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Constar International (NASDAQ: CNST) Files Prearranged Chapter 22 to Shed More Debt

[Constar International Inc.](#) (NASDAQ: CNST) and five affiliates voluntarily filed for chapter 11 bankruptcy protection today in Delaware to effectuate a prearranged plan to cut the companies' debt. This marks the second chapter 11 filing in less than three years for the Philadelphia-based producer of polyethylene terephthalate (or PET) plastic containers. Constar previously filed for bankruptcy protection on December 30, 2008 and emerged from those cases on May 29, 2009.

Constar reported in [court filings](#) that it generated 69% of its revenues during the first nine months of 2010 from the sale of "conventional" PET products (high volume soft drink and water packaging). 26% of revenues were generated from the sale of "custom" PET products (food, juice, tea and sport drink containers requiring "more complex manufacturing processes, unique materials, innovative product designs and technological know-how") with the remaining revenue coming from the sale of plastic closures. The company's largest customer is Pepsi-Cola Advertising and Marketing, Inc., but its contract with Pepsi expires at the end of next year (2012). Constar states in court documents that demand for its products has "decreased significantly" over the last 18 months as Pepsi has moved (and continues to move) to self-manufacturing its conventional containers.

Last week, Constar and certain holders of its Senior Secured Floating Rate Notes due 2012 (\$220 million aggregate principal amount) reached an agreement in principle on the terms of a prearranged plan of reorganization for the companies. Pursuant to that plan, if confirmed, Constar would "convert most of the Senior Secured FRN indebtedness into equity (leaving those holders with only a relatively modest amount of new debt)." Some of the holders of the Senior Secured Floating Rate Notes (most notably, Black Diamond Commercial Finance, L.L.C. which is acting as agent) have also agreed to provide up to \$55 million in debtor-in-possession financing, some of which "upon the satisfaction of certain conditions, may be rolled over (at the election of the provider(s)) into" exit financing.

Constar is represented in the bankruptcy cases by Wilmer Cutler Pickering Hale and Dorr LLP and Greenhill & Co., LLC.

Key court filings to date include (click on the title of any document for more information or to purchase):

- [Chapter 11 Voluntary Petition](#)
- [Declaration of J. Mark Borseth, Chief Financial Officer of Constar International Inc., in Support of First Day Pleadings Filed By Constar International Inc. \(Attachments: # 1 Exhibit A\)](#)



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- [Motion of the Debtors for Orders\(A\) Authorizing the Debtors to Enter Into Postpetition Note Purchase Agreement and Obtain Postpetition Financing, \(B\) Approving a Stipulation Authorizing and Restricting the Use of Cash Collateral Pending Final Approval of Postpetition Financing, \(C\) Providing Adequate Protection, Granting Liens and Superpriority Claims, \(D\) Authorizing Debtors to Repay Prepetition Credit Agreement Obligations \(D\) Modifying the Automatic Stay and \(F\) Scheduling a Final Hearing](#)
- [Motion of the Debtors Pursuant to Sections 105\(a\) and 363\(b\) of the Bankruptcy Code for an Order \(I\) Authorizing Payment of Wages, Compensation and Employee Benefits, and \(II\) Authorizing Financial Institutions to Honor and Process Checks and Transfers Related to Such Obligations](#)
- [Motion of the Debtors Pursuant to Sections 105\(a\) and 366 of the Bankruptcy Code for Interim and Final Orders \(I\) Prohibiting Utilities from Altering, Refusing or Discontinuing Service, \(II\) Deeming Utilities Adequately Assured of Future Performance, and \(III\) Establishing Procedures for Determining Adequate Assurance of Payment](#)
- [Motion of the Debtors for an Order Pursuant to Sections 105\(a\), 363\(b\), 1107 and 1108 of the Bankruptcy Code Authorizing, but not Requiring, Payment of Prepetition Claims of Certain Vendors](#)

For access to all major pleadings filed in this case, please visit http://www.chapter11cases.com/Constar-International-Inc2011_c_17196.html