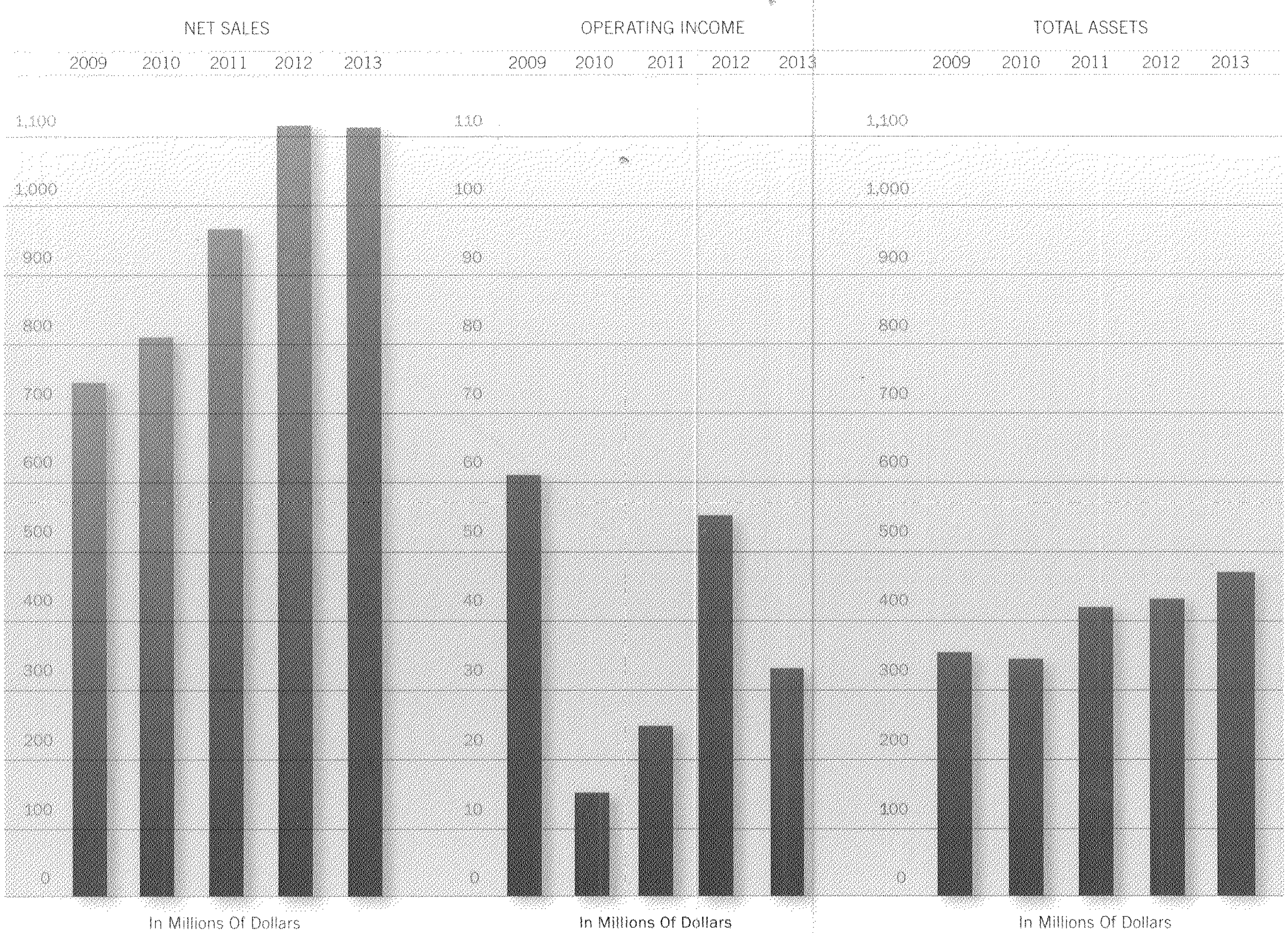
Annual Report 2013

The flexible packaging industry is constantly evolving, and so is AEP. The Company's printed and converted capabilities have been greatly expanded this year, increasing our footprint in this high value product line. In every aspect of operations, we apply proven process controls to achieve market advantage. AEP is committed to always lead the way in quality, economy, efficiency, and service.

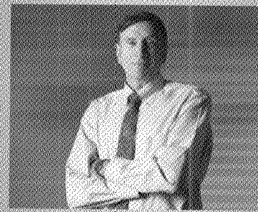
AEP INDUSTRIES INC.

2013
FINANCIAL HIGHLIGHTS
AS OF AND FOR THE YEARS ENDED OCTOBER 31

	2009	2010	2011	2012	2013
	(Amounts in Thousands, Except Per Share Data and Ratios)				
Net sales	$744,819	$800,570	$974,792	$1,152,535	$1,143,852
Operating income	$60,387	$15,720	$25,231	$55,648	$33,316
Income (loss) from continuing operations	$30,429	$(523)	$12,388	$23,152	$10,748
Diluted income (loss) per share of common stock from continuing operations	$4.45	$(0.08)	$2.09	$4.16	$1.92
Net income (loss)	$31,528	$(566)	$12,388	$23,152	$10,748
Diluted net income (loss) per share of common stock	$4.61	$(0.08)	$2.09	$4.16	$1.92
Shareholders' equity	$75,800	$56,630	$49,986	$73,729	$85,413
Capital expenditures	$23,846	$15,904	$14,499	$42,000	$46,680
Working capital	$74,101	$70,547	$117,220	$96,369	$118,646
Working capital ratio	1.8 to 1	1.7 to 1	2.0 to 1	1.8 to 1	2.0 to 1
Total assets	$360,070	$350,796	$415,669	$431,443	$471,563



SHAREHOLDERS' LETTER



J. BRENDAN BARBA,
CHAIRMAN, PRESIDENT
AND CHIEF EXECUTIVE OFFICER,
AEP INDUSTRIES INC.

During the past year, the majority of our efforts were devoted to organizing and strengthening the Webster retail and food containment businesses we purchased in 2011 and growing our printing and converting business by absorbing the Transco operations which were purchased early in fiscal 2013. By executing on this balanced strategy, we have strengthened our position in our key markets, cut costs and progressed in our strategic plan. The growth of our Printed & Converted Division, centralized in our Bowling Green, Kentucky facility, bears witness to the optimization of our operations and the success of our strategy; in addition, across the company, we continue to closely manage all of our facilities and business lines.

Through our acquisition of Transco Plastics, which was finalized in November of 2012, we have increased the Company's printing and converting capabilities by 150% with the addition of advanced highly efficient 10 color printing and converting systems. We also supported existing business lines through the integration of the machinery, equipment and related assets of Transco Plastics Industries involved in the manufacture of printed performance films, specialty bags and industrial films. After a challenging transition in fiscal 2013, we are poised to improve and expand relationships with many Transco customers and believe there will be many new opportunities in the future.

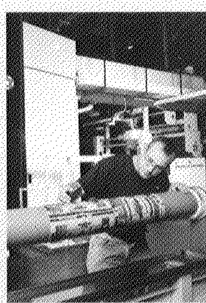
For fiscal 2013, AEP reported net sales of $1,143.9 million, a slight decrease from the $1,152.5 million of net sales achieved in 2012. Net income for fiscal 2013 was $10.7 million or $1.92 per diluted share, compared to net income of $23.2 million, or $4.16 per diluted share in 2012. Adjusted EBITDA, which the Company regards as its single most important measure of the quality of cash generated, decreased to $75.9 million in 2013, compared to 2012's Adjusted EBITDA of $84.2 million. We are pleased to have generated these results for 2013 in a highly challenging environment characterized by extreme resin price volatility and further impacted by an unplanned delay in the installation of the Transco equipment in its designated facility.

AEP is the one source for flexible packaging solutions. We have a diverse and comprehensive portfolio and are an essential part of the value chain across a wide range of industries. We are confident that by continuing to emphasize the fundamentals of quality, service and price–and by continuing to focus on the Company's overarching principle of increasing shareholder value by operating efficiently and spending wisely–AEP will continue as a flexible packaging supplier of choice to North America's most important and best known brands. We believe AEP has entered fiscal 2014 poised for continued growth and success, and we look forward to continuing to generate value for our shareholders.

Sincerely

J. Brendan Barba

J. Brendan Barba

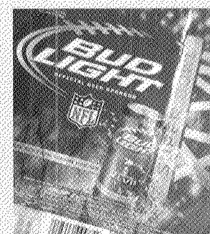


OUR EFFICIENT FLEXOGRAPHIC PRESSES ENABLE 10-COLOR PLATE CHANGEOVERS IN JUST AN HOUR, AND FULL PRESS WASH-UPS IN 10 MINUTES OR LESS.

BUILT-IN SPECTROMETERS HELP AEP PERSONNEL ACHIEVE EXACT CMYK COLOR REPRODUCTION ON EVERY JOB.

FOR PERFECT REGISTRATION TIME AFTER TIME, OUR SYSTEMS ALIGN DOWN TO THE MICRODOT. IMAGE REGISTRATION IS VERFIED ON PAPER BEFORE EVERY PRESS RUN.

MANY IMPORTANT NEW CLIENT RELATIONSHIPS GAINED THROUGH OUR TRANSCO TRANSACTION OFFER NEW BUSINESS OPPORTUNITIES.



Precision Products for Powerful Brands

PRINTED & CONVERTED

Our Printed & Converted Division offers the quality assurance advantage of one integrated source for film design, extrusion, printing and conversion.

AEP has the advantage of being one of North America's premier suppliers of a wide range of products that are essential components in the supply chains of a large and growing range of industries. Our area of specialization is flexible packaging, which encompasses food wrap products, and films used in many industries to protect finished products from factory to final use. From the moment a manufacturer transforms raw materials into a finished product, the cleanliness and appearance of that product needs to be protected. This is where AEP solutions apply. AEP creates the flexible packaging solutions needed to protect the brand experience.

This year, we have greatly increased the capacity and capabilities of our Printed & Converted Division. A fully integrated component of the national AEP production network, the printing equipment we've added in these facilities can produce printed images with up to 10 separate colors on virtually any high-quality multilayer co-extruded film the customer may require. We operate with a high degree of efficiency, and are proud of our role supporting the brand image requirements of our high profile customers.

AEP is the source for one of the most comprehensive selections of proven flexible packaging solutions in North America. Our Printed & Converted Division, photographed above, specializes in branded packaging. We innovate on demand through the Custom Films Division. Our Stretch Films Division leads in load containment. We also make food product stretch and shrink film, co-extruded and monolayer films, agricultural films, and food service items. We are a leader in most of the markets we serve.

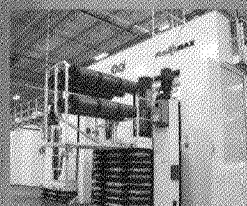
AFTER BEING APPROVED FOR PRINTING, FULLY REGISTERED, COLOR SEPARATED PLATES CAN BE SAVED FOR SUBSEQUENT MICRODOT-PERFECT REPRODUCTION.

Focused on the Future

AEP entered the printed, converted and laminated market when we purchased our Bowling Green, Kentucky, plant in 2006. Our first step was to replace and upgrade virtually every system in the building. We brought our first 10-color Flexographic press online in 2008. Today, with the installation of two new presses from our Transco purchase, one of which is shown here, plus an additional system installed this year, we now operate five state-of-the-art, 10-color, wide web extrusion and printing lines. We also convert, with five integrated lines.

This dramatic capacity expansion reinforces our position as one of the industry's largest and most efficient color packaging suppliers. Along with our equipment, we have constantly upgraded our production standards. Today our Bowling Green plant is one of five AEP facilities operating under one of the most stringent quality control standards in the world, which is the American Institute of Baking International (AIB) standard. It ensures Good Manufacturing Practices in plant sanitation, hygiene, warehousing and plant management. It increases our flexibility, which helped bring in new business to produce higher value products.

INNOVATION



At AEP, innovation is a customer-driven process. Our engineers excel in the technical disciplines of researching and perfecting new film solutions to meet emerging client needs.

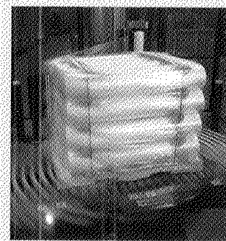
7
6

Unlocking the Potential of Raw Materials

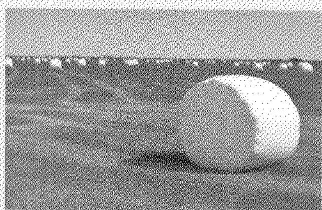
The underlying technology of the flexible packaging industry has come a long way since AEP first began making industrial can liners and pallet wrap more than 40 years ago. In our constant search for the most capable, cost effective film formulations for every customer application, AEP engineers work closely with our resin suppliers. We utilize their ongoing materials research effectively through co-extrusion, which allows us to combine multiple types of resins into a single blown film product. For example, we use co-extruded films to supply major publishers with magazine bags that are slippery on the inside for easy magazine insertion, but tacky on the outside to facilitate handling pallet loads of finished product.

THE DEMAND FOR NEW FILM FORMUATIONS NEVER ENDS IN OUR INDUSTRY. AEP SOLUTIONS HELP MARKETERS PROTECT BRAND QUALITY FROM FABRICATION TO FINAL USE.

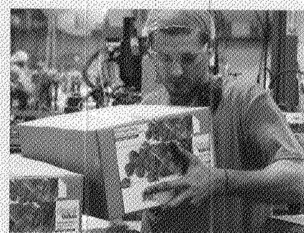
FOOD CONTACT BAGS DESIGNED WITH INNOVATIVE CLOSURES FOR DIRECT CONSUMER SALE ARE ONE OF OUR NEWEST PRODUCTS.



AUTOMATED LOAD HANDLING HELPS ENSURE WORKER SAFETY IN EVERY AEP PLANT.



AEP SILAGE SOLUTIONS HELP FARMERS PROTECT CROPS AND PROFITS AT EVERY STAGE OF GROWTH, SEEDLING TO HARVEST.



EVERY DAY, CUSTOMERS ENTRUST THEIR BRAND IMPRESSSIONS TO THE QUALITY OF AEP PRODUCTION.

AEP excels in the applied science of developing new films to meet unique customer challenges. A new multilayer industrial film wrap designed to contain very heavy loads is a prime example. This year, a major paper products company presented us with the challenge to create a film to be used in bulk shipment of wood pulp, the essential raw material of the paper manufacturing industry. This called for a super strong film that will work seamlessly with automated handling equipment, because the wood pulp packages to be wrapped and shipped weigh 1,000 pounds each. AEP engineers responded with three prototype designs. We engaged with the customer's baling equipment manufacturer to test the performance of each of these new films, and worked with our customer to select the best film for the job. Today this single new product produced for this single leading customer accounts for a significant portion of the yearly output of one of the Company's extrusion lines. We have also established the ability to produce this high value product on multiple co-ex lines at multiple AEP locations, so we can offer it to additional customers. This demonstrates one more way AEP's research and development investments help build new revenue streams for the Company.

RESIN TECHNOLOGY

Through our close relationships with resin suppliers and by constantly monitoring materials properties advances, AEP leverages industry research to benefit customers.

Strength and Leadership

RESIN STORAGE AT OUR BOWLING GREEN FACILITY HAS BEEN GREATLY INCREASED TO A TOTAL OF 17 SILOS, EACH OF WHICH IS DEDICATED TO A DISTINCT RESIN.

LEADING THE WAY

The Company provided needed expansion space with the relocation of its headquarters facility, a move that was accomplished with minimum disruption to operations and staff.

For many years, AEP has maintained its position as a leader in most of the markets we serve. This leadership position creates a host of advantages that cannot be easily duplicated. First, we gain a cost advantage. Our volume purchasing power enables AEP to acquire the polyethylene resins we make into film at highly advantageous prices. Secondly, we gain a logistics advantage. Our distributed production structure lets us operate in close proximity to key suppliers and customers. We also have a well-established research and development edge.

Beyond our world-class infrastructure, we believe the main reason AEP has maintained its position at the head of our industry is the quality of our people. Quite simply, we believe the AEP workforce is the most knowledgeable and experienced in our industry, with more time in service than the industry norm. We believe this is a sustainable advantage, and is a principal reason why we are confident AEP will continue to be a low cost producer, the most reliable, on-time supplier, and the quality and service choice.

DIRECTORS

J. Brendan Barba
Chairman of the Board, President and Chief Executive Officer
AEP Industries Inc.

Kenneth Avia
Managing Principal
Avia Consulting Group, LLC

Robert Bell
Executive Director
Charles B. Wang International Foundation

Ira M. Belsky
Retired
Attorney and Business Executive

Richard E. Davis
Vice President-Finance and Chief Financial Officer
Glatt Air Techniques Inc.

Paul M. Feeney
Executive Vice President, Finance and Chief Financial Officer
AEP Industries Inc.

Frank P. Gallagher
Chairman and Chief Executive Officer
Aadyn Technology, LLC

John J. Powers
Executive Vice President, Sales and Marketing
AEP Industries Inc.

Lee C. Stewart
Independent Financial Consultant

CORPORATE OFFICERS

J. Brendan Barba
Chairman of the Board, President and Chief Executive Officer

Paul M. Feeney
Executive Vice President, Finance and Chief Financial Officer

John J. Powers
Executive Vice President, Sales and Marketing

Paul C. Vegliante
Executive Vice President, Operations

Linda N. Guerrera
Vice President and Controller

Lawrence R. Noll
Vice President, Tax and Administration

James B. Rafferty
Vice President and Treasurer

KEY OPERATING OFFICERS

Karen Aloia
Vice President, Human Resources

Gary Bobko
Vice President, PROformance Films Products

Richard Boyette
Vice President, Manufacturing Polyvinyl Chloride Products

Robert Covella
Vice President, Custom Film Products

David J. Cron
Senior Vice President, Manufacturing

Robert Cron
Executive Vice President, National Accounts

Steve Firmery
Division Manager, Resinite Products

Philip A. Hernberg
Vice President, IPD Products

Sandra C. Major
Vice President and Secretary

Brian Ochsner
Vice President, Stretch Film Products

Michael O'Neill
Vice President, Supply Chain

Arnold Shainker
Vice President, Webster Products

CORPORATE INFORMATION

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Registrar and Transfer Agent
American Stock Transfer and Trust Co.
59 Maiden Lane
New York, New York 10038

Independent Registered Public Accounting Firm
KPMG LLP
51 John F. Kennedy Parkway
Short Hills, New Jersey 07078

Corporate Headquarters
AEP Industries Inc.
95 Chestnut Ridge Road
Montvale, New Jersey 07645
201.641.6600
www.aepinc.com

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 October 31, 2013

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 001-35117

AEP INDUSTRIES INC.
(Exact name of registrant as specified in its charter)

SEC Mail Processing Section
FEB 24 2014
Washington DC
404

Delaware (State or other jurisdiction of incorporation or organization)	**22-1916107** (I.R.S. Employer Identification No.)
95 Chestnut Ridge Road, Montvale, New Jersey (Address of principal executive offices)	**07645** (Zip code)

Registrant's telephone number, including area code: **(201) 641-6600**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	**Nasdaq Global Select Market**

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

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, and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ 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 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 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 the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the common stock held by non-affiliates of the registrant as of April 30, 2013 was $346,070,289, based upon the closing price of $77.10 as reported by the Nasdaq Global Select Market on such date. Shares of common stock held by officers and directors have been excluded from this calculation because such persons may be deemed to be affiliates; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of the registrant.

The number of shares of the registrant's common stock outstanding as of January 9, 2014 was 5,601,266.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the 2014 annual meeting of stockholders are incorporated by reference into Part III of this report to the extent described herein.

AEP INDUSTRIES INC.
INDEX TO FORM 10-K

Cautionary Note Regarding Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this report contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent our goals, beliefs, plans and expectations about our prospects for the future and other future events, such as our ability to generate sufficient working capital, the amount of availability under our credit facility, the anticipated pricing in resin markets, our ability to continue to maintain sales and profits of our operations, and the sufficiency of our cash balances and cash generated from operating, investing, and financing activities for our future liquidity and capital resource needs. Forward-looking statements include all statements that are not historical fact and can be identified by terms such as "may," "intend," "might," "will," "should," "could," "would," "anticipate," "expect," "believe," "estimate," "plan," "project," "predict," "potential," or the negative of these terms. Although these forward-looking statements reflect our good-faith belief and reasonable judgment based on current information, these statements are qualified by important factors, many of which are beyond our control, that could cause our actual results to differ materially from those in the forward-looking statements, including, but not limited to: the availability of raw materials; the ability to pass raw material price increases to customers in a timely fashion; the continuing impact of the U.S. recession and the global credit and financial environment and other changes in the United States or international economic or political conditions; the integration of Transco Plastics Industries; the potential of technological changes that would adversely affect the need for our products; price fluctuations which could adversely impact our inventory; and other factors described from time to time in our reports filed or furnished with the U.S. Securities and Exchange Commission (the "SEC"), and in particular those factors set forth in Item 1A "Risk Factors" in this Annual Report on Form 10-K. Given these uncertainties, you should not place undue reliance on any such forward-looking statements. The forward-looking statements included in this report are made as of the date hereof or the date specified herein, based on information available to us as of such date. Except as required by law, we assume no obligation to update these forward-looking statements, even if new information becomes available in the future.

PART I

ITEM 1. BUSINESS

Overview

AEP Industries Inc., founded in 1970 and incorporated in Delaware in 1985, is a leading manufacturer of plastic packaging films in North America. We manufacture and market an extensive and diverse line of polyethylene and polyvinyl chloride flexible packaging products, with consumer, industrial and agricultural applications. Our plastic packaging films are used in the packaging, transportation, beverage, food, automotive, pharmaceutical, chemical, electronics, construction, agriculture and textile industries.

We manufacture plastic films, principally from resins blended with other raw materials, which we either sell or further process by printing, laminating, slitting or converting. Our processing technologies enable us to create a variety of value-added products according to the specifications of our customers. Our manufacturing operations are located in the United States and Canada.

We manufacture both industrial grade products, which are manufactured to general industry specifications, and specialty products, which are manufactured under more exacting standards to assure certain required chemical and physical properties. Specialty products generally sell at higher margins than industrial grade products.

Information about our operations by geographical area, with United States and Canada stated separately, as of and for the years ended October 31, 2013, 2012 and 2011, respectively, is as follows:

	United States	Canada	Total
		(in thousands)	
2013			
Sales—external customers	$1,071,410	$72,442	$1,143,852
Operating income	26,096	7,220	33,316
Geographical area assets	440,089	31,474	471,563

	United States	Canada	Total
		(in thousands)	
2012			
Sales—external customers	$1,075,672	$76,863	$1,152,535
Operating income	49,585	6,063	55,648
Geographical area assets	411,102	20,341	431,443

	United States	Canada	Total
		(in thousands)	
2011			
Sales—external customers	$900,611	$74,181	$974,792
Operating income	18,766	6,465	25,231
Geographical area assets	392,911	22,758	415,669

Fiscal 2013 Developments

Despite the challenging financial markets and economic conditions in recent years, we continue to maintain a strong balance sheet and sufficient liquidity to provide us with financial flexibility. In addition to our normal operating activities during fiscal 2013, we invested approximately $46.7 million in capital expenditures. Our goal, through prudent investments of capital and targeted acquisitions, is to increase operational efficiency, reduce costs, expand margins, grow our core business and expand our product portfolio. During fiscal 2013, our focus was as follows:

- To enhance our investment in the Webster business we are replacing outdated machinery with new, higher efficiency machines which will increase our presence and reduce our costs in the canliner and food contact businesses. In fiscal 2013, we incurred $10.2 million of capital expenditures related to completing the upgrade of Webster's machinery, $1.1 million of which was financed through a capital lease.
- To increase our extrusion and expand our printed and converted films business in our Bowling Green facility;
  - we completed the purchase in November 2012 of certain machinery and equipment and related assets necessary to manufacture printed, converted and custom films of Transco, a Quebec company, for a purchase price of $5.3 million (deposit was made in October 2012), excluding a one-year commission and transition service costs. During fiscal 2013, we incurred an additional $5.6 million in capital expenditures and infrastructure enhancements to accommodate and install this machinery and equipment.
  - In December 2012 we purchased our Bowling Green, Kentucky facility for $3.4 million by exercising our land purchase option in our lease. We had been previously leasing this building at a cost of approximately $58,000 per month, excluding utility costs.
  - we invested $3.7 million in a new 10-color print press which was installed in our Bowling Green facility.
- In July 2012, we purchased a 48,000 square foot corporate headquarters building in Montvale, New Jersey and occupied the space in November, 2013. We had been previously leasing a building.

Volume sold in fiscal 2013 was negatively impacted by disruptions resulting from the movement and installation of equipment related to the Webster and Transco acquisitions. We had expected up to $30 million in sales from the Transco acquisition during fiscal 2013. Due to damages sustained to one of the print presses during delivery, we recognized only $10 million. An insurance claim has been filed related to the property damage and the resulting business interruption.

For a further discussion of key operational and financial developments occurring in fiscal 2013, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Products

As stated above, we manufacture and market an extensive and diverse line of polyethylene and polyvinyl chloride flexible packaging products, with consumer, industrial and agricultural applications. Flexible packaging and film products are thin, ductile bags, sacks, labels and films used for food and non-food consumer, agricultural and industrial items.

The following table summarizes our product lines:

Product	Material	Examples of Uses
custom films	polyethylene co-extruded and monolayer custom designed films	• drum, box, carton, and pail liners • furniture and mattress bags • films to cover high value products • magazine overwrap
stretch (pallet) wrap	polyethylene	• pallet wrap
food contact	polyethylene polyvinyl chloride	• reclosable food storage plastic bags with press-to-seal zipper closures • reclosable food storage plastic bags with a slide mechanism • twist-tie closure and fold-top plastic bags • food and freezer wrap • retail and institutional films and • products
PROformance Films®	co-extruded and monolayer polyethylene films	• direct food contact packaging • lamination layers • protective masking • medical and pharmaceutical
canliners	polyethylene	• kitchen and standard garbage bags • lawn and leaf trash bags • institutional trash bags
printed and converted films	polyethylene	• printed shrink films • printed, laminated, converted films for flexible packaging to consumer markets
other products and specialty films	unplasticized polyvinyl chloride and polyethylene	• battery labels • credit card laminate • twist wrap • table covers, aprons, bibs and gloves • agricultural films

Net sales by product line for each of the years ended October 31, 2013, 2012 and 2011 are as follows:

	2013	2012	2011
		(in thousands)	
Custom films	$ 341,608	$ 347,258	$340,193
Stretch (pallet) wrap	352,125	337,078	311,563
Food contact	185,950	197,205	140,912
PROformance Films®	71,652	76,227	74,004
Canliners	125,615	123,718	52,231
Printed and converted films	25,361	23,105	11,283
Other products and specialty films	41,541	47,944	44,606
Total	$1,143,852	$1,152,535	$974,792

No single customer accounted for more than 10% of net sales in any fiscal year. No single customer accounted for more than 10% of our accounts receivable balance at October 31, 2013 or 2012. See Note 13 in our consolidated financial statements for information regarding the Company's operations by geographical area (United States and Canada).

Custom Films

We believe that the strength of our custom film operations lies in our variety of product applications, high quality control standards, well-trained and knowledgeable sales force and commitment to customer service. Most of the custom films manufactured by us, which may be as many as 35,000 separate and distinct products in any given year, are custom designed to meet the specific needs of our customers.

We manufacture a broad range of custom films, generally for industrial applications, including sheeting, tubing and bags. Bags are drum, box, carton and pail liners that are usually cut, rolled or perforated. These bags can also be used to package specialty items such as furniture and mattresses. We also manufacture films to protect items stored outdoors or in transit, such as boats and cars, and a wide array of shrink films, barrier films and overwrap films.

Stretch (Pallet) Wrap

We manufacture an extensive line of stretch film products for both hand wrap and rotary applications, using both monolayer and co-extruded constructions used to wrap pallets of industrial and commercial goods for shipping or storage. We also market a wide variety of pre stretch and high performance products designed for specialty uses.

Food Contact

We manufacture specifically formulated in-store and pre-store films with our Resinite® line of polyvinyl chloride ("PVC") food wrap for the supermarket and industrial markets. We offer a broad range of products with approximately 50 different formulations. Our Griffin, Georgia facility also produces dispenser (*Zip Safe*® cutter) boxes containing polyvinyl chloride food wrap for sale to consumers and institutions, including restaurants, schools, hospitals and penitentiaries. These institutional polyvinyl chloride food wrap products are marketed under several private labels and under our own *SealWrap*® name. The oxygen transmission properties of our PVC films make them ideal for packaging fresh red meats, poultry, fish, fruits, vegetables and bakery products.

The Webster acquisition provided us an entrance into a new market and broadened our array of product offerings in the food contact area. Webster's manufacturing facility is located in Montgomery, Alabama and their product portfolio consists of (i) high quality plastic cast film bags with a reclosable zipper seal ("Seal'N'Loc"), (ii) high quality plastic cast film reclosable bags with a movable plastic slider mechanism ("Slider"), and (iii) other food contact products including blown plastic film fold-top bags and twist-tie bags. The Seal'N'Loc product line consists of sandwich bags, snack bags, quart size and gallon size bags. The Slider product line consists of quart and gallon size bags.

PROformance Films®

We offer a comprehensive range of coextruded polyethylene film products used as a critical component in flexible packaging laminations, direct food contact, protective masking, medical, pharmaceutical and industrial applications. We manufacture using both the blown and cast processes and offer mono to seven layer films. These products are custom designed for strength, clarity, oxygen and moisture barriers, as well as other specifications required for demanding packaging applications.

Canliners

The Webster acquisition enhanced our presence in the canliners market. The canliners product line includes retail kitchen trash bags, retail lawn and leaf trash bags and institutional bags all of which are available with twist-tie closures, flap ties, handles and draw tape closures. In addition to the different closures, the liners come in different sizes, gauges (thickness), colors, scents and strengths.

Printed and Converted Films

We manufacture up to ten color printing, solventless lamination, sheeting, and wicketed bags. Our printed and converted films provide printed rollstock to the food and beverage industries and other manufacturing and distributing companies. We also convert printed rollstock to bags for use by bakeries, fresh or frozen food processors, manufacturers or other dry goods processors.

Other Products and Specialty Films

We also manufacture other products in order to meet the full spectrum of our customers' total packaging requirements. We manufacture unplasticized polyvinyl chloride ("UPVC") film for use in battery labels, credit card laminates, and a variety of film products with agricultural applications such as silage (*Sunfilm® sheet materials*), smooth mulch films, and fumigation films. We also produce disposable consumer and institutional plastic products for the food service, party supply and school/ collegiate markets, marketed under the Sta-Dri® brand name. Products produced include table covers and skirts, aisle runners, aprons, bibs, gloves, boots, freezer/storage bags, saddle pack bags, locker wrap and custom imprint designs.

Manufacturing

We currently conduct our manufacturing operations at 14 strategically located and integrated facilities in the United States and Canada. Eleven manufacturing facilities are ISO-compliant (International Organization for Standardization), with the exception of our Mankato institutional products facility, West Hill, Ontario, Canada facility and the Webster plant in Montgomery, Alabama. We manufacture both industrial grade products, which are manufactured to industry specifications or for distribution from inventory, and specialty products, which are manufactured under more exacting standards to assure that their chemical and physical properties meet the particular requirements of the customer or the specialized application appropriate to its intended market. Specialty products generally sell at higher margins than industrial grade products. The size and location of our manufacturing facilities, as well as their ability to manufacture multiple types of flexible packaging products and to flexibly adjust product mix as market conditions warrant enable us to minimize overhead and transportation costs to better serve our customers and remain competitive. See Item 2, "Properties" for a discussion of product lines manufactured at each facility as of October 31, 2013.

In the film manufacturing process, resins with various properties are blended with chemicals and other additives to achieve a wide range of specified product characteristics, such as color, clarity, tensile strength, toughness, thickness, shrinkability, surface friction, transparency, sealability and permeability. The gauges of our products range from less than one mil (.001 inches) to more than 10 mils (.01 inches). Our extrusion equipment can produce printed products and film up to 40 feet wide. The blending of various kinds of resin combined with chemical and color additives is computer controlled to avoid waste and to maximize product consistency. The blended mixture is melted by a combination of applied heat and friction under pressure and is then mechanically mixed. The mixture is then forced through a die, at which point it is expanded into a flat sheet or a vertical tubular column of film and cooled. Several mixtures can be forced through separate layers of a co-extrusion die to produce a multi-layered film (co-extrusion), each layer having specific and distinct characteristics. The cooled film can then be shipped to a customer or can be further processed and then shipped. Generally, our manufacturing plants operate 24 hours a day, seven days a week.

We regularly upgrade or replace older equipment in order to keep abreast of technological advances and to maximize production efficiencies by reducing labor costs, waste and production time. During fiscal 2013, we invested $46.7 million primarily in new machinery and equipment in order to boost output and productivity in those product lines we believe provide us the best growth opportunities, satisfy increasing demand in certain product lines and improve customer service. Our focus in 2013 was completing our investment in the Webster business by upgrading equipment and adding new, higher efficiency machines which will increase our presence and reduce our costs in the canliner and food contact businesses, and increasing our extrusion, printing and converting capacity in our Bowling Green facility, which is primarily in the printing business. The focus of our capital expenditures in fiscal 2014 will be investing in our food bag, retail canliner and custom businesses.

Raw Materials

We manufacture film products primarily from polyethylene and polyvinyl chloride resins, all of which are available from a number of domestic and foreign suppliers. We select our suppliers based on the price, quality and characteristics of the resins they produce. We currently purchase resins from major North American resin suppliers and believe any combination of purchases from such suppliers, as well as other suppliers we do not currently do business with, could satisfy our ongoing resin requirements. Our top three suppliers of resin during fiscal 2013 supplied us with 28%, 26% and 19%, respectively, of our aggregate resin purchases, which is consistent with our historical resin purchases from our top three suppliers in aggregate. Given the significant effect of resin costs on our operations and financial results, we have elected to focus our purchases with three suppliers in order to take advantage of the volume rebates which are customary among resin suppliers and critical to our success. Although the plastics industry has from time to time experienced shortages of resin supply and we have limited contractual protections in the event of such shortage, we believe we are well positioned to deal with such risks given our significant relationships and history with existing suppliers, as well as suppliers with whom we currently do not do business.

The resins used by us are produced from petroleum and natural gas. Instability in the world markets for petroleum and natural gas could adversely affect the prices of our raw materials, and this could have an adverse effect on our profitability if the increased costs cannot be passed on to customers at all or on a timely basis. See Item 1A, "Risk Factors."

Quality Control

We believe that maintaining the highest standards of quality in all aspects of our manufacturing operations plays an important part in our ability to maintain our competitive position. We have adopted strict quality control systems and procedures designed to test the mechanical properties of our products, such as strength, puncture resistance, elasticity, abrasion characteristics and sealability, which we regularly review and modify as appropriate. As part of our commitment in providing the highest level of quality to our customers, we maintain an ISO 9001:2008 quality system in 11 of our 14 of manufacturing operations. ISO 9001:2008 is a quality management standard that helps organizations achieve standards of quality that are recognized and respected throughout the world.

Marketing and Sales

We believe that our ability to provide superior customer service is critical to our success. Even in those markets where our products are considered commodities and price is the single most important factor, we believe that our sales and marketing capabilities and our ability to timely deliver products is a competitive advantage. To that end, we have established good relations with our suppliers and have long-standing relationships with most of our customers, which we attribute to our ability to consistently manufacture high-quality products and provide timely delivery and superior customer service. We serve over 3,000 customers worldwide, none of which individually accounted for more than 10% of our net sales in fiscal 2013.

We believe that our research and development efforts, our high-efficiency equipment, which is automated and microprocessor-controlled, and the technical training given to our sales personnel enhance our ability to expand our sales in all of our product lines. An important component of our marketing philosophy is the ability of our sales personnel to provide technical assistance to customers. Our sales force regularly consults with customers with respect to performance of our products and the customer's particular needs and then communicates with appropriate research and development staff regarding these matters. In conjunction with the research and development staff, sales personnel are often able to recommend a product or suggest a resin blend to produce the product with the characteristics and properties which best suit the customer's requirements. Because we have expanded and continue to expand our product lines, sales personnel are able to offer a broad line of products to our customers.

We generally sell either directly to customers who are end-users of our products or to distributors, including nation-wide brokers, for resale to end-users. In fiscal 2013, 2012 and 2011, approximately 61%, 66%, and 62%, respectively, of our worldwide sales were directly to distributors with the balance representing sales to end-users.

Distribution

We believe that the timely delivery of our products to customers is a critical factor in our ability to maintain and grow our market position. In North America, the majority of our deliveries are by contracted third parties, with approximately 10% of US shipments handled by the AEP Private Fleet (previously referred to as the Webster Fleet). The Fleet is used strategically to support most of the AEP Logistics facilities. We monitor and control all shipments through "On Demand" Transportation Management System (TMS) software. The TMS system provides detailed reports, tracking of every shipment to customer delivery and carrier management. This enables us to better control the distribution process and ensure priority handling and direct transportation of products to our customers, thus improving the speed, reliability and efficiency of delivery.

Because of the geographic dispersion of our plants, we are able to deliver most of our products within a 500 mile radius of our plants. This enables us to reduce our use of warehouse space to store products and utilize the most efficient and economical shipping methods. We also ship products great distances when necessary and export from the United States and Canada.

Research and Development

We have a research and development department with a staff of 17 persons. In addition, other members of management and supervisory personnel, from time to time, devote various amounts of time to research and development activities. The principal efforts of our research and development department are directed to assisting sales personnel in designing specialty products to meet individual customer's needs, developing new products and reformulating existing products to improve quality and/or reduce production costs. During fiscal 2013, we increased the focus of our research and development department on finding lower cost raw material alternatives. Our research and development department has developed a number of products with unique properties, which we consider proprietary, certain of which are protected by patents. In fiscal 2013, 2012 and 2011, we spent $2.3 million, $2.1 million and $2.1 million, respectively, for research and development activities for continuing operations. Research and development expense is included in cost of sales in our consolidated statements of operations.

Intellectual Property

We own a number of patents, trademarks and licenses that relate to some of our products and manufacturing processes, and apply for new patents on significant product and process developments when appropriate. Although we believe that our patents and trademarks collectively provide us with a competitive advantage, we are not dependent on any single patent or trademark. Rather, we believe our success depends on our marketing, manufacturing, and purchasing skills, as well as our ongoing research and development and unpatented proprietary know-how. We believe that the expiration or unenforceability of any of our patents, trademark registrations or licenses would not be material to our financial position or results of operations.

Competition

The business of supplying plastic packaging products is extremely competitive, and we face competition from a substantial number of companies which sell similar and substitute packaging products. Some of our competitors are subsidiaries or divisions of large, international, diversified companies with extensive production facilities, well-developed sales and marketing staffs and substantial financial resources.

We compete principally with (i) local manufacturers, who compete with us in specific geographic areas, generally within a 500 mile radius of their plants, (ii) companies which specialize in the extrusion of a limited group of products, which they market nationally, and (iii) a limited number of manufacturers of flexible packaging products who offer a broad range of products and maintain production and marketing facilities domestically and internationally.

Because many of our products are available from a number of local and national manufacturers, competition is highly price-sensitive and margins are relatively low. We believe that all of our products require efficient, low cost and high-speed production to remain cost competitive. We believe we also compete on the basis of quality, service and product differentiation.

We believe that there are few barriers to entry into many of our markets, enabling new and existing competitors to rapidly affect market conditions. As a result, we may experience increased competition resulting from the introduction of products by new manufacturers. In addition, in several of our markets, products are generally regarded as commodities. As a result, competition in such markets is based almost entirely on price and service.

Environmental Matters

We believe that there are no current environmental matters which would have a material adverse effect on our financial position, results of operations or liquidity. See discussion of environmental risk factors in Item 1A, "Risk Factors."

Employees

At October 31, 2013, we had approximately 2,600 full and part time employees worldwide, including officers and administrative personnel. As of such date, we had three collective bargaining agreements covering 559 employees, which expire in November 2013 (new contract was entered into for a term from December 16, 2013 to December 16, 2018), March 2014 (representing 2% of our workforce) and January 2015, respectively. While we believe that our relations with our employees are satisfactory, a dispute between our employees and us could have a material adverse effect on our business, which could affect our financial position, results of operations and liquidity.

Executive Officers of the Registrant

At January 14, 2014, our executive officers are as follows:

Name	Age	Position
J. Brendan Barba	72	Chairman of the Board of Directors, President and Chief Executive Officer
Paul M. Feeney	71	Executive Vice President, Finance and Chief Financial Officer and Director
John J. Powers	49	Executive Vice President, Sales and Marketing and Director
Paul C. Vegliante	48	Executive Vice President, Operations
Lawrence R. Noll	65	Vice President, Tax and Administration
James B. Rafferty	61	Vice President and Treasurer
Linda N. Guerrera	46	Vice President and Controller

J. Brendan Barba is one of our founders and has been our President and Chief Executive Officer and a director since our inception in January 1970. In 1985, Mr. Barba assumed the additional title of Chairman of the Board of Directors.

Paul M. Feeney has been our Executive Vice President, Finance and Chief Financial Officer and a director since December 1988. From 1980 to 1988, Mr. Feeney was Vice President and Treasurer of Witco Corporation.

John J. Powers has been our Executive Vice President, Sales and Marketing since March 1996 and a director since November 1, 2013. Previously, he served the Company as Vice President, Custom Film Division from 1993 to 1996 and various sales positions from 1989 to 1993.

Paul C. Vegliante has been our Executive Vice President, Operations since December 1999. Prior thereto, he was our Vice President, Operations since June 1997 and held various other positions with us since 1994.

Lawrence R. Noll has been our Vice President, Tax and Administration since April 2007. Previously, he served as Vice President, Controller and Secretary (2005-2007), Vice President and Controller (1996-2005), Secretary (1993-1998), Vice President, Finance (1993-1996), and Controller (1980-1993). He also served as a director of the Company from 1993 to 2004 and from February 2005 to November 1, 2013.

James B. Rafferty has been our Vice President and Treasurer since November 1996 and Secretary from April 2007 to June 2011. Prior thereto, he was our Assistant Treasurer from July 1996 to November 1996. From 1989 to 1995, Mr. Rafferty was Director of Treasury Operations at Borden, Inc.

Linda N. Guerrera has been our Vice President and Controller since April 2007. Previously, she was our Director of Financial Reporting from September 2006 to April 2007 and our Assistant Controller—International Operations from October 1996 to September 2006. Prior to joining the Company, Ms. Guerrera was a manager at Arthur Andersen LLP in New York City.

Certain family relationships exist between our directors and executive officers: Messrs. Powers and Vegliante are the sons-in-law of Mr. Barba; and Ms. Guerrera is the daughter-in-law of Mr. Feeney.

Available Information

Our Internet address is *www.aepinc.com*. In the "Investor Relations" section of our website, we post the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports or statements filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and our proxy statement on Schedule 14A related to our annual stockholders' meeting. All such filings are available on our Investor

Relations web site free of charge. Copies of any of the above-referenced information will also be made available, free of charge, by calling (201) 641-6600 or upon written request to: Corporate Secretary, AEP Industries, Inc., 95 Chestnut Ridge Road, Montvale, NJ 07645. The content on our website is not incorporated by reference into this Form 10-K unless expressly noted.

ITEM 1A. RISK FACTORS

You should carefully consider each of the risks and uncertainties described below and elsewhere in this Annual Report on Form 10-K, as well as any amendments or updates reflected in subsequent filings with the SEC. We believe these risks and uncertainties, individually or in the aggregate, could cause our actual results to differ materially from expected and historical results and could materially and adversely affect our business operations, results of operations, financial condition and liquidity.

Industry Risks

Our business is dependent on the price and availability of resin, our principal raw material, and our ability to pass on resin price increases to our customers.

The principal raw materials that we use in our products are polyethylene and polyvinyl chloride resins. Our ability to operate profitably is dependent, in a large part, on the markets for these resins. These resins are derived from petroleum and natural gas, and therefore prices of such resins fluctuate substantially as a result of changes in petroleum and natural gas prices, demand and the capacity of resin suppliers. Instability in the world markets for petroleum and natural gas could adversely affect the prices of our raw materials and their general availability. Over the past several years, we have at times experienced significant fluctuations in resin prices and availability. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of the impact of resin costs on results of operations in fiscal 2013.

Our ability to maintain profitability is heavily dependent upon our ability to pass through to our customers the full amount of any increase in raw material costs on a timely basis. Since resin costs fluctuate significantly, selling prices are determined generally as a "spread" over resin costs, usually expressed as cents per pound. The historical increases and decreases in resin costs have generally been reflected over a period of time in the sales prices of the products on a penny-for-penny basis. Assuming a constant volume of sales, an increase in resin costs would, therefore, result in increased sales revenues but lower gross profit as a percentage of sales or gross profit margin, while a decrease in resin costs would result in lower sales revenues with a higher gross profit margin. Further, the gap between the time at which an order is taken, resin is purchased, production occurs and shipment is made, has an impact on our financial results and our working capital needs. In a period of rising resin prices, this impact is generally negative to operating results and in periods of declining resin prices, the impact is generally positive to operating results. If there is overcapacity in the production of any specific product that we manufacture and sell, we frequently are not able to pass through the full amount of any cost increase.

Intense competition in the flexible packaging markets may adversely affect our operating results.

The business of supplying plastic packaging products is extremely competitive and the current economic environment has only intensified an already competitive marketplace. The competition in our market is highly price sensitive; we also compete on the basis of quality, service, timely delivery and product differentiation, development and availability. We face intense competition from numerous competitors, including from local manufacturers which specialize in the extrusion of a limited group of products, which they market nationally, and a limited number of manufacturers of flexible packaging products which offer a broad range of products and maintain production and marketing facilities domestically and internationally. Certain of our competitors may have extensive production facilities, well-developed sales and marketing staffs and greater financial resources than we do. We believe that there are few barriers to entry into many of our product markets. As a result, we have experienced, and may continue to experience, competition from new manufacturers. When new manufacturers enter the market for a plastic packaging product or existing manufacturers increase capacity, they frequently reduce prices to achieve increased market share. In addition, we compete with other packaging product manufacturers, many of which can offer consumers non-plastic packaging solutions. Many of these competitors have greater financial resources than we do, and such competition can result in additional pricing pressures, reduced sales and lower margins. An increase in competition could result in material selling price reductions or loss of our market share, which could materially adversely affect our operations and financial condition. There can be no assurance that we will be able to compete successfully in the markets for our products or that competition will not intensify.

We are subject to various environmental and health and safety laws and regulations which govern our operations and which may result in potential liability. In addition, consumer preferences and ongoing health and safety studies on plastics and resins may adversely affect our business.

Our operations are subject to various federal, state, local and foreign environmental laws and regulations which govern:

- discharges into the air and water;
- the storage, handling and disposal of solid and hazardous substances and waste;
- the remediation of soil and ground water contaminated by petroleum products or hazardous substances or waste; and
- the health and safety of our employees.

Compliance with these laws and regulations may require material expenditures by us. Actions by federal, state, local and foreign governments concerning environmental and health and safety matters could result in laws or regulations that could increase the cost of manufacturing our products. In addition, the nature of our current and former operations and the history of industrial uses at some of our manufacturing facilities expose us to the risk of liabilities or claims with respect to environmental and worker health and safety matters. We may also be exposed to claims for violations of environmental laws and regulations by previous owners or operators of our property. Such liability may be imposed without regard to fault, and under certain circumstances, can be joint and several, resulting in one party being held responsible for the entire obligation. In addition, the presence of, or failure to remediate, hazardous substances or waste may adversely affect our ability to sell or rent any property or to use it as collateral for a loan. We also may be liable for costs relating to the investigation, remediation or removal of hazardous waste and substances from a disposal or treatment facility to which we or our predecessors sent waste or materials. We have limited insurance coverage for potential environmental liabilities associated with historic and current operations and we do not anticipate increasing such coverage in the future. We may also assume, or be deemed to assume, significant environmental liabilities in acquisitions.

While we have not been required historically to make significant capital expenditures in order to comply with applicable environmental laws and regulations, we cannot predict with any certainty our future capital expenditure requirements because of potential changes to compliance standards and environmental technology. Furthermore, violations or contaminated sites that we do not know about, including contamination caused by prior owners and operators of such sites, or at sites formerly owned or operated by us or our predecessors in connection with discontinued operations, could result in additional compliance or remediation costs or other liabilities, which could be material.

Additionally, a decline in consumer preference for plastic products due to environmental considerations could have a material adverse effect on our business, financial condition and results of operations. In addition, a number of governmental authorities, both in the United States and abroad, have considered, or are expected to consider, legislation aimed at reducing the amount of plastic wastes disposed. Programs have included, for example, mandating certain rates of recycling and/or the use of recycled materials, imposing deposits or taxes on plastic packaging material and requiring retailers or manufacturers to take back packaging used for their products. Legislation, as well as voluntary initiatives similarly aimed at reducing the level of plastic wastes, could reduce the demand for certain plastic packaging, result in greater costs for plastic packaging manufacturers or otherwise impact our business. Some consumer products companies, including some of our customers, have responded to these governmental initiatives and to perceived environmental concerns of consumers by using containers made in whole or in part of recycled plastic, which we do not manufacture. Future legislation and initiatives could adversely affect us in a manner that would be material.

Also, continuing studies of potential health and safety effects of various resins and plastics, including polyvinyl chlorides and other materials that we use in our products, are being conducted by industry groups, government agencies and others. The results of these studies, along with the development of any other new information, may adversely affect our ability to market and sell certain of our products or may give rise to claims for damages from persons who believe they have been injured by such products, any of which could adversely affect our operations and financial condition.

The Food and Drug Administration ("FDA") regulates the material content of direct-contact food and drug packages we manufacture pursuant to the Federal Food, Drug and Cosmetic Act. Furthermore, some of our products are regulated by the Consumer Product Safety Commission ("CPSC") pursuant to various federal laws, including the Consumer Product Safety Act and the Poison Prevention Packaging Act. Both the FDA and the CPSC can require the manufacturer of defective products to repurchase or recall these products and may also impose fines or penalties on the manufacturer. Similar laws exist in some states, cities and other countries in which we sell products. In addition, laws exist in certain states restricting the sale of packaging with certain levels of heavy metals and imposing fines and penalties for noncompliance. Although we use FDA-approved resins and pigments in our products that directly contact food and drug products and we believe our products are in material compliance with all applicable requirements, we remain subject to the risk that our products could be found not to be in compliance with these and other requirements. A recall of any of our products or any fines and penalties imposed in connection with non-compliance could have a materially adverse effect on us.

Company Risks

Disruptions in the global economic and financial market environment may have a negative effect on our business and operations.

Disruptions in the global economy and volatility in the financial markets could cause, among other things, lower levels of liquidity, increased borrowing rates, increased rates of default and bankruptcy, lower consumer and business spending, and lower consumer net worth, all of which may have a negative effect on our business, results of operations, financial condition and liquidity. Customers, distributors and suppliers may be negatively affected by the ongoing impacts of the economic and financial market difficulties. Current or potential customers and suppliers may no longer be in business, may be unable to fund purchases or may determine to reduce purchases, all of which could lead to reduced demand for our products, reduced gross margins and increased customer payment delays or defaults. Further, suppliers may not be able to supply us with needed raw materials on a timely basis, may increase prices or may go out of business, which could result in our inability to meet consumer demand or affect our gross margins. We are also limited in our ability to reduce costs to offset the results of a prolonged or severe economic downturn given certain fixed costs associated with our operations, difficulties if we overstrained our resources, and our long-term business approach that necessitates we remain in position to respond when market conditions improve. Future weakness in the global economy could adversely affect our operations, financial condition and cash flows in future periods.

See "—Financial Risks" below for a discussion of additional risks to our liquidity resulting from the current economic and financial market environment.

The loss of a key supplier could lead to increased costs and lower profit margins.

The majority of the resins purchased by us are purchased under supply contracts which are typically renewed annually. In fiscal 2013, we purchased approximately 28%, 26% and 19% of our resin requirements from our three largest suppliers. Each of these suppliers produces resins in multiple locations, and should any one, or a combination of these locations fail to meet our needs, we believe sufficient capacity exists among our remaining contract holders, the open market and the secondary markets to supply any shortfall that may result. Nevertheless, it is not always possible to replace a specialty resin without a disruption in our operations and replacement of significant supply is often at higher prices.

We negotiate and award our supply contracts annually. The resin contracts generally serve to establish the basic terms and conditions between the parties, including rebates based on the volume of resin purchases, but do not bind us in a materially significant way. Should any of our existing relationships fail to bid or survive the bid process, the position previously enjoyed by that contract holder typically migrates to another supplier. While this process has served us well in the past, there is no guarantee that the future replacement of any supplier will always result in a more effective and efficient relationship in the future.

We have limited contractual relationships with our customers and, as a result, our customers may unilaterally reduce the purchase of our products. The loss of several customers could, in the aggregate, materially adversely affect our operations and financial condition.

A substantial portion of our business is in the merchant market, in which we do not have long-term contractual relationships with our customers. As a result, our customers may unilaterally reduce the purchase of our products or, in certain cases, terminate existing orders for which we may have incurred significant production costs. The loss of several customers could, in the aggregate, materially adversely affect our operations and financial condition.

Many of our larger packaging customers are multinational companies that purchase large quantities of packaging materials. Many of these companies are purchasers with centralized procurement departments. They generally enter into supply arrangements through a tender process of soliciting bids from several potential suppliers and selecting the winning bid based on several attributes, including price and service. The significant negotiating leverage possessed by many of our customers and potential customers limits our ability to negotiate supply arrangements with favorable terms and creates pricing pressure, reducing margins industry wide. In addition, our customers may vary their order levels significantly from period to period, and customers may not continue to place orders with us in the future at the same levels as in prior periods. In the event we lose any of our larger customers, we may not be able to quickly replace that revenue source, which could harm our financial results.

Loss of third-party transportation providers upon whom we depend or increases in fuel prices could increase our costs or cause a disruption in our operations.

We depend generally upon third-party transportation providers for delivery of our products to our customers. Strikes, slowdowns, transportation disruptions or other conditions in the transportation industry, including, but not limited to, shortages of truck drivers, disruptions in rail service, decreases in the availability of vessels or increases in fuel prices, could increase our costs and disrupt our operations and our ability to service our customers on a timely basis.

We may, from time to time, experience problems in our labor relations.

Unions represent 559 employees, or 21% of our workforce, at October 31, 2013, under three collective bargaining agreements which expire in November 2013 (new contract was entered into for a term from December 16, 2013 to December 16, 2018), March 2014 (representing 2% of our workforce) and January 2015, respectively. Although we believe that our present labor relations with our employees are satisfactory, our failure to renew these agreements on reasonable terms could result in labor disruptions and increased labor costs, which could adversely affect our financial performance.

We cannot assure you that our relations with the unionized portion of our workforce will remain positive or that such employees will not initiate a strike, work stoppage or slowdown in the future. In the event of such an action, our business, prospects, results of operations and financial condition could be adversely affected and we cannot assure you that we would be able to adequately meet the needs of our customers using our remaining workforce. In addition, we cannot assure you that we will not have similar actions with our non-unionized workforce or that our non-unionized workforce will not become unionized in the future.

Acquisitions inherently involve significant risks and uncertainties.

We continually review acquisition opportunities that will enhance our market position, expand our product lines and provide sufficient synergies. Any of the following risks associated with our past acquisitions or future acquisitions, individually or in aggregate may have a material adverse effect on our business, financial condition, operating results or stock price:

- difficulties in realizing anticipated financial or strategic benefits of such acquisition;
- diversion of capital from other uses and potential dilution of stockholder ownership;
- the risks related to increased indebtedness;
- significant capital expenditures may be required to integrate acquisition into our operations;
- disruption of our ongoing business or the ongoing acquired business, including impairment of existing relationships with our employees, distributors, suppliers or customers or those of the acquired companies;
- diversion of management's attention and other resources from current operations, including potential strain on financial and managerial controls and reporting systems and procedures;
- difficulty in integrating acquired operations, including restructuring and realigning activities, personnel, technologies and products, including the loss of key employees, distributors, suppliers or customers of acquired businesses;
- inability to realize cost savings, sales increases or other benefits that we anticipate from such acquisitions, either as to amount or in the expected time frame;
- the risks of managing new product lines or new business segments within the plastic packaging films industry;
- assumption of known and unknown liabilities, some of which may be difficult or impossible to quantify; and
- non-cash impairment charges or other accounting charges relating to the acquired assets.

We are dependent on the management experience of our key personnel and our ability to attract and retain additional personnel.

Our future success depends to a large extent on the experience and continued services of our key managerial employees, including J. Brendan Barba, our Chairman, President and Chief Executive Officer, and Paul M. Feeney, our Executive Vice President, Finance and Chief Financial Officer, both of whom are also directors. We do not maintain key-person insurance for any of our officers. We may not be able to retain our executive officers and key personnel or attract additional qualified key employees in the future. Competition for qualified employees is intense, and the loss of such persons, or an inability to attract, retain and motivate additional highly skilled employees, could have a material adverse effect on our results of operations and financial condition and prospects. There can be no assurance that we will be able to retain our existing personnel or attract and retain additional qualified employees.

Our executive officers beneficially own a substantial amount of our common stock and have significant influence over our business.

At October 31, 2013, our executive officers beneficially owned 1,098,978 shares of our common stock, representing 20% of our outstanding shares as of such date. Their ownership and voting control, together with their duties as executive officers and directors, gives them significant influence on the outcome of corporate transactions or other matters submitted to the Board of Directors or stockholders for approval, including acquisitions, mergers, consolidations and the sale of all or substantially all of our assets.

Our business is subject to risks associated with manufacturing processes.

We internally manufacture our own products at our production facilities. While we maintain insurance covering our manufacturing and production facilities, including business interruption insurance, a catastrophic loss of the use of all or a portion of our facilities due to accident, fire, explosion, labor issues, weather conditions, other natural disaster or otherwise, whether short or long-term, could have a material adverse effect on us.

Unexpected failures of our equipment and machinery may result in production delays, revenue loss and significant repair costs, injuries to our employees, and customer claims. Any interruption in production capability may require us to make large capital expenditures to remedy the situation, which could have a negative impact on our profitability and cash flows. Our business interruption insurance may not be sufficient to offset the lost revenues or increased costs that we may experience during a disruption of our operations.

Failure of our information technology systems could negatively affect our business.

We depend on information technology to record and process Company and customer transactions and to maintain the financial accuracy of our business records. The Company's information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, acts of sabotage, hardware failures, computer viruses, telecommunication failures, user errors or catastrophic events. Failure to effectively prevent, detect and recover from system failures, viruses, security breaches or other cyber incidents could significantly disrupt our operations or result in lost or misappropriated information, which could adversely affect our financial position, results of operations or cash flows.

Financial Risks

Our substantial debt could adversely affect our financial health and prevent us from fulfilling our obligations under our indebtedness.

As of October 31, 2013, we had $242.3 million of total debt outstanding (including capital lease obligations of $12.4 million).

Our substantial debt could have important consequences to you. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our debt;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby limiting our ability to fund working capital, capital expenditures and other general corporate purposes;

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that may have less debt; and
- limit, among other things, our ability to borrow additional funds.

We and our subsidiaries may be able to incur substantial additional debt in the future. As of October 31, 2013, we would have been permitted to borrow up to an additional $123.3 million under the credit facility (after taking into account $1.1 of outstanding letters of credit) and $4.8 million under our foreign credit facility, in each case based on the respective available borrowing base. As of October 31, 2013, we had $25.6 million in borrowings under our credit facilities. In addition, the terms of the indenture that governs the senior notes do not prohibit us or our subsidiaries from issuing and incurring additional debt upon satisfaction of certain conditions. If new debt is added to our current debt levels, the related risks described above that we and our subsidiaries face could intensify.

To service our debt or redeem such debt upon a change of control, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to service our debt and to fund our operations and planned capital expenditures will depend on our financial and operating performance. This, in part, is subject to prevailing economic conditions and to financial, business and other factors beyond our control. If our cash flow from operations is insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, obtain additional equity capital or indebtedness, or refinance or restructure our debt. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial cash flow problems and might be required to sell material assets or operations to meet our debt service and other obligations. We cannot assure you as to the timing of such sales or the proceeds that we could realize from such sales or if additional debt or equity financing would be available on acceptable terms, if at all.

A provision of the senior notes requires us, upon a change of control, to offer to purchase the outstanding senior notes. If a change of control were to occur and we could not obtain a waiver or if we do not have the funds to make the purchase, we would be in default under the senior notes, which could, in turn, cause any of our debt to which a cross-acceleration or cross-default provision applies to become immediately due and payable. If our debt were to be accelerated, we cannot assure you that we would be able to repay it.

We are subject to a number of restrictive debt covenants which may restrict our business and financing activities.

Our credit facility and the indenture that governs the senior notes contain restrictive debt covenants that, among other things, restrict our ability to:

- borrow money;
- pay dividends and make distributions;
- issue stock of subsidiaries;
- make certain investments;
- repurchase stock;
- use assets as security in other transactions;
- create liens;

- enter into affiliate transactions;
- merge or consolidate; and
- transfer and sell assets.

Our agreement relating to the indebtedness of our Canadian subsidiary also contains certain of these restrictive debt covenants.

In addition, our credit facility also requires us to meet certain financial tests, and our agreement relating to the indebtedness of our Canadian subsidiary requires it to meet certain financial tests. These restrictive covenants may limit our ability to expand or to pursue our business strategies. Furthermore, any indebtedness that we incur in the future may contain similar or more restrictive covenants.

Our ability to comply with the restrictions contained in our credit facility, the senior notes indenture and the agreement relating to the indebtedness of our Canadian subsidiary may be affected by changes in our business condition or results of operations, adverse regulatory developments or other events beyond our control. A failure to comply with these restrictions could result in a default under our credit facility, the senior notes indenture and the agreement relating to the indebtedness of our Canadian subsidiary, or any other subsequent financing agreement, which could, in turn, cause any of our debt to which a cross-acceleration or cross-default provision applies to become immediately due and payable. If our debt were to be accelerated, we cannot assure you that we would be able to repay it. In addition, a default could give our lenders the right to terminate any commitments that they had made to provide us with additional funds.

Risks Related to an Investment in Our Common Stock

Our common stock price has been and may continue to be volatile.

The market price of our common stock has fluctuated regularly in the past. The market price of our common stock will continue to be subject to significant fluctuations in response to a variety of factors, including:

- fluctuations in operating results, including as a result of changes in resin prices, LIFO reserve, and the other variables;
- our liquidity needs and constraints;
- the business environment, including the operating results and stock prices of companies in the industries we serve;
- changes in general conditions in the U.S. and global economies or financial markets, including those resulting from war, incidents of terrorism and natural disasters or responses to such events;
- announcements concerning our business or that of our competitors or customers;
- acquisitions and divestitures;
- the introduction of new products or changes in product pricing policies by us or our competitors;
- change in earnings estimates or recommendations by research analysts who track our common stock or the stocks of other companies in our industry or failure of analysts to cover our common stock;
- changes in accounting standards, policies, guidance, interpretations or principles;
- sales of common stock by our employees, directors and executive officers;

- prevailing interest rates; and
- perceived dilution from stock issuances.

Some companies that have had volatile market prices for their securities have been subject to securities class action suits filed against them. If a suit were to be filed against us, regardless of the outcome, it could result in substantial costs and a diversion of our management's attention and resources. This could have a material adverse effect on our business, results of operation and financial condition.

Although our common stock has had increased trading volume in recent months, our common stock generally has had a low trading volume historically, which could cause further volatility in our stock.

Shares of common stock eligible for future sale, and additional equity offerings by us, may adversely affect our common stock price.

The market price of our common stock could decline as a result of sales of substantial amounts of additional shares of our common stock in the public market or in connection with future acquisitions, or the perception that such sales could occur. This could also impair our ability to raise additional capital through the sale of equity securities at a time and price favorable to us. As of October 31, 2013, under our certificate of incorporation, as amended, we are authorized to issue 30 million shares of common stock, of which 5.6 million shares of common stock were outstanding, 0.1 million shares of common stock were issuable related to the exercise of currently outstanding stock options and 0.2 million shares of common stock were issuable related to settlement of performance units if the performance unit holders elect settlement in stock.

We may also decide to raise additional funds through public or private equity financing to fund our operations or for other business purposes. New issuances of equity securities would reduce your percentage ownership in us and the new equity securities could have rights and preferences with priority over those of our common stock.

Delaware law and our charter documents may impede or discourage a takeover, which could cause the market price of our shares to decline.

We are a Delaware corporation and the anti-takeover provisions of Delaware law imposes various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. For example, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder.

In addition, our restated certificate of incorporation and seventh amended and restated by-laws contain provisions that may discourage, delay or prevent a third party from acquiring us, even if doing so would be beneficial to our stockholders. These provisions include:

- requiring supermajority approval of stockholders for certain business combinations or an amendment to, or repeal of, the by-laws;
- prohibiting stockholders from acting by written consent without Board approval;
- prohibiting stockholders from calling special meetings of stockholders;
- establishing a classified Board of Directors, which allows approximately one-third of our directors to be elected each year;
- limitations on the removal of directors;

- advance notice requirements for nominating candidates for election to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;
- permitting the Board of Directors to amend or repeal the by-laws; and
- permitting the Board of Directors to designate one or more series of preferred stock.

Further, on March 31, 2011, our Board adopted a stockholder rights plan, which is designed to assure that all of our stockholders receive fair and equal treatment in the event of any proposed takeover of the Company and to guard against partial tender offers, open market accumulations and other abusive or coercive tactics without paying stockholders a control premium. The stockholder rights plan may have anti-takeover effects by discouraging potential proxy contests and other takeover methods, particularly those that have not been negotiated with the Board, and the stockholder rights plan may also inhibit the acquisition of a controlling position in our common stock. Therefore, transactions may not occur that stockholders would otherwise support and/or from which they would receive a substantial premium for their shares over the current market price. The stockholder rights plan may also make it more difficult to remove members of the current Board or management.

Our issuance of preferred stock could adversely affect holders of our common stock.

We are currently authorized to issue 1,000,000 shares of preferred stock in accordance with our restated certificate of incorporation, 30,000 of which is designated as Series A Preferred Stock in connection with the stockholder rights plan and none of which is issued and outstanding. Our Board of Directors has the power, without stockholder approval, to set the terms of any such series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over our common stock with respect to dividends or if we liquidate, dissolve or wind up our business and other terms. If we issue preferred stock in the future that has preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

In July 2012, we purchased a 48,000 square foot corporate headquarters building in Montvale, New Jersey and occupied the space in November 2013. We had previously been leasing a building in South Hackensack, New Jersey. The Company has agreed to an early buyout of the lease obligation with the lessor which will be effective in early 2014. We are also currently maintaining the headquarters of Webster which is located in a leased building in Peabody, Massachusetts; such lease ends in October 2014.

The following table describes the manufacturing and warehousing facilities that we owned or leased and utilized for operations as of October 31, 2013. All of these facilities are located in the United States and Canada. The Wright Township, Pennsylvania facility is pledged under the Pennsylvania industrial loans. The following chart sets forth the square footage of such manufacturing facilities, including warehousing space.

Location	Approximate Square Footage	Types of Film Produced
Alsip, Illinois	182,000	Custom
Bowling Green, Kentucky(A)	171,000	Printed and converted, custom, PROformance
Chino, California	275,000	Custom and stretch
Griffin, Georgia	322,000	Food contact, other products and specialty films
Mankato, Minnesota	104,000	Custom, PROformance
Mankato, Minnesota	65,000	Other products and specialty films
Matthews, North Carolina	394,000	Custom and stretch
Montgomery, Alabama	125,000	Food contact
Montgomery, Alabama	130,000	Canliners, Food contact
Nicholasville, Kentucky	125,000	Stretch
Tulsa, Oklahoma	126,000	Stretch
Waxahachie, Texas	278,000	Custom, Canliners
West Hill, Ontario, Canada	138,000	Food contact
Wright Township, Pennsylvania	433,000	Custom, PROformance and stretch
Total	2,868,000	

(A) The Company exercised its option to purchase this facility, which was previously leased by the Company. The closing occurred on December 31, 2012.

As of October 31, 2013, we also had a manufacturing facility located in Cartersville, Georgia that was part of the Atlantis acquisition in 2008. Production in Cartersville ceased on October 31, 2009, although we remain party to the facility lease ending July 31, 2015. Beginning in January 2011, we entered into a sublease for the Cartersville property aggregating $0.3 million in sublease income for the period January 2013 to July 2015.

We believe that all of our properties are well maintained and in good condition, and that the current operating facilities are adequate for present and immediate future business needs.

As of October 31, 2013, our manufacturing facilities (excluding Cartersville) had a combined average annual production capacity exceeding one billion pounds.

ITEM 3. LEGAL PROCEEDINGS

We are, from time to time, party to litigation arising in the normal course of our business. We believe that there are currently no legal proceedings, the outcome of which would have a material adverse effect on our financial position, cash flows or our results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is quoted on the Nasdaq Global Select Market under the symbol "AEPI." The high and low closing prices for our common stock, as reported by the Nasdaq Global Select Market for the two fiscal years ended October 31, 2012 and 2013, respectively, are as follows:

Fiscal Year and Period	Price Range High	Price Range Low
2012		
First quarter (November-January)	$33.04	$21.63
Second quarter (February-April)	35.85	32.75
Third quarter (May-July)	47.20	33.73
Fourth quarter (August-October)	65.09	46.27
2013		
First quarter (November-January)	$64.80	$52.97
Second quarter (February-April)	77.10	63.05
Third quarter (May-July)	85.27	65.85
Fourth quarter (August-October)	89.54	59.42

On January 9, 2014, the closing price for a share of our common stock, as reported by the Nasdaq Global Select Market, was $50.44.

Holders

On January 9, 2014, our common stock was held by over 1,000 stockholders of record. A substantially greater number of holders are beneficial owners whose shares are held of record by banks, brokers and other nominees.

Dividends

No dividends have been paid to stockholders since December 1995. The payment of future dividends is within the discretion of the Board of Directors and will depend upon business conditions, our earnings and financial condition and other relevant factors. The payments of future dividends, however, are restricted and subject to a number of covenants under our credit facility and under the indenture governing our 8.25% senior notes. The Company does not anticipate paying dividends in the foreseeable future.

Purchases of Equity Securities by the Issuer

There were no shares of our common stock repurchased during the quarter ended October 31, 2013.

Performance Graph

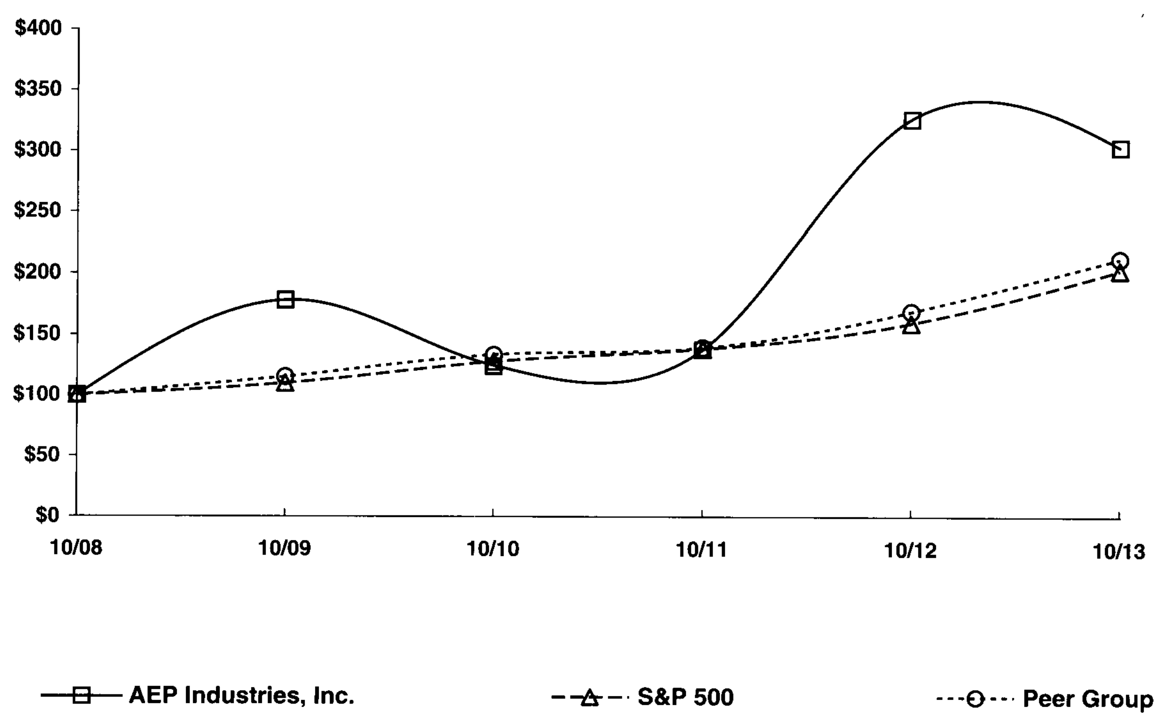
The following graph compares, for the five-year period ended on October 31, 2013, the cumulative total stockholder return of our common stock against the cumulative total stockholder return of:

- the S&P 500 Index; and
- a peer group consisting of ten publicly traded plastic manufacturing companies that we have selected. The companies in the peer group are as follows: Aptargroup, Inc., Astronics Corporation, Ball Corporation, Bemis Company, Inc., Crown Holdings, Inc., Dean Foods Company, Intertape Polymer Group Inc., Silgan Holdings Inc., Sonoco Products Company, and West Pharmaceutical Services, Inc.

The graph assumes $100 was invested on October 31, 2008 in our common stock, the S&P 500 Index and the peer group consisting of ten companies, and the reinvestment of all dividends.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among AEP Industries, Inc., the S&P 500 Index, and a Peer Group



ITEM 6. SELECTED FINANCIAL DATA

The following table presents our selected financial data. The table should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", and Item 8, "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K.

	For the Years Ended October 31,				
	2013	2012	2011	2010	2009
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Net sales	$1,143,852	$1,152,535	$974,792	$800,570	$744,819
Gross profit	154,472	182,743	128,722	110,074	160,436
Operating income	33,316	55,648	25,231	15,720	60,387
Interest expense	(18,713)	(19,077)	(19,178)	(15,206)	(15,749)
Other income, net(1)	1,360	829	8,418	455	4,785
Income from continuing operations before provision for income taxes	15,963	37,400	14,471	969	49,423
Provision for income taxes	(5,215)	(14,248)	(2,083)	(1,492)	(18,994)
Income (loss) from continuing operations	10,748	23,152	12,388	(523)	30,429
(Loss) income from discontinued operations	—	—	—	(43)	1,099
Net income (loss)	$ 10,748	$ 23,152	$ 12,388	$ (566)	$ 31,528
Basic Earnings (Loss) per Common Share:					
Income (loss) from continuing operations	$ 1.93	$ 4.20	$ 2.10	$ (0.08)	$ 4.48
(Loss) income from discontinued operations	$ —	$ —	$ —	$ (0.01)	$ 0.16
Net income (loss) per common share	$ 1.93	$ 4.20	$ 2.10	$ (0.08)	$ 4.65
Diluted Earnings (Loss) per Common Share:					
Income (loss) from continuing operations	$ 1.92	$ 4.16	$ 2.09	$ (0.08)	$ 4.45
(Loss) income from discontinued operations	$ —	$ —	$ —	$ (0.01)	$ 0.16
Net income (loss) per common share	$ 1.92	$ 4.16	$ 2.09	$ (0.08)	$ 4.61
Cash dividends declared and paid	—	—	—	—	—

	2013	2012	2011	2010	2009
Consolidated Balance Sheet Data (at period end):					
Total assets(2)	$ 471,563	$ 431,443	$415,669	$350,796	$360,070
Total debt (including current portion and capital leases)	242,266	217,332	238,515	191,083	176,425
Shareholders' equity	85,413	73,729	49,986	56,630	75,800

(1) Fiscal year 2013, 2012 and 2011 includes a gain on bargain purchase of a business of $1.0 million, $17,000 and $8.3 million, respectively, and fiscal year 2009 includes a $5.3 million gain on extinguishment of debt, net.

(2) In October 2011, we acquired the Webster assets for a purchase price of $25.9 million. The preliminary amount at October 31, 2011 recognized for the fair value of assets acquired was $51.7 million, with net working capital of $32.0 million. The amounts were increased in 2012 by $0.2 million based on the settlement of the net current asset adjustment and the finalization of the fair value allocated to property, plant and equipment. The acquisition was financed through a combination of cash on hand and availability under our credit facility.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a reader of our financial statements with a narrative explanation from the perspective of our management on our business, financial condition, results of operations, and cash flows. Our MD&A is presented in six sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Contractual Obligations and Off-Balance-Sheet Arrangements
- Critical Accounting Policies and
- New Accounting Pronouncements

Investors should review this MD&A in conjunction with the consolidated financial statements and related notes included in Item 8, "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K.

Overview

AEP Industries Inc. is a leading manufacturer of plastic packaging films. We manufacture and market an extensive and diverse line of polyethylene and polyvinyl chloride flexible packaging products, with consumer, industrial and agricultural applications. Our plastic packaging films are used in the packaging, transportation, beverage, food, automotive, pharmaceutical, chemical, electronics, construction, agriculture, carpeting, furniture and textile industries.

We manufacture plastic films, principally from resins blended with other raw materials, which we either sell or further process by printing, laminating, slitting or converting. Our processing technologies enable us to create a variety of value-added products according to the specifications of our customers. Our manufacturing operations are located in the United States and Canada.

The primary raw materials used in the manufacture of our products are polyethylene and polyvinyl chloride resins. The prices of these materials are primarily a function of the price of petroleum and natural gas, and therefore typically are volatile. Since resin costs fluctuate, selling prices are generally determined as a "spread" over resin costs, usually expressed as cents per pound. Consequently, we review and manage our operating revenues and expenses on a per pound basis. The historical increases and decreases in resin costs have generally been reflected over a period of time in the sales prices of the products on a penny-for-penny basis. Assuming a constant volume of sales, an increase in resin costs would, therefore, result in increased sales revenues but lower gross profit as a percentage of sales or gross profit margin, while a decrease in resin costs would result in lower sales revenues with higher gross profit margins. Further, the gap between the time at which an order is taken, resin is purchased, production occurs and shipment is made, has an impact on our financial results and our working capital needs. In a period of rising resin prices, this impact is generally negative to operating results and in periods of declining resin prices, the impact is generally positive to operating results.

Fiscal 2013 Operational Developments

During fiscal 2013, we furthered our strategic plan to create additional long-term value for shareholders by enhancing our position as the preferred supplier of flexible packaging solutions in North America, investing in capital expenditures in our growing product lines and strengthening our balance sheet. In particular,

- On November 8, 2012, we completed the purchase of certain machinery and equipment and related assets necessary to manufacture the printed, converted and custom films of Transco, a Quebec company, for a purchase price of $5.3 million (deposit was made in October 2012), excluding a one-year commission and transition service costs. During fiscal 2013, we incurred an additional $5.6 million in capital expenditures and infrastructure enhancements to accommodate and install this machinery and equipment.
- In December 2012, we purchased our Bowling Green, Kentucky facility for $3.4 million by exercising our land purchase option in the lease. We had been previously leasing this building at a cost of approximately $58,000 per month, excluding utility costs.
- During 2013, we invested $46.7 million in capital expenditures, the largest annual capital expenditures in the Company's history. We incurred $10.2 million of capital expenditures related to completing the upgrade of Webster's machinery and equipment, $1.1 million of which was financed through a capital lease, as well as invested in new infrastructure and new machinery and equipment in order to boost output and productivity in those product lines we believe provide us the best growth opportunities, satisfy increasing demand in certain product lines and improve customer service.
- In July 2012, we purchased a 48,000 square foot corporate headquarters building in Montvale, New Jersey and occupied the space in November, 2013. We had been previously leasing a building.
- Volume sold in fiscal 2013 was negatively impacted by disruptions resulting from the movement and installation of equipment related to the Webster and Transco acquisitions. We had expected up to $30 million in sales from the Transco acquisition during fiscal 2013. Due to damages sustained to one of the print presses during delivery, we recognized only $10 million. An insurance claim has been filed related to the property damage and the resulting business interruption.

Market Conditions

As discussed above, the primary raw materials used in the manufacture of our products are polyethylene and polyvinyl chloride resins. In recent years, the market for resins has been extremely volatile. Average resin costs during the fiscal year ended October 31, 2013 were 4% or $0.03 per pound higher than the average resin costs during the fiscal year ended October 31, 2012. Over the twelve-month period ended October 31, 2013, average resin prices increased a net $0.14 per pound. We believe that resin prices will remain volatile in fiscal 2014 with continued uncertainty in resin price trending. In order to maintain margins, it is essential that resin cost increases be matched by selling price adjustments. Although we have made progress in shortening the time lag in adjusting sell prices, we still have customers whose prices adjust quarterly or are index price based. There can be no assurance that we will be able to pass on resin price increases on a penny-for-penny basis on a timely basis or will be able to continue to secure sufficient supply.

The marketplace in which we sell our products remains very competitive, and has been further complicated in recent years by adverse economic circumstances affecting many of our customers, distributors and suppliers. Although there have been some positive signs of stabilization, the impact of the recession continues in certain of our markets. It is, however, difficult to predict the continuing pace of marketplace consolidation or the impact of current and future economic circumstances on our business. The economy may continue to strain the resources of our customers, distributors and suppliers and negatively impact our businesses and operations.

In recent years, we have implemented cost-reduction initiatives and invested in machinery and equipment to increase efficiency to meet the challenges of a volatile economic environment, as well as take advantage of opportunities in the marketplace. We are limited, however, in our ability to reduce costs to offset the results of a prolonged or severe downturn given the fixed cost nature of our business combined with our long term business strategy which demands that we remain in a position to respond when market conditions improve. We believe the implementation of these cost-reduction initiatives, as well as our recent capital expenditures, have and will continue to minimize the impact of any adverse economic or financial conditions.

Defined Terms

The following table illustrates the primary costs classified in each major operating expense category:

Cost of Sales:	Materials, including packaging Fixed manufacturing costs Labor, direct and indirect Depreciation Inbound freight charges, including intercompany transfer freight charges Utility costs used in the manufacturing process Research and development costs Quality control costs Purchasing and receiving costs Any inventory adjustments, including LIFO adjustments, Warehousing costs
Delivery Expenses:	All costs related to shipping and handling of products to customers, including transportation costs by third party providers
Selling, General and Administrative Expenses:	Personnel costs, including salaries, bonuses, commissions and employee benefits Facilities and equipment costs Insurance Professional fees, including audit and Sarbanes-Oxley compliance

Our gross profit may not be comparable to that of other companies, since some companies include all the costs related to their distribution network in costs of sales and others, like us, include costs related to the shipping and handling of products to customers in delivery expenses, which is not a component of our cost of sales.

Results of Operations—Fiscal 2013 Compared to Fiscal 2012

The following table presents selected financial data for fiscal 2013 and 2012 (dollars per lb. sold is calculated by dividing the applicable consolidated statement of operations category by pounds sold in the period):

	For the Years Ended October 31,					
	2013		2012		% increase/ (decrease) of $	$ increase/ (decrease)
	$	$ Per lb. sold	$	$ Per lb. sold		
	(in thousands, except for per pound data)					
Net sales	$1,143,852	$ 1.19	$1,152,535	$ 1.18	(0.8)%	$ (8,683)
Gross profit	154,472	0.16	182,743	0.19	(15.5)%	(28,271)
Operating expenses:						
Delivery	53,546	0.06	52,989	0.06	1.1%	557
Selling	38,825	0.04	41,404	0.04	(6.2)%	(2,579)
General and administrative	28,770	0.03	32,424	0.03	(11.3)%	(3,654)
Total operating expenses	$ 121,141	$ 0.13	$ 126,817	$ 0.13	(4.5)%	$ (5,676)
Pounds sold		959,234 lbs.		973,833 lbs.		

Net Sales

The decrease in net sales for fiscal 2013 was the result of a 1% decrease in sales volume negatively affecting net sales by $17.4 million partially offset by a 1% increase in average selling prices, primarily attributable to the pass-through of higher resin costs to customers during the comparable periods, positively affecting net sales by $9.8 million. Volume sold in fiscal 2013 was negatively impacted primarily by disruptions resulting from the movement and installation of equipment related to the Webster and Transco acquisitions. Fiscal 2013 also included a $1.1 million negative impact of foreign exchange relating to our Canadian operations.

Gross Profit

There was a $9.9 million increase in the LIFO reserve during fiscal 2013 versus a $1.2 million decrease in the LIFO reserve during fiscal 2012, representing an increase of $11.1 million year-over-year. Excluding the impact of the LIFO reserve change during fiscal 2013 and an increase in depreciation expense of $5.1 million, gross profit decreased $12.1 million resulting primarily from decreased volumes sold and from increased manufacturing costs, including costs incurred as we realigned our plants to better align with market demand and increase manufacturing capabilities.

Operating Expenses

Operating expenses decreased $5.7 million during fiscal 2013 versus fiscal 2012. Included in the prior year period was $0.6 million of acquisition-related fees associated with the Webster acquisition. Excluding such fees, operating expenses decreased $5.1 million primarily due to a $2.3 million decrease in share-based compensation costs associated with our stock options and performance units, a $2.6 million decrease in provisions related to employee cash performance incentives and $0.7 million of lower professional fees, partially offset by an increase of $0.6 million in delivery expenses primarily due to higher fuel costs and temporarily increased inter-plant transportation costs incurred to maintain traditional customer service levels as manufacturing sites were realigned, and $0.8 million in severance costs associated with our Webster operations.

Interest Expense

Interest expense for fiscal 2013 decreased $0.4 million as compared to the prior year period resulting primarily from lower average borrowings on our credit facility reducing interest expense by

$0.5 million and an increase in an unrealized gain on our interest rate swap of $0.3 million as compared to the prior year period, partially offset by $0.4 million of additional interest expense on new capital leases and interest expense on the mortgage note which was entered into on July 25, 2012.

Gain On Bargain Purchase of a Business

Gain on bargain purchase of $1.0 million during fiscal 2013 resulted from the fair value of the identifiable assets acquired in the Transco acquisition exceeding the purchase price (see Note 3).

Other, Net

Other, net for fiscal 2013 amounted to $0.4 million in income, as compared to $0.8 million in income for fiscal 2012. The change between the periods is primarily attributable to the reclassification of $0.7 million of accumulated foreign currency translation gains related to our New Zealand operations into the statement of operations during fiscal 2012 as a result of the final liquidation of this subsidiary.

Income Tax Provision

The provision for income taxes for fiscal 2013 was $5.2 million on income before the provision for income taxes of $16.0 million. The difference between the effective tax rate of 32.7% and the U.S. statutory tax rate of 35.0% primarily relates to the differential in the U.S. and Canadian statutory rates (-3.4%) and the non-taxable gain on bargain purchase (-2.2%), partially offset by a provision for state taxes in the United States, net of federal benefit (+2.3%) and foreign withholding taxes paid and accrued (+2.3%).

The provision for income taxes for fiscal 2012 was $14.2 million on income before the provision for income taxes of $37.4 million. The difference between the effective tax rate of 38.1% and the U.S. statutory tax rate of 35.0% primarily relates to a deferred tax liability for the undistributed earnings of our Canadian subsidiary (+2.8%), foreign withholding taxes paid and accrued (+2.8%) and current periods state income taxes (+3.8%), partially offset by a reduction in the valuation allowance for foreign tax credits (-4.8%) and the differential in the U.S. and Canadian statutory rates (-1.1%).

Reconciliation of Non-GAAP Measures to GAAP

We define Adjusted EBITDA as net income (loss) before discontinued operations, interest expense, income taxes, depreciation and amortization, changes in LIFO reserve, other non-operating income (expense) and share-based compensation expense (income). We believe Adjusted EBITDA is an important measure of operating performance because it allows management, investors and others to evaluate and compare our core operating results, including our return on capital and operating efficiencies, from period to period by removing the impact of our capital structure (interest expense from our outstanding debt), asset base (depreciation and amortization), tax consequences, changes in LIFO reserve (a non-cash charge/benefit to our consolidated statements of operations), other non-operating items and share-based compensation. Furthermore, we use Adjusted EBITDA for business planning purposes and to evaluate and price potential acquisitions. In addition to its use by management, we also believe Adjusted EBITDA is a measure widely used by securities analysts, investors and others to evaluate the financial performance of our company and other companies in the plastic films industry. Other companies may calculate Adjusted EBITDA differently, and therefore our Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

Adjusted EBITDA is not a measure of financial performance under U.S. generally accepted accounting principles (GAAP), and should not be considered in isolation or as an alternative to net income (loss), cash flows from operating activities and other measures determined in accordance with GAAP. Items excluded from Adjusted EBITDA are significant and necessary components to the operations of our business, and, therefore, Adjusted EBITDA should only be used as a supplemental measure of our operating performance.

The following is a reconciliation of our net income, the most directly comparable GAAP financial measure, to Adjusted EBITDA:

	Fiscal 2013 (in thousands)	Fiscal 2012 (in thousands)	Fiscal 2011 (in thousands)
Net income	10,748	23,152	12,388
Provision for income taxes	5,215	14,248	2,083
Interest expense	18,713	19,077	19,178
Depreciation and amortization expense	28,592	22,828	21,751
Increase (decrease) in LIFO reserve	9,910	(1,181)	10,350
Gain on bargain purchase of a business	(1,001)	(17)	(8,313)
Other non-operating income	(359)	(812)	(105)
Share-based compensation	4,060	6,893	1,919
Adjusted EBITDA	**$75,878**	**$84,188**	**$59,251**

Results of Operations—Fiscal 2012 Compared to Fiscal 2011

The following table presents selected financial data for fiscal 2012 and 2011 (dollars per lb. sold is calculated by dividing the applicable consolidated statement of operations category by pounds sold in the period):

	For the Years Ended October 31, 2012		2011		% increase/ (decrease) of $	$ increase/ (decrease)
	$	$ Per lb. sold	$	$ Per lb. sold		
	(in thousands, except for per pound data)					
Net sales	$1,152,535	$ 1.18	$974,792	$ 1.14	18.2%	$177,743
Gross profit	182,743	0.19	128,722	0.15	42.0%	54,021
Operating expenses:						
Delivery	52,989	0.06	44,251	0.05	19.7%	8,738
Selling	41,404	0.04	35,371	0.04	17.1%	6,033
General and administrative	32,424	0.03	23,853	0.03	35.9%	8,571
Total operating expenses	$ 126,817	$ 0.13	$103,475	$ 0.12	22.6%	$ 23,342
Pounds sold		973,833 lbs.		853,934 lbs.		

Net Sales

The increase in net sales for fiscal 2012 was the result of a 5% increase in sales volume, excluding Webster, positively affecting net sales by $52.7 million, combined with a 1% increase in average selling prices positively affecting net sales by $12.1 million. The Webster acquisition added an additional $114.3 million in net sales and 74.2 million pounds sold during fiscal 2012. Fiscal 2012 also included a $1.4 million negative impact of foreign exchange relating to our Canadian operations.

Gross Profit

There was a $1.2 million decrease in the LIFO reserve during fiscal 2012 versus a $10.4 million increase in the LIFO reserve (including $5.3 million attributed to Webster) during fiscal 2011, representing a decrease of $11.6 million year-over-year. Excluding the impact of the LIFO reserve change during fiscal 2012 and $12.2 million in additional gross profit contributed from Webster, gross profit increased $30.2 million primarily due to increased sales volumes and improved material margins.

Operating Expenses

Webster incurred $14.0 million in operating expenses during fiscal 2012, an increase of $13.4 million from the prior year, which included only two weeks of operations due to the timing of the acquisition. Without the Webster impact, operating expenses increased $9.9 million, primarily due to increased volumes sold during fiscal 2012 increasing selling and delivery expenses, increased share-based compensation costs associated with our stock options and performance units, and increased provisions related to employee cash performance incentives.

Interest Expense

Interest expense for fiscal 2012 decreased $0.1 million to $19.1 million as compared to the prior fiscal year. Included in interest expense for the prior year period was $1.8 million of interest expense related to the final settlement of the 2013 notes. Without this item, interest expense increased $1.7 million from the same period in the prior fiscal year primarily due to an increase in interest rates (7.875% to 8.25%) and aggregate principal amount (from $160.2 million to $200.0 million) related to our 2019 notes increasing interest expense by $1.6 million and a $0.1 million increase in interest expense resulting from higher average borrowings on our credit facility.

Other, Net

Other, net for fiscal 2012 amounted to $0.8 million in income, as compared to $0.1 million in income for fiscal 2011. The change between the periods is primarily attributable to the reclassification of $0.7 million of accumulated foreign currency translation gains related to our New Zealand operations into the statement of operations during fiscal 2012 as a result of the final liquidation of this subsidiary.

Income Tax Provision

The provision for income taxes for fiscal 2012 was $14.2 million on income before the provision for income taxes of $37.4 million. The difference between the effective tax rate of 38.1 percent and the U.S. statutory tax rate of 35.0 percent primarily relates to a deferred tax liability for the undistributed earnings of our Canadian subsidiary (+2.8 percent), foreign withholding taxes paid and accrued (+2.8 percent) and current periods state income taxes (+3.8 percent), partially offset by a reduction in the valuation allowance for foreign tax credits (-4.8 percent) and the differential in the U.S. and Canadian statutory rates (-1.1 percent).

The provision for income taxes for fiscal 2011 was $2.1 million on income before the provision for income taxes of $14.5 million, which includes the gain on bargain purchase of $8.3 million which is non-taxable. The effective tax rate including the gain on bargain purchase is 14.4 percent. The difference between the effective tax rate and the U.S. statutory tax rate of 35.0 percent primarily relates to the non-taxable gain on the bargain purchase of (-20.1 percent), the differential in the U.S. and Canadian statutory rates (-2.4 percent) and a reduction in the valuation allowance for foreign tax credits (-1.4 percent), which were partially offset by current periods state income taxes of (+0.6 percent), net changes in deferred state tax rates (+0.7 percent) and foreign taxes paid (+1.1 percent).

Liquidity and Capital Resources

Summary

We have historically financed our operations through cash flows generated from operations and borrowings by us and our subsidiaries under various credit facilities. Our principal uses of cash have been to fund working capital, including operating expenses, debt service and capital expenditures. In addition, we evaluate acquisitions of businesses or assets and repurchases of our equity and debt from time to time. Generally, our need to access the capital markets is limited to refinancing debt obligations and funding significant acquisitions. Market conditions may limit our sources of funds and the terms for these financing activities. As market conditions change, we continue to monitor our liquidity position.

Despite the challenging financial markets and economic conditions in recent years, we continue to maintain what we believe to be a strong balance sheet and sufficient liquidity to provide us with financial flexibility. In addition to our normal operating activities during fiscal 2013, we invested approximately $46.7 million in capital expenditures. Our goal, through prudent investments of capital and targeted acquisitions, is to increase operational efficiency, reduce costs, expand margins, grow our core business and expand our product portfolio. During fiscal 2013, our focus was as follows:

- To enhance our investment in the Webster business we are replacing older machinery with new, higher efficiency machines which will increase our presence and reduce our costs in the canliner and food contact businesses, we incurred $10.2 million of capital expenditures related to completing the upgrade of Webster's machinery, $1.1 million of which was financed through a capital lease.
- To increase our extrusion and expand our printed and converted films business in our Bowling Green facility;
  - we completed the purchase in November 2012 of certain machinery and equipment and related assets necessary to manufacture printed, converted and custom films of Transco, a Quebec company, for a purchase price of $5.3 million (deposit was made in October 2012), excluding a one-year commission and transition service costs. During fiscal 2013, we incurred an additional $5.6 million in capital expenditures and infrastructure enhancements to accommodate and install this machinery and equipment.
  - we purchased in December 2012 our Bowling Green, Kentucky facility for $3.4 million by exercising our land purchase option in the lease. We had been previously leasing this building at a cost of approximately $58,000 per month, excluding utility costs.
  - we invested $3.7 million in a new 10-color print press.
- In July 2012, we purchased a 48,000 square foot corporate headquarters building in Montvale, New Jersey and occupied the space in November, 2013. We had been previously leasing a building.

As of October 31, 2013, we had a net debt position (current bank borrowings plus long term debt less cash and cash equivalents) of $228.9 million, compared with $214.5 million at the end of fiscal 2012. Availability under our credit facility and credit line available to our Canadian subsidiary for local currency borrowings was an aggregate of $128.1 million at October 31, 2013.

Our working capital amounted to $118.6 million at October 31, 2013 compared to $96.4 million at October 31, 2012. We used the LIFO method for determining the cost of approximately 85% of our total inventories at October 31, 2013. Under LIFO, the units remaining in ending inventory are valued at the oldest unit costs and the units sold in cost of sales are valued at the most recent unit costs. If the FIFO method for valuing inventory had been used exclusively, working capital would have been $159.7 million and $127.5 million at October 31, 2013 and October 31, 2012, respectively. During the twelve months ended October 31, 2013, the LIFO reserve increased $9.9 million to $41.1 million as a result of rising resin costs and increased inventory levels. Despite the possible negative effects on our results of operations and our financial position (an increase to cost of sales of $9.9 million in fiscal 2013 and a reduction of inventory of $41.1 million at October 31, 2013), we believe the use of LIFO maximizes our after tax cash flow from operations.

We believe that our expected cash flow from operations, assuming no material adverse change, combined with the availability of funds under our worldwide credit facilities, will be sufficient to meet our working capital and debt service requirements and planned capital expenditures for at least the next 12 months.

Cash Flows

The following table summarizes our cash flows from operating, investing and financing of our operations for each of the past three fiscal years:

	For the Years Ended October 31,		
	2013	2012	2011
	(in thousands)		
Total cash provided by (used in) continuing operations:			
Operating activities	$ 34,096	$ 72,044	$ 23,500
Investing activities	(46,176)	(47,762)	(40,423)
Financing activities	23,139	(27,909)	22,162
Effect of exchange rate changes on cash	(547)	(11)	157
Increase (decrease) in cash and cash equivalents	$ 10,512	$ (3,638)	$ 5,396

Note: See consolidated statements of cash flows included in Item 8, "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K for additional information.

Operating Activities

Our cash and cash equivalents were $13.3 million at October 31, 2013, as compared to $2.8 million at October 31, 2012. Cash provided by operating activities during the fiscal year ended October 31, 2013 was $34.1 million, which includes net income of $10.7 million adjusted for non-cash items totaling $45.8 million primarily related to depreciation and amortization of $28.6 million, an increase in LIFO reserve of $9.9 million and $4.1 million in share-based compensation. Cash used by operating activities includes a $12.0 million increase in inventories, excluding the non-cash effects of LIFO, primarily due to higher resin costs, partially offset by a reduction of quantities on hand, a $6.6 million decrease in accrued expenses due primarily to a decrease in accrued fiscal 2013 incentive payments to employees as compared to fiscal 2012 and timing of rebate payments to customers, and a $3.3 million increase in accounts receivable reflecting higher sales in the fourth quarter of fiscal 2013 versus the fourth quarter of fiscal 2012.

Investing Activities

Net cash used in investing activities during the fiscal year ended October 31, 2013 was $46.2 million, resulting primarily from capital expenditures during the period. Please see Liquidity and Capital Resources for further discussion of capital expenditures made in fiscal 2013.

Financing Activities

Net cash provided by financing activities during the fiscal year ended October 31, 2013 was $23.1 million, resulting primarily from $22.8 million in borrowings under our credit facility and $4.1 million in proceeds from a new capital lease obligation, partially offset by $2.8 million in principal payments on capital lease obligations.

Sources and Uses of Liquidity

Credit Facility

We maintain a credit facility with Wells Fargo. The credit facility matures on February 21, 2017 and has a maximum borrowing amount of $150.0 million with a maximum for letters of credit of $20.0 million. The credit facility is secured by liens on most of our domestic assets (other than real property and equipment) and on 66% of our ownership interest in certain foreign subsidiaries.

We utilize the credit facility to provide funding for operations and other corporate purposes through daily bank borrowings and/or cash repayments to ensure sufficient operating liquidity and efficient cash management. Availability at October 31, 2013 and October 31, 2012 under the credit facility was $123.3 million and $147.2 million, respectively.

In addition to the amounts available under the credit facility, we also maintain a credit facility at our Canadian subsidiary which is used to support operations and is serviced by local cash flows from operations. There were no borrowings outstanding under the Canadian credit facility at October 31, 2013 and October 31, 2012. Availability under the Canadian credit facility at October 31, 2013 and October 31, 2012 was $5.0 million Canadian dollars ($4.8 million and $5.0 million, respectively).

Please refer to Note 8 of the consolidated financial statements for further discussion of our debt.

Contractual Obligations and Off-Balance-Sheet Arrangements

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments as of October 31, 2013 were as follows:

	For the Years Ended October 31,				
	Borrowings (1)(2)(3)(4)	Interest on Fixed Rate Borrowings(5)	Capital Leases, Including Amounts Representing Interest	Operating Leases	Total Commitments
			(in thousands)		
2014	$ 212	$16,661	$ 3,548	$ 7,868	$ 28,289
2015	214	16,653	2,541	6,200	25,608
2016	222	16,644	1,834	4,265	22,965
2017	25,832	16,634	1,834	2,921	47,221
2018	242	16,625	1,834	1,340	20,041
Thereafter	203,157	8,776	2,045	797	214,775
Total	$229,879	$91,993	$13,636	$23,391	$358,899

(1) Borrowings include $25.6 million under our credit facility maturing on February 21, 2017. See Note 8 of the consolidated financial statements for further discussion of our debt.

(2) Borrowings include $200.0 million aggregate principal amount of 2019 notes. See Note 8 of the consolidated financial statements for further discussion of our debt.

(3) Includes a $3.2 million ten-year mortgage note due July 2022 related to the purchase of the Company's new corporate headquarters.

(4) Includes $1.1 million of Pennsylvania Industrial loans.

(5) In connection with the mortgage note on the new headquarters, we entered into a ten-year floating-to-fixed interest rate swap agreement with TD Bank, N.A. that fixes the interest rate at 3.52% per year and matures on July 25, 2022.

In addition to the amounts reflected in the table above:

We expect to incur approximately $35.0 million of capital expenditures during fiscal 2014. The capital expenditures for fiscal 2014 will primarily focus on our food bag, retail canliner and custom businesses.

We expect to contribute $0.5 million during fiscal 2014 to fund the Canadian defined benefit plan and $0.1 million to fund the Webster defined benefit plan. With regards to the US 401(k) Savings Plan ("401(k) Plan"), we estimate contributing $3.0 million in cash in February 2014 to the 401(k) Plan effective for the 2013 year contributions.

We expect approximately 73,000 performance units to vest during fiscal 2014, provided that each employee continues to be employed by the Company on the respective anniversary dates. Settlement of the units is based on the Company's stock price on the anniversary date and will be settled at the employees' option in cash, Company stock, or a combination thereof. Historically, a significant majority of performance units have been settled in cash. Assuming all units are settled in cash, the amount of expected cash that will be used to settle the 73,000 performance units expected to vest during fiscal 2014 would be $3.7 million, based on a stock price of $50.44 per common share of the Company, the closing price on Nasdaq at January 9, 2014.

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet financing arrangements with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Effects of Inflation

Inflation is not expected to have a significant impact on our business.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to product returns, customer rebates and incentives, doubtful accounts, inventories, including LIFO inventory valuations, acquisitions, pension obligations, incurred but not reported medical claims, litigation and contingency accruals, income taxes, including valuation of deferred taxes and assessment of unrecognized tax benefits for uncertain tax positions, share-based compensation, and impairment of long-lived assets and intangibles, including goodwill. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition. We recognize revenue when products are shipped and the customer takes ownership and assumes risk of loss, which generally occurs on the date of shipment, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable. Concurrently, we record reductions to revenue for customer rebate programs, returns, promotions or other incentive programs that are estimated using historical experience and current economic trends. Material differences may result in the amount and timing of net sales for any period if management makes different judgments or uses different estimates.

Allowance for Doubtful Accounts.

Management determines the allowance for doubtful accounts based on historical write-off experience and an evaluation of the likelihood of success in collecting specific customer receivables. We review our allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and potential for recovery is considered remote. In addition, we maintain allowances for customer returns, discounts and invoice pricing discrepancies, primarily based on historical experience. Actual results could differ from these estimates under different assumptions and may be affected by changes in general economic conditions.

Inventory Reserves. Management reviews our physical inventories at each business unit to determine the obsolescence of inventory on hand. These deemed obsolescent items are considered scrap. We maintain our United States inventory on the LIFO method of inventory valuation, except for supplies and printed and converted finished goods, including certain of Webster's products. The LIFO inventory is reviewed quarterly for net realizable value and adjusted accordingly.

Litigation Reserves. Management's current estimated ranges of liabilities related to pending litigation are based on input from legal counsel and our best estimate of potential loss. Final resolution of the litigation contingencies could result in amounts different from current accruals and, therefore, have an impact on our consolidated financial results in a future reporting period. At October 31, 2013, we were involved in routine litigation in the normal course of our business and based on facts currently available we believe such matters, net of insurance recoveries, will not have a material adverse impact on our results of operations, financial position or liquidity.

Pension Benefit Obligations. We sponsor a defined benefit plan in our Canada operation and in our Webster operation. Our pension expense and obligations are developed from actuarial valuations. Two critical assumptions in determining pension expense and obligations are discount rate and expected long-term return on plan assets. We evaluate these assumptions annually. Other assumptions reflect demographic factors such as retirements, mortality and turnover and are evaluated periodically and updated to reflect our actual experience. Actual results may differ from actuarial assumptions. The discount rate represents the market rate for high-quality AA-rated corporate bonds with durations corresponding to the expected durations of the benefit obligations and is used to calculate the present value of the expected future cash flows for benefit obligations under our pension plans. A decrease in the discount rate increases the present value of pension benefit obligations. A 25 basis point decrease in the discount rate would increase our present value of pension obligations by approximately $400,000 at October 31, 2013. We consider the current and expected asset allocations of our pension plans, as well as historical and expected long-term rates of return on those types of plan assets, in determining the expected long-term return on plan assets. A 50 basis point decrease in the expected long-term return on plan assets would increase our pension expense by approximately $36,000 for fiscal 2013.

Self Insurance. We are self-insured for medical insurance benefits provided to our U.S. employees and, effective November 1, 2012, for our workers' compensation claims. We have obtained stop-loss insurance to limit total medical claims in any one year to $200,000 per covered individual and $250,000 stop loss per workers' compensation claim with an aggregate workers' compensation stop loss of $3.7 million. We record a liability for known claims and an estimate for incurred but not reported ("IBNR") claims. IBNR claims are estimated by third party actuaries using historical lag information and other data provided by claims administrators, as well as loss development factors. While management uses what we believe are pertinent factors in estimating the liability, it is subject to change due to claim experience, type of claims, and rising medical costs.

Income Taxes. Management accounts for income taxes using an asset and liability approach. Such approach results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. As part of the process of preparing our consolidated financial statements, management is required to estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating actual current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets.

The realizability of our deferred tax assets is primarily dependent on the future taxable income of the entity which is related to the deferred tax assets. Management assesses the likelihood that such deferred tax assets will be recovered from future taxable income and to the extent management believes that recovery is not likely, a valuation allowance must be established. Should the future taxable income of such entities be materially different from management's estimates, an additional valuation allowance may be necessary in future periods. Such amounts, if necessary, could be material to our results of operations and financial position.

Share-Based Compensation. We provide share-based compensation to certain of our employees and non-employee directors in the form of restricted stock, performance units, and stock options. Share-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period. The fair value of the restricted stock is based on the quoted market price of the Company's common stock on the date of grant and is recognized as expense on a straight-line basis over the term which is one year. Due to the cash settlement feature, the performance units are liability classified and are recognized at fair value, depending on the percentage of requisite service rendered at the reporting date, and are remeasured at each balance sheet date to the market value of the Company's common stock at the reporting date. As the performance units contain both a performance and service condition, the performance units have been treated as a series of separate awards or tranches for purposes of recognizing compensation expense. We recognize compensation expense on a tranche-by-tranche basis, recognizing the expense as the employee works over the requisite service period for that specific tranche. We apply the same assumption for forfeitures as employed in the Company's stock option plans, discussed below.

The fair value of the Company's options is estimated using the Black Scholes option pricing model on the date of grant. The Black-Scholes option-pricing model incorporates various assumptions including expected volatility, expected term and risk-free interest rates. We estimate the expected volatility using the historical stock price volatility of our stock over the estimated term of our stock options. We determine the expected term of our stock options based on historical experiences. In addition, judgment is required in estimating the forfeiture rate on stock awards, such as performance units. We calculate the expected forfeiture rate based on average historical trends sorted by separate employee groups, including executive officers and directors. Fluctuations in the market that affect these estimates could have an impact on the resulting compensation cost. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the adoption date is recognized over the remaining service period after the adoption date.

Impairment. We review our long-lived assets, such as property, plant and equipment and intangible assets, such as trade names and customer relationships, associated with recent acquisitions, for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Factors we consider important that could trigger an impairment review include:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant change in the manner of or use of the acquired assets or the strategy of our overall business;
- Significant negative industry or economic trends;
- Significant decline in our stock price for a sustained period; and
- Our market capitalization relative to net book value.

Recoverability is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If the assets were considered to be impaired, the impairment to be recognized would be measured by the amount by which the carrying value of the assets exceeds their fair value. Fair value is determined based on discounted cash flows, recent buy offers or appraised values, depending on the nature of the asset. Assets to be disposed of are valued at the lower of the carrying amount or their fair value less disposal costs. Actual realizable values or payments to be made may differ from such estimates, and such differences will be recognized as incurred or as better information is received. Our estimate as to fair value is regularly reviewed and subject to change as new information is made available.

Also, we perform an annual assessment as to whether or not goodwill is impaired. We performed our annual impairment analysis on September 30 based on a comparison of our market capitalization to our book value at that date. On September 30, 2013, 2012 and 2011, we concluded that there was no impairment because our market capitalization was above book value. On October 31, 2013, our market capitalization was above book value. Our policy is that impairment of goodwill will have occurred if our market capitalization was to remain below book value for a reasonable period of time. If we determine that an impairment has occurred, we would perform a second test to determine the amount of impairment loss. In the second test, the fair value of our company is estimated using comparable industry multiples of cash flows as part of an effort to measure the value of implied goodwill. We also review our financial position quarterly for other triggering events.

Acquisitions. We use the acquisition method of accounting for all business combinations (whether full, partial or step acquisition). In applying the acquisition method, the acquirer must determine and recognize the fair value of the acquired assets and liabilities assumed. Any excess of fair value of acquired net assets over the acquisition consideration results in a gain on bargain purchase and must be recognized in earnings on the acquisition date. Any excess of the acquisition consideration over the fair value of acquired net assets is recognized as goodwill. Any adjustments to the fair values assigned to the assets acquired and the liabilities assumed during the measurement period, which may be up to one year from the acquisition date, has a corresponding offset to the gain on bargain purchase or goodwill. The acquisition costs will be expensed as incurred and restructuring costs will be expensed in periods after the acquisition date.

The acquisition of Webster resulted in a gain on bargain purchase of a business, which amount was finalized during fiscal 2012 after we completed our analysis of the fair values of Webster's assets and specified liabilities and settled working capital adjustments. The acquisition of Transco also resulted in a gain on bargain purchase of business, which was finalized in fiscal 2013.

Recently Issued Accounting Pronouncements

Please refer to Note 2 of the consolidated financial statements for discussion on recently issued accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates and foreign currency exchange rates, which may adversely affect our results of operations and financial condition. We seek to minimize these risks through operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not purchase, hold or sell derivative financial instruments for trading purposes.

Interest Rates

The fair value of our fixed interest rate debt varies with changes in interest rates. Generally, the fair value of fixed rate debt will increase as interest rates fall and decrease as interest rates rise. At October 31, 2013, the carrying value of our total debt was $242.3 million of which $216.7 million was fixed rate debt (2019 notes, mortgage note, capital leases and the Pennsylvania industrial loans). As of October 31, 2013, the estimated fair value of our 2019 notes, which had a carrying value of $200.0

million, was $216.6 million. As of October 31, 2013, the carrying value of our mortgage note, capital leases and the Pennsylvania industrial loans was $16.7 million which approximates fair value because the interest rates on these debt instruments approximate market yields for similar debt instruments.

In order to manage the exposure to interest rate risks inherent in variable rate debt, as is the case in the mortgage note, we entered into a floating-to-fixed interest rate swap agreement with TD Bank, N.A. with a notional value of $3,360,000, the then outstanding principal balance on the mortgage note. The interest rate swap fixed the interest rate at 3.52% per year and matures on July 25, 2022. The notional amount and fair value at October 31, 2013 of the interest rate swap was $3,222,790 and an asset of $94,519, respectively.

Floating rate debt at October 31, 2013 and October 31, 2012 totaled $25.6 million and $2.8 million, respectively. Based on the average floating rate debt outstanding during fiscal 2013 (our credit facility), a one-percent increase or decrease in the average interest rate during the period would have resulted in a change to interest expense of $0.2 million for the fiscal year ended October 31, 2013.

Foreign Exchange

We enter into derivative financial instruments (principally foreign exchange forward contracts) primarily to hedge intercompany transactions, trade sales and forecasted purchases. Foreign currency forward contracts reduce our exposure to the risk that the eventual cash inflows and outflows, resulting from these intercompany and third party trade transactions denominated in a currency other than the functional currency, will be adversely affected by changes in exchange rates.

We do not use foreign currency forward contracts for speculative or trading purposes. We enter into foreign exchange forward contracts with financial institutions and have not experienced nonperformance by counterparties. We anticipate performance by all counterparties to such agreements.

The (loss) gain on the fair value for these foreign exchange forward contracts is recognized in other, net in the consolidated statement of operations and amounted to approximately $(3,000), $40,000 and $(30,000) for the years ended October 31, 2013, 2012 and 2011, respectively, with a total notional value of $0.8 million and $7.8 million at October 31, 2013 and October 31, 2012, respectively. The fair value of these contracts was immaterial at October 31, 2013. Based on the average forward exchange contracts outstanding during fiscal 2013, a one-percent increase or decrease in the foreign exchange rate during the period would have resulted in a change to other, net of approximately $7,500 for the fiscal year ended October 31, 2013.

Commodities

We use commodity raw materials, primarily resin, and energy products in conjunction with our manufacturing process. Generally, we acquire such components at market prices and do not use financial instruments to hedge commodity prices. As a result, we are exposed to market risks related to changes in commodity prices in connection with these components.

We are exposed to market risk from changes in resin prices that could impact our results of operations and financial condition. Our resin purchasing strategy is to deal with only high-quality, dependable suppliers. We believe that we have maintained strong relationships with these key suppliers and expect that such relationships will continue into the foreseeable future. The resin market is a global market and, based on our experience, we believe that adequate quantities of plastic resins will be available to us at market prices, but we can give no assurances as to such availability or the prices thereof. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Market Conditions" for further discussion of market risks related to resin prices.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements and accompanying schedule and related report of our independent registered public accounting firm are set forth in a separate section of this Form 10-K beginning on page 39 and are hereby incorporated by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer (together, the "Certifying Officers"), as appropriate, to allow for timely decisions regarding required disclosure.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired objectives. Also, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

As of October 31, 2013, the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including the Certifying Officers, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their stated objectives and our Certifying Officers concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of October 31, 2013.

Management Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Board; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management, including our Certifying Officers, recognizes that our internal control over financial reporting cannot prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management, with the participation of the Certifying Officers, assessed our internal control over financial reporting as of October 31, 2013, the end of our fiscal year. Management based its assessment on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that our internal control over financial reporting was effective as of October 31, 2013.

Our independent registered public accounting firm, KPMG LLP, independently assessed the effectiveness of our internal control over financial reporting as stated in their report included herein.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is set forth under the following captions in our proxy statement to be filed with respect to the 2014 annual meeting of stockholders (the "Proxy Statement"), all of which is incorporated herein by reference: "Proposal No. 1—Election of Directors," "Board Matters—The Board of Directors," "Board Matters—Committees of the Board," "Board Matters—Corporate Governance," "Certain Relationships and Related Person Transactions," "Additional Information—Section 16(a) Beneficial Ownership Reporting Compliance," and "Additional Information—Requirements for Submission of Stockholder Proposals and Nominations for 2015 Annual Meeting."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is set forth under the following captions in our Proxy Statement, all of which is incorporated herein by reference: "Compensation Discussion and Analysis," "Named Executive Officer Compensation Tables," "Board Matters—Director Compensation," "Compensation Committee Interlocks and Insider Participation," and "Compensation Committee Report."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is set forth under the following captions in our Proxy Statement, all of which is incorporated herein by reference: "Additional Information—Equity Compensation Plans" and "Security Ownership of Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is set forth under the following captions in our Proxy Statement, all of which is incorporated herein by reference: "Certain Relationships and Related Person Transactions" and "Proposal No. 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is set forth under the following captions in our Proxy Statement, which is incorporated herein by reference: "Audit Committee Matters."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements:

The financial statements of the Company filed in this Annual Report on Form 10-K are listed in Part II, Item 8.

2. Financial Statement Schedule:

The financial statement schedule of the Company filed in this Annual Report on Form 10-K is listed in Part II, Item 8.

3. Exhibits:

The exhibits required to be filed as part of this Annual Report on Form 10-K are listed in the attached Index to Exhibits.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
AEP Industries Inc.:

We have audited the accompanying consolidated balance sheets of AEP Industries Inc. and subsidiaries as of October 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended October 31, 2013. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. We also have audited AEP Industries Inc.'s internal control over financial reporting as of October 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). AEP Industries Inc.'s management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule, and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AEP Industries Inc. and subsidiaries as of October 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 2013, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule II, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, AEP Industries Inc. maintained, in all material respects, effective internal control over financial reporting as of October 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Short Hills, New Jersey
January 14, 2014

AEP INDUSTRIES INC.
CONSOLIDATED BALANCE SHEETS
AS OF OCTOBER 31, 2013 AND 2012
(in thousands, except share amounts)

	October 31, 2013	October 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 13,319	$ 2,807
Accounts receivable, less allowance for doubtful accounts of $2,992 and $3,198 in 2013 and 2012, respectively	112,605	109,895
Inventories, net	97,091	95,128
Deferred income taxes	6,300	2,677
Other current assets	5,389	2,919
Total current assets	234,704	213,426
PROPERTY, PLANT AND EQUIPMENT, at cost, less accumulated depreciation and amortization	220,314	195,986
GOODWILL	6,871	6,871
INTANGIBLE ASSETS, net of accumulated amortization of $1,894 and $1,376 in 2013 and 2012, respectively	4,518	3,536
OTHER ASSETS	5,156	11,624
Total assets	$ 471,563	$ 431,443
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank borrowings, including current portion of long-term debt	$ 3,335	$ 2,604
Accounts payable	80,579	78,637
Accrued expenses	32,144	35,816
Total current liabilities	116,058	117,057
LONG-TERM DEBT	238,931	214,728
DEFERRED INCOME TAXES	25,610	18,212
OTHER LONG-TERM LIABILITIES	5,551	7,717
Total liabilities	386,150	357,714
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, $1.00 par value; 970,000 shares authorized; none issued	—	—
Series A junior participating preferred stock, $1.00 par value; 30,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 30,000,000 shares authorized; 11,207,049 and 11,136,777 shares issued in 2013 and 2012, respectively	112	111
Additional paid-in capital	112,527	111,549
Treasury stock at cost, 5,605,783 shares in 2013 and 2012	(169,826)	(169,826)
Retained earnings	142,064	131,316
Accumulated other comprehensive income	536	579
Total shareholders' equity	85,413	73,729
Total liabilities and shareholders' equity	$ 471,563	$ 431,443

The accompanying notes to consolidated financial statements are an integral part of these statements.

AEP INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED OCTOBER 31, 2013, 2012 AND 2011

(in thousands, except per share data)

	2013	2012	2011
NET SALES	$1,143,852	$1,152,535	$974,792
COST OF SALES	989,380	969,792	846,070
Gross profit	154,472	182,743	128,722
OPERATING EXPENSES:			
Delivery	53,546	52,989	44,251
Selling	38,825	41,404	35,371
General and administrative	28,770	32,424	23,853
Total operating expenses	121,141	126,817	103,475
OTHER OPERATING EXPENSE:			
Loss on sales of property, plant and equipment, net	(15)	(278)	(16)
Operating income	33,316	55,648	25,231
OTHER INCOME (EXPENSE):			
Interest expense	(18,713)	(19,077)	(19,178)
Gain on bargain purchase of a business	1,001	17	8,313
Other, net	359	812	105
Income before provision for income taxes	15,963	37,400	14,471
PROVISION FOR INCOME TAXES	(5,215)	(14,248)	(2,083)
Net income	$ 10,748	$ 23,152	$ 12,388
BASIC EARNINGS PER COMMON SHARE:			
Net income per common share	$ 1.93	$ 4.20	$ 2.10
DILUTED EARNINGS PER COMMON SHARE:			
Net income per common share	$ 1.92	$ 4.16	$ 2.09

The accompanying notes to consolidated financial statements are an integral part of these statements.

AEP INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED OCTOBER 31, 2013, 2012 AND 2011

(in thousands)

	2013	2012	2011
Net income	$10,748	$23,152	$12,388
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(831)	14	313
Translation adjustment reversal into income related to AEP New Zealand	—	(692)	—
Defined benefit pension plans:			
Prior service cost arising during the period, (net of taxes of $0, $0 and $62 during fiscal 2013, 2012 and 2011, respectively)	—	—	(264)
Net actuarial gains (losses) arising during the period, (net of taxes of $273, $377 and $71 during fiscal 2013, 2012 and 2011, respectively)	608	(896)	(259)
Amortization of prior service cost and net actuarial loss included in net periodic pension cost, (net of taxes of $62, $45 and $44 during fiscal 2013, 2012 and 2011, respectively)	180	135	108
Net change in accumulated other comprehensive income (loss)—pension plans (net of taxes of $335, $332 and $89 during fiscal 2013, 2012 and 2011 respectively)	788	(761)	(415)
Total other comprehensive loss	(43)	(1,439)	(102)
Comprehensive income	$10,705	$21,713	$12,286

The accompanying notes to consolidated financial statements are an integral part of these statements.

AEP INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED OCTOBER 31, 2013, 2012 AND 2011

(in thousands)

	Common Stock		Treasury Stock		Additional Paid-in-Capital	Accumulated Other Comprehensive Income (loss)	Retained Earnings
	Shares	Amount	Shares	Amount			
BALANCES AT OCTOBER 31, 2010	**11,086**	**$111**	**4,943**	**$(150,424)**	**$109,047**	**$2,120**	**$ 95,776**
Issuance of common stock upon exercise of stock options	6				62		
Issuance of common stock upon settlement of performance units	4				97		
Share-based compensation					313		
Buyback of common stock			663	(19,402)			
Net income							12,388
Translation adjustments						313	
Change in deferred prior service cost and actuarial losses, net of tax						(523)	
Amortization of prior service cost and actuarial losses, net of tax						108	
BALANCES AT OCTOBER 31, 2011	**11,096**	**$111**	**5,606**	**$(169,826)**	**$109,519**	**$2,018**	**$108,164**
Issuance of common stock upon exercise of stock options	39				465		
Issuance of common stock upon settlement of performance units	2				45		
Share-based compensation					218		
Excess tax benefit from stock option exercises					1,302		
Net income							23,152
Translation adjustments						14	
Change in actuarial losses, net of tax						(896)	
Amortization of prior service cost and actuarial losses, net of tax						135	
Translation adjustment reversal into income related to AEP New Zealand						(692)	
BALANCES AT OCTOBER 31, 2012	**11,137**	**$111**	**5,606**	**$(169,826)**	**$111,549**	**$ 579**	**$131,316**
Issuance of common stock upon exercise of stock options	64	1			571		
Issuance of common stock upon settlement of performance units	1				46		
Issuance of restricted stock	5				330		
Unearned compensation on restricted stock					(138)		
Share-based compensation					169		
Net income							10,748
Translation adjustments						(831)	
Actuarial gains arising during the period, net of tax						608	
Amortization of prior service cost and actuarial losses, net of tax						180	
BALANCES AT OCTOBER 31, 2013	**11,207**	**$112**	**5,606**	**$(169,826)**	**$112,527**	**$ 536**	**$142,064**

The accompanying notes to consolidated financial statements are an integral part of these statements.

AEP INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2013, 2012 AND 2011
(in thousands)

	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 10,748	$ 23,152	$ 12,388
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	28,592	22,828	21,751
Gain on bargain purchase of a business	(1,001)	(17)	(8,313)
Change in LIFO reserve	9,910	(1,181)	10,350
Amortization of debt fees	953	985	1,072
Translation adjustment reversal related to AEP New Zealand	—	(692)	—
Write-off of 2013 senior notes issuance costs	—	—	1,239
Premium on purchase of 2013 senior notes	—	—	334
Provision for losses on accounts receivable and inventories	272	283	63
Provision for deferred income taxes	2,943	11,043	546
Share-based compensation expense	4,060	6,893	1,919
Excess tax benefit from stock option exercises	—	(1,302)	—
Other	75	346	(42)
Changes in operating assets and liabilities, net of effects of Webster acquisition in fiscal 2011:			
Increase in accounts receivable	(3,283)	(1,078)	(4,322)
(Increase) decrease in inventories	(11,987)	9,084	(16,615)
(Increase) decrease in other current assets	(2,395)	582	606
(Increase) decrease in other assets	(58)	83	(154)
Increase in accounts payable	2,062	1,875	(1,272)
(Decrease) increase in accrued expenses	(6,552)	(497)	4,771
Estimated accrued working capital true up due related to Webster acquisition	—	—	(612)
Decrease in other long-term liabilities	(243)	(343)	(209)
Net cash provided by operating activities	34,096	72,044	23,500
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(46,680)	(42,000)	(14,499)
Deposit made for Transco acquisition	—	(5,300)	—
Acquisition of Webster	—	(749)	(25,948)
Net proceeds from dispositions of property, plant and equipment	504	287	24
Net cash used in investing activities	(46,176)	(47,762)	(40,423)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of 8.25% 2019 senior notes	—	—	200,000
Repurchase of 7.875% 2013 senior notes	—	—	(160,494)
Net borrowings (repayments) of credit facility	22,800	(29,846)	8,901
Proceeds from mortgage loan note	—	3,360	—
Proceeds from capital lease obligations	4,134	—	—
Principal payments on mortgage loan note	(118)	(19)	—
Repayments of Pennsylvania industrial loans	(152)	(146)	(441)
Principal payments on capital lease obligations	(2,817)	(1,306)	(1,122)
Buyback of common stock	—	—	(19,402)
Proceeds from exercise of stock options	572	465	62
Excess tax benefit from stock option exercises	—	1,302	—
Fees paid and capitalized related to debt issuance	—	(1,356)	(4,846)
Payments of withholding taxes on performance units	(1,280)	(363)	(496)
Net cash provided by (used in) by financing activities	23,139	(27,909)	22,162
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	(547)	(11)	157
Net increase (decrease) cash	10,512	(3,638)	5,396
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,807	6,445	1,049
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 13,319	$ 2,807	$ 6,445
SUPPLEMENTAL CASH FLOW INFORMATION:			
Equipment financed through capital lease obligation	$ 1,107	$ 6,774	$ 254
Equipment financed through buyout of operating lease deposit	$ —	$ 419	$ —

The accompanying notes to consolidated financial statements are an integral part of these statements.

AEP INDUSTRIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Business

AEP Industries Inc. (the "Company") is a manufacturer of plastic packaging films in North America. The Company manufactures and markets a wide range of polyethylene and polyvinyl chloride flexible packaging products, with consumer, industrial and agricultural applications. The plastic packaging films are primarily used in the packaging, transportation, beverage, food, automotive, pharmaceutical, chemical, electronics, construction, agriculture and textile industries.

(2) Significant Accounting Policies

Fiscal Year:

The Company's fiscal year-end is October 31.

Principles of Consolidation:

The consolidated financial statements include the accounts of all subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Revenue Recognition:

The Company recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, which is primarily on the date of shipment, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable. Concurrently, the Company records reductions to revenue for estimated returns and customer rebates, promotions or other incentive programs that are estimated using historical experience and current economic trends. Material differences may result in the amount and timing of net sales for any period if management makes different judgments or uses different estimates.

Cost of Sales:

The most significant components of cost of sales are materials, including packaging, fixed manufacturing costs, labor, depreciation, inbound freight charges, utility costs used in the manufacturing process, any inventory adjustments, including LIFO adjustments, purchasing and receiving costs, research and development costs, quality control costs, and warehousing costs.

Delivery:

Delivery costs represent all costs incurred by the Company for shipping and handling of its products to the customer, including transportation costs paid to third party shippers.

Selling, General & Administrative:

Selling and general and administrative expenses consist primarily of personnel costs (including salaries, bonuses, commissions and employee benefits), facilities and equipment costs and other support costs including utilities, insurance and professional fees.

Cash and Cash Equivalents:

The Company considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

(2) Significant Accounting Policies (Continued)

Accounts Receivable:

Trade accounts receivable are recorded at the invoice amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience and an evaluation of the likelihood of success in collecting specific customer receivables. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and potential for recovery is considered remote. In addition, the Company maintains allowances for customer returns, discounts and invoice pricing discrepancies, primarily based on historical experience. The Company does not have any off-balance-sheet exposure related to its customers.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Volatility in the credit, equity, and foreign currency markets and in the world markets for petroleum and natural gas, and changes in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods, as necessary.

The Company's significant estimates include those related to product returns, customer rebates and incentives, doubtful accounts, inventories, including LIFO inventory valuations, acquisitions, pension obligations, incurred but not reported medical and workers' compensation claims, litigation and contingency accruals, income taxes, including valuation of deferred income taxes, share-based compensation and impairment of long-lived assets and intangibles, including goodwill.

Property, Plant and Equipment:

Property, plant and equipment are stated at cost and at fair value for acquisitions. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. The cost of property, plant and equipment and the related accumulated depreciation and amortization are removed from the accounts upon the retirement or disposal of such assets and the resulting gain or loss is recognized at the time of disposition. Maintenance and repairs that do not improve efficiency or extend economic life are charged to expense as incurred.

(2) Significant Accounting Policies (Continued)

Leases:

The Company operates certain warehousing facilities, office buildings and machinery and equipment under operating leases with terms greater than one year and with minimum lease payments associated with these agreements. Rent expense is recognized on a straight-line basis over the expected lease term. Within the provisions of certain leases are predetermined fixed escalations of the minimum rental payments over the base lease term (none of the leases contain lease concessions, including capital improvement funding, or contingent rental clauses). The effects of the escalations have been reflected in rent expense on a straight-line basis over the lease term, and the difference between the recognized rental expense and the amounts payable under the lease is recorded as deferred lease payments. The amortization period for leasehold improvements is the term used in calculating straight-line rent expense or their estimated economic life, whichever is shorter.

Impairment Charges:

Property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is determined based on discounted cash flows, recent buy offers or appraised values, depending on the nature of the asset. Assets to be disposed of are separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or the fair value less costs to sell, and are no longer depreciated. The asset and liabilities of a disposed group, classified as held for sale, are presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

Foreign Currency Translation:

Financial statements of international subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and the weighted average exchange rate for each period for revenues, expenses, gains and losses. Translation adjustments are recorded as a separate component of accumulated other comprehensive income (loss) in the consolidated balance sheets and a component in arriving at comprehensive income. Foreign currency transaction gains and losses are recorded in other income (expense) in the consolidated statements of operations.

Derivative Instruments:

The Company enters into derivative financial instruments to manage exposures arising in the normal course of business. The Company enters into foreign exchange forward contracts primarily to hedge intercompany transactions and forecasted purchases. Foreign currency forward contracts reduce the Company's exposure to the risk that the eventual cash inflows and outflows, resulting from these intercompany and third party trade transactions denominated in a currency other than the functional currency, will be adversely affected by changes in exchange rates. Foreign exchange forward contracts generally have maturities of less than six months and relate primarily to the

(2) Significant Accounting Policies (Continued)

Canadian dollar. The Company also enters into interest rate swap contracts to economically convert a variable-rate debt to a fixed-rate debt. The Company does not apply hedge accounting for foreign exchange forward contracts and interest rate swaps and as a result, these hedging instruments are adjusted to fair value through income and expense.

Research and Development Costs:

Research and development costs are charged to expense as incurred and included in cost of sales in the consolidated statements of operations. Research and development costs were \$2.3 million, \$2.1 million and \$2.1 million during fiscal 2013, 2012 and 2011, respectively.

Acquisitions:

The Company uses the acquisition method of accounting for all business combinations (whether full, partial or step acquisition). In applying the acquisition method, the Company determines the fair value of the acquired business as of the acquisition date and recognize the fair value of the acquired assets and liabilities assumed. Any excess of fair value of acquired net assets over the acquisition consideration results in a gain on bargain purchase and is recognized in earnings on the acquisition date. Any excess of the acquisition consideration over the fair value of acquired net assets is recognized as goodwill. Any adjustments to the fair values assigned to the assets acquired and the liabilities assumed during the measurement period, which may be up to one year from the acquisition date, has a corresponding offset to the gain on bargain purchase or goodwill. The acquisition costs are expensed as incurred and restructuring costs will generally be expensed in periods after the acquisition date.

Share-Based Compensation:

The Company recognizes in the financial statements all costs resulting from share-based payment transactions at their fair values. Compensation cost for the portion of the awards for which the requisite service had not been rendered is recognized in the consolidated statements of operations over the remaining service period based on the award's original estimate of fair value.

Income Taxes:

Income taxes are accounted for using the asset and liability method. Such approach results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. Valuation allowances are established where expected future taxable income, the reversal of deferred tax liabilities and development of tax strategies does not support the realization of the deferred tax assets.

The Company recognizes in its consolidated financial statements the impact of a tax position if that position is more likely than not of being sustained based on the technical merits of the position. There is a two-step approach for evaluating uncertain tax positions. Step one, recognition, requires a company to determine if the weight of available evidence indicates that a tax position is more likely than not to be sustained upon audit, including resolution of related appeals or litigation processes, if any. Step two, measurement, is based on the largest amount of benefit, which is more likely than not to be realized on settlement with the taxing authority.

(2) Significant Accounting Policies (Continued)

The Company and its subsidiaries file separate foreign, state and local income tax returns and, accordingly, provide for such income taxes on a separate company basis.

Goodwill:

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in purchase business combinations. The Company has determined that it consists of a single reporting unit for the purpose of the goodwill impairment test. The Company performs its annual impairment analysis on September 30 based on a comparison of the Company's market capitalization to its book value at that date. On September 30, 2013, 2012 and 2011, the Company concluded that there was no impairment because the Company's market capitalization was above book value. On October 31, 2013 and 2012, the Company's market capitalization was above book value. The Company's policy is that impairment of goodwill will have occurred if the market capitalization of the Company were to remain below book value for a reasonable period of time. If the Company determines an impairment has occurred, it will perform a second test to determine the amount of the impairment loss. In the second test, the fair value of the Company is estimated using comparable industry multiples of cash flows as part of an effort to measure the value of implied goodwill.

Concentration of Risk:

The Company sells its products to a large number of geographically diverse customers in a number of different industries, thus spreading the trade credit risk. The Company extends credit based on an evaluation of the customer's financial condition, generally without requiring collateral. The Company performs ongoing credit evaluations of its customers' financial condition and maintains appropriate allowances for anticipated losses. No single customer accounted for more than 10% of net sales during any of the years in the three year period ended October 31, 2013. No single customer accounted for more than 10% of the Company's account receivable balance at October 31, 2013 or 2012.

The Company purchases its resin from three principal suppliers that provided the Company with approximately 28%, 26% and 19%, respectively, of the Company's fiscal 2013 resin supply, approximately 29%, 25% and 19%, respectively, of the Company's fiscal 2012 resin supply and approximately 32%, 25% and 18%, respectively, of the Company's fiscal 2011 resin supply.

The Company has three collective bargaining agreements representing approximately 21% of its workforce that expire November 2013 (new contract was entered into for a term from December 16, 2013 to December 16, 2018), March 2014 (representing 2% of our workforce) and January 2015, respectively.

Earnings Per Share (EPS):

Basic earnings per share ("EPS") is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted EPS is calculated by dividing net income by the weighted average number of common shares outstanding, adjusted to reflect potentially dilutive securities (options) using the treasury stock method, except when the effect would be anti-dilutive.

(2) Significant Accounting Policies (Continued)

The number of shares used in calculating basic and diluted earnings per share is as follows:

	For the Years Ended October 31,		
	2013	2012	2011
Weighted average common shares outstanding:			
Basic	5,573,643	5,513,863	5,897,037
Effect of dilutive securities:			
Options to purchase shares of common stock	36,704	51,767	38,685
Diluted	5,610,347	5,565,630	5,935,722

For the years ended October 31, 2013, 2012 and 2011 the Company had zero, 10,000 and 129,180 stock options outstanding, respectively, that could potentially dilute earnings per share in future periods but were excluded from the computation of diluted EPS as their exercise price was higher than the Company's average stock price during those respective periods.

The non-vested restricted stock issued under the Company's 2013 Omnibus Incentive Plan (see Note 10) has been included in the weighted average common shares outstanding for the year ended October 31, 2013 since the date of issuance as the restricted stock entitles the participant to all rights of a stockholder, including the right to vote the shares and the right to receive dividends.

Comprehensive Income:

Comprehensive income consists of net income (loss) and other gains and losses that are not included in net income (loss), but are recorded directly in the consolidated statements of shareholders' equity, such as the unrealized gains and losses on the translation of the assets and liabilities of the Company's foreign operations and gains or losses, prior service costs and transition assets or obligations associated with pension benefits, net of tax, that have not been recognized as components of net periodic benefit cost, and changes in deferred prior service costs and net actuarial losses, net of tax.

Reclassifications:

Certain prior year amounts have been reclassified in order to conform to the 2013 presentation. The reclassifications had no effect on net income.

Recently Issued Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss or a Tax Credit Carryforward Exists. This standard provides explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This standard becomes effective for the interim period beginning February 1, 2014. The amendment should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The Company is currently evaluating the impact of this standard update on its consolidated financial statements but expects it will have no impact on the Company's consolidated financial statements.

(2) Significant Accounting Policies (Continued)

In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This standard requires information to be provided about amounts reclassified out of accumulated other comprehensive income by component. Companies are also required to disclose these reclassifications by each respective line item on the statement of operations. This standard becomes effective for the Company's interim period beginning November 1, 2013. The Company is currently evaluating the impact of this standard on its consolidated financial statements but expects it will have no impact on the Company's consolidated financial statements.

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position, results of operations or cash flows.

(3) Acquisitions

Transco Plastics Industries Ltd.

On November 8, 2012, the Company completed its purchase of certain machinery and equipment and related assets necessary to manufacture printed, converted and custom films of Transco Plastics Industries Ltd. ("Transco"), a Quebec company, for a purchase price of $5.3 million (deposit was made and included in other assets at October 31, 2012), excluding a one-year commission and transition service costs. The Company financed the transaction through a combination of cash on hand and availability under its credit facility.

The Transco acquisition expanded the Company's presence in the plastic packaging industry and enhanced the Company's suite of products. The acquisition resulted in a gain on bargain purchase as the seller was motivated to sell these assets since they were no longer a part of the seller's intended ongoing business and the seller was under a time constraint to vacate the building in which these assets were located.

(3) Acquisitions (Continued)

The Company concluded that the Transco acquisition represented a business because it is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to the Company and its shareholders. As such, the acquisition has been accounted for using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The following table summarizes the amounts recognized for assets acquired and liabilities assumed as of the acquisition date. The allocation of fair value has been finalized. There were no changes to the values preliminarily allocated.

	Allocation at October 31, 2013
	(in thousands)
Property, plant and equipment	$5,380
Intangible asset (customer relationships)	1,500
Total identifiable assets acquired	6,880
Deferred income tax liability	579
Total liabilities assumed	579
Net identifiable assets acquired	6,301
Purchase price	5,300
Gain on bargain purchase	$1,001

Upon the determination that the Company was going to recognize a gain related to the bargain purchase of Transco, the Company reassessed its assumptions and measurement of identifiable assets acquired and liabilities assumed, and concluded that the valuation procedures and resulting measures were appropriate. As a result, the Company determined that the fair values of assets acquired and liabilities assumed exceeded the purchase price by approximately $1.0 million, which was recorded as a gain on bargain purchase in its consolidated statement of operations for the year ended October 31, 2013.

The intangible asset is being amortized over a straight-line basis over ten years.

The Company incurred $0.1 million of acquisition-related costs during the year ended October 31, 2013. These costs were expensed when incurred and are recorded in general and administrative expenses in the consolidated statement of operations for the year ended October 31, 2013.

Pro forma results of operations and other disclosures for the Transco acquisition have not been presented as they are not material in relation to the Company's reported results.

Webster Industries

On October 14, 2011, the Company completed the acquisition of substantially all of the assets and specified liabilities of Webster Industries ("Webster"), a national manufacturer and distributor of retail and institutional private label food and trash bags, for a purchase price of $25.9 million which was subject to a post-closing true-up and a corresponding purchase price adjustment (up to a maximum of $1.3 million downwards, although no limit upwards). During February 2012, the Company settled the net current asset adjustment with Chelsea Industries (the "seller"), Webster's former parent. The full 5% escrow amount was distributed to seller, and additionally the Company paid approximately

(3) Acquisitions (Continued)

$749,000 on February 15, 2012. The amount was reflected as an increase to the purchase price bringing the purchase price to $26.7 million, before expenses. The fair value of the assets acquired and the liabilities assumed was $51.9 million and $16.9 million, respectively. The acquisition was accounted for using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date.

Upon the determination that the Company was going to recognize a gain related to the bargain purchase of Webster, the Company reassessed its assumptions and measurement of identifiable assets acquired and specified liabilities assumed and concluded that the preliminary valuation procedures and resulting measures were appropriate. As a result, the Company had determined that the estimated fair values of assets acquired and liabilities assumed exceeded the purchase price, including the estimated true-up amount of $0.6 million, by approximately $8.3 million, which was recorded as a gain on bargain purchase in its consolidated statement of operations for the year ended October 31, 2011. The gain on bargain purchase was subject to change as the Company completed its analysis of the fair values of Webster's assets and specified liabilities and settled any working capital adjustments. The increase of $17,000 in the gain on bargain purchase was recognized in the consolidated statement of operations for the fiscal year ended October 31, 2012; the increase reflected the final revisions to the fair value estimates of the assets acquired and liabilities assumed and settlement of the working capital.

In addition to the $0.7 million of acquisition-related costs expensed in fiscal 2011, the Company recognized $0.6 million of acquisition-related costs for the fiscal year ended October 31, 2012. These costs were expensed when incurred and were recorded in general and administrative expenses in the consolidated statement of operations for the fiscal year ended October 31, 2012.

The following unaudited pro forma information summarizes the results of operations for the fiscal year ended October 31, 2011, as if the Webster acquisition had been completed as of November 1, 2009. The pro forma information below gives effect to actual operating results prior to the acquisition. The pro forma information includes: adjustments for additional interest expense related to the borrowings made under the credit facility to finance the acquisition and acquisition-related fees; depreciation expense based on the preliminary assessment of fair value of the newly acquired property, plant and equipment using the Company's depreciation policy; amortization expense related to identifiable intangible assets using the straight-line method over a weighted average life of 12 years; the increase in the LIFO reserve related to the Webster inventory added to the Company's LIFO layers; and the application of the Company's effective tax rate on Webster's pre-tax earnings. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition had occurred as of November 1, 2009 or that may be obtained in the future.

	For the Year Ended October 31, 2011
	unaudited (in thousands)
Net sales	$1,104,696
Operating income	$ 27,158
Net Income	$ 4,833

(4) Inventories

Inventories, stated at the lower of cost (last-in, first-out method ("LIFO") for the U.S. operations, and the first-in, first-out method ("FIFO") for the Canadian operation, supplies and printed and converted finished goods for the U.S. operation, and certain Webster finished goods) or market, include material, labor and manufacturing overhead costs, less vendor rebates. The Company establishes a reserve in those situations in which cost exceeds market value.

Inventories are comprised of the following:

	October 31, 2013	October 31, 2012
	(in thousands)	
Raw materials	$ 48,467	$ 52,932
Finished goods	83,363	68,057
Supplies	6,322	5,290
	138,152	126,279
Less: LIFO reserve	(41,061)	(31,151)
Inventories, net	$ 97,091	$ 95,128

The LIFO method was used for determining the cost of approximately 85% and 87% of total inventories at October 31, 2013 and 2012, respectively. During fiscal 2013, 2012 and 2011, the Company had certain decrements in its LIFO pools, which reduced cost of sales by $2.4 million, $1.0 million and $0, respectively. Because of the Company's continuous manufacturing process, there is no significant work in process at any point in time.

(5) Property, Plant and Equipment

A summary of the components of property, plant and equipment and their estimated useful lives is as follows:

	October 31, 2013	October 31, 2012	Estimated Useful Lives
	(in thousands)		
Land	$ 10,063	$ 10,138	
Buildings	96,198	89,592	15 to 31.5 years
Machinery and equipment	423,106	357,949	5 to 9 years
Furniture and fixtures	21,311	19,962	3 to 9 years
Leasehold improvements	415	2,761	Lesser of lease term or useful lives of 6 to 25 years
Motor vehicles	356	356	3 years
Construction in progress	17,384	39,583	
	568,833	520,341	
Less: Accumulated depreciation and amortization	348,519	324,355	
Property, plant and equipment, net	$220,314	$195,986	

(5) Property, Plant and Equipment (Continued)

Maintenance and repairs expense was $15.4 million, $13.5 million, and $10.5 million for the years ended October 31, 2013, 2012 and 2011, respectively.

(6) Intangible Assets

Changes in the carrying amount of intangible assets during the years ended October 31, 2013, 2012 and 2011 are as follows:

	Customer List (Mercury)	Tradenames	Leasehold Interests	Customer relationships	Total
Balance at October 31, 2010	$ 78	$ 828	$(29)	$1,304	$2,181
Amortization	(58)	(92)	6	(118)	(262)
Webster acquisition (see Note 3)	—	225	—	1,780	2,005
Balance at October 31, 2011	20	961	(23)	2,966	3,924
Amortization	(20)	(137)	6	(237)	(388)
Balance at October 31, 2012	—	824	(17)	2,729	3,536
Transco acquisition (see Note 3)	—	—	—	1,500	1,500
Amortization	—	(137)	6	(387)	(518)
Balance at October 31, 2013	$ —	$ 687	$(11)	$3,842	$4,518

Weighted average amortization periods over a straight-line basis are as follows:

	In Years
Trade names	9
Customer relationships	12
Leasehold Interest	7

The estimated future amortization expense during each of the next five fiscal years is as follows:

For the fiscal year ending October 31,	(in thousands)
2014	$ 518
2015	519
2016	524
2017	479
2018	479
Thereafter	1,999
Total estimated future amortization expense	$4,518

(7) Accrued Expenses

At October 31, 2013 and 2012, accrued expenses consist of the following:

	October 31, 2013	October 31, 2012
	(in thousands)	
Payroll and employee related	$10,072	$13,695
Customer rebates	7,733	9,662
Interest	762	749
Accrual for performance units	4,037	3,754
Other(A)	9,540	7,956
Accrued expenses	$32,144	$35,816

(A) No individual item exceeded 5% of current liabilities.

(8) Debt

A summary of the components of debt is as follows:

	October 31, 2013	October 31, 2012
	(in thousands)	
Credit facility(a)	$ 25,600	$ 2,800
8.25% senior notes due 2019(b)	200,000	200,000
Pennsylvania industrial loans(c)	1,056	1,208
Mortgage loan note(d)	3,223	3,341
Capital leases(e)	12,387	9,983
Foreign bank borrowings(f)	—	—
Total debt	242,266	217,332
Less: current portion	3,335	2,604
Long-term debt	$238,931	$214,728

(a) Credit facility

The Company is party to the Second Amended and Restated Loan and Security Agreement (the "credit facility"), dated February 22, 2012, with Wells Fargo Bank National Association ("Wells Fargo"), successor to Wachovia Bank N.A., as a lender thereunder and as agent for the secured parties thereunder. Financial information below for periods prior to February 22, 2012 reflects the prior credit facility with Wells Fargo. The maximum borrowing amount under the credit facility is $150.0 million with a maximum for letters of credit of $20.0 million. The credit facility's maturity date is February 21, 2017.

The Company utilizes the credit facility to provide funding for operations and other corporate purposes through daily bank borrowings and/or cash repayments to ensure sufficient operating liquidity and efficient cash management. The Company had weighted average borrowings under the credit facility of $23.6 million and $40.8 million, with a weighted average interest rate of 3.0% and 2.9% during fiscal 2013 and 2012, respectively. Under the credit facility, interest rates are based upon the

(8) Debt (Continued)

Quarterly Average Excess Availability (as defined therein) at a margin of the prime rate (defined as the greater of Wells Fargo's prime rate or the Federal Funds rate plus 0.5%) plus 0% to 0.25% or LIBOR plus 1.75% to 2.50%.

Borrowings and letters of credit available under the credit facility are limited to a borrowing base based upon specific advance percentage rates on eligible accounts receivable and inventory, subject, in the case of inventory, to amount limitations. The sum of the eligible assets at October 31, 2013 and October 31, 2012 supported a borrowing base of $150.0 million. Availability was reduced by the aggregate amount of letters of credit outstanding totaling $1.1 million and $45,000 at October 31, 2013 and October 31, 2012, respectively. Availability at October 31, 2013 and October 31, 2012 under the credit facility was $123.3 million and $147.2 million, respectively. The credit facility is secured by liens on most of the Company's domestic assets (other than real property and equipment) and on 66% of the Company's ownership interest in certain foreign subsidiaries.

The credit facility provides for events of default. If an event of default occurs and is continuing, amounts due under the credit facility may be accelerated and the commitments to extend credit thereunder terminated, and the rights and remedies of the lenders may be exercised including rights with respect to the collateral securing the obligations under the credit facility. The credit facility also contains covenants, including, but not limited to, limitations on the incurrence of debt and liens, the disposition and acquisition of assets, and the making of investments and restricted payments, including the payment of cash dividends. The credit facility has a fixed charge coverage ratio test of 1.0x, which test is triggered when Excess Availability is below $22.5 million for the immediately preceding fiscal quarter.

In addition, if Excess Availability under the credit facility is less than $25.0 million, a springing cash dominion is activated and all remittances received from customers in the United States will automatically be applied to repay the balance outstanding. The automatic repayments through the springing cash dominion remain in place until Excess Availability exceeds $25.0 million, and no other event of default has occurred and is continuing, in each case for 30 consecutive days. Excess Availability under the credit facility ranged from $95.7 million to $150.0 million during fiscal 2013 and from $64.1 million to $150.0 million during fiscal 2012.

During fiscal 2012, the Company capitalized $1.3 million of fees related to the credit facility. These fees, along with the unamortized fees of $0.4 million related to the prior credit facility, are being amortized on a straight line basis over 60 months, the term of the credit facility.

The Company was in compliance with the financial covenants at October 31, 2013 and October 31, 2012.

(b) 8.25% senior notes due 2019

The Company has $200 million aggregate principal amount of 8.25% senior notes due 2019 (the "2019 notes").

The 2019 notes mature on April 15, 2019, and the indenture governing the 2019 notes contains certain customary covenants that, among other things, limit the Company's ability and the ability of its subsidiaries to incur additional indebtedness, declare or pay dividends, purchase or redeem its capital stock, make investments, sell assets, merge or consolidate, guarantee or pledge any assets or create liens. The Company was in compliance with all of these covenants at October 31, 2013 and October 31, 2012.

(8) Debt (Continued)

The 2019 notes do not have any sinking fund requirements. If the Company experiences certain changes in control, it must offer to repurchase all of the 2019 notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest. In addition, if the Company sells certain assets, under certain circumstances, it must offer to repurchase the 2019 notes pro rata up to a maximum amount equal to the proceeds of such sale at 100% of the principal amount, plus accrued and unpaid interest.

The 2019 notes are redeemable at the option of the Company, in whole or in part, at any time on or after April 15, 2014 and prior to maturity at certain fixed redemption prices plus accrued and unpaid interest. The 2019 notes may be redeemed, in whole or in part, at any time prior to April 15, 2014 at a redemption price equal to 100% of the principal amount of the 2019 notes plus a make-whole premium, as defined, together with accrued and unpaid interest. In addition, the Company may redeem up to 35% of the 2019 notes prior to April 15, 2014, using net proceeds from certain equity offerings.

Interest is paid semi-annually on April 15 and October 15 of each year.

The Company capitalized $4.9 million of fees related to the issuance of the 2019 notes. These fees are being amortized on a straight line basis over eight years, the term of the 2019 notes.

(c) Pennsylvania industrial loans

The Company has certain amortizing fixed rate term loans in connection with the construction in fiscal 1995 and the expansion in fiscal 2008 of its Wright Township, Pennsylvania manufacturing facility. The following are outstanding at October 31, 2013 and 2012:

A $0.3 million five year fixed rate 5.0% loan, due on November 1, 2013, of which $6,256 and $0.1 million was outstanding at October 31, 2013 and 2012, respectively;

A $1.4 million fifteen year fixed rate 4.75% loan, due November 1, 2023, of which $1.0 million and $1.1 million was outstanding at October 31, 2013 and 2012, respectively;

These financing arrangements are secured by the real property of the manufacturing facility located in Wright Township, Pennsylvania, which had a net carrying value of $11.0 million and $11.6 million at October 31, 2013 and 2012, respectively.

(d) Mortgage loan note

On July 25, 2012, concurrent with the purchase of the Company's new corporate headquarters building in Montvale, New Jersey, the Company entered into a mortgage loan note (the "mortgage note") having a principal amount of $3,360,000 with TD Bank, N.A. The mortgage note bears interest at a rate equal to one-month LIBOR plus 1.75% and matures on August 1, 2022. Interest is paid monthly. The mortgage note is secured by the Montvale building.

In connection with the mortgage note, the Company also entered into a ten-year floating-to-fixed interest rate swap agreement with TD Bank, N.A. with a notional value of $3,360,000, the then outstanding principal balance on the mortgage note. The interest rate swap fixes the interest rate at 3.52% per year and matures on July 25, 2022. Please refer to Note 15 for further discussion.

(e) Capital leases

From time to time, the Company enters into capital leases for certain of its machinery and equipment. The interest rates on the capital leases range from 3.5% to 8.5%, with a weighted average interest rate of 4.5%. As a result of the capital lease treatment, the equipment remains as a component

(8) Debt (Continued)

of property, plant and equipment in the Company's consolidated balance sheets and is depreciated in accordance with the Company's depreciation policy.

Under the terms of the capital leases, the payments are as follows:

For the years ended October 31,	Capital Leases
	(in thousands)
2014	$ 3,548
2015	2,541
2016	1,834
2017	1,834
2018	1,834
Thereafter	2,045
Total minimum lease payments	13,636
Less: Amounts representing interest	1,249
Present value of minimum lease payments	12,387
Less: Current portion of obligations under capital leases	3,123
Long-term portion of obligations under capital leases	$ 9,264

(f) Foreign bank borrowings

In addition to the amounts available under the credit facility, the Company also maintains a secured credit facility at its Canadian subsidiary, used to support operations, which is generally serviced by local cash flows from operations. There was zero outstanding under this arrangement at October 31, 2013 and October 31, 2012. Availability under the Canadian credit facility at October 31, 2013 and October 31, 2012, was $5.0 million Canadian dollars, or $4.8 million and $5.0 million, respectively.

Principal payments required on all debt outstanding during each of the next five fiscal years are as follows:

	(in thousands)		
	Debt	Capital leases	Total
2014	$ 212	$ 3,123	$ 3,335
2015	214	2,252	2,466
2016	222	1,611	1,833
2017	25,832	1,669	27,501
2018	242	1,730	1,972
Thereafter	203,157	2,002	205,159
	$229,879	$12,387	$242,266

Cash paid for interest during fiscal 2013, 2012 and 2011 was $17.9 million, $18.0 million and $17.2 million, respectively, including $0.5 million, $0.2 million and $0.3 million paid as part of the capitalized leases during fiscal years 2013, 2012 and 2011, respectively.

(9) Pensions and Retirement Savings Plan

The Company sponsors a defined contribution plan in the United States and defined benefit and defined contribution plans in its Canadian subsidiary. Total expense for these plans for 2013, 2012 and 2011 was $4.2 million, $3.3 million and $3.1 million, respectively.

(9) Pensions and Retirement Savings Plan (Continued)

In addition, in connection with the acquisition of Webster in October 2011, the Company assumed the Webster, Alabama Hourly Employees' Pension Plan, a defined benefit plan and the Webster Union 401(k) Savings Plan covering hourly employees at the Montgomery, Alabama plant.

401(k) Savings Plan

Employees of the Company in the United States (with the exception of those employees covered by a collective bargaining agreement at its California facility prior to June 1, 2013 and those employees covered under the Webster Union 401(k) Plan) may participate in the AEP Industries Inc. 401(k) Savings Plan (the "Plan"). Effective for the fiscal 2006 plan year and thereafter, the Company has and will contribute cash to the Plan. Prior to this, the Company contributed common stock held in treasury.

The Company matches 100% of the first 3% and 50% of the following 2% of each participant's 401(k) contribution with a maximum of 5% of the participant's annual compensation and the Company makes contributions to the Plan, for eligible employees who have completed one year of service, equal to 1% of a participant's compensation, as defined, for the Plan year. In fiscal 2013, 2012 and 2011, the Company contributed $3.0 million, $2.7 million and $2.6 million in cash to the Plan in fulfillment of the 2012, 2011 and 2010 contribution requirement, respectively.

At October 31, 2013, there were 180,360 shares of the Company's common stock held by the Plan, representing approximately 3% of the total number of shares outstanding. Shares of the Company's common stock credited to each member's account under the Plan are voted by the trustee under instructions from each individual plan member. Shares, for which no instructions are received, along with any unallocated shares held in the Plan, are not voted.

The Company has maintained the Webster Union 401(k) Savings Plan; renamed the AEP Union 401(k) Savings Plan. This plan is funded entirely by employee contributions and covers all eligible Webster union employees.

Defined Contribution Plan

The Company sponsors a defined contribution plan in Canada. The plan covers full time employees and provides for a base employer contribution of 4.5% of salary plus an additional matching contribution of 50% of employee contributions up to 5% (for a maximum employer contribution of 7% of salary). The Company's cash contributions related to this plan for each of the fiscal years ending 2013, 2012 and 2011 totaled $0.2 million.

Defined Benefit Plans

The Company has a defined benefit plan in Canada and assumed a defined benefit plan of Webster as a result of its acquisition on October 14, 2011. Benefits under these plans are based on specified amounts per year of credited service. The Company funds these plans in accordance with the funding requirements of local law and regulations.

(9) Pensions and Retirement Savings Plan (Continued)

The components of the net periodic pension costs for the Canadian defined benefit plan and the Webster defined benefit plan in fiscal 2013 and 2012, are as follows:

	For the Years Ended October 31,		
	2013	2012	2011
	(in thousands)		
Service cost	$ 433	$ 336	$ 148
Interest cost	367	375	250
Expected return on assets	(380)	(355)	(253)
Amortization of net actuarial loss	117	52	33
Amortization of prior service cost	125	128	119
Net periodic pension cost	$ 662	$ 536	$ 297

The estimated net actuarial loss and prior service cost that will be amortized from accumulated other comprehensive income into net periodic pension cost in fiscal 2014 are:

	(in thousands)
Amortization of prior service cost	$124
Amortization of net actuarial loss	58
Total	$182

(9) Pensions and Retirement Savings Plan (Continued)

A reconciliation of the change in benefit obligation, the change in plan assets and the net amount recognized in the consolidated balance sheets for the Canadian defined benefit plan and the acquired Webster defined benefit plan is shown below (based on an October 31 measurement date):

	October 31,	
	2013	2012
	(in thousands)	
Change in benefit obligation:		
Pension benefit obligation at beginning of year	$ 8,702	$ 6,809
Fair value adjustment related to Webster acquired defined benefit plan	—	176
Service cost	433	336
Interest cost	367	375
Benefit and expense payments	(562)	(321)
Settlements	—	—
Plan amendments	—	—
Actuarial (gains) losses	(244)	1,313
Foreign currency exchange rate impact	(253)	14
Pension benefit obligation at end of year	8,443	8,702
Change in plan assets:		
Fair value of plan assets at beginning of year	6,281	5,494
Company contributions	790	702
Benefit and expense payments	(562)	(321)
Actual return on plan assets	913	395
Foreign currency exchange rate impact	(235)	11
Fair value of plan assets at end of year	7,187	6,281
Funded status—consolidated	(1,256)	(2,421)
Funded status—Canada	(200)	(947)
Funded status—Webster	(1,056)	(1,474)
Amounts recognized in the consolidated balance sheets consist of:		
Other long-term liabilities	(1,256)	(2,421)
Amounts recognized in accumulated other comprehensive income (loss):		
Prior service cost	(778)	(940)
Net actuarial loss	(1,383)	(2,344)
Tax effect	559	894
Net amount recognized, after tax	$(1,602)	$(2,390)
Accumulated benefit obligation	$ 8,443	$ 8,702

The components of the $1.1 million decrease in the amounts recognized (pre-tax) in accumulated other comprehensive income (loss) during fiscal 2013 consisted of $0.8 million of actuarial gains arising during the year primarily as a result of an increase in the discount rate and a better than expected return on plan assets during 2013, combined with $0.2 million of amortization of prior service cost and net actuarial losses and $0.1 million of foreign exchange.

(9) Pensions and Retirement Savings Plan (Continued)

Investment Policy:

It is the objective of the plan sponsors to maintain an adequate level of diversification to balance market risk, to prudently invest to preserve capital and to provide sufficient liquidity while maximizing earnings for near-term payments of benefits accrued under the plans and to pay plan administrative expenses. The assumption used for the expected long-term rate of return on plan assets is based on the long-term expected returns for the investment mix of assets currently in the portfolio. Historical return trends for the various asset classes in the class portfolio are combined with anticipated future market conditions to estimate the rate of return for each class. These rates are then adjusted for anticipated future inflation to determine estimated nominal rates of return for each class. The following table presents the weighted average actual asset allocations as of October 31, 2013 and 2012 and the target allocation of pension plan assets for fiscal 2014:

	October 31,		Target
	2013	2012	Allocation
Equity securities	62%	58%	61%
Debt securities	32%	37%	34%
Other	6%	5%	5%
Total	100%	100%	100%

The weighted-average assumptions that were used to determine the Company's benefit obligations as of the measurement date (October 31) were as follows:

	October 31,		
	2013	2012	2011
Discount rate	5%	4%	5%
Salary progression rate	0%	0%	0%

The discount rates used for the defined benefit plans in Canada and for Webster are based on high quality AA-rated corporate bonds with durations corresponding to the expected durations of the benefit obligations.

The weighted-average assumptions that were used to determine the Company's net periodic benefit cost were as follows:

	October 31,		
	2013	2012	2011
Discount rate	4%	5%	6%
Salary progression rate	0%	0%	0%
Expected long-term rate of return on plan assets	6%	6%	6%

The overall expected long-term rate of return on plan assets is a weighted-average expectation based on the targeted portfolio composition. Historical experience and current benchmarks are considered to arrive at expected long-term rates of return in each asset category.

(9) Pensions and Retirement Savings Plan (Continued)

The Company expects the following benefit payments to be paid out of the Canada and Webster plans for the fiscal years indicated. The expected benefit payments are based on the same assumptions used to measure the Company's benefit obligation at October 31, 2013 and include estimated future employee service. The Company does not expect any plan assets to be returned to it during fiscal 2014. Payments from the pension plan are made from the plan assets.

	(in thousands)
2014	$ 229
2015	276
2016	300
2017	361
2018	426
2019-2023, in the aggregate	2,743

During fiscal 2014, the Company expects to contribute $0.5 million to its Canada defined benefit plan and $0.1 million to the Webster defined benefit plan.

The fair values by category of inputs as of October 31, 2013 were as follows:

	Fair Value as of October 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Amounts in thousands)		
Cash	$ 388	$ 79	$ 309	$—
Equity securities	4,436	852	3,584	—
U.S. Government securities	60	60	—	—
Fixed income/debt securities	2,260	389	1,871	—
Other	43	—	43	—
Total	$7,187	$1,380	$5,807	$—

The fair values by category of inputs as of October 31, 2012 were as follows:

	Fair Value as of October 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Amounts in thousands)		
Cash	$ 379	$ 95	$ 284	$—
Equity securities	3,713	601	3,112	—
U.S. Government securities	178	178	—	—
Fixed income/debt securities	2,011	389	1,622	—
Other	—	—	—	—
Total	$6,281	$1,263	$5,018	$—

(10) Shareholders' Equity

Share-Based Compensation

The Company has a share-based plan which provides for the granting of stock options, restricted stock, performance units and other awards to officers, directors and key employees of the Company. Total share-based compensation expense related to the Company's share-based plans is recorded in the consolidated statements of operations as follows:

	For the Years Ended October 31,		
	2013	2012	2011
		(in thousands)	
Cost of sales	$ 598	$1,111	$ 220
Selling expense	649	1,253	262
General and administrative expense	2,813	4,529	1,437
Total	$4,060	$6,893	$1,919

Shared-Based Plans

At the annual meeting of stockholders of the Company on April 9, 2013, stockholders approved the AEP Industries Inc. 2013 Omnibus Incentive Plan (the "2013 Plan"). The 2013 Plan provides for the award to non-employee directors and key employees of the Company of options, restricted stock, restricted stock units, stock appreciation rights, performance awards (which may take the form of performance units or performance shares) and other awards to acquire up to an aggregate of 375,000 shares of the Company's common stock. These shares of common stock may be made available from authorized but unissued common stock, from treasury shares or from shares purchased on the open market. The issuance of common stock resulting from the exercise of stock options and settlement of the vesting of performance units (for those employees who elected shares) during fiscal 2013 and 2012 was made from new shares.

As a result of stockholder approval of the 2013 Plan, all awards of stock and stock unit awards subsequent to April 9, 2013 have been granted under the 2013 Plan and no new awards have been made after such date under the AEP Industries Inc. 2005 Stock Option Plan (the "2005 Option Plan"), which expired in October 2013 except as to awards previously granted prior to that date. No options granted under the Company's 1995 Stock Option Plan are outstanding. Each non-employee director received a fixed annual grant of 2,000 stock options as of the date of the annual meeting of stockholders under the 2005 Option Plan, and in accordance with the fiscal 2012 director compensation program. On April 12, 2013, each non-employee director was granted an annual restricted stock award with a grant date fair value of $55,000, or 783 shares (4,698 shares in the aggregate), under the 2013 Plan and in accordance with the fiscal 2013 director compensation program. Future annual grants of restricted stock to non-employee directors will be made as of the date of the annual meeting of stockholders. At October 31, 2013, 370,302 shares were available to be issued under the 2013 Plan.

Stock Options

The fair value of options granted is estimated on the date of grant using a Black-Scholes options pricing model. Expected volatilities are calculated based on the historical volatility of the Company's stock. Management monitors stock option exercise and employee termination patterns to estimate forfeitures rates within the valuation model. Separate groups of employees, including executive officers

(10) Shareholders' Equity (Continued)

and directors, that have similar historical exercise behavior are considered separately for valuation purposes. The expected holding period of stock options represents the period of time that stock options granted are expected to be outstanding. The risk-free interest rate is based on the Treasury note interest rate in effect on the date of grant for the expected term of the stock option.

There were no options granted during the year ended October 31, 2013.

The table below presents the weighted average assumptions used to calculate the fair value of stock options granted during the years ended October 31, 2012 and 2011.

	For the Years Ended October 31,	
	2012	2011
Expected volatility	42.43%	42.62%
Expected life in years	7.5	7.5
Risk-free interest rates	1.43%	2.87%
Dividend rate	0%	0%
Weighted average fair value per option at date of grant	$15.79	$14.19

(10) Shareholders' Equity (Continued)

The following table summarizes the Company's stock option plans as of October 31, 2013 and changes during each of the years in the three year period ended October 31, 2013:

	1995 Option Plan	2005 Option Plan	Total Number Of Options	Weighted Average Exercise Price per Option	Option Price Per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value $(000)
Options outstanding at October 31, 2010 (184,009 options exercisable)	151,409	75,400	226,809	$22.87	$ 7.87-51.00		
Granted	—	10,000	10,000	$28.36	$ 28.36		
Exercised	(5,577)	(400)	(5,977)	$10.38	$ 9.30-19.83		
Forfeited/Cancelled	—	—	—	—	—		
Expired	(3,000)	—	(3,000)	$51.00	$ 51.00		
Options outstanding at October 31, 2011 (142,832 options exercisable)	142,832	85,000	227,832	$23.07	$ 7.87-42.60		
Granted	—	12,000	12,000	$33.67	$ 33.67		
Exercised	(84,473)(a)	(9,000)	(93,473)	$25.32	$ 7.87-33.84		
Forfeited/Cancelled	—	(2,000)	(2,000)	$42.60	$ 42.60		
Expired	(1,000)	—	(1,000)	$32.80	$ 32.80		
Options outstanding at October 31, 2012 (108,959 options exercisable)	57,359	86,000	143,359	$22.15	$ 9.30-42.60	4.2	$5,990
Granted	—	—	—	—	—		
Exercised	(57,359)	(13,554)(b)	(70,913)	$14.51	$ 9.30-38.10		
Forfeited/Cancelled	—	—	—	—	—		
Expired	—	—	—	—	—		
Options outstanding at October 31, 2013	—	72,446	72,446	$29.62	$17.07-$42.60	4.5	$2,159
Vested and expected to vest at October 31, 2013	—	72,446	72,446	$29.62		4.5	$2,159
Exercisable at October 31, 2013	—	50,846	50,846	$29.71		3.8	$1,511

(a) Includes 3,419 options exercised at an exercise price of $9.30 per option and 59,180 options exercised at an exercise price of $31.60 per option for which 54,405 shares of common stock of the Company were tendered to the Company by the holder of the stock options for the payment of the exercise price of these options.

(b) Includes 12,000 options exercised at an exercise price of $38.10 per option for which 6,096 shares of common stock of the Company were tendered to the Company by the holder of the stock options for the payment of the exercise price of these options.

(10) Shareholders' Equity (Continued)

The table below presents information related to stock option activity for the years ended October 31, 2013, 2012 and 2011:

	For the Years Ended October 31,		
	2013	2012	2011
	(in thousands)		
Total intrinsic value of stock options exercised	$4,158	$951	$101
Total fair value of stock options vested	$ 210	$229	$336

The fair value of the options, less expected forfeitures, is amortized over five years on a straight-line basis. Share-based compensation expense related to the Company's stock options recorded in the consolidated statements of operations for the years ended October 31, 2013, 2012 and 2011 was $0.2 million, $0.2 million, and $0.3 million, respectively. No compensation cost related to stock options was capitalized in inventory or any other assets for the years ended October 31, 2013, 2012 and 2011, respectively. For fiscal 2013 and 2011, there were no excess tax benefits recognized resulting from share-based compensation awards as the Company was not in a federal tax paying position during those periods. For fiscal 2012, there was $1.3 million in excess tax benefits recognized resulting from share-based compensation awards, respectively, which reduced taxes otherwise payable, and is included in additional paid in capital at October 31, 2013 and 2012.

As of October 31, 2013, there was $0.2 million of total unrecognized compensation cost related to non-vested stock options granted under the plans. That cost is expected to be recognized over a weighted-average period of 2.6 years.

Non-vested Stock Options

A summary of the Company's non-vested stock options at October 31, 2013 and changes during fiscal 2013 are presented below:

Non-vested stock options	Shares	Weighted Average Grant Date Fair Value
Non-vested at October 31, 2012	34,400	$15.43
Granted	—	—
Vested	(12,800)	$16.40
Forfeited	—	—
Non-vested at October 31, 2013	21,600	$14.86

Performance Units

The 2005 Option Plan provided for the granting of Board approved performance units ("Units"). Outstanding Units are subject to forfeiture based on an annual Adjusted EBITDA performance goal, as determined and adjusted by the Board. If the Company's Adjusted EBITDA equals or exceeds the performance goal, no Units will be forfeited. If the Company's Adjusted EBITDA is between 80% and less than 100% of the performance goal, such employee will forfeit such number of Units equal to (a) the Units granted multiplied by (b) the percentage Adjusted EBITDA is less than the performance

(10) Shareholders' Equity (Continued)

goal. If Adjusted EBITDA is below 80% of the performance goal, the employee will forfeit all Units. Subsequent to the satisfaction of the performance goal, the vesting of the Units will occur equally over five years on the first through the fifth anniversaries of the grant date, provided that such person continues to be employed by the Company on such respective dates.

The Units will immediately vest (subject to pro-ration, if such termination event occurs during or as of the end of the fiscal year in which the initial grant was made) in the event of (1) the death of an employee, (2) the permanent disability of an employee (within the meaning of the Internal Revenue Code of 1986, as amended) or (3) a termination of employment due to the disposition of any asset, division, subsidiary, business unit, product line or group of the Company or any of its affiliates. In the case of any other termination, any unvested performance units will be forfeited. Notwithstanding the foregoing, the Compensation Committee retains discretionary authority at any time, including immediately prior to or upon a change of control, to accelerate the exercisability of any award, or the end of a performance period. For each Unit, upon vesting and the satisfaction of any required tax withholding obligation, the employee has the option to receive one share of the Company's common stock, the equivalent cash value or a combination of both.

Due to the cash settlement feature, the Units are liability classified and are recognized at fair value, depending on the percentage of requisite service rendered at the reporting date, and are remeasured at each balance sheet date to the market value of the Company's common stock at the reporting date.

As the Units contain both a performance and service condition, the Units have been treated as a series of separate awards or tranches for purposes of recognizing compensation expense. The Company recognizes compensation expense on a tranche-by-tranche basis, recognizing the expense as the employee works over the requisite service period for that specific tranche. The Company has applied the same assumption for forfeitures as employed in the Company's stock option plans, discussed above.

Total share-based compensation expense related to the Units was $3.7 million, $6.7 million, and $1.6 million for the years ended October 31, 2013, 2012 and 2011, respectively. During the year ended October 31, 2013, the Company paid $2.5 million in cash and issued 757 shares of its common stock, in each case net of withholdings, in settlement of the vesting of Units occurring during fiscal 2013. During the year ended October 31, 2012, the Company paid $0.9 million in cash and issued 1,591 shares of its common stock, in each case net of withholdings, in settlement of the vesting of the Units occurring during fiscal 2012. During the year ended October 31, 2011, the Company paid $1.1 million in cash and issued 3,656 shares of its common stock, in each case net of withholdings, in settlement of the vesting of Units occurring during fiscal 2011. At October 31, 2013 and October 31, 2012, there was $4.0 million and $3.8 million in accrued expenses and $3.4 million and $4.0 million in long-term liabilities, respectively, related to outstanding Units.

(10) Shareholders' Equity (Continued)

The following table summarizes the Units as of October 31, 2013 and changes during each of the three year periods ended October 31, 2013:

	2005 Option Plan	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value $(000)
Units outstanding at October 31, 2010	160,790			
Units granted	52,931 (a)			
Units exercised	(64,430)	$0.00		$ 1,708
Units forfeited or cancelled	(1,400)			
Units outstanding at October 31, 2011	147,891			
Units granted	134,066 (b)			
Units exercised	(46,165)	$0.00		$ 1,315
Units forfeited or cancelled	(1,800)			
Units outstanding at October 31, 2012	233,992		1.7	$14,959
Units granted	45,258 (c)	$0.00		
Units exercised	(66,635)	$0.00		$ 4,068
Units forfeited or cancelled	(8,454)(c)			
Units outstanding at October 31, 2013	204,161	$0.00	1.5	$12,134
Vested and expected to vest at October 31, 2013	200,361	$0.00	1.5	$11,908
Exercisable at October 31, 2013	250 (d)			$ 18

(a) More than 100% of the fiscal 2011 Adjusted EBITDA goal was achieved.

(b) More than 100% of the fiscal 2012 Adjusted EBITDA goal was achieved.

(c) 93.5% of the fiscal 2013 Adjusted EBITDA goal was achieved, and therefore, 2,954 Units were forfeited.

(d) These units immediately vested during the third quarter of 2013 due to the death of an employee. The Company is awaiting payout of units to the estate.

Restricted Stock

On April 12, 2013, each non-employee director received an annual restricted stock award with a grant date fair value of $55,000, or 783 shares (4,698 shares in the aggregate). The restricted stock may be forfeited in the event of termination of service as a non-employee director of the Company prior to the first anniversary of the grant date, subject to the Compensation Committee's right to accelerate the vesting of all or a portion of the restricted stock at any time. During the restricted period, the restricted stock entitles the participant to all of the rights of a stockholder, including the right to vote the shares and the right to receive any dividends thereon. Prior to the end of the restricted period, restricted stock generally may not be sold, assigned, pledged, or otherwise disposed of or hypothecated by participants.

(10) Shareholders' Equity (Continued)

The share-based compensation expense associated with the restricted stock is based on the quoted market price of the Company's common stock on the date of grant. The Company recognizes share-based compensation associated with the restricted stock on a straight-line basis over the term which is one year. Total share-based compensation expense related to the restricted stock recorded in the consolidated statements of operations for the fiscal year ended October 31, 2013 was $0.2 million. As of October 31, 2013, there was $0.1 million of total unrecognized compensation cost related to restricted stock. That cost is expected to be recognized over five months.

Treasury Shares

On January 21, 2013, the Company's Board terminated the September 2010 Stock Repurchase Program (which had $1.0 million remaining as of such date). There was no stock repurchase activity during fiscal 2013 or fiscal 2012.

Preferred Shares

The Board may direct the issuance of up to one million shares of the Company's $1.00 par value Preferred Stock and may, at the time of issuance, determine the rights, preferences and limitations of each series.

On March 31, 2011, the Company adopted a stockholder rights plan (the "Rights Plan"), which entitles the holders of the rights to purchase from the Company 1/1,000th of a share of Series A Junior Participating Preferred Stock, par value $1.00 per share, at a purchase price of $150.00 per share, as adjusted (a "Right"), upon certain trigger events. The Company's Board declared a dividend of one Right per each share of common stock of the Company outstanding as of April 11, 2011. Each 1/1,000th of a share of Series A Junior Participating Preferred Stock has terms that are substantially the economic and voting equivalent of one share of the Company's common stock. However, until a Right is exercised or exchanged in accordance with the provisions of the Rights Plan, the holder thereof will have no rights as a stockholder of the Company. The Rights Plan has a three-year term and the Board may terminate the Rights Plan at any time (subject to the redemption of the Rights for a nominal value). The Rights may cause substantial dilution to a person or group (together with all affiliates and associates of such person or group and any person or group of persons acting in concert therewith) that acquires beneficial ownership of 15% or more of the Company's stock on terms not approved by the Board or takes other specified actions.

(11) Income Taxes

The U.S. and foreign components of income, which includes gains from bargain purchase of a business of $1.0 million and $8.3 million in fiscal 2013 and fiscal 2011, respectively, before provision for income taxes are as follows:

	For the Years Ended October 31,		
	2013	2012	2011
		(in thousands)	
U.S.	$10,122	$32,244	$ 9,738
Foreign	5,841	5,156	4,733
Total	$15,963	$37,400	$14,471

(11) Income Taxes (Continued)

The (provision) benefit for income taxes is summarized as follows:

	For the Years Ended October 31,		
	2013	2012	2011
	(in thousands)		
Current:			
Federal	$ 15	$ (679)	$ 10
State	(689)	(1,211)	(153)
Foreign	(1,598)	(1,315)	(1,394)
	(2,272)	(3,205)	(1,537)
Deferred:			
Federal	(2,911)	(9,237)	(204)
State	272	(833)	(186)
Foreign	(304)	(973)	(156)
	(2,943)	(11,043)	(546)
Total provision for income taxes	$(5,215)	$(14,248)	$(2,083)

The Company has $21.7 million of undistributed earnings from its Canadian subsidiary at October 31, 2013. It is anticipated that these earnings will be remitted in the foreseeable future and the Company has accrued taxes attributable to the repatriation resulting in a net liability of $1.2 million at October 31, 2013. The net liability or tax cost of the repatriation, other than $1.1 million of withholding taxes, will be offset by available foreign tax credits. Undistributed earnings of the Company's foreign subsidiaries (primarily Canada) were $18.3 million and $15.0 million at October 31, 2012 and 2011, respectively.

(11) Income Taxes (Continued)

The tax effects of significant temporary differences that comprise the deferred tax assets (liabilities) at October 31, 2013 and 2012 are as follows:

	October 31, 2013	October 31, 2012
	(in thousands)	
Deferred income tax assets:		
Allowance for doubtful accounts	$ 528	$ 599
Inventories	979	845
Alternative minimum tax credits carryforwards	6,317	6,095
State net operating loss carryforwards	1,458	1,388
Net operating loss carryforwards	3,088	—
Capital loss carryforwards	30	8,199
Foreign tax credits carryforwards	13,665	11,798
Other	6,013	6,540
Total gross deferred tax assets	32,078	35,464
Valuation allowance	(30)	(8,199)
Total net deferred tax asset	$ 32,048	$ 27,265
Deferred tax liabilities:		
Depreciation	$(28,874)	$(22,785)
Deferred tax liability on undistributed earnings of foreign subsidiary	(11,818)	(9,612)
Deferred gain on redemption of senior notes	(2,065)	(2,082)
Basis differences related to Webster acquisition	(5,342)	(5,386)
Other	(3,259)	(2,935)
Total gross deferred tax liabilities	$(51,358)	$(42,800)
Total net deferred tax liabilities	$(19,310)	$(15,535)

Valuation allowances reduced the deferred tax assets attributable to capital loss carryforwards and foreign tax credits carryforwards to an amount that, based on all available information, is more likely than not to be realized. The net change in the valuation allowance from October 31, 2012 to October 31, 2013 was a decrease of $8.1 million, due to the expiration of the capital loss carryforward in the U.S. The net change in the valuation allowance from October 31, 2011 to October 31, 2012 was a decrease of $2.8 million. The decrease in part resulted from the final liquidation of our New Zealand subsidiary, which reduced the valuation allowance for foreign operating loss carryforwards by $1.0 million. The Company also reevaluated its foreign tax credit reserve and determined that based on future foreign earnings, the valuation allowance of $1.8 million was no longer required.

(11) Income Taxes (Continued)

Net operating loss carryforwards, capital loss carryforwards, foreign tax credits and alternative minimum tax credits, before valuation allowances, at October 31, 2013 expire as follows:

	Related Tax Amount	Deferred Tax Asset	Expiration Date
	(in thousands)		
Loss carryforwards:			
Federal net operating loss—tax	$ 8,823	$ 3,088	Fiscal 2033
State net operating loss	33,193	1,458	Fiscal 2014 - 2031
Total net operating loss carryforwards	$42,016	$ 4,546	
Capital loss carryforwards:			
Canada	$ 240	$ 30	Indefinite
Total capital loss carryforwards	$ 240	$ 30	
Tax credit carryforwards:			
Foreign tax credits	$13,665	$13,665	Fiscal 2015 - 2023
Alternative minimum tax credit	6,317	6,317	Indefinite
Total tax credit carryforwards	$19,982	$19,982	

The benefits of these carryforwards are dependent on the taxable income in those jurisdictions in which they arose, and accordingly, a valuation allowance has been provided where management has determined that it is more likely than not that the carryforwards will not be utilized. Management believes that it is more likely than not that the Company's deferred tax assets, net of existing valuation allowances, at October 31, 2013 will be realized.

A reconciliation of the provision for income taxes on income before provision for income taxes to that which would be computed at the statutory rate of 35% for each of the fiscal years 2013, 2012 and 2011, is as follows:

	For the Years Ended October 31,		
	2013	2012	2011
		(in thousands)	
Provision at statutory rate	$(5,587)	$(13,090)	$(5,065)
State tax provision, net of federal tax benefit	(372)	(1,416)	(99)
Differential in the U.S. and Canadian statutory rate	541	416	350
Income taxes accrued on foreign undistributed earnings	(130)	(1,060)	—
Foreign taxes paid and accrued	(365)	(1,070)	(162)
Capital losses expired	(8,103)	—	(818)
Net valuation allowances reversed	8,103	1,788	818
Non-taxable gain on bargain purchase	350	—	2,910
Other, net	348	184	(17)
Provision for income taxes	$(5,215)	$(14,248)	$(2,083)

As with most companies, the Company's income tax returns are periodically audited by domestic and foreign tax authorities. These audits include questions regarding tax filing positions, including the

(11) Income Taxes (Continued)

timing and amount of deductions taken. At any time, multiple tax years are subject to audit by various tax authorities. A number of years may elapse before a particular tax position, for which a reserve has been established, is audited and fully resolved. When the actual result of a tax settlement differs from the Company's estimated reserve for a tax position, the Company adjusts the tax contingency reserve and income tax provision.

As of October 31, 2013 and 2012, the Company's liabilities for unrecognized tax benefits for uncertain tax positions related to certain federal deductions taken for tax purposes and state income taxes, including interest and penalties, were $45,000 and $41,000, respectively, and are included in other long term liabilities in the consolidated balance sheets. The Company classifies interest and penalties on uncertain tax positions as a component of the provision for income taxes. Interest and penalties recognized in the provision for income taxes were $3,513, $3,240, and $3,450 during fiscal 2013, 2012 and 2011, respectively.

The Company files income tax returns in the U.S. federal jurisdiction, seventeen U.S. states and various foreign jurisdictions. Tax years ended October 31, 2012, 2011 and 2010 remain open for U.S. federal taxes. Tax years ended October 31, 2012, 2011, 2010 and 2009 remain open for sixteen states. With limited exception, the Company is no longer subject to examination by states for years beginning prior to 2005. Additionally, tax years 2007 through 2012 remain open and subject to examination by the governmental agencies in the Company's various foreign jurisdictions. The Company does not anticipate any adjustments that would have a material adverse effect on its financial position, results of operations or liquidity.

Cash paid for income taxes during fiscal 2013, 2012 and 2011 was $3.2 million, $3.3 million and $0.9 million, respectively.

(12) Commitments and Contingencies

Operating Lease Commitments:

The Company has lease agreements for several of its facilities and certain of its equipment expiring at various dates through March 31, 2020. Rental expense under all leases was $9.0 million, $8.0 million and $5.6 million for fiscal 2013, 2012 and 2011, respectively. Rental income under all non-cancellable subleases was $0.7 million, $0.6 million and $0.6 million for fiscal 2013, 2012 and 2011, respectively.

Under the terms of noncancellable operating leases with terms greater than one year (including the rental payments for the Cartersville and Fontana facilities), the minimum rental, excluding the provision for real estate taxes, is as follows:

For the years ended October 31,	Operating Leases	Sublease Income
	(in thousands)	
2014	$ 7,868	$207
2015	6,200	90
2016	4,265	—
2017	2,921	—
2018	1,340	—
Thereafter	797	—
Total minimum lease payments	$23,391	$297

(12) Commitments and Contingencies (Continued)

Claims and Lawsuits:

The Company and its subsidiaries are subject to claims and lawsuits which arise in the ordinary course of business. On the basis of information presently available and advice received from counsel representing the Company and its subsidiaries, it is the opinion of management that the disposition or ultimate determination of such claims and lawsuits against the Company will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

Employment Contracts:

The Company has employment agreements with each of the following employees of the Company: J. Brendan Barba, Paul M. Feeney, John J. Powers, Paul C. Vegliante, Robert Cron, Lawrence R. Noll and Linda N. Guerrera. Each November 1st, these agreements are extended for successive periods of one year, unless either party gives written notice to the other at least 180 days prior to the expiration of the then current term that it does not wish to extend the agreement beyond the term. The employment agreements also include terms relating to severance upon termination or a change of control, confidentiality, non-competition, non-solicitation and other customary provisions.

John J. Powers, and Paul C. Vegliante are the sons-in-law of the Company's Chairman, President and Chief Executive Officer, J. Brendan Barba. Additionally, Mr. Barba and Robert Cron are cousins. Linda N. Guerrera is the daughter-in-law of Paul M. Feeney, the Company's Executive Vice President, Finance and Chief Financial Officer.

(13) Segment and Geographic Information

The Company's operations are conducted within one business segment, the production, manufacture and distribution of plastic packaging products, primarily for the food/beverage, industrial and agricultural markets. The Company operates in the United States and Canada. The geographical assets and operating results reported within the Other Foreign operations primarily represent tax refunds and intercompany interest income in the Company's New Zealand subsidiary which was liquidated in the fourth quarter of fiscal 2012.

Income from operations includes all costs and expenses directly related to the geographical area, including intercompany interest income and expense. Identifiable assets are those used in the operations of those geographical areas.

(13) Segment and Geographic Information (Continued)

Information about the Company's operations by geographical area, with United States and Canada stated separately, as of and for the years ended October 31, 2013, 2012 and 2011, respectively, is as follows:

	United States	Canada	Total
	(in thousands)		
2013			
Sales—external customers	$1,071,410	$72,442	$1,143,852
Intercompany sales	36,677	—	36,677
Gross profit	139,263	15,209	154,472
Operating income	26,096	7,220	33,316
Interest income	3	57	60
Interest expense	18,700	13	18,713
Depreciation and amortization	28,303	289	28,592
Provision for income taxes	3,678	1,537	5,215
Net income	6,444	4,304	10,748
Provision for losses on accounts receivable and inventories	220	52	272
Geographical area assets	440,089	31,474	471,563
Goodwill	3,697	3,174	6,871
Capital expenditures	46,622	58	46,680

	North America		Other	
	United States	Canada	Foreign	Total
	(in thousands)			
2012				
Sales—external customers	$1,075,672	$76,863	$ —	$1,152,535
Intercompany sales	40,627	—	—	40,627
Gross profit	168,566	14,177	—	182,743
Operating income	49,585	6,063	—	55,648
Interest income	8	48	—	56
Interest expense	19,057	20	—	19,077
Translation adjustment reversal into income	—	—	692	692
Depreciation and amortization	22,524	304	—	22,828
Provision for income taxes	13,030	1,218	—	14,248
Net income	19,214	3,245	693	23,152
Provision for losses on accounts receivable and inventories	218	65	—	283
Geographical area assets	411,102	20,341	—	431,443
Goodwill	3,697	3,174	—	6,871
Capital expenditures	41,820	180	—	42,000

(13) Segment and Geographic Information (Continued)

	North America		Other	
	United States	Canada	Foreign	Total
		(in thousands)		
2011				
Sales—external customers	$900,611	$74,181	$ —	$974,792
Intercompany sales	38,968	—	—	38,968
Gross profit	113,997	14,725	—	128,722
Operating income	18,766	6,465	—	25,231
Interest income	8	23	1	32
Interest expense	19,163	15	—	19,178
Depreciation and amortization	21,432	319	—	21,751
Provision for income taxes	695	1,388	—	2,083
Net income (loss)	9,043	3,514	(169)	12,388
Provision for losses on accounts receivable and inventories	129	(66)	—	63
Geographical area assets	392,911	22,758	—	415,669
Goodwill	3,697	3,174	—	6,871
Capital expenditures	14,499	—	—	14,499

Net sales by product line are as follows:

	For the Years Ended October 31,		
	2013	2012	2011
		(in thousands)	
Custom films	$ 341,608	$ 347,258	$340,193
Stretch (pallet) wrap	352,125	337,078	311,563
Food contact	185,950	197,205	140,912
PROformance Films®	71,652	76,227	74,004
Canliners	125,615	123,718	52,231
Printed and converted films	25,361	23,105	11,283
Other products and specialty films	41,541	47,944	44,606
Total	$1,143,852	$1,152,535	$974,792

(14) Accumulated Other Comprehensive Income

The accumulated balances at October 31, related to each component of accumulated other comprehensive income are as follows:

	2013	2012	2011
		(in thousands)	
Foreign currency translation adjustments	$ 2,138	$ 2,969	$ 3,647
Unrecognized prior service cost and actuarial losses related to Canadian and Webster pension plans, net of tax	(1,602)	(2,390)	(1,629)
Total accumulated other comprehensive income	$ 536	$ 579	$ 2,018

(14) Accumulated Other Comprehensive Income (Continued)

The accumulated other comprehensive loss related to the Company's pension plans is net of tax benefits of $0.6 million, $0.9 million and $0.6 million at October 31, 2013, 2012 and 2011, respectively.

(15) Fair Value Measurements and Derivative Instruments

Fair Value Measurements

In determining the fair value of financial instruments, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers counterparty credit risk in its assessment of fair value. The Company determines the fair value of its financial instruments based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2	Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
Level 3	Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability at the measurement date.

The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, inventories, other current assets, accounts payable and accrued expenses approximates fair value because of the short-term nature of these assets and liabilities. The fair value of the Company's variable rate debt (credit facility) approximates fair value due to the availability and floating rate for similar instruments. Please see Note 9 for discussion of the fair value of the assets held in the Company's two defined benefit pension plans.

The carrying value and fair value of the Company's fixed rate debt at October 31, 2013 and October 31, 2012 are as follows:

	October 31, 2013		October 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands)			
2019 notes	$200,000	$216,626	$200,000	$211,126
Mortgage loan note(a)	3,223	3,223	3,341	3,341
Pennsylvania industrial loans	1,056	1,056	1,208	1,208
Capital leases	12,387	12,387	9,983	9,983
Total	$216,666	$233,292	$214,532	$225,658

(a) The Company entered into an interest rate swap fixing the variable rate loan to a fixed rate loan at an interest rate of 3.52% per year.

(15) Fair Value Measurements and Derivative Instruments (Continued)

The fair value of the 2019 notes and the mortgage note are based on quoted market rates (Level 1). The Company derives its fair value estimates of the Pennsylvania industrial loans and the capital leases based on observable inputs (Level 2). Observable market inputs used in the calculation of the fair value of the Pennsylvania industrial loans and the capital leases include evaluating the nature and terms of each instrument, considering prevailing economic and market conditions, and examining the cost of similar debt offered at the balance sheet date.

As of October 31, 2013, the Company did not have any non-financial assets and liabilities that were carried at fair value on a recurring basis in the consolidated financial statements or for which a fair value measurement was required at October 31, 2013. Included among the Company's non-financial assets and liabilities that are not required to be measured at fair value on a recurring basis are inventories, net property and equipment, goodwill, and intangible assets.

Derivative Financial Instruments

Foreign exchange forward contracts not designated as hedges

The Company seeks to minimize foreign exchange risks through operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company utilizes foreign exchange forward contracts primarily to hedge intercompany transactions and anticipated foreign currency purchases of raw materials. The Company does not purchase, hold or sell derivative financial instruments for trading purposes. The foreign exchange forward contracts are recorded at fair value on the consolidated balance sheets using an income approach valuation technique based on observable market inputs (Level 2). Observable market inputs used in the calculation of the fair value of foreign exchange forward contracts include foreign currency spot and forward rates obtained from an independent third party market data provider. The changes in fair value of these derivative contracts are recognized in other, net on the Company's consolidated statement of operations and are largely offset by the remeasurement of the underlying foreign currency denominated items. These contracts have original maturities of less than twelve months.

The (loss) gain on the fair value for these foreign exchange forward contracts is recognized in other, net in the consolidated statement of operations and amounted to $(3,000), $40,000, and ($30,000) for the years ended October 31, 2013, 2012 and 2011, respectively, with a total notional value of $0.8 million and $7.8 million at October 31, 2013 and 2012, respectively. The fair value of these contracts was immaterial at October 31, 2013.

Interest rate swap not designated as hedge

The Company entered into an interest rate swap fixing the variable rate on its mortgage note to a fixed rate loan at an interest rate of 3.52% per year. The interest rate swap is recorded at fair value on the Company's consolidated balance sheets using an income approach valuation technique based on observable market inputs (Level 2). Observable market inputs used in the calculation of the fair value of interest rate swaps include pricing data from counterparties to these swaps.

Counterparties to these foreign currency forward contracts and interest rate swaps are rated at least A by Standard & Poor's and A2 by Moody's. Credit ratings on some of our counterparties may change during the term of our financial instruments. We closely monitor our counterparties' credit ratings and if necessary will make appropriate changes to our financial instruments. The fair value generally reflects the estimated amounts that we would receive or pay to terminate the contracts at the reporting date.

(15) Fair Value Measurements and Derivative Instruments (Continued)

As of October 31, 2013, the notional amount and the fair value of the interest rate swap were \$3,222,790, and an asset of \$94,519, respectively. As of October 31, 2012, the notional amount and the fair value of the interest rate swap were \$3,340,794, and a liability of \$68,136, respectively. The Company recorded a gain (loss) of \$162,655 and \$(68,136) on the mark-to-market on the interest rate swap in interest expense in the consolidated statement of operations for the years ended October 31, 2013 and 2012, respectively.

(16) Related Party Transactions

During fiscal 2013, 2012 and 2011, zero, \$373,907 and \$367,335, was paid to Skadden, Arps, Slate, Meagher and Flom LLP, one of the Company's outside legal counsel, in which the brother of the Company's Vice President and Controller is a partner. At October 31, 2013 and 2012, the Company owed \$21,514 and zero, respectively, to Skadden, Arps, Slate, Meagher and Flom LLP.

During fiscal 2013, 2012 and 2011, \$96,325, \$79,513 and \$57,525, was paid to D.E. Smith Corp., a company owned by the son-in-law of the Chief Financial Officer and brother-in-law of the Vice President and Controller, for the production of the Company's Annual Report and the production of marketing brochures. At October 31, 2013 and 2012, the Company owed zero and \$18,965, respectively, to D.E. Smith Corp.

During fiscal 2013, 2012 and 2011 the Company sold \$667,483, \$564,690 and \$543,658 of product, respectively, to Allstate Poly in which the brother of the Executive Vice President, Sales and Marketing is a partner. At October 31, 2013 and 2012, the Company was owed \$159,877 and \$140,813 from Allstate Poly, respectively.

(17) Quarterly Financial Data (Unaudited)

	January 31,	April 30,(B)	July 31,	October 31,
	(in thousands, except per share data)			
2013				
Net sales	\$267,142	\$285,574	\$291,873	\$299,263
Gross profit	\$ 42,434	\$ 37,213	\$ 37,669	\$ 37,156
Net income	\$ 6,910(A)	\$ 1,060	\$ 1,788	\$ 990
Basic Earnings per Common Share:				
Net income per common share	\$ 1.25	\$ 0.19	\$ 0.32	\$ 0.18
Diluted Earnings per Common Share:				
Net income per common share	\$ 1.23	\$ 0.19	\$ 0.32	\$ 0.18
2012				
Net sales	\$267,664	\$296,663	\$291,988	\$296,220
Gross profit	\$ 34,654	\$ 43,142	\$ 56,531	\$ 48,416
Net income	\$ 354	\$ 4,837	\$ 12,277	\$ 5,684
Basic Earnings (Loss) per Common Share:				
Net income (loss) per common share	\$ 0.06	\$ 0.88	\$ 2.22	\$ 1.03
Diluted Earnings (Loss) per Common Share:				
Net income (loss) per common share	\$ 0.06	\$ 0.87	\$ 2.20	\$ 1.01

(17) Quarterly Financial Data (Unaudited) (Continued)

Earnings per share are computed independently for each of the quarters presented.

(A) Includes $1.0 million gain on bargain purchase of a business.

(B) During the third quarter of fiscal 2013, the Company identified an error that originated in the second quarter of fiscal 2013 and concluded that the error was not material to the previously reported results. The immaterial misstatement was the result of a keying error at the point of applying a credit in the Company's operating system. The Company has since implemented policies and procedures to prevent this type of error from recurring. The previously issued second quarter interim financial statements for fiscal 2013 have been revised resulting in an increase to net sales. Net sales and gross profit for the three months ended April 30, 2013, were increased by $1,270,000. Net income for the three months ended April 30, 2013 was increased by $838,000. The net effect on basic and diluted net income per common share for the three months ended April 30, 2013, was an increase of $0.15 per share.

AEP INDUSTRIES INC.

INDEX TO FINANCIAL STATEMENT SCHEDULES

SCHEDULE

II Valuation and Qualifying Accounts

Schedules other than those listed above have been omitted either because the required information is contained in the consolidated financial statements or notes thereto or because such schedules are not required or applicable.

AEP INDUSTRIES INC.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

FOR EACH OF THE YEARS IN THE THREE YEAR PERIOD ENDED OCTOBER 31, 2013

(in thousands)

	Balance at Beginning of Year	Additions Charged to Operations	Deductions From Reserves	Other (a)	Balance at End of Year
YEAR ENDED OCTOBER 31, 2013:					
Allowance for doubtful accounts	$3,198	$260	$ 457	$ (9)	$2,992
Inventories	$ 117	$ 12	$ 8	$ (6)	$ 115
YEAR ENDED OCTOBER 31, 2012:					
Allowance for doubtful accounts	$3,333	$252	$ 389	$ 2	$3,198
Inventories	$ 89	$ 31	$ 3	$—	$ 117
YEAR ENDED OCTOBER 31, 2011:					
Allowance for doubtful accounts	$4,345	$ 54	$1,070	$ 4	$3,333
Inventories	$ 110	$ 9	$ 32	$ 2	$ 89

(a) Represents foreign exchange effect.

POWER OF ATTORNEY

Each individual person whose signature appears below hereby appoint J. Brendan Barba and Paul M. Feeney as attorneys-in-fact with full power of substitution, severally, to execute in the name and on behalf of each such person, individually and in each capacity stated below, one or more amendments to this annual report which amendments may make such changes in the report as the attorney-in-fact acting in the premises deems appropriate, to file any such amendment to the report with the Securities and Exchange Commission ("SEC"), and to take all other actions either of them deem necessary or advisable to enable the Company to comply with the rules, regulations and requirements of the SEC.

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.

AEP INDUSTRIES INC.

Dated: January 14, 2014	By: /S/ J. BRENDAN BARBA J. Brendan Barba *Chairman of the Board,* *President and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: January 14, 2014	By: /S/ J. BRENDAN BARBA J. Brendan Barba *Chairman of the Board,* *President and Chief Executive Officer* *(principal executive officer)*
Dated: January 14, 2014	By: /S/ PAUL M. FEENEY Paul M. Feeney *Executive Vice President, Finance* *Chief Financial Officer and Director* *(principal financial officer)*
Dated: January 14, 2014	By: /S/ LINDA N. GUERRERA Linda N. Guerrera *Vice President, Controller* *(principal accounting officer)*
Dated: January 14, 2014	By: /S/ JOHN J. POWERS John J. Powers *Director*
Dated: January 14, 2014	By: /S/ KENNETH AVIA Kenneth Avia *Director*

Dated: January 14, 2014

By: /s/ ROBERT T. BELL
Robert T. Bell
Director

Dated: January 14, 2014

By: /s/ IRA M. BELSKY
Ira M. Belsky
Director

Dated: January 14, 2014

By: /s/ RICHARD E. DAVIS
Richard E. Davis
Director

Dated: January 14, 2014

By: /s/ FRANK P. GALLAGHER
Frank P. Gallagher
Director

Dated: January 14, 2014

By: /s/ LEE C. STEWART
Lee C. Stewart
Director

INDEX TO EXHIBITS

Exhibit number	Exhibit description	Filed/Furnished herewith	Incorporated by reference			
			Form	Period ending	Exhibit number	Filing date
3.1	Restated Certificate of Incorporation of AEP Industries Inc. (the "Company")		10-Q	04/30/97	3(a)	06/13/97
3.2	Seventh Amended and Restated By-Laws of the Company		8-K		3.1	11/06/13
3.3	Form of Certificate of Designations of Series A Junior Participating Preferred Stock of AEP Industries Inc.		8-K		3.1	03/31/11
4.1	Indenture (8.25% Senior Notes due 2019), dated as of April 18, 2011, by and between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee		8-K		4.1	04/18/11
4.2	First Supplemental Indenture (8.25% Senior Notes due 2019), dated as of April 18, 2011, between the Company and The Bank of New York Mellon (f/k/a The Bank of New York), as trustee		8-K		4.4	04/18/11
4.3	Form of 8.25% Senior Note due 2019		8-K		4.2	04/18/11
4.4	Second Amended and Restated Loan and Security Agreement, dated February 22, 2012, by and among the Company, Wells Fargo Bank National Association, as Agent, and the financial institutions party thereto as lenders		8-K		4	02/27/12
4.5	Rights Agreement, dated March 31, 2011, by and between AEP Industries Inc. and American Stock Transfer & Trust Company, LLC, as Rights Agent		8-K		4.1	03/31/11
*10.1	Amended and Restated 2005 Stock Option Plan of the Company		10-K	10/31/08	10.1	01/27/09
*10.2	Form of Performance Unit Grant Agreement under the AEP Industries Inc. 2005 Stock Option Plan		8-K		10.1	06/20/06
*10.3	Form of Performance Unit Grant Agreement under the AEP Industries Inc. 2005 Stock Option Plan, for 409A compliance		10-K	10/31/08	10.3	01/27/09
*10.4	Form of Stock Option Agreement (Employees) under the AEP Industries Inc. 2005 Stock Option Plan		8-K		10.4	05/10/06
*10.5	Form of Stock Option Agreement (Directors) under the AEP Industries Inc. 2005 Stock Option Plan		8-K		10.5	05/10/06
*10.6	2013 Omnibus Incentive Plan of the Company		Schedule 14A		10.14	02/22/13
*10.7	Form of Performance Unit Award Agreement under the 2013 Omnibus Incentive Plan		8-K		10.2	04/11/13

Exhibit number	Exhibit description	Filed/Furnished herewith	Incorporated by reference			
			Form	Period ending	Exhibit number	Filing date
*10.8	Form of Restricted Stock Award Agreement under the 2013 Omnibus Incentive Plan		8-K		10.3	04/11/13
*10.9	Form of Stock Option Award Agreement under the 2013 Omnibus Incentive Plan		8-K		10.4	04/11/13
*10.10	Form of Management Incentive Plan of the Company	X				
*10.11	Summary of Non-Employee Director Compensation		10-K		10.9	01/22/13
*10.12	Employment Agreement, effective as of November 1, 2004, between the Company and J. Brendan Barba		8-K		10.1	05/13/05
*10.13	Employment Agreement, effective as of November 1, 2004, between the Company and Paul M. Feeney		8-K		10.2	05/13/05
*10.14	Employment Agreement, effective as of November 1, 2004, between the Company and John J. Powers		8-K		10.3	05/13/05
*10.15	Employment Agreement, effective as of November 1, 2004, between the Company and Paul C. Vegliante		8-K		10.5	05/13/05
*10.16	Employment Agreement, effective as of November 1, 2004, between the Company and Lawrence R. Noll		8-K		10.6	05/13/05
*10.17	Employment Agreement, effective as of November 1, 2008, between the Company and Linda N. Guerrera		10-K	10/31/08	10.17	01/27/09
*10.18	Form of Amendment to Employment Agreement, between the Company and each of J. Brendan Barba, Paul M. Feeney, John J. Powers, Paul C. Vegliante, Lawrence R. Noll and Linda N. Guerrera, for 409A compliance, effective December 2008		10-K	10/31/08	10.18	01/27/09
21	List of subsidiaries of the Company at January 14, 2014	X				
23	Consent of KPMG LLP	X				
24	Power of Attorney (set forth on signature page)	X				
31.1	Section 302 Certification—CEO	X				
31.2	Section 302 Certification—CFO	X				
32.1	Section 906 Certification—CEO	X				
32.2	Section 906 Certification—CFO	X				
101.INS	XBRL Instance Document	X				
101.SCH	XBRL Taxonomy Extension Schema Document	X				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X				

Exhibit number	Exhibit description	Filed/Furnished herewith	Incorporated by reference			
			Form	Period ending	Exhibit number	Filing date
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X				

* A management contract or compensatory arrangement required to be filed.

Exhibit 21

AEP Industries Inc.

List of Subsidiaries of AEP Industries Inc.

At January 14, 2014

Subsidiary		Country of Incorporation
1.	AEP Canada Inc.	Canada
2.	AEP Industries Packaging (Espana) SA	Spain
3.	AEP Industries Finance Inc.	United States

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
AEP Industries Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-121710 and 333-187837) on Form S-8 of AEP Industries Inc. of our report dated January 14, 2014, with respect to the consolidated balance sheets of AEP Industries Inc. and subsidiaries as of October 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended October 31, 2013, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of October 31, 2013, which report appears in the October 31, 2013 Annual Report on Form 10-K of AEP Industries Inc.

/S/ KPMG LLP

Short Hills, New Jersey
January 14, 2014

Exhibit 31.1

AEP INDUSTRIES INC.

CEO SECTION 302 CERTIFICATION

I, J. Brendan Barba, certify that:

1. I have reviewed this Annual Report on Form 10-K for the twelve months ended October 31, 2013 of AEP Industries Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 14, 2014

/S/ J. BRENDAN BARBA

J. Brendan Barba
Chief Executive Officer

Exhibit 31.2

AEP INDUSTRIES INC.

CFO SECTION 302 CERTIFICATION

I, Paul M. Feeney, certify that:

1. I have reviewed this Annual Report on Form 10-K for the twelve months ended October 31, 2013 of AEP Industries Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 14, 2014

/S/ PAUL M. FEENEY

Paul M. Feeney
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of AEP Industries Inc. (the "Company") on Form 10-K for the twelve months ended October 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Brendan Barba, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 14, 2014

/s/ J. BRENDAN BARBA

J. Brendan Barba
Chief Executive Officer

Exhibit 32.2

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

In connection with the Annual Report of AEP Industries Inc. (the "Company") on Form 10-K for the twelve months ended October 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul M. Feeney, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 14, 2014

/S/ PAUL M. FEENEY

Paul M. Feeney
Chief Financial Officer