CONSTAR INTERNATIONAL INC
Form 10-Q/A
August 25, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A

Amendment No. 1

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For Quarterly Period Ended June 30, 2009

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 000-16496

Constar International Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-1889304**
(State or other jurisdiction of	**(IRS Employer**
incorporation or organization)	**Identification Number)**
One Crown Way, Philadelphia, PA	**19154**
(Address of principal executive offices)	**(Zip Code)**

(215) 552-3700

(Registrant s telephone number, including area code)

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes x No ¨

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

As of August 10, 2009, 1,750,000 shares of the Registrant s Common Stock were outstanding.

EXPLANATORY NOTE

Items Amended by this Form 10Q/A

This Amendment No. 1 to our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 as originally filed with the SEC on August 14, 2009 (the Original Form 10-Q) amends Part 1, Item 2 of the Original Form 10-Q to correct certain unit volume references. In addition, in accordance with applicable SEC rules, this Form 10-Q/A includes updated certifications from our Chief Executive Officer and Chief Financial Officer.

With this Form 10-Q/A, we are amending:

Part I, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations;

Part II Item 6 Exhibits.

This Form 10-Q/A makes only the changes described above and does not modify or update such items in any other respect, or any other items or disclosures presented in the Original Form 10-Q. Further, this Form 10-Q/A does not reflect any events occurring after August 14, 2009, the date we filed the Original Form 10-Q.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
Overview

The Company is a manufacturer of polyethylene terephthalate PET plastic containers for food and beverages. In addition, the Company produces plastic closures representing approximately 4% of sales for the first six months of 2009. Approximately 82% of the Company s net revenues for the first six months of 2009 were generated in the United States, with the remainder attributable to the Company s European operations. During the second quarter of 2009, Pepsi accounted for approximately 33% of the Company s consolidated revenues and the Company s top ten customers accounted for an aggregate of approximately 78% of the Company s consolidated revenues. Approximately 68% of the Company s sales in the first six months of 2009 related to conventional PET containers which are primarily used for carbonated soft drinks (CSD) and bottled water. Approximately 28% of the Company s sales in the first six months of 2009 related to custom PET containers that are used in such packaging applications as hot-filled beverages, food, household chemicals, beer and flavored alcoholic beverages.

Gross profit improved $3.9 million or 16.2% for the six months ended June 30, 2009 as compared to the same period last year. The increase in gross profit was primarily due to the benefit of the Company s restructuring programs, price increases, an increase in custom volume of 11.9% (excluding the impact of a customer that switched its product formulation from hot-fill to cold-fill) and lower freight and energy costs, offset in part by lower unit volumes, including the negative mix shift of increased preform volumes and bottle volume declines, an increase in depreciation expense of $1 million and the $1.6 million impact due to a non-cash fresh-start accounting adjustment that increased the opening inventory of the Successor company. In addition, due to a change in employee benefits in the U.S., the Company realized a non-cash, non-recurring decrease in employee benefit costs of $1.5 million for the six months ended June 30, 2009 as compared to the same period in 2008. The impact of this change in employee benefits for the remainder of 2009 is expected to approximate the impact for the six months ended June 30, 2009. In addition, the Company recorded a one-time benefit of $1.4 million to reverse an accrual for the estimated cost of a price reduction in a sales contract that did not occur. Conventional volume declined as expected with the reduction of Pepsi volume agreed to in the renewed supply contract; a further shift to in-house blow molding of water containers; and the continued economic impact on the convenience and gas distribution channel which is the main distribution channel for our single serve beverage containers. The Company does not expect recovery in this distribution channel in the near term due to consumers seeking discounts in the take home channel during the current economic climate. For the six months ended June 30, 2009, conventional unit volume declined 15.8% prior to the reallocation of a custom product to conventional.

The Company expects that water bottlers will continue to shift towards manufacturing their own single serve water bottles. The Company believes that this trend is reaching the end of its cycle, with the majority of single serve water bottles now being produced in-house. Water bottle revenue is expected to represent approximately 6% of the Company s 2009 consolidated revenue. The Company has also experienced certain CSD customers shifting to self manufacturing of bottles with the Company supplying the requisite preform requirements. The potential exists for additional movement toward selective self-manufacturing of CSD packages by large beverage companies. However, CSD self-manufacturing infrastructure costs are much higher than what is required for water because of the complexity associated with a greater diversity of product types. Thus, the Company believes that the potential exists for a transition over time at selected locations where merchant suppliers transportation costs are high, and where large volume, low complexity and space to add blow-molding equipment exist along with the availability of capital. The Company believes that in most cases, customers will continue to purchase water and CSD preforms to support their in-house blow-molding operations from merchant suppliers. The Company plans to continue its efforts to offset the potential financial impact on the Company of customers blowing their own bottles through cost reductions, plant consolidations, increased pricing, and retaining the replacement preform volume at acceptable margins. As a result of the aforementioned trend, the Company s volume and sales mix has shifted from bottles to preforms. For the six months ended June 30, 2009, preforms represented approximately 21% of conventional sales revenue as compared to 17% during the same period last year.

The Company is also a producer of higher profit custom PET products that are used in such packaging applications as hot-filled beverages, food, household chemicals, beer and flavored alcoholic beverages, most of which require containers with special performance characteristics. On average, the margins in the custom segment are higher than the conventional segment. In addition, proprietary technology and product differentiation provide higher margins than custom products produced from commonly available technology. The Company s strategy is to increase its presence in this higher profit and growth segment of the market. For custom products that require oxygen barrier technology, the Company believes its portfolio of oxygen scavenging technologies (Oxbar ®, MonOxbar ®, and DiamondClear ®) are the best performing oxygen barrier technologies in the market today. The key Oxbar patents have expired. The Company believes that DiamondClear containers provide superior clarity to

MonOxbar containers, and will continue to provide the Company with a competitive advantage even as the Oxbar patents expire. On July 22, 2009, the Company completed an additional Food and Drug Administration Food Contact Notification for DiamondClear that expands the potential applications of DiamondClear. The Company believes that there are significant growth opportunities for the conversion of glass and metal containers to PET containers for small sized bottled teas, beer, energy drinks, flavored alcoholic beverages and various food applications. Approximately 28% of the Company s sales in the first six months of 2009 related to custom PET containers. Custom unit volume decreased 5.1% in the second quarter of 2009 as compared to the second quarter of 2008. The decline in custom volume was driven by a customer switching its product formulation from hot-fill to cold-fill. Excluding this change custom unit volume increased 12.4% for the second quarter of 2009 as compared to the second quarter of 2008. The Company was informed by one of its custom customers, accounting for approximately 5.6% of consolidated sales for the six months ended June 30, 2009, that it will not renew its contract which expires on December 1, 2009. This contract was for preforms used for aseptically filled juice bottles, and this contract generated significantly lower gross profit than the average of the Company s remaining custom volume.

In negotiations with certain customers for the continuation and the extension of supply agreements, the Company has historically agreed to price concessions. However, in 2009, the Company currently expects to achieve net positive impact of price increases of between $1.0 million and $2.0 million as compared to 2008.

The typical term for the Company s customer supply contracts is three to four years. Thus, while there may be variations from year to year, in any given year between 25-30% of our customer contracts may be scheduled to expire. Customers often put such contracts out for competitive bidding, which means that the Company may not retain the business, or may be forced to make price concessions in order to retain the business.

The Company believes that it will continue to face several sources of pricing pressure. One source is customer consolidation. When customers aggregate their purchasing power by combining their operations with other customers or purchasing through buying cooperatives, the profitability of the Company s business tends to decline. The Company will negotiate aggressively and seek to minimize the impact of customer consolidation. Another source of pricing pressure may come as a result of water and CSD customers moving towards self-manufacturing of bottles which will result in increasing available industry capacity. In addition, contractual provisions may permit customers to terminate contracts if the customer receives an offer from another manufacturer that the Company chooses not to match. The Company is continuing to seek to remove, or lessen the impact of, these provisions in all new contracts and contract renewals.

The primary raw material and component cost of the Company s products is PET resin, which is a commodity available globally. The price of PET resin is subject to frequent fluctuations as a result of raw material costs, overseas markets, PET production capacity and seasonal demand. Substantially all of the Company s sales are made pursuant to mechanisms that allow for the pass-through of changes in the price of PET resin to its customers.

The Company has various cost pass-through mechanisms that make period-to-period comparisons of gross profit and gross profit as a percentage of net sales not a meaningful indicator of actual performance, because the effects of these pass-through mechanisms are affected by the magnitude and timing of these changes. These pass-through mechanisms include resin, transportation and energy costs.

Chapter 11 Proceedings

Constar emerged from Chapter 11 on May 29, 2009. See Note 1 Emergence from Voluntary Reorganization under Chapter 11 Proceedings in the accompanying Condensed Consolidated Financial Statements for additional information.

Basis of Presentation

As of May 1, 2009, the Company adopted fresh-start accounting in accordance with SOP 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code* . The Company selected May 1, 2009 as the date to effectively apply fresh-start accounting based on the absence of any material contingencies at the May 4, 2009 confirmation hearing and the immaterial impact of transactions between May 1, 2009 and May 4, 2009. The adoption of fresh-start accounting resulted in the Company becoming a new entity for financial reporting purposes.

Accordingly, the financial statements prior to May 1, 2009 are not comparable with the financial statements for periods on or after May 1, 2009. References to Successor or Successor Company refer to the Company on or after May 1, 2009, after giving effect to the cancellation of Constar common stock issued prior to the Effective Date, the issuance of new Constar common stock in accordance with the Plan, and the application of fresh-start accounting. References to Predecessor or Predecessor Company refer to the Company prior to May 1, 2009. See Note 4 Fresh Start Accounting in the notes to these Condensed Consolidated Financial Statements for further details.

For discussions on the results of operations, the Company has combined the results of operations for the two and four months ended April 30, 2009 with the results of operations for the two months ended June 30, 2009. The combined periods have been compared to the three and six months ended June 30, 2008. The Company believes that the combined financial results provide management and investors a more meaningful analysis of the Company s performance and trends for comparative purposes.

In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), the Company has classified the results of operations of its Italian operation as a discontinued operation in the condensed consolidated statements of operations for all periods presented. In addition, the assets and related liabilities of this entity have been classified as assets and liabilities of discontinued operations on the condensed consolidated balance sheets. See Note 6 Discontinued Operations in Notes to Condensed Consolidated Financial Statements for further discussion of the divestiture. Unless otherwise indicated, amounts provided throughout this report relate to continuing operations only.

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and the accompanying Notes to the Condensed Consolidated Financial Statements in Part 1, Item 1 of this report.

Results of Operations

Three Months Ended June 30, 2009 and 2008

Net Sales

PET containers can be sold either as finished bottles or as preforms. Preforms are test tube-shaped intermediate products in the bottle manufacturing process and are purchased by customers or other PET container manufacturers that operate equipment to convert preforms into bottles. Unit selling prices for preforms are lower than unit selling prices for corresponding finished bottles because of their lower added value. Historically, in the United States, the Company s customers typically purchased bottles while its European customers purchased preforms. Given the recent trend in the United States towards self manufacturing of CSD and water bottles, preform purchases have increased and preforms represented 25.7% of the conventional volume in the United States for the six month period ended June 30, 2009 as compared to 3.6% for the same period last year.

From year to year, the composition of the Company s portfolio of products changes significantly due to changes in the Company s customer base and changes in its product mix. Greater proportions of larger, heavier or more specialized bottles will lead to higher net sales, even if total unit volumes remain stable.

Many of the Company s products have seasonal demand characteristics typically resulting in higher sales and profits in the second and third quarters compared to the first and fourth quarters. Sales of single service convenience beverage bottles are strongest in the summer months. Some potential high-growth product categories are developed first in conjunction with seasonal promotions and in stadium and special events markets. All of Constar s sales are subject to marketing actions taken by customers as they adjust their mix of product presentations.

As is common in its industry, the Company s contracts are generally requirements-based, granting it all or a percentage of the customer s actual requirements for a particular period of time, instead of a specific commitment of unit volume.

Period to period comparisons of net sales may not be meaningful indicators of actual performance because the effects of the pass-through mechanisms are affected by the magnitude and timing of these price changes.

(dollars in millions)	**Three months ended June 30, 2009**	**2008**	**Increase (Decrease)**	**% Increase (Decrease)**
United States	$ 141.8	$ 190.3	$ (48.5)	(25.5)%
Europe	37.1	54.0	(16.9)	(31.3)%
Total	$ 178.9	$ 244.3	$ (65.4)	(26.8)%

The decrease in U.S. net sales in the second quarter of 2009 as compared to the second quarter of 2008 was primarily driven by lower volumes, the negative impact of mix shift of increased preform volume and reduced bottle volume and the pass through of lower resin costs to customers. Total U.S. PET unit volume decreased 19.4% in 2009 over the second quarter of 2008. This decrease reflects a conventional unit volume decline of 24.3% and a custom unit volume decline of 5.1%. The decline in conventional volume is primarily due to reduced volume under the new Pepsi cold-fill agreement that went into effect on January 1, 2009. The decline in custom volume was driven by a customer switching its product formulation from hot-fill to cold-fill. Excluding this change, custom unit volume increased 12.4% and conventional unit volume decreased by 30.1% in the second quarter of 2009 as compared to the second quarter of 2008.

The decrease in European net sales in the second quarter of 2009 was primarily due to a weakening of the British Pound and Euro against the U.S. Dollar and a 4.4% decrease in total unit volume. European PET volume increased 10.1% while closure volume decreased 16.9% in the second quarter of 2009 as compared to the same period last year.

Gross Profit

Cost of products sold includes raw material costs, principally PET resin, other direct and indirect manufacturing costs and shipping and handling costs. PET resin is the largest component of cost of products sold. The prices the Company pays for PET resin are subject to frequent fluctuations resulting from cost changes in the raw materials for PET, which are affected by prices of oil and its derivatives in the United States and overseas markets, normal supply and demand influences, and seasonal demand effects. Direct and indirect manufacturing costs include labor costs, electricity and other utilities, product handling and storage costs, maintenance expense and other fixed and variable expenses required to operate the Company s plants. The Company s cost of products sold also includes expenses for the engineering, production control and manufacturing administration activities that support plant operations.

Substantially all of the Company s sales are made pursuant to mechanisms that allow the Company to pass through changes in resin prices to its customers. In addition, the Company has the ability to pass through changes in transportation and energy costs on the majority of its volume under contract.

Period to period comparisons of gross profit and gross profit as a percentage of net sales may not be meaningful indicators of actual performance because the effects of the pass-through mechanisms are affected by the magnitude and timing of these changes. For example, assuming gross profit is a constant, when pass through related costs increase, the Company s net sales will increase as a result of the costs passed through to customers, and gross profit as a percent of net sales will decline. The opposite is true during periods of decreasing costs; the Company s net sales will be lower causing gross profit as a percent of net sales to increase.

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

Also important to the Company s profitability is its ability to operate its plants and distribution system efficiently. Constar s ability to operate equipment at high output levels and with low unscheduled downtime affects its profitability directly as a result of labor efficiency. In addition, the Company may incur additional freight charges to meet commitments to its customers if product must be shipped from more distant plants due to unscheduled downtime. The Company ships mostly full truckload quantities to its customers using commercial carriers.

(dollars in millions)	**Three months ended June 30, 2009**	**2008**	**Increase (Decrease)**
United States	$ 14.5	$ 10.1	$ 4.4
Europe	3.2	2.1	1.1
Total	$ 17.7	$ 12.2	$ 5.5
Percent of net sales	9.9%	5.0%	

The increase in gross profit in the second quarter of 2009 as compared to the second quarter of 2008 primarily reflects the benefit of the Company s restructuring programs, price increases, an increase in custom unit volume of 12.4% (excluding the impact of a customer that switched its product formulation from hot-fill to cold-fill) and lower freight and energy costs, offset in part by lower unit volumes, including the negative mix shift of increased preform volumes and reduced bottle volume, an increase in depreciation expense of $0.9 million and the $1.6 million non-cash impact due to a fresh-start accounting adjustment that increased the opening inventory of the Successor company. In addition, due to a change in employee benefits in the U.S., the Company realized a non-cash, non-recurring decrease in employee benefit costs of $0.8 million for the three months ended June 30, 2009 as compared to 2008. In addition, the Company recorded a one-time benefit of $1.4 million to reverse an accrual for the estimated cost of a price reduction in a sales contract that did not occur.

Selling and Administrative Expenses

Selling and administrative expense includes compensation and related expenses for employees in the selling and administrative functions as well as other operating expenses not directly related to manufacturing or research, development and engineering activities. It does not include depreciation and amortization charges.

Selling and administrative expenses increased $0.2 million, or 3%, to $5.0 million in the second quarter of 2009 from $4.8 million in the second quarter of 2008. Due to the Company s restructuring programs payroll expense was reduced by $0.3 and legal and outside consulting costs were reduced by $0.9 which was offset by an increase in the current year bonus accrual of $0.9 million.

Research and Technology Expenses

Research and technology expenses, which include engineering and development costs related to developing new products and designing significant improvements to existing products, are expensed as incurred. Research and technology expenses were $2.1 million in the second quarter of 2009 and $2.3 million in the second quarter of 2008.

Provision for Restructuring

Restructuring charges were $0.4 million for the second quarter of 2009 compared to $0.7 million in the second quarter of 2008. The restructuring charges recorded in the second quarter of 2009 primarily relate to the restructuring actions taken due to the impact of the new Pepsi cold-fill agreement and the shutdown of the Company s Houston, Texas facility as a result of previously disclosed customer losses and a strategic decision to exit the Company s limited extrusion blow-molding business. The restructuring charges in 2009 consist entirely of facility exit costs. See Note 13 Restructuring in Notes to the accompanying Condensed Consolidated Financial Statements for additional information.

Interest Expense

Interest expense decreased $2.4 million to $7.1 million in the second quarter of 2009 from $9.5 million in the second quarter of 2008 primarily due to the conversion of the Company s Senior Subordinated Notes of $175 million to common stock as part of the Company s Plan which reduced interest expense by approximately $4.8 million. This was offset by the non-cash accretion of $3.3 million of the fair market value of the Company s Senior Secured Floating Rate Notes to their face value at maturity and increased borrowing costs under the Company s Exit Facility.

Reorganization Items, net

During the second quarter of 2009, the Company incurred certain professional fees and other expenses directly associated with the bankruptcy proceedings. In addition, the Company recorded a gain on the conversion of the Senior Subordinated Notes to common stock and the net impact of fresh-start accounting adjustments in accordance with SOP 90-7 to reorganization items. See Note 4 Fresh Start Accounting to the Condensed Consolidated Financial Statements for further discussion of reorganization items.

Other Income/(Expense), net

Other income and expense primarily includes gains and losses on foreign currency transactions including the impact of currency fluctuations on intra-company loan balances, royalty income and expense and interest income.

Other income was $4.8 million in the second quarter of 2009 compared to other income of $-0- in the second quarter of 2008. The income in the second quarter of 2009 primarily resulted from the positive impact of foreign currency on the translation of intra-company balances and royalty income.

Provision for Income Taxes

In the second quarter of 2009, the Company recorded a provision for income taxes related to continuing operations of $37.0 million compared to a benefit from income taxes of $0.1 million in the second quarter of 2008, primarily as a result of the adoption of fresh-start accounting. Income from continuing operations before taxes was $154.7 million in the second quarter of 2009 compared to losses of $5.2 million in the second quarter of 2008.

Total unrecognized tax benefits as of June 30, 2009 and December 31, 2008, were $0.9 million and $0.7 million, respectively, and are included in non-current liabilities of discontinued operations on the condensed consolidated balance sheets. In addition, the Company had accrued approximately $0.2 million for estimated penalties and interest on uncertain tax positions as of June 30, 2009 and December 31, 2008. The Company believes that it has adequately provided for any reasonably foreseeable resolution of any tax disputes, but will adjust its reserves in accordance with Financial Accounting Standards Board Interpretation No.48 Accounting for Uncertainties in Income Taxes , if events so dictate. To the extent that the ultimate results differ from the original or adjusted estimates of the Company, the effect will be recorded in the provision for income taxes.

Six Months Ended June 30, 2009 and 2008

Net Sales

(dollars in millions)	**Six months ended June 30, 2009**	**2008**	**Increase (Decrease)**	**% Increase (Decrease)**
United States	$ 275.3	$ 360.0	$ (84.7)	(23.5)%
Europe	63.1	97.6	(34.5)	(35.3)%
Total	$ 338.4	$ 457.6	$ (119.2)	(26.0)%

The decrease in U.S. net sales for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008 was primarily driven by lower volumes, the negative impact of mix shift of increased preform volume and bottle volume declines and the pass through of lower resin costs to customers. Total U.S. PET unit volume

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decreased 15.5% for the six months ended June 30, 2009 as compared to the same period in 2008. This decrease reflects a conventional unit volume decline of 20.9% and a custom unit volume decline of 8.5%. The decline in conventional volume is primarily due to reduced volume under the new Pepsi cold-fill agreement that went into effect on January 1, 2009. The decline in custom volume was driven by a customer switching its product formulation from hot-fill to cold-fill. Excluding this change, custom unit volume increased 11.9% and conventional unit volume decreased by 27.9% for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008.

The decrease in European net sales for the six months ended June 30, 2009 as compared to the same period in 2008 was primarily due to a weakening of the British Pound and Euro against the U.S. Dollar and an 11.7% decrease in total unit volume. European PET volume decreased 1.9% and closure volume decreased 20.5% in the second quarter of 2009 as compared to the same period last year.

Gross Profit

(dollars in millions)	Six months ended June 30, 2009	2008	Increase (Decrease)
United States	$ 24.7	$ 21.4	$ 3.3
Europe	3.3	2.7	0.6
Total	$ 28.0	$ 24.1	$ 3.9
Percent of net sales	8.3%	5.3%	

The increase in gross profit for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008 primarily reflects the benefit of the Company s restructuring programs, price increases, an increase in custom unit volume of 11.9% (excluding the impact of a customer that switched its product formulation from hot-fill to cold-fill) and lower freight and energy costs, offset in part by lower unit volumes, including the negative mix shift of increased preform volumes and bottle volume declines, an increase in depreciation expense of $1 million and the $1.6 million impact due to a non-cash fresh-start accounting adjustments that increased the opening inventory of the Successor company. In addition, due to a change in employee benefits in the U.S., the Company realized a non-cash, non-recurring decrease in employee benefit costs of $1.5 million for the six months ended June 30, 2009 as compared to the same period in 2008. The impact of this change in employee benefits for the remainder of 2009 is expected to approximate the impact for the six months ended June 30, 2009. In addition, the Company recorded a one-time benefit of $1.4 million to reverse an accrual for the estimated cost of a price reduction in a sales contract that did not occur.

Selling and Administrative Expenses

Selling and administrative expenses decreased $1.4 million, or 12%, to $10.1 million for the six months ended June 30, 2009 from $11.5 million for the six months ended June 30, 2008. Due to the Company s restructuring programs, payroll expense was reduced by $0.8 which was offset by an increase in the current year bonus accrual of $1.0 million. This decrease also reflects a $0.9 million decrease in benefits, travel, and facility expenses and a $0.5 million decrease in legal and other professional fees.

Research and Technology Expenses

Research and technology expenses, which include engineering and development costs related to developing new products and designing significant improvements to existing products, are expensed as incurred. Research and technology expenses were $3.9 million for the six months ended June 30, 2009 and $4.4 million for the six months ended June 30, 2008.

Provision for Restructuring

Restructuring charges were $0.9 million for the six months ended June 30, 2009 compared to $0.8 million for the six months ended June 30, 2008. The restructuring charges recorded for the six months ended June 30, 2009 primarily relate to the restructuring actions taken due to the impact of the new Pepsi cold-fill agreement and the shutdown of the Company s Houston, Texas facility as a result of previously disclosed customer losses and a strategic decision to exit the Company s limited extrusion blow-molding business. The restructuring charges consist of $0.7 million of facility exit costs and $0.2 million of plant, property and equipment costs. See Note 13 Restructuring in the notes to the accompanying Condensed Consolidated Financial Statements for additional information

Interest Expense

Interest expense decreased $8.0 million to $11.4 million for the six months ended June 30, 2009 from $19.4 million for the six months ended June 30, 2008 primarily due to the conversion of the Company s Senior Subordinated Notes of $175 million to common stock as part of the Company s Plan which reduced interest expense by approximately $9.6 million. This was offset by the accretion of $3.3 million of the fair market value of the Company s Senior Secured Floating Rate Notes to their face value at maturity and increased borrowing costs under the Company s Exit Facility.

Reorganization Items, net

During the six months ended June 30, 2009, the Company incurred certain professional fees and other expenses directly associated with the bankruptcy proceedings In addition, the Company recorded the gain on the conversion of the Senior Subordinated Notes to common stock and the net impact of fresh-start accounting adjustments in accordance with SOP 90-7 to reorganization items. See Note 4 Fresh Start Accounting in the notes to these Condensed Consolidated Financial Statements for further discussion of reorganization items.

Other Expense (Income), net

Other income, net was $4.9 million for the six months ended June 30, 2009 compared to other expense, net of $0.6 million for the six months ended June 30, 2008. The income for the six months ended June 30, 2009 primarily resulted from the positive impact of foreign currency on the translation of intra-company balances and royalty income.

Provision for Income Taxes

For the six months ended June 30, 2009, the Company recorded a provision for income taxes related to continuing operations of $37.0 million compared to a provision for income taxes of $-0- for the six months ended June 30, 2008, primarily due to the adoption of fresh-start accounting. Income from continuing operations before taxes was $150.0 million for the six months ended June 30, 2009 compared to losses of $12.6 million for the six months ended June 30, 2008.

Total unrecognized tax benefits as of June 30, 2009 and December 31, 2008, were $0.9 million and $0.7 million, respectively, and are included in non-current liabilities of discontinued operations on the condensed consolidated balance sheets. In addition, the Company had accrued approximately $0.2 million for estimated penalties and interest on uncertain tax positions as of June 30, 2009 and December 31, 2008. The Company believes that it has adequately provided for any reasonably foreseeable resolution of any tax disputes, but will adjust its reserves in accordance with FIN 48 if events so dictate. To the extent that the ultimate results differ from the original or adjusted estimates of the Company, the effect will be recorded in the provision for income taxes.

Liquidity and Capital Resources

In connection with the consummation of the Plan, on the Effective Date, the Company s existing Senior Secured Super-Priority Debtor in Possession and Exit Credit Agreement (the DIP Credit Facility) was converted into a $75 million exit facility (the Exit Facility) with substantially the same terms as the DIP Credit Facility. Also in connection with the consummation of the Plan, the Company and its lenders entered into Amendment No. 2 to the Credit Agreement, primarily for the purposes of updating certain schedules to the DIP Credit Agreement and permitting the Company s Dutch subsidiary, Constar International Holland (Plastics) B.V., which is neither a party to nor a guarantor of the Exit Facility, to enter into separate financing arrangements.

The Exit Facility s scheduled expiration date is December 31, 2011. The Exit Facility provides for revolving borrowings of up to $75 million, with a sublimit of $15 million in the case of letters of credit and $15 million in the case of swing loans. The amount available under the facility is subject to a minimum Available Credit requirement of $5 million. Available Credit is generally defined as the excess of the lesser of $75 million or the borrowing base, in each case minus any availability reserve imposed by the administrative agent in its discretion, over the amount of loans and letter of credit obligations outstanding under the credit facility. The borrowing base is generally defined as described below. The effect of the Available Credit requirement is that no more than $70 million is available to the Company under the credit facility. The amount available under the Exit Facility is also subject to a minimum Collateral Availability requirement of $15 million. Collateral Availability is generally defined as the excess of the borrowing base over the amount of loans and letter of credit obligations outstanding under the credit facility. The effect of the Collateral Availability requirement is that the borrowing base must be at least $85 million in order for the Company to access all $70 million otherwise available under the credit facility.

Borrowings under the Exit Facility are limited to a borrowing base comprised of the sum of (i) up to 85% of the Company s and its domestic subsidiaries Eligible Trade Receivables, (ii) up to 80% of the U.S. dollar value of Eligible Trade Receivables of Constar International U.K. Limited, (iii) the lesser of the sum of, for each category of Eligible Inventory, (A) up to 85% of the Orderly Liquidation Percentage for such category of Eligible Inventory of the Company and its domestic subsidiaries and (B) up to 75% of the value of such category of Eligible Inventory of the Company and its domestic subsidiaries (in each case valued at the lower of cost and market on a first-in, first-out basis), and (iv) the lesser of the sum of, for each category of Eligible Inventory, (A) up to 80% of the U.S. dollar value of the Orderly Liquidation Percentage for such category of Eligible Inventory of Constar International U.K. Limited and (B) up to 70% of the U.S. dollar value of such category of Eligible Inventory of Constar International U.K. Limited (in each case valued at the lower of cost and market on a first-in, first-out basis); less any applicable reserves then in effect. The portion of the borrowing base attributable to classes (ii) and (iv) shall not exceed $25 million. In addition, under the Exit Facility the administrative agent may impose discretionary reserves against the entire facility.

The Company will pay monthly a commitment fee equal to 0.75% per year on the undrawn portion of the Exit Facility. Loans will bear interest, at the option of the Company, at one of the following rates: (i) a fluctuating Base Rate of not less than 4% plus a margin ranging from 2.75% to 3.25%, or (ii) a fluctuating Eurodollar Base Rate of not less than 3% plus a margin ranging from 3.75% to 4.25%. Letters of credit carry an issuance fee of 0.25% per annum of the undrawn face amount and a fee accruing at a rate per annum ranging from 3.75% to 4.25%.

The Exit Facility contains certain financial covenants. The Company must maintain minimum Available Credit of $5 million and minimum Collateral Availability of $15 million. Capital Expenditures may not exceed $24 million in 2009, $28 million in 2010 and $22 million in 2011; provided, however, that to the extent that actual Capital Expenditures for the Fiscal Year ended December 31, 2009 or any Fiscal Year thereafter shall be less than the maximum amount set forth above for such Fiscal Year (without giving effect to any carryover permitted by this proviso), 75% of the difference between said stated maximum amount and the amount of actual Capital Expenditures shall, in addition, be available for Capital Expenditures in the next succeeding Fiscal Year. If Collateral Availability during any Fiscal Quarter is less than $30 million for any period of three consecutive Business Days, the Company must maintain Consolidated EBITDA (as defined under the Exit Facility and summarized below) of not less than $40 million, calculated on a trailing twelve month basis as of the last day of such Fiscal Quarter. If Collateral Availability falls below $30 million for three consecutive business days and minimum Credit Agreement Consolidated EBITDA is not maintained, a default under the Credit Agreement would occur and the lenders could elect to declare all amounts borrowed to be immediately due and payable. Any such acceleration would also result in a default under the indenture of the Senior Secured Floating Rate Notes. The Exit Facility contains other customary covenants and events of default. We believe that these covenants are material terms of our Exit Facility and that information about our Credit Agreement Consolidated EBITDA is material to an investor s understanding of our financial condition. As of June 30, 2009, the Company was in compliance with these covenants.

Credit Agreement Consolidated EBITDA is defined as EBITDA (i.e., earnings before interest, taxes, depreciation and amortization) further adjusted to exclude extraordinary items, non-recurring transaction expenses related to Chapter 11, certain restructuring items, all other non-cash gains or losses and all other non-cash items, including foreign currency adjustments, additions to certain reserves, impairment charges, accounting changes, financing costs, stock grants, required in calculating covenant compliance under the Exit Facility, as shown in the table below. Credit Agreement Consolidated EBITDA is not intended to represent cash flow from operations as defined by generally accepted accounting principles and should not be used as an alternative to net income as an indicator of operating performance or to cash flow as a measure of liquidity. We believe that the inclusion of covenant compliance EBITDA in this quarterly report on Form 10-Q is appropriate to provide additional information to investors about the calculation of certain financial covenants in the Credit Agreement. Because not all companies use identical calculations, these presentations of Credit Agreement Consolidated EBITDA may not be comparable to other similarly titled measures of other companies. A reconciliation of net income to Credit Agreement Consolidated EBITDA is as follows:

Reconciliation of net income to EBITDA

Four Quarters

		Ended June 30, 2009
		(in thousands)
Net Income	$	67,563
Interest expense		30,633
Income taxes		36,587
Depreciation and amortization		33,792
EBITDA	$	168,575

Reconciliation of EBITDA to Credit Agreement Consolidated EBITDA

		Four Quarters Ended June 30, 2009
		(in thousands)
EBITDA	$	168,575
Cash restructuring charges		2,838
Cash reorganization costs		15,000
Gain from discharge of debt		(84,745)
Gain from fresh-start accounting adjustments		(68,109)
Other non-cash charges (i)		12,960
Credit Agreement Consolidated EBITDA	$	46,520

(i) Includes foreign currency translation gains, non-cash charges

Collateral under the Exit Facility is composed of all of the stock of the Company s domestic and United Kingdom subsidiaries, and 65% of the stock of the Company s Dutch subsidiary, and all of the inventory, accounts receivable, investment property, instruments, chattel paper, documents, deposit accounts and certain intangibles of the Company and its domestic and United Kingdom subsidiaries.

In addition to the Exit Facility, the Company s debt structure also consists of $220.0 million of Senior Secured Floating Rate Notes due February 15, 2012 (Secured Notes). The Secured Notes bear interest at the rate of three-month LIBOR plus 3.375% per annum. Interest on the Secured Notes is reset and payable quarterly. Pursuant to an interest rate swap executed in May 2005 with Citigroup Financial Products Inc., $100.0 million face amount of the

Secured Notes have an effective interest rate of 7.9%. In connection with the Company s reorganization and emergence from bankruptcy, on the Effective Date, all of the Company s Senior Subordinated 11% Notes Due 2012 (Subordinated Notes) were canceled and the related indenture was terminated. Pursuant to the Plan the holders of Class 4 Senior Subordinated Note Claims (as defined in the Plan) received ten shares of new Common Stock per one thousand dollars in face amount of the Senior Subordinated Notes.

At June 30, 2009, there was $220.0 million (face value) outstanding on the Secured Notes, zero outstanding on the Exit Facility, and $6.1 million of letters of credit issued under the Exit Facility.

The Company funds its operations primarily with cash flows from operations and borrowings under its Exit Facility. Liquidity, defined as cash and availability under the Exit Facility, is a key measure of the Company s ability to finance its operations. Liquidity at June 30, 2009 was $54.1 million as compared to $15.3 million at December 31, 2008. The increase in liquidity at June 30, 2009 as compared to December 31, 2008 is due to an increase in the borrowing base of approximately $17.4 million primarily due to higher levels of working capital and a decrease in borrowings at the end of the period of approximately $20.0 million. As a result of the conversion of the $175 million of Subordinated Notes to common stock, the Company s future cash interest costs will be reduced by $19.3 million annually.

Liquidity will vary on a daily, monthly and quarterly basis based upon the seasonality of the Company s sales as well as the impact of changes in the price of resin, the change in the value of the U.S. dollar as compared to the British pound and the other factors mentioned below. During the six months ended June 30, 2009, the Company s total PET volume declined 14.3% as compared to the six months ended June 30, 2008, principally due to reduced volume for Pepsi under the new cold-fill agreement, the continued movement of water bottlers and certain CSD volume to self-manufacturing, and consumers shifting their preferences from CSD to alternative beverages, offset in part by increased custom sales. The general negative macroeconomic conditions have also reduced the Company s rate of growth in the custom beverage segment of the market. There can be no assurance that these volumes will recover in the near or long term. These and other economic factors could have an adverse effect on demand for the Company s products and services and on the Company s financial condition and operating results. Customers and suppliers who are not under contract may seek to change the terms of their respective economic relationships with the Company. If such a change is material, it could reduce or eliminate the Company s projected liquidity. Following its emergence from Chapter 11, the Company s U.S. operations achieved improved credit terms with many of its suppliers. However, these improvements were offset by less favorable credit terms with certain of its European suppliers. The Company has also been informed by certain of its utility suppliers that they will require increased deposits from the Company of approximately $1.0 million. The Company is currently seeking to reduce these deposit requirements.

The Company s cash requirements are typically greater during the first and second quarters of each year because of the build-up of inventory levels in anticipation of the seasonal sales increase during the warmer months and the collection cycle from customers following the higher seasonal sales. The borrowing base, which forms the basis of availability, is subject to further limitations, including that:

- certain of the components of the borrowing base are subject to the discretion of the administrative agent;
- if inventory is located on properties that the Company leases and if the Company is unable to obtain consents from the landlords, such inventory may not be eligible for inclusion in the borrowing base;
- the inventory and accounts receivable of the Company s United Kingdom subsidiary would be disqualified from the borrowing base in the event of certain insolvency proceedings of that subsidiary or any action taken against such subsidiary to enforce its guarantee given in respect of the Secured Notes; and
- the administrative agent has the customary ability to reduce, unilaterally, the Company s borrowing availability at any time by, for example, establishing reserves or declaring certain collateral ineligible.

As of June 30, 2009, liquidity was $54.1 million, including cash of $2.7 million. Availability under the Company s Exit Facility was $51.4 million, there were no borrowings under the facility, and there were outstanding letters of credit of $6.1 million. This takes into account a $15 million reduction in eligible assets (referred to as minimum Collateral Availability) per the Exit Facility and excludes $9.3 million of cash collateral related to the interest rate swap between the Company and the administrative agent. The value of cash collateral is subject to change based on further changes in interest rates, and is also expected to decline as the Company approaches the expiration date of the swap in February 2012. The Company and the administrative agent have discussed a potential

additional reserve related to eligible assets. On August 12, the administrative agent reduced the cash collateral by $2.2 million. Based on the Company s most recent cash flow projections and operating and capital plans, assuming there is no change to the $7.1 million swap-based reserve, the low and high points of liquidity for the period August to December 31, 2009 are expected to be approximately $12 million and $29 million, respectively. Average liquidity, based upon the Company s latest forecast, for the period August to December 2009 is expected to be approximately $19 million with the low point occurring in early September. If the administrative agent implements a reserve related to eligible assets, estimated 2009 liquidity at the high and low points could be reduced by an estimated average of $3 million from the period of August to December 2009. Based upon these projections, during the second half of 2009 Collateral Availability is expected to fall to the point at which the Company would be required to meet the Exit Facility s Credit Agreement EBITDA covenant. The Company expects to be in compliance with the minimum Credit Agreement EBITDA covenant during this period. These projections do not include the results of actions that the Company is reviewing that may improve liquidity, but there can be no assurance that these measures will be successful. In addition, actual liquidity could be higher or lower depending upon a number of factors, including, among others, the Company s actual operating and working capital performance and capital expenditures, the seasonality of the Company s sales, the impact of changes in the price of resin, credit terms with suppliers, the change in the value of the U.S. dollar as compared to the British pound and the limitations on the borrowing base noted above. These factors could impact the Company s ability to meet the minimum Credit Agreement EBITDA covenant.

The credit markets have been volatile and are experiencing a shortage in overall liquidity. The Company has assessed the potential impact on various aspects of its operations, including, but not limited to, the continued availability and general creditworthiness of its debt and financial instrument counterparties, the impact of market developments on customers and insurers, and the general recoverability and realizability of certain financial instruments, including investments held under its defined benefit pension plans. The Company s Exit Facility is provided by Citicorp USA Inc. and Wells Fargo Foothill, LLC and the continued availability of the facility is in part dependent on their ability to honor the commitment, which the Company is unable to assess at this time. However, there can be no assurance that the Company s business, liquidity, financial condition or results of operations will not be materially and adversely impacted in the future as a result of the existing or future credit market conditions, or as a result of the factors described above.

Cash Flows

The following table presents selected cash flow data.

	Six months ended June 30,		Increase
(dollars in millions)	**2009**	**2008**	**(Decrease)**
Net cash provided by operating activities	$ 28.5	$ (9.3)	$ 35.3
Net cash used in investing activities	$ (20.0)	$ (14.8)	$ 2.8
Net cash used in financing activities	$ (20.1)	$ 23.3	$ 43.4

Net cash provided by operations for the six months ended June 30, 2009 compared to the six months ended June 30, 2008, increased primarily due to an improvement in earnings and improvements in working capital. Days sales in accounts receivable decreased to approximately 27.1 days at June 30, 2009 from 33.4 days at June 30, 2008. Inventory days increased to approximately 34.3 days at June 30, 2009 from 32.2 days at June 30, 2008. Days payable in accounts payable and accrued liabilities increased to 63.5 days at June 30, 2009 compared to 56.7 days at June 30, 2008, due to the timing of disbursements at quarter end. Working capital is impacted by the normal timing of purchases to meet customer demand and the timing of payments to vendors that may vary from period to period and during the period. On July 1, 2009, the Company made a payment of approximately $7.9 million to a vendor in the normal course of business.

The increase in net cash used in investing activities was due to the $9.3 million of cash the Company paid to collateralize its interest rate swap offset by a decrease in capital spending. Capital expenditures primarily related to custom projects.

Net cash used by financing activities for the six months ended June 30, 2009 was primarily comprised of net repayments of $20.0 million on the DIP Credit Facility and Exit Facility. Net cash provided by financing activities for the six months ended June 30, 2008 was primarily comprised of net repayments of $23.3 million on the Revolver Loan.

Commitments and Contingent Liabilities

Information regarding the Company s contingent liabilities appears in Note 14 Commitments and Contingencies in the notes to the accompanying Condensed Consolidated Financial Statements, which information is incorporated herein by reference.

Capital Expenditures

Based on information currently available, we estimate 2009 capital spending to be approximately $17 million compared to 2008 capital spending of $31.1 million. The Company s ability to make capital expenditures is limited by the financial covenants contained in its Exit Facility. These financial covenants impose maximum capital expenditures per annum of $24 million in 2009, $28 million in 2010 and $22 million in 2011. These covenants allow for the carry-forward of a certain amount of spending below the covenant levels in previous periods beginning with 2009.

Pension Funding

Under current funding rules, we estimate that the funding requirements under our pension plans for 2009 and 2010 will be approximately $3.7 million and $8.3 million, respectively. If the return on plan assets is less than expected or if discount rates decline from current levels, plan contribution requirements could increase significantly in the future. During the six months ended June 30, 2009, the Company made pension plan contributions of $1.9 million.

Stockholders Equity

Stockholders equity increased to $104.1 million at June 30, 2009 from a deficit of $161.1 million at December 31, 2008 due to the impact of the Company s Plan and the adoption of fresh-start accounting in accordance with SOP 90-7.

Critical Accounting Policies and Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States which require that management make numerous estimates and assumptions. Actual results could differ from these estimates and assumptions, impacting the reported results of operations and financial condition of the Company. For a discussion of the Company s critical accounting policies, see Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations in the Company s Form 10-K filed on March 31, 2009. There have been no significant changes in the Company s critical accounting policies during the first six months of 2009.

The Company completed its interim impairment assessment as of June 30, 2009 and does not believe that the Company s goodwill balance was impaired. However, there can be no assurances that the Company will not be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to the Company s performance. These market events could include a decline over a period of time of the Company s stock price, a decline over a period of time in valuation multiples of comparable packaging companies, the lack of an increase in the Company s market price consistent with its peer companies, or decreases in control premiums. A decline in the forecasted results in our business plan, such as changes in forecasted on-going profitability or capital investment budgets or changes in our interest rates, could also result in an impairment charge. Recognition of impairments of a significant portion of goodwill would negatively affect the Company s reported results of operations and total capitalization, the effect of which could be material and could have a negative impact on the Company s ability to raise capital on attractive terms

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 establishes a common definition for fair value to be applied to U.S. GAAP guidance requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. In February 2008, the FASB issued FASB Staff Position 157-2 (FSP 157) which delays the effective date of SFAS 157 for one year for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157 and FSP 157 are effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 and FSP 157 did not have a material impact on the Company s results of operations or financial condition.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R provides revised guidance on how acquirors recognize and measure the consideration transferred, identifiable assets acquired, liabilities assumed, noncontrolling interests, and goodwill acquired in a business combination. In addition, SFAS 141R expands required disclosures surrounding the nature and financial effects of business combinations. SFAS 141R is effective for fiscal years beginning on or after December 15, 2008 with earlier adoption prohibited. The impact of SFAS No. 141R on the Company s consolidated financial statements could be material for business combinations which may be consummated subsequent to the adoption of SFAS 141R. The application of SFAS 141R as a result of applying the fresh-start accounting provisions of SOP 90-7 upon emergence from Chapter 11 has resulted in material adjustments to the historical carrying amounts of the Predecessor Company s assets and liabilities. The impact of these adjustments is summarized in Note 4 Fresh Start Accounting to the notes to these Condensed Consolidated Financial Statements.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS 165), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 is effective for interim or annual periods ending after June 15, 2009 and is to be applied prospectively. The adoption of this standard did not result in a change in current accounting practice.

In April 2009, three FASB Staff Positions (FSPs) were issued addressing fair value of financial instruments: FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* ; FSP FAS 115-2, *Recognition and Presentation of Other Than Temporary Impairments* ; and FSP FAS 107-1, *Interim Disclosure about Fair Value of Financial Instruments*. These standards are effective for interim or annual periods ending after June 15, 2009. The adoption of these FSPs did not have a material impact on the Company s results of operations or financial condition.

In June 2009, the FASB issued SFAS No. 168 *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* . This Statement establishes the FASB Accounting Standards Codification, (Codification) as the single source of authoritative GAAP to be applied by nongovernmental entities, except for the rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of authoritative GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. The Company is required to adopt this standard in the third quarter of 2009.

Forward-Looking Statements

Statements included herein that are not historical facts (including, but not limited to, any statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto), are forward-looking statements within the meaning of the federal securities laws. In addition, the Company and its representatives may from time to time make other oral or written statements which are also forward-looking statements.

These forward-looking statements are based on the Company s current expectations and projections about future events. Statements that include the words expect, believe, intend, plan, anticipate, project, will, may, could, should, pro forma, continues, estimates, objective and similar statements of a future nature identify forward-looking statements. These forward-looking statements and forecasts are subject to risks, uncertainties and assumptions. The Company cautions that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements. The Company does not intend to review or revise any particular forward-looking statement or forecast in light of future events.

A discussion of important factors that could cause the actual results of operations or financial condition of the Company to differ from expectations has been set forth in the Company s Annual Report on Form 10-K for the year ended December 31, 2008 under the captions Cautionary Statement Regarding Forward Looking Statements and Item 1.A Risk Factors and is incorporated herein by reference. Some of the factors are also discussed elsewhere in this Form 10-Q and have been or may be discussed from time to time in the Company s other filings with the Securities and Exchange Commission.

Item 6. Exhibits

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.*

32.2 Certification of Executive Vice President and Chief Financial Officer Pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed with our Form 10-Q as filed on August 14, 2009.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

	Constar International Inc.
Dated: August 25, 2009	By: /s/ WALTER S. SOBON
	Walter S. Sobon
	Executive Vice President and Chief Financial Officer
	(duly authorized officer and principal accounting officer)