BWAY CORP
Form 10-K
December 22, 2005
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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 2, 2005

001-12415

(Commission File Number)

BWAY CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	**36-3624491**

(State of incorporation)	(IRS Employer Identification No.)
8607 Roberts Drive, Suite 250	
Atlanta, Georgia 30350-2237	**(770) 645-4800**
(Address of principal executive offices)	**(Registrant s telephone number)**

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

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

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

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 x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark 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. (x)

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ¨ No x

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

As of April 3, 2005 (the registrant s most recently completed second fiscal quarter), all of the voting and non-voting common equity was held by affiliates. The registrant s common equity is not publicly traded.

As of December 21, 2005, there were 1,000 shares of BWAY Corporation s Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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BWAY CORPORATION

Annual Report on Form 10-K

For the Fiscal Year Ended October 2, 2005

PART I

Item 1. Business

GENERAL

BWAY Corporation (BWAY), including its principal subsidiary, North America Packaging Corporation (NAMPAC), and each of their lesser subsidiaries (collectively the Company , we , our or us) is a leading North American manufacturer of metal and rigid plastic containers for paint and certain other consumer and industrial products. Our product offerings include a wide variety of steel containers such as paint, aerosol and specialty cans, which are used by our customers to package a diverse range of end-use products including paint, household and personal care products, automotive after-market products, paint thinners and driveway and deck sealants. Our plastic containers include injection molded plastic pails and blow-molded tight head containers, drums and bottles. Our end-use markets have historically exhibited stable demand characteristics and our customer base includes leading participants in these markets. The references in this report to market positions or market share are based on information derived from annual reports, trade publications and management estimates, which we believe are reliable.

We are the successor to a business founded in 1875. On February 7, 2003, we were acquired pursuant to a merger agreement dated September 30, 2002 whereby we became a wholly owned subsidiary of BCO Holding Company, which is a holding company controlled by affiliates of Kelso & Company, L.P., a private investment firm founded in 1971 (Kelso). Upon completion of the acquisition, BWAY became a private company and our common stock was delisted from the New York Stock Exchange. The acquisition by Kelso will be referred to herein as the Transaction. For a further discussion of the Transaction, see Note 2 of the Notes to the Consolidated Financial Statements under Item 8 of this Form 10-K.

On November 4, 2003, the Registration Statement for our $200 million 10% Senior Subordinated Notes Due 2010 became effective under the Securities Act of 1933 (the Senior Notes). In December 2003, we exchanged these notes for previously issued, unregistered notes in an equal principal amount.

Acquisitions and Dispositions

On July 7, 2004, we acquired all of the stock of NAMPAC, a manufacturer of rigid plastic containers for industrial packaging markets, from MVOC, LLC, a Delaware limited liability company and sole owner of the common shares of NAMPAC (the NAMPAC Acquisition). As a result of the acquisition, NAMPAC became a wholly owned subsidiary of BWAY. For a further discussion of the NAMPAC Acquisition, see Note 2 of the Notes to the Consolidated Financial Statements under Item 8 of this Form 10-K.

On August 25, 2003, we acquired substantially all of the assets of SST Industries (SST), a manufacturer of rigid plastic containers for industrial packaging markets (the SST Acquisition). We paid approximately $23.0 million in cash, net of cash acquired, for the SST assets.

INDUSTRY SEGMENTS

Our business is organized on the basis of product type with two reportable segments: metal packaging and plastics packaging. We operate these reportable segments as separate divisions and differentiate the segments based on the nature of the products and services they offer. The markets in which we participate can generally be placed into three broad categories: North American general line rigid metal containers (excluding aerosol), North American general line aerosol containers and North American general line rigid plastic containers. Our metal packaging segment includes the North American general line rigid metal containers (including aerosol) market and our plastics packaging segment includes the North American general line rigid plastic containers market.

Certain financial information about our industry segments is set forth in Part II herein under Item 7 and in the Notes to the Consolidated Financial Statements under Item 8.

Metal Packaging Segment (BWAY Packaging Division)

Metal containers are produced for three primary markets: beverage, food and general line. We compete primarily in the general line market, which includes paint cans and components, aerosol cans, oblong cans, steel pails, ammunition boxes and a variety of other specialty cans. We estimate, based on industry data published by the Can Manufacturers Institute (the trade association of the metal and composite can manufacturing industry in the United States), that 2005 industry shipments in the United States will approximate 132 billion units as follows: 76% to the beverage market, 21% to the food market and 3% to the general line market. General line cans generally have higher selling prices than food or beverage cans. Few companies compete in each of the three product markets, and most of the companies that produce beverage and food cans do not compete in the general line market.

Products and Markets

Our metal packaging segment operates primarily in North America in the general line segment of the metal container market. We also provide our customers with metal shearing, coating and printing services through material center services. In the United States, we are the leading producer of steel paint cans, the third largest producer of steel aerosol cans, and we have established significant market positions in most of our other product lines.

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The primary uses for our general line cans are for paint and related products, lubricants, roof and driveway sealants, charcoal lighter fluid, and household and personal care products. Specific products include round cans with rings and plugs (generally paint cans), specialty cans (generally PVC or rubber cement cans, brake fluid and other automotive after-market products cans, oblong or F style cans, ammunition boxes and an assortment of other specialty cans), aerosol cans and steel pails. We produce a full line of these products to serve the specific requirements of a diversified base of nationally recognized customers. Most of our products are manufactured in facilities that are strategically located to allow us to deliver product to our customers within a one-day transit time.

The following table sets forth by fiscal year the approximate percentage of our metal packaging segment net sales by product or service:

Principal Metal Segment Product or Service	2003	2004	2005
General line metal containers	75%	91%	96%
Metal coffee cans(1)	13%	3%	
Material center services(2)	12%	6%	4%
	100%	100%	100%

(1) The decline in coffee can sales is a result of a customer s conversion to alternative packaging that we do not manufacture. The conversion was completed in fiscal 2004. We expect future sales of coffee cans to continue to be nominal as a percentage of total metal packaging segment net sales.

(2) The reduction in material center services sales is a result of an intentional redirection of our material center services capacity to meet internal needs. We expect future material center services as a percentage of total metal packaging segment net sales to continue to decline.

Paint Cans. We are the leading supplier in North America and the only national supplier of metal paint cans. We are the sole supplier of metal paint cans to the leading domestic paint companies, and we are the sole supplier of metal paint can components to the primary manufacturer of hybrid (plastic and metal) paint cans in North America. We produce round paint cans in sizes ranging from one-quarter pint to one gallon, with one-gallon paint cans representing the majority of all paint can sales. Paint cans are manufactured to a variety of performance specifications and may be decorated on the outside for customer marketing purposes, although most paint manufacturers use paper labels rather than printed cans. The paint can components we produce include ears, rings, plugs and ends.

Specialty Cans. We are the leading supplier of metal specialty cans in North America. Specialty cans include screw top cans (Monotop®), pour top cans, oblong or F style cans and ammunition boxes. Screw top cans (Monotop®) typically have an applicator or brush attached to a screw cap and are typically used for PVC pipe cleaner, PVC cement and rubber cement. Pour top cans are typically used for packaging specialty oils and automotive after-market products, including brake fluid, gasoline additives and radiator flushes. Oblong or F style cans are typically used for packaging paint thinners, lacquer thinners, turpentine, deglossers and similar paint-related products, charcoal lighter fluid and waterproofing products. We produce oblong cans in sizes ranging from one pint to one gallon. Oblong cans are generally printed to customer specifications. Ammunition boxes provide a hermetic seal, are coated with a corrosion-resistant finish and are used to package small arms ammunitions and other ordnance products. We sell ammunition boxes to the U.S. Department of Defense as well as to major domestic and foreign producers of ordnance.

Aerosol Cans. We are the third largest supplier of aerosol cans in North America. We focus on serving as a primary supplier to small and medium sized customers and as a secondary supplier to large customers. Aerosol cans are typically used for packaging various household and industrial products, including paint and related products, personal care products, lubricants and insecticides. We produce a variety of sizes, which may be labeled or decorated to customer specifications.

Steel Pails. We are one of the leading suppliers of steel pails in North America. Steel pails are typically used for packaging paint and related products, roof and driveway sealants, marine coatings, vegetable oil, and water repellent. Pails may be either closed head for easy pouring products, or open head for more viscous products, with a lid that is crimped on after filling. We manufacture steel pails in sizes ranging from two and one-half gallons to seven gallons. Steel pails are manufactured from either blackplate or cold rolled steel, are typically lined with rust inhibitors or other materials depending on the nature of the intended contents and are often decorated to customer specifications.

Material Center Services. Material center services consist of steel shearing, coating and lithography services. We provide material center services for our can assembly facilities and, to the extent we have excess capacity, to third party customers. Net sales from material center services have been reduced as a result of our intentional redirection of our material center capacity to meet internal needs. We expect future material center services sales as a percentage of total metal packaging segment net sales to continue to decline.

Customers

Our metal packaging segment customers include many of the world s leading paint, consumer and personal care companies. For fiscal 2005, sales to our 10 largest metal packaging segment customers accounted for approximately 48% of the segment s net sales and approximately 16% of the segment net sales were to one individual customer, Sherwin-Williams.

Consistent with industry practice, we enter into multi-year supply agreements with many of our major customers. However, many of our contracts are requirements contracts under which we supply a percentage of a customer s requirements for our products over a period of time, without any specific commitment to unit volume. In addition, many of our customer contracts, including those with our major customers, provide that the customer may receive competitive proposals for all or a portion of the products we furnish to the customer under the contract, including proposals to reformulate the packaging to another material. We generally have the rights to retain the customer s business subject to the terms of the competitive proposal.

We believe we have strong relationships with our major customers due to: (i) the close proximity of our manufacturing facilities to key customer locations; (ii) our low-cost, flexible manufacturing capabilities; and (iii) our reputation for quality and customer service.

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Raw Materials

Our principal raw materials consist of tinplate, blackplate and cold rolled steel, energy, various coatings and inks and compounds. Steel products represent the largest component of raw material costs. Essentially, all of our products are manufactured from tinplate steel, except for pails and ammunition boxes, which are manufactured from either blackplate or cold rolled steel. We purchase all required raw materials from outside sources.

Various domestic and foreign steel producers supply us with tinplate steel, although we currently purchase most of our tinplate steel from domestic suppliers. Procurement from suppliers generally depends on the suppliers product offering, product quality, service and price. Historically, we have generally been able to increase the price of our products to reflect increases in the price of steel, but we cannot be sure that we will be able to do so in the future.

In fiscal 2004, several domestic steel suppliers implemented price surcharges that continue to affect the metal packaging industry. The steel suppliers have indicated the continued need for surcharges due to higher energy costs and increased global demand. A steel supply shortage could affect, among other things, our ability to obtain steel, the timing of steel deliveries and the price we pay for steel. In the event of supply interruptions, we could experience higher costs due to underutilization of our manufacturing facilities and lower sales due to a reduction in our ability to produce goods for sale.

In addition to steel products, we purchase energy from various suppliers as well as various coatings, inks and compounds. We do not anticipate any future shortages or supply problems for these items based on their historical availability and given the current number of suppliers.

Historically, steel mills have announced in the last quarter of the calendar year expected price increases for the coming calendar year. For calendar 2006, the mills announced a 6% increase in the selling price of tinplate steel.

Competition

The steel container industry is highly competitive and some of our competitors have greater financial resources than we do. Competition is based primarily on price, manufacturing capacity, manufacturing flexibility and quality. We believe that (i) the close proximity of our manufacturing facilities to key customer locations, (ii) our low-cost, flexible manufacturing capabilities and (iii) our reputation for quality and customer service enable us to compete effectively.

In addition, we face competitive risks from substitute products, such as plastics, and, to a lesser extent, composites and flexible packaging containers. During recent years, the steel container industry has experienced slight volume declines in certain product categories due to substitute products. However, as raw material costs for substitute products continue to increase, we believe the risk of substitution is lessened. Steel containers continue to be the preferred package in the majority of our customers markets. We believe this is primarily due to: (i) their price stability and competitiveness, compared to alternative packaging; (ii) the attractive strength and non-permeable characteristics of steel versus other materials, such as plastics; (iii) their lower storage and handling costs; (iv) their ability to hold highly volatile and solvent-based liquids; and (v) their fire safety characteristics. In addition, we believe steel containers are easier and less costly to recycle and have a higher rate of recycling than alternative materials.

One of the objectives of our recent acquisitions of general line rigid plastic container manufacturers was to mitigate competitive risk from plastic substitution. In addition, the broader product offering enables us to provide other products utilized by our existing customer base.

Plastics Packaging Segment (NAMPAC Division)

Products and Markets

We are the largest manufacturer of general line rigid plastic containers in the North American market and we produce products in five broad categories: (1) open-head containers; (2) tight-head containers; (3) F-Style plastic bottles; (4) plastic drums; and (5) plastic paint bottles.

The following table sets forth by fiscal year the approximate percentage of our plastics packaging segment net sales by product. We entered the plastics packaging segment in the last fiscal month of 2003 and net sales related to the segment were immaterial. As such, we have not provided percentages for fiscal 2003.

Principal Plastics Segment Product	2004	2005
Open-head plastic containers	72%	75%
Tight-head plastic containers	12%	12%
Other plastic containers	16%	13%
	100%	100%

Open-head Containers. Open-head containers are injection-molded products made of high-density polyethylene (HDPE) that range in size from one gallon to seven gallons. They are used primarily by the paint and coating, petroleum, food, building materials, agricultural and janitorial supply industries. Open-head containers come with a variety of cover designs.

Tight-head Containers. Tight-head containers are blow-molded products that range in size from 10 liters to 15 gallons. They can be made either round or rectangular, and, like open-head containers, they are made of HDPE. The containers are used primarily by the food, petroleum, agricultural, chemical, janitorial supply, beverage and coating industries. Fittings include flex spout, a solid screw cap and a tamper evident screw cap, as well as custom fittings based upon customer requests. Embossments and mold options include an 18-millimeter screw top vent with cap, stacking lugs for most rectangular tight-head containers, graduation marks and scoop bottom and tags in the top section.

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The standard colors used are white and natural, but other colors are available as well. The company s tight-head offering easily allows branded designs to be printed and are recyclable, offered in any color, stackable and easily transportable.

F-Style Plastic Bottles. F-Style plastic bottles are one-piece, blow-molded HDPE containers that range in size from one gallon to two and one-half gallons. Their most common use is for storing and shipping herbicides and pesticides for the crop protection industries. Standard colors for the F-Style containers are white and natural with other colors available.

Plastic Drums. Plastic drums are large transportable containers made from HDPE, fitted with a heavy-duty drain-free handling ring, and bottom hand well. They are made in both open-head and tight-head formats and are most frequently used for shipping concentrated beverage syrup and chemicals.

Plastic Paint Bottles. We are the primary supplier to a leading paint manufacturer of an innovative plastic paint container, which we co-developed with the customer, made from HDPE. We have a long-standing relationship with the customer, which also purchases other products from us, including metal packaging. The paint bottle we offer is proprietary to the customer and we cannot provide it to other paint manufacturers.

Customers

Our plastics packaging segment customers include some of the world s leading paint, food and industrial companies, several of which are also customers of our metal packaging segment. NAMPAC has long-term relationships with its customers and in many cases is the exclusive supplier of its customers plastic packaging requirements. For fiscal 2005, sales to our 10 largest plastics packaging segment customers accounted for approximately 42% of the segment s net sales and approximately 22% of the segment net sales were to one individual customer, Sherwin-Williams.

NAMPAC maintains a diversified customer base, which is broadly distributed among industries as diverse as paint, food, construction, petroleum and chemicals. In addition, its customers are primarily non-cyclical industries, allowing NAMPAC to mitigate its exposure to macroeconomic changes.

Raw Materials

The main raw material utilized in the plastics packaging segment is HDPE, a plastic resin used to produce rigid plastic packaging containers and materials. HDPE is particularly suitable for our plastic packaging products because of its strength, stiffness and resistance to chemicals and moisture. Furthermore, the product is relatively easy to process and form. HDPE resin constitutes approximately half of our plastics packaging segment total cost of products sold. As a commodity product, resin is susceptible to price fluctuations. Resin prices have increased approximately 28% during the last year.

In order to mitigate the impact of resin price fluctuations, we have agreements with our customers, which represent a substantial majority of our plastic packaging net sales, allowing changes in resin cost to be passed through to them. Most of these agreements are tied to specific chemical indices, such as the DeWitt Index, which provide a benchmark for the price of resin. As a result, some or all of the change in resin price is passed through to the customer, consistent with industry practice.

HDPE is the primary plastic resin we use in the manufacture of our products, which we purchase from major HDPE suppliers. In addition, we employ a strategy to purchase resin opportunistically in spot markets when resin can be bought below contract prices.

Competition

The general line rigid plastic containers market is very competitive. Competition is based primarily on service, manufacturing flexibility and price. We believe that (i) our low-cost, flexible manufacturing capacities, (ii) the close proximity of our manufacturing facilities to key customer locations and (iii) our reputation for quality and customer service enable us to compete effectively.

Employees

As of October 2, 2005, we employed approximately 2,630 hourly employees and approximately 480 salaried employees. Of the 2,630 hourly employees, approximately 21.8% are covered by nine separate collective bargaining agreements.

Two of our collective bargaining agreements, representing approximately 11% of our unionized employees, will become amendable in fiscal 2006.

While we consider relations with our employees to be good, we may not be able to negotiate new or renegotiate existing collective bargaining agreements (as they become amendable) with the same terms. A labor dispute could result in production interruptions, and a prolonged labor dispute, which could include a work stoppage, could adversely affect our ability to satisfy our customers requirements and could have a material adverse effect on our business, including our financial condition, results of operations or cash flows.

Environmental, Health and Safety Matters

We are subject to a broad range of federal, state and local environmental, health and safety laws, including those governing discharges to air, soil and water, the handling and disposal of hazardous substances and the investigation and remediation of contamination resulting from the release of hazardous substances. We believe that we are currently in compliance with all applicable environmental, health and safety laws, though future expenditures may be necessary in order to maintain such compliance, including compliance with air emission control requirements for volatile organic compounds. In addition, in the course of our operations we use, store and dispose of hazardous substances. Some of our current and former facilities are currently involved in environmental investigations and remediation resulting from the release of hazardous substances or the presence of other contaminants. While we do not believe that any presently known investigation or identified remediation obligations will have a material adverse effect on our financial condition, results of operations or cash flows, there are no assurances that such obligations will not arise in the future. Many of our facilities have a history of industrial usage for which investigation and

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remediation obligations could arise in the future and which could have a material adverse effect on our financial condition, results of operations or cash flows.

We expect to incur approximately $1.6 million in capital expenditures in the next twelve months to comply with federal Maximum Achievable Control Technology (MACT) regulations related to air emission control requirements for Hazardous Air Pollutants (HAP) and volatile organic compounds. We have until November 2006 to comply with the new regulations.

In the first quarter of fiscal 2004, we received information indicating that the State of Georgia may consider the Company a potentially responsible party (PRP) at a waste disposal site in Georgia. Our possible PRP status is based on documents indicating that waste materials were transported to the site from our Homerville, Georgia facility prior to our acquisition of the facility in 1989. In order to reduce our exposure, we joined a PRP group in the third quarter of fiscal 2005. We estimate our total exposure related to this site will approximate $0.1 million.

From time to time, we receive requests for information or are identified as a PRP pursuant to the Federal Comprehensive Environmental Response, Compensation and Liability Act or analogous state laws with respect to off-site waste disposal sites utilized by our current or former facilities or our predecessors in interest. We do not believe that any of these identified matters will have a material adverse effect on our financial condition, results of operations or cash flows.

We record reserves for environmental liabilities when environmental investigation and remediation obligations are probable and related costs are reasonably estimable. We have accrued liabilities of approximately $0.3 million and $0.2 million for environmental investigation and remediation obligations as of October 2, 2005 and October 3, 2004, respectively; however, future expenditures may exceed the amounts accrued.

Item 1A. Risk Factors

The most significant risk factors affecting our business include the following:

An increase in the use of alternative packaging as a substitute for the steel and plastic containers we sell could adversely affect our profitability.

Our steel and plastic containers are used by our customers to package a diverse range of end-use products. A variety of substitute products are available to package these end-use products, including steel and plastics, and to a lesser extent, composites and flexible packaging containers. From time to time our customers, including some of our larger customers, have used such alternative methods to package their products (for example, in fiscal 2004 Folgers switched from a metal coffee can, which we produced, to a plastic coffee container, that we do not produce).

A widespread introduction of alternative packages by these or other companies as a substitute for steel or plastic containers could significantly reduce our sales to our customers. More generally, a decrease in the costs of substitute products, improvements in the performance characteristics of substitute products or the successful development or introduction of new substitute products could significantly reduce our customers orders and our profitability.

Competition from other steel or plastic container manufacturers could significantly impact our profitability, as could an election by our customers to self-manufacture their steel or plastic container requirements.

The container industries in which we do business are highly competitive and some of our competitors have greater financial, technical, sales and marketing and other resources than we do. The principal methods of competition in our industry include price, manufacturing capacity, manufacturing flexibility and quality. We may not be able to compete successfully with respect to any of these factors. Competition could force us to reduce our prices or could otherwise result in a loss of market share for our products. In addition, some manufacturers of products that are packaged in steel or plastic containers produce their own steel or plastic containers for their products. The election by some of our existing customers, or potential future customers, to manufacture their steel or plastic containers in-house could significantly impact our profitability.

Our customer contracts generally allow our customers to change, and, in some cases, terminate their contracts on short notice.

The majority of our fiscal 2005 sales were made to customers with whom we have contractual relationships. Many of our customer contracts, including many with our largest customers, are requirements contracts under which we supply a percentage of a customer s requirements for our products over a period of time, without any specific commitment to unit volume. As such, we are not guaranteed any minimum level of net sales under many of our contracts and many of our customers are under no obligation to continue to purchase products from us.

Moreover, if a customer s requirements for our products exceeds our ability to supply that customer, as has occurred from time to time in the past, we may have a short-term or long-term inability to supply all of its requirements from our own manufacturing facilities and may be required to purchase containers from third parties or take other proactive steps in order to fill that customer s order. Our inability to supply a customer s specific requirements from our manufacturing facilities could materially adversely affect our relationship with that customer or otherwise increase our operating costs.

In addition, many of our requirements contracts with our customers provide that the customer may receive competitive proposals for all or a portion of the products we furnish to the customer under the contract. We generally have the right to retain the customer s business subject to the terms of the competitive proposal. If we match a competitive proposal, it may result in reduced sales prices for the products that are the subject of the competitive proposal. If we choose not to match a competitive proposal, we may lose the sales that were the subject of the competitive proposal.

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The loss of a key customer could have a significant negative impact on our sales and profitability.

In fiscal 2005, approximately 40% of our net sales were to our top 10 customers. Sales to our largest customer accounted for approximately 18% of our fiscal 2005 net sales.

The loss of, or major reduction in business from, one or more of our major customers could create excess capacity within our manufacturing facilities and could result in the erosion of our gross margins and our market share position.

The loss of one or more members of our senior management team could adversely affect our ability to execute our business strategy.

We are dependent on the continued services of our senior management team. Although we believe we could replace key employees in an orderly fashion should the need arise, the loss of any such key personnel could have a material adverse effect on our ability to execute our business strategy. We do not maintain key-person insurance for any of our officers, employees or directors.

Increases in the price of our raw materials or interruptions or shortages in the supply of raw materials could cause our production costs to increase, which could reduce our ability to compete effectively.

We require substantial amounts of raw materials in our operations, including steel, resin, energy and various inks and coatings. We purchase all raw materials we require from outside sources, and consolidate our steel and resin purchases among a select group of suppliers in an effort to leverage purchasing power. The availability and prices of our raw materials may be subject to curtailment or change due to new laws or regulations. For example, the United States previously imposed tariffs or quotas on imports of certain steel products and steel slabs. The availability and prices of raw materials may also be subject to shortages in supply, suppliers allocations to other purchasers, interruptions in production by suppliers (including by reason of labor strikes or work stoppages at our suppliers plants), our inability to leverage our purchasing power as successfully as we have in the past, changes in exchange rates and worldwide price levels. Historically, we have generally been able to increase the price of our products to reflect increases in the price of steel, but we may not be able to do so in the future. We have generally not been able in the past to pass on any price increases to our customers in the prices of the raw materials, other than steel and resin, that we utilize in our business. To the extent we are not able to leverage our purchasing power in the future as successfully as we have in the past, we are not able to increase the price of our products to reflect increases in the prices of raw materials or we experience any interruptions or shortages in the supply of raw materials, our operating costs could materially increase.

Labor disruptions with a portion of our workforce which is unionized could decrease our profitability.

As of October 3, 2005, approximately 22% of our hourly employees worked under various collective bargaining agreements. Two of our nine collective bargaining agreements will become amendable in fiscal 2006, another will become amendable in October 2006, and the agreement covering our largest number of employees in August 2007. While we believe that our relations with our employees are good, we may not be able to negotiate these or other collective bargaining agreements on the same or more favorable terms as the current agreements, or at all, and without production interruptions, including labor stoppages. A prolonged labor dispute, which could include a work stoppage, could impact our ability to satisfy our customers requirements. In particular, a labor dispute with either of the major unions representing employees in Cincinnati could materially adversely affect our ability to produce aerosol containers and could result in a deterioration of that business.

In the event of a catastrophic loss of one of our manufacturing facilities, we may not be able to meet the volume requirements of our existing customers or fulfill the requirements of potential customers.

We face the risk of a catastrophic loss of the use of all or a portion of any of our facilities due to accident, terrorist attack, labor issues, weather conditions, other natural disasters or otherwise. Such a catastrophic loss could have a significant effect on our relationships with our customers, financial condition, results of operations and cash flows. Although we maintain insurance covering our manufacturing facilities, including business interruption insurance, our insurance coverage may not be adequate to cover all of our losses in the event of a catastrophic loss of any of our manufacturing facilities. In addition, such insurance, including business interruption insurance, could in the future become more expensive and difficult to maintain and may not be available on commercially reasonable terms or at all. Under certain circumstances, we are required under our credit facility to utilize the proceeds of any casualty insurance, but not business interruption insurance, to repay outstanding indebtedness under the senior credit facility rather than to reinvest such proceeds in rebuilding any such facility.

Our business may be subject to significant environmental investigation, remediation and compliance costs.

We are subject to a broad range of federal, state and local environmental, health and safety laws, including those governing discharges to air, soil and water, the handling and disposal of hazardous substances and the investigation and remediation of contamination resulting from the release of hazardous substances. We believe that we are in material compliance with all applicable environmental, health and safety laws, though future expenditures may be necessary in order to maintain such compliance. In addition, in the course of our operations, we use, store and dispose of hazardous substances. Some of our current and former facilities are currently involved in environmental investigations and remediations resulting from releases of hazardous substances or the presence of other constituents. While we do not believe that any investigation or remediation obligations that we have identified will have a material adverse effect on our results of operations, financial condition or cash flows, many of our facilities have a history of industrial usage for which investigation and remediation obligations could arise in the future and which could require us to make material expenditures or otherwise materially affect the way we operate our business. For further discussion of existing environmental issues relating to us, see Environmental, Health and Safety Matters in Item 1

Our revenues or operating costs could be adversely affected by product liability or product recall costs involving our products or products of our customers.

Historically, product liability and product recall claims have not been material to our financial condition. We are subject to the risk of exposure to product liability and product recall claims, however, if any of our products, such as the coatings we apply to certain containers through our material center services business, are alleged to have resulted in personal injury or death, or property damage, based, for example, on alleged product defect. Although we do maintain product liability insurance, this insurance may not be adequate to cover any losses related to a product liability claim brought against us. Furthermore, products liability insurance could in the future become more expensive and difficult to maintain and may not be available on commercially reasonable terms, if at all. In addition, we do not maintain any product recall

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insurance and should we be required to initiate a product recall, such a recall could have a significant impact on our results of operations or cash flows.

In addition, several leading paint manufacturers are defendants in various lawsuits, including class-action tort litigation brought by public entities, concerning exposure by children to lead-based paint applied thirty or more years ago. While we do not believe that any of these lawsuits has resulted in an adverse verdict against any of these defendants, this or similar product liability related litigation could have a material adverse effect on the financial condition of certain of our customers in the future, including our paint container customers. To the extent our orders decrease or we are unable to collect receivables from customers due to the effects of product liability litigation on our customers, including the lead-based paint litigation referred to above, our results of operations could be unfavorably affected.

We may not succeed in our strategy of pursuing selective acquisitions.

We intend to continue to evaluate and selectively pursue acquisitions that we believe are strategically important based on their potential to: (i) meet our customers needs; (ii) diversify our product and customer base in related markets; (iii) broaden our geographic sales, distribution and manufacturing platform throughout the United States; and (iv) increase cash flow. However, we may not be able to locate or acquire suitable acquisition candidates at attractive cash flow multiples consistent with our strategy, and we may not be able to fund future acquisitions because of limitations relating to our indebtedness or otherwise. In addition, to the extent that we make any acquisition in the future, our failure to integrate the acquired business successfully could significantly impair our results of operations.

A disruption or failure in our computer systems could significantly disrupt our operations and impose significant costs on us.

A significant part of our information technology systems used in connection with our internal operations is centralized in our Atlanta, Georgia headquarters. In addition, other parts of our information technology systems are outsourced to third-party hosting vendors. We rely in the regular course of business on the proper operation of our information technology systems. Any disruption or failure of our Atlanta-based or outsourced information technology systems could significantly disrupt our operations and impose significant costs on us.

We are controlled by affiliates of Kelso, and their interests as equity holders may conflict with the interests of our noteholders.

Certain private equity funds affiliated with Kelso own a substantial majority of our common stock. The Kelso affiliates are able to elect a majority of our directors, appoint new management and approve any action requiring the vote of our outstanding common stock, including the amendment of our certificate of incorporation, mergers or sales of substantially all of our assets. The directors elected by the Kelso affiliates will be able to make decisions affecting our capital structure, including decisions to issue additional capital stock and incur additional debt. The interests of Kelso and its affiliates may not in all cases be aligned with the interests of our noteholders. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of our equity holders might conflict with your interests as a noteholder. In addition, our equity holders may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transaction might involve risks to holders of the Senior Notes.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The following table sets forth certain information with respect to our headquarters and manufacturing facilities as of December 1, 2005. We believe our properties are generally in good condition, well maintained and suitable for their intended use. We have excluded from the table any manufacturing facility that is permanently idled or otherwise not utilized by us in the production of our products.

Location	General Character	Approximate Square Footage	Type of Interest(1)	Segment
Atlanta, Georgia (Headquarters)	Office	16,000	Leased	Corporate
Bryan, Texas	Manufacturing	83,000	Leased	Plastics
Cedar City, Utah	Manufacturing	89,000	Owned	Plastics
Chicago, Illinois (Kilbourn)	Manufacturing	141,000	Owned	Metal
Cidra, Puerto Rico	Manufacturing	83,000	Leased	Plastics
Cincinnati, Ohio	Manufacturing	467,000	Leased	Metal
Cleveland, Ohio	Manufacturing	248,000	Leased	Plastics
Dayton, New Jersey	Manufacturing	119,000	Leased	Plastics
Fontana, California	Manufacturing	72,000	Leased	Metal
Franklin Park, Illinois	Manufacturing	115,000	Leased	Metal
Garland, Texas	Manufacturing	108,000	Leased	Metal
Homerville, Georgia	Manufacturing	395,000	Owned	Metal
Indianapolis, Indiana	Manufacturing	169,000	Leased	Plastics
Lithonia, Georgia	Manufacturing	75,000	Leased	Plastics
Memphis, Tennessee	Manufacturing	120,000	Leased	Metal
Sturtevant, Wisconsin	Manufacturing	85,000	Leased	Metal
Toccoa, Georgia	Manufacturing	121,000	Leased	Plastics
Trenton, New Jersey	Manufacturing	105,000	Leased	Metal
Valparaiso, Indiana	Manufacturing	106,000	Leased	Plastics
York, Pennsylvania	Manufacturing	97,000	Owned	Metal

(1) Our owned manufacturing facilities are subject to a mortgage lien in favor of Deutsche Bank Trust Company Americas as collateral agent for the lenders under our credit facility.

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We regularly evaluate our various manufacturing facilities in light of current and expected market conditions and demand, and may further consolidate our manufacturing facilities in the future.

Item 3. Legal Proceedings

We are involved in legal proceedings from time to time in the ordinary course of our business. No such currently pending proceedings are expected to have a material adverse effect on our financial condition, results of operations or cash flows.. We are also involved in certain proceedings relating to environmental matters as described under Item 1. Business - Environmental, Health and Safety Matters.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted during the fourth quarter of fiscal 2005 to a vote of our security holders through the solicitation of proxies or otherwise.

PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

There is no established public market for our common equity, which is held entirely by BCO Holding.

We are prohibited by our long-term debt arrangements from paying dividends.

Item 6. Selected Financial Data

The following table sets forth our selected historical consolidated financial and operating data, which you should read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of this report and with our consolidated financial statements and related notes included in Item 8 of this Form 10-K. The selected consolidated financial and other data as of and for each of the periods in the three-year period ended October 2, 2005 have been derived from our audited financial statements and related notes included in Item 8 of this report. The selected consolidated financial and other data as of and for each of the fiscal years in the two-year period ended September 29, 2002 have been derived from our audited financial statements and related notes which are not included in this report. In the discussion that follows, the Transaction and NAMPAC Acquisition are defined in Item 1 of this Form 10-K.

	Predecessor				Successor	
	Fiscal Year Ended(1)		For the Period From		Fiscal Year Ended(1)	
			September 30, 2002 to February 6,	February 7, 2003 to September 28,		
(Dollars in thousands)	2001	2002	2003	2003	2004	2005
Statement of Operations Data:						
Net sales	$ 475,039	$ 527,601	$ 186,726	$ 364,384	$ 611,588	$ 829,109
Cost of products sold (excluding depreciation and amortization)	425,084	456,788	166,383	311,447	529,064	714,039
Gross profit (excluding depreciation and amortization) (2)	49,955	70,813	20,343	52,937	82,524	115,070
Depreciation and amortization (3)(4)	20,713	19,582	6,091	16,835	31,724	43,215
Selling and administrative expense (2)	15,610	14,179	14,875	8,675	14,040	22,120
Merger related transaction costs (5)		1,478	2,488			
Restructuring and impairment charges (adjustment) (6)(7)(8)(9)(10) (11)	21,500	1,250	(460)	260	352	5,265
Financial advisory fees (12)				349	495	495
Other, net	(970)	(597)	17	556	(317)	(670)
(Loss) income from operations	(6,898)	34,921	(2,668)	26,262	36,230	44,645
Interest expense, net(13)(14)	15,747	13,109	11,190	16,935	26,889	32,165
(Loss) income before income taxes	(22,645)	21,812	(13,858)	9,327	9,341	12,480
(Benefit from) provision for income taxes	(6,157)	9,556	(4,791)	3,462	3,634	4,351
Net (loss) income	$ (16,488)	$ 12,256	$ (9,067)	$ 5,865	$ 5,707	$ 8,129
Other Financial Data:						
EBITDA (15)	$ 13,815	$ 54,503	$ 3,423	$ 43,097	$ 67,954	$ 87,860
EBITDA margin % (16)	2.9%	10.3%	1.8%	11.8%	11.1%	10.6%
Capital expenditures	$ 9,421	$ 10,586	$ 4,607	$ 8,879	$ 19,066	$ 20,282
Cash interest paid, net	14,345	11,720	5,374	18,611	22,595	29,866

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	Predecessor				Successor	
	Fiscal Year Ended(1)		For the Period From		Fiscal Year Ended(1)	
			September 30, 2002 to February 6,	February 7, 2003 to September 28,		
(Dollars in thousands)	2001	2002	2003	2003	2004	2005
Statement of Cash Flows Data:						
Net cash provided by (used in) operating activities	$ 22,116	$ 46,063	$ (2,135)	$ 30,415	$ 45,098	$ 64,324
Net cash used in investing activities (17)(18)	(4,040)	(9,528)	(4,582)	(52,006)	(220,857)	(19,247)
Net cash (used in) provided by financing activities (19)(20)	(18,752)	(17,330)	(12,663)	21,729	202,836	(20,513)
Ratio of earnings to fixed charges (21)		2.46x		1.51x	1.32x	1.35x

	Predecessor		Successor		
			Fiscal Year(1)		
(Dollars in thousands)	2001	2002	2003	2004	2005
Balance Sheet Data:					
Working capital	$ 8,369	$ 20,467	$ 17,451	$ 52,382	$ 53,709
Total assets (22)	300,895	306,686	443,325	741,404	771,994
Total debt (23)(24)	112,808	100,291	217,465	415,810	395,975
Stockholders equity	60,435	72,648	79,487	115,005	123,436

Notes to Selected Financial Data Table:

(1) Our fiscal year consists of 52 or 53 weeks, ending on the Sunday closest to September 30 in each year. The fiscal years 2001, 2002, 2003 and 2005 consisted of 52 weeks. Our fiscal year 2004 consisted of 53 weeks. Our financial statements for the periods presented include the results of operations from and including August 25, 2003 related to the assets we acquired from SST Industries and from and including July 7, 2004 related to the NAMPAC Acquisition. Our NAMPAC subsidiary reports its operations on a calendar month basis and it has been consolidated as of September 30, 2004 and September 30, 2005. NAMPAC had no significant or unusual transactions between September 30, 2004 and October 3, 2004 or between September 30, 2005 and October 2, 2005 that should have been consolidated in the consolidated financial statements. Fiscal years 2001, 2002, 2003, 2004 and 2005 ended September 30, 2001, September 29, 2002, September 28, 2003, October 3, 2004 and October 2, 2005, respectively.

(2) The following table summarizes stock-based compensation expense recorded by line item for the periods indicated. There was no stock-based compensation expense in fiscal 2001 or fiscal 2002.

	Predecessor	Successor		
	For the Period From		Fiscal Year	
(Dollars in thousands)	September 30, 2002 to February 6,	February 7, 2003 to September 28,	2004	2005

	2003	2003		
Cost of products sold (excluding depreciation and amortization)	$ 2,900	$ 214	$ 206	$ 344
Selling and administrative expense	9,692	940	904	1,508
Total stock-based compensation(a)(b)	$ 12,592	$ 1,154	$ 1,110	$ 1,852

(a) Stock-based compensation expense in the period September 30, 2002 to February 6, 2003 relates to Predecessor stock option payouts associated with the Transaction.

(b) Stock-based compensation expense in the period from February 7, 2003 to September 28, 2003, fiscal 2004 and fiscal 2005 relates to stock options issued subsequent to the Transaction.

(3) Depreciation for fiscal 2002 includes an additional depreciation expense of $0.7 million related to shortened useful lives of certain computer systems.

(4) Depreciation for the period from February 7, 2003 to September 28, 2003, fiscal 2004 and fiscal 2005 includes $1.8 million, $5.8 million and $3.9 million, respectively, of additional depreciation related to shortened useful lives of certain long-lived assets, primarily equipment.

(5) The fourth quarter of fiscal 2002 and the first quarter of fiscal 2003 include charges of $1.5 million and $1.4 million, respectively, for certain professional fees and other transaction costs relating to the Transaction.

(6) The third quarter of fiscal 2001 includes a $21.5 million charge for restructuring ($5.3 million) and asset impairment ($16.2 million) related to the closing of two manufacturing facilities and the write-down of intangible assets and equipment held for disposal as a result of these closings.

(7) The third quarter of fiscal 2002 includes an additional $1.2 million restructuring charge related to the closing of one of our manufacturing facilities in the third quarter of fiscal 2001.

(8) The period from September 30, 2002 to February 6, 2003 includes a $0.5 million adjustment related to revised expectations of future lease payments for closed facilities.

(9) The period from February 7, 2003 to September 28, 2003 includes a charge of $0.3 million primarily related to severance and benefits resulting from the closing of our Picayune, Mississippi manufacturing facility.

(10) Fiscal 2004 includes a charge of $0.3 million related to severance and benefits, equipment disposition and other related costs associated with the closing of our Picayune, Mississippi manufacturing facility.

(11) Fiscal 2005 includes a $5.3 million charge for restructuring ($4.3 million) and asset impairment ($1.0 million). The restructuring charge consists of $0.3 million related to costs associated with the shutdown of our manufacturing facility in Picayune, Mississippi, $3.1 million related to costs associated with the shutdown of certain of our plastics manufacturing facilities, $1.0 million related to severance costs associated with the closure of certain of the plastics manufacturing facilities and the elimination of redundant positions as a result of the NAMPAC Acquisition and $(0.1) million to adjust a previously recognized facility closure exit liability. The $1.0 million impairment charge was taken to write certain assets associated with the closed plastics manufacturing facilities down to their estimated fair value.

(12) Represents annual advisory fees paid to Kelso.

(13) The period from September 30, 2002 to February 6, 2003 includes $6.8 million of interest expense related to the Transaction. The $6.8 million consists of $5.1 million related to the tender, consent and redemption premiums and $1.7 million related to the write-off of deferred financing fees, each associated with the redemption of our $100.0 million 10 1/4% Senior Subordinated Notes due 2007.

(14) The period from February 7, 2003 to September 28, 2003 includes $1.9 million related to the write-off of a bridge loan commitment fee, which was expensed when the bridge loan commitment expired undrawn at the closing of the Transaction.

(15) Earnings before interest, taxes, depreciation and amortization (EBITDA) represents net (loss) income before depreciation and amortization, interest expense, net and (benefit from) provision for income taxes, as shown in the table below. Although EBITDA is not a GAAP (as defined below) measurement, we present EBITDA because it is one of the measures upon which management assesses our financial performance and is a primary measure used in certain management incentive programs. Management also believes that EBITDA, which is commonly used as a measure of performance of companies in our industry, is frequently used by securities analysts, investors and other interested parties to measure our ability to service our debt and to determine our financial performance. While providing useful information, EBITDA should not be considered in isolation or as a substitute for consolidated statement of operations and cash flows data prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and should not be construed as an indication of a company s operating performance or as a measure of liquidity. Our definition of EBITDA is not calculated in the same

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Notes to Selected Financial Data Table:

way EBITDA is calculated under either the indenture governing the Senior Notes or the Credit Facility. Also, such non-GAAP information presented by other companies may not be comparable to our presentation, since each company may define non-GAAP measures differently.

Stock-based compensation expense (see Note 2), restructuring and impairment charges (adjustments), financial advisory fees, other, net and merger-related transaction costs, collectively representing $20.5 million, $2.1 million, $14.6 million, $2.3 million, $1.6 million and $6.9 million, in fiscal 2001 and 2002, for the period from September 30, 2002 to February 6, 2003, for the period from February 7, 2003 to September 28, 2003 and fiscal 2004 and 2005, respectively, have not been added back to net (loss) income for purposes of calculating EBITDA. In addition, included in cost of products sold (excluding depreciation and amortization), for the period from September 30, 2002 to February 6, 2003, for the period from February 7, 2003 to September 28, 2003 and fiscal 2004 are costs of $0.5 million of other expense associated with the Transaction, $2.3 million of amortization of manufacturer s profit recorded in inventory primarily as a result of the Transaction, and $0.4 million in fiscal 2004 of in amortization of manufacturer s profit recorded in inventory as a result of the NAMPAC Acquisition, respectively, that have not been added back to net (loss) income for purposes of calculating EBITDA.

Reconciliation of EBITDA to Net (loss) income:

	Predecessor			Successor		
	Fiscal Year Ended(a)		For the Period From		Fiscal Year Ended(a)	
			September 30, 2002 to February 6,	February 7, 2003 to September 28,		
(Dollars in thousands)	2001	2002	2003	2003	2004	2005
Net (loss) income	$ (16,488)	$ 12,256	$ (9,067)	$ 5,865	$ 5,707	$ 8,129
Depreciation and amortization (b)	20,713	19,582	6,091	16,835	31,724	43,215
Interest expense, net (c)	15,747	13,109	11,190	16,935	26,889	32,165
(Benefit from) provision for income taxes	(6,157)	9,556	(4,791)	3,462	3,634	4,351
EBITDA	$ 13,815	$ 54,503	$ 3,423	$ 43,097	$ 67,954	$ 87,860

(a) See Note (1) above.
(b) See Notes (3) and (4) above.
(c) See Notes (13) and (14) above.
(16) EBITDA margin is defined as the ratio of EBITDA to net sales.
(17) Investing activities for the period from February 7, 2003 to September 28, 2003 include the use of $19.9 million in transaction costs related to the Transaction and $23.2 million related to the SST Acquisition.
(18) Investing activities in fiscal 2004 include the use of $202.5 million, which is net of $11.3 million in cash acquired, related to the NAMPAC Acquisition.
(19) Financing activities for the period from September 30, 2002 to February 6, 2003 include $0.4 million used in financing costs incurred related to the Transaction. Financing activities for the period from February 7, 2003 to September 28, 2003 include $5.6 million in net cash

provided from the Transaction and $10.5 million used in financing costs incurred related to the financing of the Transaction.

(20) Financing activities for fiscal 2004 include the proceeds of a $225.0 million term loan used, in part, to finance the NAMPAC Acquisition, $30.0 million of additional capital contributed by BCO Holding and $6.8 million in financing costs incurred related to the term loan and the refinancing of our Credit Facility.

(21) For purposes of determining the ratio of fixed charges, earnings are defined as earnings (loss) before income taxes plus fixed charges. Fixed charges include interest on all indebtedness, amortization of capitalized expenses related to indebtedness and one-third of rental expense on operating leases, which is representative of the interest factor. For fiscal 2001 and for the period from September 30, 2002 to February 6, 2003, our fixed charges exceeded our earnings by $22.2 million and $13.9 million, respectively.

(22) The increase in total assets at the end of fiscal 2004 from fiscal 2003 reflects the assets associated with the NAMPAC Acquisition.

(23) The increase in total debt at the end of fiscal 2004 from fiscal 2003 reflects the debt incurred in financing the NAMPAC Acquisition.

(24) Total debt includes capital lease obligations of $0.3 million at the end of both fiscal 2002 and fiscal 2003, $0.8 million at the end of fiscal 2004 and $0.7 million at the end of fiscal 2005.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation

The following discussion should be read in conjunction with our consolidated financial statements and related notes included in Item 8 of this report as well as with a general understanding of our business as discussed in Item 1 of this report.

Major Developments

NAMPAC Acquisition. On July 7, 2004, we acquired all of the issued and outstanding shares of stock of NAMPAC, a manufacturer of rigid plastic containers for industrial packaging markets. We paid approximately $202.8 million in cash, net of cash acquired, for the acquisition, which was funded by a $30.0 million equity contribution from Kelso and certain members of our senior management and from a portion of the proceeds from a $225.0 million term loan facility. The results of operations related to this acquisition are included in the consolidated financial statements from the date of acquisition.

SST Acquisition. On August 25, 2003, we acquired substantially all of the assets, including working capital, of SST Industries, a manufacturer of rigid plastic containers for industrial packaging markets. We paid approximately $23.0 million in cash, net of cash acquired, for the assets. The acquisition was financed with borrowings under our then existing revolving credit facility.

The SST and NAMPAC acquisitions enabled us to enter the general line rigid plastic containers market, which we believe is important to our growth, and to provide our customers with a more diverse product offering.

Plastics Manufacturing Facility Restructuring. In October 2004, the Board of Directors approved a plan to close three plastics manufacturing facilities and to eliminate certain positions that became redundant as a result of the NAMPAC Acquisition. We ceased operations and closed all three facilities one at the end of fiscal 2004 and the remaining two in the third quarter of fiscal 2005. We believe the consolidation of existing business from these closed facilities into our plastics manufacturing facilities will result in lower overall manufacturing costs and improved manufacturing capacity. In closing the facilities, we relocated or terminated the workforce and disposed of, stored or transferred certain equipment to other manufacturing facilities.

Picayune Facility Closure. As we reported in our fiscal 2003 annual report, one of our largest customers, Folgers, converted the steel packaging requirements we supplied to an alternative package that we did not manufacture. The conversion was fully completed in fiscal 2004 resulting in a reduction of net sales of approximately $60.0 million from fiscal 2003. As a result of the Folgers conversion, we closed our manufacturing facility in Picayune, Mississippi and relocated or terminated the workforce and disposed of, stored or transferred certain equipment to other manufacturing facilities.

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Results of Operations

Fiscal Years 2005 and 2004

The following table sets forth changes in our statements of operations and line items as a percentage of net sales for the fiscal years ended October 2, 2005 (fiscal 2005) and October 3, 2004 (fiscal 2004).

	Fiscal Year		Change		As a % of Net Sales Fiscal Year	
(Dollars in thousands)	2005	2004	$	%	2005	2004
Net sales	$ 829,109	$ 611,588	$ 217,521	35.6%	100.0%	100.0%
Cost of products sold (excluding depreciation and amortization)	714,039	529,064	184,975	35.0%	86.1%	86.5%
Gross margin	115,070	82,524	32,546	39.4%	13.9%	13.5%
Depreciation and amortization	43,215	31,724	11,491	36.2%	5.2%	5.2%
Selling and administrative expense	22,120	14,040	8,080	57.5%	2.7%	2.3%
Restructuring and impairment charges	5,265	352	4,913		0.6%	0.1%
Interest expense, net	32,165	26,889	5,276	19.6%	3.9%	4.4%
Financial advisory fees	495	495		%	0.1%	0.1%
Other, net	(670)	(317)	(353)	111.4%	(0.1)%	(0.1)%
Income before income taxes	12,480	9,341	3,139	33.6%	1.5%	1.5%
Provision for income taxes	4,351	3,634	717	19.7%	0.5%	0.6%
Net income	$ 8,129	$ 5,707	$ 2,422	42.4%	1.0%	0.9%

As noted above under Major Developments, we acquired NAMPAC in July 2004. The following discussion refers to this acquisition as the NAMPAC Acquisition.

Net Sales.

Net Sales by Segment

(Dollars in thousands)	Fiscal Year 2005	Fiscal Year 2004	Change $	Change %	As a % of the Total Fiscal Year 2005	As a % of the Total Fiscal Year 2004
Metal packaging	$ 528,512	$ 518,658	$ 9,854	1.9%	63.7%	84.8%
Plastics packaging	300,597	92,930	207,667	223.5%	36.3%	15.2%
Consolidated net sales	$ 829,109	$ 611,588	$ 217,521	35.6%	100.0%	100.0%

The increase in metal packaging segment net sales for fiscal 2005 over fiscal 2004 is primarily related to volume gains in certain product lines and by higher selling prices related to the pass through of higher metal costs, partially offset by the loss of the Folgers coffee can business in the first half of fiscal 2004, to voluntary reductions in certain unprofitable material center sales as capacity was redirected to meet internal needs and to volume decreases in other product lines.

The increase in plastics packaging segment net sales for fiscal 2005 over fiscal 2004 is attributable to the NAMPAC Acquisition, which occurred in July 2004.

Cost of Products Sold.

Cost of Products Sold by Segment

(excluding depreciation and amortization)

(Dollars in thousands)	Fiscal Year 2005	Fiscal Year 2004	Change $	Change %	As a % of the Total Fiscal Year 2005	As a % of the Total Fiscal Year 2004
Metal packaging	$ 439,844	$ 445,459	$ (5,615)	(1.3)%	61.6%	84.2%
Plastics packaging	273,851	83,052	190,799	229.7%	38.4%	15.7%
Segment CPS	$ 713,695	$ 528,511	$ 185,184	35.0%	100.0%	99.9%
Corporate undistributed expenses	344	206	138	67.0%	%	%
Acquisition related expenses		347	(347)	(100.0)%	%	0.1%
Consolidated CPS	$ 714,039	$ 529,064	$ 184,975	35.0%	100.0%	100.0%

The decrease in cost of products sold, excluding depreciation and amortization, (CPS) for the metal packaging segment for fiscal 2005 from fiscal 2004 is primarily due to the net decrease in metal packaging sales volume partially offset by an increase in raw material costs associated with steel surcharges. Additionally, metal packaging segment CPS was negatively impacted by approximately $5.1 million related to changes in the LIFO reserve resulting from movements in raw material costs.

Metal packaging segment CPS as a percentage of segment net sales decreased to 83.2% in fiscal 2005 from 85.9% in fiscal 2004. The decrease in CPS as a percentage of segment net sales is primarily a result of the favorable pass through of steel surcharges as well as favorable manufacturing efficiencies. In the fourth quarter of fiscal 2004, we began the implementation of a lean manufacturing program in the metal packaging segment to increase its operating efficiency and productivity. We began realizing the benefits of this initiative during the second quarter of fiscal 2005 and expect to realize additional benefits in fiscal 2006. We believe some of the improvements in metal packaging segment CPS as a percentage of segment net sales are temporary, and we anticipate the percentages will begin to increase to historic percentages in fiscal 2006, notwithstanding improvements from the manufacturing efficiency initiatives.

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The increase in CPS for the plastics packaging segment in fiscal 2005 from fiscal 2004 is primarily due to the NAMPAC Acquisition, which occurred in July 2004, partially offset by the efficiencies from the closure of three plastics manufacturing facilities. Plastics packaging segment CPS was negatively impacted by approximately $2.5 million related to changes in the LIFO reserve resulting from movements in raw material costs.

Plastics packaging segment CPS as a percentage of segment net sales increased to 91.1% in fiscal 2005 from 89.4% in fiscal 2004 primarily as a result of higher operating costs associated with the NAMPAC Acquisition and to higher raw material costs for plastic resin.

Corporate undistributed expenses of $0.3 million and $0.2 million in fiscal 2005 and 2004, respectively, represent stock-based compensation associated with options issued after the Transaction. Acquisition related expenses in fiscal 2004 represent the recognition of manufacturer s profit in beginning inventory resulting from the NAMPAC Acquisition.

Depreciation and Amortization.

Depreciation and Amortization by Segment

					As a % of the Total	
	Fiscal Year		Change		Fiscal Year	
(Dollars in thousands)	2005	2004	$	%	2005	2004
Metal packaging	$ 21,468	$ 25,178	$ (3,710)	(14.7)%	49.7%	79.4%
Plastics packaging	19,646	4,674	14,972	320.3%	45.5%	14.7%
Segment D&A	$ 41,114	$ 29,852	$ 11,262	37.7%	95.1%	94.1%
Corporate	2,101	1,872	229	12.2%	4.9%	5.9%
Consolidated D&A	$ 43,215	$ 31,724	$ 11,491	36.2%	100.0%	100.0%

The decrease in metal packaging segment depreciation and amortization expense (D&A) fiscal 2005 from fiscal 2004 primarily relates to additional depreciation expense of $5.8 million related to the shortened useful lives of assets disposed of following the closure of our Picayune, Mississippi manufacturing facility in the second half of fiscal 2004.

The increase in plastics packaging segment D&A in fiscal 2005 from fiscal 2004 is a result of the NAMPAC Acquisition. In addition, fiscal 2005 includes approximately $3.9 million of additional depreciation associated with the shortened useful lives on certain assets, primarily equipment, which have been disposed of or reclassified to assets held for sale in connection with the closure of certain of our plastics manufacturing facilities.

Selling and Administrative Expenses.

Selling and Administrative Expenses by Segment

	Fiscal Year		Change		As a % of the Total Fiscal Year	
(Dollars in thousands)	**2005**	**2004**	**$**	**%**	**2005**	**2004**
Metal packaging	$ 6,837	$ 7,080	$ (243)	(3.4)%	30.9%	50.5%
Plastics packaging	4,561	1,579	2,982	188.9%	20.6%	11.2%
Segment S&A	$ 11,398	$ 8,659	$ 2,739	31.6%	51.5%	61.7%
Corporate undistributed expenses	10,722	5,381	5,341	99.3%	48.5%	38.3%
Consolidated S&A	$ 22,120	$ 14,040	$ 8,080	57.5%	100.0%	100.0%

The decrease in metal packaging segment selling and administrative expenses (S&A) in fiscal 2005 from fiscal 2004 relates primarily to general cost savings and lower spending in fiscal 2005.

The increase in plastics packaging segment S&A in fiscal 2005 over fiscal 2004 is primarily related to higher costs associated with the NAMPAC Acquisition, which occurred in the fourth quarter of fiscal 2004.

Corporate undistributed expenses include $1.5 million and $0.9 million in fiscal 2005 and fiscal 2004, respectively, of stock-based compensation expense. Excluding the increase in stock-based compensation, the net increase in corporate undistributed S&A primarily relates to wages and expenses associated with the Sarbanes-Oxley compliance initiative, an increase in bonus expense and higher professional fees. Bonus expense increased approximately $2.4 million in fiscal 2005 over fiscal 2004 as a result of the company meeting certain performance measures in fiscal 2005 that were not met in fiscal 2004.

Restructuring and Impairment, Interest, Taxes and Other

Restructuring and Impairment Charges. In fiscal 2005, we recorded a $5.3 million charge consisting of a $1.0 million impairment charge and a $4.3 million restructuring charge. The impairment charge relates to the write-down of certain manufacturing equipment currently held for sale. The restructuring charge consists of $0.3 million related to costs associated with the shutdown of our manufacturing facility in Picayune, Mississippi, $3.1 million related to costs associated with the shutdown of certain of our plastics manufacturing facilities, $1.0 million related to severance costs associated with the closure of certain of the plastics manufacturing facilities and the elimination of redundant positions as a result of the NAMPAC Acquisition and $(0.1) million to adjust a previously recorded facility closure exit liability.

A portion of the $3.1 million restructuring charge related to shutdown costs, as discussed above, includes the net present value of future lease payments, net of expected sublease proceeds, and other obligations associated with facilities that were closed in the third quarter of fiscal 2005. We expect to incur future restructuring charges of approximately $1.2 million related to additional severance and facility shutdown and holding costs, which includes the accretion of net lease liabilities recorded at present value.

Interest Expense, Net. Interest expense, net, increased $5.3 million in fiscal 2005 from fiscal 2004. The increase is primarily due to higher outstanding borrowings in fiscal 2005 associated with the financing of the NAMPAC Acquisition in the fourth quarter of fiscal 2004. In addition, the increased borrowings are at variable interest rates, which increased in fiscal 2005. Included in fiscal 2004 interest expense, net, is

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$1.3 million related to the write-off of deferred financing fees associated with the refinancing of our revolving credit facility and approximately $0.4 million in additional interest related to the Senior Notes due to the additional week in fiscal 2004.

Other, Net. Other, net, in fiscal 2005 relates primarily to gains on the sale of idled equipment and a vacant manufacturing facility in Dallas, Texas.

Provision for Income Taxes. The provision for income taxes increased $0.8 million to $4.4 million in fiscal 2005 from $3.6 million in fiscal 2004. The effective tax rate decreased in fiscal 2005 to 34.9% from 38.9% in fiscal 2004 primarily due to the impact on the effective tax rate of foreign income from operations in Puerto Rico acquired in the NAMPAC Acquisition that are taxed at rates other than the federal statutory rate.

Fiscal Years 2004 and 2003

In the following discussion, comparisons are made between fiscal 2004 and fiscal 2003, notwithstanding the presentation in our consolidated statements of income for fiscal 2003 of the periods from September 30, 2002 to February 6, 2003 (Predecessor), and February 7, 2003 to September 28, 2003 (Successor). The beginning of the partial period ended September 28, 2003 coincides with the merger transaction dated February 7, 2003. We do not believe a discussion of the various periods presented for fiscal 2003 in the consolidated statements of income would be meaningful and, accordingly, we have prepared the discussion of our results of operations by comparing fiscal 2003 with fiscal 2004 without regard to the differentiation between Predecessor and Successor results of operations for the periods ended February 6, 2003 and September 28, 2003.

The following table reconciles the fiscal 2003 statement of operations with the discussion of the results of operations below.

	For the Periods From		
(Dollars in thousands)	February 7, 2003 to September 28, 2003 (Successor)	September 30, 2002 to February 6, 2003 (Predecessor)	Fiscal 2003 (Combined)
Net sales	$ 364,384	$ 186,726	$ 551,110
Cost of products sold (excluding depreciation and amortization)	311,447	166,383	477,830
Gross margin	52,937	20,343	73,280
Depreciation and amortization	16,835	6,091	22,926
Selling and administrative expense	8,675	14,875	23,550
Merger-related transaction costs		2,488	2,488
Restructuring and impairment charges (adjustment)	260	(460)	(200)
Interest expense, net	16,935	11,190	28,125
Financial advisory fees	349		349

Other, net	556	17	573
Income (loss) before income taxes	9,327	(13,858)	(4,531)
Provision for (benefit from) income taxes	3,462	(4,791)	(1,329)
Net income (loss)	$ 5,865	(9,067)	$ (3,202)

The following table sets forth changes in our statements of operations and line items as a percentage of net sales for the fiscal years ended October 3, 2004 (fiscal 2004) and September 28, 2003 (fiscal 2003).

					As a % of Net Sales	
	Fiscal Year		Change		Fiscal Year	
(Dollars in thousands)	**2004**	**2003**	**$**	**%**	**2004**	**2003**
Net sales	$ 611,588	$ 551,110	$ 60,478	11.0%	100.0%	100.0%
Cost of products sold (excluding depreciation and amortization)	529,064	477,830	51,234	10.7%	86.5%	86.7%
Gross margin	82,524	73,280	9,244	12.6%	13.5%	13.3%
Depreciation and amortization	31,724	22,926	8,798	38.4%	5.2%	4.2%
Selling and administrative expense	14,040	23,550	(9,510)	(40.4)%	2.3%	4.3%
Merger-related transaction costs		2,488	(2,488)	(100.0)%	%	0.5%
Restructuring and impairment charges (adjustment)	352	(200)	552	(276.0)%	0.1%	%
Interest expense, net	26,889	28,125	(1,236)	(4.4)%	4.4%	5.1%
Financial advisory fees	495	349	146	41.8%	0.1%	0.1%
Other, net	(317)	573	(890)	(155.3)%	(0.1)%	0.1%
Income (loss) before income taxes	9,341	(4,531)	13,872	(306.2)%	1.5%	(0.8)%
Provision for (benefit from) income taxes	3,634	(1,329)	4,963	(373.4)%	0.6%	(0.2)%
Net income (loss)	$ 5,707	$ (3,202)	$ 8,909	(278.2)%	0.9%	(0.6)%

As noted above under Major Developments, we acquired SST in August 2003 and NAMPAC in July 2004. The following discussion refers to these two acquisitions as the Acquisitions.

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Net Sales.

Net Sales by Segment

(Dollars in thousands)	Fiscal Year 2004	Fiscal Year 2003	Change $	Change %	As a % of the Total Fiscal Year 2004	As a % of the Total Fiscal Year 2003
Metal packaging	$ 518,658	$ 548,329	$ (29,671)	(5.4)%	84.8%	99.5%
Plastics packaging	92,930	2,781	90,149	%	15.2%	0.5%
Consolidated net sales	$ 611,588	$ 551,110	$ 60,478	11.0%	100.0%	100.0%

Net sales associated with our plastics packaging segment contributed approximately $90.1 million in additional net sales in fiscal 2004 over fiscal 2003 as a result of the Acquisitions. The $29.7 million decrease in metal packaging segment net sales is primarily a result of the loss of coffee container sales when Folgers switched to alternative packaging and to our intentional reduction in material center services sales to meet internal demand. Increases in other metal container sales and the pass through of steel surcharges partially offset these declines.

Cost of Products Sold.

Cost of Products Sold by Segment

(excluding depreciation and amortization)

(Dollars in thousands)	Fiscal Year 2004	Fiscal Year 2003	Change $	Change %	As a % of the Total Fiscal Year 2004	As a % of the Total Fiscal Year 2003
Metal packaging	$ 445,459	$ 469,511	$ (24,052)	(5.1)%	84.2%	98.3%
Plastics packaging	83,052	2,480	80,572	%	15.7%	0.5%
Segment CPS	$ 528,511	$ 471,991	$ 56,520	12.0%	99.9%	98.8%
Corporate undistributed expenses	206	214	(8)	(3.7)%	%	%

Acquisition related expenses	347	5,625	(5,278)	(93.8)%	0.1%	1.2%
Consolidated CPS	$ 529,064	$ 477,830	$ 51,234	10.7%	100.0%	100.0%

Segment cost of products sold (excluding depreciation and amortization) (CPS) increased $56.5 million. As a percentage of consolidated net sales, segment CPS increased to 86.4% in fiscal 2004 from 85.6% in fiscal 2003. These changes are due to changes within the two segments as discussed below.

Segment CPS from plastics packaging contributed approximately $80.6 million in additional CPS in fiscal 2004 over fiscal 2003 as a result of the Acquisitions. Segment CPS from metal packaging decreased $24.1 million from fiscal 2003 primarily due to the overall decrease in metal packaging sales partially offset by an increase in raw material costs associated with steel surcharges. The decrease in the metal packaging segment gross margin percentage from 14.4% in fiscal 2003 to 14.1% in fiscal 2004 is primarily a result of the increased raw material costs associated with the reduction in steel availability (which impacts production scheduling), the timing of steel surcharge pass through and higher costs associated with spot market purchases of steel.

Corporate undistributed expenses of $0.2 million in each of fiscal 2004 and 2003 represent stock-based compensation associated with options issued after the Transaction. Acquisition related expenses represent the recognition of manufacturer s profit in beginning inventory resulting from the NAMPAC Acquisition in fiscal 2004 and $2.2 million related to the Transaction in fiscal 2003. Acquisition related expenses in fiscal 2003 also include $3.4 million of expenses directly related to the Transaction, including $2.9 million for the settlement of stock options.

Depreciation and Amortization.

Depreciation and Amortization by Segment

					As a % of the Total	
	Fiscal Year		**Change**		**Fiscal Year**	
(Dollars in thousands)	**2004**	**2003**	**$**	**%**	**2004**	**2003**
Metal packaging	$ 25,178	$ 20,821	$ 4,357	20.9%	79.4%	90.8%
Plastics packaging	4,674	135	4,539	%	14.7%	0.6%
Segment D&A	$ 29,852	$ 20,956	$ 8,896	42.5%	94.1%	91.4%
Corporate	1,872	1,970	(98)	(5.0)%	5.9%	8.6%
Consolidated D&A	$ 31,724	$ 22,926	$ 8,798	38.4%	100.0%	100.0%

Depreciation and amortization (D&A) associated with our plastics packaging segment increased $4.5 million as a result of the Acquisitions. D&A associated with our metal packaging segment increased $4.4 million, which includes an increase over fiscal 2003 of $4.0 million in additional depreciation associated with the shortened useful lives on assets associated with the closure of our Picayune manufacturing facility.

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Selling and Administrative Expenses.

Selling and Administrative Expenses by Segment

	Fiscal Year		Change		As a % of the Total Fiscal Year	
(Dollars in thousands)	2004	2003	$	%	2004	2003
Metal packaging	$ 7,080	$ 7,662	$ (582)	(7.6)%	50.5%	32.5%
Plastics packaging	1,579	128	1,451	%	11.2%	0.5%
Segment S&A	$ 8,659	$ 7,790	$ 869	11.2%	61.7%	33.0%
Corporate undistributed expenses	5,381	6,068	(687)	(11.3)%	38.3%	25.8%
Acquisition related expenses		9,692	(9,692)	%	%	41.2%
Consolidated S&A	$ 14,040	$ 23,550	$ (9,510)	(40.4)%	100.0%	100.0%

Segment selling and administrative expenses (S&A) increased $0.9 million which represents an increase in plastics packaging segment S&A of $1.5 million associated with the Acquisitions and a decrease in metal packaging segment S&A of $0.6 million primarily as a result of lower expenses in fiscal 2004 related to bonuses, bad debts and employee relocation expenses.

Corporate undistributed expenses include $0.9 million in each of fiscal 2004 and 2003 related to stock-based compensation associated with options issued after the Transaction. The net decrease in corporate undistributed S&A expenses of $0.7 million is primarily a result of lower expenses in fiscal 2004 related to bonuses.

In fiscal 2003, acquisition related expenses in S&A represent expenses associated with the settlement of stock options directly related to the Transaction.

Merger-Related Transaction Costs. During fiscal 2003, we expensed $2.5 million of merger-related transaction costs, which consisted primarily of professional fees related to the Transaction.

Restructuring and Impairment Charges (Adjustment). We recorded $0.3 million in each of fiscal 2004 and 2003 in restructuring charges associated with the closure of our Picayune, Mississippi manufacturing facility as described above. Also included in fiscal 2003 was a $(0.5) million restructuring adjustment representing a change in estimated future lease payments on closed facilities.

Interest Expense, Net. Included in fiscal 2003 interest expense, net, is $8.7 million of Transaction related expenses as follows: $5.1 million related to the tender, consent and redemption premiums and $1.7 million related to the write-off of deferred financing fees, each associated with the redemption of our $100.0 million 10 $^{1}/4$% Senior Subordinated Notes due 2007, and $1.9 million related to the write-off of a bridge loan commitment fee, which was expensed when the bridge loan commitment expired undrawn at the closing of the Transaction. Included in fiscal 2004 interest expense, net, is $1.3 million related to the write-off of deferred financing costs as a result of the refinancing of our revolving credit facility. Excluding the $8.7 million in Transaction related interest in fiscal 2003 and the $1.3 million of deferred financing cost write-off in fiscal 2004, interest expense, net, increased $6.2 million in fiscal 2004 over fiscal 2003. Due to the immateriality of interest income, we present interest expense net of interest income.

As a result of the increase in senior subordinated debt from $100.0 million to $200.0 million in February 2003 to finance the Transaction, interest expense increased approximately $3.9 million in fiscal 2004 over fiscal 2003. The remaining increase in interest expense, net, over fiscal 2003 relates to higher credit facility borrowings, including the term loan, in fiscal 2004 primarily associated with financing the Acquisitions.

Financial Advisory Fees. This expense represents management fees paid to Kelso as part of a financial advisory agreement that became effective with the Transaction in the second quarter of fiscal 2003. Financial advisory fees will approximate $0.5 million annually.

Other, Net. Other (income) expense of $(0.3) million in fiscal 2004 relates to various items that are individually immaterial. Other (income) expense of $0.6 million in fiscal 2003 relates primarily to a loss on disposal of fixed assets.

Provision for (Benefit From) Income Taxes. The change in the provision for income taxes is a result of the change in net income before taxes as well as a change in the effective tax rate. The effective tax rate increased to 38.9% for fiscal 2004 from 29.3% for fiscal 2003. The effective tax rate for fiscal 2003 on a combined basis is impacted by the treatment of certain Transaction related items in the Predecessor 2003 period. The effective tax rate for Successor 2003 was 37.1%.

Seasonality

Sales of certain of our products are to some extent seasonal, with sales levels generally higher in the second half of our fiscal year due primarily to higher demand for paint and related products during warmer periods. On an aggregate basis, however, our sales have not been significantly affected by seasonality.

Liquidity and Capital Resources

The NAMPAC Acquisition in fiscal 2004 required total cash of approximately $202.8 million, net of cash acquired, which was used to acquire all of the outstanding NAMPAC stock. The cash requirements for the NAMPAC Acquisition were funded, in part, by a $30.0 million equity contribution (through BCO Holding) from affiliates of Kelso, other existing equity investors and certain members of our senior management and from a portion of the proceeds from the Term Loan (as defined below).

In connection with the NAMPAC Acquisition, we entered into a $255.0 million credit facility with various lenders and Deutsche Bank Trust Company Americas, as administrative agent. The credit facility consists of (a) a $225.0 million term loan facility (the Term Loan), which matures June 30, 2011 (or April 15, 2010, if all of the Senior Notes, including any additional notes issued under the related indenture,

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have not been refinanced as of April 15, 2010 upon the terms specified in the credit agreement) and (b) a $30.0 million revolving credit facility (the Revolver), which matures June 30, 2009 (the Term Loan and Revolver, collectively, the Credit Facility).

The Transaction in fiscal 2003 required total cash of approximately $306.8 million, which was used to fund the cash consideration paid to the Predecessor stockholders and option holders under the merger agreement, repay the debt existing on February 6, 2003, including our 10 1/4% $100 million senior subordinated notes due 2007, and pay fees and expenses associated with the Transaction. The cash requirements of the Transaction were financed through an equity financing of $80.0 million by outside equity investors including affiliates of Kelso, borrowings of approximately $25.0 million under our then existing credit facility and $200.0 million of proceeds from the offering of our 10% Senior Subordinated notes due 2010. In addition, in connection with the Transaction, certain of the Predecessor stockholders and option holders exchanged BWAY stock and options valued at approximately $20.3 million for BCO Holding stock and options.

Our cash requirements for operations and capital expenditures during fiscal 2005 and fiscal 2004 were primarily financed through internally generated cash flows and borrowings under our revolving credit facility. During fiscal 2005, cash and cash equivalents increased $24.6 million to $51.9 million and long-term debt decreased $19.7 million to $395.3 million. We had no Revolver borrowings outstanding at October 2, 2005 or October 3, 2004.

Of the $225.0 million initially borrowed under the Term Loan, we made a voluntary prepayment of $10.0 million in September 2004 leaving a balance of $215.0 million outstanding at October 3, 2004. In December 2004, we made additional voluntary prepayments of $19.1 million and a mandatory repayment of $0.6 million, which represents the proceeds from an asset sale, leaving a balance of $195.3 million outstanding at October 2, 2005. Subsequent to year-end, in November 2005, we made a voluntary prepayment of $30.0 million, which permanently reduced the Term Loan to $165.3 million. Repayments on the Term Loan, whether scheduled or voluntary, permanently reduce the loan.

Interest accrues on the Term Loan and the Revolver at an applicable margin plus either (a) a base rate (which is the higher of prime or 0.5% in excess of the overnight federal funds rate) or (b) a Eurodollar rate. For the Term Loan, the applicable margins were initially fixed at 1.25% for base rate loans and at 2.25% for Eurodollar rate loans and can range down to 1.00% and 2.00%, respectively, based upon meeting specified consolidated leverage ratio targets. For the Revolver, the applicable margins are initially fixed at 1.75% for base rate loans and 2.75% for Eurodollar rate loans and can range down to 1.00% and 2.00%, respectively, based upon meeting specified consolidated leverage ratio targets. Borrowing at the base rate or the Eurodollar rate is at our discretion. After December 31, 2004, rate margins are subject to quarterly change based on our ratio of Consolidated Indebtedness to Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization), each as defined in the underlying credit agreement. The weighted-average interest rate on outstanding Term Loan borrowings at October 2, 2005 was approximately 6.0%.

At October 2, 2005, we had $6.7 million in standby letter of credit commitments that reduced our available borrowings under the Revolver to $23.3 million.

The following table presents financial information on our cash flows and changes in cash and cash equivalents for the fiscal years 2005, 2004 and 2003:

(Dollars in thousands)	**2005**	**2004**	**2003**	**Change 2004 to 2005**	**Change 2003 to 2004**

Net cash provided by operating activities	$ 64,324	$ 45,098	$ 28,280	$ 19,226	$ 16,818
Net cash used in investing activities	(19,247)	(220,857)	(56,588)	201,610	(164,269)
Net cash (used in) provided by financing activities	(20,513)	202,836	9,066	(223,349)	193,770
Net increase (decrease) in cash and cash equivalents	24,564	27,077	(19,242)	(2,513)	46,319
Cash and cash equivalents, end of period	$ 51,889	$ 27,325	$ 248	$ 24,564	$ 27,077

Net income, adjusted for depreciation, amortization of other intangibles and deferred financing costs, the write-off of deferred financing costs, impairment charge, gains on disposition of property, plant and equipment and stock-based compensation expense, provided cash from operating activities of $55.6 million and $41.7 million in fiscal 2005 and 2004, respectively. The net change in accounts receivable, inventories and accounts payable resulted in a use of operating cash of $3.9 million and $3.1 million in fiscal 2005 and 2004, respectively. We paid taxes, net, of $0.4 million in fiscal 2005 compared to an income tax refund, net, of $2.5 million in fiscal 2004. Increases in accrued liabilities further provided cash from operating activities of $8.1 million and $0.4 million in fiscal 2005 and fiscal 2004, respectively.

Net cash used in investing activities for capital expenditures was $20.3 million and $19.1 million in fiscal 2005 and 2004, respectively. Proceeds from the disposition of property, plant and equipment and assets held for sale was $1.3 million in fiscal 2005 and $0.5 million in fiscal 2004. We used cash for investing activities of approximately $0.3 million and $202.5 million (which is net of $11.3 cash acquired) for the NAMPAC Acquisition in fiscal 2005 and 2004, respectively. The $0.3 million in fiscal 2005 relates to additional transaction costs. In fiscal 2004, we received approximately $0.2 million for working capital adjustments related to the SST Acquisition. Increased capital expenditures in fiscal 2005 related primarily to additional capital requirements associated with the NAMPAC Acquisition. We expect capital expenditures to increase in FY 2006 related to our manufacturing improvement initiatives and for improvements required to meet certain environmental standards.

Net cash used in financing activities in fiscal 2005 was primarily used to repay a portion of the Term Loan ($19.7 million). Net cash used in financing activities in fiscal 2004 were used to repay all outstanding borrowings under our then existing revolving credit facility ($17.2 million), to repay a portion of the Term Loan ($10.0 million), to a decrease in unpresented bank drafts ($18.1 million) and to pay for financing costs associated with the new Credit Facility ($6.8 million). Net cash provided by financing activities in fiscal 2004 was primarily from the Term Loan proceeds of $225.0 million and the $30.0 million capital contribution from our parent, BCO Holding.

The indenture contains covenants that, among other things, limit our ability (and the ability of some or all of our subsidiaries) to incur additional debt, pay dividends or distributions on our capital stock or to repurchase our capital stock, make certain investments, create liens on our assets to secure debt, engage in transactions with affiliates, merge or consolidate with another company and transfer and sell assets. These covenants are subject to a number of important limitations and exceptions.

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At October 2, 2005, we were in compliance will all applicable covenants contained in each of the indenture and the credit agreement.

We expect that cash provided from operations and available borrowings under the Revolver will provide sufficient working capital to operate our business, to make expected capital expenditures and to meet foreseeable liquidity requirements, including debt service on the Senior Notes in the next 12 months. However, we cannot provide assurance that our business will generate sufficient cash flows or that future borrowings will be available in an amount sufficient to enable us to service our debt, including the Senior Notes, or to fund our other liquidity needs in the long term.

Market Risk

Our cash flows and earnings are exposed to the market risk of interest rate changes resulting from variable rate borrowings under our Credit Facility. Borrowings under the Credit Facility bear interest on the outstanding Term Loan and the Revolver borrowings at an applicable margin (based on certain ratios contained in the credit agreement) plus a market rate of interest. At October 2, 2005, we had Term Loan borrowings of $195.3 million that were subject to interest rate risk. Each 100 basis point increase in interest rates relative to these borrowings would impact annual pretax earnings by approximately $2.0 million based on the October 2, 2005 debt level. There were no outstanding borrowings at October 2, 2005 under the Revolver.

The fair value of the Senior Notes is exposed to the market risk of interest rate changes.

Off-Balance Sheet Arrangements

None.

Contractual Obligations and Commercial Commitments

The following table summarizes our significant contractual obligations as of October 2, 2005:

(Dollars in millions)	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt obligations (1)(2)(3)	$ 395.3	$ 30.0	$	$ 41.0	$ 324.3
Interest on the Senior Notes (4)	110.0	20.0	40.0	40.0	10.0

Operating and capital lease obligations	59.1	10.3	18.0	11.5	19.3
Other long-term liabilities (5)	17.8	1.2	3.0	3.1	10.5
Total contractual obligations	$ 582.2	$ 61.5	$ 61.0	$ 95.6	$ 364.1

(1) Includes $200.0 million in principal amount of our 10% Senior Subordinated Notes due 2010 and $195.3 million of outstanding Term Loan borrowings. There are no outstanding borrowings under the Revolver. In the event of a continuing event of default (as defined in the credit facility agreement), the agent could declare outstanding borrowings immediately due and payable and/or may terminate any future borrowings under the facility. As of October 2, 2005, we had borrowing capacity under the Revolver of approximately $23.3 million. The Revolver expires June 30, 2009; the Term Loan has scheduled quarterly repayments due with final maturity on June 30, 2011; however, due to prepayments of the Term Loan in fiscal 2004, fiscal 2005 and subsequently in November 2005, our next scheduled quarterly repayment is not due until December 2009. Repayments whether scheduled or prepaid permanently reduce the Term Loan.

(2) The $30.0 million of payments due less than one year represents a voluntary repayment on the Term Loan made in November 2005.

(3) In the event of a continuing event of default (as defined in the indenture governing the Senior Notes due 2010), the trustee or holders of 25% of the outstanding principal could declare the principal and accrued interest on all the notes to be immediately due and payable. In the event of a change in control (as defined in the indenture governing the Senior Notes), each holder of notes shall have the right to require us to purchase all or a portion of the holder s notes at 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase. As of October 2, 2005, $200.0 million in principal amount was outstanding.

(4) The table does not include variable interest payable on Term Loan borrowings. Based on outstanding Term Loan borrowings of $195.3 million and a weighted-average interest rate of 6.0% at October 2, 2005, our annual interest obligation would be approximately $11.7 million.

(5) Other long-term obligations include certain future payments related to supplemental executive retirement benefit obligations for certain of our current and retired executives, pension liabilities and other postretirement benefits. The amounts shown in the table are the maximum future benefit payments subject to certain actuarial assumptions regarding life expectancy, which differ from the actuarially determined liability related to these obligations recorded in the financial statements. The current and long-term actuarially determined amounts are included in our consolidated balance sheet in Other Current Liabilities and Other Long-Term Liabilities, respectively, as of October 2, 2005.

At October 2, 2005, we had standby letters of credit, which expire in less than one year, in the aggregate amount of approximately $6.7 million in favor of our workers compensation insurers and purchasing card vendor. The standby letters of credit reduce the borrowing capacity under the Revolver, and at October 2, 2005 only $23.3 million of the $30.0 million facility was available.

Effect of Inflation

Historically, in certain circumstances, we have been able to pass through price increases in our primary raw materials (steel and resin) to our customers. Although we generally have been able to increase the price of our products to reflect increases in the price of these raw materials, we cannot rely on our ability to do so in the future. However, we believe that inflation in the near term will not have a material adverse impact on us.

Recently Issued Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards (SFAS) No. 151, *Inventory Costs, an amendment of Accounting Research Bulletin No. 43, Chapter 4*, which amends the guidance in Accounting Research Bulletin (ARB) No. 43, Chapter 4, *Inventory Pricing*, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). SFAS 151 will be effective for inventory costs incurred beginning with our fiscal year 2006, which began October 3, 2005. We do not believe the adoption of SFAS 151 will have a material impact on our consolidated financial statements.

In December 2004, the FASB issued FASB Staff Position No. FAS 109-1 (FSP 109-1), *Application of FASB Statement No. 109*, Accounting for Income Taxes *, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004*.

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The American Jobs Creation Act of 2004 (the AJCA) introduces a special 9% tax deduction on qualified production activities. FSP 109-1 clarifies that this tax deduction should be accounted for as a special tax deduction in accordance with SFAS 109. The provisions of the AJCA are applicable to us beginning in fiscal 2006. The initial deduction will be 3% of qualified production income.

In March 2005, the SEC released SEC Staff Accounting Bulletin (SAB) No. 107, *Share-Based Payment*. SAB 107 provides the SEC staff s position regarding the implementation of SFAS 123R. SAB No. 107 contains interpretive guidance related to the interaction between SFAS 123R and certain SEC rules and regulations, as well as provides the staff s views regarding the valuation of share-based payment transactions. We will evaluate the provisions of SAB No. 107 and incorporate the guidance in association with our adoption of SFAS 123R.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections A Replacement of APB Opinion No. 20 and FASB Statement No. 3*. SFAS No. 154 requires retrospective application to prior periods financial statements for changes in accounting principle, unless it is impracticable to determine either the period specific effects or the cumulative effect of the change. SFAS 154 also requires that the retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle, such as a change in nondiscretionary profit-sharing payments resulting from an accounting change, should be recognized in the period of the accounting change. SFAS 154 also requires that a change in depreciation, amortization, or depletion method for long-lived non financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date this Statement is issued. We are required to adopt the provisions of SFAS 154, as applicable, beginning in fiscal 2007.

In June 2005, the FASB s Emerging Issues Task Force (EITF) reached a consensus on Issue No. 05 6, *Determining the Amortization Period for Leasehold Improvements*. The guidance requires that leasehold improvements acquired in a business combination or purchased subsequent to the inception of a lease be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. We adopted EITF 05-6 in the fourth quarter of fiscal 2005. The adoption of EITF 05-6 had no material effect on our results of operations or financial position.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, which often require the judgment of management in the selection and application of certain accounting principles and methods. We believe that the quality and reasonableness of our most critical policies enable the fair presentation of our financial position and results of operations. However, investors are cautioned that the sensitivity of financial statements to these methods, assumptions and estimates could create materially different results under different conditions or using different assumptions.

In response to the SEC s Release No. 33-8040, *Cautionary Advice Regarding Disclosure About Critical Accounting Policies*, we have identified the following as the most critical accounting policies upon which our financial status depends. These critical policies were determined by considering accounting policies that involve the most complex or subjective decisions or assessments. Our most critical accounting policies are as follows:

Revenue Recognition. We recognize revenue when persuasive evidence of an arrangement exists, our products have been shipped and title and risk of loss have passed, the sales amount is fixed or determinable and collectibility of the amount billed is probable. We record provisions for discounts, returns, allowances, customer rebates and other adjustments in the same period as the related revenues are recorded. We do not engage in revenue arrangements with multiple deliverables.

Accounts Receivable. Accounts receivable are recorded net of an allowance for uncollectibility. The allowance for doubtful accounts is based on management s assessment of the collectibility of customer accounts and includes an amount for specifically identified loses and an amount for other estimated probable losses. We regularly review the allowance by considering factors such as historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may affect a customer s ability to pay. The determination of the amount of the allowance accounts is subject to significant levels of judgment and estimation by management. If circumstances change or economic conditions deteriorate, we may need to increase the allowance for doubtful accounts.

Inventories. Inventories are carried at the lower of cost or market with the cost of most inventory determined under the last-in, first-out, or LIFO, method of inventory valuation. We estimate reserves for inventory obsolescence and shrinkage based on inventory aging and our judgment of future realization. Projected inventory losses are recognized at the time the loss is probable rather than when the goods are ultimately sold.

Accrued Rebates. We enter into contractual agreements with our customers for volume rebates on certain products. We accrue a provision for these rebates and take a charge against net sales in the same period the associated revenue is recognized.

Long-lived Assets. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

In addition, depreciation and amortization expense is affected by our determination of the estimated useful lives of the related assets. We determine estimated useful lives of our fixed assets and finite lived intangible assets based on the type and expected usage of the asset.

Goodwill and Other Intangible Assets. Our intangible assets consist of identifiable intangibles (tradenames, customer relationships and covenants not-to-compete) and goodwill. We amortize finite-lived, identifiable intangible assets over their remaining useful lives in proportion to the underlying cash flows that were used in determining the valuation associated with the transaction. Finite-lived, identifiable intangible assets are tested for impairment as noted above for long-lived assets. Indefinite-lived identifiable intangibles and goodwill are not amortized, but tested for impairment at least annually at the end of our fiscal year.

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We have two reporting units that have goodwill: BWAY Packaging Division and NAMPAC Division. We use an independent valuation specialist to assist us in estimating the fair value of each reporting unit for purposes of impairment testing. Fair value estimates are based, in part, on discounted future cash flows and market multiples. If the fair value of a reporting unit exceeds its carrying value, then no further testing is required. If the carrying value of a reporting unit exceeds its fair value, however, a second step is required to determine the amount of the impairment charge, if any. An impairment charge is recognized if the carrying value of a reporting unit s goodwill exceeds its implied fair value.

We perform our impairment test for our indefinite-lived intangible assets by comparing the fair value of each indefinite-lived intangible asset to its carrying value. The fair value of the asset is estimated based on its discounted future cash flows. We recognize an impairment charge if the carrying value of the asset unit exceeds its estimated fair value.

Commodity Risk

We are subject to various risks and uncertainties related to changing commodity prices for and the availability of the materials (primarily steel and resin) and processed energy (primarily electric power and natural gas) used in the manufacture of our products.

Environmental Matters

For information regarding environmental matters, see Item 1. Business - Environmental, Health and Safety Matters.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We do not purchase, sell or hold derivatives or other market risk-sensitive instruments to hedge commodity price risk, interest rate risk or exchange rate risk or for trading purposes.

For a discussion of interest rate risk and its relation to our indebtedness, see Liquidity and Capital Resources in Item 7, which is incorporated herein by reference.

Our purchases from foreign suppliers in transactions denominated in foreign currencies are not significant and we do not believe we are exposed to a significant market risk of exchange rate changes related to fluctuations in the value of these foreign currencies in relation to the U.S. Dollar.

Item 8. Financial Statements and Supplementary Data

See the attached Consolidated Financial Statements on pages F-1 through F-34.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

We periodically review the design and effectiveness of our disclosure controls and internal control over financial reporting, including compliance with various laws and regulations that apply to our operations. We make modifications to improve the design and effectiveness of our disclosure controls and internal control structure, and may take other corrective action, if our reviews identify a need for such modifications or actions. In designing and evaluating the disclosure controls and procedures and internal control of financial reporting, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

An evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that as of October 2, 2005, our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and timely reported as provided in the Securities and Exchange Commission rules and forms. No changes occurred during the quarter ended October 2, 2005 in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Our by-laws provide that the size of the Board of Directors (the Board) shall be fixed from time to time by resolution of the Board and that the remaining directors may fill vacancies on the Board. The Board currently consists of six directors. Each director elected shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as provided in the by-laws.

The Board has determined that each director serving on its audit committee is an independent financial expert in accordance with Item 401(h) of Regulation S-K. The Board determined independence as the term is defined in the listing requirements of the New York Stock Exchange.

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We have adopted a code of ethics that applies to our executive officers, including, but not limited to, our chief executive and chief financial officers and to other members of management.

The following sets forth certain information as of December 1, 2005 with respect to BWAY s Board and to certain of its officers (including all executive officers), who serve at the discretion of the Board.

Name	Age	Business Experience
Jean-Pierre M. Ergas Chairman of the Board and Chief Executive Officer	66	Mr. Ergas became our chairman and chief executive officer in January 2000. Mr. Ergas has served as one of our directors since August 1995 and served as our board s vice chairman from July 1999 to December 1999. Mr. Ergas has also previously served as executive vice president, Europe of Alcan Aluminum Limited, president of Alcan Europe Limited, executive chairman of British Alcan Aluminum plc. and chief executive officer of Alcan Deutschland GmbH from June 1996 to December 1999. Mr. Ergas served as senior advisor to the chief executive officer of Alcan Aluminum Limited from January 1995 to June 1996 and served as a trustee of DePaul University from February 1994 to December 1994. Prior thereto, Mr. Ergas served as senior executive vice president of Pechiney S.A. and as a member of the Pechiney Group executive committee from 1987 to January 1994 and also held several management positions with various subsidiaries of Pechiney S.A., serving as: chief executive officer of American National Can Company from 1989 to January 1994 and chairman of the board from 1991 to January 1994; chief executive officer of Cegedur Pechiney from 1982 to 1988 and chairman of the board from 1987 to 1988; chief executive officer of Cebal S.A. from 1974 to 1982 and chairman of the board during 1982; and marketing manager for Pechiney Aluminum from 1967 to 1974. Mr. Ergas is a trustee of DePaul and AUP Universities and a director of Dover Corporation and Compagnie Plastic Omnium.
Warren J. Hayford Non-Executive Vice-Chairman of the Board	76	Mr. Hayford became the non-executive vice-chairman of our board in December 1999. From 1989 until December 1999, Mr. Hayford served as our chief executive officer and our board s chairman. Mr. Hayford has held a number of senior positions within the packaging industry over the past 35 years including president and chief operating officer of Gaylord Container Corporation, a manufacturer of paper packaging products, 1986 to 1988, and vice chairman of Gaylord Container, 1988 through 1992. Prior to Gaylord Container, Mr. Hayford served as president and a director of Gencorp, Inc., president and a director of Navistar International Corporation and executive vice president and a director of the Continental Group, Inc.
David I. Wahrhaftig Director	48	Mr. Wahrhaftig became one of our directors in February 2003. Mr. Wahrhaftig joined Kelso in 1987 and has served as a managing director since 1998. Prior to becoming a managing director of Kelso, he was a vice president. Mr. Wahrhaftig is also a director of DS Waters, Earle M. Jorgensen Company, Endo Pharmaceuticals, Inc. and Insurance Auto Auctions, Inc.
Thomas R. Wall, IV Director	47	Mr. Wall became one of our directors in February 2003. Mr. Wall joined Kelso in 1983 and is currently a managing director. Mr. Wall spent the previous three years as a lending officer in the corporate division of Chemical Bank, where his responsibilities included the analysis and evaluation of lending proposals for numerous leveraged buyouts. Mr. Wall received a B.S. in Business Administration with special attainments in commerce from Washington & Lee University. He is a director of Endurance Business Media, Inc. and Mitchell Supreme Fuel Company. Mr. Wall is also a Trustee of Choate Rosemary Hall.
David M. Roderick Director	81	Mr. Roderick became one of our directors in May 2003. Mr. Roderick has served as chairman of the board of Earle M. Jorgensen Company since January 1998. He was chairman and chief executive officer of USX Corporation from 1979 to 1989 and president from 1975 to 1979. Mr. Roderick is a member of the boards of the University of Pittsburgh Medical Center and Citation Corporation. He is past chairman of both the American Iron and Steel Institute and the International Iron Institute. Mr. Roderick is past chairman of the International Environmental Bureau. He is a co-founder and

		currently is chairman emeritus of the U.S.-Korea Business Council and is a past chairman of the National Alliance of Business. Mr. Roderick is a trustee and past chairman of the board of trustees of Carnegie Mellon University. He is a past member of the Business Roundtable and a member of the Business Council.
Kevin C. Kern Chief Financial Officer and Vice-President of Administration	46	Mr. Kern has been our vice president of administration and chief financial officer since February 2001. From May 1995 until February 2001, Mr. Kern served as our vice president corporate controller. From 1991 to May 1995, Mr. Kern was controller of McKechnie Plastics Components, Inc. From 1981 to 1991, Mr. Kern was employed by Ernst & Young, most recently as a senior audit manager from 1988 to 1991.

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Name	Age	Business Experience
Jeffrey M. O Connell Vice-President, Treasurer and Secretary	52	Mr. O Connell has been our vice president and treasurer since May 1997 and has served as our secretary since May 2001. From June 1996 to May 1997, Mr. O Connell served as our assistant treasurer. From June 1995 to June 1996, Mr. O Connell served as vice president of finance of Macmillan Bloedel Packaging Inc. From October 1994 to June 1995, Mr. O Connell served as our director of financial planning. Prior thereto, Mr. O Connell served as vice president of administration of Mead Coated Board Division of The Mead Corporation.
Kenneth M. Roessler Senior Vice-President of the Company and President and Chief Operating Officer BWAY Packaging Division	43	Mr. Roessler was named senior vice president of the Company in October 2004 and has served as the president and chief operating officer of our BWAY Packaging Division since July 2004. From January 2003 through September 2004, Mr. Roessler served as our chief operating officer and from March 2000 until January 2003, he served as our executive vice president of sales and marketing. From June 1993 to February 2000, Mr. Roessler served in various senior management positions with Southcorp Packaging USA, including vice president of sales and marketing from 1998 to February 2000, vice president and general manager from 1995 to 1998 and vice president and chief financial officer from June 1993 through 1995. Prior to June 1993, Mr. Roessler held senior management positions with Berwind Corporation.
Thomas K. Linton Senior Vice-President of the Company and President and Chief Operating Officer NAMPAC Division	52	Mr. Linton was named senior vice president of the Company in October 2004 and has served as president and chief operating officer of our NAMPAC Division since July 2004. Prior to our acquisition of NAMPAC in July 2004, Mr. Linton was vice president and general manager of NAMPAC s Western Division. From 1997 to 2001, Mr. Linton was the executive vice president and general manager of Field Container Company, where he had responsibility for the consumer packaging business. Between 1991 and 1997, Mr. Linton served as vice president and general manager of the folding carton business at Tenneco Packaging, where he began his career as a sales representative in 1979.

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Item 11. Executive Compensation

Our Board s Management Resources, Nominating and Compensation Committee determines compensation for the Company s executive officers.

The following tables and notes present information regarding compensation provided by the Company to our Chief Executive Officer and to each of the Company s four other most highly compensated executive officers (the Named Executive Officers) for services rendered to the Company in all capacities during fiscal years 2003, 2004 and 2005.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	**Fiscal Year**	**Salary ($)**	**Bonus ($) (1)**	**Other Annual Compen-sation ($)**	**Restricted Stock Awards ($)**	**Securities Underlying Options/ SARs (#)**	**LTIP Payouts ($)**	**All Other Compensation ($)**
Jean-Pierre M. Ergas	2005	637,500	1,490,000					699,517(2)
Chairman and Chief Executive Officer	2004	581,250	300,000					446,099(3)
	2003	550,000	962,500			802,796(4)		2,242,983(5)
Kenneth M. Roessler (6)								
Senior Vice President; President and Chief	2005	339,375	564,219					5,600(7)
Operating Officer BWAY Packaging	2004	318,750	100,000					1,432(7)
Division	2003	300,000	375,000			401,398(4)		930,741(8)
Thomas K. Linton (9)								
Senior Vice President; President and Chief	2005	307,500	217,188					7,060(7)
Operating Officer NAMPAC Division	2004	70,161	150,000			120,000(10)		1,811(7)
Kevin C. Kern								
	2005	265,625	402,031					3,083(7)
Chief Financial Officer; Vice-President of	2004	246,250	175,000					3,283(7)
Administration	2003	240,000	240,000			96,336(4)		253,951(11)
Jeffrey M. O Connell	2005	180,625	230,625					6,375(7)
Vice President; Treasurer and Secretary	2004	168,125	100,000					5,075(7)
	2003	165,000	137,400			40,140(4)		180,968(12)

(1) Amounts for fiscal 2003, 2004 and 2005 were earned during fiscal 2003, 2004 and 2005, respectively, and were paid during fiscal 2004, 2005 and 2006, respectively.

(2) The amount includes an accrual of $696,517 for supplemental executive retirement payments pursuant to his employment agreement and $3,000 of Company paid 401(k) contributions under the Savings Plan.

(3) The amount includes an accrual of $438,349 for supplemental executive retirement payments pursuant to his employment agreement and $7,750 of Company matching 401(k) contributions under the Savings Plan.

(4) All options were granted under the Holding Incentive Plan (as defined under BCO Holding Stock Incentive Plan below) and are exercisable for shares of BCO Holding common stock. Forty percent of the BCO Holding options will generally become exercisable in three equal annual installments, the first installment of which became exercisable on February 8, 2004. Ten percent of the BCO Holding options will generally become exercisable in five equal annual installments if the Company achieves certain EBITDA objectives. The remaining 50% of the BCO Holding options are exit options that will generally become exercisable if certain targets have been achieved upon a change in control.

(5) The amount includes an accrual of $503,836 for supplemental executive retirement payments pursuant to his employment agreement, $1,749,147 related to the cancellation of options as part of the Transaction, and is net of $10,000 of Company matching 401(k) contributions under the Savings Plan that were forfeited due to excess contributions.

(6) Mr. Roessler served as our executive vice president of sales and marketing from March 2000 through December 2002 and as our chief operating officer from January 2003 through June 2004. Mr. Roessler became the president and chief operating officer of our BWAY Packaging Division in July 2004.

(7) The amount represents Company paid 401(k) contributions under the Savings Plan.

(8) The amount includes $5,377 of Company matching 401(k) contributions under the Savings Plan, $853,295 related to the cancellation of options as part of the merger transaction and $72,069 of moving expenses.

(9) Mr. Linton became the president and chief operating officer of our NAMPAC Division following the NAMPAC Acquisition in July 2004. Prior to the acquisition, Mr. Linton was an officer of NAMPAC.

(10) Options were granted under the Holding Incentive Plan (as defined under BCO Holding Stock Incentive Plan below) and are exercisable for shares of BCO Holding common stock. Forty percent of the BCO Holding options will generally become exercisable in three equal annual installments with the first installment exercisable on July 8, 2005. Ten percent of the BCO Holding options will generally become exercisable in five equal annual installments if the Company achieves certain EBITDA objectives. The remaining 50% of the BCO Holding options are exit options that will generally become exercisable if certain targets have been achieved upon a change in control.

(11) The amount includes $8,095 of Company matching 401(k) contributions (net of excess contribution refunds) under the Savings Plan and $245,856 related to the cancellation of options as part of the merger transaction.

(12) The amount includes $10,783 of Company matching 401(k) contributions under the Savings Plan and $170,185 related to the cancellation of options as part of the merger transaction.

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There were no stock options granted to or exercised by the Named Executive Officers during fiscal 2005. The following table summarized options held by the Named Executive Officers at the end of fiscal 2005.

Aggregated Option/SAR Exercises in Last Fiscal Year

and Fiscal Year-End Option/SAR Values

Under the Holding Incentive Plan

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at Fiscal Year End (#) Exercisable / Unexercisable	Value of Unexercised In-the-Money Options/SARs at Fiscal Year End ($) (1) Exercisable / Unexercisable
Jean-Pierre M. Ergas			990,857/ 540,549	20,230,728/ 8,848,787
Kenneth M. Roessler			181,406/ 270,275	3,202,962/ 4,424,402
Thomas K. Linton			20,800/ 99,200	205,504/ 980,096
Kevin C. Kern			81,762/ 64,866	1,584,271/ 1,061,856
Jeffrey M. O Connell			50,432/ 27,028	995,745/ 442,448

(1) As of the end of the fiscal year, all of the exercisable, unexercised options held by the Named Executive Officers were in the money. The fair market value of the underlying securities is based on the valuation of the underlying securities as of September 30, 2005 at $26.37 per share.

Long-Term Incentive Plans Awards in Last Fiscal Year

We did not grant any long-term incentive plan awards to the Named Executive Officers in fiscal 2005.

Compensation of Directors

Directors who serve on our Board and who are also employed by us or one of our subsidiaries, or who are employed by Kelso, are not entitled to receive a fee for serving as a director. Each non-employee director is entitled to receive a fee to be determined by the Board. Mr. Hayford receives an annual retainer fee of $100,000 in accordance with his written agreement. Two non-employee directors receive annual retainer fees of $25,000.

Management Employment Agreements

Jean-Pierre M. Ergas. We entered into an amended and restated employment agreement with Jean-Pierre M. Ergas dated as of February 7, 2003, whereby Mr. Ergas will continue to serve as our Chief Executive Officer or, with our consent, our Executive Chairman during the employment period (as described below). Under this agreement, Mr. Ergas will receive an annual base salary, currently at $660,000, as determined by our board (but not less than $550,000), and is eligible to participate in all of our employee benefit plans for which our senior executive employees are generally eligible. Mr. Ergas is eligible to receive an annual bonus of 80% of his base salary (the Target Bonus) if certain EBITDA targets are achieved for the applicable fiscal year. If these EBITDA targets are exceeded, Mr. Ergas Target Bonus for such fiscal year will be increased to a maximum of 2.5 times his Target Bonus. The Management Resources, Nominating and Compensation Committee of our Board determines the applicable fiscal year EBITDA targets related to the bonus. Under the employment agreement, Mr. Ergas received 802,796 options to purchase BCO Holding common stock pursuant to the BCO Holding Company Stock Incentive Plan. The employment period shall end on December 31, 2007, unless terminated earlier by the resignation, death, or permanent disability or incapacity of Mr. Ergas or we terminate Mr. Ergas employment period with or without cause, as defined in the employment agreement, or Mr. Ergas terminates the employment period with or without good reason, as defined in the employment agreement. Upon expiration of the employment period, Mr. Ergas will become non-executive chairman of the Company on such terms and conditions as we shall agree at such time, provided that Mr. Ergas shall be entitled to participate and vest in, and be deemed to be an employee for purposes of, all of our employee benefit programs.

In the event we terminate Mr. Ergas employment without cause, or Mr. Ergas terminates his employment for good reason, in each case, prior to December 31, 2007, we shall (i) pay his base salary until the second anniversary of the date of his termination, (ii) pay his target bonus in respect of the fiscal year in which his employment is terminated (or if his target bonuses have not yet been set for either such fiscal year, an amount equal to 70% of his base salary at the date of termination in lieu of the target bonus for either such fiscal year), (iii) reimburse his COBRA premium under our group health plan and dental plan (if any) on a monthly basis for the lesser of the period in which he is eligible to receive such continuation coverage or 18 months, which we define as the COBRA period, and, (iv) upon expiration of the COBRA period, procure individual medical and dental insurance policies for him on substantially similar terms as the coverage we provided to him as of the date of termination. In addition, in the event the employment period is terminated as a result of Mr. Ergas death or retirement upon or after reaching age 65, or the employment period expires, Mr. Ergas shall be entitled to receive a pro rata bonus for the year which includes the date of Mr. Ergas termination, based on the Company s performance through such date, as determined by the Management Resources, Nominating and Compensation Committee of our Board.

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If Mr. Ergas employment terminates for any reason other than for cause, Mr. Ergas will be entitled to a monthly supplemental retirement benefit until his death (and, following his death, until the death of his surviving spouse). The monthly benefit will be equal to one-twelfth of his then-current base salary, multiplied by a percentage multiplier based on the age of Mr. Ergas on the retirement date (10% if Mr. Ergas is 62 years of age on the retirement date and increasing by 5% each year for five years to a maximum of 35%). Payments commence on the first day of the calendar month that begins coincident with or immediately after the later of (i) the date on which Mr. Ergas attains age 67, and (ii) Mr. Ergas termination date. If we terminate the employment period without cause, because of Mr. Ergas permanent disability or incapacity or Mr. Ergas resigns for good reason or after a change of control following the merger, Mr. Ergas shall be entitled to the maximum monthly retirement benefit (as if he were 67 years of age or older on such retirement date). Mr. Ergas has agreed not to compete with us during the term of his employment and so long as he is receiving salary and bonus under the agreement as a result of his termination by us without cause or by him for good reason (but in no event for less than eighteen months after the termination of his employment).

Thomas K. Linton. We entered into a letter agreement with Thomas K. Linton in May 2004 that became effective upon the closing of the NAMPAC Acquisition on July 7, 2004. Pursuant to the agreement, Mr. Linton became President and Chief Operating Officer NAMPAC Division. Mr. Linton s base salary was initially set at $300,000 annually and is subject to annual merit increases based on a performance review. Mr. Linton is eligible to participate in our cash incentive plan whereby Mr. Linton s target bonus would be initially set at 45% of his base salary pending the company achieving certain performance goals as determined by our Board. Mr. Linton was guaranteed a minimum target bonus of $135,000 in fiscal 2004. Mr. Linton is eligible to participate in the Company Stock Incentive Plan and was awarded 120,000 options following the closing of the acquisition.

In the event we terminate Mr. Linton s employment for reasons other than performance or cause, he will be entitled to his base salary, health and dental benefits and executive outplacement services, each for twelve months following the date of his termination. Mr. Linton will also be entitled to any accrued and unpaid bonus through the date of termination.

In the event of a change in control, as detailed in the agreement, if Mr. Linton is terminated for reasons other than performance or cause within six months following the change in control, he is entitled to a lump sum payment of two times his annual base salary and one times his target incentive bonus, each as in effect at the time of the change in control. Mr. Linton would also be entitled to twenty-four months of health and dental benefits and executive outplacement services. Any benefits under the change in control would be in lieu of any other severance benefits provided for in the agreement.

Change in Control Agreements

Each of Messrs. Ergas, Roessler, Kern and O Connell is a party to a separate change in control agreement with the Company. Under the terms of each change in control agreement, if Company terminates the executive without cause at any time within 24 months following a change in control event, or if the executive leaves employment during that period for good reason (as defined in each change in control agreement), the executive will be entitled to:

(a) A lump severance payment equal to (1) in the case of Mr. Ergas, the sum of three times his annual base salary at the time of the Transaction and one times his target incentive bonus at the time of the Transaction, (2) in the case of Mr. Roessler, the sum of two times his annual base salary at the time of the Transaction and one times his target incentive bonus at the time of the Transaction, (3) in the case of Mr. Kern, the sum of one and one half times his annual base salary at the time of the Transaction and one times his target incentive bonus at the time of the Transaction, and (4) in the case of Mr. O Connell, the sum of one times his annual base salary at the time of the Transaction and one times his target incentive bonus at the time of the Transaction.

(b) Payment of any executive perquisites that the executive is receiving as of his separation date until the later of six months (in the case of Mr. Roessler, nine months) from the separation date or the end of the calendar year in which the separation occurs.

(c) Reimbursement of COBRA premiums under the Company s group health and dental plan on a monthly basis for the period entitled to such continuation coverage.

(d) Individual medical and dental insurance policies on substantially similar terms as provided by the Company as of the separation date for a period of six to 18 months following expiration of the COBRA period (other than for Messrs. Kern and O Connell).

(e) Payment of premiums for individual life insurance coverage on substantially similar terms as provided by the Company as of the separation date for a period of one to three years following the separation date.

(f) Full vesting of any retirement plans maintained by the Company in which the executive participates as of the separation date.

(g) In the case of the executi