters (IBT), International Association of Machinists (IAM), International Brotherhood of Firemen and Oilers (IBFO), United Food and Commercial Workers International Union (UFCW), International Union of Operating Engineers (IUOE), United Steelworkers Union (USW), International Brotherhood of Electrical Workers (IBEW), Communication, Energy and Paperworkers Union of Canada (CEP), and Sindicato de Trabajadores de Industrias, which are summarized below:

Type of Facility and Location	Name of Union	Expiration of Agreement
Paperboard Mill:		
Pekin, IL	USW	October 31, 2005
Middletown, OH	USW	June 1, 2008
Battlecreek MI	IBT	April 2, 2010
Battlecreek MI	IAM	April 2, 2010
Battlecreek MI	IBEW	April 2, 2010
Battlecreek MI	IUOE	April 2, 2010
Wabash, IN	USW	June 19, 2010

Philadelphia, PA	IBFO	June 19, 2010
Philadelphia, PA	IUOE	June 19, 2010
Philadelphia, PA	USW	June 19, 2010
Santa Clara, CA	IBT	August 31, 2010

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Type of Facility and Location	Name of Union	Expiration of Agreement
Folding Cartons:		
Queretaro, MX	Sindicato de Trabajadores	March 1, 2008
Fort Wayne, IN	IBT	April 30, 2008
Middletown, OH	USW	June 1, 2008
Carol Stream, IL	IBT	June 1, 2008
Pacific Carton, MO	IBT	July 31, 2008
Stone Mountain, GA	IBT	September 15, 2008
Muncie, IN	IBT	October 8, 2008
Valley Forge, PA	IBFO	June 19, 2009
Valley Forge, PA	USW	June 19, 2009
Solon, OH	USW	June 19, 2009
Morris, IL	USW	July 1, 2009
Muncie, IN	UFCW	August 1, 2009
Greensboro, NC	IBT	November 15, 2009
Santa Clara, CA	IBT	August 31, 2010
Middletown, OH	IBT	August 31, 2010
Irvine, CA	IBT	August 31, 2010
Fort Wayne, IN	IBT	February 19, 2011
Renton, WA	IBT	February 28, 2011
Renton, WA	IBT	April 30, 2011
Carol Stream, IL	IAM	May 2, 2011
Multi-wall Bags:		
Salt Lake City, UT	IBT	June 15, 2007
Wellsburg, WV	USW	May 14, 2008
Cantonment, FL	USW	August 31, 2008
New Philadelphia, OH	USW	October 1, 2008
Kansas City, MO	USW	October 31, 2008
Arcadia, LA	USW	March 31, 2009
Louisville, KY	IBT	October 10, 2009
Jacksonville, AR	USW	November 1, 2009
Cantonment, FL	USW	December 31, 2009
Flexible Packaging/Labels/Ink:		
Hodge, LA	USW	September 30, 2007
Brampton Ontario, CN	CEP	February 1, 2009
St. Charles, IL	IBT	July 2, 2008
St. Charles, IL	IBT	April 30, 2009
St. Charles, IL	IBT	November 1, 2009
Indianapolis, IN	IBT	June 30, 2011
Bellwood/Riverdale, IL	IBT	June 30, 2008
Elk Grove Village, IL	USW	September 30, 2008
Norwood, OH	USW	March 7, 2009

Note: Altivity s international employees are represented by unions in Brampton, Ontario, Canada and Queretaro, Mexico.

Environmental Matters

Altivity is subject to federal, state and local environmental regulations and employs a team of professionals in order to maintain compliance at each of its facilities. For additional information on the financial effects of such regulation and compliance, see Management s Discussion and Analysis of Financial Condition and Results of Operations Bluegrass Container Holdings, LLC and Altivity Packaging, LLC Environmental Matters.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GRAPHIC PACKAGING CORPORATION

Please see Graphic s Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and its quarterly report on Form 10-Q for the quarterly period ended June 30, 2007, each as filed with the SEC and incorporated herein by reference, for Graphic s historical consolidated financial data as of December 31, 2006 and 2005 and June 30, 2007, and for each of the years in the three-year period ended December 31, 2006 and for each of the six-month periods ended June 30, 2007 and 2006, and for management s discussion and analysis of Graphic s consolidated financial condition and results of operations as of such dates and for such periods. Please also see Summary Historical and Unaudited Pro Forma Condensed Consolidated/Combined Financial Data Summary Historical Consolidated Financial Data of Graphic.

BLUEGRASS CONTAINER HOLDINGS, LLC AND ALTIVITY PACKAGING, LLC

The following discussion and analysis should be read in conjunction with the audited and unaudited consolidated financial statements and related notes thereto, each of which are included elsewhere in this proxy statement/prospectus. Unless otherwise noted, all of the financial information in this discussion is consolidated financial information for the Successor or the Predecessor (as defined below). The forward-looking statements in this discussion, expectations regarding future performance, liquidity and capital resources and other non-historical statements in this discussion are subject to numerous risks and uncertainties including, but not limited to, those set forth under Risk Factors and Special Note Regarding Forward-Looking Statements. Actual results may differ materially from those contained in any forward-looking statements.

Overview of Business

Altivity Packaging, LLC (formerly known as Bluegrass Container Company, LLC) (Altivity, or Successor), a Delaware limited liability company and a wholly-owned subsidiary of Bluegrass Container Holdings, LLC (BCH), purchased substantially all of the assets of the Consumer Packaging Division (CPD or the Predecessor) of Smurfit-Stone Container Enterprises, Inc. (SSCE), a wholly-owned subsidiary of Smurfit-Stone Container Corporation (SSCC) (the CPD acquisition) on June 30, 2006. BCH is majority-owned by investment vehicles affiliated with TPG Capital, L.P. (TPG). On August 16, 2006, Bluegrass completed the acquisition of substantially all of the assets of Field Holdings, Inc., a Delaware corporation, Field Container Company, L.P., a Delaware limited partnership and Field Container Management Corporation, a Delaware corporation (the Field Companies) (the Field acquisition).

Across its businesses, Altivity provides packaging solutions to customers in the consumer packaged goods, agriculture, pet care, building materials and chemicals industries. These end-markets are generally characterized by stable and predictable demand growth. Key demand drivers in these markets include rising disposable income levels and increased consumption of non-durable goods among consumers.

Altivity s customer base includes a number of well-known, blue-chip companies. As these large consumer product companies have increasingly focused on product positioning as a differentiating factor on retail shelves, packaging has become an integral part of a product s merchandising strategy. Effective packaging communicates quality, product attributes, product differentiation, and brand identification to potential customers. Across all segments, Altivity works closely with its customers in the early stages of product development to engineer and create innovative packaging solutions.

Altivity generates revenues primarily through the sales of packaging solutions primarily for consumer oriented end-markets. Altivity produces a broad offering of high quality coated boxboard, paper and plastic based packaging products from a nationwide manufacturing base that includes 23 folding carton facilities, 6 coated and uncoated recycled boxboard mills, 12 multi-wall bag and specialty plants and 10 flexible packaging and label facilities and 5 ink facilities.

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Objective and Strategy

Altivity s objective is to strengthen its position as a leading provider of coated recycled paperboard, folding carton and multi-wall packaging and to continue to grow its flexible and label packaging businesses. To achieve this objective, Altivity offers a solutions-oriented approach in each individual business and as an integrated company-wide platform where ideas and technology are shared across the organization. Altivity is also implementing strategies (i) to identify target markets and expand market share where there exists a competitive advantage and penetrate new markets through innovation; (ii) to capitalize on Altivity s customer relationships and utilize these relationships to expand and grow in business segments where there is currently no sales activity; (iii) to develop and market innovative products and applications; and (iv) to continue to reduce costs by focusing on operational improvements through lean manufacturing principles.

Significant Factors That Impact the Company s Business

Altivity s ability to fully implement its strategies and achieve its objective may be influenced by a variety of factors, many of which are beyond its control, such as inflation of raw material and other costs, which Altivity cannot always pass through to its customers, the effect of overcapacity in the worldwide paperboard packaging industry and alternative packaging solutions and capabilities beyond Altivity s current reach.

Impact of Inflation. Altivity s cost of sales consists primarily of purchased paperboard, paper, plastic films and resins, recycled fibers, foil, energy (including natural gas, fuel oil and electricity), labor and depreciation expense. Altivity was negatively impacted by inflationary pressures which increased year over year costs by $23.1 million and $27.1 million in 2006 and 2005, respectively. The 2006 cost increases are primarily related to labor and related benefits, freight, chemical-based inputs, and maintenance costs. Altivity has entered into contracts designed to manage risks associated with future variability in cash flows caused by changes in the price of natural gas. Altivity has hedged approximately 90% and 12% of its expected natural gas usage for the years 2007 and 2008, respectively. Altivity believes that inflationary pressures, including higher costs for recycled fiber and chemical-based inputs and energy costs will continue to impact its results in 2007 and 2008. Altivity has had reasonable success in negotiating price increases that pass through to its customers some of the inflationary or other cost increases that Altivity has incurred.

Commitment to Cost Reduction. In light of increasing margin pressure throughout Altivity s business segments, Altivity has continuous improvement programs in place designed to reduce costs, improve productivity and increase profitability. Altivity has recently implemented lean manufacturing techniques aimed at reducing and eliminating waste in all aspects of variable and fixed manufacturing and administrative costs.

Competition and Market Factors. As many products can be packaged in different types of materials, Altivity s folding carton and paperboard sales are affected by competition from other manufacturers coated, recycled boxboard, coated unbleached kraft paperboard, or CUK board, and other substrates solid bleached sulfate, or SBS, recycled clay coated news, or CCN, and, internationally, white lined chipboard, or WLC, and folding boxboard, or FBB. Substitute products also include shrink film and corrugated containers. Multi-wall packaging has also been impacted by alternative packaging such as intermediate bulk containers, plastics and woven polypropylene packaging. In addition, Altivity s sales historically are driven by consumer buying habits in the markets its customers serve. New product introductions and promotional activity by Altivity s customers and Altivity s introduction of new packaging products also impact its sales. Lastly, Altivity s net sales, income from operations and cash flows from operations are subject to moderate seasonality, with demand usually increasing in late summer and early fall due to the seasonality of consumer product companies that it serves and the gift box market.

Altivity works to maintain market share through efficiency, product innovation and strategic sourcing to its customers; however, pricing, bid activity and other competitive pressures may result in the loss of a customer relationship.

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Results of Operations

Year ended December 31, 2006 Predecessor and Successor Results of Operations Combined Non-GAAP

The following table presents the combined results of operations, consolidated and by segment, for the year ended December 31, 2006. The results of the Predecessor, for the period January 1, 2006 to June 30, 2006, and the Successor, for the period July 1, 2006 to December 31, 2006 were combined.

Generally accepted accounting principles in the United States (U.S. GAAP) do not allow for such combination of the financial results of the Predecessor and the Successor and this approach yields results that are not comparable on a period-by-period basis due to the new basis of accounting established at the date of the CPD acquisition. BCH believes the combined results provide the most meaningful way to comment on the results of operations for the year ended December 31, 2006 compared to the prior year because discussion of a partial period consisting of the period from July 1, 2006 to December 31, 2006 compared to the year ended December 31, 2005 would not be meaningful. The combined information is the result of adding the Successor and the Predecessor columns below and does not include any pro forma assumptions or adjustments.

The Combined Non-GAAP financial statements represent the combined results of two distinct organizations, management teams, cost structures and operations. Specifically, the Predecessor was a division of a large publicly traded company. The Successor is comprised of this division and the Field Companies, which were privately held. The results of the Field Companies are included for the period from August 16, 2006 through December 31, 2006. The Successor statements also include the impact of purchase accounting which, includes incremental cost of sales associated with the adjustment of inventory and fixed assets to fair value and other incremental costs associated with the valuation of intangibles. The impacts of purchasing accounting adjustments and the Field acquisition creates an inconsistency when comparing year over year results as well as the results of the Predecessor and Successor for the year ending 2006.

The combination of the financial statements of the Predecessor and Successor provides for a more meaningful discussion of results and past trends by providing investors with a full year of results of operations for the combined company, including the results of the Field Companies since their acquisition.

	Successor July 1, 2006 to December 31, 2006	Predecessor January 1, 2006 to June 30, 2006	Combined Non-GAAP Year Ended December 31, 2006
		In millions	
Net Sales	$ 964.2	$ 789.4	$ 1,753.6
Cost of Sales	881.3	699.0	1,580.3
Selling, General and Administrative	89.7	75.4	165.1
(Gain) Loss on Sale of Assets		(0.1)	(0.1)
Income (Loss) from Operations	(6.8)	15.1	8.3
Interest Income	2.7		2.7
Interest Expense	(48.5)	(0.6)	(49.1)
Other (Expense) Income, Net	(0.4)		(0.4)

Income (Loss) before Income Taxes		(53.0)		14.5		(38.5)
Income Tax Expense		0.5		5.8		6.3
Net (Loss) Income	$	(53.5)	$	8.7	$	(44.8)

Segment Information

BCH reports its results in three business segments: folding carton and paperboard, multi-wall bag and flexible packaging/label. The following tables represent the results of operations of the Predecessor and the Successor, respectively, on a consolidated basis and by segment for the period from January 1, 2006 to June 30, 2006, and for the period from July 1, 2006 to December 31, 2006 and the combination of the results for these periods, as well as the results of the Predecessor for the periods ended December 31, 2005 and 2004.

Corporate expenses of the Predecessor were allocated to the segments. Subsequent to the CPD acquisition, corporate expenses and other business activities not separately reportable as segments have been combined in the corporate/other segment category.

	Successor July 1, 2006 to December 31, 2006	Predecessor January 1, 2006 to June 30, 2006	Combined Non-GAAP Year Ended December 31, 2006
		In millions	
Net Sales:			
Folding Carton and Paperboard	$ 607.0	$ 443.4	$ 1,050.4
Multi-Wall Bag	238.8	233.4	472.2
Flexible Packaging/Label	107.0	112.6	219.6
Corporate/Other	11.4		11.4
Total	$ 964.2	$ 789.4	$ 1,753.6
Income (Loss) from Operations:(a)			
Folding Carton and Paperboard	$ 43.9	$ 4.6	$ 48.5
Multi-Wall Bag	24.4	6.7	31.1
Flexible Packaging/Label	4.1	3.8	7.9
Corporate/Other	(79.2)		(79.2)
Total	$ (6.8)	$ 15.1	$ 8.3

Business segment information is as follows:

	Six Months Ended June 30,		Year Ended December 31,		
	Successor 2007	Predecessor 2006	Combined Non-GAAP 2006	Predecessor 2005	Predecessor 2004
			In millions		
Net Sales:					
Folding Carton and Paperboard	$ 646.2	$ 443.4	$ 1,050.4	$ 903.1	$ 868.0
Multi-Wall Bag	234.6	233.4	472.2	469.3	478.5
Flexible Packaging/Label	108.6	112.6	219.6	212.0	194.7
Corporate/Other	10.9		11.4		
Total	$ 1,000.3	$ 789.4	$ 1,753.6	$ 1,584.4	$ 1,541.2

Income (Loss) From Operations:										
Folding Carton and Paperboard	$	55.5	$	4.6	$	48.5	$	23.2	$	27.5
Multi-Wall Bag		17.2		6.7		31.1		18.4		21.6
Flexible Packaging/Label		7.2		3.8		7.9		11.8		14.0
Corporate/Other		(45.7)				(79.2)				
Total	$	34.2	$	15.1	$	8.3	$	53.4	$	63.1

(a) Income (loss) from operations differs from segment profit as disclosed in Note 17 in the notes to BCH s consolidated financial statements included in this proxy statement/prospectus. Segment profit as disclosed in BCH s consolidated financial statements includes the allocation of interest expense and non-operating expense.

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Six Months Ended June 30, 2007 Compared with Six Months Ended June 30, 2006

Net Sales

	Six Months Ended June 30, Successor 2007	Predecessor 2006	Increase (Decrease)	Percent Change
	In millions			
Folding Carton and Paperboard	$ 646.2	$ 443.4	$ 202.8	45.7%
Multi-Wall Bag	234.6	233.4	1.2	0.5%
Flexible Packaging/Label	108.6	112.6	(4.0)	(3.6)%
Corporate/Other	10.9		10.9	n.m.
Total	$ 1,000.3	$ 789.4	$ 210.9	26.7%

n.m. not meaningful

Net sales in the folding carton and paperboard segment increased $202.8 million, or 45.7%, compared to the six months ended June 30, 2006 due primarily to the Field acquisition, which accounts for $184.1 million of the increase. In addition, improved pricing in folding carton and paperboard helped offset the inflationary impact of recycled fiber costs. Higher unit volumes in both folding carton and paperboard also positively impacted overall sales. Multi-wall bag net sales increased $1.2 million, or 0.5%, compared to the six months ended June 30, 2006 due primarily to the impact of the pass-through to customers of paper price increases. Net sales in the flexible packaging/label segment decreased $4.0 million, or 3.6%, compared to the six months ended June 30, 2006 due primarily to the impact of reduced unit volumes in the industrial building products markets in the flexible packaging business. The increase in corporate/other net sales of $10.9 million represent sales in the ink business acquired as part of the Field acquisition.

Income (Loss) From Operations

	Six Months Ended June 30, Successor 2007	Predecessor 2006	Increase (Decrease)	Percent Change
	In millions			
Folding Carton and Paperboard	$ 55.5	$ 4.6	$ 50.9	n.m.
Multi-Wall Bag	17.2	6.7	10.5	n.m.
Flexible Packaging/Label	7.2	3.8	3.4	n.m.
Corporate/Other	(45.7)		(45.7)	n.m.
Total	$ 34.2	$ 15.1	$ 19.1	n.m.

n.m. not meaningful

Income from operations in the folding carton and paperboard segment increased $50.9 million compared to the six months ended June 30, 2006. The Field acquisition accounted for $20.3 million of the increase. Income from operations in the base business improved partially due to improved pricing, offset in part by inflationary increases in recycled fiber costs. Cost reduction programs, including productivity improvements implemented in 2007, positively impacted operating income by $17.2 million. Inflationary increases in labor and benefits were offset by realized savings in procurement, headcount reductions, and productivity gains from capital investment.

The multi-wall bag segment realized an increase in income from operations of $10.5 million compared to the six months ended June 30, 2006 due primarily to the pass through impact of paper price increases, procurement savings, cost reduction initiatives, and the impact of capital investment programs. These positive impacts were partially offset by a decline in unit volume of 3.8%. Cost reduction initiatives positively impacted 2007 operating income by $3.5 million.

Flexible packaging/label income from operations increased $3.4 million compared to the six months ended June 30, 2006 due primarily to improved margins in the labels business, the results of cost reduction initiatives, and the impact of capital investment programs. Offsetting these improvements, the flexible packaging business suffered a decline in unit volumes in the industrial building products markets. Cost reduction initiatives positively impacted 2007 income by $4.5 million.

In the corporate/other segment, income from operations was negatively impacted by $45.7 million compared to the six months ended June 30, 2006 due to increases in corporate, general and administrative costs from the establishment of new corporate departments, legal and consulting fees, recruiting, travel, severance and relocation.

Interest Income

Interest income was $2.4 million in the first six months of 2007 and nil in 2006, due to higher average cash balances. Prior to the CPD acquisition, cash was centralized with SSCE and transmitted on a daily basis and, as a result, the Predecessor did not generate any interest income.

Interest Expense

Interest expense was $49.8 million in the six months ended June 30, 2007 and $0.6 million in 2006. As discussed in Liquidity and Capital Resources, BCH, in connection with the CPD acquisition, entered into agreements for term loans and revolving credit facilities under which initial borrowings totaled approximately $1.2 billion. In comparison, SSCE did not have indebtedness directly attributable to the assets of the Predecessor, except for an industrial revenue bond of $10.0 million and other debt of $4.9 million.

Income Tax Expense

During the six months ended June 30, 2007, BCH recognized income tax expense of $1.1 million on loss before income taxes of $13.4 million. The 2006 income tax expense for the Predecessor was $5.8 million on income before income taxes of $14.5 million. The reduction in income tax expense is the result of lower income and as a result of the Successor being taxed as a partnership for federal income tax purposes. The Predecessor s operating results were included within the taxable income of SSCE (a C-Corporation) and its income tax provisions were computed on a separate return basis.

Unaudited Combined Non-GAAP Year Ended December 31, 2006 compared with Year Ended December 31, 2005

Net Sales

	Year Ended December 31, Combined Non-GAAP 2006	Year Ended December 31, Predecessor 2005	Increase	Percentage Change
	In millions			
Folding Carton and Paperboard	$ 1,050.4	$ 903.1	$ 147.3	16.3%

Multi-Wall Bag	472.2	469.3	2.9	0.6%
Flexible Packaging/Label	219.6	212.0	7.6	3.6%
Corporate/Other	11.4		11.4	n.m.
Total	$ 1,753.6	$ 1,584.4	$ 169.2	10.7%

Net sales in the folding carton and paperboard segment increased by $147.3 million, or 16.3%, compared to the year ended December 31, 2005, due primarily to the Field acquisition impact of $147.5 million. Sales on the base business were relatively flat from both a price and volume perspective. Multi-wall bag net sales increased by $2.9 million, or 0.6%, compared to the year ended December 31, 2005, due primarily to the pass

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through impact of paper price increases. In the flexible packaging/label segment, net sales increased $7.6 million, or 3.6%, compared to the year ended December 31, 2005, due to moderate growth in unit volumes offset by competitive price reductions. The corporate/other segment realized net sales of $11.4 million, including a net sales increase of $8.6 million, compared to the year ended December 31, 2005 attributable to the ink business acquired in the Field acquisition.

Income (Loss) From Operations

	Year Ended December 31,			
	Combined Non-GAAP 2006	Predecessor 2005	Increase (Decrease)	Percent Change
	In millions			
Folding Carton and Paperboard	$ 48.5	$ 23.2	$ 25.3	109.1%
Multi-Wall Bag	31.1	18.4	12.7	69.0%
Flexible Packaging/Label	7.9	11.8	(3.9)	(33.1)%
Corporate/Other	(79.2)		(79.2)	n.m.
Total	$ 8.3	$ 53.4	$ (45.1)	(84.5)%

Corporate expenses of the Predecessor were allocated to the segments. Subsequent to the CPD acquisition, corporate expenses and other business activities not separately reportable as segments have been combined in the corporate/other segment category.

Within the folding carton and paperboard segment, income from operations increased by $25.3 million, or 109.1%, compared to the year ended December 31, 2005 due primarily to the Field acquisition impact on the segment of $9.0 million. In addition, there was improved pricing in paperboard as a result of the increase in raw material price inputs, while prices in the folding carton business decreased margins due to contractual and market related price reductions. Total energy cost expenditures were favorable compared to the year ended December 31, 2005 by $5.7 million. Cost reduction programs implemented also positively impacted operating income due to productivity improvements, procurement savings, headcount reduction and capital investment totaling $6.7 million.

Income from operations in the multi-wall bag segment increased by $12.7 million, or 69.0%, compared to the year ended December 31, 2005, due primarily to the gross margin impact of paper price increases in excess of underlying raw material cost increases. Procurement savings, cost reduction initiatives, and the impact of capital investment programs also positively impacted margins.

The flexible packaging/label segment realized a decline in income from operations of $3.9 million, or 33.1%, compared to the year ended December 31, 2005 due primarily to material cost increases in the flexible business, primarily resin, that were not recovered in customer price increases. Reduced unit volumes in the industrial building products markets in the flexible packaging business negatively impacted operating income. Improved margins in the labels business, cost reduction initiatives, and the impact of capital investment programs positively impacted margins and operating income.

In the corporate/other segment, income from operations in 2006 decreased $79.2 million compared to the year ended December 31, 2005 due primarily to expenses associated with the CPD and Field acquisitions. Expenses associated with the CPD and Field acquisitions of $32 million were related to integration costs attributable to establishing new corporate departments, legal fees, recruiting, travel, consulting, severance and relocation expenses. Additionally, in connection with the CPD and Field acquisitions, $36.8 million of inventory step-up was recorded to adjust inventory from its historic cost to fair value at the date of the respective acquisitions. The amount was expensed in the corporate/other segment in 2006.

Interest Income, Interest Expense, and Income Tax Expense

Interest Income

Interest income was $2.7 million in 2006 and nil in 2005, due to the higher average cash balances. Prior to the CPD acquisition, cash was centralized with SSCE and transmitted on a daily basis and, as a result, the Predecessor did not generate any interest income.

Interest Expense

Interest expense was $49.1 million in 2006 and $1.2 million in 2005. As discussed in Liquidity and Capital Resources, BCH, in connection with the CPD acquisition entered into agreements for term loans and revolving credit facilities. Initial borrowings under term loans and revolvers totaled approximately $1.2 billion. In comparison, SSCE did not have indebtedness directly attributable to the assets of the Predecessor, except for an industrial revenue bond of $10.0 million and other debt of $4.9 million.

Income Tax Expense

During 2006, BCH recognized income tax expense of $6.3 million on loss before income taxes of $38.5 million. The 2006 income tax expense was $5.8 million for the Predecessor on income before income taxes of $14.5 million, and $0.5 million on loss before income taxes of $53.0 million. During 2005, BCH recognized income tax expense of $20.9 million on income before income taxes of $52.3 million. The reduction in income tax expense is the result of lower income and as a result of the Successor being taxed as a partnership for federal income tax purposes. The Predecessor s operating results were included within the taxable income of SSCE (a C-Corporation), and its income tax provisions were computed on a separate return basis.

Year Ended December 31, 2005 compared with Year Ended December 31, 2004

Net Sales

	Year Ended December 31, Predecessor 2005	Year Ended December 31, Predecessor 2004	Increase (Decrease)	Percent Change
	In millions			
Folding Carton and Paperboard	$ 903.1	$ 868.0	$ 35.1	4.0%
Multi-Wall Bag	469.3	478.5	(9.2)	(1.9)%
Flexible Packaging/Label	212.0	194.7	17.3	8.9%
Total	$ 1,584.4	$ 1,541.2	$ 43.2	2.8%

The Predecessor s net sales in the folding carton and paperboard segment increased by $35.1 million, or 4.0%, compared to the year ended December 31, 2004 due primarily to favorable unit volume increases. In addition, improved pricing partially offset the inflationary impact of recycled fiber costs. Multi-wall bag net sales decreased $9.2 million, or 1.9%, compared to the year ended December 31, 2004 due primarily to unit volume deceases of 0.6% in conjunction with the closure of a converting plant, offset by the pass through impact of paper price increases. Net sales were also unfavorably impacted by the sale of distribution rights for SSCC s flexible intermediate bulk container business in the third quarter of 2004. Within the flexible packaging/label segment, net sales increased $17.3 million, or 8.9%, compared to the year ended December 31, 2004 due primarily to material cost increases passed through to impact customer pricing.

Income (Loss) from Operations

	Year Ended December 31, Predecessor 2005	Predecessor 2004	(Decrease)	Percent Change
		In millions		
Folding Carton and Paperboard	$ 23.2	$ 27.5	$ (4.3)	(15.6)%
Multi-Wall bag	18.4	21.6	(3.2)	(14.8)%
Flexible Packaging/Label	11.8	14.0	(2.2)	(15.7)%
Total	$ 53.4	$ 63.1	$ (9.7)	(15.4)%

Income from operations in the folding carton and paperboard segment decreased $4.3 million, or 15.6%, compared to the year ended December 31, 2004 due primarily to material cost increases, higher energy costs, and higher labor costs. Within the multi-wall bag segment, income from operations decreased $3.2 million, or 14.8%, compared to the year ended December 31, 2004 due primarily to lower unit sales volume, offset by overall margin improvement due to cost reductions and capital investment. In addition, income from operations was negatively impacted by higher restructuring charges of $3.1 million and a charge of $4.0 million related to a legal settlement. In the flexible packaging/label segment, income from operations decreased $2.2 million, or 15.7%, compared to the year ended December 31, 2004 due to the impact of the stronger Canadian dollar impact on the Brampton, Ontario facility and higher energy and wage costs. These were partially offset by cost reduction initiatives.

Interest Expense

Interest expense increased by $0.3 million to $1.2 million in 2005 from $0.9 million in 2004, due to higher interest rates which were partially offset by lower average borrowings.

Income Tax Expense

During 2005, the Predecessor recognized income tax expense of $20.9 million on income before income taxes of $52.3 million. During 2004, the Predecessor recognized income tax expense of $24.8 million on income before income taxes of $62.4 million. Income tax expense for 2005 was less than 2004 primarily due to lower income. Included in income tax expense is deferred tax income of $11.0 million recorded in 2005 and deferred tax expense of $5.0 million in 2004. This decrease in deferred taxes was caused by a reduction in the LIFO reserve and a decrease in depreciation expense.

Financial Condition, Liquidity and Capital Resources

BCH broadly defines liquidity as its ability to generate sufficient funds from both internal and external sources to meet its obligations and commitments. In addition, liquidity includes the ability to obtain appropriate debt and equity financing and to convert into cash those assets that are no longer required to meet existing strategic and financial objectives. Therefore, liquidity cannot be considered separately from capital resources that consist of current or potentially available funds for use in achieving long-range business objectives and meeting debt service commitments.

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Cash Flows

In millions	Successor July 1, 2006 to December 31, 2006	Predecessor January 1, 2006 to June 30, 2006	Combined Non-GAAP Year Ended December 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (Loss) Income	$ (53.5)	$ 8.7	$ (44.8)
Noncash Items Included in Net (Loss) Income:			
Depreciation and Amortization	42.5	20.4	62.9
Deferred Income Taxes	(0.2)	(10.7)	(10.9)
Amortization of Deferred Debt Issuance Costs	1.8		1.8
Asset Retirements Gain		(0.1)	(0.1)
Changes in Operating Assets & Liabilities:			
Accounts Receivable, Net	(143.5)	3.6	(139.9)
Inventories	59.5	(8.4)	51.1
Prepaid Expenses and Other Current Assets	0.8	(2.2)	(1.4)
Accounts Payable and Accrued Liabilities	50.7	(12.9)	37.8
Other, Net	0.8	0.1	0.9
Net Cash Used in Operating Activities	(41.1)	(1.5)	(42.6)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital Spending	(21.4)	(39.0)	(60.4)
Acquisitions, Net of Cash Received	(1,281.4)		(1,281.4)
Proceeds from Disposal of Property/Other	0.3	0.3	0.6
Net Cash Used in Investing Activities	(1,302.5)	(38.7)	(1.341.2)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (Repayments) Borrowings of Long-term Debt	(2.8)	0.1	(2.7)
Proceeds from Debt	1,165.0		1,165.0
Cash Contribution from Parent	305.0		305.0
Deferred Debt Issuance Costs	(24.4)		(24.4)
Net Advances from SSCE		40.1	40.1
Net Cash Provided by Financing Activities	1,442.8	40.2	1,483.0
EFFECT OF EXCHANGE RATE CHANGES ON CASH			
Net Increase in Cash and Equivalents	99.2		99.2
Cash and Equivalents at Beginning of Period			
CASH AND EQUIVALENTS AT END OF PERIOD	$ 99.2	$	$ 99.2

Year Ended December 31, 2006

Cash and equivalents increased from zero to $99.2 million in 2006, as BCH established cash accounts separate from the combined cash management system that Predecessor participated in as a part of SSCC. Cash used in operating activities in 2006 totaled $42.6 million, compared to cash provided by operating activities of $82.6 million in 2005. This reduction was principally due to the net loss and the net change in operating assets and liabilities, consisting primarily of an increase in receivables offset by decreases in inventory, accounts payables, and other accrued liabilities. Prior to the CPD acquisition, the Predecessor participated in an accounts receivable discounting program sponsored by SSCE, which provided for the sale of certain trade receivables of the Predecessor. The qualifying trade receivables of the Predecessor were transferred to SSCE at face value and then sold without recourse to qualifying special purpose entities. As a result, the accompanying Predecessor balance sheet does not include these trade receivables. Depreciation and amortization during 2006 increased to $62.9 million, from $40.4 million for 2005, due primarily to the effects of purchase accounting.

Cash used in investing activities in 2006 totaled $1,341.2 million, compared to $38.9 million in 2005. This year over year change was principally due to the CPD and the Field acquisitions.

Cash provided by financing activities in 2006 totaled $1,483.0 million (see Liquidity and Capital Resources) reflecting net debt proceeds of $1,165.0 million and cash contributed by equity holders of $305.0 million.

Six Months Ended June 30, 2007

Cash and cash equivalents increased $0.8 million for the six months ended June 30, 2007. Cash provided by operations totaled $38.9 million, primarily resulting from a net loss of $14.5 million offset by depreciation and amortization totaling $44.3 million.

Investing activities consumed $43.1 million of cash, including $39.9 million for capital expenditures as compared to $60.4 million for all of 2006. An acquisition related payment of $6.2 million was made to the seller of the Field Companies. Additionally, BCH received $3.1 million on the sale of one its properties closed in connection with its restructuring activities.

BCH received a capital contribution of $9.2 million in connection with the sale to BCH Management, LLC, of a 1.34% ownership interest in BCH. The capital contribution was distributed to the owners of BCH in July 2007.

Liquidity and Capital Resources

BCH s liquidity needs arise primarily from debt service on its substantial indebtedness and from the funding of its capital expenditures, ongoing operating costs and working capital.

Long-term debt consisted of the following:

	As of June 30, 2007	Year Ended December 31, Successor 2006	Predecessor 2005
		In millions	
First-Lien Term Loan	$ 818.8	$ 822.9	$
Second-Lien Term Loan	330.0	330.0	
Revolving Credit Facility	10.0	10.0	
Industrial Revenue Bond			10.0
Other Debt			4.9
Obligations under Capitalized Leases	0.3	0.4	2.0
Total Debt	$ 1,159.1	$ 1,163.3	$ 16.9
Less: Current Portion of Long-Term Debt	(10.5)	(10.5)	(0.8)
Total Long-Term Debt	1,148.6	$ 1,152.8	$ 16.1

In connection with the CPD acquisition, BCH and its subsidiaries, Bluegrass Mills Holdings Company, LLC and Altivity Packaging Canada Corp. entered into First-Lien and Second-Lien Credit Agreements on June 30, 2006. The First-Lien Credit Agreement provides for First-Lien Term Loans and revolving credit facilities. The Second-Lien Credit Agreement provides for Second-Lien Term Loans. The First-Lien Term Loans are payable in quarterly installments of $2.1 million beginning September 30, 2006 and mature June 28, 2013. The Second-Lien Term Loans mature December 31, 2013.

The U.S. revolving credit facility allows for maximum borrowings of $150.0 million and includes sub-limits on the issuance of letters of credit and swing line loans. An annual commitment fee of 0.5% is payable

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on a quarterly basis on the unused portion of the facilities. At June 30, 2007, the unused portion, after giving consideration to outstanding letters of credit, was $139.1 million. The Canadian revolving credit facility allows for maximum borrowings of $10.0 million, which was the outstanding balance as of June 30, 2007. The revolving credit facilities mature June 28, 2013.

Initial borrowings of First-Lien and Second-Lien Term Loans and the revolving credit facilities made in connection with the CPD acquisition were $635.0 million, $250.0 million and $10.0 million, respectively. Borrowings of First-Lien and Second-Lien Term Loans made in connection with the Field acquisition were $190.0 million and $80.0 million, respectively.

Borrowings bear interest at rates based on the prime rate or LIBOR plus or minus a floating margin based on BCH s financial performance. The weighted average variable rates of the borrowings under the First-Lien Term Loans, Second-Lien Term Loans and the revolving credit facility as of June 30, 2007 were 7.4%, 10.3% and 7.3%, respectively.

The obligations of Altivity under the credit agreements are unconditionally guaranteed by its U.S. subsidiaries and BCH. The obligations are secured by substantially all assets of Altivity and its U.S. subsidiaries, a pledge of the equity interests of Altivity and its U.S. subsidiaries and a pledge of 65% of the capital stock of Altivity Packaging Canada Corp. that is directly-owned by Altivity.

The credit agreements contain various covenants and restrictions, including the maintenance of certain financial ratios and limitations on: (i) the incurrence of indebtedness, liens, leases and sale-leaseback transactions, (ii) fundamental changes in corporate structure, (iii) dividends, redemptions and repurchases of capital stock, (iv) the sale of assets, (v) investments, (vi) debt repayments and (vii) capital expenditures. The credit agreements also require prepayments if Altivity exceeds certain cash flow targets, receives proceeds from certain asset sales, receives certain insurance proceeds or incurs certain indebtedness. At December 31, 2006, Altivity was in compliance with the financial covenants required by the credit agreements.

Altivity has entered into interest rate swap contracts effectively fixing the LIBOR interest rate (before the addition of floating margin) at 5.1% for $570.0 million at December 31, 2006 and $560.0 million at June 30, 2007 of the First-Lien Term Loans.

Capitalized interest costs totaled $0.5 million, $0.6 million and $0.7 million for the six months ended December 31, 2006, the six months ended June 30, 2006 and the year ended December 31, 2005, respectively.

Interest payments made by the Successor totaled $42.6 million during the six months ended December 31, 2006. Interest payments made by SSCE on behalf of the Predecessor totaled $0.5 million and $1.0 million during the six months ended June 30, 2006 and the year ended December 31, 2005, respectively.

Capital Investment

BCH s capital investment in 2006 was $60.4 million, compared to capital investment of $37.9 million of the Predecessor in 2005. This $22.5 million increase was due primarily to spending for several major folding carton, multi-wall bag, and plastic packaging projects to increase capacity and process capabilities. During 2006, BCH had capital spending of $41.8 million for increasing productive capacity and improving process capabilities, $18.6 million to maintain or upgrade existing assets.

Environmental Matters

BCH is subject to a broad range of foreign, federal, state and local environmental, health and safety laws and regulations that change from time to time, including those governing discharges to air, soil and water, the management, treatment and disposal of hazardous substances, solid waste and hazardous wastes, the investigation and remediation of contamination resulting from historical site operations and releases of hazardous substances, and the health and safety of employees. Compliance initiatives could result in significant costs, which could negatively impact BCH s financial position, results of operations or cash flows. Any failure to comply with such laws and regulations or any permits and authorizations required thereunder could subject BCH to fines, corrective action or other sanctions.

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In addition, some of BCH s current and former facilities are the subject of environmental investigations and remediation s resulting from historical operations and the release of hazardous substances or other constituents. Some current and former facilities have a history of industrial usage for which investigation and remediation obligations may be imposed in the future or for which indemnification claims may be asserted against BCH. Also, potential future closures or sales of facilities may necessitate further investigation and may result in future remediation at those facilities.

BCH has established reserves for those facilities or issues where liability is probable and the costs are reasonably estimable. BCH believes that the amounts accrued for all of its loss contingencies, and the reasonably possible loss beyond the amounts accrued, are not material to BCH s financial position, results of operations or cash flows. BCH cannot estimate with certainty future compliance, investigation or remediation costs, all of which BCH currently considers to be remote. Costs relating to historical usage or indemnification claims that BCH considers to be reasonably possible are not quantifiable at this time. BCH will continue to monitor environmental issues at each of its facilities and will revise its accruals, estimates and disclosures relating to past, present and future operations as additional information is obtained.

Contractual Obligations and Commitments

BCH has contractual obligations and commitments that may affect its financial condition. The following table summarizes BCH s significant contractual obligations and commercial commitments as of December 31, 2006.

A summary of BCH s contractual obligations and commitments as of December 31, 2006 is as follows:

	Payment Due by Year						
	2007	2008	2009	2010	2011	After 2011	Total
				In millions			
Long-term debt	$ 10.5	$ 8.4	$ 8.3	$ 8.3	$ 6.2	$ 1,121.6	$ 1,163.3
Operating leases	28.7	22.2	18.5	14.5	10.6	25.3	119.8
Other commitments(a)	95.8	91.2	90.2	90.0	89.3	148.8	605.3
Purchase obligations(b)	32.3	16.8					49.1
Pension and postretirement funding	4.4						4.4
Total contractual obligations(c)	$ 171.7	$ 138.6	$ 117.0	$ 112.8	$ 106.1	$ 1,295.7	$ 1,941.9

Notes:

(a) Other commitments primarily include scheduled interest payments on BCH s long-term debt.

(b) Purchase obligations primarily consist of commitments related to paper, paper machine supplies and natural gas.

(c) Some of the figures included in this table are based on management s estimates and assumptions about these obligations. Because these estimates and assumptions are necessarily subjective, the obligations BCH will actually pay in the future periods may vary from those reflected in the table.

Financial Instruments

BCH s derivative instruments and hedging activities are designated as cash flow hedges and are utilized to minimize exposure to fluctuations in the price of commodities used in its operations and the fluctuation in the interest rate on its variable rate debt.

Commodity Derivative Instruments: BCH uses derivative instruments to manage fluctuations in cash flows resulting from commodity price risk in the procurement of natural gas. The objective is to fix the price of a portion of BCH s purchases of natural gas used in the manufacturing process. These instruments have been designated cash-flow hedges and as such, as long as the hedge is effective and the underlying transaction is probable, the effective portion of the changes in fair value of these contracts is recorded in other comprehensive income (loss) until earnings are affected by the cash flows being hedged. The fair value of the commodity derivative agreements is the estimated amount that BCH would pay or receive to terminate the agreements. As of December 31, 2006, the maximum length of time over which BCH is hedging its exposure to variability in future cash flows associated with natural gas transactions is through June 30, 2007.

Interest Rate Derivative Instruments: BCH is subject to interest rate risk on its long-term variable rate debt. To manage a portion of this exposure to interest rate fluctuations on outstanding debt, BCH has entered into interest rate swap agreements. These instruments have been designated as cash-flow hedges, and as such, as long as the hedge is effective and the underlying transaction is probable, the effective portion of the changes in fair value of these contracts is recorded in other comprehensive income (loss) until earnings are affected by the cash flows being hedged. The fair value of the interest rate derivative agreements is the estimated amount that BCH would pay or receive to terminate the agreements. During the third quarter of 2006, BCH entered into an interest rate swap agreement at a fixed LIBOR interest rate (before the addition of floating margin) of 5.1% and maturing on December 31, 2009 to hedge interest risk on its long-term variable debt. See Quantitative and Qualitative Disclosure About Market Risk.

Off Balance Sheet Arrangements

BCH does not have any off balance sheet arrangements.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Actual results could differ from these estimates, and changes in these estimates are recorded when known. The critical accounting policies used by management in the preparation of BCH s consolidated financial statements are those that are important both to the presentation of BCH s financial condition and results of operations and require significant judgments by management with regard to estimates used. The critical judgments by management relate to pension benefits, derivative and hedging activities, future cash flows associated with impairment testing for goodwill and long-lived assets, and deferred taxes.

Employee Benefit Plans

BCH sponsors noncontributory defined benefit pension plans (the Plans) covering substantially all U.S. employees. Certain salaried and hourly employees also participate in healthcare and post retirement benefit plans. The funding policy for the qualified defined benefit plans in North America is to, at a minimum, contribute assets as required by the Internal Revenue Code Section 412.

U.S. pension expense for defined benefits pension plans was $3.3 million for the period July 1 through December 31, 2006. Pension expense is calculated based upon a number of actuarial assumptions applied to each of the defined benefit plans. The expected long-term rate of return on pension fund assets used to calculate pension expense was 8.00 to 8.50%. The expected long-term rate of return on pension assets was determined based on several factors, including input from BCH s pension investment consultants and projected long-term returns of broadly constituted equity and bond indices. BCH will continue to evaluate its long-term rate of return assumptions at least annually and will adjust them as necessary.

BCH determined pension expense using both the fair value of assets and a calculated value that averages gains and losses over a period of years. Investment gains or losses represent the difference between the expected and actual return on assets. These net losses may increase future pension expense if not offset by (i) actual investment returns that exceed the assumed investment returns, (ii) other factors, including reduced pension liabilities arising from higher discount rates used to calculate pension obligations, or (iii) other actuarial gains, including whether such accumulated actuarial losses at each measurement date exceed the corridor determined under Statement of Financial Accounting Standards (SFAS) No. 87, *Employers Accounting for Pensions*.

The discount rate used to determine the present value of future pension obligations at December 31, 2006 was based on a yield curve constructed from a portfolio of high quality corporate debt securities. Each year s expected future benefit payments were discounted to their present value at the appropriate yield curve rate thereby generating the overall discount rate for U.S. pension obligations. The discount rate for U.S. plans was 5.75%.

U.S. pension expense is estimated to be approximately $6.7 million in 2007. The estimate is based on expected long-term rates of return of 8.00% to 8.50%, a discount rate ranging from 6.00% to 6.25% and other assumptions. Pension expense beyond 2008 will depend on future investment performance, BCH s contribution to the Plans, changes in discount rates and other factors related to covered employees in the Plans. To the extent BCH chose different discount rates or long-term rates of returns, pension expense could be materially affected.

Other Intangible Assets

Other intangible assets represent the fair value of other intangible assets acquired in purchase business combinations. Other intangible assets are amortized over their expected useful life.

Goodwill

Goodwill represents the excess of purchase price and related costs over the value assigned to the tangible and identifiable intangible assets of businesses acquired. Goodwill is not amortized, but is tested for impairment annually, or more frequently if circumstances indicated a possible impairment may exist. No circumstances have occurred to indicate the possibility of impairment and management believes that goodwill is not impaired.

BCH evaluates the recoverability of goodwill by comparing the fair value for the reporting unit to its book value including goodwill. BCH determines fair value using widely accepted valuation techniques, including discounted cash flows. These types of analyses contain uncertainties because they require the use of assumptions and application of judgment to estimate economic factors and the profitability of future strategies. In the case that the fair value is less than the book value, the implied fair value for the goodwill is determined based on the difference between the fair value of the reporting entity and the net fair value of the identifiable assets and liabilities. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment loss.

Derivative and Hedging Activities

All derivative financial instruments are recorded at fair value as either assets or liabilities. For derivative instruments that are designated and qualify as a cash flow hedge of a variable rate instrument, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of the future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. For derivative instruments not designated at inception as a hedging instrument, the gain or loss is recognized in current earnings during the period of change.

Income Taxes and Potential Assessments

BCH accounts for income taxes in accordance with the liability method of accounting for income taxes. Under the liability method, deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. The Predecessor s operating results were included in SSCE s taxable income in its consolidated federal and state income tax returns. The Predecessor s income tax provisions are computed

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on a separate return basis and any liability was settled through intercompany accounts included in SSCE s net investment.

Effective January 1, 2007, BCH adopted the provisions of FIN 48, which clarifies the accounting for uncertainty in income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. The impact of the reassessment of tax positions in accordance with FIN 48 did not have a material impact on BCH s results of operations, financial condition or liquidity.

New Accounting Standards

For a discussion of recent accounting pronouncements impacting BCH, see Note 3 in the Notes to BCH s Consolidated Financial Statements included in this proxy statement/prospectus.

Quantitative and Qualitative Disclosure About Market Risk

BCH does not trade or use derivative instruments with the objective of earning financial gains on interest or currency rates, nor does it use leveraged instruments or instruments where there are no underlying exposures identified.

Interest Rates

BCH is exposed to changes in interest rates, primarily as a result of its short-term and long-term debt, which bear floating interest rates. BCH uses interest rate swap agreements effectively to fix the LIBOR interest rate (before the addition of floating margin) on $570 million as of December 31, 2006 of variable rate borrowings. The tables below sets forth interest rate sensitivity information related to BCH s debt.

Long-Term Debt Principal Amount by Maturity-Average Interest Rate

	Expected Maturity Date							
	2007	**2008**	**2009**	**2010**	**2011**	**Thereafter**	**Total**	**Fair Value**
				In millions				
Total Debt Variable Rate	$10.5	$8.4	$8.3	$8.3	$6.2	$1,121.6	$1,163.3	$1,163.3
Average Interest Rate, spread range is 1.75% 5.00%	LIBOR+ spread	LIBOR+ spread	LIBOR+ spread	LIBOR+ spread	LIBOR+ spread	LIBOR+ spread		

Total Interest Rate Swaps-Notional Amount by Expiration-Average Swap Rate

	Expected Maturity Date				
	2007	**2008**	**2009**	**Total**	**Fair Value**
			In millions		

Interest rate Swaps					
Notional	$ 20.0	$ 40.0	$ 510.0	$ 570.0	$ (0.9)
Average Pay Rate	5.10%	5.10%	5.10%		
Average Receive Rate	3-Month LIBOR	3-Month LIBOR	3-Month LIBOR		

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Natural Gas Contracts

BCH entered into natural gas swap contracts to hedge prices for a portion of its natural gas requirements through June 30, 2007 with a weighted average contractual rate of $7.13 per MMBTU. The carrying amount and fair value of the natural gas swap contracts was $1.2 million as of December 31, 2006, which was recorded in other accrued liabilities in the consolidated balance sheet. Such contracts are designated as cash flow hedges and are accounted for by deferring the quarterly change in fair value of the outstanding contracts in accumulated other comprehensive loss. On the date a contract matures, the resulting gain or loss is reclassified into cost of sales concurrently with the recognition of the commodity purchased. The ineffective portion of the swap contracts change in fair value, if any, would be recognized immediately in earnings. During 2007 and 2006, there were minimal amounts of ineffective portions related to changes in fair value of natural gas swap contracts. Additionally, there were no amounts excluded from the measure of effectiveness.

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NEW GRAPHIC BUSINESS

The following discussion regarding the expected business, properties and operations of New Graphic should be read in conjunction with (i) the discussion regarding the business, properties and operations of Graphic that is incorporated into this proxy statement/prospectus by reference to Graphic s Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (see Where You Can Find More Information) and (ii) the discussion regarding the business, properties and operations of BCH and Altivity set forth in the section of this proxy statement/prospectus entitled Information about Bluegrass Container Holdings, LLC and Altivity Packaging, LLC.

Overview

Upon completion of the transactions, New Graphic, a holding company, will conduct substantially all of its operations through its direct and indirect subsidiaries, including Graphic, BCH and Altivity.

New Graphic, as the holding company for Graphic and Altivity, will continue to be a major provider of paperboard packaging solutions for a wide variety of products to multinational food, beverage and other consumer products companies. Additionally, New Graphic will have niche positions in its flexible packaging and labels businesses. New Graphic expects to have approximately 15,600 employees and own 10 mills, 46 converting plants, 12 multi-wall bag and specialty facilities, 10 flexible packaging and label facilities and 5 ink facilities.

New Graphic will focus on providing a range of packaging solutions to major companies with well-recognized brands in the consumer packaged goods, agriculture, pet care, building materials and chemicals industries. Well-known companies with whom New Graphic will have significant relationships include Kraft Foods, Inc., Anheuser-Busch Companies, Inc., General Mills, Inc., SABMiller plc., Molson Coors Brewing Company, and numerous Coca-Cola and Pepsi bottling companies, among others.

New Graphic s strategy is to provide its customers with packaging solutions designed to deliver marketing and performance benefits at a competitive cost by capitalizing on its low-cost paperboard mills and converting plants, its proprietary carton designs and packaging machines, and its commitment to customer service.

New Graphic intends to focus on providing a range of paperboard packaging products to major companies with well-recognized brands. The existing customers of Graphic and Altivity generally have prominent market positions in the beverage, food and household products industries. New Graphic will offer its customers its paperboard, cartons and packaging machines, either as an integrated solution or separately.

New Graphic s packaging products will be made from a variety of grades of paperboard. Graphic and Altivity make most of their packaging products from coated unbleached kraft paperboard (CUK board) and coated recycled paperboard (CRB) that they produce at their mills. The remaining portion is produced from paperboard purchased from external sources.

Paperboard Packaging

New Graphic s paperboard packaging products deliver marketing and performance benefits at a competitive cost. New Graphic will supply paperboard cartons and carriers designed to protect and contain products while providing:

- convenience through ease of carrying, storage, delivery and food preparation for consumers;

a smooth surface printed with high-resolution, multi-color graphic images that help improve brand awareness and visibility of products on store shelves; and

durability, stiffness, wet and dry tear strength; leak, abrasion and heat resistance; barrier protection from moisture, oxygen, oils and greases, as well as enhanced microwave heating performance.

Both Graphic and Altivity produce paperboard at mills, print and cut (convert) the paperboard into cartons at their converting plants and design and manufacture specialized, proprietary packaging machines that package bottles, cans and non-beverage consumer products. Graphic also installs its packaging machines at

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customer plants under long-term leases and provides support, service and advanced performance monitoring of the machines. Both Graphic and Altivity also sell the paperboard they produce to independent converters and, particularly in Graphic s international operations, to joint ventures which, in turn, sell converted beverage cartons to end-users for use on Graphic s proprietary packaging machines. Graphic and Altivity also sell limited amounts of CUK board to customers for use on third-party packaging machines.

Both Graphic and Altivity offer a variety of laminated, coated and printed packaging structures that are produced from its CUK board and CRB, as well as other grades of paperboard that are purchased from third-party suppliers. New Graphic will produce cartons using diverse structural designs and combinations of paperboard, films, foils, metallization, holographics, embossing and other characteristics that are tailored to the needs of individual products. New Graphic will provide a wide range of paperboard packaging solutions for the following end-use markets:

- beverage, including beer, soft drinks, water and juices;
- food, including cereal, desserts, frozen, refrigerated and microwavable foods and pet foods;
- prepared foods, including snacks, quick-serve foods in restaurants and food service products; and
- household products, including dishwasher and laundry detergent, health care and beauty aids and tissues and papers.

For its beverage customers, Graphic supplies beverage cartons in a variety of designs and formats, including 6, 8, 12, 18, 24, 30 and 36 unit multi-packs. Its proprietary high speed beverage packaging machines package cans, bottles and other beverage containers into its beverage cartons. Graphic believes the use of such machines creates pull-through demand for its cartons, which in turn creates demand for its CUK board. Graphic seeks to increase the customers use of integrated packaging solutions in order to improve revenue opportunities, enhance customer relationships, provide customers with greater packaging line and supply chain efficiencies and overall cash benefits, and expand opportunities for New Graphic to provide value-added support and service. Graphic generally enters into annual or multi-year carton supply contracts with its beverage packaging customers, which often require the customer to purchase a fixed portion of its carton requirements from Graphic.

New Graphic s packaging applications will meet the needs of its customers for:

Strength Packaging. Through its application of materials and package designs, Graphic and Altivity s products provide sturdiness to meet a variety of packaging needs, including tear and wet strength, puncture resistance, durability and compression strength (providing stacking strength to meet store display packaging requirements). These strength characteristics are achieved through combinations of paperboard and film laminates tailored on a product-by-product basis.

Promotional Packaging. Both Graphic and Altivity offer a broad range of promotional packaging options that help differentiate its customers products. Products are designed to enhance point-of-purchase and marketing opportunities through package shapes, portability, metallization, holographics, embossing and micro-embossing, brilliant high-tech inks, specialized coatings, hot-stamp metal foil surfaces, in-pack and on-pack customized promotions, inserts, windows and die-cuts. These promotional enhancements improve brand awareness and visibility on store shelves.

Convenience Packaging. These packaging solutions offered by Graphic are designed to improve package usage and food preparation:

beverage multiple packaging Fridge Vendor® and 6, 8, 12, 18, 24, 30 and 36 unit multi-packs for beer, soft drinks, water and juices;

active microwave technologies Micro-Rite®, Microrite Technology Browns, Crisps, Cooks Evenlytm, Qwik Crisp® trays, Quilt Wave and MicroFlex® Q substrates that improve the preparation of foods in the microwave;

easy opening and closing features pour spouts and sealable liners;

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- IntegraPak Graphic s alternative to traditional bag-in-box packaging; and

- alternative containers Z-Flute®, Graphic s answer to corrugated box strength, with the look, feel and consistency of a paperboard folding carton.

Barrier Packaging. Both Graphic and Altivity provide packages that protect against moisture, grease, oil, oxygen, sunlight, insects and other potential product-damaging factors. Barrier technologies integrate a variety of specialized laminate and extruded film layers, metallicized package layers, package sealing, applied coatings and other techniques all customized to specific barrier requirements.

Converting Operations

New Graphic will convert CUK board and CRB, as well as other grades of paperboard, into cartons at 46 carton converting plants that Graphic and Altivity currently operate in the U.S., Canada, the United Kingdom, Spain, France and Brazil, as well as through converting plants associated with Graphic s joint ventures in Japan and Denmark, contract converters and at licensees in other markets outside the U.S. The converting plants print, cut and glue paperboard into cartons designed to meet customer specifications. These plants utilize roll-fed web-printing presses with in-line cutters and sheet-fed printing presses to print and cut paperboard. Printed and cut cartons are in turn glued and shipped to customers.

Converting plants in the U.S. are dedicated to converting paperboard produced by Graphic or Altivity, as well as paperboard supplied by outside producers, into cartons. The presses at these converting plants have high cutting and printing speeds, thereby reducing the labor hours per ton of cartons produced for the high-volume U.S. market. Graphic s international converting plants convert paperboard produced by Graphic, as well as paperboard supplied by outside producers, into cartons. These converting plants outside of the U.S. are designed to meet the smaller volume orders of these markets.

Paperboard Production

CUK Board Production. Graphic is the larger of two worldwide producers of CUK board. CUK board is a specialized high-quality grade of paperboard with excellent wet and dry tear strength characteristics and printability for high resolution graphics that make it particularly suited for a variety of packaging applications. Graphic produces CUK board at its West Monroe, Louisiana mill and its Macon, Georgia mill. Graphic has three machines at its West Monroe mill and two machines at its Macon mill capable of making paperboard. Graphic s CUK board production at its West Monroe and Macon mills was approximately 696,000 and 544,000 net tons, respectively, in 2006. In 2006, Graphic consumed approximately 72% and 79% of the West Monroe and Macon mills output, respectively, in its carton converting operations. As of December 31, 2006 New Graphic would have consumed approximately 75% and 85% of the West Monroe and Macon mills output, respectively, in its carton converting operations.

CUK board is manufactured from blends of pine and hardwood fibers and, in some cases, recycled fibers, such as double lined kraft cuttings from corrugated box plants (DLK) and clippings from its converting operations. Virgin fiber is obtained in the form of wood chips or pulp wood acquired through open market purchases or Graphic s long-term purchase contract with Plum Creek Timber Company, L.P. See Energy and Raw Materials. Wood chips are chemically treated to form softwood and hardwood pulp, which are then blended (together, in some cases, with recycled fibers). In the case of carrierboard (paperboard used in the beverage industry s multi-pack cartons), chemicals are added to increase moisture resistance. The pulp is then processed through the mill s paper machines, which consist of a paper-forming section, a press section (where water is removed by pressing the wet paperboard between rolls), a drying section and a coating section. Coating on CUK board, principally a mixture of pigments, binding agents and water, provides a white, smooth finish, and is applied in multiple steps to achieve desired levels of brightness, smoothness and shade on the print side of the paperboard. After the CUK board is coated, it is wound into rolls, which are then shipped to converting plants or to outside converters.

CRB Production. CRB is a grade of recycled paperboard that offers superior quality graphics, strength and appearance characteristics when compared to other recycled grades. New Graphic will be capable of producing over 1,000,000 tons of CRB annually. New Graphic expects to consume most of its CRB output in its carton converting operations, which is an integral part of its low cost converting strategy.

White Lined Chip Board. Graphic produces white lined chip (WLC) board at its mill in Norrköping, Sweden, and produced approximately 175,000 tons of such board during 2006. WLC board, which is similar to CRB, is used for a variety of folding carton applications principally throughout Europe. Graphic s WLC board incorporates recycled fibers to meet the demands of the European marketplace. Graphic consumes approximately 9% of the Norrköping mill s output in its carton converting operations.

Packaging Design and Proprietary Packaging Machinery

New Graphic will have five research and design centers previously operated by Graphic located in Golden, Colorado, Marietta, Georgia, Menasha, Wisconsin, West Monroe, Louisiana and Mississauga, Ontario, Canada, and three research and design centers previously operated by Altivity located in Carol Stream, Illinois, Valley Forge, Pennsylvania and Irvine, California. At these centers, Graphic currently designs, tests and manufactures prototype packaging for consumer products packaging applications. Graphic designs and tests packaging machinery at its Marietta, Georgia product development center. Graphic s Golden, Colorado product development center contains full size pilot lines. New Graphic will also utilize a network of computer equipment at its converting facilities to provide automated computer-to-plate graphic services designed to improve efficiencies and reduce errors associated with the pre-press preparation of printing plates.

At Graphic s two microwave laboratories, in Menasha, Wisconsin and Mississauga, Ontario, Canada, Graphic designs, tests and reports food performance as part of full-service, turn-key microwave solutions for food customers. Graphic has broad technical expertise in chemistry, paper science, microwave engineering, mechanical engineering, physics, electrical engineering, and food science. This experience base, along with food technologists and investment in sample line equipment, will enable New Graphic to rapidly design and test prototypes to help customers develop, test and launch successful microwaveable food products into the market.

Engineers create and test packaging designs, processes and materials based on market and customer needs, which are generally characterized as enhanced stacking or tear strength, promotional or aesthetic appeal, consumer convenience or barrier properties. Concepts go through a gated review process through their development to ensure that resources are being focused on those projects that are most likely to succeed commercially. Graphic also works to refine and build on current proprietary materials, processes and designs.

At Graphic s product development center in Marietta, Georgia, Graphic integrates carton and packaging machinery designs from a common database balancing carton manufacturing costs and packaging line performance. Graphic also manufactures and designs packaging machines for beverage multiple packaging and other consumer products packaging applications at its principal U.S. manufacturing facility in Crosby, Minnesota and at a facility near Barcelona, Spain. Graphic leases substantially all of its packaging machines to customers, typically under machinery use agreements with original terms of three to six years.

New Graphic intends to employ a pull-through marketing strategy for its beverage multiple packaging customers, the key elements of which are (1) the design and manufacture of proprietary packaging machines capable of packaging plastic and glass bottles, cans and other primary containers, (2) the installation of the machines at beverage customer locations under multi-year machinery use arrangements and (3) the development of proprietary beverage cartons with high-resolution graphics for use on those machines.

Graphic s packaging machines are designed to package polyethylene terephthalate (PET) bottles, glass bottles, cans and other primary beverage containers, as well as non-beverage consumer products. In order to meet customer requirements, Graphic has developed a portfolio of packaging machines consisting of three principal machinery lines, including over eight different models of packaging machines. Its machines package cans and PET or glass bottles in a number of formats including baskets, clips, trays, wraps and fully enclosed cartons. These machines have packaging ranges from 2 to 36 cans per package and have the ability to package cans at speeds of up to 3,000 cans per minute.

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Graphic manufactures and leases packaging machines to its non-beverage consumer products packaging customers, internationally and in the U.S., but to a lesser extent than its beverage multiple packaging customers. Its non-beverage consumer products packaging machines are designed to package cans or bottles in wraps or fully enclosed cartons. Graphic also manufactures ancillary equipment, such as machines for inserting coupons in cartons or for dividing or turning filled packages.

Graphic has introduced innovative beverage packaging machines such as its Quikflex family of machines that package Fridge Vendor and Twin-Stack style cartons. The Quikflex TS®, a double-layer multiple packaging design, packages Twin-Stack® cartons providing better portability and a more visible billboard, or advertising space, compared with conventional large-volume multipacks. Double layer packaging allows for cans to be stacked vertically in a double layer in the same paperboard carton. Graphic s other lines of packaging machines include the Marksman®, a family of machines designed to package bottles, cans, juice boxes and dairy products in a variety of wrap configurations and the Autoflex, a machine designed to package bottles in a variety of basket style carton configurations. Graphic s newest packaging machines incorporate an advanced performance monitoring system called RADAR. This system provides continuous monitoring and reporting in real time over the Internet of the performance of packaging machines installed at customers sites and provides technical support on-line and improved operational performance.

Containerboard/Multi-wall Bags

In the U.S., Graphic manufactures containerboard linerboard, corrugating medium and kraft paper for sale in the open market. Corrugating medium is combined with linerboard to make corrugated containers. Kraft paper is used primarily to make grocery bags and sacks. Although New Graphic s principal paper machines have the capacity to produce both linerboard and CUK board, Graphic has shifted significant mill capacity away from linerboard production on its CUK-capable board machines to more profitable packaging applications and intends to stop producing linerboard. Graphic continues to operate two paper machines dedicated to the production of corrugating medium and kraft paper at its West Monroe mill.

In 2006, Graphic produced approximately 121,000 tons of corrugating medium, approximately 36,000 tons of kraft paper, approximately 15,000 tons of linerboard and approximately 31,000 tons of various other linerboard products from its West Monroe mill. The primary customers for Graphic s U.S. containerboard production are independent and integrated corrugated converters. Graphic sells corrugating medium and linerboard through direct sales offices and agents in the U.S. Outside of the U.S., linerboard is primarily distributed through independent sales representatives.

Altivity is the leading supplier of multi-wall bags in North America. Altivity produces approximately 1.1 billion bags annually and operates 12 multi-wall bag and specialty plants that print, fold and glue paper into packaging. The Altivity multi-wall bag business had traditionally provided packaging for low-cost, bulk-type commodity products. However, with the continuing evolution of materials management, bag construction, and distribution systems, Altivity has gained access to end-markets in which higher-value products are now being packaged in multi-wall bags. Key end markets include food and agriculture, building materials, chemicals, minerals and pet care. For example, today s applications include custom-designed barriers (caustic soda), variable package sizes for varying product weights and increasingly higher quality graphics for enhanced consumer appeal.

Flexible Packaging

New Graphic s flexible packaging business will operate six modern and technologically competitive manufacturing plants in North America and produces products such as shingle wrap, batch inclusion bags & film, retort pouches (such as meals ready to go), medical test kit and transdermal patch overwraps, multilayer laminations for hard-to-hold products (such as iodine) and plastic bags and films for building materials (such as ready-mix concrete).

Altivity s flexible packaging business has an established position in end-markets for food products, pharmaceutical and medical products, personal care, industrial, pet food and pet care products, horticulture, military and commercial retort pouches and shingle wrap. With the capacity to extrude up to seven layers of

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multi-layer films and state-of-the-art printing capabilities, the business is ideally positioned to service a variety of niche flexible packaging applications such as stand-up pouches, condiment containers for the fast food industry and plastic valve and shipping sacks.

Altivity s flexible packaging manufacturing facilities consist of four U.S. and one Canadian based operation. These plants offer flexographic and rotogravure printing, thermoforming and barrier coating, mono layer and co-extruded films, extrusion lamination, adhesive lamination both stand alone and in-line with flexographic printing, polyethylene bags and rolls, shipping sacks and valve bags.

Labels

Altivity s labels business focuses on two segments: heat transfer labels and litho labels. As a result of recent investments, Altivity has penetrated new markets such as shrink sleeve, pressure sensitive and in-mold labels.

Altivity s labels plants in St. Charles, Illinois, Norwood, Ohio and Greensboro, North Carolina feature state-of-the-art lithographic printing presses, including eight color sheet-fed and roll-to-roll equipment that produce both cut and stack, pressure sensitive and heat transfer labels. The labels segment can provide customers with high quality labels utilizing virtually any technology application.

Altivity s labels business includes cut & stack labels and pressure sensitive labels which are predominantly sold to food product manufacturers and industrial and household product manufacturers. Finally, heat transfer labels are commonly used in health and beauty applications as well as in food, beverage, household and automotive markets.

Joint Ventures

To market machinery-based packaging systems, Graphic is a party to joint ventures with Rengo Company Limited (in Japan) and Graphic Packaging International Schur A/S (in Denmark), in which it holds a 50% and 60% ownership interest, respectively. The joint venture agreements cover CUK board supply, use of proprietary carton designs and marketing and distribution of packaging systems.

Competition

Although relatively small number of large competitors hold a significant portion of the paperboard packaging industry, New Graphic s business will be subject to strong competition. New Graphic expects its primary competitors to include Caraustar Industries, Inc., International Paper Company, MeadWestvaco, Packaging Corporation of America, R.A. Jones & Company, Inc., Rock-Tenn Company, Simkins-Hallin Lumber Company, The Specialized Packaging Group, Inc., White Pigeon Paper Company, The Newark Group and Cascades Inc. There are only two major producers in the U.S. of CUK board, MeadWestvaco and Graphic. Graphic faces significant competition in its CUK board business from MeadWestvaco, as well as from other packaging materials manufacturers and increasing competition from products imported from Asia and South America. Like Graphic, MeadWestvaco produces and converts CUK board, designs and places packaging machines with customers and sells CUK board in the open market.

In beverage multiple packaging, cartons made from CUK board compete with substitutes such as plastics and corrugated packaging for packaging glass or plastic bottles, cans and other primary containers. Although plastics and corrugated packaging are typically priced lower than CUK board, New Graphic believes that cartons made from CUK board offer advantages over these materials, in areas such as distribution, high quality graphics, carton designs, package performance, package line speed, environmental friendliness and design flexibility.

In non-beverage consumer products packaging, New Graphic s paperboard competes principally with MeadWestvaco s CUK board and other substitutes such as recycled clay-coated news (CCN) and solid bleached sulphate board (SBS) from numerous competitors and, internationally, WLC board and folding boxboard. Paperboard grades compete based on price, strength and printability. CUK board and CRB have generally been priced in a range that is lower than SBS board. There are a large number of producers in the paperboard markets, which are subject to significant competitive and other business pressures. Suppliers of paperboard compete primarily on the basis of price, strength and printability of their paperboard, quality and service.

Additionally, New Graphic s multi-wall bag business is expected to compete with Hood Packaging Corporation, Exopack, LLC, Bemis Company, Inc., Mondi Group and Mid-America Paper Recycling Co.

Energy and Raw Materials

New Graphic expects that pine pulpwood, hardwood, paper and recycled fibers (including DLK and old corrugated containers (OCC)) and energy used in the manufacture of paperboard, as well as poly sheeting, plastic resins and various chemicals used in the coating of paperboard will represent the largest components of its variable costs of paperboard production. The cost of these materials is subject to market fluctuations caused by factors largely beyond the Company s control.

New Graphic expects to rely on private landowners and the open market for all of its pine pulpwood, hardwood and recycled fiber requirements, supplemented by CUK board clippings that are obtained from its converting operations. Graphic is a party to a 20-year supply agreement with, Plum Creek Timber Company, L.P., with a 10-year renewal option, for the purchase by Graphic, at market-based prices, of a majority of the West Monroe mill s requirements for pine pulpwood and residual chips, as well as a portion of its needs for hardwood at the West Monroe mill. An assignee of Plum Creek supplies residual chips to Graphic pursuant to this supply agreement. Graphic purchases the remainder of the wood fiber used in CUK board production at the West Monroe mill from other private landowners in this region. Graphic believes that adequate supplies of open market timber currently are available to meet its fiber needs at the West Monroe mill.

Graphic s Macon mill purchases most of its fiber requirements on the open market, and is a significant consumer of recycled fiber, primarily in the form of clippings from Graphic s domestic converting plants as well as DLK and other recycled fibers. Graphic has not experienced any significant difficulties obtaining sufficient DLK or other recycled fibers for its Macon mill operations, which Graphic purchases in part from brokers located in the eastern U.S. The Macon mill purchases substantially all of its pine pulpwood and hardwood requirements from private landowners in central and southern Georgia. Because of the adequate supply and large concentration of private landowners in this area, Graphic believes that adequate supplies of pine pulpwood and hardwood timber currently are available to meet its fiber needs at the Macon mill.

Graphic s Kalamazoo mill produces paperboard made primarily from OCC, old newsprint (ONP), and boxboard clippings. ONP and OCC recycled fibers are purchased through brokers at market prices and, less frequently, purchased directly from sources under contract. Boxboard clippings are provided by Graphic s folding carton converting plants and, to a lesser degree, purchased through brokers. The market price of each of the various recycled fiber grades fluctuates with supply and demand. Graphic has many sources for its fiber requirements and believes that the supply is adequate to satisfy its needs.

In addition to paperboard that is supplied to its converting operations from its own mills, Graphic converts a variety of other paperboard grades such as SBS and uncoated recycled board. Graphic purchases such paperboard requirements, including additional CRB, from outside vendors, in some cases through multi-year supply agreements.

Energy, including natural gas, fuel oil and electricity, is expected to represent a significant portion of New Graphic s manufacturing costs. Graphic has entered into contracts designed to manage risks associated with future variability in cash flows and price risk related to future energy cost increases for a portion of its natural gas requirements, primarily at its U.S. mills through December 2008. Graphic plans to continue its hedging program for natural gas as discussed in Note 11 in the Notes to Consolidated Financial Statements incorporated by reference from Graphic s Annual Report on

Form 10-K under Item 8, Financial Statements and Supplementary Data.

Both Graphic and Altivity purchase a variety of other raw materials for the manufacture of its products, such as inks, aluminum foil, plastic filling, plastic resins, adhesives, process chemicals and coating chemicals such as kaolin and titanium dioxide. While such raw materials are generally readily available from many sources, and New Graphic does not expect to be dependent upon any one source of such raw materials, Graphic and Altivity have developed strategic long-standing relationships with some of their vendors, including the use of multi-year supply agreements, in order to provide a guaranteed source of raw materials that satisfies customer requirements.

New Graphic expects to be negatively impacted by inflationary pressures, including higher costs for energy, chemical-based inputs and freight. Since negotiated contracts and the market largely determine the pricing for products, New Graphic may at times be limited in its ability to pass through to its customers any inflationary or other cost increases that it incurs.

Seasonality

New Graphic s net sales, income from operations and cash flows from operations will be subject to moderate seasonality, with demand expected to increase in the spring, summer and early fall due to the seasonality of the worldwide beverage multiple packaging markets and the folding carton business generally.

Research, Development and Engineering

Graphic s research and development staff works directly with its sales and marketing personnel in meeting with customers and pursuing new business. New Graphic s development efforts are expected to include, but are not limited to, extending the shelf life of customers products, reducing production costs, enhancing the heat-managing characteristics of food packaging and refining packaging appearance through new printing techniques and materials. Graphic s revolutionary Fridge Vendor carton, a horizontal beverage 12-pack that delivers cold beverages while conserving refrigerator space, is but one example of a successful project involving both carton and machine design to introduce a new consumer-friendly package. This patented package has proven popular with consumers because it is convenient and with the Graphic s customers because it enables them to sell more product. Another award-winning package solution is Graphic s Micro-Rite even heating trays that are used for frozen entrees or side dishes that benefit from directing heat towards frozen food centers and deflecting heat from vulnerable food edges to emulate in the microwave the even baking delivered by the conventional oven. Qwik Crisp, MicroFlex Q and Quilt Wave complete the microwave product line. This new product line delivers conventional oven quality at microwave preparation speed and convenience to meet the needs of today s consumers.

Altivity s research and development staff works directly with its sales and marketing personnel in meeting with customers and pursuing new business. Altivity s development efforts include, but are not limited to, new product and innovation teams to assist in working with customers, sales, marketing and manufacturing to develop new package features, modifications and designs; technical assistance to provide test programs for new or existing packages to provide recommendations for performance packaging modifications, product fitness for use and shelf life improvements and to determine package construction and design; addressing customers questions related to the compliance of Altivity products to federal, state and local regulations; production of samples for marketing evaluation, checking the package size or other evaluations; and assistance to identify and quantify the key characteristics of materials which affect product and package performance.

Patents and Trademarks

As of December 31, 2006, Graphic and Altivity had combined patent portfolio, owning, controlling or holding rights to more than 1,500 U.S. and foreign patents, with more than 600 U.S. and foreign patent applications currently pending. This patent portfolio consists primarily of patents relating to packaging machinery, manufacturing methods, structural carton designs, microwave and barrier protection packaging and multi-wall, packaging and manufacturing methods. These patents and processes are expected to be significant to New Graphic s operations and are supported by trademarks such as Z-Flute®, Fridge Vendor®, IntegraPak®, Micro-Rite®, Quilt Wave®, Alti-Kraft®, Alti-Print®, Cap-Sac®, DI-NA-Cal®, Force Flow®, Kitchen Master®, Lithoflute®, Lustergrip®, Master Impressions®, Master Coat®, Peel Pak®, Shape FX®, Soni-Lok®, Soni-Seal®, and The Yard Master®. Both Graphic and Altivity takes significant steps to protect its intellectual property and proprietary rights. New Graphic does not believe that the expiration of any of patents owned by Graphic or

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Altivity at the end of their normal lives will have a material adverse effect on its financial condition or results of operations, and does not expect that its operations will be dependent upon any single patent or trademark.

Employees and Labor Relations

As of December 31, 2006, Graphic and Altivity had approximately 15,600 employees combined worldwide (excluding employees of joint ventures), of which approximately 46% were represented by labor unions and covered by collective bargaining agreements. Both Graphic and Altivity considers its employee relations to be satisfactory.

For additional information regarding employees of New Graphic that are covered by collective bargaining agreements. See Graphic s Annual Report on Form 10-K for the year ended December 31, 2006, which is incorporated by reference into this proxy statement/prospectus and Information about Bluegrass Container Holdings, LLC and Altivity, Packaging, LLC Employees and Labor Relations.

Environmental Matters

New Graphic will be subject to federal, state and local environmental regulations and employs a team of professionals in order to maintain compliance at each of its facilities. For additional information on the financial effects of such regulation and compliance, with regard to Graphic see Item 7., Management s Discussion and Analysis of Financial Condition and Results of Operations Environmental Matters in Graphic s Annual Report on Form 10-K incorporated by reference herein. For additional information on the financial effects of such regulation and compliance, with regard to Altivity see Management s Discussion and Analysis of Financial Condition and Results of Operations Bluegrass Container Holdings, LLC and Altivity Packaging, LLC Environmental Matters.

DIRECTORS AND MANAGEMENT OF NEW GRAPHIC

Pursuant to the stockholders agreement, dated as of July 9, 2007, New Graphic s board of directors will consist of 13 members, classified into three classes, with one class being elected each year for a three-year term. Each of the Coors Family Stockholders, the CDR Fund and EXOR are entitled to designate one individual for nomination to the New Graphic board of directors for so long as such person holds at least 3% of the fully diluted shares of New Graphic Common Stock. Pursuant to the stockholders agreement, the TPG Entities are entitled to designate three individuals for nomination to the New Graphic board of directors so long as they collectively own more than 20% of the fully diluted shares of New Graphic common stock in the aggregate; two individuals if the TPG Entities hold more than the lesser of (i) 16% of the fully diluted shares of New Graphic Common Stock in the aggregate or (ii) after a transfer reducing the percentage held by the TPG Entities to less than 16%, the amount then held by the Coors Family Stockholders, but not less than 10%; and one individual for so long as the TPG Entities holds more than 3% of the fully diluted outstanding shares of New Graphic Common Stock. Pursuant to the stockholders agreement, the CEO of New Graphic will also be nominated for election to the New Graphic board of directors. Upon the completion of the transactions, the TPG Entities will have the right to name one Class I director and two Class II directors.

Set forth below is certain information furnished to New Graphic by those persons expected to serve as its directors. There are no family relationships among any directors or executive officers of New Graphic.

Class I Directors Term to expire in 2008

G. Andrea Botta, 53, has been a member of Graphic s Board and a member of the board of directors of Graphic Packaging International, Inc. since 1996. Mr. Botta is the President of Glenco LLC, a private investment company. From 1999 to February 2006, Mr. Botta served as a managing director of Morgan Stanley. Before joining Morgan Stanley, he was president of EXOR America, Inc. (formerly IFINT-USA, Inc.) from 1993 until September 1999 and for more than five years prior thereto, Vice President of Acquisitions of IFINT-USA, Inc.

Jeffrey H. Coors, 62, was named Vice Chairman of Graphic and Graphic Packaging International, Inc. on August 8, 2006. Mr. Coors continues to serve as a member of the board of directors of such companies and served as Executive Chairman from the closing of the merger between Graphic Packaging International Corporation (GPIC) and Riverwood Holdings Inc. in August 2003 (the Riverwood Merger) until August 8, 2006. Mr. Coors was Chairman of GPIC from 2000 until the closing of the Riverwood Merger, and was its Chief Executive Officer and President from GPIC s formation in 1992 until the closing of the Riverwood Merger. Mr. Coors served as Executive Vice President of the Adolph Coors Company from 1991 to 1992 and as its President from 1985-1989, as well as at Coors Technology Companies as its President from 1989 to 1992.

Kevin J. Conway, 48, has been a member of Graphic s board of directors and a member of the board of directors of Graphic Packaging International, Inc. since 1995. Mr. Conway is a principal of CD&R, a New York-based private investment firm, a director of CD&R Investment Associates II, Inc. (Associates II), a Cayman Islands exempted company that is the managing general partner of CD&R Associates V Limited Partnership, a Cayman Islands exempted limited partnership (Associates V), the general partner of CD&R, and a limited partner of Associates V.

Kelvin L. Davis, 43, is a Senior Partner of TPG Capital and Head of the firm s North American Buyouts Group, incorporating investments in all non-technology industry sectors. Prior to joining TPG in 2000, Mr. Davis was President and Chief Operating Officer of Colony Capital, Inc., a private international real estate-related investment firm in Los Angeles, which he co-founded in 1991. Prior to the formation of Colony, Mr. Davis was a principal of RMB Realty, Inc., the real estate investment vehicle of Robert M. Bass. Prior to his affiliation with RMB Realty, he worked at Goldman, Sachs & Co. in New York City and with Trammell Crow Company in Dallas and Los Angeles.

Mr. Davis earned a B.A. degree (Economics) from Stanford University and an M.B.A. from Harvard University, where he was a Baker Scholar, a John L. Loeb Fellow, and a Wolfe Award recipient. Mr. Davis is the Chairman of the Board of Kraton Polymers LLP, and a Director of Metro-Goldwyn-Mayer Studios Inc., Altivity, Aleris International and Univision Communications, Inc. He is also a nine-year Director (and past Chairman) of Los Angeles Team Mentoring, Inc. (a charitable mentoring organization), and is on the Board of Overseers of the Huntington Library, Art Collections, and Botanical Gardens.

David W. Scheible, 51, was appointed as a director, President and Chief Executive Officer of Graphic and Graphic Packaging International, Inc. on January 1, 2007. Prior to that time, Mr. Scheible had served as Chief Operating Officer of such companies since October 2004. Mr. Scheible served as Executive Vice President of Commercial Operations from the closing of the Riverwood Merger in August 2003 until October 2004. Mr. Scheible served as GPIC s Chief Operating Officer from 1999 until the closing of the Riverwood Merger. He also served as President of GPIC s Flexible Division from January to June 1999. Previously, Mr. Scheible was affiliated with the Avery Denison Corporation, working most recently as its Vice President and General Manager of the Specialty Tape Automotive Division from 1995 through 1999 and Vice President and General Manager of the Automotive Division from 1993 to 1995.

Class II Directors Term to Expire in 2009

Michael G. MacDougall, 36, is a partner of TPG Capital and a leader in its Energy and Industrial investing practice areas. Prior to joining TPG Capital in 2002, Mr. MacDougall was a vice president in the Principal Investment Area of the Merchant Banking Division of Goldman, Sachs & Co., where he focused on private equity and mezzanine investments. He is a director of Altivity, Kraton Polymers LLP, Aleris International, Energy Future Holdings Corp. (formerly TXU Corp.) and the New York Opportunity Network. Mr. MacDougall served on the board of managers of Texas Genco LLC prior to its sale to NRG Energy, Inc. Mr. MacDougall is a graduate of the University of Texas at Austin and received his M.B.A. with distinction from Harvard Business School.

Jeffrey Liaw, 30, has been employed in TPG Capital s Energy and Industrial investing practice areas since 2005. Prior to joining TPG Capital in 2005, Mr. Liaw was an associate at Bain Capital, a private equity investment firm, in their Industrials practice. Mr. Liaw is a director of Energy Future Holdings Corp. (formerly TXU Corp.). Mr. Liaw is a graduate of the University of Texas at Austin and received his M.B.A. from Harvard Business School where he was a Baker Scholar and a Siebel Scholar.

John D. Beckett, 68, has been a member of Graphic s board and the board of directors of Graphic Packaging International, Inc. since the closing of the Riverwood Merger. From 1993 until the closing of the Riverwood Merger, Mr. Beckett served as one of the directors of GPIC. He has been Chairman of the R.W. Beckett Corporation, a manufacturer of components for oil and gas heating appliances, since 1965 and from 1965 until 2001, Mr. Beckett also served as its President.

John R. Miller, 69, was named the non-executive Chairman of the board of directors of Graphic and Graphic Packaging International, Inc. on August 8, 2006 and has been a member of such Boards since 2002. Mr. Miller is Chairman of the Board of SIRVA, Inc., a global provider of moving and relocation services. He has been a director of Cambrex Corporation, a global diversified life science company since 1998, and since 1985, a director of Eaton Corporation, a global diversified industrial manufacturer. From 2000 to 2003, Mr. Miller served as Chairman, President and Chief Executive Officer of Petroleum Partners, Inc., a provider of outsourcing services to the petroleum industry. He formerly served as President and Chief Operating Officer of The Standard Oil Company and Chairman of the Federal Reserve Bank of Cleveland.

Class III Directors Term to Expire in 2010

George V. Bayly, 65, has served as Chairman and interim Chief Executive Officer of Altivity Packaging, LLC since October 2006. Prior to October 2006, Mr. Bayly served as Co-Chairman of U.S. Can Corporation from September 2005 to September, 2006, as well as Co-Chairman and Chief Executive Officer from March 2005 to September 2005.

In addition, Mr. Bayly has been a principal of Whitehall Investors, LLC, a consulting and venture capital firm, since January 2002. From January 1991 to December 2002, Mr. Bayly served as Chairman, President and Chief Executive Officer of Ivex Packaging Corporation. From 1987 to 1991, Mr. Bayly served as Chairman, President and Chief Executive Officer of Olympic Packaging, Inc. Mr. Bayly also held various management positions with Packaging Corporation of America from 1973 to 1987. Mr. Bayly

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serves on the Board of Directors of ACCO Brands Corporation, Altivity, Huhtamaki Oyj and Treehouse Foods, Inc. Mr. Bayly holds a B.S. from Miami University and a M.B.A. from Northwestern University. Mr. Bayly also served as a Lieutenant Commander in the United States Navy.

Harold R. Logan, Jr., 62, has been a member of Graphic s board of directors and the board of directors of Graphic Packaging International, Inc. since the closing of the Riverwood Merger in 2003. From 2001 until the closing of the Riverwood Merger, Mr. Logan served as one of the directors of GPIC. From 2003 through September 2006, Mr. Logan was a director and Chairman of the Finance Committee of TransMontaigne, Inc., a transporter of refined petroleum products, and was a director, Executive Vice President, and Chief Financial Officer of TransMontaigne, Inc. from 1995 to 2002. TransMontaigne, Inc. was sold to Morgan Stanley Group, Inc. on October 1, 2006. Mr. Logan served as a director and Senior Vice President, Finance of Associated Natural Gas Corporation, a natural gas and crude oil company, from 1987 to 1994. He also serves as Chairman of the Board of Supervisors of Suburban Propane Partners, L.P. and a director of Hart Energy Publishing, LLC and The Houston Exploration Company.

Robert W. Tieken, 67, has been a member of Graphic s board of directors and the board of directors of Graphic Packaging International, Inc. since September 2003. Mr. Tieken served as the Executive Vice President and Chief Financial Officer of The Goodyear Tire & Rubber Company from May 1994 to June 2004. From 1993 until May 1994, Mr. Tieken served as Vice President-Finance for Martin Marietta Corporation. Mr. Tieken serves as a member of the board of directors of SIRVA, Inc. a global provider of moving and relocation services, and as its interim Chief Executive Officer.

Pursuant to the stockholders agreement, the TPG Entities have the right to nominate an additional independent director that will be a Class III director.

Committees of the Board of Directors of New Graphic

The initial committees of the New Graphic board of directors will be:

- an audit committee
- a compensation and benefits committee; and
- a nominating and corporate governance committee

The audit committee will have at least three members, each of whom shall satisfy the independence requirements of the NYSE and the SEC, as applicable, for membership on the committee. The members of the audit committee will be [l].

The compensation and benefits committee will have three members, each of whom shall satisfy the independence requirements described in Rule 16b-3 of the Exchange Act and Section 162(m) of the Internal Revenue Code pursuant to the requirements of the committee charter. The members of the compensation and benefits committee will be [l].

The nominating and corporate governance committee will initially have six members. Members of the nominating and corporate governance committee were nominated pursuant to the stockholders agreement, and will be Jeffrey H. Coors (the Coors Family Stockholder designee), Kevin J. Conway (the CDR Fund designee), G. Andrea Botta (the EXOR designee), [l] (a TPG Entities designee) and [l] (a TPG Entities designee), as well as John R. Miller, a non-voting chairman. [l] are each independent directors, as defined by Section 303A of the NYSE s listed company manual, and [l] who are not independent directors. Because New Graphic will be a Controlled Company for purposes of Section 303A of the NYSE s listed company manual, New Graphic is exempt from the requirement that the nominating and corporate governance committee consist entirely of independent directors, as well as certain other requirements relating to independent directors.

New Graphic s board of directors may designate other committees in the future.

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New Graphic Management

Set forth below is certain information furnished to New Graphic by those persons expected to serve as senior management of New Graphic following the completion of the transactions. Although New Graphic has not finalized its management team, New Graphic expects to retain the majority of Altivity s employees, including members of Altivity s management team.

David W. Scheible, 51, was appointed as a Director, President and Chief Executive Officer of Graphic in January 2007. Prior to that time he had served as the Chief Operating Officer since October 2004. Mr. Scheible served as Graphic s Executive Vice President of Commercial Operations from the closing of the Riverwood Merger in August 2003 until October 2004. Mr. Scheible served as Chief Operating Officer of Graphic Packaging International Corporation from June 1999 until the closing of the Riverwood Merger. He also served as President of Graphic Packaging International Corporation s Flexible Division from January to June 1999. Previously, Mr. Scheible was affiliated with the Avery Denison Corporation, working most recently as its Vice President and General Manager of the Specialty Tape Division from 1995 through January 1999 and Vice President and General Manager of the Automotive Division from 1993 to 1995. Pursuant to the stockholders agreement, the stockholders subject thereto have agreed that Mr. Scheible will be the initial Chief Executive Officer of New Graphic.

Daniel J. Blount, 51, has been Graphic s Senior Vice President and Chief Financial Officer since September 2005. From October 2003 until September 2005, he was the Senior Vice President, Integration. From the closing of the Riverwood Merger in August 2003 until October 2003, he was the Senior Vice President, Integration, Chief Financial Officer and Treasurer. From June 2003 until August 2003, he was Senior Vice President, Chief Financial Officer and Treasurer. From September 1999 until June 2003, Mr. Blount was Senior Vice President and Chief Financial Officer. Mr. Blount was named Vice President and Chief Financial Officer of Riverwood Holding in September 1998. Prior to joining Graphic, Mr. Blount spent 13 years at Montgomery Kone, Inc., an elevator, escalator and moving ramp product manufacturer, installer and service provider, serving last as Senior Vice President, Finance.

Michael P. Doss, 40, has been the Senior Vice President, Consumer Products Packaging of Graphic since September 2006. From the closing of the Riverwood Merger in August 2003 through September 2006, Mr. Doss served as Graphic s Vice President of Operations, Universal Packaging Division. Since joining Graphic Packaging International Corporation in 1990, he has held positions of increasing management responsibility, including Plant Manager at the Gordonsville, Tennessee and Wausau, Wisconsin facilities. Mr. Doss was Director of Web Systems for the Universal Packaging Division before his promotion to Vice President of Operations.

Stephen A. Hellrung, 59, has been Graphic s Senior Vice President, General Counsel and Secretary since October 2003. He was Senior Vice President, General Counsel and Secretary of Lowe s Companies, Inc., a home improvement specialty retailer, from April 1999 until June 2003. Prior to joining Lowe s Companies, Mr. Hellrung held similar positions with The Pillsbury Company and Bausch & Lomb, Incorporated.

Wayne E. Juby, 59, has been Graphic s Senior Vice President, Human Resources since April 2001. Mr. Juby joined Graphic in November 2000 and was Director, Corporate Training, until April 2001. Prior to joining Graphic, Mr. Juby was Vice President, Human Resources, of National Gypsum Company, from 1994 until 1996.

Robert M. Simko, 47, has been Graphic s Senior Vice President, Paperboard since December 2005. From October 2002 until December 2005, Mr. Simko served as Vice President, Supply Chain Operations. Mr. Simko joined the Company in February 1999 as the Vice President and Resident Manager, Georgia Paperboard Operations after serving as the Director of Operations for Sealright Co., Inc. for approximately three years and holding several key manufacturing positions with the Films Division at Mobil Chemical Co.

Michael R. Schmal, 53, has been Graphic s Senior Vice President, Beverage since the closing of the Riverwood Merger in August 2003 and was the Vice President and General Manager, Brewery Group of Graphic from October 1996 until August 2003. Prior to that time, Mr. Schmal held various positions at Graphic since 1981.

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Director and Executive Officer Compensation

Final determinations have not been made with respect to the senior management of New Graphic, other than the President, Chief Executive Officer and Chief Financial Officer. Information concerning persons who currently serve as directors and executive officers of New Graphic affiliated with Graphic and their historical compensation paid by Graphic and ownership of Graphic common stock is contained in Graphic s definitive proxy statement for its 2007 annual meeting of stockholders previously mailed to Graphic stockholders and incorporated by reference herein. See Where You Can Find More Information.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information concerning the beneficial ownership of Graphic common stock and New Graphic common stock on a pro forma basis after the consummation of the transactions, by:

- each stockholder that is known by Graphic to be the beneficial owner of more than 5% of the Graphic common stock or who, as a result of the completion of the transactions, will own beneficially 5% or more of New Graphic common stock;
- each director of Graphic and New Graphic;
- each named executive officer of Graphic; and
- the directors and executive officers of Graphic and New Graphic as a group.

Beneficial ownership is determined according to the rules and regulations of the SEC and generally includes those shares that an individual or group has the power to vote or transfer and any stock options that are currently exercisable or that will become exercisable within 60 days of the relevant date of determination (regardless of whether such stock options are in the money). Shares that an individual or group beneficially owns but that are not actually issued and outstanding are not counted, however, for purposes of computing the percentage ownership of any other individual or group. Unless otherwise noted, such information is provided as of August 15, 2007 and the beneficial owners listed have sole voting and investment power with respect to the number of shares shown. An asterisk in the percentage column indicates beneficial ownership of less than one percent.

	Beneficial Ownership of Graphic		**Pro Forma Beneficial Ownership of New Graphic**	
Name	**Number of Shares**	**Percentage**	**Number of Shares**	**Percentage**
Beneficial Owners of 5% or More:				
Grover C. Coors Trust(1)	51,211,864	25.48%	51,211,864	14.94%
Jeffrey H. Coors(1)(2)	63,569,522	31.35%	63,450,418	18.42%
Clayton, Dubilier & Rice Fund V Limited Partnership(3)	34,222,500	17.03%	34,222,500	9.98%
EXOR Group S.A.(4)	34,222,500	17.03%	34,222,500	9.98%
TPG BCH Entities(5)			132,158,875	38.55%
HWH Investment PTE Ltd.(6)	10,545,400	5.25%	10,545,400	3.08%
Directors and Named Executive Officers of Graphic:				
John D. Beckett(7)	89,707	*	89,707	*
G. Andrea Botta(8)	80,378	*	80,378	*
Kevin J. Conway(9)		*		*
William R. Fields	20,080	*	20,080	*
Harold R. Logan, Jr.(10)	59,808	*	59,808	*
John R. Miller	43,247	*	43,247	*
David W. Scheible(11)	403,954	*	606,753	*
Robert W. Tieken	41,287	*	41,287	*

Daniel J. Blount(12)	378,954	*	472,757	*
Stephen M. Humphrey(13)	5,896,730	2.85%	6,298,163	1.81%
Michael R. Schmal(14)	458,211	*	548,195	*

Name	Beneficial Ownership of Graphic		Pro Forma Beneficial Ownership of New Graphic	
	Number of Shares	Percentage	Number of Shares	Percentage
Additional Directors of New Graphic:				
George V. Bayly(15)			598,433	*
Kelvin L. Davis(16)				
Michael G. MacDougall(17)				
Jeffrey Liaw(18)				
[1]			[1]	
All directors and executive officers of Graphic as a group (16 persons)(19)	72,090,899	34.32%		
All directors and executive officers of New Graphic as a group (20 persons)(20)			[1]	

(1) Pursuant to the stockholders agreement dated March 25, 2003 among Graphic, the Coors Family Stockholders, certain related Coors family trusts and a related foundation, the CDR Fund and EXOR (the 2003 stockholder agreement), certain members of the Coors family and related entities, including the Grover C. Coors Trust, have designated and appointed Jeffrey H. Coors as their attorney-in-fact to perform all obligations under such agreement. As to all other matters, including the merger and the exchange, they have retained voting power, and such persons have sole dispositive power over such shares. The business address for Jeffrey H. Coors is Graphic Packaging Corporation, 814 Livingston Court, Marietta, Georgia 30067. The shares of Graphic common stock are owned of record by the following Coors Family Stockholders in the amounts set forth below:

Party to the Stockholders Agreement	No. of Shares Currently Beneficially Owned
Adolph Coors Jr. Trust	2,800,000
Augusta Coors Collbran Trust	1,015,350
Bertha Coors Munroe Trust	1,140,490
Grover C. Coors Trust	51,211,864
Herman F. Coors Trust	1,435,000
Janet H. Coors Irrevocable Trust f/b/o Frances M. Baker	59,356
Janet H. Coors Irrevocable Trust f/b/o Frank E. Ferrin	59,354
Janet H. Coors Irrevocable Trust f/b/o Joseph J. Ferrin	59,354
Louise Coors Porter Trust	920,220
May Kistler Coors Trust	1,726,652
Darden K. Coors	17,796
John K. Coors	4,592
Joseph Coors Jr.	30,247
Peter H. Coors	61,256
William K. Coors*	2,000
Adolph Coors Foundation	503,774

61,047,305

* Represents 2,000 stock options

(2) The amount shown includes (i) 53,429 shares held in joint tenancy with spouse, (ii) 140,848 stock units held in the Company s 401(k) savings plan, (iii) 250 shares held by a Graphic predecessor s Payroll Stock Ownership Plan, (iv) 500 shares held by Jeffrey H. Coors Family, Ltd., (v) 30,000 shares held by Mr. Coors wife, and (vii) an aggregate of 61,050,518 shares attributable to Mr. Coors solely by virtue of the 2003 stockholders agreement. The amount shown also includes 1,603,489 shares subject to stock

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options exercisable within 60 days and 187,120 RSUs that are vested within 60 days. Mr. Coors pro-forma beneficial ownership of New Graphic includes the number of shares set forth in items (i)-(v) and an aggregate of 60,931,414 shares attributed to Mr. Coors solely by virtue of the stockholders agreement and voting agreement.

(3) Associates V is the general partner of the CDR Fund and has the power to direct the CDR Fund as to the voting and disposition of its shares of Graphic common stock. Associates II is the managing general partner of Associates V and has the power to direct Associates V as to its direction of the CDR Fund s voting and disposition of shares. Associates II is controlled by a board of directors consisting of B. Charles Ames, Michael G. Babiarz, Kevin J. Conway, Donald J. Gogel, Ned C. Lautenbach, David A. Novak, Huw Phillips, Roberto Quarta, Joseph L. Rice, III, Christian Rochat, Richard J. Schnall, Nathan Sleeper, George W. Tamke and David H. Wasserman, and its officers are Messrs. Conway, Gogel and Rice, along with Theresa A. Gore. The officers of Associates II are authorized and empowered, subject to the board of directors approval in certain circumstances, to act on behalf of Associates II and may be deemed to share beneficial ownership of the shares of Graphic common stock owned by the CDR Fund. Each of Associates V, Associates II and the other persons named above expressly disclaims beneficial ownership of the shares owned by the CDR Fund. The business address for each of the CDR Fund, Associates V, Associates II and each of the other persons named above is 1403 Foulk Road, Suite 106, Wilmington, Delaware 19803.

(4) Giovanni Agnellie C.S.a.p.az., an Italian company, is the beneficial owner of essentially all of the equity interests of EXOR Group S.A. The address of Giovanni Agnellie C.S.a.p.az. s principal business and principal office is via del Carmine 10, presso Simon fiduciaria S.p.a., 10122 Turin, Italy. Giovanni Agnellie C.S.a.p.az. is deemed to be controlled by its general partners, Messrs. Tiberto Brandolini d Adda, Gianluigi Gabetti, John Philip Elkann and Alessandro Giovanni Nasi.

(5) These shares of New Graphic common stock are owned of record by the following entities (together, the TPG BCH Entities) in the amount set forth below:

Entity	**Shares**
TPG Bluegrass IV, L.P.	24,648,258
TPG Bluegrass IV-AIV 2, L.P.	41,431,180
TPG Bluegrass V, L.P.	23,929,218
TPG Bluegrass V-AIV 2, L.P.	41,843,729
TPG FOF V-A, L.P.	172,052
TPG FOF V-B, L.P.	134,439

TPG Advisors IV, Inc. is the general partner of TPG GenPar IV, L.P., and TPG GenPar IV, L.P. is the general partner of each of TPG Bluegrass IV, L.P. and TPG Bluegrass IV-AIV 2, L.P. TPG Advisors V, Inc. is the general partner of TPG GenPar V, L.P., and TPG GenPar V, L.P. is the general partner of each of TPG Bluegrass V, L.P. and TPG Bluegrass V-AIV 2, L.P. Messrs. David Bonderman and James G. Coulter are directors, officers and the sole shareholders of TPG Advisors IV, Inc. and TPG Advisors V, Inc., and may be deemed to be beneficial owners of securities owned directly by the TPG BCH Entities. The address of each of the entities and individuals listed above is c/o TPG Capital, L.P., 301 Commerce Street, Suite 3300, Fort Worth, Texas 76102.

(6) The beneficial owner of HWH Investment Pte. Ltd. is Government of Singapore Investment Corporation (Ventures) Pte Ltd, which is beneficially owned by Minister for Finance Inc. of the Government of Singapore. The business address for HWH Investment Pte. Ltd. is 168 Robinson Road, #37-01 Capital Tower, Singapore

068912. The number of shares beneficially owned is as of December 31, 2005 according to Amendment No. 1 to Schedule 13G/A filed with the SEC on February 15, 2006.

(7) The amount shown includes 2,000 shares subject to stock options exercisable within 60 days.

(8) The amount shown includes 75,114 shares of phantom stock that are fully vested but not payable until Mr. Botta s retirement as a director of Graphic.

(9) Pursuant to the terms of his employment, all of Mr. Conway s compensation for service as a director of Graphic, including all equity awards, is assigned to CD&R.

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(10) The amount shown includes 2,000 shares subject to stock options exercisable within 60 days.

(11) The amount shown includes 4,253 stock units held in GPIC s 401(k) savings plan, 163,710 shares subject to stock options exercisable within 60 days and 54,379 RSUs that are vested within 60 days. Mr. Scheible s pro-forma beneficial ownership of New Graphic includes 257,178 shares of common stock to be issued upon the payout of RSUs granted under the Graphic 2004 Stock and Incentive Compensation Plan (the 2004 Plan).

(12) The amount shown includes 189,304 shares subject to stock options exercisable within 60 days and 34,249 RSUs that are vested within 60 days. Mr. Blount s pro-forma beneficial ownership of New Graphic includes 128,052 shares of common stock to be issued upon the payout of RSUs granted under the Graphic 2004 Plan.

(13) The amount shown includes 5,500,176 shares subject to stock options exercisable within 60 days and 177,660 RSUs that are vested within 60 days. Mr. Humphrey s pro-forma beneficial ownership of New Graphic includes 579,093 shares of common stock to be issued upon the payout of RSUs granted under the Graphic 2004 Plan.

(14) The amount shown includes 210,492 shares subject to stock options exercisable within 60 days and 43,718 RSUs that are vested within 60 days. Mr. Schmal s pro-forma beneficial ownership of New Graphic includes 133,702 shares of common stock to be issued upon the payout of RSUs issued under the Graphic 2004 Plan.

(15) The amount shown consists of shares of New Graphic common stock that will be issued to BCH Management, LLC in the transactions and subsequently distributed to Mr. Bayly.

(16) Mr. Davis is a partner in TPG Capital, L.P., which is affiliated with the TPG BCH Entities.

(17) Mr. MacDougall is a partner in TPG Capital, L.P., which is affiliated with the TPG BCH Entities.

(18) Mr. Liaw is a vice president of TPG Capital, L.P., which is affiliated with the TPG BCH Entities.

(19) The amount shown includes 8,330,502 shares subject to stock options that are exercisable within 60 days and 716,982 RSUs and shares of phantom stock that are vested within 60 days.

(20) The amount shown includes 8,330,502 shares subject to stock options that are exercisable within 60 days and 716,982 RSUs and shares of phantom stock that are vested within 60 days.

PROPOSAL 2

CAPITALIZATION

Upon the completion of the transactions, New Graphic s certificate of incorporation will be substantially as set forth in the form attached as Annex B to this proxy statement/prospectus. The New Graphic certificate of incorporation differs from Graphic s current certificate of incorporation in certain respects. One significant difference between Graphic s certificate of incorporation and New Graphic s restated certificate of incorporation is the number of authorized shares of capital stock. Accordingly, you are being asked to approve the following proposal:

> *Proposal 2 Capitalization.* Approval of provisions in New Graphic s restated certificate of incorporation that will provide that the authorized capital stock will be 1.1 billion shares, including 1 billion shares of common stock and 100 million shares of preferred stock.

Graphic s current certificate of incorporation authorizes 500 million shares of common stock and 50 million shares of preferred stock. This provision is intended to ensure that New Graphic will have sufficient authorized capital stock to provide flexibility for issuances in the future for corporate purposes that the New Graphic board of directors may hereafter determine to be in the best interests of New Graphic and its stockholders. Although New Graphic currently has no plans to issue additional authorized shares of common stock other than as discussed in this proxy statement/prospectus and ordinary course grants under incentive plans, New Graphic s board of directors may determine to issue additional shares in the future in connection with acquisitions, financing transactions and stock splits, among others.

The provisions in New Graphic s certificate of incorporation will only be implemented if the transactions described in Proposal 1 are completed.

Graphic s board of directors unanimously recommends that the Graphic stockholders vote FOR Proposal 2, the approval of the provision of the New Graphic s restated certificate of incorporation increasing the authorized capital stock.

DESCRIPTION OF NEW GRAPHIC CAPITAL STOCK

Overview

New Graphic s restated certificate of incorporation, which will become effective at the effective time of the merger, will authorize up to 1 billion shares of common stock, par value $0.01 per share, and 100 million shares of preferred stock, par value $0.01 per share. We refer to this restated certificate of incorporation in this proxy statement/prospectus as New Graphic s certificate of incorporation. Immediately after the completion of the transactions, approximately 342 million shares of New Graphic common stock will be issued, and no shares of preferred stock will be issued and outstanding.

The following descriptions of New Graphic capital stock and provisions of its restated certificate of incorporation and amended and restated by-laws, which will become effective at the effective time of the merger and are referred to in this proxy statement/prospectus as New Graphic s by-laws, are summaries of their material terms and provisions and are qualified by reference to the complete text of the forms of certificate of incorporation and by-laws, which are incorporated by reference in their entirety and are attached to this proxy statement/prospectus as Annex B and Annex C, respectively. The descriptions reflect changes to New Graphic s capital structure, certificate of incorporation and by-laws that will occur at the effective time of the merger.

Common Stock

Holders of New Graphic common stock will be entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Holders of common stock will be entitled to receive proportionately any dividends that may be declared by New Graphic s board of directors,

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subject to the preferences and rights of any shares of preferred stock. In the event of New Graphic s liquidation, dissolution or winding-up, holders of common stock will be entitled to receive proportionately any of New Graphic s assets remaining after the payment of debts and liabilities and subject to the preferences and rights of any shares of preferred stock. Holders of common stock will have no preemptive, subscription, redemption or conversion rights. The outstanding shares of common stock are, and the shares of common stock to be issued in the merger will be, when issued, fully paid and non-assessable. The rights and privileges of holders of New Graphic common stock will be subject to any series of preferred stock that New Graphic may issue in the future, as described below.

Preferred Stock

New Graphic s certificate of incorporation will provide that New Graphic s board of directors has the authority, without further vote or action by the stockholders, to issue up to 100 million shares of preferred stock in one or more series and to fix the number of shares constituting any such series and the preferences, limitations and relative rights, including but not limited to, dividend rights, dividend rate, voting rights, terms of redemption, redemption price or prices, conversion rights and liquidation preferences of the shares constituting any series. The issuance of preferred stock could adversely affect the rights of holders of common stock. New Graphic has no present plans to issue any shares of preferred stock after the effective time of the merger.

New Graphic s certificate of incorporation will authorize shares of Series A junior participating preferred stock in connection with New Graphic s anticipated stockholder rights plan. See New Rights Plan below.

Stockholders Agreements

New Graphic and certain individuals and entities that will be stockholders of New Graphic after the completion of the transactions have entered into a stockholders agreement, dated as of July 9, 2007, under which the parties have made certain agreements regarding the voting of their shares and the governance of New Graphic. See Other Agreements Stockholders Agreement.

Change of Control Related Provisions of New Graphic s Certificate of Incorporation and By-Laws, and Delaware Law

A number of provisions in New Graphic s certificate of incorporation and by-laws and under the Delaware General Corporation Law, or the DGCL, may make it more difficult for third parties to acquire control of New Graphic. These provisions may have the effect of delaying, deferring, discouraging, preventing or rendering more difficult a future takeover attempt which is not approved by New Graphic s board of directors, but which individual stockholders may deem to be in their best interests or in which stockholders may receive a substantial premium for their shares over then current market prices. As a result, stockholders who might desire to participate in such a transaction may not have an opportunity to do so. In addition, these provisions may adversely affect the prevailing market price of the common stock. These provisions are intended to:

- discourage some types of transactions that may involve an actual or threatened change in control of New Graphic;
- discourage certain tactics that may be used in proxy fights;
- enhance the likelihood of continuity and stability in the composition of New Graphic s board of directors;
- ensure that New Graphic s board of directors will have sufficient time to act in what the board believes to be in the best interests of New Graphic and its stockholders; and

encourage persons seeking to acquire control of New Graphic to consult first with New Graphic s board to negotiate the terms of any proposed business combination or offer.

Unissued Shares of Common Stock.

New Graphic currently plans to issue an estimated 342 million shares of its authorized common stock in the transactions. The remaining shares of authorized and unissued common stock will be available for future issuance without additional stockholder approval, except as may be required by the rules or regulations of the NYSE or other stock exchange on which New Graphic common stock is listed. While the additional shares are not designed to deter or prevent a change of control, under some circumstances New Graphic could use the additional shares to create voting impediments or to frustrate persons seeking to effect a takeover or otherwise gain control by, for example, issuing those shares in private placements to purchasers who might side with New Graphic s board of directors in opposing a hostile takeover bid.

Unissued Shares of Preferred Stock.

The certificate of incorporation will grant New Graphic s board of directors the authority, without any further vote or action by New Graphic stockholders, except as may be required by the rules or regulations of the NYSE or other stock exchange on which New Graphic common stock is listed, to issue preferred stock in one or more series and to fix the number of shares constituting any such series and the preferences, limitations and relative rights, including but not limited to, dividend rights, dividend rate, voting rights, terms of redemption, redemption price or prices, conversion rights and liquidation preferences of the shares constituting any series. The existence of authorized but unissued preferred stock could reduce New Graphic s attractiveness as a target for an unsolicited takeover bid since New Graphic could, for example, issue shares of preferred stock to parties who might oppose such a takeover bid or shares that contain terms the potential acquirer may find unattractive. This may have the effect of delaying or preventing a change in control, may discourage bids for the common stock at a premium over the market price of the common stock, and may adversely affect the market price of, and the voting and other rights of the holders of, common stock.

Classified Board of Directors, Vacancies and Removal of Directors

New Graphic s certificate of incorporation and by-laws will provide that New Graphic s board of directors will be divided into three classes of even number or nearly even number, with each class elected for staggered three-year terms expiring in successive years. Any effort to obtain control of New Graphic s board of directors by causing the election of a majority of the board of directors may require more time than would be required without a staggered election structure. Under the DGCL, for companies like New Graphic with a classified board of directors, stockholders may remove directors only for cause. Vacancies (including a vacancy created by increasing the size of the board) in New Graphic s board of directors may only be filled by a majority of its directors. Any director elected to fill a vacancy will hold office for the remainder of the full term of the class of directors in which the vacancy occurred (including a vacancy created by increasing the size of the board) and until such director s successor shall have been duly elected and qualified. No decrease in the number of directors will shorten the term of any incumbent director. New Graphic s certificate of incorporation and by-laws will provide that the number of directors will be fixed and increased or decreased from time to time solely by resolution of the board of directors, but the board of directors will at no time consist of fewer than three directors. These provisions may have the effect of slowing or impeding a third party from initiating a proxy contest, making a tender offer or otherwise attempting a change in the membership of New Graphic s board of directors that would effect a change of control.

Advance Notice Requirements for Nomination of Directors and Presentation of New Business at Meetings of Stockholders; Action by Written Consent

New Graphic s by-laws will provide for advance notice requirements for stockholder proposals and nominations for director. Generally, to be timely, notice must be delivered to the secretary of New Graphic at its principal executive offices not fewer than 90 days nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. In addition, under the provisions of both the certificate of incorporation and by-laws, action may not be taken by written consent of stockholders; rather, any action taken by the stockholders must be effected at a duly called annual or special meeting. A special meeting may only be called by New Graphic s board of directors. These provisions make it more procedurally difficult for a stockholder to place a proposal or nomination on the meeting agenda or to take action without a meeting, and therefore may reduce the likelihood that a stockholder will seek to take independent action to replace directors or seek a stockholder vote with respect to other matters that are not supported by management.

Business Combination Under Delaware Law

As a Delaware corporation, New Graphic will be subject to Section 203 of the DGCL, unless it elects in its certificate of incorporation not to be governed by the provisions of Section 203. New Graphic does not plan to make that election. Subject to specified exceptions, Section 203, as currently in effect, prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder, unless:

- before that date, the board of directors approved either the business combination or the transaction in which such stockholder became an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder s becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, other than statutorily excluded shares; or
- on or after that date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of holders of at least 662/3% of New Graphic s outstanding voting stock which is not owned by the interested stockholder.

A business combination , as further defined by the DGCL, includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Except as otherwise described in the DGCL, an interested stockholder is defined to include (1) any person that is the owner of 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within three years immediately before the date of determination, and (2) the affiliates and associates of any such person.

The Coors Family Stockholders, the CDR Fund, EXOR, the Sellers and their respective affiliates or associates will not be subject to the restrictions imposed by Section 203 because New Graphic s board of directors approved the transactions, i.e., the business combination in which any such stockholder may have become an interested stockholder.

Limitation of Liability of Directors

The certificate of incorporation will provide that no director will be personally liable to New Graphic or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that this limitation on or exemption from liability is not permitted by the DGCL. As currently enacted, the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation will not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

- any breach of the director s duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- payments of unlawful dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

The principal effect of this limitation on liability provision is that a stockholder will be unable to recover monetary damages against a director for breach of fiduciary duty unless the stockholder can demonstrate that one of the exceptions listed in the DGCL applies. The inclusion of this provision in the certificate of incorporation may discourage or deter stockholders or management from bringing a lawsuit against directors for a breach of their fiduciary duties, even though such an action, if successful, might otherwise have benefited New Graphic and its stockholders. This provision should not affect the availability of equitable remedies such as injunction or rescission based upon a director s breach of his or her fiduciary duties.

The DGCL provides that a corporation may indemnify its directors and officers as well as its other employees and agents against judgments, fines, amounts paid in settlement and expenses, including attorneys fees, actually and reasonably incurred in connection with various proceedings, other than an action brought by or in the right of the corporation, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if he or she had no reasonable cause to believe his or her conduct was unlawful. A similar standard applies to actions brought by or in the right of the corporation, except that indemnification in such a case may only extend to expenses, including attorneys fees, incurred in connection with the defense or settlement of such actions, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation.

New Graphic s certificate of incorporation and, with regard to its officers, its by-laws will provide that New Graphic will indemnify its current and former directors, as well as any person who has agreed to become a director, and officers to the fullest extent permitted by the DGCL. Under these provisions and subject to the DGCL, New Graphic will be required to indemnify its directors and officers for all judgments, fines, settlements, liabilities, losses, ERISA excise taxes or penalties, legal fees and other expenses actually and reasonably incurred in connection with pending or threatened legal proceedings because of the director s or officer s position with New Graphic or another entity that the director or officer serves as a director, officer, employee or agent at New Graphic s request, subject to various conditions, and to advance funds to New Graphic s directors and officers before final disposition of such proceedings to enable them to defend against such proceedings. To receive indemnification, the director or officer must have met the applicable standard of conduct required by Delaware law to be indemnified.

Unless otherwise ordered by a court, any indemnification of a present or former director, officer or employee of New Graphic shall be made by New Graphic (and may be made by New Graphic in the case of an agent) upon a determination that indemnification of such person is proper because he or she has met the applicable standard of conduct required by the Delaware law to be indemnified. With respect to a person who is a director or officer at the time of such determination, such determination shall be made: (i) by a majority vote of the directors who are not parties to the proceeding, even though less than a quorum, (ii) a committee of such directors designated by a majority vote of such directors, even thought less than a quorum, (iii) by independent legal counsel in a written opinion if there are no such directors or if such directors so direct, or (iv) by the stockholders of New Graphic. The by-laws also specifically authorize New Graphic to maintain insurance on behalf of any person who is or was or has agreed to become a director, officer, employee or agent of New Graphic, or is or was serving at New Graphic s request as a director, officer, employee or agent of another entity, against certain liabilities.

New Graphic also has agreed that it will maintain the current policies of directors and officers liability insurance maintained by each of BCH and Graphic (provided that New Graphic may substitute a substantially similar policy that is no less advantageous to the insured), for a period of six years from the closing of the transactions. See The Transactions Interests of Graphic s Directors and Executive Officers in the Transactions.

Supermajority Voting Requirement for Amendment of Certain Provisions of New Graphic s Certificate of Incorporation and By-Laws

The provisions of New Graphic s certificate of incorporation governing, among other things, the classified board, the liability of directors and the elimination of the ability of stockholders to act by written consent, may not be amended, altered or repealed unless the amendment is approved by the vote of holders of 75% of the combined voting power of the then outstanding shares entitled to vote thereon. This requirement exceeds the majority vote of the outstanding stock that would otherwise be required by the DGCL for the repeal or amendment of such provisions of the certificate of incorporation. New Graphic s by-laws may be amended by the board of directors or by the vote of holders of 75% of the combined voting power of the then outstanding shares entitled to vote thereon. These provisions make it more difficult for any person to remove or amend any provisions that may have an anti-takeover effect.

New Rights Plan

New Graphic s board of directors intends to adopt a stockholder rights plan under which each outstanding share of New Graphic common stock will be coupled with a stock purchase right. The description and terms of the rights will be found in a rights agreement to be entered into between New Graphic and Wells Fargo Bank, N.A., as the rights agent. The following is a summary of the material provisions of the rights plan that New Graphic s board of directors intends to adopt. This summary is qualified in its entirety by reference to the rights plan, a form of which is attached as an exhibit to the registration statement of which this proxy statement/prospectus forms a part and incorporated herein by reference in its entirety. This summary may not contain all of the information about the rights plan which is important to you, and we encourage you to read the rights plan in its entirety.

Initially, the rights will be attached to the certificates representing outstanding shares of common stock, and no separate rights certificates will be distributed. The rights will be transferable only with the common stock until a distribution date (as described below). Each right will entitle the holder to purchase one one-thousandth of a share of New Graphic Series A junior participating preferred stock at an exercise price that will be set by New Graphic s board of directors before the rights plan is implemented, subject to adjustment. Each one one-thousandth of a share of Series A junior participating preferred stock will have economic and voting terms approximately equivalent to one share of New Graphic common stock. Until it is exercised, the right itself will not entitle the holder of the right to any rights as a stockholder, including the right to receive dividends or to vote at stockholder meetings.

The rights will not be exercisable until the distribution date and will expire at the close of business on the tenth anniversary of the record date under the rights agreement, unless earlier redeemed or exchanged by us. As soon as practicable after the distribution date, New Graphic would issue separate certificates representing the rights which would trade separately from the shares of New Graphic common stock. A distribution date would generally occur upon the earlier of:

- the tenth day after the first public announcement by or communication to New Graphic that a person or group of affiliated or associated persons (referred to as an acquiring person) has acquired beneficial ownership of 15% or more of New Graphic s outstanding common stock (the date of such announcement or communication is referred to as the stock acquisition time); or

- the tenth business day after the commencement or first public announcement of the intention to commence a tender offer or exchange offer that would result in a person or group becoming an acquiring person.

However, an acquiring person will not include New Graphic, any of its subsidiaries, any of its employee benefit plans or any person or entity acting under its employee benefit plans. In addition, an acquiring person will not include stockholders of New Graphic, including the Coors Family Stockholders and the TPG Entities, who beneficially own 15% or more of its outstanding common stock immediately after the completion of the transactions (referred to as grandfathered persons, provided that any such stockholder will cease to be a grandfathered person at such time when such stockholder beneficially owns less than 15% of New Graphic s outstanding common stock).

If any person becomes an acquiring person, each right will represent, instead of the right to acquire one one-thousandth of a share of Series A junior participating preferred stock, the right to receive upon exercise a number of shares of common stock having a value equal to two times the purchase price of the right, subject to certain exceptions. All rights that are beneficially owned by an acquiring person or its transferee will become null and void.

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If at any time after a public announcement has been made or New Graphic has received notice that a person has become an acquiring person:

New Graphic is acquired in a merger or other business combination and New Graphic is not the surviving corporation; or

50% or more of the assets, cash flow or earning power of New Graphic and its subsidiaries (taken as a whole) is sold or transferred;

each right, except rights that previously have been voided as described above, will represent the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the purchase price of the right.

At any time until the earlier of (1) the time New Graphic becomes aware that a person has become an acquiring person or (2) the tenth anniversary of the record date under the rights agreement, New Graphic may redeem all the rights at a price of $0.001 per right. At any time after a person has become an acquiring person and before the acquisition by such person and its affiliates of 50% or more of the outstanding shares of New Graphic common stock, New Graphic may exchange the rights, in whole or in part, at an exchange ratio of one share of common stock per right.

The purchase price of the rights, the number of thousandths of a share of Series A junior participating preferred stock and the amount of common stock, cash or other securities or property issuable upon exercise of, or exchange for, the rights, and the number of such rights outstanding, are subject to adjustment from time to time to prevent dilution. Except as provided in the rights agreement, no adjustment in the purchase price or the number of shares of Series A junior participating preferred stock issuable upon exercise of a right will be required until the cumulative adjustment would require an increase or decrease of at least 1% in the purchase price or number of shares for which a right is exercisable.

Before the time that a person or group becomes an acquiring person, and subject to specified limitations, the rights agreement may be supplemented or amended by New Graphic and the rights agent, without the approval of the holders of the rights.

The stockholder rights plan is designed to protect stockholders in the event of unsolicited offers to acquire New Graphic and other coercive takeover tactics which, in the opinion of New Graphic s board of directors, could impair its ability to represent stockholder interests. The rights will not prevent a takeover of New Graphic. However, the provisions of the stockholder rights plan may render an unsolicited takeover more difficult or less likely to occur, even though such takeover may offer New Graphic stockholders the opportunity to sell their stock at a price above the prevailing market rate and/or may be favored by a majority of New Graphic stockholders.

Registration Rights Agreement

New Graphic, the parties to the stockholders agreement and certain other anticipated stockholders of New Graphic have entered into a registration rights agreement, dated as of July 9, 2007, in connection with the transactions contemplated by the transaction agreement. See above Other Agreements Registration Rights Agreement.

Listing

Graphic will file an application to have New Graphic common stock listed on the NYSE under the ticker symbol GPK.

Exchange Agent and Registrar

The exchange agent and registrar for New Graphic s common stock and Series A junior participating preferred stock will be Wells Fargo Bank, N.A.

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COMPARISON OF RIGHTS OF GRAPHIC STOCKHOLDERS AND NEW GRAPHIC STOCKHOLDERS

The rights of Graphic stockholders are currently governed by the DGCL and Graphic s certificate of incorporation and bylaws. Under the transaction agreement, at the closing of the merger, the stockholders of Graphic will be entitled to receive shares of common stock of New Graphic, a Delaware corporation. Accordingly, after the merger, the rights of any former stockholder of Graphic who receives shares of stock of New Graphic will be governed by the DGCL, New Graphic s certificate of incorporation and New Graphic s by-laws.

The following discussion identifies material differences between current rights of Graphic stockholders and those of New Graphic stockholders following the transactions. The following discussions are summaries only. They do not give you a complete description of the differences that may affect you. You should also refer to the DGCL, as well as Graphic s certificate of incorporation and bylaws and New Graphic s certificate of incorporation and New Graphic s by-laws. Copies of forms of New Graphic s certificate of incorporation and New Graphic s by-laws are attached as Annex B and Annex C, respectively, to this proxy statement/prospectus. Graphic s restated certificate of incorporation and amended and restated bylaws have been filed as exhibits to Graphic s Annual Report on Form 10-K for the fiscal year ended December 31, 2006. See Where You Can Find More Information. For a more detailed discussion of your rights as stockholders of New Graphic, you should also see Description of New Graphic Capital Stock.

	Current Graphic Stockholder Rights	**New Graphic Stockholder Rights**
Authorized Capital Stock	The authorized capital stock of Graphic currently consists of 500 million shares of common stock, par value $0.01 per share, and 50 million shares of preferred stock, par value $0.01 per share.	The authorized capital stock of New Graphic will consist of 1 billion shares of common stock, par value $0.01 per share, and 100 million shares of preferred stock, par value $0.01 per share.
Number of Directors	The Graphic board of directors currently consists of nine directors. The number of directors of Graphic may be fixed from time to time by resolution of the board of directors.	The New Graphic board of directors will initially consist of thirteen directors. The number of directors of New Graphic may be fixed from time to time solely by resolution of the board of directors and may not be fixed by any other person.
Classification of board of directors	Graphic has a classified board consisting of three classes of three directors each.	New Graphic will have a classified board consisting of three classes. Initially, Class I will have five directors and Classes II and III will each have four directors.
Removal of Directors	Graphic directors may be removed from office, but only for cause, by	New Graphic directors may be removed from office, but only for

the affirmative vote of the holders of at least a majority of the shares entitled to vote at an election of directors.	cause, by the affirmative vote of the holders of at least a majority of the shares entitled to vote at an election of directors.

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	Current Graphic Stockholder Rights	New Graphic Stockholder Rights
Quorum	The presence in person or by proxy of the holders of record of one-third (1/3) of the voting power of the shares entitled to vote at a meeting of the stockholders constitutes a quorum.	The presence in person or by proxy of the holders of record of a majority of the voting power of the shares entitled to vote at a meeting of the stockholders will constitute a quorum.
Stockholders Rights Plan	One stockholder right is attached to each share of Graphic common stock under a rights plan under which Coors Family Stockholders, the CDR Fund and EXOR are excluded from the definition of acquiring persons.	After the closing, it is anticipated that one stockholder right will be attached to each share of New Graphic common stock under a rights plan, as described above, under which TPG Entities and Coors Family Stockholders are excluded from the definition of acquiring persons.
Policy on Corporate Indebtedness	Graphic s board of directors is required to authorize all loans contracted on behalf of Graphic.	New Graphic will not have a policy in its by-laws on corporate indebtedness.

LEGAL MATTERS

The validity of the New Graphic common stock to be offered by this proxy statement/prospectus has been passed upon for New Graphic by Alston & Bird LLP.

EXPERTS

The consolidated financial statements of Graphic and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) incorporated in this proxy statement/prospectus by reference to Graphic s Annual Report on Form 10-K for the year ended December 31, 2006 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The financial statements of Bluegrass Container Holdings, LLC at December 31, 2006 and 2005, and for the period from July 1, 2006 to December 31, 2006, the period from January 1, 2006 to June 30, 2006 and each of the years ended December 31, 2005 and 2004, appearing in this proxy statement/prospectus have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

FUTURE STOCKHOLDER PROPOSALS

Graphic 2008 Annual Meeting of Stockholders

Graphic expects to hold its 2008 annual meeting of stockholders only if the transactions are not completed. For a stockholder proposal to be included in the proxy statement for Graphic s 2008 annual meeting of stockholders (if held), under the rules of the SEC, the proposal must be received by the Graphic Corporate Secretary at 814 Livingston Court, Marietta, Georgia 30067 no later than December 18, 2007.

If a Graphic stockholder wishes to present a proposal at the 2008 annual meeting of stockholders (if held), without including the proposal in the proxy statement, or to nominate one or more directors, the stockholder must provide written notice of the proposal to Graphic s Corporate Secretary at the address above. The Corporate Secretary must receive this notice not earlier than January 15, 2008, and not later than February 14, 2008. However, if the date of the 2008 annual stockholders meeting is advanced by more than 30 days or delayed by more than 70 days from the anniversary date of the Annual Meeting, then such proposal must be submitted by the later of the 90th day before such Annual Meeting or the 10th day following the day on which public announcement of the date of such meeting is first made.

New Graphic 2008 Annual Meeting of Stockholders

If the transactions are completed, it is expected that New Graphic s 2008 annual meeting of stockholders will be held in May 2008. For a stockholder proposal to be included in the proxy statement for New Graphic s 2008 annual meeting of stockholders, under the rules of the SEC, the proposal must be received by the New Graphic Corporate Secretary at 814 Livingston Court, Marietta, Georgia 30067 no later than December 18, 2007.

If a New Graphic stockholder wishes to present a proposal at the 2008 annual meeting of stockholders, without including the proposal in the proxy statement, or to nominate one or more directors, the stockholder must provide written notice of the proposal to New Graphic s Corporate Secretary at the address above. The Corporate Secretary must receive this notice not earlier than January 15, 2008, and not later than February 14, 2008. However, if the date of the 2008 annual stockholders meeting is advanced by more than 30 days or delayed by more than 70 days from the anniversary date of the Annual Meeting, then such proposal must be submitted by the later of the 90th day before such Annual Meeting or the 10th day following the day on which public announcement of the date of such meeting is first made.

WHERE YOU CAN FIND MORE INFORMATION

Graphic files annual, quarterly and current reports, proxy statements and other information with the SEC. Stockholders may read and copy any reports, statements or other information Graphic files at the SEC s public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public at the web site maintained by the SEC at *http://www.sec.gov* and by Graphic at *http://www.graphicpkg.com.*

New Graphic filed a registration statement on Form S-4 to register with the SEC New Graphic common stock that New Graphic will issue to Graphic stockholders in the merger. This proxy statement/prospectus is part of that registration statement and constitutes a prospectus of New Graphic in addition to being a proxy statement for Graphic for the special meeting. As allowed by SEC rules, this proxy statement/prospectus does not contain all of the information you can find in the registration statement or the exhibits to the registration statement.

You should rely only on the information contained in this proxy statement/prospectus to vote on the proposals submitted by the Graphic Board. Graphic has not authorized anyone to provide you with information that is different from what is contained in this proxy statement/prospectus. This proxy statement/prospectus is dated [l], 2007. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than such date, and neither the mailing of this proxy statement/prospectus to Graphic stockholders nor the issuance of New Graphic common stock in the transactions shall create any implication to the contrary.

Graphic provided all of the information contained in this proxy statement/prospectus with respect to Graphic and New Graphic, and BCH provided all of the information contained in this proxy statement/prospectus with respect to BCH and Altivity.

The SEC allows New Graphic to incorporate by reference business and financial information that is not included in or delivered with this proxy statement/prospectus, which means that Graphic can disclose

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important information to you by referring to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this proxy statement/prospectus, except for any information superseded by information in this proxy statement/prospectus. New Graphic incorporates by reference the documents listed below and all documents Graphic subsequently files with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than information furnished to the SEC pursuant to Item 2.02 or Item 7.01 of Form 8-K).

This proxy statement/prospectus incorporates by reference the documents set forth below:

Graphic s Annual Report on Form 10-K for the fiscal year ended December 31, 2006 filed on March 2, 2007;

Graphic s Proxy Statement for its 2007 Annual Meeting of Stockholders dated April 17, 2007;

Graphic s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2007 filed on May 3, 2007 and June 30, 2007 filed on August 7, 2007; and

Graphic s Current Reports on Form 8-K filed with the SEC on January 3, 2007; March 29, 2007; May 21, 2007; July 11, 2007; August 23, 2007; and October 17, 2007 (disclosing the sale of Graphic s operations in Sweden).

New Graphic is also incorporating by reference additional documents that may be filed with the SEC between the date of the filing of this proxy statement/prospectus and the date of the special meeting.

You can obtain any of the Graphic documents listed above from Graphic or the SEC. Documents listed above are available from Graphic without charge, excluding all exhibits unless the exhibits have specifically been incorporated by reference in this proxy statement/prospectus. Holders of this proxy statement/prospectus may obtain documents listed above by requesting them upon written or oral request from us at the following address:

Graphic Packaging Corporation
814 Livingston Court
Marietta, Georgia 30067
(770) 644-3000
Attention: Investor Relations Department

If you would like to request documents from Graphic, please do so by [l], 2007 so that you may receive them before the special meeting.

Some banks, brokers or other nominee record holders of Graphic common stock may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of Graphic s proxy statement or annual report may have been sent to multiple stockholders in the same household. Graphic will promptly deliver a separate copy of either document to any stockholder upon request submitted in writing to Graphic at the following address: Graphic Packaging Corporation, 814 Livingston Court, Marietta, Georgia 30067, Attention: Corporate Secretary or by calling (770) 644-3000. Any stockholder who wants to receive separate copies of the annual report and proxy statement in the future, or who is currently receiving multiple copies and would like to receive only one copy for his or her household, should contact his or her broker, bank or other nominee or contact Graphic at the above address or telephone number.

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Report of Independent Auditors

The Board of Directors
Bluegrass Container Holdings, LLC

We have audited the accompanying balance sheets of Bluegrass Container Holdings, LLC (the Company) as of December 31, 2006 and 2005, and the related statements of operations, statements of changes in equity, and cash flows for the period from July 1, 2006 to December 31, 2006 (Successor), the period from January 1, 2006 to June 30, 2006, and for each of the two years in the period ended December 31, 2005 (Predecessor). 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 auditing standards generally accepted in the 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. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the period from July 1, 2006 to December 31, 2006 (Successor), the period from January 1, 2006 to June 30, 2006, and for each of the two years in the period ended December 31, 2005 (Predecessor), in conformity with accounting principles generally accepted in the United States.

As discussed in Note 3 to the financial statements, on December 31, 2006, the Company changed its method of accounting for defined benefit pension and other postretirement benefit plans to conform with Statement of Financial Accounting Standards (SFAS) No. 158, *Employers Accounting for Defined-Benefit Pension and Other Postretirement Plans An Amendment of FASB Statements No. 87, 88, 106, and 132 (R)*. As discussed in Note 3 to the financial statements, the Company also changed its method of accounting for maintenance costs to conform with Financial Accounting Standards Board Staff Position AUG AIR-1, *Accounting for Planned Major Maintenance Activities.*

/s/ Ernst & Young LLP

Chicago, Illinois
April 3, 2007

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BLUEGRASS CONTAINER HOLDINGS, LLC

BALANCE SHEETS

	December 31, Successor 2006	December 31, Predecessor 2005
	In millions	
ASSETS		
Current Assets:		
Cash and Equivalents	$ 99.2	$
Receivables, Net	185.8	18.8
Inventories	231.3	152.8
Other Current Assets	10.7	3.4
Total Current Assets	527.0	175.0
Property, Plant and Equipment, Net	621.6	358.7
Goodwill	358.9	279.0
Intangible Assets, Net	134.3	1.9
Deferred Debt Issue Costs	22.5	
Other Assets	6.9	7.2
Total Assets	$ 1,671.2	$ 821.8
LIABILITIES		
Current Liabilities:		
Short-Term Debt	$ 10.5	$ 0.8
Accounts Payable	145.2	79.3
Accrued Liabilities	70.1	55.1
Restructuring	6.9	
Deferred Income Taxes		11.7
Total Current Liabilities	232.7	146.9
Long-Term Debt	1,152.8	16.1
Deferred Tax Liabilities	0.2	80.9
Accrued Pension and Postretirement Benefits	35.8	
Other Noncurrent Liabilities	5.2	1.3
Total Liabilities	1,426.7	245.2
EQUITY		
Smurfit-Stone Container Enterprises, Inc. Investment		576.6
Contributed Capital	305.0	
Accumulated Deficit	(53.5)	
Accumulated Other Comprehensive Loss	(7.0)	

Total Equity	244.5	576.6
Total Liabilities and Equity	$ 1,671.2	$ 821.8

The accompanying notes are an integral part of the financial statements

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BLUEGRASS CONTAINER HOLDINGS, LLC

STATEMENTS OF OPERATIONS

	Successor July 1, 2006 to December 31, 2006	Predecessor Company January 1, 2006 to June 30, 2006	Year Ended December 31, Predecessor 2005	Year Ended December 31, Predecessor 2004
		In millions		
Net Sales	$ 964.2	$ 789.4	$ 1,584.4	$ 1,541.2
Cost of Sales	881.3	699.0	1,381.1	1,338.2
Selling, General and Administrative	89.7	75.4	141.0	137.9
Litigation Charge			4.0	
Restructuring			5.0	1.9
(Gain) Loss on Sale of Assets		(0.1)	(0.1)	0.1
Income (Loss) from Operations	(6.8)	15.1	53.4	63.1
Interest Income	2.7			
Interest Expense	(48.5)	(0.6)	(1.2)	(0.9)
Other (Expense) Income, Net	(0.4)		0.1	0.2
Income (Loss) before Income Taxes	(53.0)	14.5	52.3	62.4
Income Tax Expense	(0.5)	(5.8)	(20.9)	(24.8)
Net (Loss) Income	$ (53.5)	$ 8.7	$ 31.4	$ 37.6

The accompanying notes are an integral part of the financial statements

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BLUEGRASS CONTAINER HOLDINGS, LLC

STATEMENTS OF CASH FLOWS

	Successor July 1, 2006 to December 31, 2006	Predecessor Company January 1, 2006 to June 30, 2006	Year Ended December 31, Predecessor 2005	Predecessor 2004
	In millions			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net (Loss) Income	$ (53.5)	$ 8.7	$ 31.4	$ 37.6
Noncash Items Included in Net (Loss) Income:				
Depreciation and Amortization	42.5	20.4	40.4	39.5
Deferred Income Taxes	(0.2)	(10.7)	(11.1)	5.1
Amortization of Deferred Debt Issuance Costs	1.8			
Asset Retirements Gain		(0.1)	(0.1)	
Non-cash Restructuring Charges			2.5	(1.1)
Changes in Operating Assets & Liabilities:				
Accounts Receivable, Net	(143.5)	3.6	3.1	(7.3)
Inventories	59.5	(8.4)	14.1	(6.8)
Prepaid Expenses and Other Current Assets	0.8	(2.2)	(0.4)	(1.9)
Accounts Payable and Accrued Liabilities	50.7	(12.9)	1.6	7.8
Other, Net	0.8	0.1	1.1	(4.7)
Net Cash (Used in) Provided by Operating Activities	(41.1)	(1.5)	82.6	68.2
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital Spending	(21.4)	(39.0)	(37.9)	(31.5)
Acquisitions, Net of Cash Received	(1,281.4)		(1.5)	
Proceeds from Disposal of Property/Other	0.3	0.3	0.5	6.0
Net Cash Used in Investing Activities	(1,302.5)	(38.7)	(38.9)	(25.5)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net (Repayments) Borrowings of Long-term Debt	(2.8)	0.1	(2.1)	(0.7)
Proceeds from Debt	1,165.0		1.0	4.7
Cash Contribution from Parent	305.0			
Deferred Debt Issuance Costs	(24.4)			(0.2)
Net Advances from (to) SSCE		40.1	(42.6)	(46.5)
Net Cash Provided by (Used in) Financing Activities	1,442.8	40.2	(43.7)	(42.7)

EFFECT OF EXCHANGE RATE CHANGES ON CASH							
Net Increase in Cash and Equivalents		99.2					
Cash and Equivalents at Beginning of Period							
CASH AND EQUIVALENTS AT END OF PERIOD	$	99.2	$		$		$

The accompanying notes are an integral part of the financial statements

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BLUEGRASS CONTAINER HOLDINGS, LLC

STATEMENTS OF CHANGES IN EQUITY

	SSCE Investment	Contributed Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
			In millions		
Predecessor Balances at December 31, 2003	$ 596.7	$	$	$	$ 596.7
Net Income	37.6				37.6
Net Advances to SSCE	(46.5)				(46.5)
Balances at December 31, 2004	587.8				587.8
Net Income	31.4				31.4
Net Advances to SSCE	(42.6)				(42.6)
Balances at December 31, 2005	576.6				576.6
Net Income	8.7				8.7
Net Advances from SSCE	29.8				29.8
Balances at June 30, 2006	$ 615.1	$	$	$	$ 615.1
Successor					
Balances at July 1, 2006					
Capital Contribution	$	$ 305.0	$	$	$ 305.0
Net Loss			(53.5)		(53.5)
Net Loss on Derivative Instruments				(2.1)	(2.1)
Comprehensive Loss					(55.6)
Adjustment to Initially Apply FASB Statement 158				(4.9)	(4.9)
Balances at December 31, 2006	**$**	**$ 305.0**	**$ (53.5)**	**$ (7.0)**	**$ 244.5**

The accompanying notes are an integral part of the financial statements

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BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements

1. Organization and Description of Business

Organization: Altivity Packaging, LLC (formerly known as Bluegrass Container Company, LLC) (Altivity, or Successor), a Delaware limited liability company and a wholly-owned subsidiary of Bluegrass Container Holdings, LLC (BCH), purchased substantially all of the assets of the Consumer Packaging Division (CPD or the Predecessor) of Smurfit-Stone Container Enterprises, Inc. (SSCE), a wholly-owned subsidiary of Smurfit-Stone Container Corporation (SSCC) (the CPD acquisition). BCH is majority-owned by investment vehicles affiliated with TPG Capital, L.P. (TPG). Altivity completed the CPD acquisition on June 30, 2006. In October 2006, the acquisition price was reduced $5.0 million as a result of the finalization of the working capital adjustments. The net assets acquired totaled $946.2 million which, net of the working capital adjustment of $5.0 million and other transaction costs of $40.2 million, resulted in a net payment to SSCE of $911.0 million.

On August 16, 2006, Altivity completed the acquisition of substantially all of the operational assets of Field Holdings, Inc., a Delaware corporation, Field Container Company, L.P., a Delaware limited partnership, and Field Container Management Corporation, a Delaware corporation (the Field Companies). In September 2006, the acquisition price was increased as a result of the finalization of the working capital adjustments. The net assets acquired totaled $335.3 million (net of $5.0 million in retained liabilities), which included a net working capital adjustment of $2.1 million, other transaction costs of $13.2 million, and the repayment of the Field Companies indebtedness of $92.9 million.

BCH conducts no significant business and has no independent assets or operations other than its ownership of Altivity.

The purchase price for both the CPD acquisition and the Field acquisition exceeded the fair value of the underlying assets acquired and liabilities assumed due to the expectation by BCH of enhancing the profits of the combined entities through the realization of synergistic efficiencies, optimization of the combined assets, enhanced productivity and numerous cost reduction efforts.

Description of Business: Altivity is a major manufacturer of consumer packaging products and one of the largest privately held packaging companies in the United States. Altivity is a leading producer of paperboard and manufactures folding cartons; multi-wall and consumer bag packaging; plastic packaging; label solutions; inks/coatings; contract packaging; and laminations for a variety of consumer and industrial companies.

2. Basis of Presentation

All intercompany balances and transactions have been eliminated in consolidation.

Predecessor: Prior to the CPD acquisition, the Predecessor was an operating unit of SSCE and not a separate legal entity. As such, the accompanying financial statements of the Predecessor consist solely of the combined accounts of the Consumer Packaging Division of SSCE. The accompanying statements reflect SSCE s net investment in the Predecessor and include intercompany loans due from SSCE. Significant intercompany accounts and transactions between operations within CPD have been eliminated. The financial statements include allocation of common costs and general management services from SSCE as discussed in Note 15.

Successor: The accompanying consolidated financial statements of the Successor as of December 31, 2006 and for the six months then ended include the accounts of the Predecessor and, subsequent to the Field acquisition, the Field Companies.

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BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

BCH has allocated the purchase price of the CPD acquisition on the basis of the fair value of the underlying assets acquired and liabilities assumed as follows:

	As of June 30, 2006 In millions
Current assets:	
Cash	$
Trade accounts receivable	7.2
Inventories	233.7
Prepaid expenses and other current assets	6.9
Total current assets	247.8
Property, plant and equipment	518.7
Goodwill	245.0
Intangibles	74.4
Other non-current assets	7.5
Total assets acquired	1,093.4
Current liabilities:	
Accounts payable	82.0
Accrued liabilities	18.5
Other current liabilities	22.8
Other non-current liabilities	23.9
Total liabilities assumed	147.2
Net assets acquired	$ 946.2

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BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

BCH has allocated the purchase price of the Field acquisition on the basis of the fair value of the underlying assets acquired and liabilities assumed as follows:

	As of August 16, 2006 In millions
Current assets:	
Cash	$ 0.1
Trade accounts receivable	35.0
Inventories	57.1
Prepaid expenses and other current assets	4.6
Total current assets	96.8
Property, plant and equipment	119.5
Goodwill	113.9
Intangibles	64.7
Other non-current assets	0.3
Total assets acquired	395.2
Current liabilities:	
Accounts payable	37.3
Accrued liabilities	4.2
Other current liabilities	7.7
Deferred income taxes	0.3
Other non-current liabilities	10.4
Total liabilities assumed	59.9
Net assets acquired	$ 335.3

Management represents that book values approximate fair value for cash and cash equivalents, trade accounts receivable, prepaid expenses and other current assets, accounts payable, accrued liabilities and other current liabilities, given the short-term nature of these assets and liabilities. Other non-current assets, long-term debt and other non-current liabilities outstanding as of the effective date of the acquisitions have been allocated based on management s judgments and estimates.

Deferred income taxes have been provided in the consolidated balance sheet based on the tax versus book basis of the assets acquired and liabilities assumed, as adjusted to estimated fair values. Valuation allowances were established for deferred tax assets related to all of the net operating loss carry-forwards for which utilization is uncertain.

BCH s projected pension and other postretirement benefit obligations and assets have been reflected in the allocation of purchase price at the projected benefit obligation less plan assets at fair value.

BCH expects to recognize additional restructuring reserves in 2007 which will be charged to goodwill.

BCH determined and reflected in the allocation of the purchase price the fair values of inventories, property, plant and equipment and intangible assets acquired, including patents, trademarks, customer relationships, leases and supply contracts.

The allocation of the purchase price is based on preliminary estimates and assumptions and is subject to revision when valuation and integration plans are finalized. Accordingly, revisions of the allocation of purchase

BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

price, which may be significant, will be reported in a future period as an increase or decrease to the amounts previously reported.

3. Summary of Significant Accounting Policies

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition: Revenue from sales is recognized at the time: (1) ownership and all risks of loss have been transferred to the buyer, which is generally upon shipment, (2) the price is fixed and determinable and (3) collectability is reasonably assured.

Shipping and Handling: Shipping and handling costs, including delivery cost to the customer, is included in cost of sales. Freight billed to customers is included in net revenues.

Major Maintenance Activities: Altivity employs the direct expense method for all maintenance activities.

Cash Equivalents: BCH considers cash and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of these instruments.

Accounts Receivable: Credit is extended to customers based on an evaluation of their financial condition. BCH evaluates the collectability of accounts receivable on a case-by-case basis and makes adjustments to the bad debt reserve for expected losses, considering such things as ability to pay, bankruptcy, credit ratings and payment history. BCH also estimates reserves for bad debts based on historical experience and past due status of the accounts. Receivables are stated net of an allowance for doubtful accounts. Aging for delinquency purposes is based on the due date terms extended to the customer. Accounts receivable are charged to the allowance when BCH determines that the receivable will not be collected after all collection efforts have been exhausted.

Inventories: The Successor s inventories are valued at the lower of cost or market. Inventories of the Predecessor were valued at the lower of cost or market under the last in, first out (LIFO) method, except for $29.2 million, which was valued at the lower of average cost or market at December 31, 2005.

The Predecessor s LIFO and profit-in-inventory reserves have been allocated to its reporting units, which are its business segments, based on the reporting unit s proportionate share of the total SSCE inventory value. The profit-in-inventory reserve represents the elimination of intercompany profit on sales between the coated recycled box board mills and the folding carton converting facilities. Historically, SSCE s inventory reserves have not been allocated as described to the various reporting units. The impact of the allocation on the Predecessor s statements of operations was an expense of $5.3 million, $5.1 million and $1.7 million for the six months ended June 30, 2006 and the years ended December 31, 2005 and 2004, respectively.

Net Property, Plant and Equipment: Property, plant and equipment are carried at cost. The costs of additions, improvements and major replacements are capitalized, while maintenance and repairs are charged to expense as incurred. Provisions for depreciation and amortization, which are combined in the consolidated

BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

statement of operations, are made using straight-line rates over the estimated useful lives of the related assets which range in years as follows:

Buildings and improvements	10 to 40
Machinery and equipment	7 to 20
Transportation equipment	5 to 7
Furniture and fixtures	5 to 7

Leasehold improvements are capitalized and amortized over their estimated useful lives or the terms of the applicable leases, if shorter.

Goodwill: Goodwill represents the excess of purchase price and related costs over the value assigned to the tangible and identifiable intangible assets of businesses acquired. Goodwill is not amortized, but is tested for impairment annually, or more frequently if circumstances indicated a possible impairment may exist. No circumstances have occurred to indicate the possibility of impairment and management believes that goodwill is not impaired.

BCH evaluates the recoverability of goodwill by comparing the fair value for the reporting unit to its book value including goodwill. In the case that the fair value is less than the book value, the implied fair value for the goodwill is determined based on the difference between the fair value of the reporting entity and the net fair value of the identifiable assets and liabilities. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment loss.

Other Intangible Assets: Other intangible assets represent the fair value of other intangible assets acquired in purchase business combinations. Other intangible assets are amortized over their expected useful life.

Deferred Debt Issuance Costs: Deferred debt issuance costs were incurred to obtain long-term financing and are amortized using the effective interest method over the term of the related debt. The amortization of deferred debt issuance costs is classified in interest expense in the statement of operations.

Income Taxes: BCH accounts for income taxes in accordance with the liability method of accounting for income taxes. Under the liability method, deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. The Predecessor s operating results were included in SSCE s taxable income in its consolidated federal and state income tax returns. The Predecessor s income tax provisions are computed on a separate return basis and any liability was settled through intercompany accounts included in SSCE s net investment.

Foreign Currency Translation: BCH s Mexican operations functional currency is the local currency. Assets and liabilities of this operation are translated at the exchange rate in effect at the balance sheet date, and income and expenses are translated at average exchange rates prevailing during the period. Translation gains or losses are included within equity as part of accumulated other comprehensive income (loss) (OCI).

BCH s Canadian operations functional currency is the U.S. dollar. Assets and liabilities of this operation are translated at the exchange rate in effect at the balance sheet date, and income and expenses are translated at average exchange rates prevailing during the period. Transaction gains or losses are included within the statements of operations.

Derivatives and Hedging Activities: All derivative financial instruments are recorded at fair value as either assets or liabilities. For derivative instruments that are designated and qualify as a cash flow hedge of a variable rate instrument, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument

BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

in excess of the cumulative change in the present value of the future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. For derivative instruments not designated at inception as a hedging instrument, the gain or loss is recognized in current earnings during the period of change.

Environmental Matters: BCH expenses environmental expenditures related to existing conditions resulting from past or current operations from which no current or future benefit is discernible. Expenditures that extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. BCH records a liability at the time when it is probable and can be reasonably estimated.

Restructuring: Costs associated with plans to exit an activity of an acquired company are recognized as liabilities assumed in the acquisition and included in the allocation of acquisition cost. Costs associated with exit or disposal activities not in connection with a plan to exit an activity of an acquired company are generally recognized when they are incurred rather than at the date of a commitment to an exit or disposal plan.

Recently Issued Accounting Pronouncements: In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS No. 158). SFAS No. 158 requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. BCH adopted the provisions of SFAS No. 158 at December 31, 2006, which necessitated an increase to accrued pension liabilities and a charge to accumulated comprehensive income of $4.9 million.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principle and expands disclosure about fair value measurements. The statement is effective for fiscal years beginning after November 15, 2007. BCH will adopt this statement on January 1, 2008 and has not yet evaluated the impact that its adoption may have on BCH s financial statements.

The FASB issued, in March 2007, SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, which allows companies the option to recognize most financial assets and liabilities and certain other items at fair value. The statement is effective for fiscal years beginning after November 15, 2007. The impact that its adoption may have on BCH s financial statements has not yet been evaluated.

Effective January 1, 2007, BCH adopted the provisions of FIN 48, which clarifies the accounting for uncertainty in income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. The impact of the reassessment of tax positions in accordance with FIN 48 did not have a material impact on our results of operations, financial condition or liquidity.

In September 2006, the FASB issued FASB Staff Position AUG AIR-1 *Accounting for Planned Major Maintenance Activities* (FSP AUG AIR-1), which is effective for fiscal years beginning after December 15, 2006. This position statement eliminates the accrue-in-advance method of accounting for planned major maintenance activities. The Company adopted FSP AUG AIR-1 on January 1, 2007 and changed to direct expensing method allowed by FSP AUG AIR-1, and has retrospectively adjusted its year-end 2006 financial statements to be in compliance. The effects of adoption on the 2006 periods were not significant.

BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

4. Strategic Initiatives and Restructuring Activities

BCH has recorded various restructuring charges related to the rationalization of its boxboard mills and converting operations, including the termination of employees and liabilities for lease commitments at the closed facilities.

In conjunction with the CPD acquisition and the Field acquisition, BCH formulated plans to exit or restructure certain activities. Restructuring reserves, initially totaling $8.5 million, were established for employee severance and benefit payments and the cost of three plant closures, two of which were announced and completed in 2006. BCH expects to announce three to five additional plant closures in the first six months of 2007, the cost of which will be charged to goodwill. The severance payments and the activities associated with the plant closures are expected to be substantially completed by December 31, 2007. The table below summarizes the transactions within the restructuring reserve during the period January 1, 2003 through December 31, 2006.

During 2005, Predecessor recorded restructuring charges of $5.0 million, including non-cash charges of $2.5 million related to the write-down of assets, primarily property, plant and equipment, as a result of the decline in estimated net realizable values. The remaining charges were primarily for severance, benefits and lease commitments. The restructuring charges incurred during 2005 related to facilities closed in the prior year.

During 2004, Predecessor recorded restructuring charges of $1.9 million related to the closure of a carton facility and additional costs incurred for prior year closures. These charges are net of a $1.1 million gain from the sale of a multi-wall bag facility closed in the prior year. This shutdown resulted in approximately 75 employees being terminated. The net sales and operating loss of this shutdown operation in 2004 prior to closure were $21.6 million and $2.4 million, respectively. The net sales and operating profits of this facility in 2003 were $39.5 million and $2.6 million, respectively. A significant portion of the business at the closed facility was transferred to other BCH facilities.

During 2003, Predecessor permanently closed one of two paper machines at its Philadelphia, Pennsylvania, coated recycled boxboard mill and closed two carton operations and one multi-wall bag operation. As a result BCH recorded restructuring charges of $10.8 million, including non-cash charges of $6.9 million related to the write-down of assets, primarily property, plant and equipment, to estimated net realizable values. The remaining charges were primarily for severance, benefits and lease commitments. These shutdowns resulted in approximately 400 people being terminated. The sales and operating losses of these shutdown operations in 2003 prior to closure were $65.2 million and $8.8 million, respectively.

	Property, Plant and Equipment	Severance and Benefits	Lease Commitments	Facility Closure Costs	Other	Total
			In millions			
Predecessor						
Balance at December 31, 2003	$	$ 1.4	$	$	$ 0.2	$ 1.6
Provision	(1.1)	2.1	0.1	0.3	0.5	1.9

Payments		(2.8)	(0.1)	(0.3)	(0.7)	(3.9)
Non-Cash Reduction	(4.9)					(4.9)
Sale of Assets	6.0					6.0
Balance at December 31, 2004		0.7				0.7
Provision	2.5	1.4	0.1	0.7	0.3	5.0
Payments		(1.3)	(0.1)	(0.6)	(0.3)	(2.3)
Non-Cash Reduction	(2.5)					(2.5)

BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

	Property, Plant and Equipment	Severance and Benefits	Lease Commitments	Facility Closure Costs	Other	Total
			In millions			
Balance at December 31, 2005		0.8		0.1		0.9
Payments		(0.8)		(0.1)		(0.9)
Balance at June 30, 2006	$	$	$	$	$	$
Successor						
Balance at July 1, 2006	$	$	$	$	$	$
Provision		6.8		1.7		8.5
Payments		(1.2)		(0.1)		(1.3)
Non-Cash Reduction				(0.3)		(0.3)
Balance at December 31, 2006	$	$ 5.6	$	$ 1.3	$	$ 6.9

5. Inventories

Inventories consist of the following:

	December 31, Successor 2006	December 31, Predecessor 2005
	In millions	
Raw Materials and Supplies	$ 68.7	$ 56.0
Work in Progress	27.6	18.8
Finished Products	135.0	78.0
Total Inventories	$ 231.3	$ 152.8

Inventories at December 31, 2005 were valued under the last-in, first-out method, except for $29.2 million, which was valued at the lower of average cost or market. First-in, first-out costs (which approximate replacement costs) exceeded the last-in, first out value by $36.6 million at December 31, 2005. Inventories of the Successor at December 31, 2006 were valued at the lower of cost or market under the first-in, first-out method.

6. Property, Plant and Equipment

Net property, plant and equipment at December 31 consist of:

	Successor 2006	Predecessor 2005
	In millions	
Land and Land Improvements	$ 83.3	$ 18.0
Buildings and Leasehold Improvements	142.6	103.4
Machinery, Fixtures and Equipment	381.5	646.1
Construction in Progress	53.7	33.0
	661.1	800.5
Less Accumulated Depreciation	(39.5)	(441.8)
Net Property, Plant and Equipment	$ 621.6	$ 358.7

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BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

The Successor s property, plant and equipment includes capitalized leases of $3.6 million and related accumulated amortization of $0.4 million at December 31, 2006. The Predecessor s property, plant and equipment includes capitalized leases of $4.8 million and related accumulated amortization of $2.9 million at December 31, 2005.

7. Goodwill

Goodwill of the Successor represents the excess of cost over the fair value of net assets acquired in connection with both the CPD acquisition and the Field acquisition. At June 30, 2006, goodwill of $245.0 million was acquired in connection with the CPD acquisition. Goodwill acquired in connection with the Field acquisition totaled $113.9 million, resulting in a consolidated goodwill balance of $358.9 million at December 31, 2006.

Goodwill of the Predecessor represented the excess of cost over the fair value of net assets acquired in connection with various acquisitions made by SSCE. The Predecessor goodwill balance of $279.0 million at December 31, 2005 was eliminated at June 30, 2006 in conjunction with the accounting for the CPD acquisition.

8. Other Intangible Assets

Intangible assets are amortized over their estimated useful lives, ranging from three to fourteen years. The customer relationship intangible of the Predecessor was $2.8 million at December 31, 2005 which, net of accumulated amortization of $0.9 million, totaled $1.9 million.

As a result of the CPD acquisition and the Field acquisition, other intangible assets were restated at their fair value, as of the respective acquisition dates. The Successor s other intangible assets include the following at December 31, 2006:

		Successor December 31, 2006		
	Weighted Average Life	Gross Intangibles	Accumulated Amortization In millions	Net Intangibles
Customer Relationships	15	$ 126.2	$ (4.0)	$ 122.2
Patents	5	3.6	(0.3)	3.3
Trademarks	5	3.7	(0.4)	3.3
Other	7	5.6	(0.1)	5.5
Balance at December 31, 2006		$ 139.1	$ (4.8)	$ 134.3

The Successor s amortization expense totaled $4.8 million for the period July 1, 2006 through December 31, 2006. The Predecessor s gross carrying value of definite life intangible assets, primarily customer relationships is $2.8 million with accumulated amortization of $0.9 million at December 31, 2005. The weighted-average amortization period is eight years. The Predecessor s amortization expense totaled $0.2 million, $0.4 million and $0.4 million for the period

January 1, 2006 through June 30, 2006 and the years ended December 31, 2005 and 2004, respectively. The estimated amortization expense for the years ending December 31, 2007 through December 31, 2011 is $10.5 million, $10.5 million, $11.5 million, $12.5 million and $10.5 million, respectively.

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BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

9. Long-Term Debt

Long-term debt consists of the following:

	December 31, Successor 2006	December 31, Predecessor 2005
	In millions	
First-Lien Term Loan	$ 822.9	$
Second-Lien Term Loan	330.0	
Revolving Credit Facility	10.0	
Industrial Revenue Bond		10.0
Other Debt		4.9
Obligations Under Capitalized Leases	0.4	2.0
Total Debt	1,163.3	16.9
Less: Current Portion of Long-Term Debt	(10.5)	(0.8)
Total Long-Term Debt	$ 1,152.8	$ 16.1

The amount of total debt outstanding at December 31, 2006 maturing over the next five years is as follows:

	In millions
2007	$ 10.5
2008	8.4
2009	8.3
2010	8.3
2011	6.2
Thereafter	1,121.6
	$ 1,163.3

Bank Credit Facilities

In connection with the CPD acquisition, Altivity and its subsidiaries, Bluegrass Mills Holdings Company, LLC and Altivity Packaging Canada Corp. entered into First-Lien and Second-Lien Credit Agreements on June 30, 2006 (collectively, the Credit Agreements). The First-Lien Credit Agreement provides for First-Lien Term Loans and revolving credit facilities. The Second-Lien Credit Agreement provides for Second-Lien Term Loans. The First-Lien

Term Loans are payable in quarterly installments of $2.1 million beginning September 30, 2006 and mature June 28, 2013. The Second-Lien Term Loans mature December 31, 2013.

The U.S. revolving credit facility allows for maximum borrowings of $150.0 million and includes sub-limits on the issuance of letters of credit and swing line loans. A commitment fee of 0.5% is payable on the unused portion of the facilities. At December 31, 2006, the unused portion, after giving consideration to outstanding letters of credit, was $139.0 million. The Canadian revolving credit facility allows for maximum borrowings of $10.0 million, which was the outstanding balance as of December 31, 2006. The revolving credit facilities mature June 28, 2013.

Initial borrowings of First-Lien and Second-Lien Term Loans and the revolving credit facilities made in connection with the CPD acquisition were $635.0 million, $250.0 million and $10.0 million, respectively. Borrowings of First-Lien and Second-Lien Term Loans made in connection with the Field acquisition were $190.0 million and $80.0 million, respectively.

BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

Borrowings bear interest at rates based on the prime rate or LIBOR plus or minus a floating margin based on BCH s financial performance. The weighted average variable rates of the borrowings under the First-Lien Term Loans, Second-Lien Term Loans and the revolving credit facility as of December 31, 2006 were 7.4%, 10.3% and 7.6%, respectively.

The obligations of Altivity under the Credit Agreements are unconditionally guaranteed by Altivity, its U.S. subsidiaries and BCH. The obligations are secured by substantially all assets of Altivity and its U.S. subsidiaries, a pledge of the capital stock of Altivity and its U.S. subsidiaries and a pledge of 65% of the capital stock of Altivity Packaging Canada Corp. that is directly owned by Altivity.

The Credit Agreements contain various covenants and restrictions including the maintenance of certain financial covenants and limitations on: (i) the incurrence of indebtedness, liens, leases and sale-leaseback transactions; (ii) fundamental changes in corporate structure; (iii) dividends, redemptions and repurchases of capital stock; (iv) the sale of assets; (v) investments; (vi) debt repayments and (vii) capital expenditures. The Credit Agreements also require prepayments if Altivity exceeds certain cash flow targets, receives proceeds from certain asset sales, receives certain insurance proceeds or incurs certain indebtedness. At December 31, 2006, Altivity was in compliance with the financial covenants required by the Credit Agreements.

Altivity has entered into interest rate swap contracts effectively fixing the interest rate at 5.1% for $570.0 million of the First-Lien Term Loans (see Note 10).

Capitalized interest costs totaled $0.5 million, $0.6 million, $0.7 million and $0.7 million for the six months ended December 31, 2006, the six months ended June 30, 2006 and the years ended December 31, 2005 and December 31, 2004, respectively.

Interest payments made by the Successor totaled $42.6 million during the six months ended December 31, 2006. Interest payments made by SSCE on behalf of the Predecessor totaled $0.5 million, $1.0 million and $1.0 million during the six months ended June 30, 2006 and the years ended December 31, 2006 and 2005, respectively.

10. Financial Instruments

BCH s derivative instruments and hedging activities are designated as cash flow hedges and are utilized to minimize exposure to fluctuations in the price of commodities used in its operations and the fluctuation in the interest rate on its variable rate debt.

Commodity Derivative Instruments: Altivity uses derivative instruments to manage fluctuations in cash flows resulting from commodity price risk in the procurement of natural gas. The objective is to fix the price of a portion of Altivity s purchases of natural gas used in the manufacturing process. These instruments have been designated cash-flow hedges under SFAS No. 133, and as such, as long as the hedge is effective and the underlying transaction is probable, the effective portion of the changes in fair value of these contracts is recorded in OCI until earnings are affected by the cash flows being hedged. The fair value of the commodity derivative agreements is the estimated amount that Altivity would pay or receive to terminate the agreements. As of December 31, 2006, the maximum length of time over which Altivity is hedging its exposure to the variability in future cash flows associated with natural gas transactions is through June 30, 2007.

The fair value of Altivity s commodity derivative instruments at December 31, 2006 was $1.2 million and is included in current accrued liabilities.

Interest Rate Derivative Instruments: Altivity is subject to interest rate risk on its long-term variable rate debt. To manage a portion of this exposure to interest rate fluctuations on outstanding debt, Altivity has entered into interest rate swap agreements. These instruments have been designated as cash-flow hedges under SFAS No. 133, and as such, as long as the hedge is effective and the underlying transaction is probable, the effective portion of the changes in fair value of these contracts is recorded in OCI until earnings are affected

BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

by the cash flows being hedged. The fair value of the interest rate derivative agreements is the estimated amount that Altivity would pay or receive to terminate the agreements.

During the third quarter of 2006, Altivity entered into an interest rate swap agreement at a fixed rate of 5.1% and maturing on December 31, 2009 in order to hedge interest risk on its long-term variable debt. The fair value of Altivity s interest rate derivative instrument at December 31, 2006 was $0.9 million and is included in other long-term liabilities.

11. Leases

Altivity leases certain facilities and equipment for production, selling and administrative purposes under operating leases expiring at various dates. Certain leases contain renewal options for varying periods, and others include options to purchase the leased property during or at the end of the lease term. Future minimum rental commitments (exclusive of real estate taxes and other expenses) under operating leases having initial or remaining non-cancelable terms in excess of one year, excluding lease commitments on closed facilities, are reflected below:

	In millions
2007	$ 28.7
2008	22.2
2009	18.5
2010	14.5
2011	10.6
Thereafter	25.3
Total Minimum Lease payments	$ 119.8

The Successor incurred net rental expense for operating leases, including leases having durations of less than one year, of $16.2 million for the period July 1, 2006 through December 31, 2006. The Predecessor incurred net rental expense for operating leases, including leases having durations of less than one year, of $16.0 million for the period from January 1, 2006 through June 30, 2006, $29.5 million and $29.7 million for the years ended December 31, 2005 and 2004, respectively.

BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

12. Income Taxes

Significant components of BCH s deferred tax assets and liabilities at December 31 are as follows:

	December 31, Successor 2006	Predecessor 2005
	In millions	
Deferred tax liabilities:		
Inventory	$ (0.2)	$ (18.8)
Property, plant and equipment		(80.1)
Employee benefits		(0.5)
Other	(0.1)	(0.5)
Total deferred tax liabilities	(0.3)	(99.9)
Deferred tax assets:		
Accrued liabilities		6.9
Net operating loss	0.8	
Restructuring		0.3
Other	0.4	0.1
Total deferred tax assets	1.2	7.3
Valuation allowance for deferred tax assets	(1.1)	
Net deferred tax assets	0.1	7.3
Net deferred tax liabilities	$ (0.2)	$ (92.6)

The Successor is taxed as a partnership for federal income tax purposes. Its two foreign wholly-owned subsidiaries are taxable corporations in the countries in which they operate. Federal income tax laws provide that partnership income is includable in the taxable income of its partners. Accordingly, no provision for U.S. federal income taxes of the Successor has been included in the financial statements for the period July 1, 2006 through December 31, 2006.

BCH has municipality-apportioned net operating loss carryforwards of $4.8 million which may be offset against future taxable income in certain municipalities in which BCH operates, which expire in 2011. Further, BCH has a net operating loss carryforward for Canadian tax purposes of approximately $2.2 million. A valuation allowance of $1.1 million has been established against the Canadian net operating loss carryforward and the other net Canadian deferred tax assets based upon management s determination that the criteria has not been met which would allow recognition of this tax benefit.

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BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

The components of BCH s income tax expense for the periods are as follows:

	Successor Company July 1, 2006 through December 31, 2006	January 1, 2006 through June 30, 2006	Predecessor Company Year Ended December 31, 2005	Year Ended December 31, 2004
		In millions		
Current:				
Federal	$	$ 14.3	$ 26.6	$ 16.5
State and local	0.1	2.2	5.3	3.3
Foreign	0.5			
Total current expense	0.6	16.5	31.9	19.8
Deferred:				
Federal		(9.4)	(9.2)	4.2
State and local	(0.1)	(1.3)	(1.8)	0.8
Foreign				
Total deferred benefit	(0.1)	(10.7)	(11.0)	5.0
Total income tax expense	$ 0.5	$ 5.8	$ 20.9	$ 24.8

The Successor made income tax payments of $0.4 million during the period July 1, 2006 through December 31, 2006. During the period January 1, 2006 through June 30, 2006 and the years ended December 31, 2005 and 2004, the Predecessor made income tax payments of $17.1 million, $32.1 million and $20.1 million, respectively, which are included in intercompany settlements in the SSCE investment.

The Successor is taxed as a partnership for federal income tax purposes and therefore its effective income tax rate is based on state, local and other taxes. The effective income tax rate of 40% for 2005 and 39.7% for 2004 for the Predecessor includes the U.S. federal statutory rate of 35% in addition to state, local and other taxes of 5.0% and 4.7%, respectively.

13. Employee Benefit Plans

Defined Benefit Plans

BCH sponsors noncontributory defined benefit pension plans covering substantially all U.S. employees. BCH also sponsors noncontributory and contributory defined benefit pension plans for its Canadian operations. Certain salaried and hourly employees also participate in health care and postretirement defined benefit plans.

Substantially all employees of the Predecessor participated in noncontributory defined benefit pension plans offered by SSCE. Salaried and certain hourly employees also participated in certain health care and postretirement benefits offered by SSCE. The expense allocated by SSCE to the Predecessor for these pension and postretirement medical plans was $12.3 million, $21.6 million and $22.3 million for the six months ended June 30, 2006 and the years ended December 31, 2005 and 2004, respectively. The net benefit obligation, plan assets and funded status for the Predecessor under these plans have not been separately determined by SSCE, and therefore, the accompanying December 31, 2005 balance sheet does not include an account balance related to these plans.

Salaried and hourly employees of the Predecessor also participated in voluntary savings plans offered by SSCE. BCH match for salaried employees of the Predecessor was paid in SSCC common stock, up to an annual maximum.

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BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

The Successor s pension plans weighted-average asset allocations at December 31, 2006 by asset category are as follows:

	U.S. Plans	Canadian Plans
Cash Equivalents	7%	13%
Debt Securities	20%	32%
Equity Securities	61%	55%
Alternative Asset Classes	12%	
Total	100%	100%

The primary objective of BCH s investment policy is to provide eligible employees with scheduled pension benefits. The basic strategy of this investment policy is to earn the highest risk adjusted rate of return on assets consistent with prudent investor standards identified in the Employee Retirement Income Security Act of 1974 for the U.S. plans and the Quebec Supplemental Pension Plans Act and other applicable legislation in Canada for the Canadian plans. In identifying the target asset allocation that would best meet the above policy, consideration is given to a number of factors including the various pension plans demographic characteristics, the long-term nature of the liabilities, the sensitivity of the liabilities to interest rates and inflation, the long-term return expectations and risks associated with key asset classes as well as their return correlation with each other, diversification among asset classes and other practical considerations for investing in certain asset classes. The target asset allocation for the pension plans during a complete market cycle is as follows:

Equity Securities	30 to 95%
Cash	0 to 60%
Debt Securities	0 to 28%
Alternative Asset Classes	0 to 35%

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BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

The following provides a reconciliation of the aggregate benefit obligations, plan assets and funded status of the Successor s defined benefit pension and post-retirement plans as of December 31, 2006:

	Defined Benefit Plans	Postretirement Plans
	In millions	
Change in benefit obligation:		
Benefit Obligation at July 1	$ 21.5	$ 12.1
Benefit Obligation from Field acquisition	17.0	
Service Cost	2.9	0.2
Interest Cost	1.1	0.4
Actuarial Loss	4.5	1.2
Plan Participants Contributions	0.1	
Benefits Paid	(0.7)	
Benefits Obligation at December 31	$ 46.4	$ 13.9
Change in plan assets:		
Fair Value of Plan Assets at July 1	$ 21.7	$
Actual Return on Plan Assets	1.6	
Employer Contributions	1.8	
Plan Participants Contributions	0.1	
Benefits Paid	(0.7)	
Foreign Currency Rate Changes		
Fair Value of Plan Assets at December 31	24.5	
Underfunded Status	$ (21.9)	$ (13.9)
Amounts recognized in the balance sheets:		
Accrued Benefit Liability	$ (21.9)	$ (13.9)
Accumulated Other Comprehensive Loss	3.7	1.2
Net Amount Recognized	$ (18.2)	$ (12.7)

The Successor s increase in the minimum pension liability, included in other comprehensive (income) loss, was $4.9 million for the period July 1, 2006 through December 31, 2006. The Successor s accumulated benefit obligation for all defined benefit pension plans was $41.8 million at December 31, 2006.

The components of net periodic benefit cost for the defined benefit and postretirement benefit plans for the period July 1, 2006 through December 31, 2006 are as follows:

	Defined Benefit Plans	Postretirement Plans
	In millions	
Service Cost	$ 2.9	$ 0.2
Interest Cost	1.1	0.4
Expected Return on Plan Assets	(0.7)	
Provision for Administrative Expense		
Net Periodic Benefit Cost	$ 3.3	$ 0.6

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BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

The weighted average assumptions used to determine the benefit obligations are as follows:

	Defined Benefit Plans	Postretirement Plans
U.S. Plans		
Discount Rate	5.75%	5.75%
Rate of Compensation Increase	4.00%	4.00%
Foreign Plans		
Discount Rate	5.00%	5.00%
Rate of Compensation Increase	2.50 3.95%	2.50 3.95%

The weighted average assumptions used to determine net periodic benefit cost are as follows:

	Defined Benefit Plans	Postretirement Plans
U.S. Plans		
Discount Rate	6.00 6.25%	6.25%
Expected Long-Term Return or Plan Assets	8.00 8.50%	8.00%
Rate of Compensation Increase	4.00%	4.00%
Foreign Plans		
Discount Rate	5.00%	5.00%
Expected Long-Term Return or Plan Assets	7.00%	7.00%
Rate of Compensation Increase	2.50 3.95%	2.50 3.95%

The Successor s health care cost trend rate assumption is 12% and 9.5% for its foreign and domestic plans, respectively, grading down by 1% annually to an ultimate rate of 5%.

The fundamental assumptions which support the expected rate of return on plan assets are the cumulative effect of several estimates, including the anticipated yield on debt securities, the long term return on equity securities and active investment management.

BCH expects to make contributions as necessary to meet minimum funding requirements to its various benefit plans in 2007 totaling $4.4 million.

Expected Future Benefit Plan Payments

Expected future benefit plan payments to participants, which reflect expected future service, are as follows:

Postretirement

	Defined Benefit Plans	Plans
	In millions	
2007	$ 1.7	$ 0.4
2008	2.0	0.6
2009	2.2	0.8
2010	2.4	0.9
2011	2.6	1.0
Thereafter	16.8	5.6

Savings Plans: BCH sponsors voluntary savings plans (primarily 401k plans) covering substantially all salaried and certain hourly employees. The Successor s expense for the savings plans totaled $2.0 million for the period of July 1, 2006 through December 31, 2006. The Predecessor s expense for the savings plans

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BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

totaled $2.7 million, $4.4 million and $4.3 million for the six months ended June 30, 2006 and the years ended December 31, 2005 and 2004, respectively.

Supplemental defined contribution plan: In connection with the CPD acquisition, BCH intends to establish a supplemental defined contribution plan for the salaried employees of CPD, to replace benefits previously provided by a similar plan provided by SSCE. Although the documents to establish the plan have not been finalized, BCH has accrued $3.0 million as of December 31, 2006 as the estimated cost of the plan benefits.

Multi-employer benefit plans: The Predecessor s contributions to multi-employer benefit plans totaled $0.9 million, $1.8 million and $1.7 million for the six months ended June 30, 2006 and the years ended December 31, 2005 and 2004, respectively. The Successor s contributions to such plans totaled $0.8 million for the six months ended December 31, 2006.

14. Accumulated Other Comprehensive (Loss)

The components of accumulated other comprehensive (loss) is as follows:

	December 31,		
	Successor 2006	Predecessor 2005	Predecessor 2004
		In millions	
Net Loss on Derivative Instruments	$ (2.1)	$	$
Pension and Postretirement	(4.9)		
Foreign Currency Translation Adjustments			
Accumulated Other Comprehensive Loss	$ (7.0)	$	$

15. Related Party Transactions

Coincident with the CPD acquisition, the Successor entered into a Transitional Services Agreement (TSA) with SSCE in which SSCE agreed to provide certain administrative services through March 31, 2007. Altivity may terminate any of the services at any time upon thirty days notice or elect to extend the agreement on a monthly basis for up to nine additional months. The TSA expense incurred during 2006 totaled $6.4 million.

BCH paid TPG one-time transaction fees in connection with the CPD and Field acquisitions of $12.0 million and $3.0 million, respectively. BCH has also contracted with TPG to provide management and consulting services for $3.0 million per year, payable quarterly. Fees for services provided in 2006 totaled $1.5 million.

The Successor purchases packaging material from a vendor which is owned by a family member of a member of Altivity s Board of Directors. Purchases in 2006 totaled $0.8 million. The balance due the vendor at December 31, 2006 was $0.3 million. The Successor also leases certain facilities from two entities owned by a member of Altivity s

Board of Directors. Lease expense in 2006 totaled $0.5 million.

BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

Predecessor transactions with SSCE and Affiliates: Transactions with SSCE and affiliates for the six months ended June 30, 2006 and the year ended December 31, 2005 and 2004 were as follows:

	Six Months Ended June 30, 2006	Year Ended December 31, 2005	2004
		In millions	
Product sales to SSCE	$ 2.5	$ 3.5	$ 4.7
Product purchases from SSCE	108.2	199.9	201.1
Common costs allocated to BCH for:			
Employee benefits			
Medical	20.7	41.9	41.2
Pension	10.8	17.9	17.2
401(k) matching distributions	2.2	3.6	3.5
Postretirement medical	1.5	3.7	5.1
Worker s compensation	2.0	4.0	3.8
Property insurance	0.8	2.1	1.9
Natural gas hedging realized losses (gains)	0.4	(3.9)	(0.5)
Stock compensation cost	2.4	2.6	1.5

Product sales to SSCE relate primarily to the sales of colored films and specialty laminations to SSCE corrugated facilities. Purchases from SSCE relate primarily to kraft paper, bleached linerboard, corrugated boxes and recycled fiber. The Predecessor purchased product from other divisions or segments within SSCE at agreed-upon transfer prices. Management believes the transfer prices approximate market value; however, the Predecessor did not routinely bid these purchases to external parties to obtain the lowest possible price due to the integrated nature of SSCE s operations.

SSCE allocated certain common costs for insurance and other employee benefit costs to the Predecessor based on direct salaries and headcount. These benefits primarily included participation in a noncontributory defined benefit pension plan and health care and life insurance benefit plans sponsored by SSCE. Since the employees of the Predecessor represented only a portion of the SSCE benefit plan participants, the net benefit obligation, plan assets and funded status of these plans are the obligation of SSCE and as such are not reflected in these financial statements.

SSCE also allocated the realized gains or losses from SSCE s natural gas hedging program. SSCE used derivative instruments, including fixed price swaps and options, to manage fluctuations in cash flows resulting from commodity price risk in the procurement of natural gas. The objective was to fix the price of a portion of the Predecessor s purchases of natural gas used in the manufacturing process. The changes in the market value of such derivative instruments had historically been highly effective at offsetting changes in price of the hedged item. Changes in the fair value of derivatives which qualify as hedges were deferred until the hedged item was recognized in earnings. The Predecessor was allocated $0.4 million in realized losses for the six months ended June 30, 2006 and $3.9 million and

$0.5 million in realized gains for the years ended December 31, 2005 and 2004, respectively, for derivative contracts related to hedged items recognized in earnings during the respective periods, based on the Predecessor s proportionate share of natural gas consumption.

Stock compensation expense related to stock options and restricted stock units granted to certain officers and key managers of the Predecessor under the various stock-based compensation plans sponsored by SSCC were allocated to the Predecessor directly based on those employees.

BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

SSCE provided general management services to the Predecessor through corporate departments, which included information systems, treasury, accounting, human resources, tax, risk management, certain legal services, internal audit and other indirect administrative functions. The cost of matching contributions for a voluntary savings plan offered by SSCE, which is paid in SSCC common stock, is included in these corporate costs. In addition, the SSCE Consumer Packaging Division provided certain additional management services related to the operations of the Predecessor. In consideration for these management services, the Predecessor was allocated a portion of SSCE s actual corporate and division costs using an established formula. The formula was based upon the Predecessor s utilization of the employees, property, plant and equipment and contribution to total sales.

In the opinion of management, the Predecessor has been allocated its proportionate share of SSCE s shared costs utilizing these methods. However, the common costs allocated to the Predecessor are not necessarily indicative of the costs that would have been incurred if the Predecessor were operated as a stand-alone business.

Centralized Finance Organization: SSCE utilized a centralized cash management system whereby the Predecessor s cash requirements are provided directly by SSCE. Similarly, cash generated by the Predecessor was remitted directly to SSCE. All charges and allocations of costs for functions and services provided by SSCE were deemed paid by the Predecessor, in cash, in the period in which the cost is recorded in these financial statements. Intercompany balances with SSCE, net of any settlements, are included in the SSCE investment.

The Predecessor participated in an accounts receivable discounting program sponsored by SSCE, which provided for the sale of certain trade receivables of the Predecessor. The qualifying trade receivables of the Predecessor were transferred to SSCE at face value and then sold without recourse to qualifying special purpose entities. As a result, the accompanying Predecessor balance sheet does not include these trade receivables.

SSCE does not have indebtedness directly attributable to the assets of the Predecessor, except for an industrial revenue bond of $10.0 million and other debt of $4.9 million discussed in Note 9. As such, the related indebtedness and interest expense have been allocated to the Predecessor. No other indebtedness or related interest expense has been allocated to the Predecessor. The Predecessor s assets were included in the general assets of SSCE and its subsidiaries and were pledged as collateral for the SSCE bank credit facility which included approximately $1,266.0 million in term loans outstanding and $245.0 million in outstanding revolving credit facilities at December 31, 2005.

16. Contingencies and Other Matters

Altivity is engaged in various litigation, environmental contingencies and other legal matters in the normal course of its business none of which, in the opinion of management, are expected to result in an outcome materially adverse to the financial condition of Altivity.

Approximately 59% of Altivity s hourly labor (47% of its total employees) have employment agreements obtained through collective bargaining.

17. Business Segment Information

Altivity has three reportable segments: (1) Folding Carton and Paperboard, (2) Multi-wall Bag and (3) Flexible Packaging/Label. Each segment is a strategic business unit, separately managed and manufacturing distinct products.

The Folding Carton and Paperboard segment is highly integrated and includes a system of mills and plants that produces a broad range of coated recycled boxboard convertible into folding cartons. Folding cartons are used primarily to protect products, such as food, detergents, paper products, beverages, and health and beauty aids, while providing point of purchase advertising. The Multi-wall Bag segment converts

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BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

kraft and specialty paper into multi-wall bags, consumer bags and specialty retail bags. The bags are designed to ship and protect a wide range of industrial and consumer products including fertilizers, chemicals, concrete and pet and food products. The Flexible Packaging/Label segment converts a wide variety of technologically advanced films for use in the food, pharmaceutical and industrial end-markets. Flexible packaging paper and metallicized paper labels and heat transfer labels are used in a wide range of consumer applications.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intersegment sales and transfers are recorded at agreed upon transfer prices. Management believes the transfer prices approximate market value.

	Folding Carton and Paperboard	Multi-wall Bag	Flexible Packaging/ Label	Corporate and Other	Total
			In millions		
Successor					
Six months ended December 31, 2006					
Revenues from External Customers	$ 607.0	$ 238.8	$ 107.0	$ 11.4	$ 964.2
Intersegment Revenues			9.9	4.4	14.3
Depreciation and Amortization	25.9	5.7	3.6	7.3	42.5
Interest Expense, net	4.1	3.1	1.3	37.3	45.8
Segment Profit	39.8	21.4	2.8	(117.0)	(53.0)
Expenditures for Long-Lived Assets	5.0	11.8	4.3	0.3	21.4
Predecessor					
Six months ended June 30, 2006					
Revenues from External Customers	$ 443.4	$ 233.4	$ 112.6	$	$ 789.4
Intersegment Revenues			10.8		10.8
Depreciation and Amortization	13.8	4.1	2.5		20.4
Interest Expense, net	0.5	0.1			0.6
Segment Profit	4.1	6.6	3.8		14.5
Expenditures for Long-Lived Assets	21.6	8.9	8.5		39.0
Predecessor					
Year ended December 31, 2005					
Revenues from External Customers	$ 903.1	$ 469.3	$ 212.0	$	$ 1,584.4
Intersegment Revenues			17.1		17.1
Depreciation and Amortization	27.9	8.7	3.8		40.4
Restructuring Expense	4.8	0.2			5.0

Interest Expense, net	0.9	0.3		1.2
Segment Profit	22.4	18.1	11.8	52.3
Expenditures for Long-Lived Assets	15.0	12.7	10.2	37.9

BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Financial Statements (Continued)

	Folding Carton and Paperboard	Multi-wall Bag	Flexible Packaging/ Label	Corporate and Other	Total
			In millions		
Predecessor					
Year ended December 31, 2004					
Revenues from External Customers	$ 868.0	$ 478.5	$ 194.7	$	$ 1,541.2
Intersegment Revenues	0.1		19.3		19.4
Depreciation and Amortization	27.6	7.2	4.7		39.5
Restructuring Expense	1.1	0.8			1.9
Interest Expense, net	0.8	0.1			0.9
Segment Profit	26.9	21.5	14.0		62.4
Expenditures for Long-Lived Assets	15.1	11.5	4.9		31.5

The following table presents net sales to external customers by country of origin:

	Successor	Predecessor		
	July 1, 2006 through December 31, 2006	January 1, 2006 through June 30, 2006	Year Ended December 31, 2005	2004
		In millions		
United States	$ 924.8	$ 756.3	$ 1,527.9	$ 1,493.1
Foreign	39.4	33.1	56.5	48.1
Total Net Sales	$ 964.2	$ 789.4	$ 1,584.4	$ 1,541.2

The Successor had export sales from the United States of approximately $44.1 million for the six months ended December 31, 2006. The Predecessor had export sales from the United States of approximately $34.9 million for the six months ended June 30, 2006 and $67.7 million for the year ended December 31, 2005.

18. Equity Compensation Plan

BCH Management, LLC was formed in February 2007 and acquired a 1.34% ownership interest in BCH. The members of BCH Management, LLC are certain of the officers and executive management of Altivity, who have acquired ownership interests enabling them to share in the future growth and appreciation of Altivity.

19. Merger and Integration Cost Impact on Operations

The fair values of the inventory acquired in connection with the CPD and Field acquisitions exceeded the net book values of the inventory of the sellers by $36.8 million. This amount was recognized in costs of good sold during the six months ended December 31, 2006.

The Successor incurred significant additional costs in connection with the process of merging CPD and the Field Companies. Included in selling, general and administrative expenses are integration costs attributable to establishing new corporate departments, legal fees, recruiting, travel, consulting, severance and relocations.

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BLUEGRASS CONTAINER HOLDINGS, LLC

CONDENSED BALANCE SHEETS

	Successor Company	
	As of June 30, 2007 (Unaudited)	As of December 31, 2006
	In millions	
ASSETS		
Current Assets:		
Cash and Equivalents	$ 100.0	$ 99.2
Receivables, Net	193.2	185.8
Inventories	233.5	231.3
Other Current Assets	10.0	10.7
Total Current Assets	536.7	527.0
Property, Plant and Equipment, Net	611.6	621.6
Goodwill	375.4	358.9
Intangible Assets, Net	138.6	134.3
Deferred Debt Issue Costs	20.9	22.5
Other Assets	8.4	6.9
Total Assets	$ 1,691.6	$ 1,671.2
LIABILITIES		
Current Liabilities:		
Short-Term Debt	$ 10.5	$ 10.5
Accounts Payable	156.8	145.2
Accrued Liabilities	66.9	70.1
Restructuring	18.8	6.9
Deferred Income Taxes		
Total Current Liabilities	253.0	232.7
Long-Term Debt	1,148.6	1,152.8
Deferred Tax Liabilities	0.2	0.2
Accrued Pension and Postretirement Benefits	45.1	35.8
Other Noncurrent Liabilities	1.8	5.2
Total Liabilities	1,448.7	1,426.7
EQUITY		
Smurfit-Stone Container Enterprises, Inc. Investment		

Contributed Capital	314.2	305.0
Accumulated Deficit	(68.0)	(53.5)
Accumulated Other Comprehensive Loss	(3.3)	(7.0)
Total Equity	242.9	244.5
Total Liabilities and Equity	$ 1,691.6	$ 1,671.2

The accompanying notes are an integral part of the financial statements.

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BLUEGRASS CONTAINER HOLDINGS, LLC

CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	Successor 2007	Predecessor 2006	Successor 2007	Predecessor 2006
	In millions			
Net Sales	$ 503.5	$ 391.8	$ 1,000.3	$ 789.4
Cost of Sales	433.8	350.7	870.2	699.0
Selling, General and Administrative	49.8	37.8	96.9	75.4
Loss (Gain) on Sale of Assets	0.3	(0.1)	0.3	
Gain on Insurance Claim	(1.3)		(1.3)	(0.1)
Income from Operations	20.9	3.4	34.2	15.1
Interest Income	1.1		2.4	
Interest Expense	(25.0)	(0.3)	(49.8)	(0.6)
Other (Expense) Income, Net	0.2		(0.2)	
Income (Loss) before Income Taxes	(2.8)	3.1	(13.4)	14.5
Income Tax Expense	(0.6)	(1.3)	(1.1)	(5.8)
Net (Loss) Income	$ (3.4)	$ 1.8	$ (14.5)	$ 8.7

The accompanying notes are an integral part of the financial statements.

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BLUEGRASS CONTAINER HOLDINGS, LLC

CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, Successor 2007	Six Months Ended June 30, Predecessor 2006
	In millions	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (Loss) Income	$ (14.5)	$ 8.7
Noncash Items Included in Net (Loss) Income:		
Depreciation and Amortization	44.3	20.4
Deferred Income Taxes		(10.7)
Amortization of Deferred Debt Issuance Costs	1.7	
Asset Retirements Loss (Gain)	0.3	(0.1)
Changes in Operating Assets & Liabilities:		
Accounts Receivable, Net	(6.5)	3.6
Inventories	(3.6)	(8.4)
Prepaid Expenses and Other Current Assets	0.8	(2.2)
Accounts Payable and Accrued Liabilities	15.0	(12.9)
Other, Net	1.4	0.1
Net Cash Provided by (Used in) Operating Activities	38.9	(1.5)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Spending	(39.9)	(39.0)
Acquisitions Related Payments	(6.3)	
Proceeds from Disposal of Property/Other	3.1	0.3
Net Cash Used in Investing Activities	(43.1)	(38.7)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (Repayments) Borrowings of Long-term Debt	(4.2)	0.1
Cash Contribution from Parent	9.2	
Net Advances from SSCE		40.1
Net Cash Provided by Financing Activities	5.0	40.2
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
Net Increase in Cash and Equivalents	0.8	
Cash and Equivalents at Beginning of Period	99.2	
CASH AND EQUIVALENTS AT END OF PERIOD	$ 100.0	$

The accompanying notes are an integral part of the financial statements.

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BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Condensed Financial Statements

1. Organization

Altivity Packaging, LLC (formerly known as Bluegrass Container Company, LLC) (Altivity, or Successor), a Delaware limited liability company and a wholly-owned subsidiary of Bluegrass Container Holdings, LLC (BCH or the Company), purchased substantially all of the assets of the Consumer Packaging Division (CPD or the Predecessor) of Smurfit-Stone Container Enterprises, Inc. (SSCE), a wholly-owned subsidiary of Smurfit-Stone Container Corporation (SSCC) (the CPD acquisition). BCH is majority-owned by investment vehicles affiliated with TPG Capital, L.P. (TPG). Altivity completed the CPD acquisition on June 30, 2006. In October 2006, the acquisition price was reduced $5.0 million as a result of the finalization of the working capital adjustments. The net assets acquired totaled $946.2 million which, net of the working capital adjustment of $5.0 million and other transaction costs of $40.2 million, resulted in a net payment to SSCE of $911.0 million.

On August 16, 2006, Altivity completed the acquisition of substantially all of the operational assets of Field Holdings, Inc., a Delaware corporation, Field Container Company, L.P., a Delaware limited partnership, and Field Container Management Corporation, a Delaware corporation (the Field Companies). In September 2006, the acquisition price was increased as a result of the finalization of the working capital adjustments. The net assets acquired totaled $335.3 million (net of $5.0 million in retained liabilities), which included a net working capital adjustment of $2.1 million, other transaction costs of $13.2 million, and the repayment of the Field Companies indebtedness of $92.9 million.

BCH conducts no significant business and has no independent assets or operations other than its ownership of Altivity.

The purchase price for both the CPD acquisition and the Field acquisition exceeded the fair value of the underlying assets acquired and liabilities assumed due to the expectation by BCH of enhancing the profits of the combined entities through the realization of synergistic efficiencies, optimization of the combined assets, enhanced productivity and numerous cost reduction efforts.

2. Basis of Presentation

Prior to the CPD acquisition**,** the Predecessor was an operating unit of SSCE and not a separate legal entity. As such, the accompanying financial statements of the Predecessor consist solely of the combined accounts of the Consumer Packaging Division of SSCE. The accompanying statements reflect SSCE s net investment in the Predecessor and include intercompany loans due from SSCE. Significant inter-company accounts and transactions between operations within CPD have been eliminated. In addition, the financial statements include allocations of common costs and general management services from SSCE. All inter-company transactions and balances have been eliminated in consolidation.

In the Company s opinion, the accompanying financial statements contain all normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods. The Company s year end consolidated balance sheet data was derived from audited financial statements. The Company has condensed or omitted certain notes and other information from the interim financial statements presented in this quarterly report. Therefore, these financial statements should be read in conjunction with the Company s financial statements and accompanying footnotes for the year ended December 31, 2006. In addition, the preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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BLUEGRASS CONTAINER HOLDINGS, LLC

Notes to Condensed Financial Statements (Continued)

3. Accounting Policies

In September 2006, the FASB issued FASB Staff Position AUG AIR-1, *Accounting for Planned Major Maintenance Activities* (FSP AUG AIR-1) which is effective for fiscal years beginning after December 15, 2006. This position statement eliminates the accrue-in-advance method of accounting for planned major maintenance activities. The Company adopted FSP AUG AIR-1 on January 1, 2007 and changed to the direct expensing method allowed by FSP AUG AIR-1, and has retrospectively adjusted its year-end 2006 financial statements to be in compliance. The adoption of FSP AUG AIR-1 had the effect of increasing (decreasing) net income (loss) for the three months ended March 31 and June 30, 2007 by $1.4 and $(1.8), respectively. The effects of adoption on the 2006 periods were not significant.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS No. 158). SFAS No. 158 requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The Company adopted the provisions of SFAS No. 158 at December 31, 2006, which necessitated an increase to accrued pension liabilities and a charge to accumulated comprehensive income of $4.9.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principle and expands disclosure about fair value measurements. The statement is effective for fiscal years beginning after November 15, 2007. The Company will adopt this statement on January 1, 2008 and has not yet evaluated the impact that its adoption may have on the Company s financial statements.

The FASB issued, in March 2007, SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* which allows companies the option to recognize most financial assets and liabilities and certain other items at fair value. The statement is effective for fiscal years beginning after November 15, 2007. The impact that its adoption may have on the Company s financial statements has not yet been evaluated.

Concurrent with establishing the ownership and profits interest plan in February 2007 as discussed in Note 11, the Company adopted Statement of Financial Accounting Standards (SFAS) 123R, *Share-Based Payment* (SFAS 123R), using the modified prospective application transition method.

4. Inventories

Inventories at June 30, 2007 and December 31, 2006 were valued at the lower of cost or market under the first-in, first-out method. Inventories consist of the following:

	June 30, 2007	December 31, 2006

	In millions	
Raw Materials and Supplies	$ 73.7	$ 68.7
Work in Progress	24.2	27.6
Finished Products	135.6	135.0
Total Inventories	$ 233.5	$ 231.3

5. Acquisition Activities

BCH determined and reflected in the allocation of the purchase price the fair values of inventories, property, plant and equipment and intangible assets acquired in both the CPD and Field acquisitions, including

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Notes to Condensed Financial Statements (Continued)

patents, trademarks, customer relationships, leases and supply contracts. Additionally, the Company formulated plans to exit or restructure certain activities. Restructuring reserves have been established for employee severance and benefit payments and other plant closure costs for all committed plant closure plans. Severance, benefit and facility closure costs totaling $20.0 million were provided for within the restructuring reserve during the six months ended June 30, 2007. The valuation and integration plans were finalized in June 2007, resulting in an increase to goodwill and a decrease to property, plant and equipment of $16.8 million. In accordance with the terms of the Field Companies purchase agreement, a final purchase price payment to the seller of $6.2 million was charged to goodwill.

6. Strategic Initiatives and Restructuring Activities

In conjunction with the CPD acquisition and the Field acquisition, the Company formulated plans to exit or restructure certain activities. Restructuring reserves, initially totaling $8.5, were established for employee severance and benefit payments and the cost of three plant closures, two of which were announced and completed in 2006. Restructuring reserves for five additional plant closures were established in June 2007, the cost of which was charged to goodwill.

The severance payments and the activities associated with the plant closures are expected to be substantially completed by December 31, 2008. The table below summarizes the transactions within the restructuring reserve during the period December 31, 2006 through June 30, 2007.

	Severance and Benefits	Facility Closure Costs	Total
		In millions	
Balance at December 31, 2006	$ 5.6	$ 1.3	$ 6.9
Provision	12.9	7.1	20.0
Payments	(6.6)	(1.5)	(8.1)
Balance at June 30, 2007	$ 11.9	$ 6.9	$ 18.8

7. Long-Term Debt

Long-term debt consists of the following:

	June 30, 2007	December 31, 2006
	In millions	
First-Lien Term Loan	$ 818.8	$