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

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**FORM 10-Q**

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

For the thirteen weeks ended April 2, 2006

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 33-91600

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**SOLO CUP COMPANY**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**47-0938234**  
(I.R.S. Employer  
Identification No.)

**1700 Old Deerfield Road, Highland Park, Illinois**  
(Address of principal executive offices)

**60035**  
(Zip Code)

**Registrant's telephone number, including area code: 847/831-4800**

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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

The number of shares outstanding of the Registrant's common stock as of May 16, 2006:  
Common Stock, \$0.01 par value - 100 shares

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**SOLO CUP COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share data)

	<u>April 2,</u> <u>2006</u>	<u>January 1,</u> <u>2006</u>
	<u>(Unaudited)</u>	
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 11,057	\$ 12,087
Cash in escrow	15,000	15,000
Accounts receivable:		
Trade, less allowance for doubtful accounts of \$5,681 and \$4,812	247,623	252,046
Other	21,774	24,126
Inventories	418,774	380,720
Spare parts	37,106	36,712
Deferred income taxes	43,951	44,056
Prepaid expenses	9,275	11,577
Other current assets	4,931	5,875
Total current assets	<u>809,491</u>	<u>782,199</u>
Property, plant and equipment, net	745,774	756,185
Spare parts	12,652	12,389
Goodwill	240,413	240,030
Intangible assets, net	25,764	28,065
Deferred financing fees, net	28,374	26,790
Other assets	12,108	12,105
Total assets	<u>\$1,874,576</u>	<u>\$1,857,763</u>
<b><u>Liabilities and Shareholder's Equity</u></b>		
Current liabilities:		
Accounts payable	\$ 183,221	\$ 163,599
Accrued payroll and related costs	55,071	54,371
Accrued customer allowances	29,885	29,289
Accrued expenses and other current liabilities	31,431	40,826
Short-term debt	4,574	5,546
Current maturities of long-term debt	8,720	8,726
Income taxes payable	2,333	2,667
Total current liabilities	315,235	305,024
Long-term debt, net of current maturities	1,073,668	1,029,009
Deferred income taxes	12,327	28,059
Pensions and other postretirement benefits	72,995	74,374
Other liabilities	10,373	10,008
Total liabilities	1,484,598	1,446,474
Shareholder's equity:		
Common stock - Par value \$0.01 per share; 1,000 shares authorized; 100 shares issued and outstanding	—	—
Additional paid-in capital	258,109	258,049
Retained earnings	131,215	153,302
Accumulated other comprehensive income (loss)	654	(62)
Total shareholder's equity	389,978	411,289
Total liabilities and shareholder's equity	<u>\$1,874,576</u>	<u>\$1,857,763</u>

See accompanying Notes to Consolidated Financial Statements.

**SOLO CUP COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited, in thousands)

	<b>Thirteen weeks ended April 2, 2006</b>	<b>Three months ended March 31, 2005</b>
Net sales	\$ 563,981	\$ 546,093
Cost of goods sold	512,719	497,598
Gross profit	51,262	48,495
Selling, general and administrative expenses	66,574	60,036
Restructuring expense	1,164	868
Loss on sale of property, plant and equipment	864	774
Operating loss	(17,340)	(13,183)
Interest expense, net of interest income of \$98 and \$89	20,379	17,073
Foreign currency exchange (gain) loss, net	(1,034)	807
Other (income) expense, net	127	(113)
Loss before income taxes and minority interest	(36,812)	(30,950)
Income tax benefit	(14,725)	(12,380)
Minority interest	—	(2)
Net loss	<u>\$ (22,087)</u>	<u>\$ (18,568)</u>

See accompanying Notes to Consolidated Financial Statements.

**SOLO CUP COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY**

(In thousands, except share amounts)

	<u>Common stock</u>		<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total shareholder's equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at January 1, 2006	100	\$ —	\$258,049	\$153,302	\$ (62)	\$ 411,289
Net loss (Unaudited)	—	—	—	(22,087)	—	(22,087)
Compensation expense on CPUs (Unaudited)	—	—	60	—	—	60
Foreign currency translation adjustment (Unaudited)	—	—	—	—	516	516
Unrealized investment gain, net of tax of \$30 (Unaudited)	—	—	—	—	43	43
Unrealized gain on cash flow hedge, net of tax of \$98 (Unaudited)	—	—	—	—	157	157
Balance at April 2, 2006 (Unaudited)	<u>100</u>	<u>\$ —</u>	<u>\$258,109</u>	<u>\$131,215</u>	<u>\$ 654</u>	<u>\$ 389,978</u>

See accompanying Notes to Consolidated Financial Statements.

**SOLO CUP COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited, in thousands)

	<u>Thirteen weeks ended</u> <u>April 2, 2006</u>	<u>Three months ended</u> <u>March 31, 2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (22,087)	\$ (18,568)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	25,710	25,587
Deferred finance fee amortization	1,132	1,226
Loss on sale of property, plant and equipment	864	774
Asset impairment	125	—
Minority interest	—	(2)
Deferred income taxes	(15,810)	(12,669)
Foreign currency (gain) loss	(1,034)	807
Changes in operating assets and liabilities (net of business acquisitions):		
Accounts receivable	7,263	(15,806)
Inventories	(37,905)	(25,019)
Prepaid expenses and other current assets	1,524	1,645
Other assets	(8)	4,267
Accounts payable	19,659	29,038
Accrued expenses and other current liabilities	(5,742)	(22,766)
Other liabilities	(3,825)	(2,573)
Other, net	275	135
Net cash used in operating activities	<u>(29,859)</u>	<u>(33,924)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(13,516)	(16,283)
Proceeds from sale of property, plant and equipment	1,334	5,614
Net cash used in investing activities	<u>(12,182)</u>	<u>(10,669)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings (repayments) under revolving credit facilities	(33,114)	49,429
Borrowings under term notes	80,000	—
Contribution of capital from parent	—	100
Repayments of term notes	(2,042)	(2,406)
Repayments of other debt	(1,155)	(2,233)
Debt issuance costs	(2,716)	(1,046)
Increase in restricted cash	—	1,905
Net cash provided by financing activities	<u>40,973</u>	<u>45,749</u>
Effect of exchange rate changes on cash	38	(36)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(1,030)</u>	<u>1,120</u>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<u>12,087</u>	<u>15,855</u>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<u>\$ 11,057</u>	<u>\$ 16,975</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>		
Interest paid	<u>\$ 26,499</u>	<u>\$ 24,633</u>
Income taxes paid	<u>\$ 1,412</u>	<u>\$ 2,989</u>

See accompanying Notes to Consolidated Financial Statements.

**SOLO CUP COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**(1) BASIS OF PRESENTATION**

*As used in these notes, unless the context otherwise requires, the "Company" shall refer to Solo Cup Company, a Delaware corporation ("Solo Delaware") which is the holding company for Solo Cup Operating Corporation, a Delaware corporation ("SCOC"). The Company is a wholly owned subsidiary of Solo Cup Investment Corporation, a Delaware corporation ("SCIC"). SCC Holding Company LLC, a Delaware limited liability company ("SCC Holding") and Vestar Capital Partners ("Vestar") own 67.2% and 32.7% of SCIC, respectively. Company management holds the remaining 0.1% of SCIC.*

On June 21, 2005, the Company's Board of Directors approved a change in the Company's fiscal year from the year ended December 31 to the 52- or 53-week period ending on the last Sunday in December. The fiscal quarters for 2006 are the thirteen weeks ending April 2, 2006, July 2, 2006, October 1, 2006 and December 31, 2006.

The information included in the accompanying interim consolidated financial statements of the Company is unaudited but, in the opinion of management, includes all adjustments (consisting only of normal recurring adjustments and accruals) which the Company considers necessary for a fair presentation of the financial position, operating results and cash flows for these periods. Results for the interim periods are not necessarily indicative of results expected for the entire year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto of the Company for the year ended January 1, 2006 included in its 2005 annual report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2006.

Certain prior period amounts have been reclassified to conform to the current period's presentation. These reclassifications had no effect on previously reported net income (loss).

**(2) ACQUISITIONS**

On February 27, 2004, with an effective date of February 22, 2004, the Company consummated the purchase of 100.0% of the issued and outstanding capital stock of SF Holdings (the "SF Holdings Acquisition"). SF Holdings was one of the largest converters and marketers of plastic and paper disposable foodservice and food packaging products in North America.

The aggregate purchase price was \$917.2 million of which \$15.0 million is being held in an escrow account pending the final working capital adjustment and resolution of claims for indemnification. The \$15.0 million held in escrow is not included in the allocation of the cost of the assets acquired and liabilities assumed as it represents contingent consideration for which the contingency has not been resolved. See Note 15 with regard to a subsequent event in connection with the \$15.0 million held in escrow. The consideration was applied to the purchase of all common stock and common stock equivalents of SF Holdings, as well as the repayment of all outstanding debt of SF Holdings and the repurchase and cancellation of its preferred stock. In addition, the Company purchased from a lessor certain leased manufacturing equipment and other assets that SF Holdings uses in its operations for an aggregate purchase price of \$209.1 million, plus \$8.0 million of accrued rent on the leases and the payment of documentation expenses. These amounts are included in the \$917.2 million of aggregate consideration paid.

The funding of the SF Holdings Acquisition was made through bank financing, bonds and private investment. The SF Holdings Acquisition resulted in goodwill of \$144.6 million that is not tax deductible and \$45.0 million of acquired intangible assets with a weighted average useful life of approximately five years. These intangible assets consisted of trademarks and trade names of \$22.2 million with an estimated useful life of five years, Trophy manufacturing technology valued at \$21.1 million with an estimated useful life of five years, and \$1.7 million of other intangible assets with an estimated useful life of three years.

The following are the amounts assigned to the acquired assets and liabilities (in millions):

Purchase price	\$ 917.2
Less cash in escrow	(15.0)
Adjusted purchase price	<u>\$ 902.2</u>
Cash	\$ 30.4
Accounts receivable	131.2
Inventories	211.6
Other current assets	51.0
Property, plant and equipment	570.3
Intangible assets	45.0
Other long-term assets	18.6
Total assets	<u>\$1,058.1</u>
Current liabilities	\$ 204.5
Other long-term liabilities	96.0
Total liabilities	<u>\$ 300.5</u>
Excess of purchase price over assets and liabilities acquired	<u>\$ 144.6</u>

The finalization of the purchase price is pending adjustments to working capital and resolution of claims for indemnification. See Note 15.

### (3) ASSETS HELD FOR SALE

In the fourth quarter of 2005, management approved a plan to find a buyer for a plant located in Shreveport, Louisiana, which was closed in connection with the integration of SF Holdings. The net book value of approximately \$2.5 million is classified in other current assets in the Company's Consolidated Balance Sheets as of April 2, 2006 and January 1, 2006.

In the first half of 2005, management approved a plan to find a buyer for three plants closed in connection with the integration of SF Holdings. One of these plants, which was located in Chicago, Illinois ("96<sup>th</sup> Street"), was sold and leased back in September 2005. The lease expired prior to January 1, 2006. In the fourth quarter of 2005 and the first quarter of 2006, the Company recognized impairment losses of \$1.3 million and \$0.1 million, respectively, to adjust the carrying value of the second plant, located in Williamsburg, Pennsylvania. Impairment losses on assets held for sale are included in other (income) expense, net in the Company's Consolidated Statements of Operations. The total carrying value of the Williamsburg plant and the third plant, located in Chicago, Illinois (East End), of approximately \$1.5 million is classified in other current assets in the Company's Consolidated Balance Sheet as of April 2, 2006.

In the third quarter of 2004, management approved a plan to sell the property for a plant located in Augusta, Georgia, which was closed in connection with the integration of SF Holdings. The carrying value of approximately \$1.4 million is classified in other current assets in the Company's Consolidated Balance Sheet as of January 1, 2006. The property was sold in March 2006.

### (4) INVENTORIES

The components of inventories are as follows (in thousands):

	<u>April 2, 2006</u>	<u>January 1, 2006</u>
Finished goods	\$ 318,579	\$ 276,456
Work in process	17,342	15,490
Raw materials and supplies	82,853	88,774
Total inventories	<u>\$ 418,774</u>	<u>\$ 380,720</u>

## (5) PROPERTY, PLANT AND EQUIPMENT, NET

The Company's major classes of property, plant and equipment are as follows (in thousands):

	April 2, 2006	January 1, 2006
Land	\$ 49,343	\$ 49,306
Buildings and improvements	299,208	296,903
Machinery and equipment	930,662	918,724
Construction in progress	16,719	20,810
Total property, plant and equipment	<u>1,295,932</u>	<u>1,285,743</u>
Less accumulated depreciation	(550,158)	(529,558)
Property, plant and equipment, net	<u>\$ 745,774</u>	<u>\$ 756,185</u>

Depreciation of property, plant and equipment was \$23.4 million and \$23.3 million for the thirteen weeks ended April 2, 2006 and the three months ended March 31, 2005, respectively. Capitalized interest was \$0.3 million and \$0.1 million for the thirteen weeks ended April 2, 2006 and the three months ended March 31, 2005, respectively.

## (6) GOODWILL AND INTANGIBLE ASSETS

The following are the carrying values of goodwill by business segment (in thousands):

	North America	Europe	Asia – Pacific	Total
Balance at January 1, 2006	\$202,911	\$36,922	\$ 197	\$240,030
SF Holdings Acquisition	(59)	—	—	(59)
Translation adjustment	2	440	—	442
Balance at April 2, 2006	<u>\$202,854</u>	<u>\$37,362</u>	<u>\$ 197</u>	<u>\$240,413</u>

The gross carrying amount of nonamortizable intangible assets in the Asia-Pacific business segment as of April 2, 2006 and January 1, 2006 was \$0.1 million. The following are the carrying values of amortizable intangible assets (in thousands):

	April 2, 2006		January 1, 2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trademarks and trade names	\$22,200	\$ 9,265	\$22,200	\$ 8,155
Manufacturing technology	21,100	8,792	21,100	7,737
Patents, licenses and other	1,771	1,329	1,771	1,193
	<u>\$45,071</u>	<u>\$ 19,386</u>	<u>\$45,071</u>	<u>\$ 17,085</u>

Amortization expense related to intangible assets was \$2.3 million during both the thirteen weeks ended April 2, 2006 and the three months ended March 31, 2005. The estimated annual amortization expense of intangibles presently owned by the Company is approximately \$6.8 million for the remainder of 2006, \$8.7 million for 2007, \$8.7 million in 2008 and \$1.5 million in 2009.

## (7) DEBT

Short-term debt and long-term debt, including amounts payable within one year, are as follows (in thousands):

	<u>April 2, 2006</u>	<u>January 1, 2006</u>
<b>Short-term debt:</b>		
Yen-denominated short-term bank borrowings	\$ 4,574	\$ 5,546
<b>Long-term debt:</b>		
8.5% Senior Subordinated Notes	\$ 325,000	\$ 325,000
First Lien Facility – Term Loan	637,000	638,625
First Lien Facility – Revolver	23,800	61,700
Second Lien Facility	80,000	—
Canadian Credit Facility – Term Loan	9,089	9,514
Canadian Credit Facility – Revolver	5,187	449
Capital lease obligations	2,312	2,447
Total long-term debt	<u>1,082,388</u>	<u>1,037,735</u>
Less - Current maturities of long-term debt	<u>8,720</u>	<u>8,726</u>
Long-term debt, net of current maturities	<u>\$1,073,668</u>	<u>\$ 1,029,009</u>

### *Second Lien Facility*

On March 31, 2006, the Company and SCIC entered into a second lien credit agreement (“Second Lien Facility”). The Second Lien Facility provided a secured term loan facility in the amount of \$80 million (“Second Term Loan”). The Second Term Loan bears interest, at the option of the Company, at a rate equal to LIBOR plus 4.50% per annum; or 3.50% per annum plus the higher of (a) the Bank of America prime rate or (b) the Federal Funds rate plus 1/2 of one percentage point. The principal amount will be due upon maturity in February 2012. The proceeds of the Second Term Loan were used to reduce amounts outstanding under the Company’s domestic revolving credit facility under its First Lien Facility, described below. As of April 2, 2006, the interest rate on the Second Lien Facility was 11.25%.

### *First Lien Facility*

Effective March 27, 2006, the Company and SCIC entered into an agreement (“Amendment No. 3”) to amend its Credit Agreement dated February 27, 2004, as amended by Amendment No. 1, dated as of March 31, 2005, and by Amendment No. 2, dated as of October 14, 2005, collectively, the “First Lien Facility”. Amendment No. 3 was necessary to permit the Company to enter into the Second Lien Facility. Amendment No. 3 also revised the ratios of the financial covenants that the Company is required to maintain by allowing lower ratios in certain quarters of Consolidated EBITDA to Consolidated Cash Interest Expense, and by allowing higher ratios in certain quarters of Average Total Debt to Consolidated EBITDA.

As of April 2, 2006, the weighted average annual interest rate applicable to Eurodollar rate loans was 6.60% and the weighted average annual interest rate applicable to base rate loans was 9.20%. During the thirteen weeks ended April 2, 2006, the weighted average annual interest rate for the First Lien Facility was 6.71%. As of April 2, 2006, the interest rate on the term loan facility was 6.83% and the interest rate on the revolving credit facility was 9.50%. As of April 2, 2006, \$107.8 million was available under the First Lien Facility.

### *Canadian Credit Facility*

Borrowings under the revolving credit facility bear interest at the Canadian prime rate plus 0.50% or Canadian bankers acceptance rate plus 1.75%, at the Company’s option. Term loan borrowings bear interest at the Canadian prime rate plus 0.75% or Canadian bankers acceptance rate plus 2.00%, at the Company’s option. As of April 2, 2006, borrowings under the revolving credit facility and the term loan carried effective interest rates of 5.62% and 5.87%, respectively. As of April 2, 2006, CAD \$7.3 million (approximately \$6.2 million) was available under the Canadian revolving credit facility.

## (8) LEASES

The Company leases certain transportation vehicles, warehouse and office facilities, and machinery and equipment under both cancelable and non-cancelable operating leases, most of which expire within eighteen years and may be renewed by the Company. The full amount of lease rental payments is charged to expense using the straight-line method over the term of the lease. Future minimum rental commitments under non-cancelable operating leases in effect at April 2, 2006 are as follows (in thousands):

Remainder of 2006	\$ 23,988
2007	27,143
2008	23,211
2009	21,701
2010	19,752
Thereafter	185,328
Total minimum lease payments	<u>\$301,123</u>

## (9) DERIVATIVES AND HEDGING ACTIVITIES

The First Lien Facility requires the Company to fix the interest rate for a portion of the borrowings. Accordingly, on March 10, 2004, to limit the variability of a portion of the interest payments under the First Lien Facility, the Company entered into receive-variable, pay-fixed interest rate swaps with a total notional amount of \$180.0 million. Under these interest rate swaps, the Company receives variable interest rate payments and makes fixed interest rate payments; thereby fixing the rate on a portion of the outstanding debt. The variable rate of interest received is the Eurodollar rate. The fixed rate of interest paid is 2.375% to 2.376%. The swap agreements extend through March 31, 2007. The fair value of these swap agreements was \$4.9 million and \$5.2 million as of April 2, 2006 and January 1, 2006, respectively. They are accounted for as cash flow hedges and their fair value is included in other assets in the Company's Consolidated Balance Sheets.

On March 31, 2005, the Company entered into an interest rate cap agreement with a notional amount of \$35.0 million. Under this agreement, the Company receives variable interest rate payments when the three-month Eurodollar rate rises above 5.0%. This interest rate cap agreement expired on March 31, 2006.

On June 23, 2005, the Company entered into a forward-starting receive-variable, pay-fixed interest rate swap with a notional amount of \$50.0 million. The variable rate of interest received is the Eurodollar rate. The fixed rate of interest paid is 4.25%. The swap agreement is effective from March 31, 2007 through March 31, 2010. As of April 2, 2006 and January 1, 2006, the fair value of this swap agreement was approximately \$1.2 million and \$0.7 million, respectively. It is accounted for as a cash flow hedge and its fair value is included in other assets in the Company's Consolidated Balance Sheets.

On March 31, 2006, the Company entered into two receive-variable, pay-fixed interest rate swaps with identical terms and a combined notional amount of \$70.0 million. The swap agreements are effective from March 31, 2006 through March 31, 2009. The notional amount varies throughout the term of the agreements. The combined notional amount decreases to \$35.0 million on September 29, 2006, increases to \$150.0 million on March 30, 2007, and decreases to \$75.0 million on December 31, 2007 through maturity. The variable rate of interest received is the Eurodollar rate. The fixed rate of interest paid is 5.15%. As of April 2, 2006, the fair values of these swap agreements were less than \$10,000. They are accounted for as cash flow hedges and their fair values are included in other assets in the Company's Consolidated Balance Sheet.

**(10) PENSIONS AND OTHER POSTRETIREMENT BENEFITS**

Net periodic benefit cost for the Company's pension and other postretirement benefit plans consists of the following (in thousands):

	<b>Thirteen weeks ended April 2, 2006</b>	<b>Three months ended March 31, 2005</b>
<b>Pension Benefits</b>		
Service cost	\$ 532	\$ 427
Interest cost	1,485	1,461
Expected return on plan assets	(1,635)	(1,421)
Amortization of prior service cost	—	22
Amortization of net loss	17	—
Net periodic benefit cost	<u>\$ 399</u>	<u>\$ 489</u>
<b>Other Postretirement Benefits</b>		
Service cost	\$ 181	\$ 205
Interest cost	473	533
Amortization of prior service cost	(1,032)	(1,032)
Amortization of net loss	207	226
Net periodic benefit cost (income)	<u>\$ (171)</u>	<u>\$ (68)</u>

As of April 2, 2006, \$2.7 million of contributions had been made to the Company's pension and other postretirement benefit plans. The Company presently anticipates contributing an additional \$11.3 million to fund its pension and other postretirement benefit plans in 2006 for a total of \$14.0 million.

**(11) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

Comprehensive income (loss) consisted of the following (in thousands):

	<b>Thirteen weeks ended April 2, 2006</b>	<b>Three months ended March 31, 2005</b>
Net loss	\$ (22,087)	\$ (18,568)
Foreign currency translation adjustment	516	(1,723)
Unrealized investment gain, net of income taxes	43	100
Unrealized gain on cash flow hedge, net of income taxes	157	1,192
Comprehensive loss	<u>\$ (21,371)</u>	<u>\$ (18,999)</u>

Accumulated other comprehensive income (loss) consisted of the following (in thousands):

	<b>April 2, 2006</b>	<b>January 1, 2006</b>
Foreign currency translation adjustments	\$ 5,002	\$ 4,486
Minimum pension liability adjustments, net of income taxes	(8,867)	(8,867)
Unrealized investment gain, net of income taxes	721	678
Unrealized gain on cash flow hedge, net of income taxes	3,798	3,641
Accumulated other comprehensive income (loss)	<u>\$ 654</u>	<u>\$ (62)</u>

## (12) SHARE-BASED PAYMENT

SCIC, the Company's parent, has a management investment and incentive compensation plan for certain key employees of the Company. Under this plan, SCIC has reserved 1,450,000 shares of SCIC common stock, and 5,000 shares of convertible participating preferred stock ("CPPS") for issuance. The accounting impact of this plan is recorded in the consolidated financial statements of the Company as the plan relates to employees of the Company.

During the second quarter of 2004, SCIC issued 3,283 Convertible Preferred Units ("CPUs") to certain Company employees in settlement of \$3.3 million of deferred compensation liabilities. The fair value of the CPUs granted by SCIC was linked to the fair market value of one share of CPPS. For CPUs, compensation expense is recognized periodically based on changes in the fair value of the CPU relative to the grant-date fair value of the CPU. During the thirteen weeks ended April 2, 2006 and the three months ended March 31, 2005, the Company recorded compensation expense and additional paid-in capital of \$60 thousand and \$89 thousand, respectively, reflecting dividends declared by SCIC on those instruments. CPUs do not have voting rights and are in certain circumstances convertible to SCIC common stock or CPPS. The issuance of CPUs by SCIC in settlement of deferred compensation liabilities of the Company totaling \$3.3 million was recorded as additional paid-in capital in 2004. In the second quarter of 2005, as the result of an employee's separation from the company, 1,267 of CPUs were canceled.

During 2004, SCIC granted to employees 1,249,257 options to purchase shares of SCIC common stock with an exercise price equal to the fair market value of the common stock at the date of grant of \$47.32. Included in these grants were 499,698 options that are conditional upon the Company achieving certain defined performance targets. The time-based options vest over a period of four years and the performance-based options vest over a period of five years. All options expire 10 years after the grant date. During 2005, SCIC granted to employees of the Company 157,060 options to purchase shares of SCIC common stock with an exercise price of \$47.32. These options have the same terms and conditions as the options granted in 2004. No options have been exercised to date. As of April 2, 2006, 226,988 time-based options were exercisable and none of the performance-based options were exercisable.

The following shows stock option activity for the two years ended April 2, 2006:

	<u>Shares under option Time-based</u>	<u>Shares under option Performance-based</u>	<u>Total shares under option</u>
<b>December 31, 2004</b>	749,558	499,699	1,249,257
Granted with exercise price less than or equal to the grant date fair value	94,240	62,820	157,060
Forfeited	(48,931)	(32,620)	(81,551)
<b>January 1, 2006</b>	794,867	529,899	1,324,766
Forfeited	(113,086)	(75,390)	(188,476)
<b>April 2, 2006</b>	<u>681,781</u>	<u>454,509</u>	<u>1,136,290</u>

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123R"). SFAS 123R is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes Accounting Principles Board Opinion No. 25 "APB 25". The Company adopted SFAS 123R on January 2, 2006 under the "prospective" method. Under the provisions of SFAS 123, the Company calculated its pro forma disclosure using the minimum value method, which excludes any effect of volatility on value; therefore, the prospective method of adopting SFAS 123R is required. Under the "prospective" method, compensation cost is recognized in the financial statements beginning with the effective date, based on the requirements of SFAS 123R for all share-based payments granted, modified, repurchased or cancelled after that date. Since the adoption of SFAS 123R, the Company has not granted, modified, repurchased or cancelled any options; therefore, no expense was recognized for stock options in the Company's Statement of Operations during the thirteen weeks ended April 2, 2006.

### **(13) RELATED PARTY TRANSACTIONS**

Robert L. Hulseman, who is John F. Hulseman's brother and the husband of Sheila M. Hulseman, and who is the Chairman and Chief Executive Officer of the Company, received salary and benefits of \$276,400 and \$276,184 for the thirteen weeks ended April 2, 2006 and the three months ended March 31, 2005, respectively. John F. Hulseman, who is Robert L. Hulseman's brother and the husband of Georgia S. Hulseman, and who is the Vice Chairman of the Company, received salary and benefits of \$276,400 and \$276,184 for the thirteen weeks ended April 2, 2006 and the three months ended March 31, 2005, respectively. Robert L. and John F. Hulseman each hold 50.0% of the voting membership interests of SCC Holding, which owns 67.2% of the voting stock of SCIC. In addition, Robert L., Sheila M., John F., and Georgia S. Hulseman and Robert M. Korzenski, the Company's President and Chief Operating Officer, are directors of the Company. The Company does not pay any directors fees.

Pursuant to the Stockholders Agreement dated February 27, 2004 by and among the Company, SCIC, Vestar Capital Partners ("Vestar") and other parties (see exhibit 10.18 to the Company's Registration Statement on Form S-4, File No. 333-116843), Vestar may designate two directors of the Company. In 2004, Daniel S. O'Connell and Norman W. Alpert were elected to the board. John R. Woodard replaced Norman W. Alpert in February 2006. Mr. O'Connell and Mr. Woodard are both employees and equity owners of Vestar Capital Partners ("Vestar"). Vestar owns CPPS representing 32.7% of the voting stock of SCIC.

In the first quarter of 2004, the Company and SCIC entered into a management agreement with SCC Holding providing for, among other things, the payment by SCIC of an annual advisory fee of \$2.5 million. At the same time, SCIC entered into a management agreement with Vestar pursuant to which SCIC will pay Vestar an \$800,000 annual advisory fee, plus reimbursement of its expenses. Pursuant to these management agreements, the Company incurred \$0.8 million of advisory fees to SCIC for the thirteen weeks ended April 2, 2006 and the three months ended March 31, 2005, respectively.

## (14) SEGMENTS

The Company manages and evaluates its operations in three reportable segments: North America, Europe and Asia-Pacific. All of these segments produce a broad array of disposable food service products, which are available in paper, plastic and foam. The operating segments are managed separately based on the products and requirements of the different markets. North America includes all U.S. entities, Canada, Mexico, Corporate and Puerto Rico; Europe includes all U.K. entities; and Asia-Pacific includes all Japanese entities and Australia; Other includes Panama.

The accounting policies of the operating segments are the same as those described in Note 2 to the consolidated financial statements in the Company's 2005 Annual Report on Form 10-K. Segment operating results are measured based on operating income (loss). Intersegment net sales are accounted for on an arm's length pricing basis.

No individual customer accounted for greater than 10% of consolidated net sales in fiscal years 2005 or 2004. It is not practical for the Company to report revenues from external customers for each product and service or each group of similar products.

<u>(in thousands)</u>	<u>North America</u>	<u>Europe</u>	<u>Asia- Pacific</u>	<u>Other</u>	<u>Total Segments</u>	<u>Elimina- tions</u>	<u>Total</u>
<b>For the thirteen weeks ended</b>							
<b>April 2, 2006</b>							
Net sales from external customers	\$ 524,687	\$19,275	\$20,970	\$3,116	\$ 568,048	\$ (4,067)	\$ 563,981
Intersegment net sales	4,039	—	28	—	4,067	(4,067)	—
Operating income (loss)	(16,185)	(9)	(1,197)	280	(17,111)	(229)	(17,340)
Depreciation and amortization	24,793	824	1,067	158	26,842	—	26,842
Capital expenditures	13,069	145	255	47	13,516	—	13,516
<b>For the three months ended</b>							
<b>March 31, 2005</b>							
Net sales from external customers	\$ 506,199	\$19,922	\$22,759	\$2,825	\$ 551,705	\$ (5,612)	\$ 546,093
Intersegment net sales	5,298	—	—	314	5,612	(5,612)	—
Operating income (loss)	(13,420)	891	(940)	240	(13,229)	46	(13,183)
Depreciation and amortization	24,401	947	1,307	158	26,813	—	26,813
Capital expenditures	14,750	386	931	216	16,283	—	16,283
<b>At April 2, 2006</b>							
Total assets	\$1,771,913	\$81,207	\$57,892	\$8,508	\$1,919,520	\$(44,944)	\$1,874,576
<b>At January 1, 2006</b>							
Total assets	\$1,750,501	\$81,072	\$61,980	\$8,925	\$1,902,478	\$(44,715)	\$1,857,763

(Continued)

**(14) SEGMENTS (Continued)**

(in thousands)	<b>Thirteen weeks ended April 2, 2006</b>
<b>Revenues:</b>	
Total segments and other net sales	\$ 568,048
Eliminations of intersegment net sales	(4,067)
Total consolidated net sales	<u>\$ 563,981</u>
<b>Operating loss:</b>	
Total segment operating loss	\$ (17,111)
Elimination of intersegment operating income	(229)
Interest expense, net of interest income of \$98	(20,379)
Foreign currency exchange gain (loss), net	1,034
Other expense, net	(127)
Total consolidated loss before income taxes	<u>\$ (36,812)</u>
(in thousands)	<b>At April 2, 2006</b>
<b>Assets:</b>	
Total segments	\$ 1,919,520
Eliminations of intersegment receivables	(44,944)
Total consolidated assets	<u>\$ 1,874,576</u>

**(15) SUBSEQUENT EVENTS**

In April 2006, the Company announced a restructuring program, which eliminated positions representing approximately 3% of its total workforce. The Company expects to complete these activities by the end of the fiscal year.

In May 2006, the Company received a neutral auditor's final ruling on the SF Holdings Acquisition working capital adjustment that awarded \$7.8 million (including interest) to the Company. The remaining cash in escrow of \$7.2 million will be held by the Company pending the final resolution of claims for indemnification.

**(16) GUARANTOR NOTE**

On February 27, 2004, with an effective date of February 22, 2004, the Company acquired SF Holdings. The Company partially funded this acquisition through the issuance of the 8.5% Senior Subordinated Notes. The 8.5% Senior Subordinated Notes are fully and unconditionally guaranteed, on a joint and several basis, by certain of the Company's subsidiaries. The consolidated guarantors include: Solo Cup Company, Solo Management Company, P.R. SOLO CUP, INC., SF Holdings Group, Inc., Solo Cup Operating Corporation (formerly known as Sweetheart Cup Company Inc.), Lily-Canada Holding Corporation, Solo Cup (UK) Limited, Insulpak Holdings Limited and Solo Cup Europe Limited. The following financial information presents the guarantors and non-guarantors of the 8.5% Senior Subordinated Notes, in accordance with Rule 3-10 of Regulation S-X:

<b>Condensed Consolidated Balance Sheet</b>				
<b>April 2, 2006</b>				
<b>(In thousands)</b>				
	<b>Guarantors</b>	<b>Non-Guarantors</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 5,761	\$ 5,296	\$ —	\$ 11,057
Cash in escrow	15,000	—	—	15,000
Accounts receivable:				
Trade	211,288	36,335	—	247,623
Other	28,079	—	(6,305)	21,774
Inventories	390,582	29,001	(809)	418,774
Deferred income taxes	42,192	1,759	—	43,951
Prepaid expenses and other current assets	46,114	5,198	—	51,312
<b>Total current assets</b>	<b>739,016</b>	<b>77,589</b>	<b>(7,114)</b>	<b>809,491</b>
Property, plant and equipment, net	678,514	67,260	—	745,774
Goodwill and intangible assets, net	265,684	493	—	266,177
Other assets	99,093	4,319	(50,278)	53,134
<b>Total assets</b>	<b>\$1,782,307</b>	<b>\$149,661</b>	<b>\$ (57,392)</b>	<b>\$1,874,576</b>
<b>Liabilities and Shareholder's Equity</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 160,927	\$ 28,568	\$ (6,274)	\$ 183,221
Accrued expenses and other current liabilities	103,075	15,645	—	118,720
Short-term debt	—	4,574	—	4,574
Current maturities of long-term debt	6,500	2,220	—	8,720
<b>Total current liabilities</b>	<b>270,502</b>	<b>51,007</b>	<b>(6,274)</b>	<b>315,235</b>
Long-term debt, net of current maturities	1,059,300	14,368	—	1,073,668
Deferred income taxes	8,558	3,769	—	12,327
Other liabilities	63,330	20,038	—	83,368
<b>Total liabilities</b>	<b>1,401,690</b>	<b>89,182</b>	<b>(6,274)</b>	<b>1,484,598</b>
<b>Shareholder's equity:</b>				
Common stock	—	2,114	(2,114)	—
Additional paid-in capital	258,109	39,168	(39,168)	258,109
Retained earnings	125,512	15,539	(9,836)	131,215
Accumulated other comprehensive income (loss)	(3,004)	3,658	—	654
<b>Total shareholder's equity</b>	<b>380,617</b>	<b>60,479</b>	<b>(51,118)</b>	<b>389,978</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$1,782,307</b>	<b>\$149,661</b>	<b>\$ (57,392)</b>	<b>\$1,874,576</b>

(Continued)

**(16) GUARANTOR NOTE (Continued)**

**Condensed Consolidated Balance Sheet**  
**January 1, 2006**  
(In thousands)

<u>Assets</u>	<u>Guarantor</u>	<u>Non- Guarantors</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 7,038	\$ 5,049	\$ —	\$ 12,087
Cash in escrow	15,000	—	—	15,000
<b>Accounts receivable:</b>				
Trade	212,758	39,288	—	252,046
Other	36,401	—	(12,275)	24,126
Inventories	355,320	25,996	(596)	380,720
Deferred income taxes	42,192	1,864	—	44,056
Other current assets	48,898	5,266	—	54,164
<b>Total current assets</b>	<b>717,607</b>	<b>77,463</b>	<b>(12,871)</b>	<b>782,199</b>
Property, plant and equipment, net	686,968	69,217	—	756,185
Goodwill and intangible assets	267,604	491	—	268,095
Other assets	97,602	3,960	(50,278)	51,284
<b>Total assets</b>	<b>\$1,769,781</b>	<b>\$151,131</b>	<b>\$ (63,149)</b>	<b>\$1,857,763</b>
<b>Liabilities and Shareholder's Equity</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 141,277	\$ 34,637	\$ (12,315)	\$ 163,599
Accrued expenses and other current liabilities	113,632	13,521	—	127,153
Short-term debt	—	5,546	—	5,546
Current maturities of long-term debt	6,500	2,226	—	8,726
<b>Total current liabilities</b>	<b>261,409</b>	<b>55,930</b>	<b>(12,315)</b>	<b>305,024</b>
Long-term debt, less current maturities	1,018,825	10,184	—	1,029,009
Deferred income taxes	24,258	3,801	—	28,059
Other liabilities	62,052	22,330	—	84,382
<b>Total liabilities</b>	<b>1,366,544</b>	<b>92,245</b>	<b>(12,315)</b>	<b>1,446,474</b>
<b>Shareholder's equity:</b>				
Common stock	—	2,114	(2,114)	—
Additional paid-in capital	258,049	39,168	(39,168)	258,049
Retained earnings	148,661	14,193	(9,552)	153,302
Accumulated other comprehensive loss	(3,473)	3,411	—	(62)
<b>Total shareholder's equity</b>	<b>403,237</b>	<b>58,886</b>	<b>(50,834)</b>	<b>411,289</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$1,769,781</b>	<b>\$151,131</b>	<b>\$ (63,149)</b>	<b>\$1,857,763</b>

(Continued)

**(16) GUARANTOR NOTE (Continued)**

**Consolidated Statement of Operations**  
**Thirteen weeks ended April 2, 2006**  
(In thousands)

	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$520,157	\$ 63,880	\$ (20,056)	\$ 563,981
Cost of goods sold	<u>476,597</u>	<u>55,874</u>	<u>(19,752)</u>	<u>512,719</u>
Gross profit	43,560	8,006	(304)	51,262
Selling, general and administrative expenses	61,427	5,167	(20)	66,574
Restructuring expense	1,164	—	—	1,164
Loss on sale of property, plant and equipment	723	141	—	864
Operating income (loss)	<u>(19,754)</u>	<u>2,698</u>	<u>(284)</u>	<u>(17,340)</u>
Interest expense, net	19,883	496	—	20,379
Foreign currency exchange (gain) loss, net	(698)	(336)	—	(1,034)
Other (income) expense, net	125	2	—	127
Income (loss) before income taxes	<u>(39,064)</u>	<u>2,536</u>	<u>(284)</u>	<u>(36,812)</u>
Income tax (benefit) provision	<u>(15,915)</u>	<u>1,190</u>	<u>—</u>	<u>(14,725)</u>
Net income (loss)	<u>\$ (23,149)</u>	<u>\$ 1,346</u>	<u>\$ (284)</u>	<u>\$ (22,087)</u>

**Consolidated Statement of Operations**  
**Three months ended March 31, 2005**  
(In thousands)

	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$501,657	\$ 57,546	\$ (13,110)	\$ 546,093
Cost of goods sold	<u>460,198</u>	<u>50,112</u>	<u>(12,712)</u>	<u>497,598</u>
Gross profit	41,459	7,434	(398)	48,495
Selling, general and administrative expenses	54,343	5,719	(26)	60,036
Restructuring expense	868	—	—	868
Loss on sale of property, plant and equipment	768	6	—	774
Operating income (loss)	<u>(14,520)</u>	<u>1,709</u>	<u>(372)</u>	<u>(13,183)</u>
Interest expense, net	16,754	319	—	17,073
Foreign currency exchange loss (gain), net	1,236	(429)	—	807
Other (income) expense, net	(1)	(112)	—	(113)
Income before income taxes and minority interest	<u>(32,509)</u>	<u>1,931</u>	<u>(372)</u>	<u>(30,950)</u>
Income tax (benefit) provision	<u>(12,624)</u>	<u>244</u>	<u>—</u>	<u>(12,380)</u>
Minority interest	—	(2)	—	(2)
Net income (loss)	<u>\$ (19,885)</u>	<u>\$ 1,689</u>	<u>\$ (372)</u>	<u>\$ (18,568)</u>

(Continued)

**(16) GUARANTOR NOTE (Continued)**

**Condensed Consolidated Statement of Cash Flows**  
**Thirteen weeks ended April 2, 2006**  
(In thousands)

	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Consolidated</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net cash used in operating activities	\$ (27,377)	\$ (2,482)	\$ (29,859)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(13,003)	(513)	(13,516)
Proceeds from sale of property, plant and equipment	1,334	—	1,334
Net cash used in investing activities	(11,669)	(513)	(12,182)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net borrowings (repayments) under revolving credit facilities	(37,900)	4,786	(33,114)
Borrowings under the term notes	80,000	—	80,000
Repayments of the term notes	(1,625)	(417)	(2,042)
Repayments of other debt	—	(1,155)	(1,155)
Debt issuance costs	(2,694)	(22)	(2,716)
Net cash provided by financing activities	37,781	3,192	40,973
Effect of exchange rate changes on cash	(12)	50	38
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,277)</b>	<b>247</b>	<b>(1,030)</b>
Cash and cash equivalents, beginning of period	7,038	5,049	12,087
Cash and cash equivalents, end of period	<u>\$ 5,761</u>	<u>\$ 5,296</u>	<u>\$ 11,057</u>

**Condensed Consolidated Statement of Cash Flows**  
**Three months ended March 31, 2005**  
(In thousands)

	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Consolidated</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net cash (used in) provided by operating activities	\$ (41,672)	\$ 7,748	\$ (33,924)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(13,950)	(2,333)	(16,283)
Proceeds from sale of property, plant and equipment	5,614	—	5,614
Net cash used in investing activities	(8,336)	(2,333)	(10,669)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net borrowings under revolving credit facilities	49,773	(344)	49,429
Contribution of capital from parent	100	—	100
Repayments of the term notes	(1,619)	(787)	(2,406)
Repayments of other debt	—	(2,233)	(2,233)
Debt issuance costs	(1,044)	(2)	(1,046)
Decrease in restricted cash	1,905	—	1,905
Net cash provided by (used in) financing activities	49,115	(3,366)	45,749
Effect of exchange rate changes on cash	41	(77)	(36)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(852)</b>	<b>1,972</b>	<b>1,120</b>
Cash and cash equivalents, beginning of period	9,541	6,314	15,855
Cash and cash equivalents, end of period	<u>\$ 8,689</u>	<u>\$ 8,286</u>	<u>\$ 16,975</u>

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading "Forward-Looking Statements" below and elsewhere in this report. The following discussion should be read in conjunction with the unaudited consolidated interim financial statements and related notes for the thirteen weeks ended April 2, 2006 included elsewhere in this report and the audited consolidated financial statements and related notes for the fiscal year ended January 1, 2006 (fiscal 2005) included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on March 30, 2006.

### General

We are a leading global producer and marketer of disposable foodservice products and have served our industry for 70 years. We manufacture one of the broadest product lines of cups, lids, food containers, plates, bowls, portion cups, stirrers, straws, cutlery, napkins, placemats, tablecovers and food packaging containers in the industry, with products available in plastic, paper and foam. We are recognized for product innovation and customer service, and our products are known for their quality, reliability and consistency. Our products are marketed primarily under the Solo<sup>®</sup> and Sweetheart<sup>®</sup> brands, as well as Jack Frost<sup>®</sup>, Trophy<sup>®</sup>, Hoffmaster<sup>®</sup>, Sensations<sup>®</sup> and Creative Expressions<sup>®</sup>. We are one of the leading suppliers of branded disposable cups and plastic plates and bowls to consumer customers in the United States. We also provide a line of products to our customers under private label. We currently operate manufacturing facilities and distribution centers in North America, Japan, the United Kingdom and Panama, and we sell our products worldwide.

### Thirteen Weeks Ended April 2, 2006 Compared to the Three Months Ended March 31, 2005

(in thousands)	Thirteen weeks ended	Three months ended	Favorable / (Unfavorable)	
	April 2, 2006	March 31, 2005	\$	%
Net sales	\$ 563,981	\$ 546,093	\$ 17,888	3.3%
Cost of goods sold	512,719	497,598	(15,121)	(3.0)
Gross profit	51,262	48,495	2,767	5.7
Selling, general and administrative expenses	66,574	60,036	(6,538)	(10.9)
Restructuring expense	1,164	868	(296)	(34.1)
Loss on sale of property, plant and equipment	864	774	(90)	(11.6)
Operating loss	(17,340)	(13,183)	(4,157)	(31.5)
Interest expense, net	20,379	17,073	(3,306)	(19.4)
Foreign currency exchange (gain) loss, net	(1,034)	807	1,841	*
Other (income) expense, net	127	(113)	(240)	*
Loss before income taxes and minority interest	(36,812)	(30,950)	(5,862)	(18.9)
Income tax benefit	(14,725)	(12,380)	2,345	18.9
Minority interest	—	(2)	(2)	*
Net loss	\$ (22,087)	\$ (18,568)	\$ (3,519)	(19.0%)

\* Not meaningful

Net sales increased \$17.9 million, or 3.3%, for the thirteen weeks ended April 2, 2006 compared to the prior year period. The increase in net sales reflected a 2.6% increase in average realized sales price and a 0.7% increase in sales volume as compared to the three months ended March 31, 2005. The increase in average realized sales price reflects the impact of pricing increases implemented during the second half of 2005 in response to higher raw material costs.

For the thirteen weeks ended April 2, 2006, gross profit increased \$2.8 million compared to the prior year period. As a percentage of net sales, gross profit was 9.1% in the first quarter of 2006 versus 8.9% in the first quarter of 2005.

Restructuring expense for the thirteen weeks ended April 2, 2006 was \$1.2 million representing severance costs incurred during the period. Restructuring expense for the three months ended March 31, 2005 was \$0.9 million representing severance costs related to manufacturing plants, which were closed in conjunction with the integration of SF Holdings. We expect that severance costs relating to our restructuring announced in April 2006 will be approximately \$7 million for the full 2006 fiscal year.

Selling, general and administrative expenses increased \$6.5 million for the thirteen weeks ended April 2, 2006 compared to the three months ended March 31, 2005. The increase was primarily driven by costs associated with the expansion and upgrade of our order management and enterprise resource planning systems. As a percentage of net sales, selling, general and administrative expenses were 11.8% in the first quarter of 2006 versus 11.0% in the first quarter of 2005. Integration costs totaled \$3.5 million and \$7.9 million for the thirteen weeks ended April 2, 2006 and the three months ended March 31, 2005, respectively.

For the thirteen weeks ended April 2, 2006, interest expense, net increased \$3.3 million compared to the prior year period. This increase is primarily attributable to higher outstanding balances under our domestic revolving credit facility in addition to higher interest rates compared to the prior year period.

For the thirteen weeks ended April 2, 2006, foreign currency exchange (gain) loss, net was a gain of \$1.0 million compared to a loss of \$0.8 million for the three months ended March 31, 2005. This change is primarily attributed to currency fluctuations in the United Kingdom pound sterling denominated inter-company debt.

### **Liquidity and Capital Resources**

Historically, the Company has relied on cash flows from operations and revolving credit borrowings to finance its working capital requirements and capital expenditures.

Net cash used in operating activities during the thirteen weeks ended April 2, 2006 was \$29.9 million compared to \$33.9 million during the three months ended March 31, 2005. Working capital increased \$17.1 million to \$494.3 million at April 2, 2006 from \$477.2 million at January 1, 2006. The increase primarily reflects higher inventory balances partially offset by higher accounts payable. Both increases were primarily driven by a planned inventory build as we prepare for higher sales during the warmer seasons.

Net cash used in investing activities during the thirteen weeks ended April 2, 2006 was \$12.2 million compared to \$10.7 million during the three months ended March 31, 2005. The decrease was primarily driven by lower proceeds from the sale of property, plant and equipment.

Capital expenditures during the thirteen weeks ended April 2, 2006 were \$13.5 million compared to \$16.3 million during the three months ended March 31, 2005. Capital expenditures during the thirteen weeks ended April 2, 2006 included \$10.9 million for new production equipment, \$1.3 million for integration-related projects, \$0.3 million for routine capital improvements, and \$1.0 million for renovations and equipment conversions. Capital expenditures were primarily funded by borrowings under our revolving credit facilities. For the remainder of 2006, the Company intends to rely on cash provided by operations and the revolving credit facilities for its capital expenditures.

Net cash provided by financing activities during the thirteen weeks ended April 2, 2006 was \$41.0 million compared to \$45.7 million during the three months ended March 31, 2005. The net cash provided by financing activities during the thirteen weeks ended April 2, 2006 includes \$80.0 million of borrowings under the Second Lien Facility offset by total net repayments of \$33.1 million on the domestic revolving credit facility and the Canadian Credit Facility.

### Short-term debt

At April 2, 2006, we had approximately 537.3 million Yen (approximately \$4.6 million) of short-term borrowings with Japanese banks. These borrowings have various termination dates and have no restrictive covenants. The interest rate on these borrowings ranges between 0.71% and 1.375% per annum.

### Long-term debt

The following is a summary of our long-term debt at April 2, 2006 (in thousands):

	<u>April 2, 2006</u>
<b>Long-term debt:</b>	
8.5% Senior Subordinated Notes	\$ 325,000
First Lien Facility – Term Loan	637,000
First Lien Facility – Revolver	23,800
Second Lien Facility	80,000
Canadian Credit Facility – Term Loan	9,089
Canadian Credit Facility – Revolver	5,187
Capital lease obligations	2,312
Total long-term debt	<u>1,082,388</u>
Less - Current maturities of long-term debt	<u>8,720</u>
Long-term debt, net of current maturities	<u>\$1,073,668</u>

The following is a summary of our committed revolving credit facilities at April 2, 2006 (in thousands):

	<u>Commitment Amount</u>	<u>Amounts Outstanding</u>	<u>Letters of Credit (1)</u>	<u>Unused Capacity</u>
<b>First Lien Facility:</b>				
Revolving facility	\$ 150,000	\$ 23,800	\$18,367	\$107,833
<b>Canadian Credit Facility:</b>				
Revolving facility	11,438	5,187	—	6,251
	<u>\$ 161,438</u>	<u>\$ 28,987</u>	<u>\$18,367</u>	<u>\$114,084</u>

(1) Availability of the credit facilities is reduced by letters of credit issued under the facilities.

### Second Lien Facility

On March 31, 2006, the Company and SCIC entered into a second lien credit agreement (“Second Lien Facility”). The Second Lien Facility provided a secured term loan facility in the amount of \$80 million (“Second Term Loan”). The Second Term Loan bears interest, at the option of the Company, at a rate equal to LIBOR plus 4.50% per annum; or 3.50% per annum plus the higher of (a) the Bank of America prime rate or (b) the Federal Funds rate plus 1/2 of one percentage point. The principal amount will be due upon maturity in February 2012. The proceeds of the Second Term Loan were used to reduce amounts outstanding under the Company’s domestic revolving credit facility under its First Lien Facility, described below.

The Second Lien Facility contains customary affirmative and negative covenants substantially similar to those contained in the First Lien Facility and financial covenants less restrictive than those in the First Lien Facility. During the term of the Second Lien Facility, the negative covenants restrict the Company’s ability to do certain things, including but not limited to:

- incur additional indebtedness, including guarantees;
- create, incur, assume or permit to exist liens on property and assets;
- make loans and investments and enter into acquisitions and joint ventures;
- engage in sales, transfers and other dispositions of our property or assets;
- prepay, redeem or repurchase our debt, or amend or modify the terms of certain material debt or certain other agreements;

- declare or pay dividends to, make distributions to, or make redemptions and repurchases from, equity holders; and
- restrict the ability of our subsidiaries to pay dividends and make distributions.

The Second Lien Facility includes the following financial covenants:

- maximum consolidated leverage ratio;
- maximum capital expenditures; and
- minimum consolidated interest coverage ratio.

The Second Lien Facility borrowings are secured by substantially all the assets of the Company subject however to an Intercreditor Agreement between lenders under the First Lien Facility and lenders under the Second Lien Facility. The Second Lien Facility borrowings are guaranteed by SCIC and the Company's domestic subsidiaries and the Company may prepay the borrowings under certain conditions. Customary events of default are also included in the loan documentation including, but not limited to, cross defaults to the Company's other material debt and certain change of control events.

As of April 2, 2006, the interest rate on the Second Lien Facility was 11.25%.

#### *First Lien Facility*

On February 27, 2004, we entered into credit facilities comprised of a \$150.0 million revolving credit facility maturing in 2010 and a \$650.0 million term loan facility maturing in 2011. The revolver is principally used for working capital purposes, and the term loan was used to finance the SF Holdings acquisition and related transactions.

Effective March 27, 2006, the Company and SCIC entered into an agreement ("Amendment No. 3") to amend its Credit Agreement dated February 27, 2004, as amended by Amendment No. 1, dated as of March 31, 2005, and by Amendment No. 2, dated as of October 14, 2005, collectively, the "First Lien Facility". Amendment No. 3 was necessary to permit the Company to enter into the Second Lien Facility. Amendment No. 3 also revised the ratios of the financial covenants that the Company is required to maintain by allowing lower ratios in certain quarters of Consolidated EBITDA to Consolidated Cash Interest Expense, and by allowing higher ratios in certain quarters of Average Total Debt to Consolidated EBITDA.

As of April 2, 2006, the weighted average annual interest rate applicable to Eurodollar rate loans was 6.60% and the weighted average annual interest rate applicable to base rate loans was 9.20%. During the thirteen weeks ended April 2, 2006, the weighted average annual interest rate for the First Lien Facility was 6.71%. As of April 2, 2006, the interest rate on the term loan facility was 6.83% and the interest rate on the revolving credit facility was 9.50%.

All mandatory quarterly prepayments have been made to date.

A commitment fee of 0.50% on the unused portion of the credit facilities is payable on a quarterly basis.

We may make optional prepayments to either the revolver or the term loan in million dollar increments with a minimum prepayment of \$10.0 million.

We are required to make a mandatory annual prepayment of the term loan facility and the revolving credit facility in an amount equal to 50.0% of excess cash flow, as defined, when the consolidated leverage ratio, as defined, is 3.5x or greater, or 25.0% of excess cash flow when the Company's consolidated leverage ratio is less than 3.5x. In addition, we are required to make a mandatory prepayment of the term loan facility and the revolving credit facility with, among other things: (i) 100.0% of the net cash proceeds of any property or asset sale, subject to certain exceptions and reinvestment requirements; (ii) 100.0% of the net cash proceeds of any extraordinary receipts, as defined, subject to certain exceptions and reinvestment requirements; (iii) 100.0% of the net cash proceeds of certain debt issuances, subject to certain exceptions; and (iv) 50.0% of the net cash proceeds from the issuance of additional equity interests when the consolidated leverage ratio is 3.5x or greater, or 25.0% of such proceeds when the consolidated leverage ratio is less than 3.5x.

During the thirteen weeks ended April 2, 2006, we were not required to make a mandatory annual prepayment or any prepayments based on excess cash flow, dispositions of assets or extraordinary receipts.

The First Lien Facility requires us to fix the interest rate for a portion of the borrowings. Accordingly, on March 10, 2004, the Company entered into interest rate swap agreements to hedge the cash flows associated with the interest payments on \$180.0 million of the Eurodollar rate based borrowings for three years. In June 2005, we entered into a forward-starting receive-variable, pay-fixed interest rate swap with a notional amount of \$50.0 million. The variable rate of interest received is the Eurodollar rate. The fixed rate of interest paid is 4.25%. The swap agreement is effective from March 31, 2007 through March 31, 2010.

On March 31, 2006, we entered into two receive-variable, pay-fixed interest rate swaps with identical terms and a combined notional amount of \$70.0 million. The swap agreements are effective March 31, 2006 through March 31, 2009. The notional amount varies throughout the term of the agreements. The combined notional amount decreases to \$35.0 million on September 29, 2006, increases to \$150.0 million on March 30, 2007, and decreases to \$75.0 million on December 31, 2007 through maturity. The variable rate of interest received is the Eurodollar rate. The fixed rate of interest paid is 5.15%. As of April 2, 2006, the fair values of these swap agreements were less than \$10,000.

#### *Canadian Credit Facility*

Borrowings under the revolving credit facility bear interest at the Canadian prime rate plus 0.50% or Canadian bankers acceptance rate plus 1.75%, at our option. Term loan borrowings bear interest at the Canadian prime rate plus 0.75% or Canadian bankers acceptance rate plus 2.00%, at our option. As of April 2, 2006, borrowings under the revolving credit facility and the term loan carried effective interest rates of 5.62% and 5.87%, respectively. As of April 2, 2006, CAD \$7.3 million (approximately \$6.2 million) was available under the revolving facility and the term loan balance was CAD \$10.6 million (approximately \$9.1 million).

#### *Outlook*

Management believes that cash generated by operations and amounts available under our credit facilities should be sufficient to meet our expected operating needs, planned capital expenditures, payments in conjunction with our lease commitments and debt service requirements over the next twelve months.

#### **Net Operating Loss Carryforwards**

As of April 2, 2006, we had approximately \$238.1 million of U.S. federal tax net operating loss carry-forwards that expire between 2016 and 2025. Approximately \$103.5 million of such carry-forwards are subject to the provisions of Internal Revenue Code Section 382. Although future earnings cannot be predicted with certainty, management currently believes that realization of the net deferred tax assets is more likely than not.

#### **Critical Accounting Estimates**

The Company's critical accounting estimates are described in its 2005 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2006. There have been no changes to the critical accounting estimates since that filing.

### ***Forward-Looking Statements***

This report contains forward-looking statements. The words “anticipate,” “intend,” “plan,” “estimate,” “believe,” “expect,” “predict,” “potential,” “project,” “could,” “will,” “should,” “may,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All statements in this report other than statements of historical fact, including statements regarding our business strategy, future operations, financial position, estimated net sales, projected costs, projected cost savings, projected synergies, prospects, plans and objectives, as well as information concerning industry trends and expected actions of third parties, are forward-looking statements. All forward-looking statements speak only as of the date on which they are made. They rely on a number of assumptions concerning future events and are subject to a number of risks and uncertainties, many of which are outside our control, that could cause actual results to differ materially from such statements.

A description of the risk factors associated with our business is contained in Item 1A, “Risk Factors,” of our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2006 and incorporated herein by reference and in our other filings made from time to time with the Securities and Exchange Commission. These cautionary statements are to be used as a reference in connection with any forward-looking statements. These risks and uncertainties include, but are not limited to:

- the effect of general economic and competitive business conditions in the disposable food service products industry;
- realization of cost savings, synergies or revenue enhancement that we anticipated when we acquired SF Holdings;
- impact of competitive products and pricing;
- interest rate fluctuations and continuing debt obligations;
- impact on our ability to manage and grow our business if we are unable to adequately manage, integrate and implement our order management and enterprise resource planning systems;
- further consolidation in the food service and retail industries;
- availability of and increases in raw material costs;
- increases in energy and other manufacturing costs;
- fluctuations in demand for the Company’s products;
- effect of changing federal, state, foreign and local environmental and occupation health and safety laws and regulations;
- risks related to conducting business in multiple foreign jurisdictions, including foreign currency exchange rate fluctuations;
- our ability to improve existing products and develop new products;
- loss of key management and personnel;
- impact of any prolonged work stoppage;
- loss of one or more of our principal customers;
- ability to enforce our intellectual property and other proprietary rights;
- diversion of management attention from other business activities in the event we pursue additional acquisition(s) in the future; and
- potential conflicts of interest between our note holders and the stockholders of SCIC.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

In the ordinary course of business, the Company is exposed to market risk-sensitive instruments in the ordinary course of business, which consists primarily of interest rate risk associated with its variable rate debt. The First Lien Facility and the Canadian Credit Facility both include a revolving and term credit facility, which bear interest at a variable rate. The Second Lien Facility consists of a term loan facility, which also bears interest at a variable rate.

The interest rate on the First Lien Facility is either Eurodollar rate based (1, 2, 3 or 6 months) plus a margin or the bank's base rate plus a margin, whichever the Company selects. For the term loan, the margin varies from 2.25% to 2.50% on the Eurodollar rate borrowing and from 1.25% to 1.50% on the base rate borrowings depending on the Company's public debt ratings. At April 2, 2006, the variable rate on borrowings excluding the effect of the interest rate swaps was 6.18% and the interest rate on borrowings under the revolving credit facility was 9.50%.

The Canadian revolving facility bears interest at the Canadian prime rate plus 0.50% or Canadian bankers acceptance rate plus 1.75%, at the Company's option, and the term loan bears interest at the Canadian prime rate plus 0.75% or Canadian bankers acceptance rate plus 2.00%, at the Company's option. As of April 2, 2006, borrowings under the revolving credit facility and the term loan carried effective interest rates of 5.62% and 5.87%, respectively.

The term loan under the Second Lien Facility bears interest, at the option of the Company, at a rate equal to LIBOR plus 4.50% per annum; or 3.50% per annum plus the higher of (a) the Bank of America prime rate or (b) the Federal Funds rate plus  $\frac{1}{2}$  of one percentage point. As of April 2, 2006, the interest rate on the Second Lien Facility was 11.25%.

The First Lien Facility requires us to hedge a portion of the borrowings. On March 10, 2004, with an effective date of March 31, 2004, we entered into interest rate swap agreements to hedge \$180.0 million of Eurodollar rate loans at an average rate of 2.375% plus applicable margin for three years. In June 2005, the Company entered into a forward-starting receive-variable, pay-fixed interest rate swap with a notional amount of \$50.0 million. The variable rate of interest received is the Eurodollar rate. The fixed rate of interest paid is 4.25%. The swap agreement is effective March 31, 2007 through March 31, 2010.

On March 31, 2006, we entered into two receive-variable, pay-fixed interest rate swaps with identical terms and a combined notional amount of \$70.0 million. The swap agreements are effective March 31, 2006 through March 31, 2009. The notional amount varies throughout the term of the agreements. The combined notional amount decreases to \$35.0 million on September 29, 2006, increases to \$150.0 million on March 30, 2007, and decreases to \$75.0 million on December 31, 2007 through maturity. The variable rate of interest received is the Eurodollar rate. The fixed rate of interest paid is 5.15%. As of April 2, 2006, the fair values of these swap agreements were less than \$10,000.

As of April 2, 2006, the outstanding indebtedness under the First Lien Facility was \$660.8 million and \$107.8 million was available under the First Lien Facility. As of April 2, 2006, the outstanding indebtedness under the Second Lien Facility was \$80.0 million. As of April 2, 2006, the outstanding indebtedness under the Canadian Credit facility was CAD \$16.7 million (approximately \$14.3 million) and CAD \$7.3 million (approximately \$6.2 million) was available under the Canadian Credit Facility. Based upon the information above, the Company's annual pre-tax income would change by approximately \$5.0 million for each one-percentage point change in the interest rates applicable to the variable rate debt after giving effect to the interest rate swap agreements. The level of the exposure to interest rate movements may fluctuate significantly as a result of changes in the amount of indebtedness outstanding under the revolving credit facilities.

**Item 4. Controls and Procedures.**

- (a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's chief executive officer, chief operating officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's chief executive officer, chief operating officer and chief financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting on a timely basis, information required to be disclosed by the Company in the reports that it files under the Exchange Act.
- (b) Internal Control Over Financial Reporting. There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended April 2, 2006, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

We are involved in various claims and legal actions arising from time to time in the ordinary course of business. While the outcome of these claims and actions cannot be predicted with certainty, management believes that we are not party to any pending legal proceedings, the ultimate disposition of which would have a material adverse effect on the Company's business, consolidated financial position, results of operations, or liquidity.

### Item 1A. Risk Factors.

We do not believe there have been any material changes in our risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended January 1, 2006 filed with the Securities and Exchange Commission on March 30, 2006.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not applicable.

### Item 3. Defaults Upon Senior Securities.

Not applicable.

### Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

### Item 5. Other Information.

Not applicable.

### Item 6. Exhibits.

- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Operating Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.3 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Operating Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.3 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOLO CUP COMPANY

Date: May 16, 2006

By: /s/ Susan H. Marks

Susan H. Marks

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer and Duly  
Authorized Officer)

**INDEX OF EXHIBITS FILED WITH OR  
INCORPORATED BY REFERENCE INTO  
FORM 10-Q OF SOLO CUP COMPANY  
FOR THE THIRTEEN WEEKS ENDED APRIL 2, 2006**

- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Operating Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.3 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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- 32.3 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

## CERTIFICATIONS

I, Robert L. Hulseman, certify that:

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

Date: May 16, 2006

By: /s/ Robert L. Hulseman  
Robert L. Hulseman  
Chairman, Chief Executive Officer and Director

## CERTIFICATIONS

I, Robert M. Korzenski, certify that:

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

Date: May 16, 2006

By: /s/ Robert M. Korzenski  
Robert M. Korzenski  
President, Chief Operating Officer and Director

## CERTIFICATIONS

I, Susan H. Marks, certify that:

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

Date: May 16, 2006

By: /s/ Susan H. Marks

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Susan H. Marks  
Executive Vice President and Chief Financial  
Officer  
(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Solo Cup Company (the "Company") on Form 10-Q for the quarter ended April 2, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert L. Hulseman, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

/s/ Robert L. Hulseman

Robert L. Hulseman  
Chief Executive Officer  
May 16, 2006

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

In connection with the Quarterly Report of Solo Cup Company (the "Company") on Form 10-Q for the quarter ended April 2, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert M. Korzenski, as Chief Operating Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

/s/ Robert M. Korzenski

Robert M. Korzenski  
Chief Operating Officer  
May 16, 2006

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

In connection with the Quarterly Report of Solo Cup Company (the "Company") on Form 10-Q for the quarter ended April 2, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Susan H. Marks, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

/s/ Susan H. Marks

Susan H. Marks  
Chief Financial Officer  
May 16, 2006