CONSTAR INTERNATIONAL INC
Form S-4/A
July 26, 2005
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As filed with the Securities and Exchange Commission on July 25, 2005

Registration No. 333-124731

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

AMENDMENT NO. 2 TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CONSTAR INTERNATIONAL INC.

(Exact name of Registrant as specified in its charter)

Delaware	**3089**	**13-1889304**
(State or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

One Crown Way

Philadelphia, Pennsylvania 19154-4599

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

See Table of Additional Registrants Below

Michael J. Hoffman

President and Chief Executive Officer

One Crown Way

Philadelphia, Pennsylvania 19154-4599

(215) 552-3700

(Name, address including zip code, and telephone number, including area code, of agent for service)

With a Copy to:

William G. Lawlor, Esq.

Dechert LLP

4000 Bell Atlantic Tower

1717 Arch Street

Philadelphia, Pennsylvania 19103

(215) 994-4000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

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: ¨

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: ¨ ________

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: ¨ ________

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants 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 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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Name	State of Incorporation or Organization	Primary Standard Industrial Classification Code Number	IRS Employer Identification No.
Constar, Inc.	Pennsylvania	3089	58-0680950
BFF Inc.	Delaware	3089	04-2521229
DT, Inc.	Delaware	3089	63-0247693
Constar Foreign Holdings, Inc.	Delaware	3089	14-1838591
Constar International U.K. Limited	United Kingdom	3089	Not Applicable

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 25, 2005

PROSPECTUS

CONSTAR INTERNATIONAL INC.

OFFER TO EXCHANGE

$220,000,000 Senior Secured Floating Rate Notes due 2012 and related Guarantees

for all outstanding Senior Secured Floating Rate Notes due 2012

The exchange offer expires at 5:00 p.m., New York City time, on , 2005, unless extended. We will exchange all old notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer. You may withdraw tenders of outstanding notes at any time before the exchange offer expires.

The form and terms of the new notes will be identical in all material respects to the form and terms of the old notes, except that the new notes:

- will have been registered under the Securities Act;
- will not bear restrictive legends restricting their transfer under the Securities Act;
- will not be entitled to the registration rights that apply to the old notes; and

will not contain provisions relating to increased interest rates in connection with the old notes under circumstances related to the timing of the exchange offer.

The new notes will be our senior obligations and will be guaranteed on a senior basis by each of our current and future domestic and United Kingdom restricted subsidiaries. The new notes and new note guarantees will be effectively junior in right of payment to any of our or the guarantors indebtedness that is secured by assets not securing the new notes and will be junior in right of payment to all indebtedness of our non-guarantor subsidiaries.

See Risk Factors beginning on page 10 for a discussion of risks that should be considered by holders prior to tendering their old notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2005

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This prospectus incorporates important business and financial information that is not included in or delivered with this document. This information is available without charge upon written or oral request. To obtain this information in a timely fashion, you must request such information no later than five business days before , 2005, which is the date on which the exchange offer expires (unless we extend the exchange offer as described herein). See Incorporation of Documents by Reference.

You should rely only on the information contained in this prospectus and any supplement, including the periodic reports and other information we file with the Securities and Exchange Commission, or SEC, or to which we have referred you. See Available Information. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act of 1933, as amended, which we refer to as the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where the old notes were acquired by the broker-dealer as a result of market-making activities or other trading activities. We have agreed that, starting on the expiration date and ending on the close of business one year after the expiration date, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

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INDUSTRY AND MARKET DATA

We obtained the market and competitive position data used throughout this prospectus from our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While we believe that each of these studies and publications is reliable, we have not independently verified such data. Similarly, we believe our internal research is reliable but it has not been verified by any independent sources.

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SUMMARY

This summary highlights certain information contained elsewhere in this prospectus. We urge you to read this entire prospectus carefully, including the financial data and related notes, to obtain a more complete understanding of the exchange offer before making an investment decision. Unless the context otherwise requires:

we, us or our refers to Constar International Inc. and its subsidiaries;

Crown refers to Crown Holdings, Inc., our former parent;

old notes refers to the $220 million aggregate principal amount of Senior Secured Floating Rate Notes due 2012 issued on February 11, 2005;

new notes refers to the $220 million aggregate principal amount of Senior Secured Floating Rate Notes due 2012 offered in exchange for the old notes pursuant to this prospectus;

notes refers collectively to the old notes and the new notes; and

PepsiCo refers to PepsiCo, Inc. and its subsidiaries but not independent bottlers of PepsiCo products.

Our Company

We are a global producer of PET, or polyethylene terephthalate, plastic containers for food and beverages. We manufacture PET containers for conventional PET applications in soft drinks and water and for custom PET applications. Custom PET container applications include food, juices, teas, sport drinks, new age beverages, beer and flavored alcoholic beverages, most of which require a combination of advanced technologies, processing know-how and innovative designs. Our products are used in a variety of end-use markets, including soft drinks, water, peanut butter, edible oils, salad dressing, juices, teas, beer and flavored alcoholic beverages. We supply PET products for such well-known brands as Pepsi, Coca-Cola, Dr Pepper, 7 UP, Mott s, Shasta, Peter Pan, Aquafina, Wish-Bone, Smucker s, Veryfine, Snapple and Smirnoff Ice. We primarily manufacture and sell bottles in the United States. In Europe, we primarily sell preforms. Preforms are test-tube shaped intermediate products that are purchased by manufacturers for processing into finished bottles at their manufacturing facilities. For the year ended December 31, 2004 and for the three months ended March 31, 2005, our revenues were $844.2 million and $221.3 million, respectively. In 2004 and the three months ended March 31, 2005, approximately 74% and 77%, respectively, of our revenues were attributable to sales in the United States, with the remainder attributable to sales in Europe.

We are a Delaware corporation. Originally incorporated in 1927, we were an independent publicly held corporation from 1969 to 1992, when we were purchased by Crown. We have been a public company since our initial public offering in November 2002.

Our principal executive offices are located at One Crown Way, Philadelphia, Pennsylvania 19154-4599, and our phone number is (215) 552-3700.

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The Exchange Offer

On February 11, 2005, we issued and sold $220 million aggregate principal amount of Senior Secured Floating Rate Notes due 2012. In connection with these sales, we entered into a registration rights agreement with the initial purchasers of the old notes in which we agreed to deliver this prospectus to you and to complete an exchange offer for the old notes.

Notes Offered	$220 million aggregate principal amount of Senior Secured Floating Rate Notes due 2012.
	The issuance of the new notes will be registered under the Securities Act. The terms of the new notes and old notes are identical in all material respects, except for transfer restrictions, registration rights relating to the old notes and certain provisions relating to increased interest rates in connection with the old notes under circumstances related to the timing of the exchange offer. You are urged to read the discussions under the heading The New Notes in this Summary for further information regarding the new notes.
The Exchange Offer	We are offering to exchange the old notes for up to $220 million principal amount of the new notes.
	The old notes are not registered under the Securities Act and were offered and sold only to qualified institutional buyers in reliance upon Section 4(2) of the Securities Act as interpreted pursuant to Rule 144A of the Securities Act.
	Old notes may be exchanged only in integral multiples of $1,000. In this prospectus, the term exchange offer means the offer to exchange new notes for old notes in accordance with the terms set forth in this prospectus and the accompanying letter of transmittal. You are entitled to exchange your old notes for new notes.
Expiration Date; Withdrawal of Tender	The exchange offer will expire at 5:00 p.m., New York City time, on , 2005, or such later date and time to which it may be extended by us. The tender of old notes pursuant to the exchange offer may be withdrawn at any time prior to the expiration date of the exchange offer. Any old notes not accepted for exchange for any reason will be returned without expense to the tendering holder thereof promptly after the expiration or termination of the exchange offer.
Conditions to the Exchange Offer	Our obligation to accept for exchange, or to issue new notes in exchange for, any old notes is subject to customary conditions relating to compliance with any applicable law or any applicable interpretation by the staff of the SEC, the receipt of any applicable governmental approvals and the absence of any actions or proceedings of any governmental agency or court which could materially impair our ability to consummate the exchange offer. See The Exchange Offer Conditions to the Exchange Offer.

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Procedures for Tendering Old Notes	If you wish to accept the exchange offer and tender your old notes, you must either: complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal, in accordance with its instructions and the instructions in this prospectus, and mail or otherwise deliver such letter of transmittal, or the facsimile, together with the old notes and any other required documentation, to the exchange agent at the address set forth herein; or if old notes are tendered pursuant to book-entry procedures, the tendering holder must deliver a completed and duly executed letter of transmittal or arrange with the Depository Trust Company, or DTC, to cause an agent s message to be transmitted through DTC s Automated Tender Offer Program System with the required information (including a book-entry confirmation) to the exchange agent.

See The Exchange Offer Procedures for Tendering Old Notes.

Broker-Dealers	Each broker-dealer that receives new notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. See Plan of Distribution.
Use of Proceeds	We will not receive any proceeds from the exchange offer. See Use of Proceeds.
Exchange Agent	The Bank of New York is serving as the exchange agent in connection with the exchange offer.
Federal Income Tax Considerations	The exchange of old notes for new notes pursuant to the exchange offer should not be a taxable event for federal income tax purposes. See Material United States Federal Tax Consequences.

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Consequences of Exchanging Old Notes Pursuant to the Exchange Offer

Based on certain interpretive letters issued by the staff of the SEC to third parties in unrelated transactions, we are of the view that holders of old notes (other than any holder who is an affiliate of our company within the meaning of Rule 405 under the Securities Act) who exchange their old notes for new notes pursuant to the exchange offer generally may offer the new notes for resale, resell such new notes and otherwise transfer the new notes without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

- the new notes are acquired in the ordinary course of the holders business;
- the holders have no arrangement with any person to participate in a distribution of the new notes; and
- neither the holder nor any other person is engaging in or intends to engage in a distribution of the new notes.

Each broker-dealer that receives new notes for its own account in exchange for old notes must acknowledge that it will deliver a prospectus in connection with any resale of the new notes. See Plan of Distribution. In addition, to comply with the securities laws of applicable jurisdictions, the new notes may not be offered or sold unless they have been registered or qualified for sale in the applicable jurisdiction or in compliance with an available exemption from registration or qualification. We have agreed, under the registration rights agreement and subject to limitations specified in the registration rights agreement, to register or qualify the new notes for offer or sale under the securities or blue sky laws of the applicable jurisdictions as any holder of the notes reasonably requests in writing. If a holder of old notes does not exchange the old notes for new notes according to the terms of the exchange offer, the old notes will continue to be subject to the restrictions on transfer contained in the legend printed on the old notes. In general, the old notes may not be offered or sold, unless registered under the Securities Act, except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Holders of old notes do not have any appraisal or dissenters rights in connection with the exchange offer. See The Exchange Offer Resales of New Notes.

The old notes are currently eligible for trading in the Private Offerings, Resales and Trading through Automated Linkages (PORTAL) market. Following commencement of the exchange offer but prior to its completion, the old notes may continue to be traded in the PORTAL market. Following completion of the exchange offer, the new notes will not be eligible for PORTAL trading.

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The New Notes

The following is a brief summary of certain terms of the new notes. For a more complete description of the notes, see Description of Notes.

Issuer	Constar International Inc.
Notes Offered	$220 million aggregate principal amount of Senior Secured Floating Rate Notes due 2012.
Maturity	February 15, 2012.
Interest	The new notes will accrue interest at a rate per annum equal to LIBOR (as defined) plus 3.375%. Interest on the new notes will be reset quarterly.
Interest Payment Dates	Interest on the new notes will be payable on February 15, May 15, August 15 and November 15 of each year, beginning on May 15, 2005.
Guarantees	Each of our current and future domestic and United Kingdom restricted subsidiaries will guarantee the new notes on a senior secured basis.
	Our non-guarantor subsidiaries accounted for approximately $97.0 million, or 11.5%, of our net sales for the year ended December 31, 2004 and approximately $48.5 million, or 8.4%, of our assets (excluding non-guarantor subsidiaries net intercompany receivables from us and the guarantors of $1.3 million) and $20.3 million, or 3.7%, of our liabilities (excluding $3.5 million of liabilities to us and the guarantors) as of December 31, 2004.
	For the three months ended March 31, 2005, our non-guarantor subsidiaries accounted for approximately $22.9 million, or 10.3% of our sales and approximately $57.5 million, or 9.3%, of our assets (excluding non-guarantor subsidiaries net intercompany receivables from us and the guarantors of $1.6 million) and $30.4 million, or 4.9% of our liabilities (excluding $3.9 million of liabilities to us and the guarantors) as of March 31, 2005.
Collateral	The new notes and the guarantees thereof will be secured by a first priority lien on (i) our real property located in the United States and the United Kingdom which was owned by us on the date the sale of the old notes was consummated, (ii) leasehold interests in certain of the real property located in the United States that we leased on the date the sale of the old notes was consummated and (iii) substantially all of the equipment and other fixed assets related to such properties, in each case, subject to the exceptions described in this prospectus and replacements thereof and the proceeds therefrom. As of March 31, 2005, the book value of the assets securing the notes was approximately $176.0 million. The lien securing the new notes will not extend to any assets securing our new credit facility, which was

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entered into concurrently with the sale of the old notes. Our new credit facility is secured by a first priority lien on our domestic and United Kingdom inventory, accounts receivable, investment property, instruments, chattel paper, documents, deposit accounts and other intangibles, as well as a pledge of all of the outstanding capital stock of our domestic and United Kingdom subsidiaries and 65% of the voting stock of our other foreign subsidiaries. The liens securing our new credit facility do not extend to any assets or property securing the new notes. See Description of Notes Collateral.

Ranking	The new notes will be our senior secured obligations and will rank equally with our existing and future senior debt and senior to our existing and future subordinated debt. The new notes will be effectively subordinated to our new credit facility with respect to the collateral securing the facility to the extent of the value of such collateral. As of March 31, 2005, after the sale of the old notes and the other transactions described in Capitalization and the application of the net proceeds therefrom, we had approximately $237.2 million of senior debt outstanding. As of March 31, 2005, we had approximately $175 million outstanding under the 11% senior subordinated notes due 2012. Any additional secured borrowings, including borrowings under our new credit facility, to the extent they are secured by assets that do not secure the new notes, would rank effectively senior to the new notes.
Optional Redemption	Except as described below, we may not redeem the new notes prior to February 15, 2007. On and after February 15, 2007, we may redeem the new notes, in whole or in part, at any time, at the redemption prices set forth below under the section entitled Description of Notes Redemption Optional Redemption, together with accrued and unpaid interest, if any, to the redemption date. In addition, at any time and from time to time prior to February 15, 2007 we may redeem up to 35% of the new notes at 100% of the principal amount thereof plus a premium equal to the interest rate per annum applicable on the date on which the notice of redemption is given, plus accrued and unpaid interest, with the net sales proceeds from certain sales of our common equity; provided that at least 65% of the aggregate principal amount of the notes issued up to that time remains outstanding immediately after such redemption and provided further that such redemption does not occur more than 90 days after the sale of common equity occurs.
Mandatory Redemption	None.
Change of Control	Upon a change of control, you will have the right to require us to repurchase all or part of your new notes at 101% of their principal amount, plus accrued and unpaid interest and additional interest, if any, through the date of repurchase.
Mandatory Offer to Repurchase Following Certain Asset Sales or Events of Loss	If we sell certain assets or experience certain events of loss and do not reinvest the net proceeds in compliance with the indenture governing

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	the new notes, we must offer to repurchase the new notes at 100% of their principal amount, plus accrued and unpaid interest.
Restrictive Covenants	The indenture governing the new notes restricts, among other things, our ability, and the ability of our restricted subsidiaries to:

- borrow additional money;
- pay dividends on our stock or repurchase our stock;
- make payment on or redeem or repurchase debt which ranks junior to the new notes;
- make investments;
- create liens;
- create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries;
- enter into transactions with affiliates;
- sell assets or consolidate or merge with or into other companies; and
- expand into unrelated businesses.

Risk Factors

An investment in the new notes involves risks. You should carefully consider all of the information in this prospectus. In particular, you should evaluate the specific risk factors set forth under the caption Risk Factors in this prospectus.

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Summary Historical Combined and Consolidated Financial Data

The following table presents our summary historical combined and consolidated financial data for and at the end of each of the years in the three-year period ended December 31, 2004, and for and at the end of the three months ended March 31, 2004 and March 31, 2005.

The following table should be read in conjunction with, and it is qualified in reference to, our audited financial statements and related notes and our Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

	Year ended as of December 31,			Three months ended March 31,	
	2002	2003	2004	2004	2005
	(dollars in millions)				
Combined and Consolidated Statements of Operations Data:					
Net sales	$ 704.3	$ 742.3	$ 844.2	$ 191.7	$ 221.3
Cost of products sold, excluding depreciation	589.2	657.9	746.7	169.4	203.6
Depreciation	55.9	55.5	51.1	12.9	11.3
Gross profit	59.2	28.9	46.4	9.4	6.4
Operating expenses:					
Selling and administrative expenses	10.8	23.0	28.1	6.3	5.3
Management charges	3.6				
Research and technology expense	12.1	5.2	5.7	1.4	1.8
Write off of deferred financing costs		0.7			10.0
Interest expense, net	7.0	34.2	39.8	10.0	9.6
Foreign exchange adjustments	0.1	(1.4)	0.1	0.0	0.2
Provision for restructuring and asset impairments		11.6	1.1		0.1
Goodwill impairment loss[(1)]		183.0			
Amortization of goodwill[(1)]					
Other (income) expenses, net[(2)]	0.6	4.4	(25.0)	0.7	(0.1)
Total operating expenses	34.2	260.7	49.8	18.4	26.9
Income (loss) before taxes, minority interest and cumulative effect of a change in accounting	25.0	(231.8)	(3.4)	(9.0)	(20.5)
Benefit (provision) for income taxes	(10.2)	11.4	(3.4)	0.1	0.5
Minority interests	(0.1)	(0.1)		0.0	0.0
Income (loss) before cumulative effect of a change in accounting	14.7	(220.5)	(6.8)	(8.9)	(20.0)
Cumulative effect of a change in accounting for goodwill[(1)]	(50.1)				
Net loss	$ (35.4)	$ (220.5)	$ (6.8)	$ (8.9)	$ (20.0)
Weighted average shares outstanding:					
Basic	12,000	12,000	12,028	12,000	12,119
Diluted	12,002	12,000	12,028	12,000	12,119
Basic and diluted loss per common share from continuing operations	$ (2.95)	$ (18.38)	$ (0.57)	$ (0.74)	$ (1.65)

Combined and Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 20.9	$ 16.5	$ 9.3	$ 20.9	$ 14.3
Property plant and equipment, net	235.1	223.9	194.5	217.9	191.8
Total assets	754.6	578.3	580.3	596.1	621.1
Total debt	377.0	397.4	388.4	412.2	411.8
Stockholders equity	246.1	32.8	24.0	24.8	2.7
Other Data:					
Cash flows provided by (used in):					
Operating activities	$ 62.5	$ 25.0	$ 28.1	$ 2.0	$ (1.9)
Investing activities	(29.2)	(50.9)	(21.9)	(9.1)	(8.0)
Financing activities	(16.9)	20.5	(13.9)	11.4	15.2
Capital expenditures	30.0	47.1	22.2	9.1	8.6
Depreciation and amortization	55.9	57.5	53.3	13.7	11.8
Ratio of earnings to fixed charges(3)	3.3x				

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(1) Effective January 1, 2002, we adopted the provisions of SFAS 142, which requires companies to cease amortizing goodwill and to review for impairment, goodwill and intangible assets deemed to have an indefinite useful life. During the second quarter of 2002, we completed our impairment review and recognized an impairment charge of $50.1 million, which is reflected as a cumulative effect of a change in accounting principle. During the second quarter of 2003, we recorded an impairment charge of $183.0 million due to the trading price of our common stock, operating results that reflected lower volumes of domestic conventional product sales, increased handling and shuttling costs and other factors.

(2) During 2004, we recognized income of $25.1 million as a result of settling a patent infringement action.

(3) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income (loss) before taxes, equity in earnings of affiliates, minority interests and cumulative effect of accounting changes plus fixed charges (exclusive of interest capitalized during the period) and amortization of interest previously capitalized. Fixed charges include interest incurred, amortization of debt issue costs and the portion of rental expense that is deemed representative of an interest factor. Earnings were insufficient to cover fixed charges by $231.8 million and $3.4 million for the fiscal years ending December 31, 2003 and 2004. Earnings were insufficient to cover fixed charges by $9.0 million and $20.6 million for the three months ended March 31, 2004 and 2005, respectively.

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RISK FACTORS

Our business involves a number of risks, some of which are beyond our control. You should carefully consider each of the risks and uncertainties we describe below, which we believe are the material risks involved in investing in the new notes, and all of the other information in this prospectus before deciding to invest in the new notes. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also become important factors that may harm our business.

Risks Related to Our Business and Industry

We may not generate profits in the future and we had net losses in recent years.

For the fiscal year ended December 31, 2004 and the three months ended March 31, 2005, we had a net loss of approximately $6.8 million and $20.0 million, respectively. For the fiscal year ended December 31, 2003, we had a net loss of approximately $220.5 million, which included a goodwill impairment charge of $183.0 million. For the fiscal year ended December 31, 2002, we had a net loss of approximately $35.4 million. Continuing operating losses may limit our ability to service our debt and fund our operations and we may not generate net income from operations in the future. Factors contributing to operating losses in recent years included, but were not limited to, price competition and the implementation of price reductions to extend customer contracts; delays in conversions to PET from other forms of packaging; an unfavorable shift in conventional product mix; and higher inventory levels that produced an increase in warehousing and product handling costs. These and other factors may continue to adversely affect our business.

If we do not generate sufficient cash flow, we will not be able to service our debt and provide for ongoing operations.

If we are unable to generate sufficient cash from operations to service our debt and fund our operations, or if we are unable to refinance our debt, we may have to defer capital expenditures or sell assets to generate cash, which could weaken our competitive position. As of March 31, 2005, we had approximately $413.8 million in principal amount of debt outstanding consisting of the notes, our senior subordinated notes, other long-term debt and borrowings under our new credit facility. As of March 31, 2005, approximately $17.2 million was drawn under our new credit facility and we were able to incur up to an additional $48.4 million of indebtedness under our new credit facility based on the size of our borrowing base as of such date. We will need to generate enough cash to service our debt and to fund our operations. Although interest rates and the amount outstanding under our new credit facility and the notes may vary, based on interest rates in effect as of March 31, 2005, servicing our outstanding indebtedness would require annual payments of approximately $34 million of interest (excluding $1.6 million of annual amortization of financing fees and debt discount). Our ability to generate cash depends to some extent on general economic, competitive, legislative and other factors beyond our control. Borrowings under our new credit facility may alleviate our short-term cash needs, but any borrowings under such facility may further increase our debt. In addition, we may need to refinance all or a portion of our debt and we may be unable to do so on commercially reasonable terms or at all. Moreover, it may be more difficult for us to refinance our new credit facility because we have granted liens on the collateral securing the notes.

Our debt may negatively impact our liquidity, limit our ability to obtain additional financing and harm our competitive position.

Our debt may have important negative consequences for us, such as:

significantly increasing our interest expense and related debt service costs;

limiting our ability to obtain additional financing;

increasing our vulnerability to economic downturns and changing market and industry conditions; and

limiting our ability to compete with companies that are not as highly leveraged and that may be better positioned to withstand economic downturns.

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Our annual debt service costs will vary because some of our debt bears floating interest rates, and the amount outstanding under the new credit facility will change from time to time. However, based on interest rates and debt levels at March 31, 2005, our annualized cash interest costs for fiscal 2005 would be approximately $34 million.

We and our subsidiaries may be able to incur substantial additional debt in the future. If new debt is added to our current debt levels or the current debt levels of our subsidiaries, the related risks that we and they now face could intensify.

We currently plan to finance ordinary business operations through borrowings under our new credit facility, which are subject to conditions and borrowing base limitations, because we expect to be cash flow negative at least into the second half of 2006.

We had a net negative cash flow from operations of $1.9 million for the three months ended March 31, 2005 and we expect to have negative cash flow from operating activities at least into the second half of 2006. We currently plan to finance ordinary business operations through borrowings under our new credit facility. Our ability to borrow funds under our new credit facility is subject to our compliance with various covenants as of the date of borrowing, including borrowing base limitations that are dependent upon the future level of our eligible accounts receivables and inventory in the United States and the United Kingdom. Even if we are in compliance with all such covenants, the total amount of the facility may be unavailable if the value of the collateral securing the facility falls below certain levels, or if the administrative agent determines that eligibility reserves should be applied to the amount otherwise available under the facility. Certain of the components of the borrowing base are subject to the discretion of the administrative agent. As of March 31, 2005, we had borrowings under our new credit facility of $17.2 million and available credit of $48.4 million. In addition, the administrative agent has the customary ability to reduce, unilaterally, our borrowing availability at any time by, for example, establishing reserves or declaring certain collateral ineligible. Certain of our inventory is located on properties that we lease and if we are unable to obtain consents from the landlords, such inventory may not be eligible for inclusion in the borrowing base, thereby reducing our borrowing availability. If we are unable to fully access our new credit facility, we may become illiquid and we may be unable to finance our ordinary business activities.

Our interest expense may increase since indebtedness under the notes and our new credit facility is subject to floating interest rates.

The notes and our borrowings under our new credit facility are subject to floating interest rates. Changes in economic conditions could result in higher interest rates, thereby increasing our interest expense and reducing our funds available for operations and other purposes. As of March 31, 2005, we had approximately $237.2 million in borrowings under the notes and our new credit facility. As of March 31, 2005, we were able to incur up to an additional $48.4 million of indebtedness under our new credit facility based on the size of our borrowing base as of such date. A 1% increase in market interest rates on the $237.2 million in floating rate borrowings outstanding as of March 31, 2005 would result in an annual increase in our interest expense and a decrease in our income before taxes of approximately $2.4 million.

Our flexibility in operating our business and our ability to repay our indebtedness may be limited as a result of certain covenant restrictions in the instruments governing our indebtedness.

Our new credit facility and the indentures governing the notes and our senior subordinated notes contain a number of restrictive covenants that impose significant restrictions on us. Compliance with these restrictive covenants will limit our flexibility in operating our business. Failure to comply with these covenants could give rise to an event of default under the indentures governing the notes and our senior subordinated notes. These covenants restrict, among other things, our ability to:

incur additional indebtedness and guarantee obligations;

create liens;

engage in mergers, consolidations, liquidations or the creation of subsidiaries;

change the nature of our business;

make equity investments or loans;

- sell, lease or otherwise dispose of assets;
- engage in sale and leaseback transactions and operating lease transactions;
- sell or discount notes or receivables;
- engage in transactions with affiliates;
- pay dividends, make distributions or redeem any equity securities;
- modify our organizational documents or certain debt documents;
- change our accounting treatment and reporting practices;
- engage in speculative transactions;
- enter into agreements restricting our ability or the ability of a subsidiary to incur liens, or restricting the ability of a subsidiary to pay dividends to, make or repay loans to, transfer property to, or guarantee indebtedness of, us or any of our other subsidiaries;
- prepay certain indebtedness; and
- allow debt to be designated as senior debt.

Our new credit facility also includes financial covenants. If we default on any of these covenants, the lenders could cause all amounts outstanding under our new credit facility, the notes and our senior subordinated notes to be due and payable immediately and the lenders under our new credit facility or the trustee under the indenture governing the notes could proceed against any collateral securing that indebtedness. Our assets or cash flow may not be sufficient to fully repay the borrowings under our different forms of indebtedness, either upon maturity or if accelerated upon an event of default. In addition, any event of default or declaration of acceleration under one debt instrument could also result in an event of default under one or more of our other debt instruments. See Description of Certain Indebtedness and Description of Notes Certain Covenants.

Our new credit facility is secured by our domestic and United Kingdom inventory, accounts receivable, investment property, instruments, chattel paper, documents, deposit accounts and other intangibles, as well as a pledge of all of the outstanding capital stock of our domestic and United Kingdom subsidiaries and 65% of the voting stock of our other foreign subsidiaries. As of December 31, 2004 and March 31, 2005, the book value of such assets was approximately $159.6 million and $192.3 million, respectively.

Conventional PET containers account for over 75% of our sales and generally carry low profit margins.

In 2004 and the three months ended March 31, 2005, approximately 80% and 78% respectively, of our sales related to conventional PET containers which are primarily used for carbonated soft drinks and bottled water. These products generally carry low profit margins. Profitability is driven principally by volume and maintaining efficient manufacturing operations.

The market for carbonated soft drinks is not expected to grow appreciably in the near term.

In recent years, the largest growth within conventional products has come from bottled water. We believe that in the long run, profitability from bottled water may decline as economic factors force some water bottlers into self manufacturing of PET bottles and some smaller water bottlers out of business. Based upon current market conditions, we do not expect appreciable growth in the carbonated soft drink market in the near term.

If the market for custom PET packaging does not grow as large or as quickly as we anticipate, our growth and profitability may be lower than we currently expect.

To the extent that the custom PET market does not grow as large or as quickly as we anticipate, our growth and profitability may be lower than we currently expect. We believe that one of the keys to our future success will be our ability to sell more custom PET products. Partly because of the more complex technologies required for custom PET, our margins are higher for custom PET products than for conventional PET products. We believe that an increasing number of products will convert from glass, metal and other packaging to custom PET packaging. A slow rate of conversion would limit our growth.

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Our net sales and profitability may decline if we lose PepsiCo as a customer or if PepsiCo reduces the number of containers that it purchases from us.

PepsiCo may in its discretion terminate its supply agreements with us if we materially breach any of our obligations under the applicable agreement or if a third party acquires more than 20% (or 25% in the case of a specified third party who owns 24.2% of our common stock) of our outstanding capital stock or United States-based PET assets. The loss of PepsiCo as a customer would cause our net sales and profitability to decline significantly. Our main supply agreement with PepsiCo expires on December 31, 2007. Our sales to PepsiCo accounted for approximately 30% of our revenue for the year ended December 31, 2004. In addition, notwithstanding PepsiCo s commitment to purchase containers from us in certain geographic regions, PepsiCo may purchase containers from a third party for such regions under several circumstances, including our failure to meet our supply obligations and our failure to meet specified contractual quality standards.

The loss of our intellectual property rights, for which we enjoy limited protection, would negatively impact our ability to compete in the PET industry.

If we are unable to maintain the proprietary nature of our technologies, we may lose the ability to generate royalties in the future by licensing our technologies and our competitors may use our technologies to compete with us. We have a number of patents covering various aspects of the design and construction of our products, including our Oxbar technology. Our patents may not withstand challenge in litigation, and patents do not ensure that competitors will not develop competing products, design around our patents or infringe upon our patents. The costs of litigation to defend our patents could be substantial and may outweigh the benefits of enforcing our rights under our patents. We market our products internationally, and the patent laws of foreign countries may offer less protection than the patent laws of the United States. Not all of our domestic patents have been registered in other countries. We also rely on trade secrets, know-how and other unpatented proprietary technology, and others may independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets, know-how and other proprietary information, we require employees, consultants, advisors and collaborators to enter into confidentiality agreements with us. These agreements may not provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of this information. In addition, we have from time to time received letters from third parties suggesting that we may be infringing their intellectual property rights, and third parties may bring infringement suits against us. If the claims of these third parties are successful, we may be required to seek licenses from these third parties or refrain from using the claimed technology. In addition, other parties use oxygen barrier technologies, and to the extent we determine that any such technologies infringe upon our patents, we may have to bring infringement suits to enforce our patent rights. In any such infringement suit, a defendant would likely seek to invalidate the patents at issue.

We have licensed Oxbar to some of our competitors which may allow our licensed competitors to compete more effectively with us.

We have licensed to some of our competitors certain applications of our Oxbar technology. This may offset some of the competitive advantage offered by Oxbar and allow our licensed competitors to compete more effectively with us. We may also license other technologies that currently exist or that we may develop in the future. Any such licensing activity may harm our competitive position.

Our competitive advantages of our Oxbar technology may also be weakened by the sublicense rights held by a third party.

Our Oxbar technology is subject to a worldwide royalty-free cross-license with Rexam AB, which owns several patents relating to oxygen-scavenging technology. The cross-license agreement gives both parties the right to use and sublicense each other s oxygen scavenging technology patents, but not each other s know-how. The competitive advantages that we believe can be achieved through Oxbar may not be fully realized to the extent that Rexam uses Oxbar to compete with us or sublicenses Oxbar to any of our existing or potential competitors or customers, or other third parties. From time to time we have attempted to negotiate a new agreement with Rexam to modify our respective rights to Oxbar, but to date no such agreement has been concluded and such an agreement may never be concluded.

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Our products and services may become obsolete.

Significant technological changes could render our existing technology or our products and services obsolete. The markets in which we operate are characterized by rapid technological change, frequent new product and service introductions and evolving industry standards. Our ability to compete may dissipate if our existing technologies are rendered obsolete. Our United States and European Oxbar patents begin to expire in 2008. If we are unable to successfully respond to technological developments or do not respond in a cost-effective way, or if we do not develop new technologies, our net sales and profitability may decline. To be successful, we must adapt to rapidly changing markets by continually improving our products and services and by developing new products and services to meet the needs of our customers. Our ability to develop these products and services will depend, in part, on our ability to license leading technologies useful in our business and develop new offerings and technology that address the needs of our customers. Similarly, the equipment that we use may be rendered obsolete by new technologies. A significant investment in new equipment may reduce our profitability.

Our business and operations may be disrupted if we have difficulty replacing key personnel.

We believe that our success will depend on continued employment by us of senior management and key technical personnel. If one or more of these persons are unable or unwilling to continue in their present positions, and if we are unable to attract and retain other comparable personnel, our business and operations could be disrupted. Several members of our senior management have extensive industry experience, and it would be difficult to find new personnel with comparable experience. Because our business is highly specialized, we believe that it would also be difficult to replace our key technical personnel. In addition, we do not currently maintain key man insurance for any of our senior managers or technical personnel.

As our customers change their product lines and marketing strategies, demand for our products may fluctuate.

A reduction in demand for PET packaging may reduce our net sales and negatively impact our prospects for future growth. From time to time our customers change product lines, eliminate product lines and reduce the amount that they spend on marketing product lines. As a result, our customers demand for PET packaging may fluctuate or decrease permanently.

Consolidation of our customers may increase our customers negotiating leverage and reduce our net sales and profitability.

The consolidation of our customers may reduce our net sales and profitability. If one of our larger customers acquires one of our smaller customers, or if two of our customers merge, the combined customer s negotiating leverage with us may increase and our business with the combined customer may become less profitable. In addition, if one of our customers is acquired by a company that has a relationship with one of our competitors, we may lose that customer s business. The consolidation of purchasing power through buyer cooperatives or similar organizations may also harm our profitability.

We may lose business to other forms of packaging or to our competitors in the PET industry.

Competition from producers of other forms of packaging and our competitors within the PET industry may cause our customers to purchase other types of packaging or to purchase PET containers from our competitors, which may reduce our net sales and profitability. PET containers compete in the packaging market with other plastic containers, glass bottles, metal cans, paperboard cartons and other materials. Changes in the relative cost and quality of other packaging materials may reduce the market for PET containers. In addition, competition within the PET industry is intense and various factors have increased pricing pressure. Some of our competitors have greater financial, technical and marketing resources than we do. Our current or potential competitors may offer products at a lower cost or products that are superior to ours. In addition, our competitors may be more

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effective and efficient in integrating new technologies. Although we typically sell to our customers pursuant to contracts with terms of two to five years, many of our contracts (and typically our most significant contracts) provide that our customers may purchase from an alternative source if we cannot provide products that are of similar quality at an equivalent price. If we lower prices in response to such provisions or if we lose a significant amount of business from one or more customers, our net sales and profitability may decline.

In addition to competition with other independent suppliers of PET packaging, some of our potential customers produce their own PET containers. Coca-Cola, one of the largest end-users of conventional PET containers in the United States, self-manufactures its own PET preforms and blows its own bottles. Some of our customers have developed in-house preform production and bottle blowing capacity, and we believe that such in-house capabilities will continue to be developed in the future. This may reduce our sales and our profitability.

If we do not have adequate funds to meet our capital needs, our business may be impaired and our profitability reduced.

If we do not have adequate funds to make our capital expenditures or if the expected benefits of capital expenditures are not achieved, our business may be impaired and our profitability reduced. Our business is capital intensive, and our equipment is currently operating at near full capacity. We expect to have substantial capital needs in the near future for capacity expansion. If we do not have funds available to satisfy our capital expenditure requirements, we may not be able to pursue our strategy for profitable growth. We cannot be certain that our capital needs will not be larger than expected. We also cannot be certain that the expected benefits of any capital expenditures will be achieved.

We use large quantities of resin in manufacturing our products so that increases in the price of resin may negatively impact our financial results and may deter the growth of the PET market.

We use large quantities of plastic resin in manufacturing our products and increases in the price of resin may increase our cost of products sold, reduce our profitability and reduce our prospects for growth. Resin is the principal raw material used in the manufacture of our products. Resin is subject to substantial price fluctuations. Resin is a petrochemical product and resin prices may fluctuate with prices in the worldwide oil and gas markets. Political or economic events in oil or gas producing countries, such as those in the Middle East, may impact the price of resin. We generally do not have long-term supply contracts with our resin suppliers and are therefore subject to the risk of fluctuations in the price of resin. Although substantially all of our business is under contracts that permit us to pass changes in the price of resin through to our customers, market conditions may not permit us to fully pass through any future resin price increases or may force us to grant other concessions to customers. Significant increases in resin prices, coupled with an inability to promptly pass such increases on to customers, may increase our cost of products sold and reduce our profitability. A sustained increase in the price of resin may slow the rate of conversion of alternative packaging materials, such as glass and metal, to PET, or may make these alternative packaging materials more attractive than PET. A sustained increase in the price of resin may also result in an increased price to consumers, which may affect consumer preference for PET packaging. If these factors reduce the demand for PET packaging, it may significantly reduce our prospects for growth. In addition, an industry index that monitors PET resin price movement and which is used for the resin pass-through mechanisms of our customer agreements representing approximately 25% of our net sales made a significant non-market adjustment in its January 2005 report to reset their index basis. Because this adjustment does not reflect changes in current resin costs, we believe it should not result in a decrease in our resin prices as reflected in the pass-through provisions in our customer contracts that use this index. Accordingly, we have not passed through this decrease to our customers. One such customer, Mott s Inc., began reducing its payments to us to give effect to the non-market adjustment. We have commenced legal action against Mott s and Mott s has filed a counterclaim. See Our Business Legal Proceedings. To the extent we are required to give effect to the non-market adjustment, our sales and margins will be affected insofar as our resin costs will not have decreased correspondingly.

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PepsiCo may exercise its right to supply us with an increasing amount of resin, which may reduce our ability to negotiate favorable resin purchase contracts.

PepsiCo currently supplies us with a portion of our resin requirements for manufacturing PepsiCo containers. PepsiCo has the right to supply us with an increasing amount of resin, which may reduce our profitability. Because we are a large purchaser of resin, we enjoy significant leverage in negotiating resin purchase agreements. To the extent that PepsiCo exercises its right to supply us with an increasing amount of resin, the amount of resin that we purchase will decline and we may lose some of our leverage in negotiating resin purchase agreements. If we have to pay higher prices for resin, our costs will increase and we may not be able to offer our customers pricing terms as favorable as those we offer now or as favorable as those offered by our competitors.

Any failure to obtain resin on a timely basis or any significant interruptions in the supply of resin could prevent us from supplying our customers on a timely basis and disrupt our operations.

If our suppliers are unable to meet our requirements for resin, it may prevent us from manufacturing our products. Our suppliers may not continue to provide resin to us at attractive prices, or at all, and we may not be able to obtain resin in the future from these or other suppliers on the scale and within the time frames we require. Any failure to obtain resin on a timely basis at an affordable cost, or any significant delays or interruptions of supply, could prevent us from supplying our customers on a timely basis.

Expansion of our operations might place a significant strain on our suppliers, some of whom have limited resources and production capacity. Certain of our suppliers, in turn, may rely on sole or limited sources of supply for components included in the resin that they sell to us. Failure of our suppliers to adjust to meet such increasing demand may prevent them from continuing to supply resin in the quantities and at the quality and the times required by us, or at all. In addition, we expect that the European PET market will be a net importer of resin in the near term. If we are unable to obtain all of our resin from domestic producers, we may have to import resin. Imports may be subject to tariffs and other added costs and may be subject to greater risk of supply disruption owing to shipping distances, reliability of suppliers and other factors.

We depend on a small number of suppliers for some of the manufacturing equipment that we would need to expand.

Our business relies on specialized manufacturing equipment that is produced by a small number of suppliers. If any of these suppliers increases its prices significantly, goes out of business or is otherwise unable to meet our requirements for necessary equipment, we may be unable to expand our operations. This may significantly reduce our prospects for growth.

We earn a significant portion of our revenue in warmer months, and cool summer weather may result in lower sales.

Unseasonably cool weather during a summer could reduce our sales and profitability. A significant portion of our revenue is attributable to the sale of beverage containers. Demand for beverages tends to peak during the summer months. In the past, significant changes in summer weather conditions have affected the demand for beverages, which in turn affects the demand for beverage containers manufactured by us.

A small number of stockholders are in a position to influence most of our significant corporate actions because they hold a significant amount of our common stock.

As of June 30, 2005, Nader Tavakoli, EagleRock Capital Management, L.L.C., Wells Fargo & Company, Crown Cork & Seal Company, Inc., David J. Greene and Company, LLC, Citadel Limited Partnership and/or their respective affiliates had publicly reported the ownership of an aggregate of 7,884,112 shares, or approximately 62.8%, of our common stock. Mr. Tavakoli and EagleRock Capital Management, L.L.C. recently reported the ownership of approximately 24.2% of our common stock on a Schedule 13D. These entities, acting alone or in concert, may be able to influence the outcome of corporate actions requiring stockholder approval. As a result, these entities are in a position to influence most of our significant corporate actions.

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We are subject to foreign currency risk and other instabilities from our international operations.

For the year ended December 31, 2004 and the three months ended March 31, 2005 we derived approximately 26% and 23%, respectively, of our revenue from sales in foreign currencies. In our financial statements, we translate local currency financial results into United States dollars based on average exchange rates prevailing during a reporting period. Our most significant foreign currency exposures are to the British pound and the Euro. During times of a strengthening United States dollar, our reported international revenue and earnings will be reduced because the local currency will translate into fewer United States dollars. In addition, we may face restrictions on our ability to repatriate funds from our international operations.

As a result of our international operations, we are also subject to risks associated with operating in foreign countries, including changes in governmental policies and regulations, war, acts of terrorism and other sources of instability. We are also at risk for acts of terrorism in the United States. These risks may negatively impact our financial condition and results of operations.

Higher energy costs or frequent or sustained power interruptions may increase our operating costs and limit our ability to supply our customers.

Electrical power is vital to our operations, and we rely on a continuous power supply to conduct our business. If energy costs substantially increase in the future, we could experience a significant increase in operating costs. In addition, we have experienced power interruptions at our manufacturing facilities, particularly during severe weather conditions. Frequent or sustained power interruptions, particularly at our larger manufacturing facilities, may limit our ability to supply our customers and negatively impact our business.

We are exposed to the risk of liabilities or claims related to environmental and health and safety standards.

Our facilities and operations are subject to federal, state, local and foreign environmental and employee health and safety laws and regulations, including those regarding the use, storage, handling, generation, transportation, treatment, emission and disposal of certain substances and remediation of environmental impacts to soil and groundwater. The nature of our operations exposes us to the risk of liabilities or claims with respect to environmental and worker health and safety matters.

Currently, we are involved in a small number of compliance and remediation efforts primarily concerning wastewater discharge and possible soil and groundwater contamination, including investigations and certain other activities at our Didam, Netherlands facility. Based on information presently available, we do not believe that the cost of these efforts will be material. However, environmental and health and safety matters cannot be predicted with certainty, and actual costs may increase materially.

We face product liability risks and the risk of negative publicity if our products fail or if our customers and suppliers are affected by product liability risks or negative publicity.

Our business is exposed to products liability risk and the risk of negative publicity if our products fail. Although we maintain insurance for products liability claims, the amount and scope of our insurance may not be adequate to cover a products liability claim that is successfully asserted against us. Our products liability insurance does not cover product recall costs. In addition, products liability insurance could become more expensive and difficult to maintain and, in the future, may not be available on commercially reasonable terms or at all.

In addition, we are exposed to the products liability risk and negative publicity affecting our customers and suppliers. Because many of our customers are food, beverage and other consumer products companies, with their own products liability risks, our sales may decline if any of our customers are sued on a products liability claim. We may also suffer a decline in sales from the negative publicity associated with such a lawsuit or with adverse public perceptions in general regarding our products or our customers products that use our containers.

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Our operations and profitability could suffer if we experience labor relations problems or if we do not reach new union agreements on satisfactory terms.

A prolonged work stoppage or strike could prevent us from operating our manufacturing facilities. The contract with our union employees in our Didam, Netherlands facility expires on September 30, 2005 (with certain pension issues open pending the issuance of regulations by the Dutch government). The contract with our union employees in our Sherburn, England facility expires on December 31, 2005. We believe that our employee relations are good and that we will be able to reach new agreements on satisfactory terms. However, we may not be able to reach new agreements without a work stoppage or strike and any new agreements that are reached may not be reached on terms satisfactory to us.

We have a significant amount of goodwill and may be required to write down goodwill in certain circumstances, which would result in lower reported net income (or higher net losses) and a reduction of our net worth.

We have a significant amount of goodwill and a writedown of our goodwill would reduce our net worth and would reduce our net income or increase our net loss. At December 31, 2004 and March 31, 2005 we had $148.8 million of goodwill. In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets. We adopted this standard on January 1, 2002 and recorded a charge for the cumulative effect of a change in accounting of $50.1 million. Under the new standard, we will no longer amortize goodwill reflected on our balance sheet. We are, however, required to evaluate goodwill reflected on our balance sheet to determine whether the goodwill is impaired under the guidelines of the standard. Accordingly, we will need to test the value of our goodwill for impairment at least annually and, under certain circumstances, recognize an impairment charge.

One circumstance that may indicate the need for an immediate impairment review would be if our book value was in excess of our market capitalization. This could occur at any time after the completion of this offering. If we recognize an impairment charge, our net worth will be reduced. In the second quarter of 2003, we recognized an impairment charge of $183.0 million partly as a result of a decline in our market capitalization.

We may not be able to accurately report our financial results or prevent fraud if we fail to maintain an effective system of internal controls.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. We must annually evaluate our internal procedures to satisfy the requirements of the Sarbanes-Oxley Act of 2002, which requires management and our auditors to evaluate and assess the effectiveness of our internal controls. If we fail to remedy or maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we could be subject to regulatory scrutiny, civil or criminal penalties or shareholder litigation. In addition, failure to maintain adequate internal controls could result in financial statements that do not accurately reflect our financial condition. We might not be able to complete the work necessary to fully comply with the requirements of the Sarbanes-Oxley Act. Our auditors might not complete their review and assessment of our internal controls in a timely manner. Finally, our management and our auditors might not conclude that our internal controls are effective.

We are subject to lawsuits and claims that could adversely affect our results of operations and financial position.

We are subject to lawsuits and claims in the normal course of business and related to businesses operated by predecessor corporations. For example, we are a defendant in a lawsuit by former and current employees of our Orlando, Florida facility seeking unspecified monetary damages alleging bodily injury as a result of exposure to off-gasses from polyvinyl chloride (PVC) during the manufacture of plastic bottles. On May 5, 2005 the court denied Constar s motion for summary judgment, which was brought as to one of the plaintiffs. In addition, we and certain of our present and former directors, along with Crown, as well as various underwriters, have been named as defendants in a consolidated putative securities class action lawsuit alleging that the registration statement and prospectus for our initial public offering of our common stock on November 14, 2002 contained material misrepresentations and/or omissions. The court denied our motions to dismiss for failure to state a claim upon which relief may be granted on June 7, 2005 and our answer is due to be filed on July 25, 2005. We believe that these lawsuits and claims are without merit. However, litigation can be costly and time-consuming and the outcomes of lawsuits cannot be predicted. A significant judgment in these or any other lawsuits could materially and adversely impact our results of operations and financial position. See Our Business Legal Proceedings.

Risks Related to Our Relationship with Crown

If we lose the benefit of our agreements with Crown, the costs of the services we receive may increase.

We were a wholly-owned subsidiary of Crown until Crown sold most of our equity in a November 2002 public offering. At the time of such offering, we entered into a number of transitional arrangements and other contractual agreements with Crown that were made in the context of a parent-subsidiary relationship and negotiated in the overall context of such offering. As a result, these agreements are not on arm s length terms and are not representative of the terms that we might have reached with unaffiliated third parties or of the terms of future agreements that we may enter into with unaffiliated third parties. As a result of a material breach relating to us, Crown may cease to provide these services.

As the corporate services provided by Crown decrease and as we develop internal information technology and other services, our business may be disrupted.

We were formerly a wholly owned subsidiary of Crown and received information technology and other corporate services from Crown. Following Crown s sales of our equity in November 2002, Crown continued to provide services to us pursuant to contracts between Crown and us. The types of services provided by Crown have since decreased and are expected to continue to decrease as we develop and enhance our own corporate service capabilities over time. The development and implementation of these capabilities may divert management s attention and involve significant costs. We expect the development of our own information technology systems to be particularly demanding. Our business may be disrupted as we continue the transition to internal corporate services.

We could be liable for Crown s pension obligations if the Crown pension plans are terminated and it is determined that the principal purpose of Crown s sale of our equity was to evade pension liability.

Under certain circumstances we may be liable for Crown s pension obligations. The Crown pension plans are subject to the Employee Retirement Income Security Act of 1974, or ERISA, and if all Crown pension plans terminated as of December 31, 2003, they would have been underfunded on a termination basis by approximately $760 million. Under ERISA, the Pension Benefit Guaranty Corporation, or PBGC, has the authority to terminate an underfunded plan under certain circumstances. If the Crown pension plans are terminated within five years of the November 20, 2002 closing of Crown s public sales of our equity, the PBGC may bring a claim under ERISA to hold us liable for the Crown plans underfunding if it is determined that a principal purpose of such sales was to evade pension liability. We do not believe that is the case. Because Crown used its proceeds from such sales to pay a portion of its debt, we believe it is unlikely that we would be liable for any such claim, but we may not prevail. The actual amount for which we may become liable in the future depends on the future funding status of Crown s pension plans. In any case, if any of these claims are brought against us in the future, they may be costly to defend and they may reduce our liquidity.

We could be liable for income taxes owed by Crown for the period prior to Crown s sale of our equity.

Prior to Crown s sales of our equity in November 2002, our tax results were consolidated with those of Crown and its United States subsidiaries, and we could be liable for income taxes owed by Crown for those years. Since November 20, 2002, we have not been part of the federal consolidated group or any state combined or consolidated group including Crown and its United States subsidiaries. However, with respect to the years during which we were part of this consolidated group, we are severally liable for the federal income tax liability of each other member of the Crown consolidated group. We could also be jointly and severally liable for state tax liabilities of each other member of a combined or consolidated group for state tax purposes for the years that included us or any of our subsidiaries and Crown or any of its subsidiaries. Certain of our non-United States subsidiaries were also part of a combined tax group including subsidiaries of Crown. We could similarly be liable for foreign taxes of each other member of such a combined tax group for years that our non-United States subsidiaries were included in a combined tax group. Consequently, the Internal Revenue Service or other taxing authority may seek payment of any of the foregoing taxes from us. Disputes or assessments could arise during future audits by the Internal Revenue Service or other taxing authorities in amounts that we cannot quantify.

Crown s creditors may issue claims against us if Crown is unable to meet its financial obligations, including obligations to its lenders, pension plan obligations and payments to settle asbestos-related claims.

If Crown is unable to meet its own financial obligations, including obligations to its lenders, pension plan obligations and payments to settle asbestos-related claims, Crown s creditors may try to bring their claims for payment against us. If these claims are successful, they may result in significant liabilities to us. Crown is highly leveraged and, as of December 31, 2004 and March 31, 2005, the aggregate amount of its outstanding indebtedness was approximately $3.9 billion and $4.0 billion, respectively. A significant portion of Crown s operating cash flow is used for the payment of principal and interest, funding pension plan obligations and for payments to settle asbestos-related claims brought against Crown. Crown may not be able to access the capital markets in the future, or successfully repay, refinance or restructure its debt. No claims have been asserted against us by Crown s own creditors, and asbestos-related claims against Crown have not involved our business. While we believe it is unlikely that our historical relationship with Crown would result in liability for claims by Crown s creditors, we may not prevail in such a claim. In any case, if any of these claims are brought against us in the future, they may be costly to defend and they may reduce our cash flow. We may also have joint liability with Crown for certain taxes, pension obligations and other similar statutory obligations, as discussed in the two immediately preceding risk factors.

Two of our directors may have conflicts of interest because of their positions with Crown.

One of our directors, Frank J. Mechura, is an executive officer of Crown. Another of our directors, William G. Little, is a director of Crown. Mr. Mechura and Mr. Little owe fiduciary duties to the stockholders of each company and may have conflicts of interest in matters involving or affecting us and Crown. Under our certificate of incorporation and the corporate agreement between us and Crown, we have renounced any interests or expectation in being offered any business opportunity presented to Crown or any of its affiliates. In the event that one of our directors who is also a director, officer or employee of Crown or any of its affiliates acquires knowledge of a potential transaction or matter which may be a corporate opportunity for us, that director will have no duty to communicate or present the corporate opportunity to us. In addition, that director may communicate or present the corporate opportunity to Crown or any of its affiliates and will not be liable to us or our stockholders for breach of any fiduciary duty as one of our directors by reason of the fact that Crown or any of its affiliates pursues or acquires the corporate opportunity for itself, directs the corporate opportunity to another person or does not communicate information regarding such corporate opportunity to us.

If any transfers of assets to us in connection with Crown s sale of our equity are deemed to be fraudulent conveyances by Crown, we may be required to return the assets to Crown.

If any transfers of assets to us by Crown in connection with Crown s November 2002 sales of our equity are found to be fraudulent conveyances, we may be required to return the assets to Crown or may be held liable to Crown or its creditors for damages alleged to have resulted from the conveyances. In connection with such sales Crown transferred to us various assets, including intellectual property, and equity interests in certain

Crown affiliates. A court could hold a transfer to be a fraudulent conveyance if Crown received less than reasonably

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equivalent value and Crown was insolvent at the time of the transfer, was rendered insolvent by the transfer or was left with unreasonably small capital to engage in its business. A transfer may also be held to be a fraudulent conveyance if it was made to hinder, delay or defraud creditors. We believe that Crown received reasonably equivalent value and that Crown did not act to hinder, delay or defraud creditors, and we therefore do not believe that any of the transfers to us by Crown in connection with such sales constituted a fraudulent conveyance even if Crown were later determined to have been rendered insolvent or left with unreasonably small capital. However, a court applying the relevant legal standards may not reach the same conclusion. In the case of *In re W.R. Grace & Co.*, the federal bankruptcy court for the District of Delaware held that under the Uniform Fraudulent Transfer Act, whether a transferor is rendered insolvent by a transfer depends on the actual liabilities of the transferor, and not what the transferor knows about such liabilities at the time of the transfer. Therefore, under that court s analysis, liabilities that are unknown, or that are known to exist but whose magnitude is not fully appreciated at the time of the transfer, may be taken into account in the context of a future determination of insolvency. If the principle articulated by that court is upheld, it would make it very difficult to know whether a transferor is solvent at the time of transfer, and would increase the risk that a transfer may in the future be found to be a fraudulent conveyance.

Risks Related to the New Notes

The value realized on the collateral securing the new notes will depend on market conditions, the availability of buyers and other factors and may be insufficient to pay all amounts owed under the new notes upon an event of default.

No appraisals of any collateral were prepared in connection with the sale of the old notes or the exchange offer. As of March 31, 2005, the book value of the assets securing the notes was approximately $176.0 million. In the event of a foreclosure or liquidation of the collateral securing the new notes, the value realized on the collateral will depend on market conditions, the availability of buyers and other factors. The proceeds from the sale of the collateral (after payment of expenses of the sale and satisfaction of other liens on the collateral that might, under applicable law or as otherwise permitted by the indenture governing the new notes, rank prior to the lien on the collateral in favor of the trustee under the indenture governing the new notes) may not be sufficient to repay noteholders all amounts owed under the indenture and the new notes, and we may not be able to continue to operate our business. If these proceeds are insufficient to repay amounts owed under the indenture and the new notes, then holders of the new notes would have a general senior unsecured claim against our remaining assets and the assets of our subsidiary guarantors, which would be effectively subordinated to secured debt to the extent of the value of the collateral securing such secured debt. The collateral is, by its nature, illiquid, and, therefore, may not be able to be sold in a short period of time or at all. Moreover, the intercreditor agreement between the trustee and the collateral agent under our new credit facility limits the ability of the trustee to cause a sale of the collateral securing the notes for a period of time immediately following an event of default. A significant portion of the collateral, including the real property portion thereof, includes assets that may only be usable as part of the existing operating business. Accordingly, any such sale of the collateral, including the real property portion thereof, separate from the sale of the operating business, as a whole, may not be feasible or yield any value. In addition, the collateral is located in two countries and the multi-jurisdictional nature of any foreclosure may limit the value of the collateral. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. In addition, in actions brought in countries outside of the United States, courts may choose to apply their own law rather than the law of the State of New York, which governs the indenture, the new notes and the new note guarantees. The application of foreign law may limit your ability to enforce your rights under the new notes, the new note guarantees and the security documents. Also, in certain limited circumstances, third parties may be able to obtain liens on the collateral securing the new notes that rank prior to the lien on the collateral in favor of the trustee under the indenture governing the new notes. Moreover, to the extent that third parties enjoy liens on collateral permitted under the indenture, such third parties will have rights and remedies with respect to such collateral that, if exercised, could adversely affect the remaining value of your collateral.

The indenture governing the new notes also permits us to designate one or more of our restricted subsidiaries as an unrestricted subsidiary. If we designate an unrestricted subsidiary, all of the liens on any

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collateral owned by the unrestricted subsidiary or any of its subsidiaries and any guarantees of the new notes by the unrestricted subsidiary or any or its subsidiaries will be released under the indenture. Designation of an unrestricted subsidiary will reduce the aggregate value of the collateral to the extent that liens on the assets of the unrestricted subsidiary and its subsidiaries are released and the new notes will be structurally subordinated to the debt and other obligations of the unrestricted subsidiary and its subsidiaries. This may materially reduce, or completely eliminate, the collateral available to secure the new notes.

In the event of bankruptcy, the ability of the trustee to foreclose on the collateral may be limited.

United States

If a bankruptcy proceeding were to be commenced under the federal bankruptcy laws by or against us or any other U.S. guarantor, it is likely that delays will occur in any payment upon acceleration of the new notes and in enforcing remedies under the related indenture, including with respect to the liens securing the new notes and the new note guarantees, because of specific provisions of such laws or by a court applying general principles of equity. Provisions under federal bankruptcy laws or general principles of equity that could result in the impairment of your rights include, but are not limited to:

- the automatic stay;
- avoidance of preferential transfers by a trustee or debtor-in-possession;
- substantive consolidation;
- limitations on collectability of unmatured interest or attorney fees;
- fraudulent conveyance; and
- forced restructuring of the new notes, including reduction of principal amounts and interest rates and extension of maturity dates, over the holders objections.

The right of the trustee to repossess and dispose of, or otherwise exercise remedies in respect of, the collateral securing the new notes upon the occurrence of an event of default may be significantly impaired by applicable bankruptcy law if a bankruptcy proceeding were to be commenced by or against us or a guarantor, if any, prior to the collateral agent having repossessed and disposed of, or otherwise exercised remedies in respect of, the collateral. Under applicable federal bankruptcy laws, a secured creditor such as the trustee is prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from such debtor, without bankruptcy court approval. Moreover, applicable federal bankruptcy laws generally permit the debtor to continue to retain and to use collateral even though the debtor is in default under the applicable debt instruments if the secured creditor is given adequate protection. The meaning of the term adequate protection may vary according to circumstances, but it is intended in general to protect the value of the secured creditor s interest in the collateral and may include cash payments or the granting of additional security, if and at such times as the court in its discretion determines, for any diminution in the value of the collateral as a result of the stay of repossession or disposition or any use of the collateral by the debtor during the pendency of the bankruptcy case. In view of the lack of a precise definition of the term adequate protection and the broad discretionary powers of a bankruptcy court, it is impossible to predict how long payments with respect to the new notes could be delayed following commencement of a bankruptcy case, whether or when the collateral agent could repossess or dispose of the collateral or whether or to what extent holders of the new notes would be compensated for any delay in payment or loss of value of the collateral through the requirement of adequate protection. Furthermore, in the event the bankruptcy court determines the value of the collateral is not sufficient to repay all amounts due on the new notes, the holders of the new notes would hold undersecured claims. Applicable federal bankruptcy laws do not permit the payment and/or accrual of interest, costs and attorney s fees for undersecured claims during the debtor s bankruptcy case.

England and Wales

Under English law, if Constar International U.K. Limited or any other future guarantor incorporated in England or Wales were to go into liquidation, the maximum amount that the holders of the new notes would be

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able to recover from the assets of such company is the principal amount of the new notes and any interest on the new notes accruing up to the date of liquidation. The holders of the new notes will not be able to recover any interest payable under the new notes after Constar International U.K. Limited or such other future guarantor incorporated in England or Wales goes into liquidation, unless there is a surplus remaining after payment of all our other debts.

Upon liquidation, the order of priorities is such that debts due to any holder of a fixed charge (i.e., a security interest over a specific asset identified at the time of the creation of such security interest) are paid first to the extent that they are secured by that charge. Then preferential debts will be paid. Such debts may include:

- amounts owed in respect of occupational pension obligations; and

- certain amounts owed to employees.

Then, and only in respect of floating charges (i.e., a security interest over a class of assets changing over time in the ordinary course of business) created after September 15, 2003, a ring-fenced fund is created for unsecured creditors out of a proportion of the net floating charge proceeds, subject to a maximum amount of £600,000. No ring-fenced fund is created out of the net floating charge proceeds in respect of a floating charge created prior to September 15, 2003.

Then the debt owing to any holder of a floating charge will be paid to the extent that it is secured by that charge. Unsecured debts, which are not preferential debts, are paid after those prior liabilities.

The costs and expenses of an administrator are charged on and payable out of property (including those assets secured by the fixed charge) which he has control or custody of immediately prior to the termination of the administration and are payable in priority to any debts owing to a holder of a floating charge. The costs and expenses of a liquidator rank as an unsecured debt.

Your rights to certain collateral may be subordinate to the lenders under our new credit facility because the new notes are not secured by all of our assets.

Our obligations under our new credit facility are secured by liens on significant assets of ours that are not included in the collateral for the new notes. Accordingly, the new notes will be effectively subordinated to our new credit facility with respect to the collateral securing the facility to the extent of the value of such collateral. See Description of Notes Collateral.

We are permitted to sell assets constituting collateral subject to certain limitations and to sell the capital stock of our guarantor subsidiaries.

If we sell assets, including assets that constitute collateral, our obligations to the holders of the new notes are limited as described under Description of Notes Certain Covenants Limitation on Asset Sales. In addition, if collateral is damaged, destroyed or we otherwise suffer a loss of collateral, we are not obligated to replace or repair the lost or damaged collateral. The indenture permits us to offer to repurchase new notes with proceeds of the loss or damage, subject to certain limitations. See Description of Notes Certain Covenants Event of Loss. Furthermore, if we sell the capital stock of a guarantor such that the guarantor is no longer a direct or indirect subsidiary of us, the note guarantee of such guarantor will be released. See Description of Notes Note Guarantees.

Rights of holders of the new notes in the collateral may be adversely affected by the failure to create or perfect security interests in certain collateral on a timely basis or at all and by certain rights held by landlords.

We were obligated to use our commercially reasonable efforts to obtain consents from each of the landlords for the leased properties described in Description of Notes Collateral in order to record mortgages and obtain

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related rights (such as fixture filings and access agreements) in respect of such leased properties. However, most of these landlords had the right to withhold consent to such filings and related agreements. All of the landlords (except for one in which case the lease did not require the landlord s consent for a mortgage) have refused to grant such consent to record a mortgage although many have agreed to enter into subordination agreements concerning the collateral. If a landlord does not consent to the filing of a leasehold mortgage and related rights associated with fixture filings and access agreements, such leased properties would not constitute collateral and no default or event of default will occur under the indenture governing the new notes if we have exercised our commercially reasonable efforts to obtain such consents. Additionally, collateral consisting of equipment that has been attached to the leased real estate may be claimed by the landlord to have become building fixtures and therefore the landlord s property, as building fixtures, and creditors of the landlord may be entitled to make claims against such assets. A determination of when equipment becomes the landlord s property as building fixtures is subject to interpretation under the terms of the applicable lease agreement and local law and the outcome of any such dispute could vary depending on the applicable jurisdiction. To the extent a landlord, creditor or other third party prevails in claiming that equipment has become building fixtures, such fixtures would not constitute collateral and noteholders may not be able to recover the value of that equipment.

If we or a note guarantor are in default under a real property lease, even if our ownership of the equipment is undisputed, the landlord may assert rights of liens against or possession of the collateral because it is the tenant s property. A determination of what constitutes landlord liens and whether they are prior in right to the rights of the holders of the new notes is subject to interpretation under the terms of the applicable lease agreement, local statutes and local case law and the outcome could vary depending on the applicable jurisdiction. To the extent a landlord prevailed in asserting a senior lien against, or possessing, the equipment, holders of the new notes may not be able to recover the full value of such assets, if at all. Any such events could also, among other things, adversely affect the value of the collateral, adversely impact the holders ability to realize upon the collateral and/or increase the costs associated with enforcing rights in the collateral.

Under the indenture governing the new notes, we are allowed to issue an unlimited amount of additional notes (assuming we comply with certain covenants), which may result in the value of the collateral being insufficient to pay all amounts owed under notes and additional notes upon an event of default.

Our obligation to make payments on the new notes will be secured only by the collateral described in this prospectus under Description of Notes Collateral. In addition, the collateral securing the new notes will be shared by any old notes not exchanged pursuant to the exchange offer and any additional notes issued under the indenture governing the new notes, which may be in an unlimited amount so long as we meet the requirements of the covenants limiting our incurrence of debt and other certain requirements under the indentures governing the notes and our senior subordinated notes and under our new credit facility. Although we are required to apply 100% of the net proceeds from the issuance of additional notes towards the purchase, improvement or refinancing of collateral, the issuance of additional notes could result in the collateral being insufficient to pay all amounts owed under the notes and those additional notes. See Description of Notes Additional Notes and Certain Covenants Limitation on Incurrence of Additional Indebtedness.

Holders of our notes will be subordinated to the claims of creditors of non-guarantor subsidiaries with respect to the assets and earnings of such subsidiaries.

None of our existing or future foreign subsidiaries (other than our current and future United Kingdom restricted subsidiaries) will guarantee the new notes. Claims of creditors of any subsidiaries that do not guarantee the new notes, including trade creditors and creditors holding indebtedness and guarantees issued by such subsidiaries, will generally have priority with respect to the assets and earnings of such subsidiaries over our claims or those of our creditors, including you. At December 31, 2004 and March 31, 2005, our non-guarantor subsidiaries had approximately $20.3 million and $30.4 million, respectively, of liabilities (excluding $3.5 million and $3.9 million, respectively, of liabilities to us and the guarantors). We and our guarantor subsidiaries owned approximately 91.6% and 90.7% of our total consolidated assets (excluding intercompany receivables from our non-guarantor subsidiaries) at December 31, 2004 and March 31, 2005, respectively, and generated approximately 88.5% and 89.7% of our net sales for the year ended December 31, 2004 and the three months ended March 31, 2005, respectively.

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If the new notes, the new note guarantees or the granting of the collateral securing the new notes and the new note guarantees are held to be invalid or unenforceable due to fraudulent conveyance statutes, the notes would be structurally subordinated to the debt of our subsidiaries.

United States

Under U.S. federal bankruptcy law and comparable provisions of state fraudulent conveyance laws, a court could find that a new note or a new note guarantee or the granting of the collateral securing the new notes and the new note guarantees is unenforceable or that claims under the new note or the new note guarantee or with respect to such collateral may be subordinated to all other debts of that guarantor if the guarantee would constitute a fraudulent conveyance under applicable law. If a court were to void the new note guarantees, you would not have a claim against the guarantors. A court could also void any payments the guarantors made to you and require that you return the payments to the guarantors. By its terms, the new note guarantee of each subsidiary guarantor will limit the liability of each such guarantor to the maximum amount it can pay without the new note guarantee being deemed a fraudulent conveyance.

Based upon financial and other information currently available, we do not believe that the new note guarantees will constitute fraudulent conveyances because we believe that the new note guarantees are being incurred for proper purposes and that each guarantor is solvent, will have sufficient capital for its business and will be able to pay its debts as they mature. However, there is uncertainty regarding the standards a court would apply in determining whether the new note guarantees are voidable under U.S. bankruptcy law or constitute a fraudulent conveyance, and a court may not agree with our conclusions about the guarantors.

England and Wales

Under English insolvency law, a liquidator or administrator of a company has certain powers to challenge transactions entered into by a company if the company is insolvent (as defined in the UK Insolvency Act 1986) at the time of the transaction or if the company becomes insolvent as a result of the transaction and the transaction takes place up to two years prior to the administration or liquidation. A transaction might be challenged in this way if it involved a gift by the company or the company received significantly less value than it gave in return. A court generally will not intervene, however, if the company entered into the transaction in good faith for the purposes of carrying on its business and, if, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company. We cannot be sure that the guaranteeing of the new notes by Constar International U.K. Limited or any future guarantor incorporated in England or Wales and the granting of the security document by Constar International U.K. Limited in order to secure such guarantor s obligations thereunder will not be challenged by a liquidator or administrator or that a court would hold the transaction as valid.

We may not be able to satisfy our obligations to the holders of the new notes upon a change of control.

If we experience certain changes of control, you will have the right to require us to purchase your new notes at a purchase price equal to 101% of the principal amount of your new notes, plus accrued and unpaid interest. In such circumstances, we may also be required to repay our other outstanding debts. In addition, our new credit facility contains restrictions on our ability to repurchase the new notes and/or repay our other outstanding debts. Consequently, we may need to obtain consents in order to repurchase the new notes and/or repay our other outstanding debts. If we cannot repay our debts or obtain the needed consents, we may be unable to repurchase the new notes and repay our other outstanding debts. This would be an event of default under the indenture. Upon a change of control, we may not have sufficient funds to make any required payments, including purchases of the new notes, as described above. See Description of Notes Change of Control.

Your right to require us to redeem the new notes is limited.

The holders of new notes have limited rights to require us to purchase or redeem the new notes in the event of a takeover, recapitalization or similar restructuring. Consequently, the change of control provisions of the

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indenture will not afford any protection in a highly leveraged transaction, including a transaction initiated by us, if the transaction does not result in a change of control or otherwise result in the event of default under the indenture. Accordingly, the change of control provisions are likely to be of limited usefulness in such situations.

Risks Related to the Exchange Offer

You may be unable to sell your new notes at the price you desire or at all if an active trading market for the notes does not develop.

The old notes are currently eligible for trading in the PORTAL Market, a screen-based market operated by the National Association of Securities Dealers. The PORTAL Market is limited to qualified institutional buyers as defined by Rule 144A of the Securities Act. The new notes are new securities for which there is no established trading market. We do not intend to apply for listing or quotation of the new notes on any securities exchange or stock market. Citigroup Global Markets Inc. and Credit Suisse First Boston LLC acted as initial purchasers in connection with the offers and sales of the old notes. The initial purchasers have informed us that they intend to make a market in the new notes. However, the initial purchasers are not obligated to do so and they may cease market-making at any time. If an active trading market for the new notes does not develop, the liquidity and value of the new notes could be harmed and you may be unable to sell your new notes at the price you desire or may not be able to sell them at all.

Even if a public market for the new notes develops, trading prices will depend on many factors, including prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the new notes. Declines in the market for debt securities generally may also materially and adversely affect the liquidity of the new notes, independent of our financial performance.

Failure to tender your old notes for new notes could limit your ability to resell the old notes.

We did not register the old notes under the Securities Act or any state securities laws, nor do we intend to after the exchange offer. In general, you may only offer or sell the old notes if they are registered under the Securities Act and applicable state securities laws, or offered and sold under an exemption from these requirements. If you do not exchange your old notes in the exchange offer, you will lose your right to have the old notes registered under the Securities Act, subject to certain limitations. If you continue to hold old notes after the exchange offer, you may be unable to sell the old notes.

You must comply with the exchange offer procedures in order to tender your old notes for new notes.

The new notes will be issued in exchange for the old notes only after timely receipt by the exchange agent of the old notes or a book-entry confirmation related thereto, a properly completed and executed letter of transmittal or an agent s message and all other required documentation. If you want to tender your old notes in exchange for new notes, you should allow sufficient time to ensure timely delivery. Neither we nor the exchange agent are under any duty to give you notification of defects or irregularities with respect to tenders of old notes for exchange. Old notes that are not tendered or are tendered but not accepted will, following the exchange offer, continue to be subject to the existing transfer restrictions. In addition, if you tender the old notes in the exchange offer to participate in a distribution of the new notes, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. For additional information, please refer to the sections entitled The Exchange Offer and Plan of Distribution later in this prospectus.

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FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical facts included in this prospectus, including, without limitation, statements under the captions Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Our Business and other statements located elsewhere in this prospectus or incorporated by reference in this prospectus, in each case regarding the prospects of our industry and our prospects, plans, financial position and business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as may, will, expect, intend, estimate, anticipate, believe or continue or the negatives of these terms or variations o similar terminology. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. Important factors that could cause actual results to differ materially from our expectations are disclosed in this prospectus, including in conjunction with the forward-looking statements included in this prospectus or incorporated by reference in this prospectus and under Risk Factors. These forward-looking statements speak only as of the date of this prospectus. We do not intend to update these statements unless the securities laws require us to do so.

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USE OF PROCEEDS

We will not receive any proceeds from the exchange offer. In consideration for issuing the new notes, we will receive in exchange old notes of like principal amount. The old notes surrendered in exchange for new notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the new notes will not result in any increase in our indebtedness. We have agreed to bear the expenses of the exchange offer. No underwriter is being used in connection with the exchange offer. The exchange offer is intended to satisfy our obligations under the registration rights agreement.

We used the proceeds from the sale of the old notes, together with proceeds from our new credit facility, (i) to repay amounts outstanding under our previous revolving credit facility (approximately $17.0 million), which bore interest at LIBOR plus 3.75% and was scheduled to mature in November 2007, (ii) to repay our previous term B loan (approximately $121.9 million outstanding), which bore interest at LIBOR plus 4.50% and was scheduled to mature in November 2009, (iii) repay our previous second lien term C loan (approximately $75.0 million outstanding), which bore interest at LIBOR plus 8.00% and was scheduled to mature in December 2010, (iv) to pay prepayment fees associated with the term B loan and the second lien term C loan (approximately $3.5 million), (v) to pay fees and expenses associated with our new credit facility and (vi) for general corporate purposes. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

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CAPITALIZATION

The following table shows our cash and cash equivalents and capitalization as of March 31, 2005 stated on an actual basis after giving effect to the following events that occurred during February 2005:

- the completion of the sale of the old notes and the completion of our new credit facility;
- the application of the proceeds of the sale of the old notes to pay the fees and expenses associated with the offering of the old notes and our new credit facility; and
- the application of the proceeds of the sale of the old notes to repay our previous revolving credit facility, our previous term B loan and our previous second lien term C loan and to pay the associated prepayment fees (1% on the outstanding balance of the term B loan and 3% on the outstanding balance of the second lien term C loan).

The information presented below should be read in conjunction with Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations, Description of Certain Indebtedness and our combined and consolidated financial statements, the related notes and the other financial information included elsewhere in this prospectus or incorporated by reference in this prospectus.

		As of March 31, 2005
		Actual
Cash and cash equivalents	$	14.4
Debt:		
Previous revolving credit facility	$	
Previous term B loan		
Previous second lien term C loan		
New credit facility		17.2
Senior secured floating rate notes		220.0
Senior subordinated notes		175.0
Unamortized debt discount		(2.0)
Other long-term debt		1.6
Total debt		411.8
Minority interests		2.3
Stockholders equity		2.7
Total capitalization	$	416.8

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SELECTED HISTORICAL FINANCIAL DATA

You should read the following selected combined and consolidated financial data in conjunction with our combined and consolidated financial statements, including the notes thereto, and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. The combined and consolidated statement of operations data for the years ended December 31, 2002, 2003 and 2004, and the combined and consolidated balance sheet data as of December 31, 2003 and 2004, have been derived from the combined and consolidated financial statements that have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, included elsewhere in this prospectus. The combined and consolidated statement of operations data for the years ended December 31, 2000 and 2001, and the combined and consolidated balance sheet data as of December 31, 2000, 2001 and 2002, are derived from audited financial statements, which are not included in this prospectus. The condensed consolidated statement of operations data for the three months ended March 31, 2005 and 2004, and the condensed consolidated balance sheet data as of March 31, 2005 are included in this prospectus.

Upon the completion of our initial public offering in November 2002, Crown transferred to us, and we transferred to Crown, our respective interests in certain of our affiliates. With the exception of dividends paid by our subsidiaries, the combined financial data in this prospectus gives retroactive effect to these transfers as if the transfers took place on January 1, 2000.

	Year ended December 31,					Three Months Ended March 31,	
	2000	2001	2002	2003	2004	2004	2005
	(dollars in millions)						
Combined and Consolidated Statements of Operations Data:							
Net sales	$ 711.9	$ 745.8	$ 704.3	$ 742.3	$ 844.2	$ 191.7	$ 221.3
Cost of products sold, excluding depreciation	610.2	648.7	589.2	657.9	746.7	169.4	203.6
Depreciation	56.7	56.5	55.9	55.5	51.1	12.9	11.3
Gross profit	45.0	40.6	59.2	28.9	46.4	9.4	6.4
Operating expenses:							
Selling and administrative expenses	9.1	9.1	10.8	23.0	28.1	6.3	5.3
Management charges	4.0	4.4	3.6				
Research and technology expense	12.5	13.2	12.1	5.2	5.7	1.4	1.8
Write off of deferred financing costs				0.7			10.0
Interest expense, net	13.1	10.4	7.0	34.2	39.8	10.0	9.6
Foreign exchange adjustments	0.3	0.5	0.1	(1.4)	0.1	0.0	0.2
Provision for restructuring and asset impairments	0.7	2.0		11.6	1.1		0.1
Goodwill impairment loss[(1)]				183.0			
Amortization of goodwill[(1)]	12.2	12.2					
Other expenses (income), net[(2)]	6.8	0.1	0.6	4.4	(25.0)	0.7	(0.1)
Total operating expenses	58.7	51.9	34.2	260.7	49.8	18.4	26.9
(Loss) income before taxes, minority interest and cumulative effect of a change in accounting	(13.7)	(11.3)	25.0	(231.8)	(3.4)	(9.0)	(20.5)
(Provision) benefit for income taxes	(1.0)	(2.5)	(10.2)	11.4	(3.4)	0.1	0.5
Minority interests	(0.1)	0.2	(0.1)	(0.1)		0.0	0.0
(Loss) income before cumulative effect of a change in accounting	(14.8)	(13.6)	14.7	(220.5)	(6.8)	(8.9)	(20.0)
Cumulative effect of a change in accounting for goodwill[(1)]			(50.1)				

Net loss	$ (14.8)	$ (13.6)	$ (35.4)	$ (220.5)	$ (6.8)	$ (8.9)	$ (20.0)
Weighted average shares outstanding:							
Basic	12,000	12,000	12,000	12,000	12,028	12,000	12,119
Diluted	12,000	12,000	12,002	12,000	12,028	12,000	12,119
Basic and diluted loss per common share from continuing operations	$ (1.23)	$ (1.13)	$ (2.95)	$ (18.38)	$ (0.57)	$ (0.74)	$ (1.65)

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	Year ended December 31,					Three Months Ended March 31	
	2000	2001	2002	2003	2004	2004	2005
	(dollars in millions)						
Combined and Consolidated Balance Sheet Data:							
Cash and cash equivalents	$ 3.1	$ 3.8	$ 20.9	$ 16.5	$ 9.3	$ 20.9	$ 14.3
Property plant and equipment, net	297.2	254.5	235.1	223.9	194.5	217.9	191.8
Total assets	905.9	761.7	754.6	578.3	580.3	596.1	621.1
Total debt	185.6	74.3	377.0	397.4	388.4	412.2	411.8
Stockholders equity/Owner s net investment	588.2	555.9	246.1	32.8	24.0	24.8	2.7
Other Data:							
Cash flows provided by (used in):							
Operating activities	$ 43.0	$ 126.2	$ 62.5	$ 25.0	$ 28.1	$ 2.0	$ (1.9)
Investing activities	(33.8)	(12.7)	(29.2)	(50.9)	(21.9)	(9.1)	(8.0)
Financing activities	(9.9)	(112.8)	(16.9)	20.5	(13.9)	11.4	15.2
Capital expenditures	34.9	23.5	30.0	47.1	22.2	9.1	8.6
Depreciation and amortization	68.9	68.7	55.9	57.5	53.3	13.7	11.8
Ratio of earnings to fixed charges[2]			3.3x				

(1) Effective January 1, 2002, we adopted the provisions of SFAS 142, which requires companies to cease amortizing goodwill and to review for impairment, goodwill and intangible assets deemed to have an indefinite useful life. During the second quarter of 2002, we completed our impairment review and recognized an impairment charge of $50.1 million, which is reflected as a cumulative effect of a change in accounting principle. During the second quarter of 2003, we recorded an impairment charge of $183.0 million due to the trading price of our common stock, operating results that reflected lower volumes of domestic conventional product sales, increased handling and shuttling costs and other factors.

(2) During 2004, we recognized income of $25.1 million as a result of settling a patent infringement action.

(3) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income (loss) before taxes, equity in earnings of affiliates, minority interests and cumulative effect of accounting changes plus fixed charges (exclusive of interest capitalized during the period) and amortization of interest previously capitalized. Fixed charges include interest incurred, amortization of debt issue costs and the portion of rental expense that is deemed representative of an interest factor. Earnings were insufficient to cover fixed charges by $13.7 million, $11.3 million, $231.8 million and $3.4 million for the fiscal years ending December 31, 2000, 2001, 2003 and 2004. Earnings were insufficient to cover fixed charges by $9.0 million and $20.6 million for the three months ended March 31, 2004 and 2005, respectively.

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

Overview

We are a manufacturer of PET plastic containers for food and beverages. Approximately 74% and 77%, respectively, of our 2004 and first quarter 2005 revenues were generated in the United States with the remainder attributable to our European operations. During 2004 and the first quarter of 2005, one customer accounted for approximately 30% and 31%, respectively, of our consolidated revenues, while the top ten customers accounted for an aggregate of approximately 75% and 78%, respectively, of our consolidated revenues. Approximately 80% and 78%, respectively, of our 2004 and first quarter 2005 sales relate to conventional PET containers which are primarily used for carbonated soft drinks and bottled water. These products generally carry low profit margins. Profitability is driven principally by volume and maintaining efficient manufacturing operations. In recent years, the largest growth within conventional products has come from bottled water. We believe that in the long run, profitability from bottled water may decline as economic factors force some water bottlers into self manufacturing of PET bottles and some smaller water bottlers out of business. We do not expect appreciable growth in the carbonated soft drink market in the near term.

In addition to the conventional product lines, we are also a producer of higher margin custom products that are used in such packaging applications as hot-fill beverages, food, beer and flavored alcoholic beverages, most of which require containers with special performance characteristics. Critical success factors in the custom PET market include technology, design capabilities and expertise with specialized equipment. The technology required to produce certain types of custom products is commonly available, which has resulted in increased competition and lower margins for such products.

The PET packaging industry is in a very competitive pricing environment. Although the industry s available capacity appears to be tightening, we are still encountering price competition. We expect our competitors to continue to bid aggressively when customer contracts expire. Many of our largest contracts are scheduled to expire over the next few years. Our main contract with PepsiCo expires on December 31, 2007. We believe that we will continue to face two other significant sources of pricing pressure. The first source is customer consolidation. When smaller customers combine or are acquired by larger customers or customers purchase through buying cooperatives and thereby aggregate purchasing power, the profitability of our business with the smaller customer tends to decline. In addition, as customers grow through acquisitions, they acquire more leverage in contract negotiations. The second source of pricing pressure is contractual provisions that permit customers to terminate contracts if the customer receives an offer from another manufacturer that we choose not to match. We are making efforts to remove these provisions in all new contracts and contract renewals. Thus, despite a reduction in the industry s available capacity, price declines remain a concern. We continue to focus our efforts on effective cost controls, manufacturing efficiencies and overhead reductions in an effort to offset pricing pressures.

In negotiations with certain customers for new business and the extension of current business, we have agreed to price concessions averaging approximately $6 million to $16 million for each year between 2005 and 2007, with the most significant reductions scheduled to take place in 2005. We are currently engaged in negotiations with certain customers regarding amendments to their contracts which may include price reductions in addition to the range stated above. We are currently attempting to improve our margins by improving customer and product mix, maximizing utilization rates, updating existing facilities and investing in cost reduction and efficiency improvements. If we are unsuccessful in our efforts to reduce costs and improve efficiencies, our ability to maintain our current operating margins will be adversely affected. We have been recently operating at high utilization rates; however, we do not intend to invest in additional capacity in the low margin conventional business until overall margins and prices increase to levels where acceptable returns can be achieved.

The primary raw material and component cost of our products is PET resin which is a commodity available globally. The price of PET resin is subject to frequent fluctuations as a result of oil and gas prices, overseas markets,

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PET production capacity and seasonal demand. The price of resin has been increasing dramatically due to increases in the price of petrochemical products. We are one of the largest purchasers of PET resin in North America, which we believe provides us with negotiating leverage necessary to obtain PET resin on favorable terms. However, higher resin prices may impact our sales where customers have a choice between PET and other forms of packaging.

During this period of dramatic increases in resin prices, several of our customers have had difficulty passing these costs along within their markets. As a result, there has been increased pricing pressure placed on us to absorb these increased prices. As a result, we may be faced with lost volume or demands for additional selling price reductions in the near term which would negatively impact future operating results unless we can offset these exposures with additional cost reductions or more favorable purchasing arrangements with our raw material suppliers.

Substantially all of our sales are made under contracts that allow for the pass through of changes in the price of PET resin. An industry index that monitors PET resin price movement and which is used for the resin pass-through mechanisms of customer agreements representing approximately 25% of our net sales made a significant non-market adjustment in its January 2005 report to re-set its index basis. Because this adjustment does not reflect changes in current resin costs, we believe it should not result in a decrease in its resin prices as reflected in the pass-through provisions in our customer contracts that use this index. Accordingly, we have not passed through this decrease to our customers. One such customer, Mott s Inc., began reducing its payments to us to give effect to the non-market adjustment. We have commenced legal action against Mott s and Mott s has filed a counterclaim. See Our Business Legal Proceedings. To the extent we are required to give effect to the non-market adjustment, our sales and margins will be affected insofar as our resin costs will not have decreased correspondingly.

PET bottle manufacturing is capital intensive, requiring both specialized production equipment and significant support infrastructure for power, high pressure air and resin handling. We believe that the introduction of new PET technologies has created significant opportunities for the conversion of glass containers to PET containers for bottled teas, beer, flavored alcoholic beverages and food applications. These conversion opportunities will require significant capital expenditures to obtain the appropriate production equipment. Our ability to make capital expenditures is limited by the covenants contained in our new credit facility discussed below. If we are awarded a significant volume of conversions over a short period of time, we may have to obtain waivers or amendments to these covenants.

In order to capture economies of scale, we favor large plants located within a few hours driving distance of the major markets that we service. Normally, this proximity helps us to minimize freight costs. However, in order to meet our customers requirements, we must sometimes manufacture products at a plant that is not our closest plant to the necessary delivery location. Our contracts typically would require us to bear the resulting added freight costs. These out of territory freight costs tend to peak during the second and third quarters, when our customers requirements are at their highest. In addition, any general increase in freight rates may impact our margins to the extent that our contracts do not permit us to pass the increase through to our customers.

On February 11, 2005, we completed a refinancing which consisted of the sale of $220 million of old notes and the entry into a new four-year $70 million credit facility. The proceeds, net of expenses, from the refinancing were used to repay amounts outstanding under the revolving credit facility and the two term loans. In connection with the repayment and termination of these facilities, we incurred approximately $3.5 million of prepayment penalties. Our previously issued $175 million of publicly held senior subordinated notes were not refinanced. Our new credit facility is limited to a borrowing base calculated based on eligible accounts receivable and inventory. Our new credit facility contains customary affirmative, financial and negative covenants relating to our operations and our financial condition. The financial covenants require us to maintain a minimum level of available credit of $10.0 million and a minimum interest coverage ratio to be tested only when available credit is less than $15.0 million, and imposes maximum capital expenditures.

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We are highly leveraged. As of March 31, 2005, our debt structure consisted of the $70 million new credit facility, $220 million of old notes and $175 million of publicly held senior subordinated notes. As of March 31, 2005, we had $17.2 million borrowed under the new credit facility, $4.4 million outstanding on letters of credit and were fully drawn on the other instruments. Interest expense for the first quarter ended March 31, 2005 was $9.6 million.

The following discussion should be read in conjunction with our combined and consolidated financial statements and the accompanying notes included elsewhere in this prospectus.

Relationship with Crown

We were a wholly owned subsidiary of Crown from 1992 until the closing of our initial public offering on November 20, 2002. At December 31, 2004, Crown owned 1,255,000 shares, or approximately 10%, of our common stock. During 2004, Frank J. Mechura, an executive officer of Crown, and William G. Little, a director of Crown, served on our board of directors.

Our historical costs and expenses include charges from Crown for certain centralized corporate services and for our use of Crown s infrastructure. These allocations were based on methodologies that Crown believed to be reasonable and are consistent with charges made to other Crown operations; however, these allocations may not be indicative of our future expenses. Certain of these services that had been provided by Crown prior to our initial public offering are now provided by our current employees, some of whom were Crown employees. In addition, we have a services agreement with Crown under which we receive certain services from Crown. The services provided by Crown under the services agreement include payroll, systems for accounting, reporting, information technology, benefits administration and logistics. See Note 19 to our audited financial statements included elsewhere in this prospectus.

Our historical expenses also include a technology fee of approximately 1.8% of net sales assessed by Crown Cork & Seal Technologies Corporation, or CCK Technologies, a wholly owned subsidiary of Crown. In exchange for this fee, CCK Technologies provided us with access to CCK Technologies intellectual property related to PET, paid for direct costs related to our research, development and engineering activities, provided us with legal services related to the defense of our rights to certain technologies, and provided us with support for customer claims resolution, supplier qualifications, spoilage reduction and product and material specifications. Upon completion of our initial public offering and the contribution of certain technology from CCK Technologies to us, this arrangement with CCK Technologies was discontinued and our technology and research and development requirements were thereafter met by hiring PET research and development staff from Crown, by outsourcing with unrelated third-party providers, and through a research and development agreement with CCK Technologies. During the third quarter of 2003, we ceased outsourcing research and technology to CCK Technologies.

Prior to the completion of our initial public offering, Crown charged us interest expense on the net average intercompany indebtedness we owed to Crown based on the average actual interest costs to Crown. We believe the methodology that was used to calculate this charge was reasonable but may not be indicative of our current and future expenses as an independent entity.

Concurrently with the completion of our initial public offering, we entered into lease agreements with Crown for our Philadelphia headquarters, our research facility in Alsip, Illinois and a warehouse facility in Belcamp, Maryland. For the years ended December 31, 2004, 2003 and 2002, we paid Crown $1.5 million, $1.4 million and $0.1 million, respectively, under these lease agreements. The current Philadelphia lease agreement expires on December 31, 2005, and the current Alsip lease agreement expires on December 31, 2006. The Belcamp lease is on a month-to-month basis. In addition, we also entered into a transition services agreement with Crown. Under the transition services agreement, Crown provided services that included payroll, systems for accounting reporting, tax, information technology, benefits administration and logistics.

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The current services agreement expires on December 31, 2005. We recorded an expense of $5.2 million, $4.9 million and $0.5 million during the years ended December 31, 2004, 2003 and 2002, respectively, related to the transition services agreement and had a $0.3 million and $0.3 million payable to Crown at December 31, 2004 and 2003, respectively.

Concurrently with the completion of our initial public offering, one of our subsidiaries, Constar, Inc. and a subsidiary of Crown called Crown Cork & Seal Company (USA), Inc., or Crown USA, entered into the Salt Lake City PET Products Supply and Lease of Related Assets Agreement (SLC Agreement). Under the SLC Agreement, Crown USA supplies Constar, Inc. with PET preforms and containers manufactured at Crown USA s facility. The products are manufactured using equipment that Constar, Inc. leases to Crown USA which are maintained at Crown USA s Salt Lake City facility. The SLC Agreement expired on November 19, 2004, but we and Crown USA continue to operate under its terms. We purchased approximately $15.9 million, $14.0 million and $1.1 million of PET preforms and containers from Crown during the years ended December 31, 2004, 2003 and 2002, respectively. We had a net payable to Crown of approximately $0.6 million and $0.4 million related to the SLC Agreement at December 31, 2004 and 2003, respectively.

Concurrently with the completion of our initial public offering, Constar, Inc. and Crown USA entered into the Newark Component Supply and Lease of Related Assets Agreement (Newark Agreement). Under the Newark Agreement, Constar, Inc. supplies Crown USA with rings, bands and closures manufactured at Constar Inc. s facilities. The products are manufactured using equipment that Crown USA leases to Constar, Inc. and operates at our facilities. The Newark Agreement expired on November 19, 2004, but we and Crown USA continue to operate under its terms. We sold approximately $3.8 million, $1.6 million and $0.1 million of rings, bands and closures to Crown during the years ended December 31, 2004, 2003 and 2002, respectively. We had a net receivable from Crown of approximately $0.6 million and $0.2 million related to the Newark Agreement at December 31, 2004 and 2003, respectively.

Concurrently with the completion of our initial public offering, one of our subsidiaries, Constar Plastics of Italy, S.R.L., or Constar Italy, and a subsidiary of Crown called Crown Cork Italy S.p.A., or Crown Italy, entered into the Voghera PET Preform Supply and Lease of Related Assets Agreement (Voghera Agreement). Under the Voghera Agreement, Constar Italy supplies Crown Italy with resin and Crown Italy supplies Constar Italy with PET preforms manufactured at Crown Italy s facility. The products are manufactured using equipment that Constar Italy leases to Crown Italy and maintains at Crown Italy s facility. The Voghera Agreement expired on December 31, 2003, and an extension is being negotiated. Net of resin sales, we purchased approximately $3.2 million, $1.3 million and $1.7 million of PET preforms from Crown during the years ended December 31, 2004, 2003 and 2002, respectively. We had a net receivable of approximately $0.0 million due from Crown and a net payable of approximately a $3.3 million to Crown related to the Voghera Agreement at December 31, 2004 and 2003, respectively.

Concurrently with the completion of our initial public offering, Constar Italy and Crown Faba Sirma S.p.A., or Crown Faba, entered into the Faba Supply Agreement (Faba Agreement). Under the Faba Agreement, Crown Faba blows preforms into bottles and sells the bottles to Constar Italy. Constar Italy sells preforms to Crown Faba. The Faba Agreement expired on December 31, 2003, and an extension is being negotiated. We purchased approximately $2.4 million, $2.4 million, and $0.3 million of bottles from Crown and sold approximately $0.9 million, $1.9 million and $0 of preforms to Crown during the years ended December 31, 2004, 2003 and 2002, respectively. We had a net receivable from Crown of approximately $0.2 million and $0.7 million related to the Faba Agreement at December 31, 2004 and 2003, respectively.

Concurrently with the completion of our initial public offering, CCK Technologies granted one of our subsidiaries, Constar International U.K. Limited, or Constar UK, a royalty-bearing license to certain closures technologies. For the years ended December 31, 2004, 2003 and 2002, Constar UK paid CCK Technologies approximately £0.3 million, £0.3 million and £0.3 million, respectively, in royalties under this license. We had a net payable to Crown of approximately £0.1 million and £0.0 million related to this license at December 31, 2004 and 2003, respectively.

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We had a Research and Development Agreement with two subsidiaries of Crown, CarnaudMetalbox plc and CCK Technologies, which governed our use of Crown s research and development centers in Alsip, Illinois and Wantage, England. CCK Technologies and CarnaudMetalbox guaranteed access to the services of specific employees at their standard rate. During the third quarter of 2003, we ceased outsourcing research and technology to CCK Technologies. We incurred costs of approximately $1.1 million and $0.2 million related to the Research and Development Agreement during the years ended December 31, 2003 and 2002, respectively. We had a net payable to Crown of approximately $0.0 million at December 31, 2003 and none at December 31, 2004.

Concurrently with the completion of our initial public offering, we entered into a Benefits Allocation Agreement with Crown, under which we and Crown allocated responsibility for certain employee benefit liabilities. We retained or assumed all liability for compensation and benefits owed to our active or former employees, and assumed sponsorship of the Crown pension plan previously maintained for our hourly employees. We also expanded this plan to include our active salaried employees, establish savings and welfare plans for its active employees that are substantially equivalent to plans previously provided by Crown, and assume the stand-alone pension plans in the United Kingdom and Holland, including the corresponding assets and liabilities. As of December 31, 2004, we had an under-funded benefit obligation of approximately $33.6 million under such plans.

Pursuant to the provisions of our Amended and Restated Certificate of Incorporation, legal expenses incurred by certain current and former directors in connection with a putative securities class action lawsuit, as described in Our Business Legal Proceedings, are being advanced on behalf of those directors by us or the relevant insurer. Because the claims are against both us and the defendant directors, we cannot determine what portion of those legal expenses would be attributable to the directors rather than us. In addition, pursuant to a Corporate Agreement entered into with Crown concurrently with our initial public offering, we have incurred certain indemnification obligations to Crown with respect to this lawsuit.

Acquisitions and Significant Items Affecting Our Results of Operations

Other Income

During 2004, we recognized income of $25.1 million as a result of settling a patent infringement action against a competitor.

Impairment of Goodwill

Effective January 1, 2002, we adopted the provisions of the Statement of Financial Accounting Standards (SFAS) No. 142 (FAS 142), Goodwill and Other Intangible Assets, which requires companies to cease amortizing goodwill and certain intangible assets deemed to have an indefinite useful life. Instead, FAS 142 requires that goodwill and intangible assets deemed to have an indefinite useful life be reviewed for impairment upon adoption of FAS 142 and annually thereafter unless changes in circumstances indicate that goodwill should be reviewed for impairment. Under FAS 142, goodwill is deemed to be potentially impaired if the net book value of a reporting unit exceeds its estimated fair value.

During the second quarter of 2002, we completed our transitional impairment review of identified reporting units and recognized an impairment charge in our European reporting unit of approximately $50 million as a cumulative effect of a change in accounting principle as of January 1, 2002.

Due to the trading price of our common stock, operating results that reflect lower volumes of domestic conventional product sales, increased handling and shuttling costs and other factors, we determined that a goodwill impairment existed as of June 30, 2003. Based on a preliminary assessment, we recognized an estimated impairment charge of $183 million in the second quarter of 2003. Our fair value was determined by quoted market prices of our common stock plus a control premium. In accordance with FAS 142, we performed a

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detailed analysis of the fair value of our assets and liabilities, including obtaining appraisals for fixed assets and intangibles, during the third quarter of 2003. Based on the results of that analysis, we were not required to make any adjustments to the estimated impairment charge of $183 million as recorded during the second quarter ended June 30, 2003. There was no impairment of goodwill in 2004.

Restructuring and Asset Impairments

In September 2003, we announced our plan to implement a cost reduction initiative under which we closed two facilities in the North American region. Under this plan, approximately 130 positions were eliminated at the affected facilities and certain production assets at these locations were relocated to other manufacturing facilities. As a result of this initiative, we recognized restructuring provisions of approximately $4.9 million and non-cash asset impairment charges of approximately $6.7 million during 2003. The restructuring provisions consisted of approximately $1.3 million for severance and termination benefits for both facilities and approximately $3.6 million for contract and lease termination costs. During 2004, we recognized an additional $1.1 million restructuring charge to account for the change in expected lease costs relating to the Birmingham facility, which now excludes sublease income. See Note 11 to our audited financial statements included elsewhere in this prospectus for additional discussion.

Acquisition

On September 26, 2003, we acquired certain manufacturing assets from Carolina Packaging, Inc. and entered into a ten year supply agreement with privately-held Pepsi bottler Carolina Canners, Inc. (Carolina Canners) for $4 million. Based on final asset appraisals, the entire purchase price was allocated amongst the machinery and equipment acquired in this transaction. In addition, we agreed to purchase on-hand inventory of approximately $2.2 million, which was used to supply Carolina Canners subsequent to the acquisition.

2003 Refinancing

On December 23, 2003, in order to provide for temporary relief from certain covenants under our previous credit facility and improve short term liquidity, we obtained a $75 million second lien term C loan (the Second Lien Loan) due December 2010. Net of fees and expenses of approximately $5 million, the proceeds from the Second Lien Loan were used to prepay $25 million of our $150 million seven-year term B loan (the Term B Loan), with the remainder used to repay a portion of amounts then outstanding under our $100 million five-year revolving credit facility (the Revolver Loan). In connection with this refinancing, certain of the financial covenants contained within the credit agreement governing these loans were amended through the quarter ended June 30, 2005. Also, the paydown on the Term B Loan resulted in a permanent reduction in the principal outstanding while the Revolver Loan s total availability was reduced from $100 million to $90 million.

Basis of Presentation

Net Sales

We recognize revenue from product sales when the goods are shipped and the title and risk of loss pass to the customer. Provisions for discounts and rebates to customers, returns and other adjustments are netted against sales in the same period that the related sales are recorded.

PET containers can be sold either as finished bottles or as preforms. Preforms are test tube-shaped intermediate products in the manufacturing process for bottles and are purchased by customers or other PET container manufacturers that operate equipment to convert preforms into bottles. Unit selling prices for preforms are lower than unit selling prices for corresponding finished bottles because of their lower added value. In the United States, our customers typically buy finished bottles, while our European customers typically buy preforms.

From year to year, the composition of our portfolio of products sold changes significantly due to changes in our customer base, changes in the mix of products presented to the marketplace by our customers, and by

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incremental opportunities for preform sales. Greater proportions of larger, heavier or more specialized bottles will lead to higher net sales, even if total unit volumes remain stable.

Many of our products have seasonal demand characteristics typically resulting in higher sales and profits in the second and third quarters compared to the first and fourth quarters. Sales of single service convenience beverage bottles are strongest in the summer months. In 2003, we experienced unusually low seasonal demand due to poor weather, slow economic conditions and disruptions in the Turkish market as a result of the threat of war. During the first half of 2003, we experienced lower shipments of conventional products and increased competitive pricing conditions which were partly offset by increased sales of custom products and the contractual pass-through to customers of higher resin prices. In addition, unfavorable weather conditions exacerbated the lower domestic demand for our conventional products. Some potential high-growth product categories are developed first in conjunction with seasonal promotions and in stadium and special events markets. All of our sales are subject to marketing actions taken by customers as they adjust their mix of product presentations.

The potential for continued conversion to PET from metal, glass and other packaging materials is an important determinant of future demand in our industry. We believe that the potential for continued conversions to PET is significant.

As is common in our industry, our contracts are generally requirements-based, granting us all or a percentage of the customer s actual requirements for a particular period of time, instead of a specific commitment of unit volume. Substantially all of our sales are made under contracts that allow for the pass through of changes in the price of PET resin, our principal raw material and a major component of cost of goods sold. When we adjust our prices under these agreements to pass through changes in resin prices, our net sales change accordingly but our gross margin is unaffected. In the aggregate, the lag between effective date of resin price changes and the effective date of price adjustments to our customers under various pass-through mechanisms is approximately equal to our inventory exposure.

In 2004, approximately 26% of our net sales were recorded in currencies other than in U.S. dollars. Because sales denominated in foreign currencies are translated into U.S. dollars in our financial statements using the average exchange rates for the period, net sales reported in our financial statements that are denominated in foreign currencies will fluctuate as a result of variations in the value of foreign currencies relative to the U.S. dollar.

Cost of Products Sold, Excluding Depreciation

Cost of products sold, excluding depreciation includes raw material costs, principally PET resin, other direct and indirect manufacturing costs and shipping and handling costs. PET resin is the largest component of cost of products sold. The prices we pay for PET resin are subject to frequent fluctuations resulting from cost changes in the raw materials for PET, which are affected by prices of oil and its derivatives in the U.S. and overseas markets, normal supply and demand influences, and seasonal demand effects.

Direct and indirect manufacturing costs include labor costs, electricity and other utilities, product handling and storage costs, maintenance expense and other fixed and variable expenses required to operate our plants. Our cost of products sold also includes expenses for the engineering, production control and manufacturing administration activities that support plant operations.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis for financial reporting purposes over the estimated useful lives of the assets, ranging from 3 to 40 years. Typical depreciation periods are 5 years for molds, 10 years for machinery and equipment and 40 years for buildings.

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Gross Profit

We define gross profit as net sales less cost of products sold and depreciation expense. As discussed above, our agreements with customers typically have provisions that insulate gross profit from changes in resin prices by allowing us to pass those changes through to our customers with equivalent price changes for our products.

Important determinants of profitability are volume, product mix and competitive pricing in relation to resin cost. Volume is significant because the capital intensity of PET bottle manufacturing and the highly automated manufacturing process make fixed overhead costs a high percentage of cost of products sold excluding raw materials. Our various products have widely different proportions of variable cost in relation to fixed cost because of their different sizes and weights and because of the different technologies and machine types used to manufacture them. This results in significant differences in the volume effect on profitability for different products. Generally, larger, heavier and more technologically specialized bottles have higher overhead absorption rates, and therefore have proportionately greater effect on gross profit when volumes vary from period to period. Although price pass-through mechanisms can generally protect profits from short term changes in the market price for resin, it is largely the competitive conditions in the market for our products that ultimately determine the selling prices for our products.

Also important to our profitability is our ability to operate our plants and distribution system efficiently. We operate most of our equipment seven days per week and 24 hours per day, with a formal program for scheduled weekly, monthly and annual preventative maintenance activities. Our ability to operate equipment at high output levels and with low unscheduled downtime affects our profitability directly as a result of labor efficiency and the cost of additional freight if product must be shipped from more distant plants to meet commitments to our customers. We ship mostly full truckload quantities to our customers using commercial carriers.

Because resin represents a large component of cost of products sold and since we typically pass through changes in resin prices to our customers, we believe that period-to-period comparisons of our gross profit as a percent of net sales may not accurately reflect performance, as changes in net sales caused by changes in resin prices will not change gross profit. During periods when resin costs are high our net sales will tend to rise but there will be little effect on gross profit. The opposite is true during periods of low resin pricing; our net sales will tend to be lower with little or no decrease in gross profit, causing gross margins to increase.

Selling and Administrative Expense

This includes compensation and related expenses for employees in the selling and administrative functions as well as other operating expenses not directly related to manufacturing or research, development and engineering activities. It does not include depreciation and amortization charges. Crown historically provided us with certain centrally managed services as discussed below in Management Charges. Charges for these services are classified as management charges through the closing of our initial public offering on November 20, 2002. Since the closing date, we have fulfilled these services with internal resources, third parties or through our services agreement with Crown.

Management Charges

Prior to the closing of our initial public offering on November 20, 2002, Crown charged us certain management fees for payroll, benefits administration, purchasing, information systems and other centrally managed services. The cost of these services was directly charged and/or allocated to us using a method that Crown and we believed was reasonable. Such charges were not necessarily indicative of the costs that would have been incurred if we had been a separate entity. Our financial results reflect these management charges through the closing of our initial public offering on November 20, 2002. Since November 20, 2002, we have provided these services with our own resources or continued to receive them through our services agreement with Crown. All expenses for these services are included in administrative expense.

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Research and Technology Expense

Prior to the closing of our initial public offering on November 20, 2002, we paid CCK Technologies, a wholly owned subsidiary of Crown, a charge approximately equal to 1.8% of sales. In return, CCK Technologies provided us with access to CCK Technologies intellectual property related to PET; paid for our direct costs of research, development and engineering activities; provided us with legal services for the defense of rights for existing technologies; and provided us with support for customer claims resolution, supplier qualifications, spoilage reduction and product and material specifications. As of November 20, 2002, this arrangement was discontinued, and our requirements were thereafter met by hiring PET research and development staff from Crown, by outsourcing with unrelated third-party providers and through a research and development agreement with CCK Technologies. During the third quarter of 2003, we ceased outsourcing research and technology to CCK Technologies.

Interest Expense

Prior to the closing of our initial public offering on November 20, 2002, Crown charged us interest based on the average actual interest costs to Crown on the net average intercompany indebtedness. We believe that the methodology used to calculate this charge was reasonable but not necessarily indicative of interest expense that would have been incurred if we had been a stand-alone entity. Subsequent to our initial public offering, interest expense reflects the increase in average debt outstanding pertaining to the Revolver Loan, the Term B Loan, the Second Lien Loan and our senior subordinated notes.

Other Expenses, Net

Other expenses, net include operating expenses not included elsewhere, such as write offs pertaining to property, plant and equipment, and bad debt expense offset against income items such as legal settlements and gains on sales of used equipment.

Provision for Income Taxes

The effective tax rate on income or loss was 100% in 2004 compared to 4.9% in 2003. A reconciliation of the provision for income taxes and the amount of income tax determined by applying the U.S. federal statutory rate of 35% to pretax income or loss is presented in Note 12 to our audited financial statements included elsewhere in this prospectus.

Critical Accounting Policies

The accompanying combined and consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States which require that management make numerous estimates and assumptions. Actual results could differ from those estimates and assumptions, impacting our reported results of operations and financial position. Our significant accounting principles are more fully described in Note 3 to our audited financial statements included elsewhere in this prospectus. Certain accounting policies, however, are considered to be critical in that (i) they are most important to the depiction of our financial condition and results of operations and (ii) their application requires management s most subjective judgment in making estimates about the effect of matters that are inherently uncertain.

On an annual basis, or more frequently if facts and circumstances indicate that goodwill may be impaired, we perform an impairment review by comparing the fair value of a reporting unit, including goodwill, to its carrying value. The impairment review involves a number of assumptions and judgments including the identification of the appropriate reporting units and the calculation of fair value. We use our common stock price plus a control premium to calculate fair value. If our share price and operating results sustain an extended decline, this could trigger an impairment review. Our estimates of future cash flows includes assumptions concerning future operating performance, economic conditions and technological changes and may differ from

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actual future cash flows. During the second quarter of 2003, we recognized an impairment charge of $183 million due to the trading price of our common stock, operating results that reflected lower volumes of domestic conventional product sales, increased handling and shuttling costs and other factors.

Long-lived assets, which consist primarily of machinery and equipment and buildings, are depreciated over their estimated useful lives and are reviewed for impairment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long Lived Assets, whenever changes in circumstances indicate the carrying value may not be recoverable. Such circumstances would include items such as a significant decrease in the market price of long lived asset, a significant adverse change in the manner which the asset is being used or in its physical condition or a history of operating cash flow losses associated with use of the asset. When such events or changes occurs, we estimate the future cash flows expected to result from the use and, if applicable, the eventual disposition of the assets. The key variables that we must estimate include assumptions regarding future sales volume, prices and other economic factors. Significant management judgment is involved in estimating these variables, and they include inherent uncertainties since they are forecasting future events. If such assets are considered impaired, they are written down to fair value as appropriate.

Accounting for pensions and postretirement benefit plans requires the use of estimates and assumptions regarding numerous factors, including discount rate, rate of return on plan assets, compensation increases, health care cost increases, mortality and employee turnover. Actual results may differ from our actuarial assumptions, which may have an impact on the amount of reported expense or liability for pensions or postretirement benefits. The rate of return assumption is reviewed at each measurement date based on the pension plans investment policies and an analysis of the historical returns of the capital markets, adjusted for current interest rates as appropriate. For 2005, we are using an expected rate of return on plan assets of 8.5% in the U.S., which is unchanged from 2004. The discount rate is developed at each measurement date by reference to published indices of high-quality bond yields. A 1.0% change in the expected rate of return on plan assets would have changed 2004 U.S. pension expense by approximately $508,000. A 0.5% change in the discount rate would have changed 2004 U.S. pension expense by approximately $526,000 and 2004 postretirement expense by approximately $60,000.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Allowances for doubtful accounts are based on historical experience and known factors regarding specific customers. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances would be required.

We write down our inventories for estimated slow moving and obsolete goods by amounts equal to the difference between the carrying cost of the inventory and the estimated market value based upon assumptions about future demand and market conditions.

Income taxes are accounted for using the asset and liability method under which deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and operating losses and tax credit carry forwards. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the enactment date. Management provides valuation allowances against the deferred tax assets for amounts, which are not considered more likely than not to be realized.

We maintain reserves for estimated costs associated with our workers compensation and health insurance liabilities. We are self insured for health insurance. Our insurers are the direct payors of workers compensation claims and we are obligated to reimburse the insurers for any payments made. We utilize historical experience and recent expense rates to estimate the reserves necessary for these areas. If an increased level of claims in excess of current estimates were to occur, additional reserves would be required.

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Recent Accounting Pronouncements

In December 2003, the Financial Accounting Standards Board (the FASB) issued a revised version of FASB Interpretation No. 46 (FIN 46), Consolidation of Certain Variable Interest Entities, which is an interpretation of Accounting Research Bulletin No. 51 (ARB 51), Consolidated Financial Statements. FIN 46 addresses the application of ARB 51 to variable interest entities (VIEs), and generally would require that assets, liabilities and results of the activity of a VIE be consolidated into the financial statements of the enterprise that is considered the primary beneficiary. Public companies other than small business issuers must apply the revised FIN 46 by the end of the first reporting period beginning after December 15, 2003 (March 31, 2004 for calendar-year-end companies) to all entities that are not special purpose entities. We analyzed certain leasing arrangements with Crown subsidiaries and concluded that the adoption of this standard had no impact on our results of operations or financial position.

In May 2004, the FASB issued FASB Staff Position (FSP) No. FAS 106-2 (FAS 106-2), Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. FAS 106-2 provides guidance on accounting for the effects of the new Medicare prescription drug legislation by employers whose prescription drug benefits are actuarially equivalent to the drug benefit under Medicare Part D. It also contains basic guidance on related income tax accounting, and complex rules for transition that permit various alternative prospective and retroactive approaches. For all public and non-public companies that sponsor one or more plans with more than 100 participants, FAS 106-2 was effective as of the first interim or annual period beginning after June 15, 2004 (third quarter 2004 for us). Based upon the review of our prescription drug plan under the currently issued regulations, we concluded that our current plan is not actuarially equivalent to the benefits provided under Medicare Part D. As such our prescription drug plan will not qualify for the federal subsidy and will not require any change in accounting to conform to the requirements of FAS 106-2.

In December 2004, the FASB issued a revised SFAS No. 123 (FAS 123), Accounting for Stock Based Compensation. The amended FAS 123 supersedes Accounting Principle Board Opinion No. 25, Accounting for Stock Issued to Employers, and eliminates the alternative to use the intrinsic value method of accounting that was provided in FAS 123 as originally issued. FAS 123 requires entities to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. In addition, FAS 123 clarifies guidance in several areas including measuring fair value, classifying an award as equity or as a liability, and attributing compensation cost to reporting periods. The provisions of FAS 123 are effective beginning the first interim or annual reporting period that begins after June 15, 2005. We do not expect that the initial adoption of FAS 123 will have a material impact on our results of operations or financial position as stock option awards currently outstanding will fully vest soon after the effective date. Stock options awarded after the effective date will be accounted for in accordance with FAS 123 and may have a material impact on our results of operations.

In December 2004, the FASB issued SFAS No. 151 (FAS 151), Inventory Costs. FAS 151 amends the guidance in Accounting Research Bulletin No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. FAS 151 requires that these items be recognized as current period charges regardless of whether they meet the criterion of abnormal. In addition, FAS 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of FAS 151 are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We do not expect the adoption of FAS 151 will have a material impact on our results of operations or financial position.

In October of 2004, the American Job Creation Act of 2004 (the AJCA) was signed into law. The AJCA allows companies to repatriate earnings from foreign subsidiaries at a reduced U.S. tax rate. We have evaluated the new §965 elements of the AJCA and as a result of our net operating loss (NOL) carry forward and expectations to continue to generate NOL s into the foreseeable future, we do not expect to repatriate any foreign dividends in accordance with the AJCA. We evaluated the impact of the Qualified Domestic Production Deduction provision (§199 elements) of the AJCA and believes the 2005 impact will be immaterial. We will continue to evaluate the provisions of the AJCA and its impact on us on a going forward basis.

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Results of Operations

Three Months Ended March 31, 2005 and 2004

Net Sales (dollars in millions)

	March 31, 2005	March 31, 2004	Increase (Decrease)
United States	$ 170.5	$ 141.8	20.2%
Europe	50.8	49.9	1.8%
Total	$ 221.3	$ 191.7	15.4%

Net sales increased by $29.6 million, or 15.4%, to $221.3 million in the first quarter of 2005 from $191.7 million in the first quarter of 2004. In the U.S., net sales increased $28.7 million, or 20.2%, to $170.5 million in the first quarter of 2005 from $141.8 million in the first quarter of 2004. In Europe, net sales increased $0.9 million, or 1.8%, to $50.8 million in the first quarter of 2005 from $49.9 million in the first quarter of 2004. Net sales in the U.S. accounted for 77.0% of net sales in the first quarter of 2005 compared to 74.0% of net sales in the first quarter of 2004. The increase in consolidated net sales was primarily driven by the pass through of higher resin prices and favorable foreign currency translation which combined for a total increase of approximately $33 million over the first quarter of 2004.

In the U.S., the increase in net sales in the first quarter of 2005 from the first quarter of 2004 reflects the pass-through of higher resin prices to customers and increased sales of both conventional and custom units. Conventional unit volumes increased 6% while shipments of custom units increased by approximately 13% over the first quarter of 2004 volumes. These increases were partly offset by approximately $3.5 million of price concessions that were given in exchange for additional volume and contract extensions.

In Europe, the increase in net sales in the first quarter of 2005 compared to the first quarter of 2004 was due to the pass through of higher resin prices and the strengthening of the British Pound and Euro against the U.S. Dollar partially offset by a reduction in units sold of approximately 9.5%.

Gross Profit

Gross profit decreased $3.0 million, or 32.2%, to $6.4 million in the first quarter of 2005 from $9.4 million in the first quarter of 2004. Gross profit decreased as a result of price concessions implemented to extend key contracts and meet competitive pricing, decrease in European volumes and increased transportation and utility costs. The reductions were partially offset by an increase in unit sales and a related increase in manufacturing efficiencies in the U.S.

Selling and Administrative Expenses

Selling and administrative expenses decreased by $0.9 million, or 14.9%, to $5.3 million in the first quarter of 2005 from $6.3 million in the first quarter of 2004. The decrease primarily relates to a reduction in costs associated with litigation expenses and incentive compensation charges.

Research and Technology Expenses

Research and technology expenses were $1.8 million in the first quarter of 2005 compared to $1.4 million in the first quarter of 2004. The increase in expenses relate to additional spending for our proprietary technologies.

Write off of Deferred Financing Costs and Other Fees

In connection with our February 2005 refinancing, we repaid amounts outstanding under our former revolving loan facility and two term loans. As a result of these repayments, we wrote off the majority of the deferred financing costs related to these three facilities of approximately $6.5 million and incurred prepayment penalties of approximately $3.5 million.

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Interest Expense

Interest expense decreased $0.4 million to $9.6 million in the first quarter of 2005 from $10.0 million in the first quarter of 2004. This decrease primarily relates to a decrease in our effective interest rate due to the February 2005 refinancing partially offset by an increase in current interest rates as compared to the rates outstanding during the first quarter of 2004.

Foreign Exchange Adjustments

Foreign exchange adjustments were approximately $0.2 million expense in the first quarter of 2005 compared to $46 thousand expense in the first quarter of 2004. These adjustments primarily relate to changes in the foreign currency translation rates of intra company balances.

Other (Income) Expenses, Net

Other (income) expenses, net was $(0.2) million in the first quarter of 2005 compared to $0.8 million expense in the first quarter of 2004. The other income during the first quarter 2005 primarily related to income from royalties and gain from sale of fixed assets. During the first quarter of 2004, we recorded a $0.5 million loss related to a fire at our operating facility in the United Kingdom.

Benefit for Income Taxes

Benefit for income taxes was $0.5 million for the three months ended March 31, 2005 compared to $0.1 million for the three months ended March 31, 2004. Loss before taxes was $21.2 million for the three months ended March 31, 2005 compared to a loss before taxes of $9.0 million for the three months ended March 31, 2004.

Net Loss

Net loss was $20.0 million for the three months ended March 31, 2005 compared to a net loss of $8.9 million for the three months ended March 31, 2004. The increase in the net loss in 2005 compared to 2004 was primarily related to the write off of deferred financing costs and prepayment penalties associated with the 2005 refinancing.

2004 Compared to 2003

Net Sales

	2004	2003	Increase
	(dollars in millions)		
United States	$ 626.2	$ 562.8	11.3%
Europe	218.0	179.5	21.4%
Total	$ 844.2	$ 742.3	13.7%

Net sales increased by $101.9 million, or 13.7%, to $844.2 million in 2004 from $742.3 million in 2003. In the U.S., net sales increased $63.4 million, or 11.3%, to $626.2 million in 2004 from $562.8 million in 2003. In Europe, net sales increased $38.5 million, or 21.4%, to $218.0 million in 2004 from $179.5 million in 2003. Net sales in the U.S. accounted for 74.2% of net sales in 2004 compared to 75.8% of net sales in 2003. Consolidated net sales were positively impacted by the pass through of higher resin prices and favorable foreign currency translation which combined for a total increase approximately $50 million over fiscal 2003.

In the U.S., the increase in net sales in 2004 compared to 2003 reflects a 15% increase in conventional units and the pass-through of higher resin prices to customers, partly offset by approximately $15 million of price concessions that were given in exchange for additional volume and contract extensions.

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In Europe, the increase in net sales in 2004 compared to 2003 was primarily due to the stronger British pound sterling and Euro against the U.S. dollar. In addition, a 19% increase in unit sales of preforms also contributed to the increase. These increases were partly offset by approximately $1 million of price concessions.

Gross Profit

Gross profit increased $17.5 million, or 60.6%, to $46.4 million in 2004 from $28.9 million in 2003. Gross profit benefited from an increase in unit sales, reduced spending in warehousing and product handling costs and cost savings from our 2003 restructuring initiative. The reduced spending and additional cost savings resulted in increased gross margin of approximately $12 million, partly offset by $16 million of price reductions implemented to extend key contracts and meet competitive pricing.

Selling and Administrative Expenses

Selling and administrative expenses increased by $5.1 million, or 22.0%, to $28.1 million in 2004 from $23.0 million in 2003. The increased costs primarily relate to Sarbanes-Oxley compliance efforts and our incentive compensation plan.

Research and Technology Expenses

Research and technology expenses were $5.7 million in 2004 compared to $5.2 million in 2003. The increase in expenses relate to additional spending for our proprietary technologies.

Interest Expense

Interest expense increased $5.6 million to $39.8 million in 2004 from $34.2 million in 2003. This increase primarily relates to an increase in our effective interest rate during 2004 due to our 2003 refinancing.

Foreign Exchange Adjustments

Foreign exchange adjustments were approximately $0.1 million expense in 2004 compared to $1.5 million income in 2003. The change between 2004 and 2003 was primarily related to the changes in the foreign currency translation rates of intra company balances during 2003.

Goodwill Impairment Loss

Due to the trading price of our common stock, operating results that reflect lower volumes of domestic conventional product sales, increased handling and shuttling costs and other factors, we determined that a goodwill impairment existed at June 30, 2003. We recognized an estimated impairment charge of $183 million in the second quarter of 2003. Our fair value was determined by quoted market prices of our common stock plus a control premium. There was no impairment loss in 2004.

Provision for Restructuring and Asset Impairments

During 2004, we recognized a $1.1 million restructuring provision to account for the change in expected lease costs related to the Birmingham facility, which was closed as a result of the 2003 restructuring initiative under which we closed two facilities operating in Birmingham, Alabama and Reserve, Louisiana. As a result of this initiative, we recognized a restructuring provision of approximately $4.9 million and non-cash asset impairment charges of approximately $6.7 million during the third quarter of 2003.

Write Off of Deferred Financing Costs

In connection with our 2003 refinancing, there was a permanent reduction in the amounts available under the Term B Loan and the Revolver Loan of $25 million and $10 million, respectively. As a result of these permanent reductions, we charged to expense a pro-rata share of the deferred financing costs related to these two loans of approximately $0.7 million.

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Other (Income) Expenses, Net

Other income, net was $25.0 in 2004 compared to $4.4 million expense in 2003. During 2004, we recognized income of $25.1 million as a result of settling our Oxbar® patent infringement action against Continental PET Technologies, Inc. In addition, we recognized income of $1.2 million related to a licensing agreement pertaining to our oxygen scavenging technology offset by a $0.5 million net charge for costs incurred from a fire at one of our European facilities. We also recorded a non-cash charge of $0.4 million relating to the write off of fixed assets. During 2003, we recorded charges of $2.7 million and $1.0 million relating to the write-off of fixed assets and a doubtful account receivable, respectively.

(Provision) Benefit for Income Taxes

The provision for income taxes was $3.4 million in 2004 compared to a benefit of $11.4 million in 2003. Loss before taxes was $3.4 million in 2004 compared to $231.8 million in 2003. During 2004, we recorded an additional valuation allowance of $4.7 million to reduce certain deferred tax assets in the United States.

Net Loss

Net loss was $6.8 million in 2004 compared to a net loss of $220.5 million in 2003. The goodwill impairment loss and the provision for restructuring and asset impairments recognized in 2003 as well as the $25.1 million settlement proceeds in 2004 were the primary factors contributing to the favorable change.

Results of Operations

2003 Compared to 2002

Net Sales

	2003	2002	Increase
		(dollars in millions)	
United States	$ 562.8	$ 549.7	2.4%
Europe	179.5	154.6	16.1%
Total	$ 742.3	$ 704.3	5.4%

Net sales increased by $38.0 million, or 5.4%, to $742.3 million in 2003 from $704.3 million in 2002. In the U.S., net sales increased $13.1 million, or 2.4% to $562.8 million in 2003 when compared to $549.7 million in 2002. In Europe, net sales increased $24.9 million, or 16.1%, to $179.5 million in 2003 from $154.6 million in 2002. Net sales in the U.S. accounted for 75.8% of net sales in 2003 compared to 78.0% of net sales in 2002. The increase in net sales was primarily driven by favorable foreign currency translation and the pass through of higher resin costs which combined for an increase of approximately $55 million over fiscal 2002.

In the U.S., the primary items that impacted net sales in 2003 as compared to 2002 were a 33% increase in sales of custom units and the contractual pass-through to customers of higher resin prices primarily offset by a 1.4% reduction in shipments of conventional products. The impact of competitive pricing conditions reduced our net sales by approximately $14 million during 2003. In addition, unfavorable weather conditions in the spring and summer of 2003 compared to the same period in 2002 exacerbated the lower domestic demand for our conventional products.

In Europe, the increase in net sales in 2003 compared to 2002 was primarily due to the strengthening of the British Pound Sterling and the Euro against the U.S. dollar as well as a 6.5% increase in shipments of both bottles and preforms in 2003.

Gross Profit

Gross profit decreased $30.3 million to $28.9 million in 2003 from $59.2 million in 2002. Contributing to the decline in gross profit was the loss of certain higher margin business to competitors, a shift in demand to smaller, less profitable bottles and higher than anticipated inventory levels leading to increased warehousing and product handling costs. In addition, gross profit was adversely affected by an unfavorable shift in conventional product mix and the implementation of price reductions to extend long-term customer contracts, increase volume and meet competitors pricing. We also experienced negative developments in certain insurance and benefit related costs.

Selling and Administrative Expenses

Selling and administrative expenses increased by $12.2 million to $23.0 million in 2003 from $10.8 million in 2002. The increase primarily reflects costs associated with the establishment of certain administrative functions that had previously been provided by Crown as well as additional costs that we now incur as a public stand-alone company that were not incurred when we operated as a division of Crown. In addition, we incurred an increase in legal expenses, particularly those relating to our patent infringement claim against a competitor.

Management Charges

Prior to our initial public offering, Crown charged us certain management fees for legal, tax, treasury, central purchasing, internal audit and other centrally managed services. These management charges were $3.6 million in 2002. As of the date of our initial public offering, the management charges from Crown were discontinued.

Research and Technology Expense

Research and technology expenses decreased $6.9 million to $5.2 million in 2003 from $12.1 million in 2002. During 2002, we were charged a fee by Crown for research and technology services of approximately 1.8% of net sales. As of November 20, 2002, this arrangement was discontinued and our requirements were thereafter met through the hiring of former Crown employees, by outsourcing with unrelated third-party providers, and through a research and development agreement with CCK Technologies. During the third quarter of 2003, we ceased outsourcing research and technology to CCK Technologies.

Provision for Restructuring and Asset Impairments

In September 2003, we announced our plan to implement a cost reduction initiative under which we closed two facilities in Birmingham, Alabama and Reserve, Louisiana. Under the plan, approximately 130 positions were to be eliminated at the affected facilities and certain production assets at these locations were to be relocated to other manufacturing facilities. As of December 31, 2003, both facilities had ceased manufacturing operations and certain machinery and equipment was being transferred to other manufacturing locations. As a result of this initiative, we recognized restructuring provisions of approximately $4.9 million and non-cash asset impairment charges of approximately $6.7 million during 2003. The restructuring provisions consisted of approximately $1.3 million for severance and termination benefits for both facilities and approximately $3.6 million for contract and lease termination costs. See Note 11 to our audited financial statements included elsewhere in this prospectus for additional discussion.

Interest Expense, Net

Interest expense increased to $34.2 million in 2003 from $7.0 million in 2002. The increase in interest expense reflected the increase in average debt outstanding incurred in conjunction with our initial public offering.

Foreign Exchange Adjustments

Foreign exchange adjustments were $1.4 million income in 2003 compared to $0.1 million expense in 2002. The change reflected the impact of the weaker dollar in 2003 compared to 2002.

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Goodwill Impairment Loss

Due to the trading price of our common stock, operating results that reflect lower volumes of domestic conventional product sales, increased handling and shuttling costs and other factors, we determined that a goodwill impairment existed as of June 30, 2003. Based on a preliminary assessment, we recognized an estimated impairment charge of $183 million in the second quarter of 2003. Our fair value was determined by quoted market prices of our common stock plus a control premium. In accordance with FAS 142, we performed a detailed analysis of the fair value of our assets and liabilities during the third quarter of 2003. Based on the results of this analysis, we were not required to make any adjustments to the estimated impairment charge of $183 million as recorded during the second quarter ended June 30, 2003.

Write Off of Deferred Financing Costs

In connection with the placement of the Second Lien Loan, there was a permanent reduction in the amounts available under the Term B Loan and the Revolver Loan of $25 million and $10 million, respectively. As a result of these permanent reductions, we wrote off a pro-rata share of the deferred financing costs related to these two loans of approximately $0.7 million.

Other Expenses, Net

Other expenses (income), net were $4.4 million expense in 2003 compared to $0.6 million income in 2002. In connection with the third quarter analysis of asset values, we completed a physical inventory of our fixed asset records and identified machinery and equipment that were no longer in use. As a result of this review, we have recorded a non-cash charge to earnings of $2.7 million which reflects the net book value of these assets. This charge was recorded in other expense during the third quarter of 2003. In addition, we recorded a $1.0 million charge related to a doubtful account receivable.

Provision for Income Taxes

Provision for income taxes was an $11.4 million benefit in 2003 compared to a $10.2 million expense in 2002. Loss before taxes was $231.8 million in 2003 compared to $25.0 million of income in 2002. The effective tax rate was 4.9% in 2003 compared to 40.8% in 2002 due to the effect of the goodwill impairment loss not being deductible. In addition, we recorded a valuation allowance to reduce certain deferred tax assets in the United States.

Net Loss

Net loss was $220.5 million in 2003 compared to a net loss of $35.4 million in 2002. The increase in net loss 2003 compared to 2002 was primarily due to the goodwill impairment loss, the provision for restructuring and asset impairment, the decline in gross profit and higher interest expense.

Liquidity and Capital Resources

On November 20, 2002, concurrent with the initial public offering of our common stock, we completed a public offering of $175 million aggregate principal amount of 11% Senior Subordinated Notes due 2012. The senior subordinated notes were issued at 98.51% of face value and will mature on December 1, 2012. Interest on the senior subordinated notes is payable semi-annually on each December 1 and June 1.

The indenture governing the senior subordinated notes contains covenants that, among other things, limit our ability to:

- borrow additional money;
- pay dividends on our stock or repurchase our stock;
- make payment on or redeem or repurchase debt which ranks junior to the senior subordinated notes;
- make investments;
- create liens;
- create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries;
- enter into transactions with affiliates;
- sell assets or consolidate or merge with or into other companies; and
- expand into unrelated businesses.

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The indenture governing the senior subordinated notes also contains customary events of default.

Concurrent with the closing of our initial public offering of common stock and concurrent with the offering of the senior subordinated notes, we entered into a senior secured credit agreement with a syndicate of lenders. The senior secured credit agreement consisted of a $150 million seven-year Term B Loan and a $100 million five-year Revolver Loan. The Term B Loan carried interest at a rate of LIBOR plus 450 basis points with a 200 basis point LIBOR minimum. The Revolver Loan carried interest of LIBOR plus 375 basis points with a 200 basis point LIBOR minimum. After the $25 million pay down discussed below, the Term B Loan required annual payments of $1.3 million, with a final balloon payment of $116.0 million due on the loan maturity date in November 2009. On December 23, 2003, we obtained a $75 million Second Lien Loan due December 2010. Net of fees and expenses of approximately $5.0 million, the proceeds from the Second Lien Loan were used to prepay $25 million of the Term B Loan with the remainder used to pay down the Revolver Loan. The paydown of the Term B Loan resulted in a permanent $25 million reduction in the amount available under that facility. In addition, the total amount available under the Revolver Loan was reduced from $100 million to $90 million.

As of December 31, 2004, there was $122.0 million outstanding on the Term B Loan, $75.0 million outstanding on the Second Lien Loan, $17.0 million outstanding on the Revolver Loan and $5.2 million outstanding on letters of credit. In addition, as of December 31, 2004, we had $9.3 million of cash and cash equivalents on hand as well as $67.8 million of availability under the Revolver Loan.

On February 11, 2005, we completed a refinancing which consisted of the sale of $220 million of old notes and the entry into a new four-year $70 million credit facility. The proceeds, net of expenses, from the refinancing were used to repay amounts outstanding under the Revolver Loan, the Term B Loan and the Second Lien Loan. In connection with the repayment and termination of these facilities, we incurred approximately $3.5 million of prepayment penalties. We completed our February 11, 2005 refinancing in part because we would not have been in compliance in 2005 with certain financial covenants included in the credit agreement governing the Revolver Loan, the Term B Loan and the Second Lien Loan. As a result of this February 11, 2005 refinancing, we have extended our debt maturities, reduced our effective interest borrowing rates and created less restrictive financial covenants. Our previously issued senior subordinated notes were not refinanced.

The notes bear interest at the rate of three-month LIBOR plus 3.375% per year. Interest on the notes will be reset quarterly. Interest on the notes will be payable quarterly on each February 15, May 15, August 15 and November 15, commencing on May 15, 2005. The notes will mature on February 15, 2012. We may redeem some or all of the notes at any time on or after February 15, 2007 under the circumstances and at the prices described in the indenture governing the notes described below. In addition, prior to February 15, 2007, we may also redeem up to 35% of the notes with the net proceeds of certain equity offerings. The notes contain provisions that require us to make mandatory offers to purchase outstanding amounts in connection with a change of control, asset sales and events of loss.

Each of our current and future domestic and United Kingdom restricted subsidiaries will guarantee the notes. The notes and the guarantees rank equally with our existing and future senior debt and rank senior to our current and future subordinated debt. The notes and the guarantees thereof are secured by a first priority lien on (i) our and the note guarantors real property located in the United States and the United Kingdom which was owned by them on February 11, 2005, (ii) leasehold interests in certain of the real property located in the United States that we or a note guarantor leased on February 11, 2005, and (iii) substantially all of the equipment and other fixed assets related to such properties, in each case, subject to certain exceptions. The collateral does not include other types of assets, such as inventory, accounts receivable, investment property, instruments, chattel paper, documents, deposit accounts or other intangible assets, or the capital stock of our subsidiaries.

The notes have been issued under an indenture, dated as of February 11, 2005, with the Bank of New York, as trustee. The indenture governing the new notes restricts, among other things, our ability, and the ability of our restricted subsidiaries to:

- borrow additional money;
- pay dividends on our stock or repurchase our stock;
- make payment on or redeem or repurchase debt which ranks junior to the new notes;
- make investments;
- create liens;
- create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries;
- enter into transactions with affiliates;
- sell assets or consolidate or merge with or into other companies; and
- expand into unrelated businesses.

If an event of default, as specified in the indenture governing the notes, shall occur and be continuing, either the trustee or the holders of a specified percentage of notes may accelerate the maturity of all the notes. The covenants, events of default and acceleration rights described in this paragraph are subject to important exceptions and qualifications which are described in the indenture.

Both the notes and our outstanding senior subordinated notes limit the incurrence of additional indebtedness. The limitations under our outstanding senior subordinated notes are more restrictive than those under the notes.

We can incur additional indebtedness under the senior subordinated notes indenture that could be senior indebtedness to the extent that, after incurring such debt, we would have a Consolidated Fixed Charge Coverage Ratio (as defined in the indenture for the senior subordinated notes) of greater than 2.25 to 1.0. However, even if we are unable to borrow under this ratio, the indenture for the senior subordinated notes permits us and the guarantor subsidiaries to incur at least $275.0 million in indebtedness that could be senior to the indebtedness under the senior subordinated notes, plus other indebtedness that may be incurred in specific circumstances or for permitted uses. This indebtedness may be senior to or in certain circumstances equal in right of payment with the senior subordinated notes. Any of our non-U.S. restricted subsidiaries, other than Constar International U.K. Limited, may also incur up to $25.0 million of additional indebtedness. Our ability to incur additional debt is subject to other exceptions, terms and conditions set forth in the indenture for the senior subordinated notes.

We can incur additional indebtedness under the indenture for the notes that could rank equal in right of payment with the notes to the extent that, after incurring such debt, we would have a Consolidated Fixed Charge Coverage Ratio (as defined in the indenture for the notes) of greater than 2.0 to 1.0. However, even if we are unable to borrow under this ratio, the indenture for the notes permits us and the guarantor subsidiaries to incur at least $125.0 million in indebtedness that could rank equal in right of payment with the indebtedness under the notes, plus other indebtedness that may be incurred in specific circumstances or for permitted uses. This indebtedness may be effectively senior to or equal in right of payment with the notes. Any of our non-U.S.

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restricted subsidiaries, other than Constar International U.K. Limited, may also incur up to $25.0 million of additional indebtedness. Our ability to incur additional debt is subject to other exceptions, terms and conditions set forth in the indenture for the notes.

Under a registration rights agreement with the initial purchasers of the old notes, we and the note guarantors have agreed to file and use our reasonable best efforts to cause to become effective a registration statement with respect to an offer to exchange the old notes for new notes having terms substantially identical in all material respects to the old notes (except that the new notes will not contain terms with respect to transfer restrictions). If we and the note guarantors are not able to effect this exchange offer, we have agreed to use our reasonable best efforts to file, and cause to become effective, a shelf registration statement relating to resales of the old notes and the guarantees thereof. We will be obligated to pay additional interest on the old notes if the registration statement is not declared effective within 210 days of February 11, 2005, if we do not consummate the exchange offer within 240 days of February 11, 2005 or if we do not maintain the effectiveness of the registration statement during specified periods.

In connection with this refinancing, we and our subsidiary, Constar UK, entered into a Supplemental Indenture, dated as of February 11, 2005, among the Company, Constar UK, the Note Guarantors party thereto and Wells Fargo Bank, National Association, as trustee, to the Indenture, dated as of November 20, 2002, relating to our previously existing senior subordinated notes. The purpose of the Supplemental Indenture was to add Constar UK as a guarantor of the senior subordinated notes issued pursuant to such indenture.

In connection with this refinancing, we also entered into our new credit facility among us, as the Borrower, the Subsidiary Guarantors named therein, Citicorp USA, Inc., as Administrative Agent, and Citigroup Global Markets, Inc., as Book Manager and Arranger. Our new credit facility consists of a $70.0 million four-year revolving credit facility, $25.0 million of which is available to provide for the issuance of letters of credit. Our new credit facility also includes a $15.0 million swing loan subfacility. The obligations under our new credit facility are guaranteed by each of our existing and future domestic and United Kingdom subsidiaries (subject to certain exceptions). Borrowings under our new credit facility are limited to the lesser of (i) $70.0 million or (ii) a borrowing base comprised of the sum of (i) up to 85% of our and our domestic subsidiaries eligible trade accounts receivable, (ii) up to 80% of eligible trade accounts receivable of Constar International U.K. Limited, (iii) the lesser of (A) up to 85% of the net orderly liquidation value of our and our domestic subsidiaries eligible inventory and (B) up to 75% of our and our domestic subsidiaries eligible inventory (valued at the lower of cost on a first-in, first-out basis and market), and (iv) the lesser of (A) up to 80% of the net orderly liquidation value of eligible inventory of Constar UK and (B) up to 70% of eligible inventory of Constar UK (valued at the lower of cost on a first-in, first-out basis and market), less, in the case of both receivables and inventory, discretionary eligibility reserves. In addition, the administrative agent under our new credit facility may impose discretionary reserves against the entire revolving loan facility. As of March 31, 2005, we had borrowings under our new credit facility of $17.2 million and available credit of $48.4 million. As of March 31, 2005, our borrowing base was approximately $102.5 million.

We will pay monthly a commitment fee equal to 0.5% per year on the undrawn portion of our new credit facility. We also will pay fees on any letters of credit outstanding under our new credit facility. Our new credit facility will initially bear interest at a rate equal to a Base Rate plus 1.25% or LIBOR plus 2.25%, and after the delivery of financial statements for the fiscal quarter ending June 30, 2005, a Base Rate plus a margin ranging from 1.0% to 1.5% or LIBOR plus a margin ranging from 2.0% to 2.5% depending on average monthly available credit under the revolving loan facility.

Under our new credit facility, we have pledged as collateral all of the capital stock of our domestic and United Kingdom subsidiaries and 65% of the voting stock of our other foreign subsidiaries owned directly by a domestic subsidiary, and all of the inventory, accounts receivable, investment property, instruments, chattel paper, documents, deposit accounts and certain intangibles of our domestic and United Kingdom subsidiaries.

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Our new credit facility also provides that we may request up to a $30.0 million increase in the size of the facility. The lenders are not obligated to grant such increase, and even if it is obtained, our ability to borrow the increased amount will be subject to various conditions contained in our new credit facility and the indentures governing the notes and our senior subordinated notes.

Our new credit facility contains customary affirmative, financial and negative covenants relating to our operations and our financial condition. The affirmative covenants cover matters such as delivery of financial information, compliance with law, maintenance of insurance and properties, pledges of assets and payment of taxes. The financial covenants require us to maintain a minimum level of available credit of $10.0 million and a minimum interest coverage ratio to be tested only when available credit is less than $15.0 million and impose on us maximum capital expenditures of $45.0 million in 2005, $42.5 million in 2006, $47.5 million in 2007 and $47.5 million in 2008. The capital expenditure covenants allow for the carry forward of a certain amount of spending below covenant levels in previous periods. In order to satisfy significant business awards, including those related to conversions from other forms of packaging, we may need to purchase additional equipment. To the extent such purchases would cause us to exceed the capital expenditure restriction, we would have to obtain the lenders consent before making such purchases. There can be no assurances that the lenders would grant such consent. As of March 31, 2005, we had borrowings under the new credit facility of $17.2 million and available credit of $48.4 million.

The negative covenants in the new credit facility limit our ability and the ability of our subsidiaries to:

- incur additional indebtedness and guarantee obligations;
- create liens;
- make equity investments or loans;
- sell, lease or otherwise dispose of assets;
- pay dividends, make distributions, redeem or repurchase any equity securities;
- prepay, redeem, repurchase or cancel certain indebtedness;
- engage in mergers, consolidations, acquisitions, joint ventures or the creation of subsidiaries;
- change the nature of our business;
- engage in transactions with affiliates;
- enter into agreements restricting our ability or the ability of a subsidiary to incur liens, or restricting the ability of a subsidiary to pay dividends to, make or repay loans to, transfer property to, or guarantee indebtedness of, us or any of our other subsidiaries;

- modify our organizational documents or certain material agreements (including the indenture governing the new notes);

- change our accounting treatment and reporting practices;

- engage in sale and leaseback transactions and operating lease transactions; and

- engage in speculative transactions.

These negative covenants are subject to certain exceptions set forth in the new credit facility.

Net cash and cash equivalents increased by $5.0 million during the first three months of 2005 primarily due to proceeds from the sale of old notes offset by repayments of the former revolving credit facility and the two term loans. Our ratio of total debt to total capitalization was 98.9% at March 31, 2005 and 93.7% at December 31, 2004. We define total capitalization as the sum of total debt, minority interests and stockholders equity.

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We believe that cash available under our new credit facility combined with net cash provided by operating activities will be sufficient to finance our activities at least through the next twelve months.

We expect to be cash flow negative at least into the second half of 2006. We expect to finance ordinary business operations through borrowings under our new credit facility. We, therefore, do not expect that we will be able to significantly reduce our leverage in the near term.

Cash Flow

Net cash used in operating activities was $1.9 million in the first quarter of 2005 as compared to $2.0 million provided by operating activities in the first quarter of 2004. Cash used in operating activities was attributable to seasonality in the first quarter of 2005 as well as an increase in raw material prices.

Net cash used for investing activities decreased $1.1 million to $8.0 million in the first quarter of 2005 from $9.1 million in the first quarter of 2004, reflecting a decrease in capital spending on equipment for conventional products offset by spending on additional equipment for custom products.

Net cash provided by financing activities was $15.2 million in the first quarter of 2005 reflecting net proceeds from the old notes offset by the repayment of amounts outstanding under our former revolver facility and two term loans. Net cash provided by financing activities was $11.4 million in the first quarter of 2004 reflecting $0.3 million for the scheduled quarterly payments on the term loan, $3.3 million change in outstanding cash overdrafts and a $15.0 million increase in our former revolving loan facility.

The following table shows selected cash flow data for 2004 and 2003:

			Increase (decrease)	
	2004	2003	Amount	%
	(dollars in millions)			
Net cash provided by operating activities	$ 28.1	$ 25.0	$ 3.1	12.4
Net cash used for investing activities	$ (21.9)	$ (50.9)	$ (29.0)	(57.0)
Net cash (used for)/provided by financing activities	$ (13.9)	$ 20.5	$ (34.4)	(167.8)

Net cash provided by operating activities increased $3.1 million, or 12.4%, to $28.1 million in 2004 from $25.0 million in the 2003. The increase in net cash provided by operating activities during 2004 was primarily due to improved margins and $25.1 million litigation proceeds, offset by a higher raw material costs, which led to an increased investment in inventory, increased accounts receivable and increased interest expense.

Net cash used for investing activities decreased to $21.9 million in 2004 from $50.9 million in 2003, reflecting a decrease in capital spending associated with capacity for conventional products.

Net cash used for financing activities was $13.9 million in 2004 reflecting decreased borrowings under the Revolver Loan, the scheduled quarterly payments on the Term B Loan and the change in outstanding cash overdrafts. Net cash provided by financing activities was $20.5 million in 2003 reflecting decreased borrowings under the Revolver Loan offset by financing obtained in the form of a $75 million Second Lien Loan. This was combined with the proceeds from a $1.5 million loan that was entered into by our affiliate in Turkey.

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Commitments

The following table summarizes our future minimum non-cancelable contractual obligations at December 31, 2004 (excluding the effect of the February 2005 refinancing):

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**2 - 3 years**	**4 - 5 years**	**After 5 years**
	(dollars in millions)				
Debt	$ 388.4	$ 2.7	$ 19.6	$ 118.2	$ 247.9
Operating leases	61.7	12.1	16.4	12.5	20.7
Employee pension plans	23.2	9.0	7.2	5.1	1.9
Other long-term obligations	6.5	6.5			
Total contractual cash obligations	$ 479.8	$ 30.3	$ 43.2	$ 135.8	$ 270.5

See Liquidity and Capital Resources for our debt obligations following the sale of the old notes.

At December 31, 2004, we had certain commitments that will require future outlays of cash. Commitments related to future minimum lease payments under long-term operating leases, principally for real estate, are $12.1 million for 2005, $9.9 million for 2006, $6.5 million for 2007, $5.7 million for 2008, $6.8 million for 2009 and $20.7 million thereafter. Commitments related to future expenditures on approved capital projects are $6.5 million for 2005. Prior to the February 2005 refinancing, we were required to pay $1.3 million of principal annually with respect to the Term B Loan. The Revolver Loan was scheduled to mature in 2007, the Term B Loan was scheduled to mature in 2009 and our senior subordinated notes mature in 2012. In addition, the Second Lien Loan of $75 million was scheduled to mature in 2010. Subsequent to the refinancing in February 2005, our new credit facility matures in 2009 and the notes mature in 2012. There are no required annual principal payments on either of these loans prior to their respective maturities. All amounts previously outstanding under the Revolver Loan, the Term B Loan and the Second Lien Loan were repaid. In connection therewith, we incurred approximately $3.5 million of prepayment penalties.

Annual interest expense, net for fiscal 2004 was approximately $39.8 million. Our senior subordinated notes carry a fixed interest rate of 11% on the $175 million outstanding. Annual cash payments will be $19.3 million while our senior subordinated notes are outstanding. Our borrowings under our new credit facility and the notes bear interest rates based on either a floating Base Rate or LIBOR. Therefore, we are not able to accurately predict future interest payments because of the variability of future interest rates and borrowing requirements. However, based on interest rates and debt levels at March 31, 2005, our annualized cash interest costs for fiscal 2005 would be approximately $34 million. There were no other commitments outstanding at December 31, 2004 that were material to our financial condition. See Note 10 to our audited financial statements included elsewhere in this prospectus for information related to our senior subordinated notes and our previous credit facility.

In addition, we expect to make cash contributions to our domestic and foreign benefit plans of approximately $9.0 million during 2005. Cash contributions in subsequent years will depend on a number of factors and assumptions including the performance of plan assets, discount rates, compensation increases, health care cost increases, mortality and employee turnover.

Capital Expenditures

Capital expenditures decreased $0.5 million, or 5.4%, to $8.6 million for the three months ended March 31, 2005 compared to $9.1 million for the three months ended March 31, 2004. New capital investments in 2005 included spending on additional equipment for custom products.

Capital expenditures decreased $24.9 million, or 52.9%, to $22.2 million in 2004 from $47.1 million in 2003.

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New capital investments for 2004 included the following:

acquisition of new equipment for productivity improvement and capacity expansion primarily in conventional products; and

purchase of new molds.

Capital expenditures increased $17.1 million, or 57.0%, to $47.1 million in 2003 from $30.0 million in 2002.

In order to serve our existing customers, and to participate in the conversion to PET from glass or aluminum that we expect in both the custom and conventional PET markets, we will require significantly greater rates of capital investment over the coming years than in the past. Generally, we intend to purchase new equipment only after entering into long-term customer contracts that justify additional capacity. A single high speed production unit costs approximately $10.0 million and investments may occur in increments of two, three or more production units. It is our experience from previous large-scale conversions to PET bottles that whole product lines generally convert at once in conjunction with regional or national marketing campaigns. Our customers require an ability to meet timelines for commitment of capacity expansion and implementation of project plans. Additionally, because of the large volumes controlled by the major consumer product companies that are our customers, many of the capacity investments we make may be fully or largely committed to agreements with only one customer each.

Our ability to make capital expenditures is limited by the financial covenants contained in our new credit facility. These financial covenants impose maximum capital expenditures of $45.0 million in 2005, $42.5 million in 2006, $47.5 million in 2007 and $47.5 million in 2008. These covenants allow for the carry forward of a certain amount of spending below the covenant levels in previous periods.

Equipment suppliers to our industry have continually made improvements in output and performance at lower capital cost per unit of output. Subject to demand for the capacity, we seek to maintain and improve our competitive cost position by acquiring state of the art equipment that has the lowest operating and capital cost per unit of output on each occasion that we increase capacity. We believe that we are advantaged by opportunities that exist to deploy existing high speed equipment in some of the newly converting specialty custom applications, enhancing both operating efficiency and capital efficiency throughout our system.

Environmental Matters

Our Didam, Netherlands facility has been identified as having impacts to soil and groundwater from volatile organic compounds at concentrations that exceed those permissible under Dutch law. The main body of the groundwater plume is beneath our Didam facility but it also appears to extend from an upgradient neighboring property. Following the results of recent testing, remediation is not required to begin until 2007. Our records an environmental liability on an undiscounted basis when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. At December 31, 2004, we had an accrual of $0.2 million for costs associated with completing the required investigations and certain other activities that may be required at the Didam facility. We have no other accruals for environmental matters.

Stockholders Equity

Stockholders equity decreased to $24.0 million at December 31, 2004 from $32.8 million at December 31,2003. The decrease was primarily due to a net loss of $6.8 million for the year.

Stockholders equity decreased to $32.8 million at December 31, 2003 from $246.1 million at December 31, 2002. The decrease was primarily due to a net loss of $220.5 million for the year.

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Inflation

Inflation has not had a significant impact on our operations over the past three years and we do not expect it to have a significant impact on our results of operations or financial condition in the foreseeable future.

Market Risk

In the normal course of business, we are exposed to fluctuations in currency values, interest rates, commodity prices and other market risks.

We derived approximately 26% of total revenues from sales in foreign currencies during the year ending December 31, 2004. In our financial statements operating results in local currency are translated into U.S. dollars based on average exchange rates during the period and balance sheet items are translated at rates on the balance sheet date. During periods of a strengthening dollar, our U.S. dollar financial results related to operations conducted in foreign currencies are reduced because the local currency amounts are translated into fewer U.S. dollars. Conversely, as the dollar weakens, our foreign results reported in U.S. dollars will increase accordingly. Based on our revenues in fiscal year 2004 of our foreign locations that utilize currencies other than the U.S. dollar, a 10% increase in the U.S. dollar value would result in an approximately $18 million reduction in net sales. Approximately 2% of total revenues in 2004 were derived from sales in Turkey. These sales were made in Turkish lira and the invoiced sale prices are adjusted to account for fluctuations in the exchange rate between the lira and the dollar. We are exposed to fluctuations in such exchange rate from the date of the invoice until settlement. We may enter into foreign exchange contracts to reduce the effects of fluctuations in foreign currency exchange rates on assets, liabilities, firm commitments and anticipated transactions. However, we do not generally hedge our exposure to translation gains or losses on non-U.S. net assets because we reinvest the cash flows within the operations where they are generated. During May 2005, we entered into an interest rate swap for a notional amount of $100 million. We effectively exchanged our floating interest rate of LIBOR plus 3 $^{3}/8$% for a fixed rate of 7.9% through the period ending February 2012.

Our borrowings under our new credit facility and the notes bear floating interest rates based on either a Base Rate or the LIBOR Rate. Therefore, we have an exposure to interest rate risk. The definitive extent of our interest rate risk in connection with our new credit facility and the notes is not quantifiable or predictable because of the variability of future interest rates and borrowing requirements. Based on borrowing levels as of March 31, 2005, a 1% change in LIBOR would result in an increase of $2.4 million annual interest expense. However, current amounts borrowed under the new credit facility might not be representative of future borrowings which will be based on our future requirements and seasonal needs.

The principal raw materials used in the manufacture of our products are resins that are petrochemical derivatives. The markets for these resins are cyclical and are characterized by fluctuations in supply, demand and pricing. Substantially all of our sales are made under contracts that allow for the pass through of changes in the price of resin, our principal raw material and a major component of cost of goods sold. When we adjust our prices under these agreements to pass through changes in resin prices, our net sales change accordingly but our gross profit is unaffected. In the aggregate, the lag between effective date of resin price changes and the effective date of price adjustments to our customers under various pass-through mechanisms is approximately equal to our inventory exposure.

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OUR BUSINESS

Company Overview

We are a global producer of PET, or polyethylene terephthalate, plastic containers for food and beverages. We manufacture PET containers for conventional PET applications in soft drinks and water and for custom PET applications. Custom PET container applications include food, juices, teas, sport drinks, new age beverages, beer and flavored alcoholic beverages, most of which require a combination of advanced technologies, processing know-how and innovative designs.

Our technologies are aimed at enabling us to meet the specific needs of products being converted from other forms of packaging to PET. Oxbar, our oxygen-scavenging technology, enables us to produce the special packaging required to extend the shelf life of oxygen sensitive products. We believe that Oxbar is the PET industry s best performing oxygen barrier technology. Furthermore, the Food and Drug Administration recently approved for commercial use our next-generation monolayer Oxbar technology. We have also developed methods for addressing the challenges of hot-filling containers. We are focused on providing our customer base with the best service through technological innovation, new product development and lowest-cost production. We actively seek new business where our technologies and other competitive strengths can yield attractive and sustainable profitability.

History

We are a Delaware corporation. Originally incorporated in 1927, we were an independent publicly held corporation from 1969 to 1992, when we were purchased by Crown. We have been a public company since our initial public offering in November 2002. Our principal executive offices are located at One Crown Way, Philadelphia, PA 19154-4599, and our telephone number is (215) 552-3700.

The PET Container Industry

The PET container industry is generally divided into two product types: conventional PET, which includes beverage containers for soft drinks and water, and custom PET, which includes containers that generally require specialized performance characteristics.

The conventional PET container industry consists of high volume production of containers for use in packaging soft drinks and water. The industry is supplied by independent producers, as well as captive manufacturers.

The custom PET container industry is characterized by complex manufacturing processes, unique materials, innovative product designs and technological know-how for products with special requirements. Because of the greater required manufacturing complexity, many custom PET applications have greater profitability and higher barriers to entry than conventional PET.

PET products include both bottles and preforms. Preforms are test-tube shaped intermediate products in the bottle manufacturing process. Some companies purchase preforms that they process into bottles at their own manufacturing facilities. Preforms are utilized in both conventional and custom applications. In the United States, manufacturers generally sell completed bottles. In Europe, manufacturers generally sell preforms.

The PET container business is a rapidly growing component of the United States packaging market due to continued growth in water and isotonics, conversion opportunities from other forms of packaging and the introduction of smaller sized soft drink containers. Many of these conversion opportunities involve the use of advanced or proprietary PET technologies.

PET competes in the packaging market against a number of materials, including glass, metal, paperboard and other plastics. Various factors affect the choice of packaging material. In the food and beverage markets,

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PET containers have been gaining market share due to consumer preference for PET containers transparency, resealability, light weight and shatter resistance. PET bottles and jars have also gained acceptance due to PET s custom molding potential, which allows customers to differentiate their products using innovative designs and shapes that increase promotional appeal.

Historically, conversions to PET from glass have occurred first in larger size bottles within a product category, and then proliferated to smaller sizes. This was the case for two liter soft drinks in the late 1970s, hot-fill gallon juices in the late 1980s, and 1.5 liter water bottles in the mid-1990s, as well as in many food conversions such as edible oil, salad dressings, peanut butter, and mayonnaise. The four main reasons for this phenomenon are:

- Because larger bottles have less surface area in proportion to volume contained, permeation rates for oxygen and carbon dioxide are less critical to shelf life.
- The cost of the package in relation to the cost of the product contained is lower in larger bottles. The higher per-bottle costs needed to achieve specialized properties in a large bottle have less impact on a product s cost per ounce.
- Larger glass bottles are proportionately heavier because strength is achieved partly by increasing the thickness of the glass, while PET s intrinsic strength does not require significantly greater wall thickness for large bottles. This issue makes PET bottles cost competitive with, and lighter than, glass bottles.
- Larger glass bottles are more prone to breakage because of their greater wall surface and weight. Because of their greater mass, they are potentially more damaging when dropped and broken. The shatter resistant nature of PET has even greater importance in larger bottle applications.

Glass conversions in large bottles have typically been followed by conversions of small size bottles. This has resulted from both lower costs achieved over time by scale advantages and new technology, and from stronger demand arising when consumer familiarity and preference for larger sized bottles in PET transfers to smaller sizes.

Key Markets and Products

We are a leading producer of PET containers for food and beverages. Our products are used in a variety of end-use markets, including soft drinks, water, peanut butter, edible oils, salad dressing, juices, teas, beer and flavored alcoholic beverages. We supply PET products for such well-known brands as Pepsi, Coca-Cola, Dr Pepper, 7 UP, Mott s, Shasta, Peter Pan, Aquafina, Wish-Bone, Smucker s, Veryfine, Snapple and Smirnoff Ice. We primarily manufacture and sell bottles in the United States. In Europe, we primarily sell preforms. Approximately 74% of our revenue in 2004 and 77% for the three months ended March 31, 2005 was attributable to sales in the United States, with the remainder attributable to sales in Europe.

We supply bottles and preforms in both the conventional and custom PET markets. Preforms are test-tube shaped intermediate products that are purchased by manufacturers for processing into finished bottles at their manufacturing facilities.

Conventional PET

Our conventional PET sales relate primarily to containers for use in packaging soft drinks and water. For the year ended December 31, 2004 and the three months ended March 31, 2005, conventional PET products represented approximately 80% and 78%, respectively, of our sales.

Soft Drinks. We are a leading independent provider of PET containers to the United States soft drinks market. We are a leading U.S. supplier of PET containers to PepsiCo, as well as a leading supplier to Cadbury Schweppes plc, the maker of Dr Pepper and 7 UP. Our strategy in this market segment is to maintain our relationships with major customers, improve margins and only invest when projects improve overall conventional margins.

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Water. We believe that we are the largest supplier to PepsiCo s water brand, Aquafina, in the United States. Other large water bottlers, including Nestlé S.A., Groupe Danone and Coca-Cola, predominantly manufacture their own containers. We maintain a strong position with a number of independent water bottlers. Our strategy in this market is to maintain current relationships and grow profitability along with our customers growth within this market.

Custom PET

Custom PET products represented approximately 15% and 17% of our sales in 2004 and the three months ended March 31, 2005, respectively. We believe that custom PET applications represent significant growth opportunities for us. Additionally, custom PET applications generally provide higher margins and have higher barriers to entry than conventional PET, due to greater manufacturing complexity.

Proprietary Technologies

Custom PET technologies are necessary to produce PET bottles for foods and beverages that require advanced technologies for packaging, such as oxygen-scavenger and hot-fill. Scavenger technologies inhibit oxygen from penetrating the packaging, which can cause the flavor and the color of the product to degrade. Hot-fill technologies are used to allow pouring of heat processed beverages into bottles that can withstand high temperatures without deforming. In the past, products requiring these characteristics were generally packaged in glass. Currently available technologies allow these products to be packaged in PET, which is more desirable than glass because of PET s light weight and shatter resistance.

Oxygen Scavenger. Our Oxbar technology increases product shelf life by inhibiting oxygen from entering the packaging. An additional benefit of Oxbar is that the barrier technology can be incorporated in the preforms from which plastic bottles are blown. This is an important competitive advantage since preforms can be shipped more economically than bottles and allow for the blowing of oxygen-scavenger bottles on the world s existing base of blow-molding equipment without modification.

We have recently developed monolayer oxygen-scavenging bottles as an addition to our multi-layer product offering. Multi-layer oxygen-scavenging bottles have Oxbar between two layers of PET. Monolayer bottles incorporate the scavenging technology into a single layer container. This introduces oxygen-scavenging properties into preforms made on conventional injection presses, eliminating significant incremental costs of multi-layer injection molding. Combined with monolayer Oxbar s outstanding oxygen barrier performance, we believe monolayer Oxbar has both a cost and performance advantage over competing technologies. Monolayer Oxbar bottles are not as transparent as multi-layer bottles, so customers desiring glass-like clarity may prefer multi-layer products. Our existing Oxbar patents cover monolayer oxygen-scavenging technology. We began shipping our first monolayer bottles in the second quarter of 2005.

Food. We manufacture containers for well-known brands including ConAgra Grocery Products Wesson Oil, Healthy Choice peanut butter, Unilever s Wish-Bone Salad Dressings and Smucker s Toppings. We also produce bottles for some of the largest producers of quality private-labeled food products.

Hot-fill. We possess expertise and patents that enable us to manufacture bottles that can withstand the hot-fill process. Products within this market are filled at temperatures in excess of 180 degrees Fahrenheit. Hot-fill bottles require specialized equipment and processes that allow the bottles to withstand this heat without deforming. Hot-fill bottles also use structural design features that absorb and withstand vacuum created inside the bottle when the contents cool after filling. In response to customer requests for new hot-fill packages, we have developed a next-generation heat-set container that allows us to produce creative product designs without the structural design features that meet customer requirements and offer the potential for lighter-weight bottles. We are also working to expand other applications of hot-fill technology. We supply hot-fill bottles for brands such as Arizona Iced Tea, Snapple, Gatorade Propel and Veryfine. We supply a full range of sizes, from gallon-handled bottles for juices to single serve bottles.

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Pasteurization. We have expertise and proprietary functional design features that enable our PET bottles to be filled on the same filling lines as glass bottles for pasteurized beer. During pasteurization, the sealed bottle and its contents are subjected to heat, which both increases the internal pressure of the bottle and decreases the rigidity of the bottle. Our pasteurizable bottle has a proprietary base design that resists deformation during this process, and a proprietary neck design that expands slightly under heat and pressure to reduce stress on the base. In line with our strategy for capturing conversion opportunities, we plan to apply our Oxbar technology first to target larger capacity, multi-serve bottle glass conversions and then target smaller, single serve bottle conversions as the market expands.

Customers

Generally, we supply our customers pursuant to contracts with terms of one year or longer. Substantially all of our sales are under contracts containing provisions that allow for the pass through of changes in the price of PET resin. For the year ended December 31, 2004 and the three months ended March 31, 2005 our top five customers accounted for approximately 60% and 62%, respectively, of our sales, while our top ten customers accounted for approximately 75% and 78%, respectively, of our sales. During the same period, purchases by PepsiCo accounted for approximately 30% and 31%, respectively, of our sales, while purchases by Coca-Cola accounted for approximately 13% and 12%, respectively, of our sales. Other than PepsiCo and Coca-Cola, no customer accounted for more than 10% of our sales in 2004. We are continually seeking ways to expand our customer base.

Sales and Marketing

Our management structure includes a senior vice president of sales and marketing, three regional vice presidents of sales and a vice president of marketing. In addition to having responsibility for overseeing regional sales, each vice president of sales also has product line management responsibilities for certain product lines.

Research and Development

We conduct our major technology and product development work, as well as testing and product qualification, at in-house laboratories. From laboratory locations in Alsip, Illinois and Sherburn, United Kingdom, our research and development staff provides project support for the design and development needs of our existing and potential customers, and is responsible for the full range of development activity from concept to commercialization. Our research and development staff have advanced degrees in chemical engineering, mechanical engineering and polymer science. Typical activities of the staff include:

- determination of ideal design, lightest weight and optimum finish;
- design development to enhance product preference;
- use of predictive tools to minimize development cycle;
- unit cavity production and the making of samples;

blow-mold trials in the process lab and in the field;

setting process parameters and specifications; and

assisting its customers tests of new containers.

Sources and Availability of Raw Materials

We buy PET resin directly from a diverse base of leading resin suppliers in the United States, Europe and Asia. While specialized PET resin is required for some hot-fill and other specific applications, most of the major PET manufacturers supply a full range of resin specifications. We believe that the large volume of resin that we purchase provides leverage that assists us in negotiating favorable resin purchasing agreements.

We buy labels from several suppliers, mostly in the United States, for application to bottles for our customers. Our ability to work closely with our customers to forecast, order and stock the large number of different labels they need and to deliver labeled bottles as needed is an important element of the service we provide.

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Competition

PET containers compete with glass bottles, metal cans, paperboard containers and other packaging materials. Our major PET industry competitors in the United States are Amcor Ltd., Ball Corporation, Graham Packaging Company and Plastipak Holdings, Inc. In Europe, the competitive landscape is much more fragmented.

Competition in the PET industry is intense. In all of our markets, high standards of service, reliability and quality performance are prerequisites to obtaining significant awards of business from customers. Margins are tight in the conventional soft drink and water business, and differentiation is obtained by cost advantage of scale, design and execution capability, and the ability to bring synergies to the supply relationship through innovation and organizational integration. While these capabilities are also valuable for custom PET, the major basis for competition in custom PET applications is technology, since patent protection, know-how and highly specialized equipment and process techniques are required to manufacture custom PET products. Some of this technology, however, is commercially available.

The PET business is highly capital intensive, with whole manufacturing lines often committed to the requirements of a single customer. An important element of competition is the strength of each company s process for evaluation, design, presentation and execution of new product development opportunities presented by the packaging needs of customers. Product design, engineering and investment decisions made when new capacity is acquired, and the financial and contractual terms obtained with customers to support that investment, are key determinants of a company s success in this market. Flexibility of the manufacturing platform, large scale plants that distribute overhead costs broadly and continuous improvement are sources of competitive cost advantage.

Intellectual Property

Our portfolio of intellectual property assets includes U.S. and foreign utility and design patents and patent applications. Among these assets are a number of patents on our oxygen-scavenging technology, as well as patents related to our line of hot-fill bottles. The earliest of the U.S. and European oxygen-scavenging patents are not due to expire until 2008. We also own registrations of, and/or pending applications for registration of, the trademarks CONSTAR, OXBAR and other marks in the United States and various foreign jurisdictions.

Our Oxbar technology is subject to a worldwide royalty-free cross-license with Rexam AB, which owns several patents relating to oxygen-scavenging technology. The cross-license agreement gives both parties the right to use and sublicense each other s oxygen-scavenging technology patents but not each other s know-how. Chevron Phillips Chemical Company LP holds a royalty-based, exclusive, worldwide license to the Oxbar patents, but not for rigid polyester packages such as PET containers. We have granted royalty-bearing licenses to some of our competitors for certain applications of the Oxbar patents.

We rely on proprietary know-how, continuing technological innovation and other trade secrets to develop products and maintain our competitive position. We attempt to protect our proprietary know-how and our other trade secrets by executing, when appropriate, confidentiality agreements with our customers and employees. We cannot assure you that our competitors will not discover comparable or the same knowledge and techniques through independent development or other means.

Environmental Liabilities and Costs

Our facilities and operations are subject to a variety of federal, state, local and foreign environmental laws and regulations, including those relating to air emissions, wastewater discharges and chemical and hazardous waste management and disposal and remediation of environmental sites. We are also subject to employee health and safety laws. The nature of our operations exposes us to the risk of liabilities or claims with respect to

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environmental and worker health and safety matters. We believe our operations are in material compliance with applicable requirements; however, there can be no assurance that material costs will not be incurred in connection with these liabilities or claims. Based on our experiences to date, we believe that the future cost of compliance with existing environmental and employee safety laws and regulations will not have a material adverse effect. Future events, including changes in laws and regulations or their interpretations and the discovery of presently unknown conditions, may nevertheless give rise to additional costs that could be material.

Certain environmental laws hold current owners or operators of land or businesses liable for their own and for previous owners or operators releases of hazardous or toxic substances. Because of our operations, the long history of industrial operations at some of our facilities, the operations of predecessor owners or operators of certain of our businesses, and the use, production and release of hazardous substances at these sites and at surrounding sites, we may be affected by liability provisions of environmental laws. Various facilities have experienced some level of regulatory scrutiny in the past and are, or may become, subject to further regulatory inspections, future requests for investigation or liability for past practices.

Our Didam, Netherlands facility has been identified as having impacts to soil and groundwater from volatile organic compounds at concentrations that exceed those permissible under Dutch law. The main body of the groundwater plume is beneath our Didam facility but it also appears to extend from an upgradient neighboring property. Following the results of recent testing, remediation is not required to begin until 2007. We record an environmental liability on an undiscounted basis when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. We have an accrual of $0.2 million for costs associated with completing the required investigations and certain other activities that may be required at the Didam facility. We have no other accruals for environmental matters.

The Comprehensive Environmental Response, Compensation, and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986, or CERCLA, provides for responses to and joint and several liability for releases of hazardous substances into the environment. We have received requests for information or notifications of potential liability from the Environmental Protection Agency, or EPA, under CERCLA and certain state environmental agencies under state superfund laws for off-site locations. We have been identified by the Wisconsin Department of Natural Resources as a potentially responsible party at three related sites in Wisconsin and agreed to share in the remediation costs with one other party. Remediation is ongoing at two of these sites and remediation has been completed at the third site. We have also been identified as a potentially responsible party at the Bush Valley Landfill site in Abingdon, Maryland and entered into a settlement agreement with the EPA in July 1997. The activities required under that agreement are ongoing. We have not incurred any significant costs relating to these matters to date and do not believe that we will incur material costs in the future in responding to conditions at these sites.

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Properties

Our corporate headquarters are located at One Crown Way, Philadelphia, Pennsylvania. We maintain facilities in the United States and Europe and have a joint venture interest in Turkey. The locations of these facilities, their respective sizes and ownership/lease status are as follows:

Location	Type of Facility	Size(1)	Ownership Status
North America			
Philadelphia, Pennsylvania	Headquarters	23,000	Leased
Alsip, Illinois	Research and Development	33,300	Leased
Atlanta, Georgia	Warehouse	202,607	Leased
Atlanta, Georgia	Plant and Warehouse	121,704	Owned
Atlanta, Georgia	Administrative	38,438	Owned
Belcamp, Maryland(2)(3)	Warehouse (two sites)	270,000	Leased
Birmingham, Alabama(4)	Plant	184,723	Leased
Charlotte, North Carolina	Warehouse	185,768	Leased
Charlotte, North Carolina(5)	Plant and Warehouse	142,500	Owned/Leased
Cheraw, South Carolina	Plant and Warehouse	134,236	Leased
Collierville, Tennessee(6)	Plant	200,001	Owned/Leased
Collierville, Tennessee(2)	Warehouse	136,847	Leased
Dallas, Texas(7)	Plant	198,099	Leased
Dallas, Texas	Plant and Warehouse	636,480	Leased
Havre de Grace, Maryland	Plant and Warehouse	437,564	Owned
Havre de Grace, Maryland(8)	Plant and Warehouse	175,200	Owned/Leased
Houston, Texas	Plant and Warehouse	191,537	Leased
Houston, Texas(2)	Warehouse	44,050	Leased
Jackson, Mississippi(9)	Plant and Warehouse	127,043	Owned/Leased
Jackson, Mississippi(10)	Sidetrack	800 ft	Leased
Kansas City, Kansas	Warehouse	47,277	Leased
Kansas City, Kansas	Plant and Warehouse	236,633	Leased
Hebron, Ohio(3)	Warehouse	211,200	Leased
Hebron, Ohio	Plant	109,800	Leased
Orlando, Florida	Plant and Warehouse	180,000	Leased
Orlando, Florida	Plant and Warehouse	180,332	Leased
Reserve, Louisiana(2)(4)(11)	Plant	187,000	Owned/Leased
Salt Lake City, Utah	Warehouse	80,713	Leased
West Chicago, Illinois(2)	Warehouse	102,183	Leased
West Chicago, Illinois	Plant and Warehouse	123,100	Owned
Europe			
Didam, Netherlands	Plant	22,188	Owned
Izmir, Turkey(12)	Plant	10,772	Owned
Sherburn, England	Plant	51,500	Owned

(1) In square feet for the properties located in North America and in square meters for the properties located in Europe, unless otherwise noted.

(2) Lease is expiring within 12 months and is not expected to be renewed.

(3) Oral lease.

(4) As part of the 2003 restructuring plan, we closed manufacturing facilities at Birmingham, Alabama and Reserve, Louisiana. Other properties held subject to leases but where we no longer operate are not listed above.

(5) Includes 83,250 square feet of owned space and 59,250 square feet of leased space.

(6) Includes 118,791 square feet of owned space and 81,210 square feet of leased space.

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(7) Operated as a plant from lease inception in 1992 contrary to restriction in lease to use as warehouse.

(8) Includes 108,000 square feet of owned space and 67,200 square feet of leased space.

(9) Includes 36,608 square feet of owned space and 90,435 square feet of leased space.

(10) Sidetrack consists of 800 feet of rail track.

(11) Includes 86,968 square feet of owned space and 100,032 of leased space.

(12) This property is owned by a joint venture, in which we own a 55% equity interest.

We from time to time secure additional warehouse space on a short-term basis as needed to meet inventory storage requirements.

Employees

As of December 31, 2004, we employed 2,004 employees, with 1,678 in the United States and 326 in Europe. None of our U.S. employees are unionized, but there are union workers at our Sherburn, United Kingdom plant and our Didam, Netherlands plant. We believe that our employee relations are good and that our practices in the areas of training, progression, retention and team involvement foster continuous improvement in capabilities and satisfaction levels throughout our workforce.

Legal Proceedings

On November 1, 2004, we settled our Oxbar patent infringement action against Continental PET Technologies, Inc. We were paid $25.1 million, which was applied to our previous revolving credit facility. In addition, we granted Continental PET Technologies and its former parent company, Owens-Illinois, Inc., global licenses to multilayer applications of the Oxbar patents. We also settled the related dispute with Chevron Phillips Chemical Company LP. We and Rexam have entered into a new license going forward that grants Chevron rights to practice the Oxbar patents, but not for rigid polyester packages such as PET containers. The original license agreement with Chevron survives only for purposes of a sublicense agreement between Chevron and a third party.

We are one of 42 defendants in a patent infringement action seeking unspecified monetary damages brought on August 3, 1999 by North American Container, Inc. in the U.S. District Court for the Northern District of Texas based on its patent for a certain plastic container base design. The other defendants include many of the principal plastic container manufacturers, various food and beverage companies, and three grocery store chains. On November 28, 2003, the Court granted summary judgment in favor of the defendants. The parties dismissed without prejudice certain remaining unadjudicated claims in order to position the case for appeal to the Federal Circuit Court of Appeals by the plaintiff. On February 24, 2004, judgment was entered in accordance with the November 28, 2003 ruling and an appeal was filed. On July 14, 2005, the Federal Circuit Court of Appeals affirmed the summary judgment as to most of the accused containers, including all of Constar s containers.

We and certain of our present and former directors, along with Crown Holdings, Inc., as well as various underwriters, have been named as defendants in a consolidated putative securities class action lawsuit filed in the United Sates District Court for the Eastern District of Pennsylvania, In re Constar International, Inc. Securities Litigation (Master File No. 03-CV-05020). This action consolidates previous lawsuits, namely Parkside Capital LLC v. Constar International Inc.¸ et al. (Civil Action No. 03-5020), filed on September 5, 2003 and Walter Frejek v. Constar International Inc et al. (Civil Action No. 03-5166), filed on September 15, 2003. The consolidated and amended complaint, filed June 17, 2004, generally alleges that the registration statement and prospectus for our initial public offering of our common stock on November 14, 2002 contained material misrepresentations and/or omissions. Plaintiffs claim that defendants in these lawsuits violated Sections 11 and

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15 of the Securities Act of 1933. Plaintiffs seek class action certification and an award of damages and litigation costs and expenses. Under our charter documents, an agreement with Crown and an underwriting agreement with Crown and the underwriters, we have incurred certain indemnification and contribution obligations to the other defendants with respect to this lawsuit. The court denied our motions to dismiss for failure to state a claim upon which relief may be granted on June 7, 2005 and our answer is due to be filed on July 25, 2005. We believe the claims in the action are without merit and intend to defend against them vigorously.

We are a defendant in a lawsuit filed that was in the Ninth Judicial Circuit of Florida on January 9, 2001 by former and current employees of our Orlando, Florida facility seeking unspecified monetary damages. The lawsuit alleges bodily injury as a result of exposure to off-gasses from polyvinyl chloride (PVC) during the manufacture of plastic bottles from 1980-1987. PVC suppliers and a manufacturer of the manufacturing equipment used to process the PVC are also defendants. On May 5, 2005 the court denied Constar s motion for summary judgment, which was brought as to one of the plaintiffs. The litigation is currently in the discovery stage. We believe the claims are without merit and are aggressively defending against the claims.

On May 23, 2005, we instituted arbitration proceedings against Mott s, Inc. and Mott s LLP before the American Arbitration Association. We assert that Mott s has breached the terms of a supply agreement by underpaying us for PET preform products manufactured and sold to Mott s pursuant to the supply agreement. In our Statement of Claim, we seek damages of approximately $1 million, plus interest. Mott s has stated that it intends to continue to pay a reduced amount for PET preform products supplied by us, and accordingly, the amount we seek as damages will increase over time. Mott s has filed a counterclaim asserting that it has overpaid for PET preforms in the past, but has not specified the amount of any such alleged overpayments.

We are subject to other lawsuits and claims in the normal course of business and related to businesses operated by predecessor corporations. Management believes that the ultimate liabilities resulting from these lawsuits and claims will not materially impact our results of operations or financial position.

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MANAGEMENT

Our executive officers and directors, their ages and their positions as of the date of this prospectus are as follows:

Name	Age	Position
John P. Neafsey	65	Chairman of the Board of Directors
James A. Lewis	57	Director
William G. Little	62	Director
Frank J. Mechura	62	Director
Angus F. Smith	64	Director
A. Alexander Taylor	52	Director
Michael J. Hoffman	45	President, Chief Executive Officer and Director
William S. Rymer	37	Executive Vice President and Chief Financial Officer
James C.T. Bolton	50	Senior Vice President, Administration and Strategic Planning
L. William Secoy	61	Senior Vice President, Sales and Marketing
John F. Beretzki	45	Vice President, Corporate Controller
Donald P. Deubel	42	Vice President, Corporate Technologies
Frank E. Gregory	55	Vice President, European Operations
Jerry A. Hatfield	46	Vice President, Operations
David J. Waksman	38	Vice President, General Counsel and Secretary

Directors

John P. Neafsey. Mr. Neafsey has been a member of our board of directors since July 2003 and has served as Chairman since April 2004. Mr. Neafsey has been President of JN Associates, an investment consulting firm, since 1993. Mr. Neafsey serves as Chairman of Alliance Resource Partners, L.P., is a director of West Pharmaceutical Services Inc., and is Chairman of the board of directors of National Equipment Services Company. He previously served as President and CEO of Greenwich Capital Markets from 1990 through 1993. Mr. Neafsey served on the board of directors of Greenwich Capital Markets from 1983 to 1993.

James A. Lewis. Mr. Lewis has been a member of our board of directors since March 2003. Mr. Lewis has been the President and Chief Executive Officer of Lynx Chemical Group since 2002. Prior to that, Mr. Lewis worked as an Independent Management Consultant from 2001 to 2002. Prior to that, Mr. Lewis was President and Chief Executive Officer of WorldWideTesting.com from 2000 to 2001. Before that, Mr. Lewis was Vice President and General Manager of the Container Plastics Business of Eastman Chemical Company from 1997 to 1999.

William G. Little. Mr. Little has been a member of our board of directors since 2002. Mr. Little was Chairman of the Board of West Pharmaceutical Services, Inc. from 1996 until March 2003. Mr. Little was appointed President and Chief Executive Officer of West Pharmaceutical Services, Inc. in 1991. Mr. Little served as President of West Pharmaceutical Services, Inc. until 1998 and Chief Executive Officer until April 2002. Mr. Little is a director of Crown Holdings, Inc., Fox Chase Cancer Center, Southern Peaks Ltd. and the Ligocyte Corporation.

Frank J. Mechura. Mr. Mechura has been a member of our board of directors since 1997 and served as President of our Company from February 2002 to May 2002. Mr. Mechura is currently President of the Americas Division of Crown Holdings, Inc. Mr. Mechura was President of our Company from 1996 to 1998 and a Senior Vice President of Constar, Inc. from 1996 to 2000. Mr. Mechura has been an Executive Vice President and President of the Americas Division of Crown Cork & Seal Company, Inc. since 2001. Mr. Mechura was also Executive Vice President and President of the Americas Plastic Division of Crown Cork & Seal Company, Inc. from 2000 to 2001.

Angus F. Smith. Mr. Smith has been a member of our board of directors since 2002. Since June 2002, Mr. Smith has been an Alliance Partner with the First Principles Group, a financial services company based in

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Washington, D.C. Mr. Smith was Vice President and Treasurer of Unisys Corporation from 1997 to 2000. Prior to this, Mr. Smith served at Rohm and Haas Company as Treasurer from 1980 to 1997, as Assistant Treasurer from 1976 to 1980 and in various financial management positions from 1967 to 1976.

A. Alexander Taylor. Mr. Taylor has been a member of our board of directors since March 2003. Mr. Taylor has been the President and Chief Operating Officer of Chattem, Inc. since January 1998 and a member of Chattem, Inc. s board of directors since 1993. Before that, Mr. Taylor was a partner in the law firm of Miller & Martin from 1983 to 1998. Mr. Taylor is also a director of Olan Mills, Inc.

Executive Officers

Michael J. Hoffman. Mr. Hoffman has been our President and Chief Executive Officer and a member of our board of directors since May 2002. Mr. Hoffman has been President of Constar, Inc. since October 2000. Mr. Hoffman was previously Vice President of Operations for Constar, Inc. since 1995, and director of Crown s Aerosol Manufacturing division from 1993 to 1995. Before that, Mr. Hoffman was a Plant Superintendent, and then a Plant Manager, in several United States branches of Crown from 1987 to 1993. Prior to 1987, Mr. Hoffman was a Plant Superintendent for Continental Can Company and held various other plant management positions. Mr. Hoffman holds a B.S. in mathematics and a B.S. in psychology from the University of Delaware.

William S. Rymer. Mr. Rymer has been our Executive Vice President and Chief Financial Officer since August 2004. Previously, Mr. Rymer was our Vice President, Corporate Controller from September 2003 to August 2004. From November 2001 to June 2003, Mr. Rymer served as Vice President, Chief Financial Officer and Secretary for American Pacific Enterprises, LLC, a designer and importer of decorative home furnishings. During 2001, Mr. Rymer served as an acquisition consultant in connection with the purchase of the assets of American Pacific Enterprises, Inc. From 1997 to January 2001, Mr. Rymer worked for Glenoit Corporation, a manufacturer of home furnishings and apparel fabric. During that period, Mr. Rymer was promoted to Senior Vice President of Finance in May 2000 after serving as Corporate Controller beginning in October 1997. Glenoit Corporation filed for bankruptcy protection in August 2000. Mr. Rymer is a Certified Public Accountant and holds a B.S. in accounting from Wake Forest University.

James C.T. Bolton. Mr. Bolton has been our Senior Vice President, Administration and Strategic Planning since May 2002. Previously, Mr. Bolton had been Senior Vice President, Strategic Planning and Information Systems for the Americas Division of Crown Cork & Seal Company, Inc. since 2001. Prior to that, Mr. Bolton was Vice President, Finance of Constar, Inc. from 1996 to 2001. Mr. Bolton was Vice President, Finance and Planning for the International Division of Crown from 1992 to 1996. Prior to that, Mr. Bolton was Director of Insurance for Crown and was responsible for all benefits and property/casualty coverage in the U.S. from 1984 to 1992. Mr. Bolton also worked in the Treasury and Audit departments of Crown from 1978 to 1984. Mr. Bolton holds a B.A. in economics from Harvard College.

L. William Secoy. Mr. Secoy has been our Senior Vice President, Sales and Marketing since June 2002. Previously, Mr. Secoy had been Vice President, Sales and Marketing of Constar, Inc. since 2001. Prior to that, Mr. Secoy had been Vice President, Sales and Marketing of Crown Closures from 1997 to 2001. Prior to that, Mr. Secoy served as Vice President, Food Closure Sales and Director of Marketing for Anchor Hocking Corporation, a division of CarnaudMetalBox, from 1993 to 1997 and was Regional Sales Manager from 1990 to 1993 when Anchor Hocking Corporation was a division of Newell Corp. Mr. Secoy holds a B.S. in business administration from West Virginia University.

John F. Beretzki. Mr. Beretzki has been our Vice President, Corporate Controller since October 2004. Previously, Mr. Beretzki served as Manager of Financial Reporting and Accounting Policy for INVISTA (formerly DuPont Textiles and Interiors) from December 2002 to October 2004. Prior to that, from October 2001

to December 2002 Mr. Beretzki served as Senior Director of Finance for RCN Corporation. RCN Corporation filed for bankruptcy in May 2004. From January 2000 to October 2001, Mr. Beretzki held the position of Chief Accounting Officer and Corporate Controller for Unicast Communications Inc. Mr. Beretzki is a Certified Public Accountant and holds a B.S. in accounting from Saint Francis College.

Donald P. Deubel. Mr. Deubel has been our Vice President, Corporate Technologies since September 2002. Previously, Mr. Deubel had been Director of Packaging Development of Constar, Inc. from July 2000 to September 2002 and Senior Manager of Closure Engineering and Corporate Technologies for Crown from December 1997 to July 2000. Mr. Deubel holds a B.S. in business administration from the University of Toledo and a B.S. in plastics engineering from Ferris State University.

Frank E. Gregory. Mr. Gregory has been our Vice President, European Operations since September 2002. Previously, Mr. Gregory was our UK Business Director since 2001. Prior to that, Mr. Gregory served as Vice President of Operations for Graham Packaging Company in Europe from 1998 to 2000. From 1993 to 1998 Mr. Gregory was General Manager of the UK Extension Blow Molding Bottles Business for the Plastics Division of CarnaudMetalbox, and in 1997 and 1998 Mr. Gregory also served as Strategic Projects Director and then Industrial Director for the Plastics Division of CarnaudMetalbox.

Jerry A. Hatfield. Mr. Hatfield has been our Vice President, Operations since March 2003. Starting as an Operations Manager of Constar s Kansas City Plant, he became Regional Operations Manager in 2000. Prior to that, he served as a Plant Manager for Crown Cork & Seal Company.

David J. Waksman. Mr. Waksman has been our Vice President, General Counsel and Secretary since July 2003. Previously, Mr. Waksman practiced corporate law at Dechert LLP from 1997 to July 2003, beginning as an associate and becoming a partner in 2000. Mr. Waksman holds a law degree and an M.B.A. in finance from New York University, as well as a B.A. and M.A. in history from The Johns Hopkins University.

Classes of the Board of Directors

Our directors are elected by the holders of our common stock and are divided into three classes that serve staggered three-year terms as follows:

Class	Expiration	Members
Class I	2006	A. Alexander Taylor
Class II	2007	James A. Lewis, John P. Neafsey and Angus F. Smith
Class III	2008	Michael J. Hoffman, William G. Little and Frank J. Mechura

We anticipate that in 2005 Mr. Hoffman will be reclassified as a Class I director.

Board Committees

Our board of directors has established three standing committees.

Audit Committee. The audit committee maintains the sole responsibility to appoint, determine funding for, and oversee the independence and performance of our internal and external auditors and has the authority to engage independent counsel and other advisors to assist in such responsibility. In addition, the audit committee assists our board of directors in monitoring the integrity of our financial statements and compliance with laws and regulations related to our financial statements and has the responsibility to establish procedures for the receipt and treatment of complaints regarding our financial statements, internal accounting controls or other related auditing matters.

In 2004, the audit committee met 21 times. The current members of the audit committee are Messrs. Neafsey, Smith and Taylor, each of whom is independent under the listing standards of the National

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Association of Securities Dealers and applicable SEC regulations. Mr. Smith is the chairman of the audit committee. Our board of directors has determined that Mr. Neafsey is an audit committee financial expert as defined by regulations promulgated under the Securities Act.

Compensation Committee. The compensation committee reviews and makes recommendations to our board of directors regarding the compensation to be provided to the Chief Executive Officer and the directors. In addition, the compensation committee reviews compensation arrangements for the other executive officers. The compensation committee also administers our equity compensation plans.

In 2004, the compensation committee met nine times. The current members of the compensation committee are Messrs. Lewis, Little and Neafsey, each of whom is independent under the listing standards of the National Association of Securities Dealers and applicable SEC regulations. Mr. Little is the chairman of the compensation committee.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee develops and oversees corporate governance guidelines and identifies, reviews, evaluates and recommends potential candidates to serve as directors of our Company. Governance matters were added to this committee s responsibilities in 2004. The nominating and corporate governance committee will consider director nominees recommended by stockholders who timely submit such recommendations.

In 2004, the nominating and corporate governance committee met five times. The current members of the nominating and corporate governance committee are Messrs. Lewis, Little, Neafsey and Taylor, each of whom is independent under the listing standards of the National Association of Securities Dealers and applicable SEC regulations. Mr. Taylor is the chairman of the nominating and corporate governance committee.

Committee Charters. Each of our audit, compensation and nominating and corporate governance committees has a written charter delineating its responsibilities. Each committee s charter is available on the Investors section of our web site at *www.constar.net*.

Director Compensation

We pay our non-employee directors the following annual retainers and fees for attended meetings:

Position	Annual Retainer	Attendance Fee for Board or Applicable Committee Meeting
Chairman of the Board of Directors	$ 91,500	$ 2,000
Non-Chairman Director	$ 56,500	$ 1,000
Chairman of the Audit Committee	$ 7,000	$ 2,000
Non-Chairman Member of the Audit Committee	$ 3,500	$ 1,500
Chairman of the Compensation Committee	$ 5,000	$ 1,500
Non-Chairman Member of the Compensation Committee	$ 2,500	$ 1,000
Chairman of the Nominating and Corporate Governance Committee	$ 5,000	$ 1,500

Non-Chairman Member of the Nominating and Corporate Governance Committee	$ 2,500	$ 1,000

We also intend to annually grant 1,000 shares of restricted stock to the Chairman of our board of directors and 750 shares of restricted stock to all other non-employee directors under our Non-Employee Directors Equity Incentive Plan.

We do not pay fees or make stock grants to employee directors for their service as directors; however, all directors are reimbursed for travel expenses incurred in connection with board of director and committee meetings.

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Compensation Committee Interlocks and Insider Participation

Our compensation committee makes all compensation decisions regarding our chief executive officer. Messrs. Lewis, Little and Neafsey are the current members of our compensation committee. Mr. Taylor and a former director, Mr. Charles Casey, also served on the compensation committee during 2004.

Executive Compensation

The following table provides certain summary information concerning the compensation earned by our chief executive officer and our four most highly paid executive officers, other than our chief executive officer, employed by us or our subsidiaries during the year ended December 31, 2004.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation		
Name and Principal Position	**Year**	**Salary ($)(1)**	**Bonus ($)(2)**	**Other Annual Compensation ($)(3)**	**Restricted Stock Awards ($)(4)**	**Securities Underlying Options(5)**	**All Other Compensation ($)(6)**
Michael J. Hoffman							
President and Chief	2004	370,056	242,000		170,610	16,324	3,299
	2003	353,333			666,000		3,266
Executive Officer	2002	35,384	150,000		80,400	66,840	154
William S. Rymer(7)							
Executive Vice President and							
	2004	206,898	87,771		281,350	6,454	194
Chief Financial Officer	2003	67,639			25,800		79,025
James C.T. Bolton							
Senior Vice President,							
Administration and	2004	208,427	82,000		93,060	6,029	3,393
	2003	189,863			277,500		3,296
Strategic Planning	2002	18,352	61,911		36,000	21,400	302
Frank E. Gregory(8)							
Vice President,	2004	210,327	70,544		77,550	5,187	31,299
	2003	181,780	58,690	20,367	166,500		26,421
European Operations	2002	16,833	54,231			2,255	1,912

David J. Waksman(7)						
Vice President, General	2004	225,027	88,750	38,775	5,790	3,382
Counsel and Secretary	2003	101,538		55,500		1,528

(1) The salary information for 2002 reflects the amount of salary paid by us to the named executive officers from November 21, 2002, the day after the closing of our initial public offering, through December 31, 2002. Compensation earned prior to November 21, 2002 was determined and paid by Crown, our former parent. Base salaries for the named executives officers in 2005 are currently $388,500 for Mr. Hoffman, $247,200 for Mr. Rymer, $226,600 for Mr. Bolton, £113,423 for Mr. Gregory and $236,250 for Mr. Waksman.

(2) Bonuses are shown for the year in which earned. Bonuses were awarded in 2005 in respect of 2004 performance under the Annual Incentive and Management Stock Purchase Plan. Mr. Gregory s 2004 bonus was awarded in British pounds but was converted to U.S. dollars for purposes of this presentation using the closing exchange rate on February 17, 2005, the date on which the bonus was approved by the compensation committee. As described below, bonuses under the Annual Incentive and Management Stock Purchase Plan are paid 50% upon award, with the remaining 50% deferred for one year at 5% interest, compounded daily. The deferred portion is matched with a number of restricted stock units (the Restricted Stock Units) equal to the amount of the deferred portion divided by the fair market value of our common stock on the date such bonus is allocated to the executive s account. Bonuses were determined on February 17, 2005, on which date the closing price of our common stock was $6.80. Accordingly, the named executive officers were awarded

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Restricted Stock Units as follows: Mr. Hoffman, 16,324; Mr. Rymer, 6,454; Mr. Bolton, 6,029; Mr. Gregory, 5,187; and Mr. Waksman, 5,790. Provided the named executive officer remains employed by us, these Restricted Stock Units will vest in full on February 17, 2008 and will be payable in common stock or cash in the discretion of the compensation committee. In addition to these bonuses under the Annual Incentive and Management Stock Purchase Plan, Mr. Hoffman and Mr. Waksman were awarded separate bonuses in the amounts of $20,000 and $10,000, respectively. These separate bonuses have no deferred component and are not matched with Restricted Stock Units. Except for these separate bonuses, all amounts shown as bonuses in 2004 were awarded under the Annual Incentive and Management Stock Purchase Plan.

(3) The amount of perquisite and other personal benefits for the named executive officers did not exceed the lesser of $50,000 or 10% of the total of annual salary plus bonus, except in the case of Mr. Gregory for 2003. The amount shown for Mr. Gregory in 2003 reflects automobile related benefits.

(4) In 2002, we awarded 6,700 and 3,000 shares of restricted stock to Messrs. Hoffman and Bolton, respectively. The values listed for these grants represent the number of shares granted to the particular officer multiplied by $12.00 per share, the offering price in our initial public offering. These shares are scheduled to vest in full on November 14, 2005. The values listed for grants made in 2003 and 2004 are based on the closing price of our common stock on the applicable grant date. Grants made in 2003 (120,000 shares to Mr. Hoffman, 5,000 shares to Mr. Rymer, 50,000 shares to Mr. Bolton, 30,000 shares to Mr. Gregory and 10,000 shares to Mr. Waksman) vest 20% on each anniversary of the grant date (December 16, 2003 for Mr. Rymer and August 5, 2003 with respect to the other named executive officers), provided that no more than 25% of the shares will vest until our common stock achieves a $7.00 price target and no more than 55% of the shares will vest until our common stock achieves a $12.00 price target. In addition, each grant may vest more rapidly than at the rate of 20% per year if our common stock reaches certain price targets. If our common stock achieves prices targets of $7.00, $12.00, and $15.00, then 25%, 55%, and 100% of the shares, respectively, would immediately vest. The $7.00 price target was achieved in 2004. Seven years after the grant date or upon an earlier change of control of our Company, any unvested shares will vest. Grants made in 2004 (33,000 shares to Mr. Hoffman, 55,000 shares to Mr. Rymer, 18,000 shares to Mr. Bolton, 15,000 shares to Mr. Gregory and 7,500 shares to Mr. Waksman) vest 20% on each anniversary of the grant date (August 5, 2004, except for a grant of 50,000 shares to Mr. Rymer made on August 20, 2004), provided that no more than 25% of the shares will vest until our common stock achieves a $6.00 price target and no more than 55% of the shares will vest until our common stock achieves a $9.00 price target. In addition, each grant may vest more rapidly than at the rate of 20% per year if our common stock reaches certain price targets. If our common stock achieves prices targets of $6.00, $9.00 and $12.00, then 25%, 55%, and 100% of the shares, respectively, would immediately vest. The $6.00 price target was achieved in 2004. Seven years after the grant date or upon an earlier change of control of our company, any unvested shares will vest. As of December 31, 2004, Messrs. Hoffman, Rymer, Bolton, Gregory and Waksman respectively held 159,700, 55,187, 65,925, 40,027 and 16,144 shares of restricted stock. Based on the closing price of our common stock on December 31, 2004, these holdings were respectively worth $1,232,884, $426,044, $508,941, $309,008 and $124,632 on such date. Any dividends declared on shares of our common stock will also be declared on the shares of restricted stock.

(5) Amounts shown for 2002 are stock options. Amounts shown for 2004 are Restricted Stock Units and are further described in footnote (2) above.

(6) The amounts shown in this column represent our 401(k) contributions; premiums paid by us for term life insurance; pension contributions to Mr. Gregory; and relocation expense reimbursement to Mr. Rymer in 2003.

(7) Messrs. Rymer and Waksman joined us in 2003. Accordingly, no compensation data is presented for 2002.

(8) Mr. Gregory s salary and benefits are paid in British pounds. Unless otherwise specified, compensation data has been converted to U.S. dollars using the December 31 exchange rate of each applicable year.

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Stock Options

No stock options were granted by us in 2004.

Year-End December 31, 2004 Option Values

The following table sets forth year-end option value information for our executive officers named below:

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Michael J. Hoffman	0	0	44,560	22,280	0	0
William S. Rymer	0	0	0	0	0	0
James C.T. Bolton	0	0	14,266	7,134	0	0
Frank E. Gregory	0	0	1,503	752	0	0
David J. Waksman	0	0	0	0	0	0

Equity Compensation Plans

The following table sets forth certain information as of December 31, 2004 with respect to our equity compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance, aggregated by (i) all compensation plans previously approved by our security holders, and (ii) all compensation plans not previously approved by our security holders. The table includes:

- the number of securities to be issued upon the exercise of outstanding options;
- the weighted-average exercise price of the outstanding options; and
- the number of securities that remain available for future issuance under the plans.

Plan Category	Number of securities to be issued upon exercise of outstanding	Weighted-average exercise price of outstanding	Number of securities remaining available for future issuance under equity compensation

	options, warrants and rights[1]	options, warrants and rights	plans[2]
Equity compensation plans approved by security holders	181,676	$ 12.00	266,900
Equity compensation plans not approved by security holders	0	N/A	0
Total	181,676	N/A	266,900

(1) Does not include 467,075 shares of restricted stock outstanding under our 2002 Stock-Based Incentive Compensation Plan and our Non-Employee Directors Equity Incentive Plan. Does not include 13,095 shares issued under our Employee Stock Purchase Plan. Does not include 55,205 Restricted Stock Units issued on February 17, 2005 under our Annual Incentive and Management Stock Purchase Plan. When these Restricted Stock Units vest on February 17, 2008, they may be paid, at the discretion of the compensation committee of our board of directors, in (i) cash or (ii) stock. Any payments in stock would be made from shares authorized under the 2002 Stock Based Incentive Compensation Plan.

(2) Includes shares available under our 2002 Stock-Based Incentive Compensation Plan, our Non-Employee Directors Equity Incentive Plan and our Employee Stock Purchase Plan.

Employment Agreements and Change in Control Agreements

We have entered into employment agreements with Messrs. Hoffman, Rymer, Bolton and Waksman. Each agreement has a rolling three-year term. The respective agreements currently provide for a minimum annual base salary of $388,500 for Mr. Hoffman, $247,200 for Mr. Rymer, $226,600 for Mr. Bolton and $236,250 for

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Mr. Waksman, subject in each case to annual increases at the discretion of the board of directors, and for annual performance bonuses. Each agreement also provides for the executive to receive our standard retirement and welfare benefits.

Under each agreement, either we or the executive may terminate the agreement with or without cause. If we terminate without cause or the executive terminates for good reason, each agreement requires us to pay the executive monthly severance (equal to base salary and a prorated portion of annual target bonus) for a period of 24 months together with the continuation of medical benefits during the period that severance is provided. If the termination follows a change in control, the severance is paid in a lump sum and increases to three times base salary plus target bonus. All outstanding equity based or performance based awards would also become immediately vested or exercisable. Additionally, if the executive becomes subject to the golden parachute excise tax imposed under Section 4999 of the Internal Revenue Code, such executive will receive a payment in an amount sufficient to offset the effects of such excise tax. Each executive is subject to a non-competition covenant following termination of his employment for the greater of one year after his termination, or for the period during which severance is paid (if the executive terminates after a change in control, the severance period is deemed to be three years), unless the termination occurs due to our refusal to renew the executive s contract without cause.

For purposes of the agreements, cause is defined as gross misconduct or negligence, theft of company assets, material failure to follow lawful instructions, breach of restrictive covenants or conviction of a felony. Good reason is defined as a change in the executive s authority, duties, responsibilities, reporting obligations or principal employment location by more than 30 miles, a reduction in base salary, a reduction in the aggregate benefits payable to the executive, a failure by us to pay compensation or benefits to the executive when due or a failure or refusal by our successor to assume the executive s employment agreement.

We have also entered into change in control arrangements with 12 of our executives, including Mr. Gregory. These arrangements provide that in the event the executive is terminated without cause or terminates for good reason within two years following a change in control, or prior to a change in control with the executive reasonably demonstrating that the termination without cause or for good reason was in connection with the change in control, the executive is entitled to a lump sum payment equal to one times the executive s then current base salary and target annual bonus (two times in the case of Mr. Gregory). The executive is also entitled to a continuation of medical benefits for a 12-month period, immediate payment of all of the executive s deferred compensation, and immediate cash-out, vesting or exercisability of all outstanding equity based or performance based awards. Additionally, under the change in control arrangements, if the executive becomes subject to the golden parachute excise tax imposed under Section 4999 of the Internal Revenue Code, payments provided to such executive under the change in control arrangement will be reduced so that such executive would not be subject to an excise tax. Each executive is subject to a six-month non-competition covenant following termination of his employment. For purposes of these change in control arrangements, the terms cause and good reason have meanings similar to those provided in the preceding paragraph with good reason also including our failure to obtain assumption of the executive s change in control arrangement.

Pension Plans

The Constar Pension Plan is a defined benefit pension plan covering the majority of U.S. salaried and hourly employees who are at least 21 years of age and who have completed at least one year of service. Vesting will occur after an employee has completed five years of service or upon attainment of age 65 while actively employed. For purposes of eligibility, including eligibility for early retirement, vesting and benefit accrual, the Constar Pension Plan recognizes all service recognized on behalf of our employees for pension purposes by Crown prior to our initial public offering in November 2002.

With respect to our executive officers, the Constar Pension Plan provides normal retirement benefits at age 65 determined generally as 1.25% of the participant s final five year average base rate of pay multiplied by the participant s years of service. However, other participants in the Constar Pension Plan receive benefits under

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different formulas. An executive officer who has reached age 55 and completed at least 15 years of service may elect to retire early with reduced benefits. The normal form of benefit under the Constar Pension Plan for an unmarried participant is a single life annuity and for a married participant is a joint and 50% survivor annuity. Other optional forms of benefit, which provide for actuarially reduced pensions, are also available. Under federal law for 2005, benefits from the Constar Pension Plan are limited to $170,000 per year and may be based only on the first $210,000 of a participant s annual compensation.

We also maintain the Constar Supplemental Executive Retirement Plan (the SERP), a non-qualified supplemental pension plan. Employees who have been designated in writing by us and whose benefit under the Constar Pension Plan is restricted by federal limits on annual benefits or compensation receive a benefit under the SERP. Messrs. Hoffman, Rymer, Bolton and Waksman qualified for a benefit under the SERP in 2004. The SERP provides benefits on the same basis as the Constar Pension Plan; however, the executives accrue benefits without regard to the federal limits on annual benefits and compensation imposed on tax qualified retirement plans. SERP participants vest in their benefits upon completing five years of service, attainment of age 65 while actively employed, or upon a change in control of us. A SERP participant who is terminated for cause will forfeit his or her SERP benefits, regardless of years of service. Cause generally means gross misconduct or negligence resulting in material harm to us; embezzlement of our assets; a felony conviction; a breach of an employment agreement; or a willful and material failure to follow the lawful directions of our board or directors.

Benefits under the SERP are paid in the same form as the participant s benefit from the Constar Pension Plan. However, upon a change in control, SERP benefits will become payable immediately in a lump sum. Currently, benefits under the SERP are unfunded.

Pursuant to an agreement with Crown entered into in connection with our November 2002 initial public offering, benefits earned under the Constar Pension Plan and SERP will be offset by any benefits the employee earned under the defined benefit pension plans sponsored by Crown (the Crown Pension Plans). Crown is responsible for the portion of the pension benefits that accrued while our employees were participants in the Crown Pension Plans prior to our initial public offering.

For illustration purposes, the following table shows the combined estimated maximum annual retirement benefits payable under the Constar Pension Plan, the SERP and the Crown Pension Plans to our executive officers who retire at age 65, assuming the executive officers receive their benefit as a single life annuity, without survivor benefits. The benefits listed in the table below are not subject to any deduction for Social Security or other offset amounts (other than as described above). The estimated credited years of service under the Constar Pension Plan and the SERP (including service credited under the Crown Pension Plans) for the above-named executive officers are as follows: Mr. Hoffman, 18 years; Mr. Rymer, 1 year; Mr. Bolton, 26 years; and Mr. Waksman, 1.5 years.

	Years of Service						
Final Average Base Pay	**5**	**10**	**15**	**20**	**25**	**30**	**35**
$50,000	$ 3,125	$ 6,250	$ 9,375	$ 12,500	$ 15,625	$ 18,750	$ 21,875
$100,000	$ 6,250	$ 12,500	$ 18,750	$ 25,000	$ 31,250	$ 37,500	$ 43,750
$150,000	$ 9,375	$ 18,750	$ 28,125	$ 37,500	$ 46,875	$ 56,250	$ 65,625
$200,000	$ 12,500	$ 25,000	$ 37,500	$ 50,000	$ 62,500	$ 75,000	$ 87,500
$250,000	$ 15,625	$ 31,250	$ 46,875	$ 62,500	$ 78,125	$ 93,750	$ 109,375
$300,000	$ 18,750	$ 37,500	$ 56,250	$ 75,000	$ 93,750	$ 112,500	$ 131,250
$350,000	$ 21,875	$ 43,750	$ 65,625	$ 87,500	$ 109,375	$ 131,250	$ 153,125

As of December 31, 2004, the Constar Pension Plan and the SERP were underfunded on a GAAP basis by approximately $21.6 million and $0.6 million, respectively. In the event the Constar Pension Plan were terminated as of December 31, 2004, which we do not expect, it would be underfunded on a termination basis by approximately $35.8 million.

We maintain separate stand-alone pension plans for the benefit of our employees in the United Kingdom and Holland. As of December 31, 2004, we had an underfunded pension liability for these pension plans of approximately $4.1 million. Mr. Gregory has opted not to participate in the U.K. pension plan, but instead receives payments to a private pension plan. Such payments are reflected in the Summary Compensation Table above.

401(k) Retirement Savings Plan

In connection with our initial public offering in November 2002, we adopted the Constar 401(k) Retirement Savings Plan (the 401(k) Plan). The 401(k) Plan permits eligible full-time and part-time employees, including our executive officers, to defer a portion of their pre-tax compensation (up to $14,000 in 2005) and to contribute a percentage of their after-tax compensation to the 401(k) Plan. We provide a matching contribution of 50% of the first 3% or 6% (depending on the participant s work location) of each participant s pre-tax deferred compensation. Our common stock is available as an investment option under the 401(k) Plan.

Participants in the 401(k) plan are fully vested in their employee contributions (pre-tax and after-tax) as well as any eligible rollover contributions from other qualified plans. Participants vest in their matching contributions at a rate of 25% per year of service over four years and become 100% vested in their matching contributions upon reaching age 65, death, or sustaining a total and permanent disability.

In general, the 401(k) Plan does not permit distribution of a participant s account until the date of the participant s (1) severance from employment with us, (2) total and permanent disability or (3) attainment of age 59½. However, the 401(k) Plan permits in-service withdrawals of participants rollover contributions and after-tax contributions regardless of age. In addition, participants may take hardship withdrawals of elective pre-tax deferral contributions prior to attaining age 59½ upon demonstrating that the participant has incurred a qualified emergency. Participants may also borrow from their 401(k) Plan accounts.

Administration and Implementation

The 401(k) Plan is administered by a committee of at least three persons appointed by our board of directors. The committee has the duty and authority to interpret and construe the provisions of the 401(k) Plan and decide all questions arising thereunder.

Amendment and Termination

The 401(k) Plan may be amended by the board of directors or the committee, provided that no amendment shall reduce or eliminate any vested plan benefit and no amendment will be effective unless the 401(k) Plan continues to be for the exclusive benefit of the participants and their beneficiaries.

We and any of our subsidiaries who are participating employers may terminate the 401(k) Plan at any time as to our respective employees. In such event, all nonvested amounts then standing to the credit of the accounts of the participants affected by such termination who are then employed or who have been credited with a year of service during the year of termination shall immediately vest and be distributed.

Annual Incentive and Management Stock Purchase Plan

In 2003, we adopted the Constar Annual Incentive and Management Stock Purchase Plan (the MSPP). The MSPP provides an opportunity for selected participants, including the named executive officers, to receive a bonus based on specific performance criteria. Any bonus awarded under the MSPP is paid 50% in cash as soon as practicable following the end of the fiscal year to which the bonus relates. The remaining bonus (the Deferred Bonus) will be credited to a deferral account and will receive interest of 5%, compounded on a daily basis. The participant will be fully vested at all times in the Deferred Bonus (including the interest credited to such amount). The Deferred Bonus (including the interest credited to such amount) will be distributed to the participant in cash after a one year period, unless the administrator of the MSPP determines that further deferral is necessary to avoid the application of Section 162(m) of the Internal Revenue Code.

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Additionally, we will provide participants with an annual match (the Employer Match) equal to the Deferred Bonus. Such Employer Match will be made in a number of Restricted Stock Units equal to the amount of the Employer Match divided by the fair market value of our common stock on the date such bonus is allocated to the participant s account. Provided the participant remains employed by us, the Restricted Stock Units for any given year will vest in full three years after the date of the bonus payment to which it relates. Upon vesting, Restricted Stock Units will be distributed to the participant in cash or in shares of common stock in the administrator s sole discretion, unless the administrator of the MSPP determines that further deferral is necessary to avoid application of Section 162(m) of the Internal Revenue Code or the participant elects to further defer his Restricted Stock Units.

If a participant voluntarily terminates employment with us or we terminate the participant for cause, the participant shall forfeit all unvested Restricted Stock Units. If the participant voluntarily terminates due to retirement or the participant is involuntarily terminated by us without cause, the participant will become vested in a prorated amount of the Restricted Stock Units on the basis of the number of fully completed years of service during the vesting period over three. If the participant terminates due to death or disability, the participant will become fully vested in all Restricted Stock Units granted under the MSPP. Additionally, provided the participant remains employed by the Company on the date of a change in control, all Restricted Stock Units will become immediately and fully vested. Upon a change in control, or upon the participant s termination of service with us, all of the participant s vested Restricted Stock Units and Deferred Bonus shall be distributed. Until distribution, all amounts credited under the MSPP shall be subject to our general creditors.

Administration and Implementation

The MSPP is administered by the compensation committee. The compensation committee has full authority to select employees to whom bonuses will be awarded under the MSPP, set the performance goals and compensation formula used to determine the amount of a participant s eligible bonus, interpret the MSPP and resolve disputes arising thereunder and make such other determinations as necessary and proper for the administration of the MSPP.

Amendment and Termination

Our board of directors and the compensation committee have the right to modify or amend the MSPP and our board of directors has the right to terminate the MSPP. The MSPP provides that no amendment or termination may, without the participant s consent, adversely affect the rights of such participant to amounts credited to the participant s account or to which the participant is entitled.

2002 Stock-Based Incentive Compensation Plan

Prior to the completion of our initial public offering in November 2002, our board of directors and sole stockholder adopted the Constar 2002 Stock-Based Incentive Compensation Plan (the Incentive Plan). The purpose of the Incentive Plan is to assist us in attracting and retaining valued employees by offering them a greater stake in our success and to encourage ownership of our stock by our employees. The Incentive Plan accomplishes these goals by allowing eligible employees to receive awards of restricted stock, options, deferred stock or stock appreciation rights. The total number of shares of our common stock available for these awards under the Incentive Plan is 850,000. No individual employee may receive more than 120,000 shares under the Incentive Plan during any calendar year.

Eligibility

Our officers and other key employees (including a director who is such an employee) are eligible to participate in the Incentive Plan.

Administration and Implementation

The Incentive Plan is administered by the compensation committee. The compensation committee also has full authority to select the employees to whom awards will be granted and to determine the type and amount of

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awards to be granted to each eligible employee, the terms and conditions of awards granted under the Incentive Plan and the terms of agreements that will be entered into with holders of such awards.

The compensation committee may condition the grant of any award upon the holder s achievement of a performance goal that is established by the committee before the grant of the award. A performance goal is a goal that must be met by the end of a period specified by the compensation committee (but that is substantially uncertain to be met before the grant of the award) based upon:

- the price of our common stock;
- our market share;
- our sales;
- earnings per share of our common stock;
- our return on stockholders equity;
- our costs;
- our cash flow;
- our return on total assets;
- our return on invested capital;
- our return on net assets;
- our operating income; or
- our net income.

The compensation committee interprets the provisions of the Incentive Plan and makes all determinations necessary for the administration of the Incentive Plan.

No award may be repriced, replaced, regranted through cancellation, or modified without stockholder approval if the effect would be to reduce the exercise price for the shares underlying the award, except that the committee may determine the effect of a reorganization, recapitalization, spin-off, stock split, combination, merger or any other change of corporate structure on outstanding awards. If a change in control occurs (as such term is defined in the Incentive Plan), the committee may allow all outstanding awards to become fully vested and exercisable upon the change in control.

Restricted Stock

An award of restricted stock is a grant to the recipient of a specified number of shares of common stock that are subject to forfeiture upon specified events and which are held by us during the restriction period. Such award will be evidenced by a restricted stock agreement that will specify the duration of the restriction period and the performance, employment or other conditions under which the restricted stock may be forfeited to us. During the restriction period, the holder has the right to receive dividends on, and to vote, the shares of restricted stock.

Options

An award of options is a grant by us to the recipient of the right to purchase a specified number of shares of common stock from us for a specified time period at a fixed price. Options may be either incentive stock options or non-qualified stock options. Grants of options will be evidenced by option agreements. The price per share at which common stock may be purchased upon exercise of an option will be determined by the compensation committee, but will be not less than the fair market value of a share of common stock on the date of grant.

The option agreements will specify when an option may be exercisable and the terms and conditions applicable thereto. The term of an option will in no event be greater than five years.

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Deferred Stock

An award of deferred stock is an agreement by us to deliver to the recipient a specified number of shares of common stock at the end of a specified deferral period or periods and will be evidenced by a deferred stock agreement. Amounts equal to any dividends paid during this deferral period will be paid to the holder currently, or deferred and deemed to be reinvested in additional deferred stock, or otherwise reinvested on such terms as are determined by the compensation committee and specified in the deferred stock agreement.

Stock Appreciation Rights

An award of stock appreciation rights is a grant by us to the recipient of the right to receive, upon exercise of the right, the increase in the fair market value of a specified number of shares of common stock from the date of grant of the right to the date of exercise. Stock appreciation rights are rights to receive a payment in cash, common stock, restricted stock or deferred stock as selected by the committee. The value of these rights, determined by the appreciation in the value of shares of common stock subject to the right, will be evidenced by stock appreciation right agreements. A stock appreciation right will entitle the recipient to receive a payment equal to the excess of the fair market value of the shares of common stock covered by the stock appreciation right on the date of exercise over the base price of the right.

Amendment and Termination

Our board of directors has authority to amend, suspend or terminate the Incentive Plan at any time. However, certain amendments require the approval of a majority of our stockholders. Without stockholder approval, no amendment may be made:

- increasing the maximum number of shares available for purchase under the Incentive Plan, except for adjustments for a reorganization, recapitalization, spin-off, stock split, combination, merger, or other change in our corporate structure;
- changing the class of employees eligible under the Incentive Plan;
- modifying the maximum number of awards that an eligible employee may receive or categories of performance goals that must be met;
- extending the Incentive Plan s term or our board of directors power to amend, suspend or terminate the Incentive Plan; or
- modifying the Incentive Plan s terms and conditions to the extent stockholder approval is required under any applicable law or the rules of a stock exchange.

The Incentive Plan will remain in effect for five years from the date of its adoption, unless earlier terminated by our board of directors. Such termination will not affect awards outstanding under the Incentive Plan.

Non-Employee Directors Equity Incentive Plan

Prior to the completion of our initial public offering in November 2002, our board of directors and sole stockholder adopted the Constar Non-Employee Directors Equity Incentive Plan (formerly named the 2002 Non-Employee Directors Stock Option Plan) (the Directors Plan). The purpose of the Directors Plan is to promote our interests and the interests of our stockholders by attracting and retaining valued non-employee directors, and to motivate these persons to exercise their best efforts on our behalf. The Directors Plan accomplishes these goals by annually granting each of our directors who are not our employees 750 restricted shares of our common stock (1,000 shares in the case of a non-employee director who is the chairman of our board of directors). Additional awards of restricted stock and non-qualified stock options may also be granted on a discretionary basis. The total number of shares of our common stock available for grants under the Directors Plan is 25,000.

Eligibility

All of our directors who are not our employees are eligible to participate in the Directors Plan.

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Administration and Implementation

The Directors Plan is administered by the compensation committee designated by our board of directors. The compensation committee interprets the provisions of the Directors Plan and makes all determinations necessary for the administration of the Directors Plan. The compensation committee has the power to adjust the number of shares of restricted stock a non-employee director receives under the automatic annual awards, if the compensation committee, in its sole discretion, determines that the performance of any or all such directors warrants a greater or lesser number of shares. The compensation committee also selects the non-employee directors to whom discretionary option awards will be granted and determines the amount of such awards. Finally, the compensation committee establishes the terms and conditions of all awards under the Directors Plan, and establishes the terms and conditions of award agreements that will be entered into with participating non-employee directors.

No award may be repriced, replaced, regranted through cancellation, or modified without stockholder approval if the effect would be to reduce the exercise price for the shares underlying the award, except that our board of directors may determine the effect of a reorganization, recapitalization, spin-off, stock split, combination, merger or any other change of corporate structure on outstanding awards. In the event of a change in control (as defined in the Directors Plan), the committee may allow all outstanding awards to become fully vested and exercisable upon the change in control.

Options

An award of options is a grant by us to the recipient of the right to purchase a specified number of shares of common stock from us for a specified time period at a fixed price. Options issued under the Directors Plan are non-qualified stock options. Grants of options will be evidenced by option agreements. The price per share at which common stock may be purchased upon exercise of an option will be determined by the committee, but will be not less than the fair market value, as defined in the Directors Plan, of a share of common stock on the date of grant.

The option agreements will specify when an option may be exercisable and the terms and conditions applicable thereto. The term of an option will in no event be greater than five years.

Restricted Stock

An award of restricted stock is a grant by us to the recipient of shares of our common stock that are subject to certain restrictions, including the forfeiture of such stock upon the happening of certain events. Restricted stock awarded under the Directors Plan will be evidenced by restricted stock agreements. Unless otherwise determined by the compensation committee, during the restriction period, holders of restricted stock have the right to receive dividends from and to vote the shares of restricted stock. Provided the terms of the Directors Plan and the applicable award agreement are satisfied, shares of our common stock awarded pursuant to a restricted stock award will be issued and delivered to the recipient at the end of the restriction period as specified in the applicable award agreement.

The restricted stock agreements will specify the duration of the restriction period and the performance, service or other conditions (including termination of service on account of death, disability or other cause) under which the restricted stock may be forfeited by the recipient. The compensation committee may modify or accelerate the vesting and delivery of shares of restricted stock.

Amendment and Termination

Our board of directors has authority to amend, suspend or terminate the Directors Plan at any time. However, no termination or amendment of the Directors Plan may materially impair the rights of an option holder without the consent of the holder. The Directors Plan will remain in effect for five years from the date of its adoption, unless earlier terminated by our board of directors.

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Employee Stock Purchase Plan

Adoption and Administration

Prior to the completion of our initial public offering in November 2002, our board of directors and sole stockholder adopted the Constar Employee Stock Purchase Plan (the Stock Purchase Plan), under which we may issue up to an aggregate of 190,000 shares of our common stock. The Stock Purchase Plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended. The Stock Purchase Plan is administered by a committee appointed by our board of directors.

Eligibility

All U.S. salaried and hourly employees who have completed one year of service with us and whose base compensation is less than or equal to $100,000 may participate in the Stock Purchase Plan. However, no employee will be eligible to participate in the Stock Purchase Plan if such employee is treated as owning 5% or more of the total voting power or value of all classes of our stock.

Purchase of Shares

To participate in the Stock Purchase Plan, an eligible employee must elect to invest an amount not less than 2% nor more than 15% of the first $50,000 of his or her base compensation during each purchase period. Purchase periods will commence on the first day of each subsequent calendar quarter and will end on the last day of a calendar quarter of each year. Participating employees will purchase our common stock at a price per share equal to 85% of the fair market value of a share of our common stock at the end of the purchase period. In no event may an eligible employee purchase stock with a fair market value in excess of $25,000 for any calendar year under the Stock Purchase Plan.

Purchased shares will be held in a bookkeeping account established for each participant and may not be distributed to the participant for at least two years following their purchase. However, such shares will become distributable upon a change in control (as defined in the Stock Purchase Plan).

Amendment and Termination

The Stock Purchase Plan will terminate at the direction of our board of directors or when all of the shares reserved for issuance have been purchased. Our board of directors may amend the Stock Purchase Plan at any time, except that stockholder approval is required to amend the Stock Purchase Plan to increase the number of shares of our common stock that may be issued under the Stock Purchase Plan (except as a result of a reorganization, recapitalization, spin-off, stock split, stock dividend, combination, merger, or other change in our corporate structure); to modify the eligibility requirements; or to cause the Stock Purchase Plan to fail the requirements of Section 423 of the Internal Revenue Code.

Short-Term Incentive Plan

Prior to the completion of our initial public offering in November 2002, our board of directors and sole stockholder adopted the Constar Short-Term Incentive Plan (the Short-Term Incentive Plan). The purpose of the Short-Term Incentive Plan is to align the compensation of our key employees with our financial and business plan objectives and provide eligible employees with an incentive for excellence in individual performance and to promote teamwork among our key employees.

The Short-Term Incentive Plan accomplishes these goals by allowing eligible employees to share in our success by receiving monetary awards upon the attainment of certain pre-established performance goals. These awards are based upon a percentage of the employee s base salary. No individual employee may receive an amount of more than 90% of his base salary under the Short-Term Incentive Plan for any calendar year.

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Employees generally must be employed on the last day of a calendar year in order to receive an award for that year; however, employees who terminate their employment during the year by reason of retirement, death or disability will receive reduced awards to reflect the partial year of participation.

Eligibility

Employees (including a director who is such an employee) who are selected by the compensation committee of our board of directors are eligible to participate in the Short-Term Incentive Plan.

Administration and Implementation

The Short-Term Incentive Plan is administered by the compensation committee of our board of directors. The compensation committee also has authority to:

- select the employees who are eligible to participate in the Short-Term Incentive Plan;
- grant awards in such amounts as it shall determine;
- impose such limitations, restrictions and conditions upon awards as appropriate;
- interpret the Short-Term Incentive Plan and adopt, amend and rescind regulations relating to the Short-Term Incentive Plan; and
- make all determinations in connection with the administration and interpretation of the Short-Term Incentive Plan.

The compensation committee will approve or establish the performance goals for each year. The performance goals may include, without limitation, any combination of financial, non-financial and individual performance goals, as determined by the compensation committee. Each year, the committee shall approve or establish the compensation formula for that year upon which awards shall be based.

To the extent permitted by Section 162(m) of the Internal Revenue Code, the compensation committee shall have the right to adjust the performance goals (upward) and/or the award (downward) during a year, if it determines that external changes or other unanticipated business conditions have affected the fairness of the goals and have unduly influenced our ability to meet them.

Amendment and Termination

Our board of directors or the compensation committee, in its sole discretion, without notice, at any time and from time to time, may modify or amend, in whole or in part, any or all of the provisions of the Short-Term Incentive Plan, or suspend or terminate it entirely. However, no such modification, amendment, suspension, or termination may, without the consent of an eligible employee, reduce the right of an employee to a payment or distribution, which he has already earned or to which he is otherwise entitled.

Retiree Medical and Life Obligations

Prior to the completion of our initial public offering in November 2002, Crown provided post-retirement medical and life insurance benefits to eligible salaried and hourly retirees including certain of our former employees. Pursuant to a benefits allocation agreement made with Crown in connection with such offering, we have assumed all liabilities for post-retirement medical and life insurance benefits for our active and former employees, including retirees. As of December 31, 2004, we had an unfunded post-retirement liability of approximately $7.3 million.

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BENEFICIAL OWNERSHIP

The following table sets forth certain information regarding beneficial ownership of our common stock as of June 30, 2005. The table includes the number of shares beneficially owned by (i) each person or group that is known to us to be the beneficial owner of more than 5% of our outstanding common stock, (ii) each of our directors and executive officers named in the summary compensation table in the Management section of this prospectus and (iii) all of our directors and executive officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities.

5% Beneficial Owners, Directors, Named Officers	Number of Shares Beneficially Owned	Percent of Shares Outstanding
Nader Tavakoli EagleRock Capital Management, L.L.C. 551 Fifth Avenue, 34th Floor New York, NY 10176[1][2]	3,043,894	24.2%
Wells Fargo & Company 420 Montgomery Street San Francisco, CA 94104[1][3]	1,824,960	14.5%
Crown Cork & Seal Company, Inc. One Crown Way Philadelphia, PA 19154[1]	1,255,000	10.0%
David J. Greene and Company, LLC 599 Lexington Avenue New York, NY 10022[1]	1,062,499	8.5%
Citadel Limited Partnership 131 S. Dearborn Street, 32nd Floor Chicago, IL 60603[1][4]	697,759	5.6%
James A. Lewis	5,038	*
William G. Little	5,979	*
Frank J. Mechura	4,979	*
John P. Neafsey	12,694	*
Angus F. Smith	5,880	*
A. Alexander Taylor	7,149	*
Michael J. Hoffman[5]	205,660	1.6%
William S. Rymer	55,187	*

James C.T. Bolton[6]	85,813	*
Frank E. Gregory[7]	41,530	*
David J. Waksman	16,644	*
All directors and executive officers as a group (15 persons)[8]	535,248	4.2%

* Represents less than 1% of the 12,560,103 shares of common stock outstanding as of June 30, 2005.

(1) The number of shares beneficially owned by each 5% beneficial owner is derived from reports filed by each such beneficial owner under Section 13 or Section 16 of the Exchange Act.

(2) According to the Form 4 filed by Mr. Tavakoli and Eagle Rock Capital Management, L.L.C. on May 4, 2005, Mr. Tavakoli owns directly 283,208 of the indicated shares and owns indirectly the remaining indicated shares.

(3) As indicated in the Report on Schedule 13G filed by Wells Fargo & Company on February 22, 2005, such Report was filed on behalf of itself and two subsidiaries, Wells Capital Management Incorporated and Wells Fargo Fund Management, LLC.

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(4) As indicated in the Report on Schedule 13G filed by Citadel Limited Partnership on February 14, 2005, beneficial ownership of the indicated shares is shared by Citadel Limited Partnership, Citadel Investment Group, L.L.C., Kenneth Griffin, Citadel Wellington LLC, Citadel Kensington Global Strategies Fund Ltd., Citadel Equity Fund Ltd., Citadel Credit Products Ltd. and Citadel Credit Trading Ltd.

(5) Includes 44,560 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 30, 2005.

(6) Includes 14,266 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 30, 2005.

(7) Includes 1,503 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 30, 2005.

(8) Includes 68,614 shares of common stock issuable upon the exercise of options exercisable within 60 days of June 30, 2005.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Relationship with Crown

Prior to our initial public offering in November 2002, we had been a wholly owned subsidiary of Crown. As of April 30, 2005, Crown owned 1,255,000 shares, or approximately 10%, of our common stock.

Agreements with Crown

Since our initial public offering, we have leased space from Crown for our Philadelphia headquarters, our research facility in Alsip, Illinois and a warehouse in Belcamp, Maryland. In 2004, we paid Crown approximately $1.5 million under these lease agreements. The current Philadelphia lease agreement expires on December 31, 2005, and the current Alsip lease agreement expires on December 31, 2006. The Belcamp lease agreement is on a month-to-month basis.

Concurrently with the completion of our initial public offering, we entered into a transition services agreement with Crown. Under the transition services agreement, Crown provided services that included payroll, systems for accounting reporting, information technology, benefits administration and logistics. The current services agreement expires on December 31, 2005. We recorded an expense of approximately $5.2 million during 2004 related to the transition services agreement and had a payable of approximately $0.3 million to Crown at December 31, 2004.

Concurrently with the completion of our initial public offering, one of our subsidiaries, Constar, Inc. and a subsidiary of Crown called Crown Cork & Seal Company (USA), Inc., or Crown USA, entered into the Salt Lake City PET Products Supply and Lease of Related Assets Agreement (the SLC Agreement). Under the SLC Agreement, Crown USA supplies Constar, Inc. with PET preforms and containers manufactured at Crown USA s facility. The products are manufactured using equipment that Constar, Inc. leases to Crown USA which are maintained at Crown USA s Salt Lake City facility. The SLC Agreement expired on November 19, 2004, but we and Crown USA continue to operate under its terms. We purchased approximately $15.9 million of PET preforms and containers from Crown during 2004. We had a net payable to Crown of approximately $0.6 million related to the SLC Agreement at December 31, 2004.

Concurrently with the completion of our initial public offering, Constar, Inc. and Crown USA entered into the Newark Component Supply and Lease of Related Assets Agreement (the Newark Agreement). Under the Newark Agreement, Constar, Inc. supplies Crown USA with rings, bands and closures manufactured at Constar Inc. s facilities. The products are manufactured using equipment that Crown USA leases to Constar, Inc. and operates at the Company s facilities. The Newark Agreement expired on November 19, 2004, but we and Crown USA continue to operate under its terms. We sold approximately $3.8 million of rings, bands and closures to Crown during 2004. We had a net receivable from Crown of approximately $0.6 million related to the Newark Agreement at December 31, 2004.

Concurrently with the completion of our initial public offering, one of our subsidiaries, Constar Plastics of Italy S.R.L., or Constar Italy, and a subsidiary of Crown called Crown Cork Italy S.p.A., or Crown Italy, entered into the Voghera PET Preform Supply and Lease of Related Assets Agreement (the Voghera Agreement). Under the Voghera Agreement, Constar Italy supplies Crown Italy with resin and Crown Italy supplies Constar Italy with PET preforms manufactured at Crown Italy s facility. The products are manufactured using equipment that Constar Italy leases to Crown Italy and maintains at Crown Italy s facility. The Voghera Agreement expired on December 31, 2003, and an extension is being negotiated. Net of resin sales, we purchased approximately $3.2 million of PET preforms from Crown under this Agreement during 2004. We had a net receivable due from Crown of approximately $15,000 related to the Voghera Agreement at December 31, 2004.

Concurrently with the completion of our initial public offering, Constar Italy and Crown Faba Sirma S.p.A., or Crown Faba, entered into the Faba Supply Agreement (the Faba Agreement). Under the Faba Agreement,

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Crown Faba blows preforms into bottles and sells the bottles to Constar Italy. Constar Italy sells preforms to Crown Faba. The Faba Agreement expired on December 31, 2003, and an extension is being negotiated. We purchased approximately $2.4 million of bottles from Crown and sold approximately $0.9 million of preforms to Crown during 2004. We had a net receivable from Crown of approximately $0.2 million related to the Faba Agreement at December 31, 2004.

Concurrently with the completion of our initial public offering, Crown Cork & Seal Technologies Corporation, or CCK Technologies, granted one of our subsidiaries, Constar International U.K. Limited, or Constar UK, a royalty-bearing license to certain closures technologies. In 2004, Constar UK paid CCK Technologies approximately £0.3 million in royalties under this license. We had a net payable to Crown of approximately £0.1 million related to this license at December 31, 2004.

Concurrently with the completion of our initial public offering, we entered into a Benefits Allocation Agreement with Crown, under which we and Crown allocated responsibility for certain employee benefit liabilities. We retained or assumed all liability for compensation and benefits owed to our active or former employees, and assumed sponsorship of the Crown pension plan previously maintained for our hourly employees. We also expanded this plan to include our active salaried employees, establish savings and welfare plans for its active employees that are substantially equivalent to plans previously provided by Crown, and assume the stand-alone pension plans in the United Kingdom and Holland, including the corresponding assets and liabilities. As of December 31, 2004, we had an under-funded benefit obligation of approximately $33.6 million under such plans.

Pursuant to the provisions of our Amended and Restated Certificate of Incorporation, legal expenses incurred by certain current and former directors in connection with a putative securities class action lawsuit, as described in Our Business Legal Proceedings are being advanced on behalf of those directors by us or the relevant insurer. Because the claims are against both us and the defendant directors, we cannot determine what portion of those legal expenses would be attributable to the directors rather than us. In addition, pursuant to a Corporate Agreement entered into with Crown concurrently with our initial public offering, we have incurred certain indemnification obligations to Crown with respect to this lawsuit.

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DESCRIPTION OF CERTAIN INDEBTEDNESS

New Credit Facility

General. Concurrently with, and as a condition to, the completion of the sale of the old notes, we entered into a new senior secured asset-based credit facility. The new credit facility has the terms and conditions described below. Copies of the form of Credit Agreement and the form of Amendment No. 1 to Credit Agreement have been filed with the SEC as Exhibit 10.1 to our Current Report on Form 8-K filed on February 11, 2005 and Exhibit 10.1 to our Current Report on Form 8-K filed on March 18, 2005, respectively, and are incorporated by reference as exhibits to the registration statement of which this prospectus is a part.

The new credit facility consists of a $70.0 million four-year revolving loan facility, $25.0 million of which is available to provide for the issuance of letters of credit. The new credit facility also includes a $15.0 million swing loan subfacility. The new credit facility provides that we may request up to a $30.0 million increase in the size of the facility. The lenders are not obligated to grant such increase, and even if it is obtained, our ability to borrow the increased amount will be subject to various conditions contained in the new credit facility and the indentures governing the new notes and our senior subordinated notes. The obligations under the new credit facility are guaranteed by each of our existing and future domestic and United Kingdom subsidiaries (subject to certain exceptions). The proceeds of our initial borrowing under the revolving loan facility and proceeds of the sale of the old notes were used to repay our previous senior secured credit facility, to pay fees and expenses associated therewith and for general corporate purposes. The proceeds of subsequent borrowings under the revolving loan facility will be used for working capital and general corporate purposes, including capital expenditures.

Borrowings under the revolving loan facility are limited to a borrowing base comprised of the sum of (i) up to 85% of the eligible trade accounts receivable of our U.S. subsidiaries, (ii) up to 80% of eligible trade accounts receivable of Constar International U.K. Limited, (iii) the lesser of (A) up to 85% of the net orderly liquidation value of the eligible inventory of our U.S. subsidiaries and (B) up to 75% of the eligible inventory of our U.S. subsidiaries (valued at the lower of cost or market on a first-in, first-out basis), and (iv) the lesser of (A) up to 80% of the net orderly liquidation value of eligible inventory of Constar International U.K. Limited and (B) up to 70% of eligible inventory of Constar International U.K. Limited (valued at the lower of cost or market on a first-in, first-out basis), less in the case of both receivables and inventory discretionary eligibility reserves. In addition, the administrative agent under the revolving loan facility may impose discretionary reserves against the entire revolving loan facility.

We will pay monthly a commitment fee equal to 0.5% per year on the undrawn portion of the revolving loan facility. We also will pay fees on any letters of credit outstanding under the new credit facility. The revolving loan facility initially bears interest at a rate equal to a Base Rate plus 1.25% or LIBOR plus 2.25%, and after the delivery of financial statements for the fiscal quarter ending June 30, 2005, a Base Rate plus a margin ranging from 1.00% to 1.50% or LIBOR plus a margin ranging from 2.00% to 2.50% depending on average monthly available credit under the revolving loan facility.

Under the new credit facility, we have pledged as collateral all of the capital stock of our domestic and United Kingdom subsidiaries and 65% of the voting stock of our other foreign subsidiaries owned directly by a domestic subsidiary and all of the inventory, accounts receivable, investment property, instruments, chattel paper, documents, deposit accounts and certain intangibles of our domestic and United Kingdom subsidiaries.

Prepayments. The new credit facility may be prepaid at any time. In addition, the revolving loan facility is mandatorily prepayable, without any reduction in the commitments of the lenders in respect of the revolving loan facility, with certain exceptions, with up to 100% of the net proceeds resulting from:

the issuance of equity interests;

the incurrence of certain indebtedness;

the disposition of assets with exceptions for collateral securing the notes; and

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the recovery of insurance or condemnation monies in respect of a destruction of our property with exceptions for collateral securing the notes.

Covenants. The new credit facility contains affirmative, financial and negative covenants relating to our operations and financial condition. The affirmative covenants cover matters such as delivery of financial information, compliance with law, maintenance of insurance and properties, pledges of assets and payment of taxes. The financial covenants require us to maintain a minimum level of available credit of $10.0 million and a minimum interest coverage ratio to be tested only when available credit is less than $15.0 million, and impose on us maximum capital expenditures of $45.0 million in 2005, $42.5 million in 2006, $47.5 million in 2007 and $47.5 million in 2008.

The negative covenants in the new credit facility limit our ability and the ability of our subsidiaries to: