

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended: March 30, 2003

or

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: 333-82084

APPLETON PAPERS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

36-2556469
(I.R.S. Employer Identification No.)

825 East Wisconsin Avenue
Appleton, Wisconsin
(Address of principal executive offices)

54912-0359
(Zip Code)

Registrant's telephone number, including area code: **(920) 734-9841**

See Table of Additional Registrants Below

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

As of May 12, 2003, 100 shares of Appleton Papers Inc. common stock, \$100.00 par value, were outstanding. There is no trading market for the common stock of Appleton Papers Inc. As of May 12, 2003, each of the additional registrants had the number of shares outstanding which is shown in the table below. There is no trading market for the common stock of the additional registrants. No shares of the registrant or the additional registrants were held by non-affiliates.

Appleton Papers Inc. and WTA Inc. meet the conditions set forth in General Instruction H(1)(a) and (b) and are therefore filing this form with the reduced disclosure format.

ADDITIONAL REGISTRANTS

Exact name of Registrant as specified in its charter	State or other jurisdiction of incorporation or organization	Number of Shares Outstanding as of May 12, 2003	I.R.S. Employer Identification Number	Address, including zip code, and telephone number, including area code, of Registrant's principal executive office	Registration No.

Paperweight Development Corp.	Wisconsin	12,011,574	39-2014992	825 East Wisconsin Avenue, Appleton, Wisconsin 54912-0359 (920) 734-9841	333-82084-01
WTA Inc.	Delaware	1	51-0329653	c/o Delaware Corporate Management, Inc. Suite 1300 1105 North Market Street Wilmington, Delaware 19899 (302) 651-8339	333-82084-02

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PART I—FINANCIAL INFORMATION**Item 1—Financial Statements (unaudited)****PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**
(dollars in thousands, except share data)

	March 30, 2003	December 28, 2002
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 19,655	\$ 24,390
Accounts receivable, less allowance for doubtful accounts of \$1,605 and \$1,428, respectively	97,059	93,377
Inventories	123,483	118,098
Other current assets	13,771	12,933
	<u>253,968</u>	<u>248,798</u>
Property, plant and equipment, net	496,096	504,088
Intangible assets, net	124,695	127,016
Environmental indemnification receivable	68,469	67,356
Other assets	11,683	12,904
	<u>\$954,911</u>	<u>\$ 960,162</u>
LIABILITIES, REDEEMABLE COMMON STOCK, RETAINED EARNINGS (ACCUMULATED DEFICIT) AND ACCUMULATED OTHER COMPREHENSIVE LOSS		
Current liabilities		
Current portion of long-term debt	\$ 28,896	\$ 42,419
Accounts payable	43,378	45,419
Accrued interest expense	8,268	1,758
Restructuring reserve	4,607	4,753
Other accrued liabilities	53,867	64,743
	<u>139,016</u>	<u>159,092</u>
Senior secured notes payable	103,869	108,923
Variable rate industrial development bonds	8,650	8,650
Capital lease obligation	3,827	3,923
Postretirement benefits other than pension	58,568	58,262
Accrued income taxes	24,302	24,548
Accrued pension	11,426	10,959
Environmental liability	89,797	88,373
Other long-term liabilities	8,699	9,548
Senior subordinated notes payable	199,958	199,958
Deferred payment obligation	160,362	156,409
Commitments and contingencies (Note 10)	—	—
Redeemable common stock, \$0.01 par value, shares authorized: 30,000,000, shares issued and outstanding: 12,011,574 and 11,587,204, respectively	143,981	133,581
Retained earnings (accumulated deficit)	4,806	(541)
Accumulated other comprehensive loss	(2,350)	(1,523)
	<u>\$954,911</u>	<u>\$ 960,162</u>
Total liabilities, redeemable common stock, retained earnings (accumulated deficit) and accumulated other comprehensive loss	<u>\$954,911</u>	<u>\$ 960,162</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED
(unaudited)
(dollars in thousands)**

	<u>March 30, 2003</u>	<u>March 31, 2002</u>
Net sales	\$ 204,238	\$ 224,576
Cost of sales	144,780	155,237
	<hr/>	<hr/>
Gross profit	59,458	69,339
Selling, general and administrative	38,350	39,853
	<hr/>	<hr/>
Operating income	21,108	29,486
Other expense (income)		
Interest expense	13,550	19,373
Interest income	(83)	(372)
Foreign exchange gain	(221)	(80)
	<hr/>	<hr/>
Income before income taxes	7,862	10,565
Provision for income taxes	91	79
	<hr/>	<hr/>
Net income	\$ 7,771	\$ 10,486
	<hr/>	<hr/>

The accompanying notes are an integral part of the condensed consolidated financial statements.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED**

**(unaudited)
(dollars in thousands)**

	<u>March 30, 2003</u>	<u>March 31, 2002</u>
Cash flows from operating activities:		
Net income	\$ 7,771	\$ 10,486
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,077	14,632
Amortization of intangible assets	2,321	2,366
Amortization of financing fees	962	3,457
Employer 401(k) noncash matching contributions	2,369	1,806
Foreign exchange gain	(221)	(80)
Loss on disposals of equipment	144	29
Accretion of deferred payment and capital lease obligations	4,024	3,613
(Increase)/decrease in assets and increase/(decrease) in liabilities:		
Accounts receivable	(3,461)	(4,193)
Inventories	(5,385)	5,254
Other current assets	(838)	(1,628)
Accounts payable and other accrued liabilities	(6,652)	(3,679)
Restructuring reserve	(146)	(268)
Accrued income taxes	(246)	871
Accrued pension	467	415
Other, net	29	(330)
	<u>16,215</u>	<u>32,751</u>
Net cash provided by operating activities	16,215	32,751
Cash flows from investing activities:		
Proceeds from sale of equipment	—	9
Additions to property, plant and equipment	(7,230)	(5,657)
	<u>(7,230)</u>	<u>(5,648)</u>
Net cash used by investing activities	(7,230)	(5,648)
Cash flows from financing activities:		
Payments of senior secured notes payable	(18,577)	(41,983)
Payments relating to capital lease obligation	(168)	(168)
Proceeds from issuance of redeemable common stock	4,212	1,167
Payments to redeem common stock	(5)	(6)
Cash overdraft	818	888
	<u>(13,720)</u>	<u>(40,102)</u>
Net cash used by financing activities	(13,720)	(40,102)
Change in cash and cash equivalents	(4,735)	(12,999)
Cash and cash equivalents at beginning of period	24,390	35,702
	<u>\$ 19,655</u>	<u>\$ 22,703</u>
Cash and cash equivalents at end of period	\$ 19,655	\$ 22,703

The accompanying notes are an integral part of the condensed consolidated financial statements.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF REDEEMABLE COMMON STOCK, (ACCUMULATED DEFICIT)
RETAINED EARNINGS, ACCUMULATED OTHER COMPREHENSIVE LOSS AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED**

(unaudited)

(dollars in thousands, except share data)

	<u>Redeemable Common Stock</u>		<u>(Accumulated Deficit) Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Comprehensive Income</u>
	<u>Shares Outstanding</u>	<u>Amount</u>			
Balance, December 28, 2002	11,587,204	\$133,581	\$ (541)	\$ (1,523)	
Comprehensive income:					
Net income	—	—	7,771	—	\$ 7,771
Realized and unrealized losses on derivatives	—	—	—	(827)	(827)
Total comprehensive income					\$ 6,944
Issuance of redeemable common stock	424,618	7,981	—	—	
Redemption of redeemable common stock	(248)	(5)	—	—	
Accretion of redeemable common stock	—	2,424	(2,424)	—	
Balance, March 30, 2003	12,011,574	\$143,981	\$ 4,806	\$ (2,350)	
Balance, December 29, 2001	10,684,373	\$104,663	\$ 7,616	\$ —	
Comprehensive income:					
Net income	—	—	10,486	—	\$ 10,486
Total comprehensive income					\$ 10,486
Issuance of redeemable common stock	232,516	2,322	—	—	
Redemption of redeemable common stock	(455)	(6)	—	—	
Accretion of redeemable common stock	—	750	(750)	—	
Balance, March 31, 2002	10,916,434	\$107,729	\$ 17,352	\$ —	

The accompanying notes are an integral part of the condensed consolidated financial statements.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

In the opinion of management, all adjustments necessary for the fair presentation of the results of operations for the three months ended March 30, 2003 and March 31, 2002, cash flows for the three months ended March 30, 2003 and March 31, 2002 and financial position at March 30, 2003 have been made. All adjustments made were of a normal recurring nature.

These condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto of Paperweight Development Corp. ("PDC" or the Company) and subsidiaries for each of the three years in the period ended December 28, 2002 as audited by PricewaterhouseCoopers LLP which are included in the Form 10-K dated March 18, 2003. The consolidated balance sheet data as of December 28, 2002 contained within these condensed financial statements was derived from the audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The results of operations for any interim period are not necessarily indicative of the results to be expected for the full year. Certain prior year financial statement amounts have been reclassified to conform to their current year presentation. These reclassifications had no effect on net income.

2. ACQUISITION OF APPLETON PAPERS INC.

At the close of business on November 9, 2001, PDC and New Appleton LLC completed the purchase (the "Acquisition") of all the partnership interests of Arjo Wiggins Delaware General Partnership ("AWDGP"). The total cash purchase price consisted of the following (dollars in thousands):

Agreed upon purchase price	\$ 810,000
Transaction fees	6,203
Cash acquired by buyer	(78,508)
Settlement of intercompany note receivable	(32,869)
	<hr/>
Net assets acquired	704,826
Senior subordinated seller note	(250,000)
Deferred payment obligation	(140,000)
	<hr/>
Acquisition of business, net of cash acquired	\$ 314,826
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The transaction was financed with \$106.8 million of proceeds received from the Appleton Papers Retirement Savings and Employee Stock Ownership Plan (the "KSOP") (\$104.7 million, net of stock issuance costs), \$265.0 million of senior secured notes payable borrowed at the closing, \$250 million in aggregate principal amount of a senior subordinated note due 2008 issued to Arjo Wiggins Appleton plc ("AWA") which bore interest at the rate of 11.5% per annum and a deferred payment obligation, with a present value of \$140 million at the closing of the Acquisition, to be paid to AWA.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In conjunction with the Acquisition, the Company entered into two indemnification agreements under which AWA agreed to indemnify PDC and PDC agreed to indemnify Appleton Papers Inc. (“API”) for, and pay, all governmental and third party liabilities and all costs and expenses incurred by API in defense against certain governmental and third party claims, referred to as the Fox River Liabilities. The Fox River Liabilities also include fees and expenses of API’s environmental counsel, advisers, engineers and scientific experts, and the costs incurred in obtaining studies and other analyses concerning various remedial alternatives for the Lower Fox River. The indemnification agreements mirror one another and result in API receiving indemnification payments directly or indirectly from AWA.

Under the indemnification agreements, AWA agreed to indemnify the Company for the first \$75 million of Fox River Liabilities and for those in excess of \$100 million (see Note 10 “Commitments and Contingencies”). The Company is responsible for the \$25 million of liabilities between \$75 million and \$100 million. The indemnification agreements provide that it is the intent of the parties that at no time will API or PDC be required to fund any costs and expenses relating to the Fox River Liabilities for which API or PDC will be indemnified. Under its indemnity, AWA made payments of \$14.1 million in Fox River Liabilities through 2002 and has since paid \$1.0 million during the first quarter of 2003.

Also as part of the purchase agreement, AWA agreed to indemnify the Company for 100% of net income tax liabilities after the November 9, 2001 acquisition, in respect of periods through September 30, 2001, excluding 50% of amounts in excess of \$5.0 million in the aggregate up to and including \$10.0 million in the aggregate, representing a maximum amount of \$2.5 million for which the Company shall remain responsible. All tax refunds received by the Company relating to periods through September 30, 2001 must first be applied against the amount of net income tax liabilities indemnified by AWA. The Company will be allowed to retain any excess net refunds over net income tax liabilities. In fiscal 2002, API received \$17.9 million of federal and state tax refunds relating to periods prior to September 30, 2001 which may be used to satisfy any additional tax liabilities arising from audits for those periods.

The Acquisition was accounted for using the purchase method in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 141, “Business Combinations,” and the financial statements of Appleton Papers Inc. (“API”) were adjusted on November 10, 2001 to reflect assets and liabilities at fair value.

Effective December 30, 2001, the Company adopted SFAS No. 142, “Goodwill and Other Intangible Assets.” Under SFAS No. 142, goodwill and intangible assets with an indefinite life will no longer be amortized; however, they must be tested for impairment annually. Amortization will continue to be recorded for other intangible assets with determinable lives. Of the \$137.8 million of acquired intangible assets, \$90.7 million was assigned to registered trademarks. Trademarks, related to carbonless paper, of approximately \$60.0 million are being amortized over their useful life of 20 years, while the remaining \$30.7 million are considered to have an indefinite life, and, as such, are not subject to amortization. The remaining acquired intangible assets are being amortized over their estimated useful lives ranging from 6 to 25 years and relate to patents of \$40.0 million and customer relationships of \$7.1 million, respectively. Amortization expense for the three months ended March 30, 2003 and March 31, 2002 approximated \$2.3 million and \$2.4 million, respectively. Intangible assets consist of the following (dollars in thousands):

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	As of March 30, 2003		As of December 28, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Trademarks	\$ 60,000	\$ 4,140	\$ 60,000	\$ 3,404
Patents	40,000	8,506	40,000	6,997
Customer relationships	7,050	427	7,050	351
Total	\$ 107,050	\$ 13,073	\$ 107,050	\$ 10,752
Unamortized intangible assets:				
Trademarks	\$ 30,718		\$ 30,718	

3. RESTRUCTURING AND OTHER CHARGES

During the third quarter of 1999, API announced plans to close the Newton Falls mill in 2000 and the Harrisburg plant in 2001. In the third quarter of 2000, API ceased operations at the Newton Falls mill and permanently closed the mill during the third quarter of 2001. API sold its Harrisburg plant in August 2001. As part of this sale, API entered into a five-year agreement to lease the portion of the plant that served as a distribution center.

The table below summarizes the components of the restructuring reserve included on the Condensed Consolidated Balance Sheets at March 30, 2003 and December 28, 2002 (dollars in thousands):

	December 28, 2002 Reserve	2003 Reserve Additions	2003 Charges to Reserve	March 30, 2003 Reserve
Distribution center exit costs	\$ 4,753	\$ —	\$ (146)	\$ 4,607

The \$0.1 million reduction to the reserve represents lease payments, net of sublease income, for the New York distribution center for the first three months of 2003. In 1999, the Company committed to exiting this distribution center in 2001 because it was no longer needed as a result of the closure of the Newton Falls mill and thus recorded \$6.0 million of related restructuring and other charges expected to be incurred until the long-term lease expires in 2007.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. INVENTORIES

Inventories consist of the following (dollars in thousands):

	March 30, 2003	December 28, 2002
Finished goods	\$ 66,285	\$ 61,685
Raw materials, work-in-process and supplies	57,683	56,898
Total cost	123,968	118,583
Excess cost over LIFO cost	(485)	(485)
	\$ 123,483	\$ 118,098

Stores and spare parts inventory balances of \$21.1 million at March 30, 2003 and \$21.3 million at December 28, 2002 are valued at average cost.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment balances consist of the following (dollars in thousands):

	March 30, 2003	December 28, 2002
Land and improvements	\$ 4,725	\$ 4,725
Buildings and improvements	77,392	77,259
Machinery and equipment	448,844	447,745
Software	9,925	9,971
Capital lease	4,764	4,764
Construction in progress	28,454	22,633
	574,104	567,097
Accumulated depreciation	(78,008)	(63,009)
	\$ 496,096	\$ 504,088

Depreciation expense for the three months ended March 30, 2003 and March 31, 2002 approximated \$15.1 million and \$14.6 million, respectively. Depreciation expense of approximately \$12.8 million and \$12.7 million for the three months ended March 30, 2003 and March 31, 2002, respectively, related to manufacturing assets and was recorded within cost of sales. Depreciation expense of approximately \$2.3 million and \$1.9 million for the three months ended March 30, 2003 and March 31, 2002, respectively, related to corporate administrative assets and was recorded within selling, general and administrative expenses.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. OTHER ASSETS

Other assets consist of the following (dollars in thousands):

	<u>March 30, 2003</u>	<u>December 28, 2002</u>
Deferred debt expense	\$ 8,521	\$ 9,483
Other	3,162	3,421
	<u>\$ 11,683</u>	<u>\$ 12,904</u>

7. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following (dollars in thousands):

	<u>March 30, 2003</u>	<u>December 28, 2002</u>
Payroll	\$ 10,555	\$ 10,912
Trade discounts	16,910	26,437
Workers' compensation	5,076	5,129
Lower Fox River liability	6,354	6,144
Other	14,972	16,121
	<u>\$ 53,867</u>	<u>\$ 64,743</u>

8. NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143, which is effective for fiscal years beginning after June 15, 2002, requires entities to record the fair value of a legal liability for an asset retirement obligation in the period in which it is incurred. When the liability is recorded, the entity capitalizes the cost of the liability by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss. SFAS No. 143 was effective for the Company's first quarter of fiscal 2003 and did not have any effect on its financial position or results of operations.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****9. GUARANTEES**

In November 2002, the FASB issued FASB Interpretation No. (“FIN”) 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” FIN 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. In addition, FIN 45 requires disclosures about the guarantees that an entity has issued. The initial recognition and measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Company will apply the recognition provisions of FIN 45 prospectively to guarantees issued after December 28, 2002.

At March 30, 2003, the Company’s guarantees consisted of the potential repurchase obligation related to its redeemable common stock (see Note 11 “Employee Stock Ownership Plan”).

10. COMMITMENTS AND CONTINGENCIES**Lower Fox River**

Various state and federal government agencies and Native American tribes have asserted claims against API and other parties with respect to historic discharges of polychlorinated biphenyls (“PCBs”) into the Lower Fox River in Wisconsin.

Carbonless paper containing PCBs was manufactured at what is currently the Appleton plant from 1954 until 1971. Wastewater from the Appleton plant, the Combined Locks paper mill now owned by Appleton Coated LLC (which is owned by AWA’s ultimate parent) and from other local industrial facilities carried PCBs into the Lower Fox River during this time period. As a result, there are allegedly eleven million cubic yards of PCB-contaminated sediment spread over 39 miles of the Lower Fox River. Low levels of PCBs have also been washed by the Lower Fox River into Green Bay, which is part of Lake Michigan.

In June 1997, the EPA published notice that it intended to list the Lower Fox River on the National Priorities List of Contaminated Sites pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA” or “Superfund”). The EPA identified seven potentially responsible parties (“PRPs”) for PCB contamination in the Lower Fox River, including NCR Corporation (“NCR”) and API as the former and current owners and operators of the Appleton plant, and the owners of five paper reprocessing mills located on the Fox River, including Georgia-Pacific, P.H. Glatfelter Company, WTM I Co., owned by Chesapeake Corporation, Riverside Paper Corporation and U.S. Paper Mills Corp., which is now owned by Sonoco Products Company.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In October 2001, the Wisconsin Department of Natural Resources (“DNR”) released a remedial investigation/feasibility study for the Lower Fox River, studying various remedial alternatives. Also in October 2001, the DNR and the United States Environmental Protection Agency (“EPA”) jointly issued, for public comment, a Proposed Remedial Action Plan (“PRAP”) for the Lower Fox River proposing a remedial plan based on one of the remedial alternatives evaluated in the feasibility study. The PRAP involved a combination of monitored natural recovery and dredging and off-site disposal of sediment contaminated with PCBs. On January 7, 2003, the DNR issued a Record of Decision (“ROD”), with which the EPA concurred, on the first two segments of the river which are largely upstream of the Appleton plant. The ROD provides for dredging in the first segment and monitored natural recovery in the second segment, as proposed in the PRAP; however, the ROD also provides that up to 25% of the remedy in the first segment may consist of capping if dredging proves not to be cost-effective and certain conditions are met. It is API’s position that neither API nor NCR has any responsibility or liability for PCB contamination in the first segment of the Lower Fox River. API believes that a ROD covering the third, fourth and fifth segments of the Lower Fox River (which includes Green Bay) will be issued prior to the third quarter of 2003 and will propose remedial actions substantially similar to those proposed in the PRAP.

In a December 2002 update to its cost estimates, which appears to incorporate the remediation proposed in the ROD, the DNR estimates total costs for the Lower Fox River remedial action plan of approximately \$333 million over a 7 to 18 year time period. Most of the estimated costs relate to the removal of large quantities of sediment from the Lower Fox River by dredging, dewatering of the dredged materials, treatment of the dredge water and off-site disposal of the remaining solids. Based on cost estimates of large-scale dredging response actions at other sites and many subjective assumptions regarding the work to be done, engineers engaged by several of the PRPs have estimated that the cost of the remediation work in the PRAP could be between \$740 million and \$1.6 billion. The DNR strongly disputes this analysis and continues to believe that its cost estimates are accurate.

The Company does not believe that the remedial action proposed by the DNR in the ROD is appropriate or cost-effective. API, along with the other PRPs, has developed a substantial body of evidence that API believes demonstrates that selection of alternatives involving active, river-wide remediation, particularly massive dredging, would be inappropriate and unnecessary. There is ongoing vigorous debate within the scientific, regulatory, legal, public policy and legislative communities over how to properly manage contaminated sediments. Although API believes that the remedy proposed by the PRAP and adopted in the ROD (for the upper portion of the River) is inappropriate and may be substantially modified and improved over time through further design and experience, the issuance of the ROD greatly reduces the uncertainty about the remedy which will be selected by the EPA and DNR for the remaining three segments of the Lower Fox River.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In October 2000, the U.S. Fish and Wildlife Service (“FWS”) released a proposed restoration and compensation determination plan presenting the federal and tribal natural resource trustees’ planned approach for restoring natural resources injured by PCBs and calculating the potential natural resource damages (“NRDs”) under different remedial action scenarios. The final NRD valuation will depend on the extent of PCB cleanup; however, the proposed plan estimates that NRDs will fall in the range of \$176 to \$333 million for all PRPs in the aggregate. The total costs estimated by the DNR, EPA and FWS for the proposed remediation and NRD discussed above range from \$509 million to \$666 million. Over the past several years and at various natural resource damage sites, the FWS and other government agencies have settled NRD claims for amounts substantially less than original estimates or claims. In June 2002, the state and federal trustees announced a proposed settlement of their NRD claims against Fort James Operating Company, a subsidiary of Georgia-Pacific Corporation (“Fort James”), the owner of one of the reprocessing mills. Under the settlement, Fort James would pay for or conduct restoration projects with a total cost of approximately \$14 million. The proposed settlement has been challenged by an environmental group in a case pending before the U.S. District Court in Milwaukee. The trustees, API and NCR have expressed an interest in negotiating a similar NRD settlement for API and NCR, and preliminary discussions have begun. API anticipates the actual costs for the PRPs to settle NRD claims related to the Lower Fox River to be significantly less than the initial range of \$176 to \$333 million.

The Company purchased the Appleton plant from NCR in 1978, after the use of PCBs in the manufacturing process was discontinued. Nevertheless, pursuant to CERCLA, both API and NCR are viewed by the EPA as PRPs. Accordingly, API and NCR asserted indemnity claims against each other pursuant to the terms of the agreement for the purchase of the assets of the business in 1978. In order to resolve indemnification obligations to each other, API entered into an interim settlement agreement with NCR in 1998 under which the parties agreed to share both defense and liability costs arising from the Lower Fox River.

In addition to the interim settlement agreement with NCR, five of the seven PRPs, excluding U.S. Paper Mills and Riverside Paper, have entered into a non-binding agreement to share both defense costs and costs for scientific studies relating to PCBs discharged into the Lower Fox River.

A study performed by the FWS in 2000 provided a preliminary estimate of the amount of PCBs discharged into the Lower Fox River by each PRP and concluded that the discharges from the Appleton plant and the Combined Locks paper mill (which API formerly owned and which is now owned by an affiliate of AWA) represented a percentage in the range of 36% to 52% of the total PCBs discharged. These preliminary estimates are presently under review by the FWS and may be revised. The FWS analysis will not be binding on the PRPs. The final allocation of liability among the PRPs will be determined by negotiation, litigation or other dispute resolution process. Based on historical and technical analyses performed by environmental engineers API has engaged, the Company believes that the percentage of PCBs discharged from the Appleton and Combined Locks facilities is less than 20% of the total discharged by all the PRPs. A portion of API’s potential liability for the Lower Fox River may be joint and several. If, in the future, one or more of the other PRPs were to become insolvent or unable to pay their respective share(s) of the potential liability, API could be responsible for a portion of their share(s). Based on a review of publicly available financial information about the other PRPs, API believes that the other PRPs will be required, and have adequate financial resources, to pay their share of the remediation and natural resource damage claims for the Lower Fox River.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

API entered into a consent decree on December 10, 2001 with NCR, the DNR, the Wisconsin Department of Justice, the EPA, the FWS, the U.S. Department of Justice, the National Oceanic and Atmospheric Administration, and the Oneida and Menomonee Indian Tribes which are collectively referred to as the intergovernmental partners, or IGP. Pursuant to the consent decree, API and NCR will provide up to \$41.5 million over a period of four years, to a maximum of \$10.4 million per year, for interim restoration and remediation efforts directed by the IGP. API and NCR will each pay about half of this amount. Under the consent decree, the IGP agree not to sue or take administrative action against API and NCR during the four-year period. The consent decree does not constitute a final settlement with the IGP or provide protection against future claims against API and NCR; however, under the decree, API and NCR will receive full credit against remediation costs and NRD claims for all monies expended for restoration and remediation of the Lower Fox River during the interim period including pursuant to any claims that could be made as a result of the issuance of the ROD. API recorded a charge for its discounted share of the potential arrangement of \$19.2 million during the first quarter of 2001. At March 30, 2003 this liability approximated \$13.7 million.

A precise estimate of API's ultimate share of remediation and natural resource damage liability cannot be made at this time due to uncertainties with respect to: the scope and cost of implementing the final remediation plan; the scope of restoration and final valuation of federal and state NRD assessments; the evolving nature of remediation and restoration technologies and governmental policies; and API's share of remediation and NRD costs relative to the other PRPs. However, the issuance of the ROD greatly reduces the uncertainty about the remedy that will be selected for the remaining three segments of the Lower Fox River and provides API the ability to reasonably estimate its potential liability. Accordingly, API recorded an additional \$80.8 million charge to its existing \$13.7 million reserve in 2002. During the first quarter the reserve has been accreted by \$1.7 million to a total of \$96.2 million as of March 30, 2003, of which, \$6.4 million is recorded in other accrued liabilities and \$89.8 million is recorded as an environmental liability.

As part of the Acquisition, AWA agreed to indemnify the Company for the first \$75 million and for all amounts over \$100 million in liabilities relating to the Lower Fox River (see Note 2 "Acquisition of Appleton Papers Inc."). During 2002 the Company recorded an additional \$59.8 million indemnification receivable from AWA. At March 30, 2003, the total indemnification receivable from AWA is \$74.8 million, of which, \$6.4 million is recorded in other current assets and \$68.4 million is recorded as an environmental indemnification receivable. The \$21.0 million difference between the additional reserve and the indemnification receivable, as recorded in 2002, represents the discounted share of Lower Fox River costs for which the Company is responsible. These costs were charged against earnings in 2002. This discounted share was calculated using a discount rate of 6.0%, which represents the Company's estimate of fair market interest rate at which this liability could be settled in an arm's length transaction. This \$21.0 million amount will accrete to \$25.0 million by the end of 2005.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

API used the estimates described below, including the most recent government agency estimates, in evaluating its Lower Fox River environmental liability: (1) total costs for remediation of \$400 million, based on the DNR's estimate of \$333 million in total costs for remediation, plus a 20% contingency; (2) the FWS preliminary estimate that discharges from the Appleton plant and the Combined Locks mill represent 36% to 52% of the total PCBs discharged by the PRPs, which is substantially greater than the Company's estimate (The Company assumes that API and NCR are primarily responsible for only the discharges from the Appleton and Combined Locks facilities and not for other discharges.); (3) costs to settle NRD claims against API and NCR, estimated at \$20 million or less, based on the IGP's \$14 million settlement of NRD claims against Fort James; (4) API's responsibility for about half of the claims asserted against API and NCR, based on the interim settlement agreement with NCR, the terms of which are confidential; and (5) \$20 million in fees and expenses. Because of the numerous uncertainties underlying these estimates, it is possible that API's share of costs will be higher.

West Carrollton Mill

The West Carrollton mill operates pursuant to various state and federal permits for discharges and emissions to air and water. As a result of the de-inking of carbonless paper containing PCBs through the early 1970s, there have been releases of PCBs and volatile organic compounds into the soil in the area of the wastewater impoundments at the West Carrollton facility, and low levels of PCBs have been detected in groundwater immediately under this area. In addition, PCB contamination is present in sediment in the adjacent Great Miami River, but it is believed that this contamination is from a source other than the West Carrollton mill.

Based on investigation and delineation of PCB contamination in soil and groundwater in the area of the wastewater impoundments, API believes that it could be necessary to undertake remedial action in the future, although API is currently under no obligation to do so. API has not had any discussions or communications with any federal, state or local agencies or authorities regarding remedial action to address PCB contamination at the West Carrollton mill. Remedial action to address PCB contamination in the area of the wastewater impoundments is expected to involve construction of a cap to prevent exposure to PCBs. In addition, remedial action could involve long-term monitoring of groundwater or the construction and operation of a groundwater pump-and-treat system to prevent migration of PCB contamination in groundwater, and the removal and disposal of PCB-contaminated sediment in the Great Miami River. The cost for remedial action—including installation of a cap, long-term pumping, treating and/or monitoring of groundwater and removal of sediment in the Great Miami River—is estimated to range up to approximately \$10.5 million, with approximately \$3 million in short-term capital costs and the remainder to be incurred over a period of 30 years. However, costs could exceed this amount if additional contamination is discovered, if additional remedial action is necessary or if the remedial action costs are more than expected.

Because of the uncertainty surrounding the ultimate course of action for the West Carrollton mill, the Great Miami River remediation and the Company's share of these remediation costs, if any, no provision has been recorded in the accompanying financial statements for estimated remediation costs. In conjunction with the Acquisition of the Company by the ESOP in 2001, AWA agreed to indemnify the Company for 50% of all environmental liabilities up to \$5.0 million and 100% of all such environmental costs exceeding \$5.0 million. In addition, the former owner and operator of the West Carrollton mill may be liable for all or part of the cost of remediation of historic PCB contamination. Other than the PCB contamination in the area of the wastewater impoundments, there are no other known material liabilities with respect to environmental issues at the West Carrollton mill.

Other

From time to time, the Company is involved in product liability and various other suits incident to the operation of its business. Insurance coverage is maintained and estimated costs are recorded for claims and suits of this nature. It is management's opinion that none of these claims or suits will have a materially adverse effect on the Company's financial position, results of operations or cash flows.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****11. EMPLOYEE STOCK OWNERSHIP PLAN**

The Appleton Papers Retirement Savings Plan, was amended and restated effective as of January 1, 2001, in the form of the Appleton Papers Retirement Savings and Employee Stock Ownership Plan. The KSOP includes a separate employee stock ownership plan component (the “ESOP” or the “Company Stock Fund”). The KSOP is a tax-qualified retirement plan that also contains a 401(k) feature, which provides participants with the ability to make pre-tax contributions to the KSOP by electing to defer a percentage of their compensation. The ESOP component of the KSOP is a tax-qualified employee stock ownership plan that is designed to invest primarily in the common stock of PDC.

Eligible participants, as “named fiduciaries” under ERISA, were offered a one-time irrevocable election to acquire a beneficial interest in the common stock of PDC by electing to direct the transfer of all or a portion of their existing account balances in the KSOP and the 401(a) plan (Appleton Papers Inc. Retirement Medical Savings Plan) to the Company Stock Fund. The total proceeds transferred by eligible participants to the Company Stock Fund were approximately \$106.8 million. All proceeds of the offering were used by the ESOP trustee to purchase 10,684,373 shares of PDC common stock. As a result of this purchase, the ESOP owns 100% of the common stock of PDC.

The value of each participant’s account balance will be paid to that participant, or that participant’s beneficiary, in the case of the participant’s death, upon the participant’s retirement, death, disability, resignation, dismissal, or permanent layoff. Requests for lump sum distributions from the Company Stock Fund will be granted in accordance with a uniform, nondiscriminatory policy established by the ESOP committee. In general, all requests for lump sum distributions in any plan year will be granted to the extent that the aggregate amount requested does not exceed the amount of new deferrals to the Company Stock Fund, less any distributions that must be made in accordance with the statutory requirements and installment distributions the KSOP is obligated to make under prior year distribution elections. Covenants in the agreements providing for the senior credit facility and the senior subordinated notes restrict API’s ability to pay dividends to PDC which could limit PDC’s ability to repurchase shares distributed to ESOP participants who have terminated employment or who are entitled to diversification rights. PDC has obligations to make distributions to former participants in the ESOP under ERISA and these obligations may supersede the terms of the respective agreements. If lump sum distributions cannot be made, distributions to former participants will be made in up to five equal annual installments.

Based upon management’s assumptions related to participant death, retirement, diversification requests, employment termination and changes in share value, the Company estimates that the potential repurchase obligations over the next five years may approximate \$68 million. The assumptions used by management to estimate the potential repurchase obligation change from year to year and actual amounts may differ from these estimates. The Company anticipates that a portion of these estimated disbursements will be funded from payroll deferrals from employees who elect to purchase stock through the Company Stock Fund, which are estimated to approximate \$40 million over the next five years. The estimated net repurchase obligations of approximately \$28 million are anticipated to be disbursed in annual payments increasing from \$1 million to \$17 million over the five-year period.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The Company's matching contributions charged to expense amounted to \$2.4 million and \$1.8 million for the three months ended March 30, 2003 and March 31, 2002, respectively, all of which will be deposited into the Company Stock Fund. In the first quarter of 2003, the ESOP trustee purchased 221,729 shares of PDC redeemable common stock for an aggregate price of \$4.2 million from pre-tax deferrals, rollovers and loan payments made by employees, as well as interest received by the trust, during the second half of fiscal 2002, while the Company's matching deferrals over this same period resulted in an additional 202,889 shares of redeemable common stock being issued.

In accordance with EITF Topic D-98, redeemable equity securities are required to be accreted (i.e., increased) so the amount in the balance sheet reflects the estimated amount redeemable at the earliest redemption date based upon the redemption value at each period end. Redeemable common stock is being accreted up to the earliest redemption date based upon the estimated fair market value of the redeemable common stock as of March 30, 2003. The earliest redemption date occurs when the holder reaches 55 years of age and has 10 years of participation in the KSOP. At that point, the holder has the right to make diversification elections for a period of six years. The Company accreted the redeemable common stock by \$2.4 million for the three months ended March 30, 2003. Based upon the estimated fair value of the redeemable common stock, an ultimate redemption amount of approximately \$274 million was determined. The redeemable common stock value as of March 30, 2003 was \$144 million, which leaves a remaining unrecognized accretion amount of approximately \$130 million. The fair value of the redeemable common stock is determined by an independent, third party appraiser selected by the ESOP Trustee as required by law and the ESOP. Such valuations are made as of June 30 and December 31. The fair value of the stock is estimated by management as of March 31 and September 30. Because the calculations of the third party appraiser are not shared with management, these interim estimates may differ from the values determined by the appraiser as of June 30 and December 31. Adjustments (if any) will be recorded as of, and for the three-month period ended June 30 and December 31. The accretion is being charged to retained earnings as redeemable common stock is the only class of shares outstanding.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. LONG-TERM OBLIGATIONS

Long-term obligations, excluding the capital lease obligation, consist of the following (dollars in thousands):

	March 30, 2003	December 28, 2002
Senior secured variable rate note payable, LIBOR plus 2.5%, \$4,144 due quarterly ending November 8, 2005	\$ 45,587	\$ 57,550
Senior secured variable rate note payable, LIBOR plus 3.25%, \$227 due quarterly with \$77,412 due November 8, 2006	87,178	93,792
	132,765	151,342
Less obligations due within one year	(28,896)	(42,419)
	103,869	108,923
Unsecured variable rate industrial development bonds, 1.4% average interest rate at March 30, 2003, \$2,650 due in 2013 and \$6,000 due in 2027	8,650	8,650
Senior subordinated notes payable, 12.5%, due December 15, 2008	199,958	199,958
Deferred payment obligation, due May 8, 2010, 10% per annum compounded semi-annually to the date of repayment	160,362	156,409

On November 9, 2001, API entered into a \$340 million Senior Credit Facility. The Senior Credit Facility was comprised of the following: a four-year credit facility of up to \$75 million for revolving loans, including letters of credit; a four-year senior secured note of \$115 million; and a five-year senior secured note of \$150 million. The Senior Credit Facility is unconditionally, jointly and severally guaranteed by PDC and WTA Inc., a wholly owned subsidiary of API (see Note 14 "Guarantor Financial Information").

The interest rate payable under the revolving credit facility and \$115 million senior secured note were subject to adjustments after six months based on the achievement of certain financial tests. Borrowings under the revolving credit facility and the \$115 million senior secured note bore interest at LIBOR plus 2.5% per annum through April 1, 2003. On April 2, 2003, the Company's defined leverage ratio was calculated at less than 2.5 to 1.00 but greater than or equal to 2.00 to 1.00, and as a result, the interest rate was increased to LIBOR plus 3.0%.

Through June 5, 2002, borrowings under the \$150 million senior secured note bore interest at LIBOR plus 4.25% per annum, subject to a minimum LIBOR rate of 2.5%. On June 6, 2002, the Company refinanced the \$112.4 million remaining principal amount and replaced it with similar debt carrying a reduced interest rate of LIBOR plus 3.25%, not subject to a minimum LIBOR rate. The terms of this refinanced debt also allowed the Company to repurchase up to \$50.0 million in aggregate principal amount of its 12.5% Senior Subordinated Notes due 2008.

The LIBOR rate on March 30, 2003 was 1.3%.

During the first three months of 2003, the Company made mandatory debt repayments of \$18.6 million, plus interest, on its outstanding senior secured variable rate notes.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

On December 14, 2001, API issued \$250 million aggregate principal amount of its 12.5% Series A Senior Subordinated Notes due 2008, which were used to redeem in full, at par, the senior subordinated note due 2008 held by AWA (see Note 2 “Acquisition of Appleton Papers Inc.”). On June 12, 2002, the Company’s Registration Statement on Form S-4, relating to the offer to exchange up to \$250 million of its registered 12.5% Series B Senior Subordinated Notes due 2008 for any and all of its outstanding 12.5% Series A Senior Subordinated Notes due 2008, was declared effective by the Securities and Exchange Commission. The exchange offer closed on July 12, 2002. The entire outstanding principal balance of Series A notes was exchanged for Series B notes. During 2002, the Company purchased and retired \$50.0 million of its Series B notes. The Series B notes and the Series A notes have substantially the same terms, conditions and covenants.

On April 18, 2003, an amendment to the Senior Credit Facility was approved by a majority of the lenders, which will allow API to make acquisitions of \$150 million in total over the life of the term loans, with no single acquisition totaling more than \$60 million. In addition, the amendment also increased the revolving line of credit from \$75 million to \$100 million and will allow API to repurchase and retire an additional \$50 million of aggregate principal amount of its 12.5% Series B Senior Subordinated Notes due 2008.

13. SUBSEQUENT EVENT

On April 30, 2003, the Company acquired two privately-held Wisconsin-based companies, C&H Packaging Company, Inc. (“C&H Packaging”) and American Plastics Company, Inc. (“American Plastics”). C&H Packaging prints and converts flexible plastic packaging materials for companies in the food processing, household and industrial product industries. American Plastics produces high-quality, custom multilayered films and commercial packaging. American Plastics’ knowledge of films and barrier technology and C&H Packaging’s portfolio of products will complement the Company’s expertise in coating and microencapsulation. The purchase price for these acquisitions was approximately \$50 million, and was financed with cash from operations supplemented with borrowings under the revolving credit portion of the Company’s Senior Credit Facility. The purchase price included acquired debt of approximately \$15 million. Of this amount, \$10 million was retired at closing and the Company has placed in escrow the funds necessary to retire the remaining \$5 million balance prior to the end of the second quarter of 2003.

14. SEGMENT INFORMATION

In the fourth quarter of 2002, the Company redefined the structure of its internal organization, which has resulted in a change in the composition of its reportable segments. All prior year information has been restated to conform to the current presentation.

The Company has three operating segments: coated solutions, technical products and security papers. Based upon quantitative thresholds, coated solutions and technical products constitute the Company’s reportable segments. The accounting policies applicable to all segments are the same as those described in the summary of significant accounting policies. Management evaluates the performance of the segments based primarily on operating income. Items excluded from the determination of segment operating income are business development costs, interest income, interest expense and foreign currency gains and losses.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The coated solutions segment contains the Company's carbonless, specialty papers and digital printing paper products and toll coating services. Carbonless paper, the most significant product within the coated solutions segment, is used in multipart forms such as invoices, insurance claim forms, medical claim forms and credit card receipts. Carbonless paper is used in a diverse group of end markets, including government, retail, financial, insurance and manufacturing. The Company supplies coated solutions products to merchants, printers and paper converters primarily in North America.

The technical products segment includes the Company's direct thermal products as well as additional applications in the label and tag/ticket product categories. Thermal paper, the most significant product within the technical products segment, is used in a wide variety of applications including point-of-sale receipts, shipping and weigh scale labels, baggage tags and tickets for passenger travel, lotteries and entertainment events. The Company supplies technical products primarily to paper converters in North America.

The Company does not allocate total assets internally in assessing operating performance. Net sales, operating income and depreciation and amortization as determined by the Company for its reportable segments are as follows (dollars in thousands):

	<u>For the Three Months Ended March 30, 2003</u>	<u>For the Three Months Ended March 31, 2002</u>
Net sales		
Coated solutions	\$ 156,304	\$ 175,811
Technical products	40,495	41,215
Other (1)	7,439	7,550
	<u> </u>	<u> </u>
Total	\$ 204,238	\$ 224,576
	<u> </u>	<u> </u>
Operating income		
Coated solutions	\$ 22,416	\$ 28,802
Technical products	831	1,140
Other (1)	179	1,208
Business development costs	(2,318)	(1,664)
	<u> </u>	<u> </u>
Total	\$ 21,108	\$ 29,486
	<u> </u>	<u> </u>
Depreciation and amortization		
Coated solutions	\$ 13,684	\$ 13,688
Technical products	2,907	2,653
Other (1)	781	502
Business development costs	26	155
	<u> </u>	<u> </u>
Total	\$ 17,398	\$ 16,998
	<u> </u>	<u> </u>

(1) Other consists primarily of security papers.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****15. GUARANTOR FINANCIAL INFORMATION**

API (the “Issuer”) has issued senior subordinated notes (the “Notes”) which have been guaranteed by PDC (the “Parent Guarantor”) and WTA Inc., a wholly owned subsidiary of API (the “Subsidiary Guarantor”). These guarantees are full, unconditional and joint and several.

Presented below is condensed consolidating financial information for the Parent Guarantor, the Issuer, the Subsidiary Guarantor and its wholly owned foreign subsidiary (the “Non-Guarantor Subsidiary”) as of March 30, 2003 and December 28, 2002 and for the three months ended March 30, 2003 and March 31, 2002. This financial information should be read in conjunction with the condensed consolidated financial statements and other notes related thereto.

The condensed consolidating financial information has been presented to show the nature of the assets held, results of operations and cash flows of the Parent Guarantor, Issuer, Subsidiary Guarantor and Non-Guarantor Subsidiary assuming the guarantee structure of the Notes was in effect at the beginning of the periods presented. Separate financial statements for the Parent and Subsidiary Guarantor are not presented based on management’s determination that they would not provide additional information that is material to readers of these financial statements.

The Senior Credit Facility, the Senior Subordinated Notes and the Deferred Payment Obligation place restrictions on the subsidiaries of the Issuer that would limit dividend distributions by these subsidiaries.

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
MARCH 30, 2003
(unaudited)
(dollars in thousands)

	<u>Parent Guarantor</u>	<u>Issuer</u>	<u>Subsidiary Guarantor</u>	<u>Non- Guarantor Subsidiary</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS						
Current assets						
Cash and cash equivalents	\$ —	\$ 18,027	\$ 21	\$ 1,607	\$ —	\$ 19,655
Accounts receivable, net	—	91,381	—	5,678	—	97,059
Inventories	—	120,809	—	2,674	—	123,483
Other current assets	6,355	7,209	—	207	—	13,771
	<u>6,355</u>	<u>237,426</u>	<u>21</u>	<u>10,166</u>	<u>—</u>	<u>253,968</u>
Total current assets	6,355	237,426	21	10,166	—	253,968
Property, plant and equipment, net	—	496,076	—	20	—	496,096
Investment in subsidiary	301,267	245,544	—	—	(546,811)	—
Other assets	68,481	104,838	31,494	34	—	204,847
	<u>68,481</u>	<u>104,838</u>	<u>31,494</u>	<u>34</u>	<u>—</u>	<u>204,847</u>
Total assets	<u>\$376,103</u>	<u>\$1,083,884</u>	<u>\$ 31,515</u>	<u>\$ 10,220</u>	<u>\$(546,811)</u>	<u>\$ 954,911</u>
LIABILITIES, REDEEMABLE COMMON STOCK, RETAINED EARNINGS (ACCUMULATED DEFICIT) AND ACCUMULATED OTHER COMPREHENSIVE LOSS						
Current liabilities						
Current portion of long-term debt	\$ —	\$ 28,896	\$ —	\$ —	\$ —	\$ 28,896
Accounts payable	—	43,256	—	122	—	43,378
Due to (from) parent and affiliated companies	69,304	135,567	(206,596)	1,725	—	—
Other accrued liabilities	—	65,507	—	1,235	—	66,742
	<u>69,304</u>	<u>273,226</u>	<u>(206,596)</u>	<u>3,082</u>	<u>—</u>	<u>139,016</u>
Total current liabilities	69,304	273,226	(206,596)	3,082	—	139,016
Long-term debt	—	312,477	—	—	—	312,477
Capital lease obligation	—	3,827	—	—	—	3,827
Other long-term liabilities	—	193,087	—	(295)	—	192,792
Deferred payment obligation	160,362	—	—	—	—	160,362
Redeemable common stock, retained earnings (accumulated deficit) and accumulated other comprehensive loss	146,437	301,267	238,111	7,433	(546,811)	146,437
	<u>146,437</u>	<u>301,267</u>	<u>238,111</u>	<u>7,433</u>	<u>(546,811)</u>	<u>146,437</u>
Total liabilities, redeemable common stock, retained earnings (accumulated deficit) and accumulated other comprehensive loss	<u>\$376,103</u>	<u>\$1,083,884</u>	<u>\$ 31,515</u>	<u>\$ 10,220</u>	<u>\$(546,811)</u>	<u>\$ 954,911</u>

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 28, 2002
(dollars in thousands)

	<u>Parent Guarantor</u>	<u>Issuer</u>	<u>Subsidiary Guarantor</u>	<u>Non-Guarantor Subsidiary</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS						
Current assets						
Cash and cash equivalents	\$ —	\$ 23,521	\$ 23	\$ 846	\$ —	\$ 24,390
Accounts receivable, net	—	87,495	—	5,882	—	93,377
Inventories	—	116,042	—	2,056	—	118,098
Other current assets	6,144	6,632	—	157	—	12,933
	<u>6,144</u>	<u>233,690</u>	<u>23</u>	<u>8,941</u>	<u>—</u>	<u>248,798</u>
Total current assets	6,144	233,690	23	8,941	—	248,798
Property, plant and equipment, net	—	504,066	—	22	—	504,088
Investment in subsidiary	290,480	239,015	—	—	(529,495)	—
Other assets	67,369	106,872	33,003	32	—	207,276
	<u>67,369</u>	<u>106,872</u>	<u>33,003</u>	<u>32</u>	<u>—</u>	<u>207,276</u>
Total assets	<u>\$363,993</u>	<u>\$1,083,643</u>	<u>\$ 33,026</u>	<u>\$ 8,995</u>	<u>\$(529,495)</u>	<u>\$ 960,162</u>
LIABILITIES, REDEEMABLE COMMON STOCK, (ACCUMULATED DEFICIT) RETAINED EARNINGS AND ACCUMULATED OTHER COMPREHENSIVE LOSS						
Current liabilities						
Current portion of long-term debt	\$ —	\$ 42,419	\$ —	\$ —	\$ —	\$ 42,419
Accounts payable	—	45,299	—	120	—	45,419
Due to (from) parent and affiliated companies	76,067	122,605	(199,688)	1,016	—	—
Other accrued liabilities	—	69,719	—	1,535	—	71,254
	<u>76,067</u>	<u>280,042</u>	<u>(199,688)</u>	<u>2,671</u>	<u>—</u>	<u>159,092</u>
Total current liabilities	76,067	280,042	(199,688)	2,671	—	159,092
Long-term debt	—	317,531	—	—	—	317,531
Capital lease obligation	—	3,923	—	—	—	3,923
Other long-term liabilities	—	191,667	—	23	—	191,690
Deferred payment obligation	156,409	—	—	—	—	156,409
Redeemable common stock, (accumulated deficit) retained earnings and accumulated other comprehensive loss	131,517	290,480	232,714	6,301	(529,495)	131,517
	<u>131,517</u>	<u>290,480</u>	<u>232,714</u>	<u>6,301</u>	<u>(529,495)</u>	<u>131,517</u>
Total liabilities, redeemable common stock, (accumulated deficit) retained earnings and accumulated other comprehensive loss	<u>\$363,993</u>	<u>\$1,083,643</u>	<u>\$ 33,026</u>	<u>\$ 8,995</u>	<u>\$(529,495)</u>	<u>\$ 960,162</u>

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 30, 2003
(unaudited)
(dollars in thousands)**

	<u>Parent Guarantor</u>	<u>Issuer</u>	<u>Subsidiary Guarantor</u>	<u>Non-Guarantor Subsidiary</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ —	\$ 203,085	\$ —	\$ 14,749	\$ (13,596)	\$ 204,238
Cost of sales	—	145,197	—	13,534	(13,951)	144,780
Gross profit	—	57,888	—	1,215	355	59,458
Selling, general and administrative	—	35,808	1,509	622	411	38,350
Operating income (loss)	—	22,080	(1,509)	593	(56)	21,108
Interest expense	3,954	13,664	—	—	(4,068)	13,550
Interest income	(111)	(78)	(3,957)	(5)	4,068	(83)
Intercompany royalty expense (income)	—	2,949	(2,949)	—	—	—
Income in equity investment	(11,614)	(6,162)	—	—	17,776	—
Other loss (income)	—	2	—	(534)	311	(221)
Income before income taxes	7,771	11,705	5,397	1,132	(18,143)	7,862
Provision for income taxes	—	91	—	—	—	91
Net income	\$ 7,771	\$ 11,614	\$ 5,397	\$ 1,132	\$ (18,143)	\$ 7,771

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2002
(unaudited)
(dollars in thousands)**

	<u>Parent Guarantor</u>	<u>Issuer</u>	<u>Subsidiary Guarantor</u>	<u>Non-Guarantor Subsidiary</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ —	\$ 224,470	\$ —	\$ 12,141	\$ (12,035)	\$ 224,576
Cost of sales	—	155,252	—	12,571	(12,586)	155,237
Gross profit (loss)	—	69,218	—	(430)	551	69,339
Selling, general and administrative	13	37,194	1,612	607	427	39,853
Operating (loss) income	(13)	32,024	(1,612)	(1,037)	124	29,486
Interest expense	12,297	17,428	—	—	(10,352)	19,373
Interest income	—	(9,367)	(1,353)	(4)	10,352	(372)
Intercompany royalty expense (income)	—	3,245	(3,245)	—	—	—
Income in equity investment	(22,796)	(2,156)	—	—	24,952	—
Other income	—	(1)	—	(79)	—	(80)
Income (loss) before income taxes	10,486	22,875	2,986	(954)	(24,828)	10,565
Provision for income taxes	—	79	—	—	—	79
Net income (loss)	\$ 10,486	\$ 22,796	\$ 2,986	\$ (954)	\$ (24,828)	\$ 10,486

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 30, 2003
(unaudited)
(dollars in thousands)**

	<u>Parent Guarantor</u>	<u>Issuer</u>	<u>Subsidiary Guarantor</u>	<u>Non-Guarantor Subsidiary</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash flows from operating activities:						
Net income	\$ 7,771	\$ 11,614	\$ 5,397	\$ 1,132	\$ (18,143)	\$ 7,771
Adjustments to reconcile net income to net cash provided by (used by) operating activities:						
Depreciation and amortization	—	15,886	1,509	3	—	17,398
Other	3,953	3,859	—	(534)	—	7,278
Change in assets and liabilities, net	(9,168)	(24,658)	—	(549)	18,143	(16,232)
Net cash provided by operating activities	2,556	6,701	6,906	52	—	16,215
Cash flows from investing activities:						
Proceeds from sale of equipment	—	—	—	—	—	—
Additions to property, plant and equipment	—	(7,230)	—	—	—	(7,230)
Net cash (used by) investing activities	—	(7,230)	—	—	—	(7,230)
Cash flows from financing activities:						
Payments of long-term debt	—	(18,577)	—	—	—	(18,577)
Payments relating to capital lease obligation	—	(168)	—	—	—	(168)
Due to parent and affiliated companies, net	(6,763)	12,962	(6,908)	709	—	—
Proceeds from issuance of common stock	4,207	—	—	—	—	4,207
Cash overdraft	—	818	—	—	—	818
Net cash (used by) provided by financing activities	(2,556)	(4,965)	(6,908)	709	—	(13,720)
Change in cash and cash equivalents	—	(5,494)	(2)	761	—	(4,735)
Cash and cash equivalents at beginning of period	—	23,521	23	846	—	24,390
Cash and cash equivalents at end of period	\$ —	\$ 18,027	\$ 21	\$ 1,607	\$ —	\$ 19,655

PAPERWEIGHT DEVELOPMENT CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2002
(unaudited)
(dollars in thousands)

	<u>Parent Guarantor</u>	<u>Issuer</u>	<u>Subsidiary Guarantor</u>	<u>Non- Guarantor Subsidiary</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash flows from operating activities:						
Net income (loss)	\$ 10,486	\$ 22,796	\$ 2,986	\$ (954)	\$ (24,828)	\$ 10,486
Adjustments to reconcile net income (loss) to net cash provided by (used by) operating activities:						
Depreciation and amortization	—	15,454	1,538	6	—	16,998
Other	3,535	5,369	—	(79)	—	8,825
Change in assets and liabilities, net	(19,809)	(3,337)	—	990	18,598	(3,558)
Net cash (used by) provided by operating activities	(5,788)	40,282	4,524	(37)	(6,230)	32,751
Cash flows from investing activities:						
Proceeds from sale of equipment	—	9	—	—	—	9
Additions to property, plant and equipment	—	(5,657)	—	—	—	(5,657)
Net cash (used by) investing activities	—	(5,648)	—	—	—	(5,648)
Cash flows from financing activities:						
Payments of long-term debt	—	(41,983)	—	—	—	(41,983)
Payments relating to capital lease obligation	—	(168)	—	—	—	(168)
Due to parent and affiliated companies, net	4,627	(6,216)	1,703	(114)	—	—
Proceeds from issuance of common stock	1,161	—	—	—	—	1,161
Cash overdraft	—	888	—	—	—	888
Intercompany dividend	—	—	(6,230)	—	6,230	—
Net cash provided by (used by) financing activities	5,788	(47,479)	(4,527)	(114)	6,230	(40,102)
Change in cash and cash equivalents	—	(12,845)	(3)	(151)	—	(12,999)
Cash and cash equivalents at beginning of period	—	34,123	36	1,543	—	35,702
Cash and cash equivalents at end of period	\$ —	\$ 21,278	\$ 33	\$ 1,392	\$ —	\$ 22,703

Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations**Comparison of Results of Operations for the Three-Month Periods Ended March 30, 2003 and March 31, 2002**

Net Sales. Net sales for the three months ended March 30, 2003 were \$204.2 million, a decrease of \$20.3 million, or 9.1%, compared to the prior year period. Coated solutions net sales were \$156.3 million, a decrease of \$19.5 million, or 11.1%, compared to the prior year period due primarily to a carbonless volume reduction of 10%. Technical products net sales decreased \$0.7 million, or 1.7%, compared to the prior year period as volume increases of 5% for the first quarter of fiscal 2003 were more than offset by a continuing competitive pricing environment for most major product categories.

Gross Profit. Gross profit was \$59.5 million for the first quarter of fiscal 2003, a decrease of \$9.9 million, or 14.3%, compared to the prior year period. The decrease was due primarily to the carbonless volume decline. Gross profit margin was 29.1% for the first quarter of fiscal 2003 as compared to 30.9% for the first quarter of fiscal 2002. The decrease in gross profit margin was largely driven by increases in utility costs at our manufacturing sites and increased raw material costs for pulp and wastepaper.

Selling, General and Administrative. Selling, general and administrative expenses for the first quarter of fiscal 2003 were \$38.4 million, a decrease of \$1.5 million, or 3.8%, compared to the prior year period. Costs related to long-term management incentive plans based on the performance of Appleton Papers and changes in the value of Paperweight Development redeemable common stock were \$1.0 million lower for the first quarter of fiscal 2003 as compared to the prior year period based upon management’s estimated redeemable common stock share value. Bad debt expense for the first quarter of fiscal 2003 was \$0.4 million lower than the prior year period primarily due to additional reserves for potential credit exposures from Argentinean customers that were established during the first quarter of fiscal 2002. Distribution costs for the first quarter of fiscal 2003 decreased by \$0.8 million, or 5.4%, compared to the prior year period due to reduced carbonless volumes. Information systems expenses increased by \$0.8 million in the first quarter of fiscal 2003 due to additional costs (including depreciation expense, computer rent and maintenance service contracts) associated with the installation of Project Venture, our new enterprise resource planning platform.

Operating Income. Operating income for the first quarter of fiscal 2003 was \$21.1 million, a decrease of \$8.4 million, or 28.4%, compared to the prior year period. Operating income as a percentage of net sales for the first quarter of fiscal 2003 was 10.3% as compared to 13.1% of net sales for the prior year period. Coated solutions operating income for the first quarter of fiscal 2003 decreased \$6.4 million compared to the prior year period primarily due to the decline in carbonless volume as well as increases in raw material and utility costs in the first quarter of 2003. Technical products operating income for the first quarter of fiscal 2003 decreased \$0.3 million compared to the prior year period. Favorable impacts on technical products operating income from increased sales volume and manufacturing cost reduction efforts were more than offset by continuing pricing pressures in most major product categories. Operating expense related to business development costs for the first quarter of fiscal 2003 increased by \$0.7 million as compared to the prior year period due to increased costs associated with our new business development and acquisition efforts. Our other segment, consisting primarily of our security papers business, experienced a decrease in operating income of \$1.0 million as compared to the prior year period due primarily to an increase in raw material costs and an increase in selling, general and administrative costs related to developing and marketing products to new and existing customers.

Interest expense. Interest expense for the first quarter of fiscal 2003 was \$13.6 million, a decrease of \$5.8 million compared to the prior year period due to the significant amount of debt repayments made during fiscal 2002. Debt repayments on the Senior Credit Facility during fiscal 2002 amounted to \$113.7 million (\$78.6 million during the first half and \$35.1 million during the second half) and \$50.0 million of the Series B Senior Subordinated Notes were purchased and retired during the second half of fiscal 2002, which resulted in lower interest expense during the first quarter of fiscal 2003.

Interest Income. Interest income for the first quarter of fiscal 2003 was \$0.1 million, a decrease of \$0.3 million compared to the prior year period. The decrease was due to lower interest rates earned on short-term investments and lower short-term investment balances maintained during the first quarter of fiscal 2003 as compared to the prior year period.

Provision for income taxes. In connection with the acquisition of Appleton Papers, Paperweight Development elected to be treated as a subchapter S corporation and for its eligible subsidiaries to be treated as qualified subchapter S subsidiaries for federal and state income tax purposes. As a result of these elections, we expect to incur no future federal income tax liability and minimal state income tax liabilities. As a subchapter S corporation, Paperweight Development is subject to a corporate-level tax under Section 1374 of the Internal Revenue Code known as the built-in gain tax. The built-in gain tax is a tax imposed on the gain inherent in assets as of the effective date of the S election if the gain is recognized within ten years after the effective date of the S election. If we engage in any sale of a material portion of our assets in the future, we could be subject to a significant tax liability.

Net income. Net income for the first quarter of fiscal 2003 was \$7.8 million compared to \$10.5 million for the prior year period, a decrease of \$2.7 million, resulting primarily from a reduction in operating income partially offset by a decrease in interest expense.

Liquidity and Capital Resources

Cash Flows from Operating Activities. Net cash provided by operating activities for the first quarter of fiscal 2003 was \$16.2 million. We made \$2.4 million in non-cash employer matching contributions to the KSOP during the first quarter of fiscal 2003. An increase in working capital for the first quarter of fiscal 2003 decreased operating cash flows by \$16.5 million. Inventories increased by \$5.4 million due to planned efforts to allow for additional product development trial work during the second and third quarters of fiscal 2003. Receivables increased by \$3.5 million with no significant changes in customer payment patterns experienced during the first quarter of fiscal 2003. Accounts payable and other accrued liabilities decreased by \$6.7 million, with customer rebate payments made in the first quarter of fiscal 2003 related to fiscal 2002 purchases accounting for a significant portion of this change.

Net cash provided by operating activities for the first quarter of fiscal 2002 was \$32.8 million. We made \$1.8 million in non-cash employer matching contributions to the KSOP during the first quarter of fiscal 2002. An increase in working capital for the first quarter of fiscal 2002 decreased operating cash flows by \$4.5 million. Accounts receivable increased by \$4.2 million with no significant changes in customer payment patterns experienced during the first quarter of fiscal 2002. Inventories decreased \$5.3 million primarily as a result of management initiatives. Accounts payable and other accrued liabilities decreased \$3.7 million.

Cash Flows from Investing Activities. Net cash used by investing activities was \$7.2 million for the first quarter of fiscal 2003. Of this amount, \$5.7 million was expended on capital projects approved prior to the end of fiscal 2002. The remaining \$1.5 million was expended on capital projects approved in fiscal 2003.

Net cash used by investing activities was \$5.7 million for the first quarter of fiscal 2002. Of this amount, \$4.1 million was expended on capital projects approved prior to the end of fiscal 2001. The remaining \$1.6 million was expended on capital projects approved in fiscal 2002.

Cash Flows from Financing Activities. On November 9, 2001, we entered into a \$340 million Senior Credit Facility. The Senior Credit Facility was comprised of the following: a four-year credit facility of up to \$75 million for revolving loans, including letters of credit; a four-year senior secured note of \$115 million; and a five-year senior secured note of \$150 million. The Senior Credit Facility is unconditionally, jointly and severally guaranteed by Paperweight Development and WTA Inc., one of our wholly owned subsidiaries.

Borrowings under the revolving credit facility and the \$115 million term loan bore interest at LIBOR plus 3.5% through May 8, 2002. On May 9, 2002, our defined leverage ratio was calculated at less than 2.50 to 1.00 but greater than or equal to 2.00 to 1.00, and as a result, the interest rate was reduced to LIBOR plus 3.0%. On November 18, 2002, our defined leverage ratio was calculated at less than 2.00 to 1.00 but greater than or equal to 1.50 to 1.00 and as a result, the interest rate was reduced to LIBOR plus 2.5%. On April 2, 2003, our defined leverage ratio was calculated at less than 2.50 to 1.00 but greater than or equal to 2.00 to 1.00, and as a result, the interest rate was increased to LIBOR plus 3.0%.

Through June 5, 2002, the interest rate on borrowings under the \$150 million term loan was LIBOR plus 4.25% per annum, subject to a minimum LIBOR rate of 2.5%. On June 6, 2002, we refinanced the \$112.4 million remaining principal amount and replaced it with similar debt carrying a reduced interest rate of LIBOR plus 3.25%, not subject to a minimum LIBOR rate. As a result of this refinancing, \$11.8 million of deferred debt issuance costs were written off in a non-cash transaction as debt extinguishment expenses. The terms of this refinanced debt also allowed us to repurchase and retire up to \$50.0 million of aggregate principal amount of our 12.5% Series B Senior Subordinated Notes due 2008.

On December 14, 2001, we issued \$250 million aggregate principal amount of 12.5% Series A Senior Subordinated Notes due 2008, which were used to redeem in full, at par, the senior subordinated note due 2008 held by AWA as described in Note 12 of our fiscal 2002 Notes to Consolidated Financial Statements. On June 12, 2002 we filed a Registration Statement on Form S-4 to register an offer with the Securities and Exchange Commission to exchange up to \$250 million of our registered 12.5% Series B Senior Subordinated Notes due 2008 for any and all of our outstanding 12.5% Series A Senior Subordinated Notes due 2008. The exchange offer closed on July 12, 2002. The entire outstanding principal balance of Series A notes was exchanged for Series B notes. During 2002, we paid a premium of \$1.8 million to purchase and retire \$50.0 million in aggregate principal amount of our Series B notes.

The Series B notes are unsecured obligations of Appleton, ranking subordinate in right of payment to all of our senior debt and are unconditionally, jointly and severally guaranteed by Paperweight Development and WTA Inc. Interest on the notes is payable semi-annually in June and December of each year. Prior to December 15, 2004, and after 100% application toward repayment of the Senior Credit Facility, we may use proceeds of certain sales of our equity to redeem up to 35% of the original principal amount of the notes at a redemption price of 112.5% of their principal amount, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date.

Except as described in the preceding paragraph, the notes will not be redeemable at our option prior to December 15, 2005. On or after December 15, 2005, we may redeem during the twelve-month period beginning on December 15 of the applicable year all or part of the notes at the redemption price of 106.25% in 2005, 103.125% in 2006, and 100% in 2007 and thereafter, plus accrued and unpaid interest and liquidated damages, if any.

Both the Senior Credit Facility and the notes contain affirmative and negative covenants. In general, the covenants contained in the Senior Credit Facility are more restrictive than those of the notes. Among other restrictions, the covenants contained in the Senior Credit Facility require us to meet specified financial tests, including various debt and cash flow ratios, which become more restrictive over the term of the debt.

The Senior Credit Facility and notes also contain covenants, which, among other things, restrict our ability and the ability of our other guarantors of the Senior Credit Facility and notes to incur liens, engage in transactions with affiliates, incur additional indebtedness, declare dividends or redeem or repurchase capital stock, make loans and investments, engage in mergers, acquisitions, consolidations and asset sales, acquire assets, stock or debt securities of any person, make capital expenditures, terminate the S corporation status of Paperweight Development or the qualified subchapter S subsidiary status of its subsidiaries eligible to elect such status, amend our debt instruments and amend other agreements related to the acquisition.

On April 18, 2003, an amendment to the Senior Credit Facility was approved by a majority of the lenders, which will allow Appleton to make acquisitions of \$150 million in total over the life of the term

loans, with no single acquisition totaling more than \$60 million. In addition, the amendment also increased the revolving line of credit from \$75 million to \$100 million and will allow us to repurchase and retire an additional \$50.0 million of aggregate principal amount of our 12.5% Series B Senior Subordinated Notes due 2008.

Net cash used by financing activities was \$13.7 million for the first quarter of fiscal 2003. We used cash generated by operations to make mandatory repayments of \$18.6 million on our term loans. During the first quarter of fiscal 2003, we received net proceeds of \$4.2 million from the sales of shares of Paperweight Development redeemable common stock. The ESOP trustee purchased these shares at \$18.58 per share with pre-tax deferrals made by employees from July 1, 2002 through December 28, 2002.

Net cash used by financing activities was \$40.1 million for the first quarter of fiscal 2002. We used cash generated by operations to repay \$42.0 million of the term loans. Of this amount, \$7.0 million was for mandatory principal repayments, while the remaining \$35.0 million represented voluntary principal repayments. During the first quarter of fiscal 2002, we received proceeds of \$1.2 million from the sale of shares of Paperweight Development redeemable common stock. The ESOP trustee purchased these shares at \$10.00 per share with pre-tax deferrals made by employees from November 10, 2001 through December 29, 2001.

Subsequent Event

On April 30, 2003, we acquired two privately-held Wisconsin-based companies, C&H Packaging Company, Inc. (“C&H Packaging”) and American Plastics Company, Inc. (“American Plastics”). C&H Packaging prints and converts flexible plastic packaging materials for companies in the food processing, household and industrial product industries. American Plastics produces high-quality, custom multilayered films and commercial packaging. American Plastics’ knowledge of films and barrier technology and C&H Packaging’s portfolio of products will complement our expertise in coating and microencapsulation. The purchase price for these acquisitions was approximately \$50 million, and was financed with cash from operations supplemented with borrowings under the revolving credit portion of our Senior Credit Facility. The purchase price included acquired debt of approximately \$15 million. Of this amount, \$10 million was retired at closing and we placed in escrow the funds necessary to retire the remaining \$5 million balance prior to the end of the second quarter of 2003.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 143, “Accounting for Asset Retirement Obligations.” SFAS No. 143, which is effective for fiscal years beginning after June 15, 2002, requires entities to record the fair value of a legal liability for an asset retirement obligation in the period in which it is incurred. When the liability is recorded, the entity capitalizes the cost of the liability by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss. SFAS No. 143 was effective for us in the first quarter of fiscal 2003 and did not have any effect on our financial position or results of operations.

In November 2002, the FASB issued FASB Interpretation No. (“FIN”) 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” FIN 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. In addition, FIN 45 requires disclosures about the guarantees that an entity has issued. The initial recognition and measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. We will apply the recognition provisions of FIN 45 prospectively to guarantees issued after December 28, 2002.

Item 3—Quantitative and Qualitative Disclosures About Market Risk

For information regarding our quantitative and qualitative disclosures about market risk, see our Annual Report on Form 10-K dated March 18, 2003 (Reg. No. 333-82084).

Appleton is exposed to market risk from changes in foreign exchange rates. To reduce such risks, Appleton selectively uses financial instruments and other pro-active management techniques. All hedging transactions are authorized and executed pursuant to policies which prohibit the use of financial instruments for trading or speculative purposes.

Currency risk—Appleton has exposure to foreign currency exchange fluctuations. Approximately 5 percent of revenues are denominated in Canadian dollars. Forward foreign exchange contracts are used to hedge the currency fluctuations on transactions denominated in Canadian currency.

Derivative Financial Instruments—Appleton has established practices that place all financial instruments under the direction of our corporate treasury function and restrict derivative transactions to those intended for hedging purposes. The use of financial instruments for trading purposes is prohibited. Appleton uses financial instruments to manage the market risk from changes in foreign exchange rates.

Appleton primarily enters into forward exchange contracts to reduce the earnings and cash flow impact of non-functional-currency-denominated receivables. These contracts are highly effective in hedging the fluctuations in cash flows attributable to changes in currency exchange rates. Gains and losses resulting from these contracts offset the foreign exchange gains or losses on the underlying assets being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Gains and losses on these contracts are recorded as part of our net sales in the Consolidated Statement of Operations. The primary currency to which Appleton is exposed is the Canadian dollar. At March 30, 2003, Appleton had net outstanding forward exchange contracts to sell Canadian dollars in the value of \$25.3 million with a weighted average maturity of approximately 92 days. The fair value (loss) on the Company's contracts was approximately (\$0.8) million at March 30, 2003.

Item 4—Controls and Procedures

Appleton Papers, Paperweight Development and WTA maintain a set of disclosure controls and procedures that are designed to ensure that information required to be disclosed by the registrants in the reports filed by the registrants under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Within the 90 days prior to the date of this report, the registrants carried out an evaluation, under the supervision and with the participation of their management, including the principal executive officer and principal financial officer of each of the registrants, of the effectiveness of the design and operation of their disclosure controls and procedures pursuant to Rule 15d-14 of the Exchange Act. Based on that evaluation, the principal executive officer and principal financial officer of each of the registrants concluded that their disclosure controls and procedures are effective.

There have been no significant changes in the registrants' internal controls or other factors that could significantly affect those controls subsequent to the conclusion of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This report contains forward-looking statements. The words "will," "believes," "anticipates," "intends," "estimates," "expects," "projects," "plans" or similar expressions are intended to identify forward-looking statements. All statements in this report other than statements of historical fact, including statements which address our strategy, future operations, future financial position, estimated revenues, projected costs, prospects, plans and objectives of management and events or developments that the Company anticipates will occur, 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 of the Company's control, that could cause actual results to differ materially from such statements. These risks and uncertainties include, but are not limited to, the factors listed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K dated March 18, 2003, which factors are incorporated herein by reference. The Company disclaims any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART II—OTHER INFORMATION**Item 6—Exhibits and Reports on Form 8-K****(a) Exhibits**

- 10.3.2 Third Amendment to the Credit Agreement, dated as of April 18, 2003, among Paperweight Development Corp., Appleton Papers Inc., as Borrower, the several lenders from time to time parties thereto, Bear, Stearns & Co. as sole lead arranger, Bear Stearns Corporate Lending Inc., as syndication agent, U.S. Bank, N.A. and LaSalle Bank National Association, as documentation agents, M&I Marshall & Ilsley Bank, as managing agent, Associated Bank, N.A., as co-agent, and Toronto Dominion (Texas), Inc., as administrative agent.
- 12.1 Computation of Ratio of Earnings to Fixed Charges
- 99.1 Statement of Douglas P. Buth, Chairman, President and Chief Executive Officer of Appleton Papers Inc. pursuant to 18 U.S.C. Section 1350.
- 99.2 Statement of Dale E. Parker, Vice President and Chief Financial Officer of Appleton Papers Inc. pursuant to 18 U.S.C. Section 1350.
- 99.3 Statement of Douglas P. Buth, Chairman, President and Chief Executive Officer of Paperweight Development Corp. pursuant to 18 U.S.C. Section 1350.
- 99.4 Statement of Dale E. Parker, Chief Financial Officer of Paperweight Development Corp. pursuant to 18 U.S.C. Section 1350.
- 99.5 Statement of Dale E. Parker, President (Principal Executive Officer and Principal Financial Officer) of WTA Inc. pursuant to 18 U.S.C. Section 1350.

(b) Reports on Form 8-K

The Company filed no reports on Form 8-K during the quarter ended March 30, 2003.

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.

APPLETON PAPERS INC.
(Registrant)

/s/ DALE E. PARKER

Dale E. Parker
Vice President and Chief Financial Officer
(Signing on behalf of the Registrant and as the
Principal Financial Officer)

Date: May 12, 2003

CERTIFICATIONS

I, Douglas P. Buth, Chairman, President and Chief Executive Officer of Appleton Papers Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Appleton Papers Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

/s/ DOUGLAS P. BUTH

Douglas P. Buth
Chairman, President and Chief Executive Officer

I, Dale E. Parker, Vice President and Chief Financial Officer of Appleton Papers Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Appleton Papers Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

/s/ DALE E. PARKER

Dale E. Parker
Vice President and Chief Financial Officer

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.

PAPERWEIGHT DEVELOPMENT CORP.
(Registrant)

Date: May 12, 2003

/s/ DALE E. PARKER

Dale E. Parker
Chief Financial Officer
(Signing on behalf of the Registrant and as the Principal
Financial Officer)

CERTIFICATIONS

I, Douglas P. Buth, Chairman, President and Chief Executive Officer of Paperweight Development Corp., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Paperweight Development Corp.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

/s/ DOUGLAS P. BUTH

Douglas P. Buth
Chairman, President and Chief Executive Officer

I, Dale E. Parker, Chief Financial Officer of Paperweight Development Corp., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Paperweight Development Corp.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

/s/ DALE E. PARKER

Dale E. Parker
Chief Financial Officer

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.

WTA INC.
(Registrant)

Date: May 12, 2003

/s/ DALE E. PARKER

Dale E. Parker
President
(Signing on behalf of the Registrant and as the Principal
Financial Officer)

CERTIFICATION

I, Dale E. Parker, President of WTA Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of WTA Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

/s/ DALE E. PARKER

Dale E. Parker
President (Principal Executive Officer and Principal
Financial Officer)

THIRD AMENDMENT

THIRD AMENDMENT, dated as of April 18, 2003 (this "Amendment"), to the Credit Agreement, dated as of November 8, 2001 (as amended from time to time, the "Credit Agreement"), among Paperweight Development Corp., a Wisconsin corporation ("Holdings"), Appleton Papers Inc., a Delaware corporation (the "Borrower"), the several banks and other financial institutions or entities from time to time parties to the Credit Agreement (the "Lenders"), Bear, Stearns & Co. Inc., as sole lead arranger and sole bookrunner (in such capacity, the "Lead Arranger"), Bear Stearns Corporate Lending Inc., as syndication agent (in such capacity, the "Syndication Agent"), U.S. Bank, N.A. and LaSalle Bank National Association, each as documentation agent (in such capacity, the "Documentation Agents"), M&I Marshall & Ilsley Bank, as managing agent (in such capacity, the "Managing Agent"), Associated Bank, N.A., as co-agent (in such capacity, the "Co-Agent"), and Toronto Dominion (Texas), Inc., as administrative agent (in such capacity, the "Administrative Agent"; together with the Syndication Agent, the Documentation Agents, the Managing Agent, and the Co-Agent, the "Agents").

WITNESSETH:

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make, and have made, certain loans and other extensions of credit to the Borrower;

WHEREAS, Holdings and the Borrower have requested certain amendments to the Credit Agreement as more fully set forth herein; and

WHEREAS, the Lenders are willing to agree to such amendments but only on the terms and conditions contained in this Amendment.

NOW, THEREFORE, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

SECTION 2. Amendments to Section 1.1 (Definitions). (a) Section 1.1 of the Credit Agreement is hereby amended by deleting the definition of "Excess Cash Flow" therein in its entirety and substituting in lieu thereof the following new definition:

"Excess Cash Flow": for any fiscal year of Holdings, the excess, if any, of (a) the sum, without duplication, of (i) Consolidated Net Income for such fiscal year, (ii) the amount of all non-cash charges (including depreciation and amortization) deducted in arriving at such Consolidated Net Income, (iii) decreases in Consolidated Working Capital for such fiscal year, and (iv) the aggregate net amount of non-cash loss on the Disposition of Property by the Borrower and its Subsidiaries during such fiscal year (other than sales of inventory in the ordinary

course of business), to the extent deducted in arriving at such Consolidated Net Income over (b) the sum, without duplication, of (i) the amount of all non-cash credits included in arriving at such Consolidated Net Income, (ii) the aggregate amount actually paid by the Borrower and its Subsidiaries in cash during such fiscal year on account of Capital Expenditures (excluding the principal amount of Indebtedness incurred to finance such expenditures (but including repayments of any such Indebtedness incurring during such period or any prior period) and any such expenditures financed with the proceeds of any Reinvestment Deferred Amount), (iii) the aggregate amount of all prepayments of Revolving Loans and Swingline Loans during such fiscal year to the extent accompanying permanent optional reductions of the Revolving Commitments and all optional prepayments of the Term Loans during such fiscal year, (iv) the aggregate amount of all regularly scheduled principal payments of Funded Debt (including the Term Loans) of the Borrower and its Subsidiaries made during such fiscal year (other than in respect of any revolving credit facility to the extent there is not an equivalent permanent reduction in commitments thereunder), (v) the aggregate principal amount of the Borrower's 12.50% Senior Subordinated Notes due 2008 repurchased during such fiscal year in accordance with Section 8.9(a), (vi) increases in Consolidated Working Capital for such fiscal year, (vii) the aggregate net amount of non-cash gain on the Disposition of Property by the Borrower and its Subsidiaries during such fiscal year (other than sales of inventory in the ordinary course of business), to the extent included in arriving at such Consolidated Net Income and (viii) the excess (if any) of (A) ESOP Related Distributions during such fiscal year, over (B) Available ESOP Contributions for such fiscal year.

(b) Section 1.1 of the Credit Agreement is hereby amended by inserting the following at the end of the parenthetical in clause (f) in the definition of Consolidated EBITDA:

“, but including the non-cash charge of \$21,017,000 for the fiscal quarter ending December 31, 2002 in respect of the Borrower's estimated liability in respect of environmental claims related to the Lower Fox River, provided, however, that cash payments made in any future period in respect of such non-cash charge (as with any other non-cash charge, expense or loss added to Consolidated Net Income pursuant to this clause (f)) shall be subtracted from Consolidated Net Income in calculating Consolidated EBITDA in the period when such payments are made,”

(c) Section 1.1 of the Credit Agreement is hereby amended by inserting the following new definitions in the appropriate alphabetical order:

“Augmenting Lender”: as defined in Section 3.1(c).

“Increasing Lender”: as defined in Section 3.1(c).

“Permitted Acquisition”: as to any Person, any acquisition of property or series of related acquisitions of property by such Person that (a) constitutes all or substantially all of a business unit of any other Person or constitutes all of the Capital Stock of any other Person, and (b) is permitted by and consummated in compliance with the requirements of Section 8.8(m).

SECTION 3. Amendment to Section 3.1 (Revolving Commitments). Section 3.1 of the Credit Agreement is hereby amended by inserting the following new paragraph at the end thereof:

“(c) The Borrower may from time to time elect to increase the Revolving Commitments; provided that (i) the Revolving Commitments may not be increased by more than \$25,000,000 pursuant to this paragraph and (ii) each increase effected pursuant to this paragraph shall be in a minimum amount of not less than \$5,000,000. The Borrower may arrange for any such increase to be provided by one or more Lenders (each Lender so agreeing to an increase in its Revolving Commitment, an “Increasing Lender”), or by one or more banks, financial institutions or other entities (each such bank, financial institution or other entity, an “Augmenting Lender”), that agree to increase their existing Revolving Commitments or to extend Revolving Commitments, as the case may be, provided that (i) each Augmenting Lender, shall be subject to the approval of the Borrower and the Administrative Agent and the Syndication Agent and (ii) the Borrower and each applicable Increasing Lender or Augmenting Lender shall execute all such documentation as the Administrative Agent and the Syndication Agent shall reasonably specify to evidence its Revolving Commitment and its status as a Revolving Lender. Increases and new Commitments created pursuant to this clause shall become effective on the date agreed by the Borrower, the Administrative Agent and the relevant Lenders and the Administrative Agent shall notify each affected Lender thereof. Notwithstanding the foregoing, no increase in the Revolving Commitments shall become effective under this paragraph unless, (i) on the proposed date of the effectiveness of such increase, the conditions set forth in paragraphs (a) and (b) of Section 6.2 shall be satisfied and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Responsible Officer of the Company and (ii) the Administrative Agent shall have received (with sufficient copies for each of the Lenders) documents consistent with those delivered on the Closing Date under paragraph (j) of Section 6.1 and clauses (ii) and (iii) of paragraph and (k) of Section 6.1 as to the corporate power and authority of the Borrower to borrow hereunder after giving effect to such increase and related matters and such other documents that the Administrative Agent shall reasonably request in connection therewith (which may include amendments to the Security Documents necessary or advisable in the judgment of the Administrative Agent in connection with such increase). On the effective date of any increase in the Revolving Commitments, (i) each relevant Increasing Lender and Augmenting Lender shall make available to the Administrative Agent such amounts in immediately available funds as the Administrative Agent shall determine, for the benefit of the other relevant

Lenders, as being required in order to cause, after giving effect to such increase and the use of such amounts to make payments to such other relevant Lenders, each Revolving Lender's portion of the outstanding Revolving Loans of all the Revolving Lenders to equal its Revolving Percentage of such outstanding Revolving Loans and (ii) the Borrower shall be deemed to have repaid and reborrowed all outstanding Revolving Loans as of the date of any increase in the Revolving Commitments (with such reborrowing to consist of the Types of Loans, with related Interest Periods if applicable, specified in a notice delivered by the Borrower in accordance with the requirements of Section 3.2). The deemed payments made pursuant to clause (ii) of the immediately preceding sentence in respect of each Eurodollar Loan shall be subject to indemnification by the Borrower pursuant to the provisions of Section 4.11 if the deemed payment occurs other than on the last day of the related Interest Periods."

SECTION 4. Amendments to Section 8.4 (Fundamental Changes). Section 8.4 of the Credit Agreement is hereby amended by (a) deleting the word "and" following paragraph (b) thereof, (b) deleting the period at the end of paragraph (c) thereof and inserting in lieu thereof a semicolon and the word "and" and (c) inserting the following new paragraph at the end thereof:

"(d) the Borrower or any Domestic Subsidiary may merge with any other Person to effect a Permitted Acquisition, provided that the Borrower or a Domestic Subsidiary is the surviving entity of such merger."

SECTION 5. Amendments to Section 8.8 (Investments). Section 8.8 of the Credit Agreement is hereby amended by (a) deleting the word "and" following paragraph (k) thereof, (b) deleting the period at the end of paragraph (1) thereof and inserting in lieu thereof a semicolon and the word "and" and (c) inserting the following new paragraph at the end thereof:

"(m) the Borrower and any Domestic Subsidiary may make Permitted Acquisitions; provided that (i) any acquisition of Capital Stock results in the issuer thereof becoming a Subsidiary, (ii) any Subsidiary created or acquired in connection therewith shall become a Subsidiary Guarantor and the requirements of Section 7.10 shall be satisfied prior to or concurrently with (except to the extent otherwise permitted therein) the consummation of such Permitted Acquisition, (iii) no Permitted Acquisition shall be consummated unless, after giving effect to such Permitted Acquisition, the Borrower and its Subsidiaries would be in pro forma compliance with the covenants set forth in Section 8.1 as if such Permitted Acquisition had occurred (and the related Indebtedness incurred or assumed in connection therewith had been incurred) on the first day of the most recent four consecutive fiscal quarters of the Borrower for which financial statements have been delivered pursuant to Section 7.1 (as demonstrated by delivery to the Administrative Agent of a certificate of a Responsible Officer to such effect showing such calculation in reasonable detail prior to or concurrently with consummation of such Permitted Acquisition), (iv) no Default or Event of Default shall have occurred and be continuing before and after giving effect to

such Permitted Acquisition, (v) each such Permitted Acquisition shall be made on a consensual (meaning, in the case of a Person to be acquired, approved by the majority in interest of the board of directors or analogous governing body of such Person) basis between the Borrower or any Domestic Subsidiaries party to such transaction, as applicable, on the one hand, and the Person or Persons being so acquired or the seller or sellers of such assets or such business, on the other hand, (vi) the purchase price (including any assumed Indebtedness) for all such Permitted Acquisitions shall not exceed \$150,000,000 in the aggregate or \$60,000,000 in anyone or a series of related transactions, and (vii) the business unit or Person that is the subject of such Permitted Acquisition shall be in the same or a similar line of business as the Borrower and its Subsidiaries or in a business that is related or complementary to the business of the Borrower and its Subsidiaries and (viii) substantially all of the assets acquired in such Permitted Acquisition shall be located in the North America or Western Europe.”

SECTION 6. Amendment to Section 8.9 (Optional Payments). Section 8.9 of the Credit Agreement is hereby amended by deleting clause (B) in paragraph (a) thereof in its entirety and substituting in lieu thereof the following new clause:

“(B) the repurchase of up to \$100,000,000 in aggregate principal amount of its 12.50% Senior Subordinated Notes due 2008; provided that before and after giving effect to such repurchase, no Default or Event of Default shall have occurred or be continuing.”

SECTION 7. Conditions to Effectiveness. This Amendment shall become effective upon the date (the “Third Amendment Effective Date”) on which the Administrative Agent shall have received:

(a) this Amendment, executed and delivered by a duly authorized officer of each of (i) the Borrower and (ii) the Required Lenders;

(b) satisfactory evidence that all fees and other amounts due and payable to any Agent on or prior to the Third Amendment Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses (including fees, charges and disbursements of counsel) required to be reimbursed or paid by any Loan Party hereunder or under any other Loan Document; and

(c) an amendment fee, for the account of the Lenders that have delivered an executed signature page to this Amendment to the Syndication Agent no later than 5:00 p.m. New York time, on April 16, 2003, in an amount equal to 0.10% of the aggregate amount (without duplication) of the Commitments in effect and Loans outstanding of such Lenders immediately prior to giving effect to this Amendment.

SECTION 8. Representations and Warranties. The Borrower represents and warrants to the Agents and the Lenders that as of the Third Amendment Effective Date, after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing

and the representations and warranties made by the Borrower in or pursuant to the Credit Agreement or any other Loan Document are true and correct in all material respects on and as of the Third Amendment Effective Date as if made on such date (except to the extent that any such representations and warranties expressly relate to an earlier date, in which case such representations and warranties were true and correct in all material respects on and as of such earlier date).

SECTION 9. Continuing Effect of the Credit Agreement. This Amendment shall not constitute an amendment or waiver of or consent to any provision of the Credit Agreement not expressly referred to herein and shall not be construed as an amendment, waiver or consent to any action on the part of the Borrower that would require an amendment, waiver or consent of the Administrative Agent or the Lenders except as expressly stated herein. Except as expressly amended hereby, the provisions of the Credit Agreement are and shall remain in full force and effect in accordance with its terms.

SECTION 10. Counterparts. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts (including by facsimile), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

SECTION 11. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

APPLETON PAPERS INC.

By: /s/ DALE E. PARKER

Name: Dale E. Parker
Title: Vice President Finance and Chief
Financial Officer

PAPERWEIGHT DEVELOPMENT CORP.

By: /s/ DALE E. PARKER

Name: Dale E. Parker
Title: Chief Financial Officer

**BEAR STEARNS CORPORATE LENDING
INC.**

By: /s/ VICTOR BULZACHELLI

Name: Victor Bulzacchelli
Title: Authorized Signatory

Paperweight Development Corp. and Subsidiaries
Statement of Computation of Ratio of Earnings to Fixed Charges
(unaudited)

	Three Months Ended							
	(Successor Basis)	(Predecessor Basis)	(Successor Basis)		Predecessor Basis			
	March 30, 2003	March 31, 2002	2002	For the Period November 10, 2001 to December 29, 2001	For the Period December 31, 2000 to November 9, 2001	2000	1999	1998
Net earnings from continuing operations	\$ 7,771	\$ 10,486	\$10,092	\$ 7,616	\$ 37,183	\$ 66,161	\$ 49,893	\$ 82,813
Add: Income tax expense	91	79	503	117	20,625	32,874	17,715	53,716
Add: Interest expense	13,550	19,373	68,354	10,638	25,441	43,244	42,926	60,215
Minority interest in net earnings of subsidiaries	—	—	—	—	—	1,230	4,896	5,493
Equity in net income of unconsolidated affiliates	—	—	—	—	—	—	—	(7,313)
Portion of rent deemed interest factor	691	735	2,930	386	2,485	3,394	3,448	3,878
Total earnings available for fixed charges	\$ 22,103	\$ 30,673	\$81,879	\$ 18,757	\$ 85,734	\$146,903	\$118,878	\$198,802
Fixed charges:								
Interest expense	13,550	19,373	68,354	10,638	25,441	43,244	42,926	60,215
Portion of rent deemed interest factor	691	735	2,930	386	2,485	3,394	3,448	3,878
Total fixed charges	\$ 14,241	\$ 20,108	\$71,284	\$ 11,024	\$ 27,926	\$ 46,638	\$ 46,374	\$ 64,093
Ratio of earnings to fixed charges	1.6	1.5	1.1	1.7	3.1	3.1	2.6	3.1

Statement

Pursuant to §906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. §1350, the undersigned officer of Appleton Papers Inc. (the "Company"), hereby certifies that to his knowledge:

(1) the Company's Quarterly Report on Form 10-Q for the period ended March 30, 2003 fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

APPLETON PAPERS INC.

Dated: May 12, 2003

/s/ DOUGLAS P. BUTH

Name: Douglas P. Buth

Title: Chairman, President and Chief Executive Officer

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of the Securities Exchange Act of 1934. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Statement

Pursuant to §906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. §1350, the undersigned officer of Appleton Papers Inc. (the "Company"), hereby certifies that to his knowledge:

(1) the Company's Quarterly Report on Form 10-Q for the period ended March 30, 2003 fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

APPLETON PAPERS INC.

Dated: May 12, 2003

/s/ DALE E. PARKER

Name: Dale E. Parker

Title: Vice President and Chief Financial Officer Officer

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of the Securities Exchange Act of 1934. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Statement

Pursuant to §906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. §1350, the undersigned officer of Paperweight Development Corp. (the "Company"), hereby certifies that to his knowledge:

(1) the Company's Quarterly Report on Form 10-Q for the period ended March 30, 2003 fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

PAPERWEIGHT DEVELOPMENT CORP.

/s/ DOUGLAS P. BUTH

Name: Douglas P. Buth
Title: Chairman, President and Chief Executive Officer

Dated: May 12, 2003

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of the Securities Exchange Act of 1934. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Statement

Pursuant to §906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. §1350, the undersigned officer of Paperweight Development Corp. (the "Company"), hereby certifies that to his knowledge:

(1) the Company's Quarterly Report on Form 10-Q for the period ended March 30, 2003 fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

PAPERWEIGHT DEVELOPMENT CORP.

/s/ DALE E. PARKER

Name: Dale E. Parker
Title: Chief Financial Officer

Dated: May 12, 2003

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of the Securities Exchange Act of 1934. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Statement

Pursuant to §906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. §1350, the undersigned officer of WTA Inc. (the "Company"), hereby certifies that to his knowledge:

(1) the Company's Quarterly Report on Form 10-Q for the period ended March 30, 2003 fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

WTA INC.

Dated: May 12, 2003

/s/ DALE E. PARKER

Name: Dale E. Parker
Title: President (Principal Executive Officer and Principal
Financial Officer)

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of the Securities Exchange Act of 1934. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.