

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 30, 2006

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 numbers: 333-82084-01
333-82084

**PAPERWEIGHT
DEVELOPMENT CORP.**

(Exact Name of Registrant as Specified in Its Charter)

APPLETON PAPERS INC.

(Exact Name of Registrant as Specified in Its Charter)

Wisconsin
(State or Other Jurisdiction of
Incorporation or Organization)

39-2014992
(I.R.S. Employer Identification No.)

825 East Wisconsin Avenue, P.O. Box 359, Appleton,

Wisconsin
(Address of Principal Executive Offices)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

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

54912-0359
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by check mark whether either of the registrants is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer

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

As of February 20, 2007, 11,548,190 shares of Paperweight Development Corp. common stock, \$.01 par value, were outstanding. There is no trading market for the common stock of Paperweight Development Corp. As of February 20, 2007, 100 shares of Appleton Papers Inc.'s common stock, \$100.00 par value, were outstanding. There is no trading market for the common stock of Appleton Papers Inc. No shares of Paperweight Development Corp. or Appleton Papers Inc. were held by non-affiliates.

Documents incorporated by reference: None.

Appleton Papers Inc. meets the conditions set forth in General Instruction I(1)(a) and (b) and is therefore filing this form with the reduced disclosure format.

TABLE OF CONTENTS

	<u>Page Number</u>
PART I	
Item 1 Business	3
Item 1A Risk Factors	14
Item 1B Unresolved Staff Comments	19
Item 2 Properties	20
Item 3 Legal Proceedings	21
Item 4 Submission of Matters to a Vote of Security Holders	21
PART II	
Item 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	22
Item 6 Selected Financial Data	23
Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 7A Quantitative and Qualitative Disclosures About Market Risk	39
Item 8 Financial Statements and Supplementary Data	41
Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	91
Item 9A Controls and Procedures	91
Item 9B Other Information	91
PART III	
Item 10 Directors and Executive Officers of the Registrant	92
Item 11 Executive Compensation	95
Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	107
Item 13 Certain Relationships and Related Transactions, and Director Independence	107
Item 14 Principal Accountant Fees and Services	107
PART IV	
Item 15 Exhibits and Financial Statement Schedules	109
SIGNATURES	113
EXHIBITS	

PART I

Unless stated to the contrary or the context requires otherwise, all references in this report to "Paperweight Development," "we," "us," "company," or "our" refer to Paperweight Development Corp. and our subsidiaries and predecessors. Appleton Papers Inc. is a wholly-owned subsidiary of Paperweight Development Corp., which we refer to as "Appleton" in this report.

Item 1. Business

Overview

Appleton Papers Inc. creates product solutions for customers and end users through its development and use of coating formulations and applications as well as encapsulation, security, printing and packaging technologies. Appleton operates in five reportable segments: coated solutions, thermal papers, security papers, secure and specialized print services, and performance packaging. The performance of these five segments is described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data."

In September 2005, Appleton announced a management reorganization to improve its market focus, streamline its organizational structure, reduce costs and position the company to pursue international growth opportunities. As a result, three management divisions were created: technical papers, performance packaging and international.

The coated solutions, thermal papers and security papers segments comprise the technical papers division. The performance packaging division includes the performance packaging businesses of our three subsidiaries, American Plastics Company, Inc., or American Plastics, C&H Packaging Company, Inc., or C&H Packaging, and New England Extrusion Inc., or New England Extrusion. The international division includes Appleton's British subsidiary, BemroseBooth, as well as a sales and marketing team focused on increasing international sales of the technical papers division.

Technical Papers

Coated Solutions

Carbonless paper products comprise the largest component of our coated solutions segment. We produce the NCR PAPER^{*} brand of carbonless paper and we believe we are the world's largest producer of carbonless paper. Carbonless paper is used to make multipart business forms such as invoices and credit card receipts. As part of our coated solutions business, we produce coated products for point-of-sale displays and other design and print applications. We also offer customers custom coating solutions and the potential for strategic partnerships through our engineered manufacturing solutions, or toll coating, program. This program focuses on our ability to apply barrier and/or printable coatings to substrates.

Thermal Papers

The thermal papers segment focuses on the development of substrates for the transaction and item identification markets. We believe we are the largest manufacturer of direct thermal papers in North America. Our products are widely used for point-of-sale receipts and coupons; entertainment and transportation tickets; lottery and gaming tickets; engineering, medical and industrial charts; tags for airline baggage and retail applications; and label products for shipping, warehousing, medical and clean-room applications.

Security Papers

Our security papers segment, which has its business headquarters in the United States, produces products with basic security features that make them resistant to forgery and counterfeiting. From that foundation we are building a portfolio of products that incorporates security technologies including watermarks, taggants, embedded threads and fibers and machine-readable technologies to serve global markets. We focus on checks and business and government documents.

Secure and Specialized Print Services

BemroseBooth Limited, or BemroseBooth, based in Derby, England, provides business critical products with security features and specialized print management services to the transactional services, secure logistics and promotional products markets. The company's products include security-printed vouchers and payment cards, mass transit and car parking tickets, variable data labeling, high-integrity mailing and printed calendars. The company also offers print management services, such as creative design, product sourcing and stock and logistics management, through a network of external suppliers.

* NCR PAPER is a registered trademark licensed to Appleton.

Performance Packaging

C&H Packaging, based in Merrill, Wisconsin, prints and converts flexible plastic packaging materials for companies in the food processing, household and industrial products industries. American Plastics, based in Rhinelander, Wisconsin, produces high-quality, custom multilayered films and commercial packaging. New England Extrusion, with its headquarters and a production facility in Turners Falls, Massachusetts, and an additional production facility in Milton, Wisconsin, produces single and multilayer polyethylene films for packaging applications. New England Extrusion's polyethylene films complement the high barrier coextruded films American Plastics produces.

Company Background

Paperweight Development was incorporated in Wisconsin on December 28, 2000. Appleton was incorporated in Delaware in July 1965 and is the primary operating subsidiary of Paperweight Development.

Company History

Appleton Coated Paper Company, or ACPC, began operations in 1907 in Appleton, Wisconsin. In 1953, ACPC began working with National Cash Register Company, which later changed its name to NCR Corporation, or NCR, on the development and production of carbonless paper. In 1954, NCR began marketing its NCR PAPER* brand of carbonless paper, which ACPC manufactured.

In 1969, NCR acquired Combined Paper Mills, Inc., which then consisted of pulp and paper mills in Combined Locks, Wisconsin, and Roaring Spring, Pennsylvania. In 1970, NCR acquired ACPC. In 1971, the Appleton Papers division of NCR was formed through the merger of ACPC with Combined Paper Mills, Inc.

In 1978, Appleton Papers Inc., as a subsidiary of B.A.T Industries Limited, acquired the assets of the Appleton Papers division from NCR. In 1990, Appleton, together with The Wiggins Teape Group Ltd., was separated from B.A.T Industries to form Wiggins Teape Appleton p.l.c., a public company listed on the London Stock Exchange. Later that year, Wiggins Teape Appleton merged with Arjomari Prioux SA, a public French paper manufacturer and merchant. Shortly after the merger, the group changed its name to Arjo Wiggins Appleton p.l.c. Appleton operated as an indirect, wholly-owned subsidiary of Arjo Wiggins Appleton p.l.c. until 2001.

On November 9, 2001, the Appleton employees acquired the company from Arjo Wiggins Appleton p.l.c. through the use of an employee stock ownership plan. Effective February 3, 2003, we changed our trade name to Appleton and adopted the tagline, "What Ideas Can Do[®]." We have retained Appleton Papers Inc. as our legal name.

The KSOP and the ESOP

The Appleton Papers Retirement Savings and Employee Stock Ownership Plan, which we refer to as the KSOP or the plan, includes a separate employee stock ownership plan component, which we refer to as the ESOP or the Company Stock Fund. The KSOP is a tax-qualified retirement plan that is available to our U.S. employees. The ESOP component of the KSOP is a tax-qualified employee stock ownership plan that has invested and will invest in Paperweight Development common stock.

In late 2001, approximately 90% of our employees invested approximately \$107 million in the Company Stock Fund. On November 9, 2001, State Street Global Advisers, acting as the ESOP trustee, purchased 100% of the common stock of Paperweight Development. Paperweight Development simultaneously used all the proceeds from the sale of those shares of common stock to finance a portion of the purchase price of the acquisition described below.

Our Acquisition from Arjo Wiggins

On November 9, 2001, Paperweight Development and a wholly-owned subsidiary, acquired Appleton from Arjo Wiggins Appleton p.l.c., which is now known as Arjo Wiggins Appleton Limited, and which we refer to in this report as "AWA," a European manufacturer of paper products, and two of its subsidiary holding companies, which we sometimes refer to as the sellers or affiliates of AWA. We refer to this transaction as the "acquisition." Appleton is now a wholly-owned subsidiary of Paperweight Development and the ESOP owns 100% of the shares of common stock of Paperweight Development. Paperweight Development has elected to be treated as a subchapter S corporation for federal and, where recognized, state and local income tax purposes and has elected that its eligible subsidiaries be treated as qualified subchapter S subsidiaries for federal and, where recognized, state and local income tax purposes. Paperweight Development does not conduct any business apart from undertaking matters incidental to its ownership of the stock of its subsidiaries and matters relating to the ESOP and taking actions required to be taken under ancillary acquisition agreements.

Acquisitions and Dispositions

On April 30, 2003, we acquired two privately-held, Wisconsin-based companies, C&H Packaging Company, Inc. and American Plastics Company, Inc. C&H Packaging, located in Merrill, Wisconsin, prints and converts flexible plastic packaging materials for companies in the food processing, household and industrial products industries. American Plastics, located in Rhinelander, Wisconsin, produces high-quality, custom multilayered films and commercial packaging.

In December 2003, we acquired Bemrose Group Limited, a privately-held company headquartered in Derby, England. The group's operating unit, BemroseBooth, produces security printed vouchers and payment cards, mass transit and car parking tickets, variable data labeling, high-integrity mailings and printed calendars. The company also offers print management services through a network of external suppliers.

In January 2005, we acquired New England Extrusion, Inc., located in Turners Falls, Massachusetts, and Milton, Wisconsin, a company that produces single and multilayer polyethylene films for packaging applications.

In the fourth quarter of fiscal 2005, BemroseBooth exited the traditional printing and binding portions of its information products business. The decline in the volume of printed industrial catalogs and directories made it increasingly difficult to sustain in-house manufacturing of those products.

Business Segments

For financial information regarding our business segments, refer to Note 22 of Notes to Consolidated Financial Statements contained below in "Item 8. Financial Statements and Supplementary Data."

Technical Papers

Coated Solutions

Our coated solutions segment, which accounted for approximately 53% of total company net sales in fiscal 2006, combines our carbonless paper product line with our specialty paper product line, which includes products and services we classify as engineered manufacturing solutions, or toll coating services.

We sell our carbonless roll and sheet products under the NCR PAPER* brand. We offer nearly 500 grades of carbonless roll and sheet products with approximately 4,000 stock keeping units differentiated by grade, width, length, color and basis weight. We believe we have the broadest carbonless product line in the industry.

We sell our carbonless products directly to converters, business forms printers and merchant distributors who stock and sell carbonless paper to printers.

Coatings used to make carbonless paper are composed of adhesives, inert fillers, microencapsulated dyes, coreactants and other materials used to ensure a smooth, uniform printing surface. These coatings enable a copy to be made without using carbon paper or other copying materials.

Carbonless paper is used in a diverse group of end markets, including government, retail, financial, insurance and manufacturing, with no one segment dominating demand. Use in many of these markets is tied to economic growth, which impacts the number of transactions completed in a given year. As such, periods of economic growth or contraction can impact demand. Sales of carbonless products historically have not been significantly impacted by seasonality.

Since 1994, the U.S. carbonless market has been in decline as a result of increased use by businesses of competing technologies that do not use impact printing to create images. Examples of such technologies include digital laser, inkjet, and thermal printers, as well as electronic communications. Based on our assessment, we believe that the U.S. carbonless paper market declined by approximately 10% in 2000 and by approximately 7% percent annually from 2001 through 2006. Over the next five years, we believe the U.S. market decline will continue. We believe global market demand for carbonless paper products will decline at a lesser rate. We attribute the decline to fluctuations in the number of commercial transactions in which carbonless products are used, as well as changes in technological substitution rates.

In addition to Appleton, other significant carbonless paper producers include P.H. Glatfelter Company, Arjo Wiggins Appleton Limited, Mitsubishi Paper Mills Company Ltd., Asia Pulp and Paper Co. Ltd., Koehler AG, Nippon Industries Co. Ltd., Oji Paper Co. Ltd., Zanders GmbH and Nekoosa Coated Products, LLC. In the carbonless market, Appleton competes primarily on the basis of product quality, service, breadth of product offering and price.

Thermal Papers

The thermal papers segment focuses on the development of substrates for the transaction and item identification markets. Currently this business segment consists primarily of direct thermal papers. The most popular direct thermal imaging chemistry used today is based on the leuco dye system invented by NCR Corporation and commercially introduced by Appleton in the late 1960s. Thermal paper is used in four principal market segments; the point-of-sale products are used for retail receipts and coupons; our label products are used for shipping, warehousing, medical and clean-room applications; our tag and ticket products are used for airline and baggage applications, event and transportation tickets and lottery and gaming applications; and the printer/calculator/chart products are used for engineering, industrial and medical diagnostic charts. We estimate that the point-of-sale and label market segments combined accounted for the majority of the U.S. and Canadian thermal market by volume in 2006.

We sell our point-of-sale products to printers and converters who in turn sell to end-user customers or to resellers such as office supply stores, office superstores, warehouse clubs, mail order catalogs, equipment dealers, merchants and original equipment manufacturers.

Thermal label products are sold to companies who apply pressure sensitive adhesive coatings and release liners and then sell these products to label printers. Thermal tag, ticket and chart grades are sold to specialty printing companies who convert them to finished products such as entertainment, lottery and gaming tickets, tags, coupons and medical charts.

Market demand for thermal paper has grown, and we expect it to continue to grow, as new applications are developed that utilize the benefits of thermal technology. Based on our assessment, we believe that the annual rates of growth in the U.S. and Canadian thermal market from 2001 to 2006 were between 1% and 10% and averaged nearly 8% for the period. Based on our assessment, we believe the U.S. and Canadian thermal market will continue to grow. We also believe the global market for thermal products will grow. In January 2007, we announced a \$100 million expansion at our West Carrollton, Ohio, mill to satisfy projected demand for thermal products by domestic and international customers. The project includes installation of a state-of-the-art coater to produce thermal papers and enhancements to one of the mill's paper machines. Sales of thermal papers have not been significantly impacted by seasonality.

In addition to Appleton, other significant thermal paper producers included Koehler AG, Kanzaki Specialty Papers, Ricoh Company, Ltd. and Mitsubishi Paper Mills Company Ltd. Appleton competes primarily on the basis of service, product quality, breadth of product offering and price.

Security Papers

Our security papers segment, with its headquarters and production facilities located in the United States, produces products with basic security features that make them resistant to forgery and counterfeiting. From that foundation we are building a more comprehensive business that incorporates security technologies including watermarks, taggants, embedded threads and fibers and machine-readable technologies to address the sophisticated fraud and security problems that more companies face worldwide. We focus our security business on checks and business and government documents. Sales of our security products have not been significantly impacted by seasonality.

Our security competitors include Boise Cascade Corporation, P.H. Glatfelter Company, Cascades Resources, Portals Bathford, Arjo Wiggins Appleton Limited and De La Rue International.

Secure and Specialized Print Services

BemroseBooth provides mission critical products and print management services to the transactional services, secure logistics and promotional products markets.

The company's products include security-printed vouchers and payment cards, mass transit and car parking tickets, variable data labeling, high-integrity mailing and printed calendars. The company offers print management services, such as creative design product sourcing and stock and logistics management, through a network of external suppliers. Sales of some of BemroseBooth's printed products are affected by seasonality. Demand for their printed calendars and diaries peaks in the fourth quarter while sales of gift vouchers and similar products aimed at the retail segments typically increase at the same time.

Our competitors in secure and specialized print services include Communisis p.l.c., De La Rue International, Magnadata International Ltd., R.R. Donnelley & Sons Company and Etrinsic Ltd. BemroseBooth has established market leadership positions in the United Kingdom for retail gift vouchers, mass transit and car park tickets and variable data labels.

