

BWAY Holding CO
Form 10-Q
August 13, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended:

June 29, 2008

Registrant, State of Incorporation,

Commission File Number
001-33527

Address and Telephone Number
BWAY Holding Company
(A Delaware Corporation)
8607 Roberts Drive
Suite 250
Atlanta, Georgia 30350-2237
(770) 645-4800

I.R.S. Employer Identification No.
55-0800054

001-12415

BWAY Corporation
(A Delaware Corporation)
8607 Roberts Drive

36-3624491

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Suite 250
Atlanta, Georgia 30350-2237
(770) 645-4800

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.

Registrant

BWAY Holding Company
BWAY Corporation

Yes No
Yes No

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

			Non-accelerated Filer	
Registrant	Large Accelerated Filer	Accelerated Filer	(Do not check if a smaller reporting company)	Smaller Reporting Company
BWAY Holding Company	x	..
BWAY Corporation	x	..
<i>Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).</i>			Yes ..	No <input checked="" type="checkbox"/>

(Response applicable to all registrants).

		Shares Outstanding at
Registrant	Description of Common Stock	August 11, 2008
BWAY Holding Company	Par Value \$0.01 per share	21,682,920
BWAY Corporation	Par Value \$0.01 per share	1,000

Table of Contents

BWAY HOLDING COMPANY

BWAY CORPORATION

Quarterly Report on Form 10-Q

For the quarterly period ended June 29, 2008

INDEX

	Page Number
<u>PART I FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
BWAY Holding Company (unaudited)	
<u>Consolidated Balance Sheets</u>	1
<u>Consolidated Statements of Operations</u>	2
<u>Consolidated Statements of Cash Flows</u>	3
BWAY Corporation (unaudited)	
<u>Consolidated Balance Sheets</u>	4
<u>Consolidated Statements of Operations</u>	5
<u>Consolidated Statements of Cash Flows</u>	6
<u>Notes to Consolidated Financial Statements (unaudited)</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	27
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	37
Item 4. <u>Controls and Procedures</u>	38
<u>PART II OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	38
Item 6. <u>Exhibits</u>	39
<u>Signatures</u>	41

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****BWAY Holding Company and Subsidiaries****Consolidated Balance Sheets****(unaudited)**

(Dollars in thousands, except share data)	June 29, 2008	September 30, 2007
Assets		
CURRENT ASSETS		
Cash and cash equivalents	\$ 31,617	\$ 53,423
Accounts receivable, net of allowance for doubtful accounts of \$546 and \$1,741	127,230	107,151
Inventories, net	115,753	111,792
Income taxes receivable	6,464	6,162
Deferred tax assets	8,520	7,928
Other	7,272	5,789
TOTAL CURRENT ASSETS	296,856	292,245
PROPERTY, PLANT AND EQUIPMENT, NET	145,873	141,750
OTHER ASSETS		
Goodwill	254,108	253,618
Other intangible assets, net	146,824	159,214
Deferred financing costs, net of accumulated amortization of \$7,740 and \$6,156	7,465	9,074
Other	2,615	2,032
TOTAL OTHER ASSETS	411,012	423,938
TOTAL ASSETS	\$ 853,741	\$ 857,933
Liabilities and Stockholders' Equity		
CURRENT LIABILITIES		
Accounts payable	\$ 126,588	\$ 132,890
Accrued salaries and wages	12,002	11,146
Accrued interest	5,301	12,074
Accrued rebates	7,886	10,089
Current portion of long-term debt	2,662	2,284
Other	16,254	17,269
TOTAL CURRENT LIABILITIES	170,693	185,752
LONG-TERM DEBT	420,611	423,314
OTHER LIABILITIES		
Deferred tax liabilities	68,360	69,786
Other	26,755	21,825

TOTAL OTHER LIABILITIES	95,115	91,611
TOTAL LIABILITIES	686,419	700,677
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
STOCKHOLDERS EQUITY		
Preferred stock, \$.01 par value, 20,000,000 shares authorized; no shares issued		
Common stock, \$.01 par value, 200,000,000 shares authorized; 21,682,920 and 21,660,737 shares issued and outstanding	217	217
Additional paid-in capital	131,370	125,853
Retained earnings	33,933	28,808
Accumulated other comprehensive income	1,802	2,378
TOTAL STOCKHOLDERS EQUITY	167,322	157,256
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 853,741	\$ 857,933

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents**BWAY Holding Company and Subsidiaries****Consolidated Statements of Operations****(unaudited)**

(Dollars in thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
NET SALES	\$ 274,009	\$ 269,532	\$ 734,972	\$ 706,179
COSTS AND EXPENSES				
Cost of products sold (excluding depreciation and amortization)	233,930	232,679	642,183	608,278
Depreciation and amortization	12,103	11,532	34,720	34,107
Selling and administrative expense	6,710	21,448	18,251	31,939
Public offering expense		9,210		9,527
Restructuring charge (adjustment) (Note 6)	1,398	29	5,612	(135)
Interest expense, net	8,277	9,630	27,066	28,353
Other expense, net	363	369	485	956
TOTAL COSTS AND EXPENSES	262,781	284,897	728,317	713,025
INCOME (LOSS) BEFORE INCOME TAXES	11,228	(15,365)	6,655	(6,846)
Provision for (benefit from) income taxes	3,119	(8,782)	1,326	(5,096)
NET INCOME (LOSS)	\$ 8,109	\$ (6,583)	\$ 5,329	\$ (1,750)
NET INCOME (LOSS) PER SHARE (NOTE 7)				
Basic	\$ 0.37	\$ (0.32)	\$ 0.25	\$ (0.08)
Diluted	0.35	(0.32)	0.23	(0.08)

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents**BWAY Holding Company and Subsidiaries****Consolidated Statements of Cash Flows****(unaudited)**

(Dollars in thousands)	Nine Months Ended	
	June 29, 2008	July 1, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 5,329	\$ (1,750)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation	22,819	22,238
Amortization of other intangible assets	11,901	11,869
Amortization of deferred financing costs	1,590	1,585
(Benefit from) provision for doubtful accounts	(1,195)	209
Loss on disposition of property, plant and equipment	148	273
Deferred income taxes	(1,610)	(9,672)
Stock-based compensation expense	5,297	10,559
Changes in assets and liabilities, net of effect of business acquisitions		
Accounts receivable	(19,141)	(17,593)
Inventories	(4,115)	(9,525)
Other assets	(2,295)	(3,464)
Accounts payable	(4,786)	2,012
Accrued and other liabilities	(6,100)	(8,929)
Income taxes	(121)	(3,776)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,721	(5,964)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(28,108)	(18,088)
Business acquisitions		(6,014)
Other	5	76
NET CASH USED IN INVESTING ACTIVITIES	(28,103)	(24,026)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of term loan	(1,325)	(20,402)
Net borrowings under revolving credit facility		7,000
Proceeds from stock option exercises		2,839
Principal repayments under capital leases	(173)	(154)
Financing costs		(99)
NET CASH USED IN FINANCING ACTIVITIES	(1,498)	(10,816)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	74	(125)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,806)	(40,931)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	53,423	50,979
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 31,617	\$ 10,048

SUPPLEMENTAL DISCLOSURES

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Cash paid during the period for:

Interest	\$ 32,484	\$ 30,769
Income taxes	2,891	8,084
Detail of business acquisitions:		
Fair value of assets acquired		10,850
Liabilities assumed		(4,836)

Cash paid for business acquisitions		6,014
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Non-cash investing and financing activities:

Amounts owed for capital expenditures	2,034	822
Assets acquired under capital lease	418	

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Table of Contents**BWAY Corporation and Subsidiaries****Consolidated Balance Sheets****(unaudited)**

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CURRENT ASSETS		
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TOTAL OTHER LIABILITIES	95,115	91,611
TOTAL LIABILITIES	686,419	700,677

COMMITMENTS AND CONTINGENCIES (NOTE 9)

STOCKHOLDER S EQUITY

Preferred stock, \$.01 par value, 500 shares authorized; no shares issued		
Common stock, \$.01 par value, 2,500 shares authorized; 1,000 shares issued and outstanding		
Additional paid-in capital	138,113	132,596
Retained earnings	27,407	22,282
Accumulated other comprehensive income	1,802	2,378
TOTAL STOCKHOLDER S EQUITY	167,322	157,256
TOTAL LIABILITIES AND STOCKHOLDER S EQUITY	\$ 853,741	\$ 857,933

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Table of Contents

BWAY Holding Company and Subsidiaries

BWAY Corporation and Subsidiaries

Notes to Consolidated Financial Statements

(unaudited)

1. GENERAL

Principles of Consolidation and Basis of Presentation

The accompanying unaudited consolidated financial statements of BWAY Holding Company (BWAY Holding) include the accounts of BWAY Holding and its wholly owned subsidiary, BWAY Corporation (BWAY). The accompanying unaudited consolidated financial statements of BWAY include the accounts of BWAY Corporation and its subsidiaries, each wholly-owned. In these notes, BWAY Holding and BWAY are collectively referred to as the Company, we or our.

The consolidated financial statements and these notes should be read in conjunction with the Company's Annual Report on Form 10-K/A for the year ended September 30, 2007 (the Annual Report). The consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures, including critical and significant accounting policies, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted.

These notes are applicable equally to BWAY Holding and BWAY with the exception of Notes 7 and 12, which are applicable only to BWAY Holding and BWAY, respectively.

Results of operations and cash flows for periods presented are not necessarily indicative of results or cash flows that may be expected for the entire fiscal year.

Unless otherwise indicated, references in these notes to years relate to fiscal years and references to U.S. based subsidiaries or operations include the Commonwealth of Puerto Rico.

The Company's fiscal year ends on the Sunday closest to September 30. The Company's North America Packaging Corporation (NAMPAC) and ICL Industrial Containers ULC (ICL) subsidiaries report their financial position and results of operations on a calendar month basis with fiscal years ending on September 30. NAMPAC and ICL are included in the consolidated financial statements as of and for the three and nine months ended June 30, 2008 and 2007. There were no significant or unusual transactions between the calendar month and fiscal month ending dates that should have been considered in the consolidated financial statements.

During the fourth quarter of 2007, we changed the method of accounting for substantially all of our inventories from the last-in, first out (LIFO) method to the first-in, first out (FIFO) method. Results of operations for the three and nine months ended July 1, 2007 have been retrospectively adjusted on a FIFO basis in accordance with Statement of Financial Accounting Standards (SFAS) No. 154, *Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3*.

Business and Segment Information

BWAY Holding is a holding company without independent operations. BWAY, the operating subsidiary of BWAY Holding, manufactures and distributes metal and rigid plastic containers that are used primarily by manufacturers of industrial and consumer products for packaging. We have operations in the United States and Canada and sell primarily to customers located in these geographic markets. We report two segments Metal Packaging and Plastics Packaging (see Note 10, *Business Segments*).

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As further described in the Annual Report, BWAY Holding completed an initial public offering in June 2007 and its common stock began trading on the New York Stock Exchange under the ticker symbol BWY (the IPO or the public offering). Prior to the IPO, BWAY Holding common stock was privately held by affiliates of Kelso & Company, L.P. (Kelso), certain members of management and certain other parties, as a result of a leveraged buyout completed on February 7, 2003 (the Transaction).

Table of Contents***Prior Acquisitions***

On July 17, 2006, the Company acquired substantially all of the assets and assumed certain of the liabilities of Industrial Containers, Ltd., (ICL Ltd.) a Toronto based manufacturer of rigid plastic containers and steel pails for industrial packaging markets (the ICL Acquisition). The assets were acquired by the Company s subsidiary, ICL. The acquired business is included in both the Company s metal packaging and plastic packaging segments and the results of operations of the acquired business are included in the consolidated financial statements from the date of acquisition.

On January 30, 2007, the Company acquired substantially all of the assets and assumed certain of the liabilities of Vulcan Containers, Ltd., which was headquartered in Toronto and produced steel pails for distribution primarily in Canada (the Vulcan Acquisition). The acquired business is included in the Company s metal packaging segment and the results of operations of the acquired Vulcan business are included in the consolidated financial statements from the date of acquisition. In February 2007, the Company committed to a plan to consolidate the Vulcan business with and into ICL operations. As a result, the Company closed the manufacturing facilities and terminated approximately 100 employees. As part of the purchase price allocation, the Company recorded a reorganization liability of approximately \$3.4 million, which consisted of severance payments and facility closure costs (see Note 6, *Restructuring and Reorganization Liabilities*).

Recently Issued Accounting Standards

In April 2008, the FASB issued FASB Staff Position (FSP) No. 142-3, *Determination of the Useful Life of Intangible Assets*. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). The intent of the FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R), as defined below, and other generally accepted accounting principles in the United States. FSP No. 142-3 is effective for the Company beginning in fiscal 2010. Early adoption is prohibited. Management is currently evaluating the potential impact of FSP No. 142-3 on the Company s consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133* (SFAS No. 161). SFAS No. 161 is intended to enhance the current disclosure framework of Statement No. 133. SFAS No. 161 becomes effective for the Company on September 29, 2008. Management is currently evaluating the potential impact of SFAS No. 161 on the Company s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51* (SFAS No. 160). This Statement amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 becomes effective for the Company beginning fiscal 2010. The Statement shall be applied prospectively, except for the presentation and disclosure requirements, which shall be applied retrospectively. Management is currently evaluating the potential impact of SFAS No. 160 on the Company s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R)). SFAS No. 141(R) expands the definition of a business combination and requires the fair value of the purchase price of an acquisition, including the issuance of equity securities, to be determined on the acquisition date. SFAS No. 141(R) also requires that all assets, liabilities, contingent considerations and contingencies of an acquired business be recorded at fair value as of the acquisition date. In addition, SFAS No. 141(R) requires that acquisition costs generally be expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. SFAS No. 141(R) requires certain financial statement disclosures to enable users to evaluate and understand the nature and financial effects of the business combination. SFAS No. 141(R) must be applied prospectively to business combinations that are consummated beginning in fiscal 2010.

Table of Contents**Recently Adopted Accounting Standards**

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48). This interpretation provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods and disclosure requirements for uncertain tax positions. Under FIN 48, the consolidated financial statements reflect expected future tax consequences of such positions presuming the taxing authorities have full knowledge of the position and all relevant facts. The Company adopted the provisions of FIN 48 effective October 1, 2007.

As a result of the implementation of FIN 48, the Company recorded an increase in the liability for unrecognized tax benefits of approximately \$1.1 million. This increase was recorded as (i) a reduction to the beginning balance of retained earnings of \$0.2 million and (ii) an increase to goodwill of \$0.9 million related to pre-acquisition tax contingencies of the Company's NAMPAC subsidiary. At October 1, 2007, the gross amount of unrecognized tax benefits was approximately \$1.7 million, exclusive of interest and penalties. Of this balance, approximately \$0.8 million would benefit the effective tax rate, if recognized.

Included in the total uncertain tax benefits is an amount of \$0.9 million that will not have an impact on the Company's effective tax rate if realized (or remeasured) prior to the adoption of SFAS 141(R) but that would have an impact on the Company's effective tax rate if realized (or remeasured) after the adoption of SFAS 141(R). Prior to the adoption of SFAS 141(R), the adjustment to the FIN 48 reserve is recorded as an increase to goodwill if an expense and, if a benefit, is applied (a) first to reduce to zero any goodwill related to the acquisition, (b) second to reduce to zero other noncurrent intangible assets related to the acquisition and (c) third to reduce income tax expense. Subsequent to the adoption of SFAS 141(R) (effective for the Company with its year beginning September 28, 2009) the above rule will no longer apply and any expense or benefit associated with realizing (or remeasuring) this uncertain tax benefit will be recorded as part of income tax expense.

The Company does not expect significant changes in the amount of unrecognized tax benefits for the remainder of 2008. As we do not expect any of the liabilities related to unrecognized tax benefits to be paid within one year, we have classified the liability for uncertain tax positions, including the liability for penalties and interest, as other non-current liabilities. The Company's gross accrual for interest and penalties related to unrecognized tax benefits was approximately \$0.4 million upon the adoption of FIN 48. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense in the consolidated statements of operations. Interest accrued on uncertain tax positions for the three and nine months ended June 29, 2008 was immaterial.

The Company files federal, state and local income tax returns in the U.S., Puerto Rico and Canada. With few exceptions, the Company is no longer subject to income tax examinations by U.S. federal, state and local, or non-U.S. taxing authorities for tax years prior to fiscal 2005. The Company acquired NAMPAC in a stock purchase in July 2004. The seller of NAMPAC has indemnified the Company for pre-acquisition tax liabilities.

Income Taxes

The effective tax rates for the three and nine months ended June 29, 2008 were affected by favorable adjustments to state tax rates for certain deferred tax items. Our effective tax rates for the three and nine months ended July 1, 2007 were affected by a loss before income taxes resulting from the \$29.6 million in public offering related expenses, the non-deductibility of a portion of such expenses and, in part, expiration at the end of 2006 of a federal tax credit for possession corporations, which provided a benefit related to our operations in Puerto Rico.

2. INVENTORIES

Inventories consisted of the following:

(Dollars in thousands)	June 29, 2008	September 30, 2007
Raw materials	\$ 31,778	\$ 30,583
Work-in-progress	43,282	43,140
Finished goods	40,693	38,069
INVENTORIES	\$ 115,753	\$ 111,792

Table of Contents**3. GOODWILL AND OTHER INTANGIBLES**

Change in the net carrying amount of goodwill by reportable segment during the first nine months of 2008:

(Dollars in thousands)	Metal Packaging	Plastic Packaging	Total
BALANCE, SEPTEMBER 30, 2007	\$ 122,572	\$ 131,046	\$ 253,618
Currency translation adjustment	(148)	(465)	(613)
Adjustments related to the Vulcan Acquisition	196		196
Adjustment as a result of adopting FIN 48(1)		907	907
BALANCE, JUNE 29, 2008	\$ 122,620	\$ 131,488	\$ 254,108

- (1) The adjustment relates to uncertain tax positions of the Company's NAMPAC subsidiary for periods prior to the Company's acquisition of NAMPAC in July 2004. The amount is recorded as an adjustment to goodwill rather than to beginning retained earnings, as would generally be the case for a FIN 48 implementation liability adjustment, as the uncertain tax positions relate to pre-acquisition tax contingencies.

Identifiable intangible assets by major asset class:

(Dollars in thousands)	June 29, 2008			September 30, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
AMORTIZABLE INTANGIBLE ASSETS						
Customer relationships	\$ 186,191	\$ (58,164)	\$ 128,027	\$ 186,707	\$ (47,791)	\$ 138,916
Tradenames	26,305	(8,121)	18,184	26,369	(6,684)	19,685
Noncompetition agreements	401	(401)		401	(401)	
	212,897	(66,686)	146,211	213,477	(54,876)	158,601
UNAMORTIZABLE INTANGIBLE ASSETS						
Technology	613		613	613		613
TOTAL OTHER INTANGIBLE ASSETS	\$ 213,510	\$ (66,686)	\$ 146,824	\$ 214,090	\$ (54,876)	\$ 159,214

The useful lives of customer relationships, tradenames and noncompetition agreements range from 14 to 18 years, 10 to 15 years and 3 to 4 years, respectively.

Expected amortization expense is as follows:

(Dollars in thousands)	
FISCAL YEAR ENDING	
2008 (remaining three months)	\$ 3,957
2009	15,243
2010	15,146
2011	14,472
2012	13,851

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2013	12,840
Thereafter	70,702
	\$ 146,211

Table of Contents**4. LONG-TERM DEBT**

Long-term debt consisted of the following:

(Dollars in thousands)	June 29, 2008	September 30, 2007
10% senior subordinated notes due October 2010	\$ 200,000	\$ 200,000
Variable rate B Term Loan, U.S. dollar denominated, maturing July 2013	168,600	169,500
Variable rate C Term Loan, Canadian dollar denominated, maturing July 2013	54,673	56,098
	423,273	425,598
Less: Current portion of long-term debt	(2,662)	(2,284)
LONG TERM DEBT, NET OF CURRENT PORTION	\$ 420,611	\$ 423,314

The current portion of long-term debt as of June 29, 2008 includes a scheduled payment of \$0.4 million on the U.S. Term Loan that was due and paid on June 30, 2008.

The weighted-average interest rate on variable rate credit facility borrowings as of June 29, 2008 and September 30, 2007 was approximately 4.7% and 7.1%, respectively.

Scheduled maturities of long-term debt:

(Dollars in thousands)	
FISCAL YEAR ENDING	
2008 (remaining three months)	\$ 956
2009	2,274
2010	2,274
2011	202,274
2012	2,274
Thereafter	213,221
	\$ 423,273

As of June 29, 2008, \$1.7 million of the \$2.3 million maturing in fiscal 2009 was included in the current portion of long-term debt.

The Company's Senior Notes and Credit Facility, each as defined below, are further described in Note 7, *Long-Term Debt*, to the consolidated financial statements in the Annual Report.

Senior Notes

All of BWAY's U.S. subsidiaries have fully and unconditionally guaranteed \$200.0 million principal amount of 10% Senior Subordinated Notes due October 15, 2010 (the "Senior Notes"). BWAY may redeem some or all of the Senior Notes at redemption prices specified in the Indenture to the Senior Notes (103.33% for the twelve month period beginning October 15, 2007 and declining annually to 100% on October 15, 2009). Upon the occurrence of a Change in Control, as defined in the Indenture, the holders of the Senior Notes could require BWAY to repurchase the notes at 101% of the principal amount.

The Senior Notes are subject to covenants that, among other things, limit BWAY's ability (and the ability of some or all of its subsidiaries) to: incur additional debt, pay dividends or distributions on its capital stock or to repurchase its capital stock, make certain investments, create liens on its assets to secure debt, engage in transactions with affiliates, merge or consolidate with another company and transfer or sell assets. These covenants are subject to a number of important limitations and exceptions, which are more fully described in the Indenture. As of June 29, 2008, the Company was in compliance with all applicable covenants related to the Senior Notes.

Table of Contents

Credit Facility

The Company's credit facility consists of a \$190.0 million B Term Loan (the U.S. Term Loan), a \$50.0 million revolving credit facility (the U.S. Revolver), a Cdn\$56.4 million (US\$50.0 million equivalent at the borrowing date) C Term Loan (the Canadian Term Loan) and a US\$5.0 million equivalent revolving credit facility (the Canadian Revolver), (collectively, the Credit Facility). BWAY is the borrower of the U.S. Term Loan and only BWAY can borrow on the U.S. Revolver. ICL is the borrower on the Canadian Term Loan and only ICL can borrow on the Canadian Revolver. The Canadian Revolver can be drawn in either U.S. or Canadian dollars, at the option of the borrower.

The term loans mature July 17, 2013 and the revolving loans mature July 17, 2012. In the event the Senior Notes are not refinanced prior to April 15, 2010, the U.S. Term Loan and the U.S. and Canadian Revolvers mature April 15, 2010 and the Canadian Term Loan matures July 18, 2011.

The U.S. Term Loan and Canadian Term Loan are subject to scheduled quarterly repayments of approximately \$0.4 million and Cdn\$141 thousand (approximately US\$139 thousand equivalent as of June 29, 2008), respectively, that continue through March 31, 2013. The remaining unpaid balance is due on the maturity date. Once repaid, the term loans may not be reborrowed.

Interest accrues on the term loans at a variable base plus a fixed margin. As of June 29, 2008, the effective interest rate on outstanding U.S. Term Loan and Canadian Term Loan borrowings was approximately 4.5% and 5.3%, respectively.

Interest on the revolvers accrues at a variable base plus a variable margin. The margin is based on a Consolidated Total Leverage Ratio, as defined in the credit agreement. As of June 29, 2008, the Company had \$6.4 million and \$0.2 million in standby letter of credit commitments that reduced available borrowings to \$43.6 million and \$4.8 million under the U.S. Revolver and Canadian Revolver, respectively. As of June 29, 2008 and September 30, 2007, there were no revolver borrowings outstanding.

BWAY Holding and each of the Company's U.S. subsidiaries have guaranteed the U.S. Term Loan and U.S. Revolver, each of which is secured by substantially all of BWAY's U.S. assets and the assets of BWAY Holding. In addition, we have pledged as collateral all of the issued and outstanding stock of our U.S. subsidiaries, which are wholly-owned, and, subject to certain limitations, the outstanding stock of ICL. ICL has guaranteed the Canadian Term Loan and Canadian Revolver, each of which is secured by all of the assets of ICL.

The credit agreement 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, loans or advances, create liens on our assets to secure debt, engage in transactions with affiliates, merge or consolidate with another company, transfer and sell assets and make acquisitions. The Company is limited in the amount of capital expenditures it may expend annually, and it may be required to use Excess Cash Flow (as defined in the credit agreement) to repay debt.

The Company is required to maintain a minimum Consolidated Interest Coverage Ratio and to not exceed a maximum Consolidated Total Leverage Ratio (each as defined in the credit agreement). The calculation of these ratios is based on Consolidated EBITDA, which, as defined in the credit agreement, permits certain adjustments including cash restructuring charges. However, these adjustments, including cash restructuring charges, may be limited during a certain period or in the aggregate.

The credit agreement requires that for the twelve months ended June 29, 2008 we maintain a minimum Consolidated Interest Coverage Ratio of 2.95, and that we not exceed a maximum Consolidated Total Leverage Ratio of 4.30. For the twelve months ending December 31, 2008 and thereafter, the minimum Consolidated Interest Coverage Ratio increases to 3.05 and for the twelve months ending September 30, 2008, the maximum Consolidated Total Leverage Ratio decreases to 4.05.

These covenants are subject to a number of important limitations and exceptions. As of June 29, 2008, the Company was in compliance with all applicable covenants contained in the credit agreement.

Table of Contents**Deferred Financing Costs**

The Company is amortizing approximately \$15.2 million in financing costs related to the Senior Notes and Credit Facility to interest expense over the applicable term of the related debt utilizing a method approximating the effective yield method. As of June 29, 2008 and September 30, 2007, approximately \$7.5 million and \$9.1 million, respectively, of the deferred costs remained to be amortized.

5. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligation liabilities consisted of:

(Dollars in thousands)	June 29, 2008	September 30, 2007
Defined benefit pension liability	\$ 139	\$ 865
Retiree medical and other postretirement benefits	7,085	6,968
Deferred compensation	6,382	6,576
EMPLOYEE BENEFIT OBLIGATION LIABILITIES	\$ 13,606	\$ 14,409

As of June 29, 2008, approximately \$1.2 million and \$12.4 million of the employee benefit obligation liabilities were recorded in other current liabilities and other long-term liabilities, respectively. As of September 30, 2007, approximately \$1.2 million and \$13.2 million of the employee benefit obligation liabilities were recorded in other current liabilities and other liabilities, respectively.

As further discussed in Note 6, *Restructuring and Reorganization Liabilities*, in the second quarter of 2008, the Company recorded a liability of approximately \$3.4 million related to union sponsored multi-employer pension plan withdrawal liabilities associated with the planned closure of the Company's Franklin Park facility and termination of employees, who are participants in the plans. These pension plan withdrawal liabilities are recorded in other liabilities as of June 29, 2008. The Company estimates payment of the liabilities will begin in the fourth quarter of 2009.

Components of net periodic benefit cost:

(Dollars in thousands)	Defined Benefit Pension Plan				Other Postretirement Benefits			
	Three Months Ended June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007	Three Months Ended June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
COMPONENTS OF NET PERIODIC BENEFIT COST								
Service cost	\$	\$	\$	\$	\$ 2	\$ 2	\$ 5	\$ 5
Interest cost	164	169	492	506	101	99	302	297
Expected return on plan assets	(191)	(170)	(573)	(511)				
Recognized net actuarial loss		1		4	15	18	47	53
NET PERIODIC BENEFIT COST	\$ (27)	\$	\$ (81)	\$ (1)	\$ 118	\$ 119	\$ 354	\$ 355

6. RESTRUCTURING AND REORGANIZATION LIABILITIES

In connection with the Company's on-going productivity and cost-savings initiatives, the Company announced, in March 2008 and May 2008, its intent to close the Company's Franklin Park, Illinois material center (Franklin Park) and its Cleveland, Ohio plastic manufacturing facility (Cleveland), respectively. The Company began the closure of Franklin Park in the second quarter of 2008 and began the closure of Cleveland during the third quarter of 2008. The Company estimates that it will complete the closure of each facility by the end of 2008. Franklin Park and Cleveland are part of the Company's metal packaging and plastic packaging segments, respectively.

Franklin Park

The closure of Franklin Park is expected to result in greater production efficiencies, cost savings and better utilization of working capital. The Company will shift all production from Franklin Park to certain other Company metal packaging manufacturing facilities. Approximately 85 employees will be affected by the facility closure.

Table of Contents

The Company estimates the closure will result in restructuring expenses of approximately \$7.5 million, which consists of approximately \$1.1 million of severance and benefits, approximately \$3.4 million to satisfy withdrawal liabilities associated with its portion of unfunded benefit obligations of union sponsored multi-employer pension plans and approximately \$3.0 million of facility shutdown and holding costs. Facility holding costs include approximately \$1.8 million in long-term lease obligations, net of estimated sublease proceeds. In the nine months ended June 29, 2008, the Company recorded \$4.5 million and estimates that approximately \$2.7 million will be recognized in the fourth quarter of 2008 and approximately \$0.3 million will be recognized in 2009. The Company expects to pay the \$3.4 million in estimated pension withdrawal liabilities equally over a five year period beginning in the fourth quarter of 2009. The Company estimates that tax benefits related to the \$7.5 million in restructuring expenses will result in income tax deductions in the period in which the expenses are paid.

The Company expects to record additional depreciation expense in 2008 of approximately \$1.0 million related to the shortened expected useful lives of certain assets, primarily machinery and equipment that will be dismantled and permanently taken out of service, \$0.4 million and \$0.9 million of which was recorded in the three and nine months ended June 29, 2008, respectively. The Company expects to incur approximately \$1.7 million in capital expenditures related to rebuilding and installing certain assets that will be relocated from Franklin Park and used at other of its facilities. Of the \$1.7 million in capital expenditures, the Company expects to expend \$0.9 million and \$0.8 million in fiscal 2008 and 2009, respectively.

Cleveland

The closure of Cleveland is expected to result in greater production efficiencies, cost savings and better utilization of working capital. The Company will shift all production from Cleveland to certain other Company plastic packaging manufacturing facilities. Approximately 80 employees will be affected by the facility closure (approximately 72 hourly and approximately 8 salaried).

The Company expects to record restructuring charges of approximately \$3.1 million, which will consist of approximately \$0.5 million in severance and benefits and approximately \$2.6 million of facility shutdown and holding costs. Facility holding costs include approximately \$1.2 million in long-term lease obligations. Of the estimated \$3.1 million of restructuring charges, \$0.3 million was recorded in the third quarter of 2008, related to severance and benefits, and approximately \$1.9 million is estimated to be recorded in the fourth quarter of 2008, primarily related to long-term lease obligations and facility shutdown costs, and approximately \$0.7 million in 2009, primarily related to shutdown and holding costs. The remaining \$0.2 million, relating to holding costs, will be recorded in 2010 and 2011. The Company estimates that tax benefits related to the \$3.1 million in restructuring expenses will result in income tax deductions in the period in which the expenses are paid.

The Company expects to record additional depreciation expense of approximately \$0.6 million, all in 2008, related to the shortened expected useful lives of certain assets, primarily machinery and equipment, that will be dismantled and permanently taken out of service. Approximately \$0.4 million of the additional depreciation was recorded in the third quarter of 2008. The Company expects to incur capital expenditures of approximately \$2.3 million related to rebuilding and installing certain assets expected to be relocated from Cleveland and used at other of its facilities. Of the \$2.3 million in capital expenditures, approximately \$1.2 million and \$1.1 million will be expended in fiscal 2008 and 2009, respectively.

The above plans are summarized as follows:

(Dollars in thousands)	Franklin Park	Cleveland
Severance and benefits	\$ 1.1	\$ 0.5
Pension withdrawal obligation	3.4	
Shutdown costs	1.0	1.3
Facility holding costs	2.0	1.3
TOTAL RESTRUCTURING EXPENSE	7.5	3.1
Additional depreciation	1.0	0.6
TOTAL EXPENSE	\$ 8.5	\$ 3.7

Table of Contents

The estimated amounts and timing of cash flows related to the closure of Franklin Park and Cleveland are preliminary and may vary materially based on various factors, including the timing in the execution of the exit plans, the Company's ability to sublease the facilities and, for Franklin Park, the final determination of the pension withdrawal liabilities based on actuarial valuations prepared by the plan trustees.

In addition to the above, the Company eliminated redundant salaried positions from its Canadian operations, resulting in the termination of 10 employees. The Company recorded employee termination benefits in restructuring expense of approximately \$0.2 million and \$0.5 million in the three and nine months ended June 29, 2008, respectively related to the plastic packaging segment and approximately \$0.1 million in the three and nine months ended June 29, 2008 related to the metal packaging segment.

The following table sets forth changes in the Company's restructuring and reorganization liabilities from September 30, 2007 to June 29, 2008. The pre-2008 plan restructuring and reorganization liabilities relate to the plastic packaging segment and metal packaging segment, respectively. The 2008 plan restructuring liability relates to the metal packaging segment. The restructuring and reorganization liabilities are included in other current liabilities with the exception of the \$3.4 million pension withdrawal obligations associated with the closure of Franklin Park, which is included in other liabilities. Of the \$5.8 million in additions, \$0.2 million was an adjustment to the Vulcan reorganization liability recorded to goodwill (see Note 3, *Goodwill and Other Intangibles*).

(Dollars in millions)	Balance September 30, 2007	Additions	Expenditures	Balance June 29, 2008
FACILITY CLOSURE COSTS				
Restructuring Liability	\$ 0.5	\$	\$ (0.4)	\$ 0.1
Reorganization Liability	0.8	0.2	(0.9)	0.1
TOTAL PRE-2008 PLANS	\$ 1.3	\$ 0.2	\$ (1.3)	\$ 0.2
RESTRUCTURING LIABILITY				
Severance and benefits	\$	\$ 1.5	\$ (0.6)	\$ 0.9
Pension withdrawal obligations		3.6		3.6
Facility closure costs		0.5	(0.5)	
TOTAL 2008 PLANS	\$	\$ 5.6	\$ (1.1)	\$ 4.5
TOTALS	\$ 1.3	\$ 5.8	\$ (2.4)	\$ 4.7

7. NET INCOME (LOSS) PER SHARE

The following table shows the computation of basic and diluted net loss per share for the periods presented:

(Amounts in thousands except per share amounts)	Three Months Ended		Nine Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
BASIC NET INCOME (LOSS) PER SHARE				
Net income (loss)	\$ 8,109	\$ (6,583)	\$ 5,329	\$ (1,750)
Weighted-average number of shares outstanding	21,682	20,733	21,674	20,594
BASIC NET INCOME (LOSS) PER SHARE	\$ 0.37	\$ (0.32)	\$ 0.25	\$ (0.08)
DILUTED NET INCOME (LOSS) PER SHARE				
Net income (loss)	\$ 8,109	\$ (6,583)	\$ 5,329	\$ (1,750)

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Weighted-average number of shares outstanding	21,682	20,733	21,674	20,594
Dilutive effect of stock options	1,573		1,659	
Weighted-average number of shares outstanding assuming dilution	23,255	20,733	23,333	20,594
DILUTED NET INCOME (LOSS) PER SHARE	\$ 0.35	\$ (0.32)	\$ 0.23	\$ (0.08)

Because their effect would have been anti-dilutive, approximately 399,000 and 261,000 common stock equivalents were excluded in the computation of diluted earnings per share for the three and nine months ended June 29, 2008, respectively. For the three and nine months ended July 1, 2007, all common stock equivalents were excluded in the computation of diluted earnings per share because their effect would have been anti-dilutive.

Table of Contents**8. STOCK-BASED COMPENSATION****Stock-Based Compensation Expense**

Stock-based compensation expense included in the statements of operations by line item:

(Amounts in thousands)	Three Months Ended		Nine Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
STOCK-BASED COMPENSATION EXPENSE INCLUDED IN:				
Cost of products sold (excluding depreciation and amortization)	\$ 458	\$ 1,910	\$ 1,425	\$ 1,999
Selling and administrative expense	1,289	8,172	3,872	8,560
	\$ 1,747	\$ 10,082	\$ 5,297	\$ 10,559

Stock-based compensation expense is included in undistributed corporate expense in the business segment disclosure in Note 10, *Business Segments*.

The vesting criteria for certain unvested options outstanding under the Holding Incentive Plan (as defined below) as of the public offering were modified to condition vesting on the market performance of BWAY Holding common stock. As a result of the modification, the Company will recognize approximately \$10.8 million over the derived service period of approximately 38 months, which began in June 2007. With the exception of less than \$0.1 million related to grants subsequent to the public offering, all of the stock-based compensation expense in the three and nine months ended June 29, 2008 relates to this modification.

In the three and nine months ended July 1, 2007, the Company recorded approximately \$1.8 million and \$7.8 million, respectively, related to the accelerated vesting of certain stock options concurrently with the public offering.

Summary of Stock-Based Compensation Plans

The Company's stock-based compensation plans are described in Note 9, *Stock-Based Compensation*, in Notes to Consolidated Financial Statements in Item 8 of the Annual Report.

In the first nine months of 2008, options to acquire 35,000 shares of BWAY Holding common stock were granted under the BWAY Holding Company 2007 Annual Incentive Plan (the Omnibus Incentive Plan). As of June 29, 2008, there were 1,985,898 options available for grant under the Omnibus Incentive Plan. All options outstanding under the Omnibus Incentive Plan will vest annually in three equal tranches beginning on the first anniversary of the grant date.

There were no grants under the Company's Amended and Restated BCO Holding Stock Incentive Plan (the Holding Incentive Plan) in the first nine months of 2008. As of June 29, 2008, there were 305,311 options available for grant under the Holding Incentive Plan.

As of June 29, 2008, unvested options outstanding under the Holding Incentive Plan will become vested in three equal tranches based on an average per share closing price of BWAY Holding Company common stock over a consecutive 45 day period with a minimum closing price on the 45th day for each tranche. The first tranche will vest if the average per share closing price of BWAY Holding's common stock over any consecutive 45 days during which the stock trades is at least \$19.26 and the closing price on the 45th such day is at least \$16.37.

The weighted-average fair value at the grant date for options granted during the first nine months of 2008 was \$4.34 per option, which the Company estimated utilizing a Black-Scholes valuation model with the following weighted-average assumptions: (i) no dividend yield on BWAY Holding's common stock; (ii) expected stock price volatility of 40.0%; (iii) a risk-free interest rate of 3.5%; and (iv) an expected option term of 6.0 years. Due to the limited time BWAY Holding common stock has been publicly traded, sufficient historical data does not exist to provide a reasonable basis upon which to estimate the expected option term. As such, the Company used the simplified method provided in SAB110 for plain vanilla options to estimate the expected option term. All options granted during the first nine months of 2008 were plain vanilla.

Table of Contents

9. COMMITMENTS AND CONTINGENCIES

Environmental Matters

The Company is subject to a broad range of federal, state, provincial 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 material 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 the Company's current and former facilities are currently involved in environmental investigations, remediations and claims resulting from the release of hazardous substances or the presence of other contaminants. Except to the extent otherwise disclosed herein, we believe it is remote that any material losses may have resulted from identified environmental remediation matters or environmental investigations relating to our current or former facilities. While the Company does not believe that any identified investigation or remediation obligations will have a material adverse effect on its financial position, 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 remediation obligations could arise in the future and which could have a material adverse effect on our financial position, results of operations or cash flows.

The Company incurred capital expenditures of approximately \$0.9 million in the first nine months of 2008 to comply with certain environmental laws at a facility related to the ICL Acquisition.

We received a letter dated March 14, 2007 from the EPA stating that corrective action is required at our Cincinnati facility to address suspected areas of concern and potential releases of hazardous substances at the site. The releases referenced by the EPA occurred prior to the Company's ownership of the site. The EPA has requested that the Company enter into an Administrative Order on Consent under the Resource Conservation and Recovery Act with respect to corrective action obligations. We are working with the EPA to address their concerns and have notified a former owner of the site that we believe has indemnity obligations to us with respect to the EPA's claim.

The Company is a member of a potentially responsible party (PRP) group related to a waste disposal site in Georgia. Our status as a PRP 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. We estimate our 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 cannot, however, provide assurance that such obligations will not arise in the future.

The Company records reserves for environmental liabilities when environmental investigation and remediation obligations are probable and related costs are reasonably estimable. The Company had accrued liabilities of approximately \$0.2 million and \$0.3 million as of June 29, 2008 and September 30, 2007, respectively. However, future expenditures related to these matters may exceed the amounts accrued.

Self-Insurance

The majority of the Company's medical and workers' compensation benefits are under high-deductible plans with certain stop loss arrangements. We determine our liability related to workers' compensation using actuarial data based on filed claims and we determine our liability related to medical claims based on our analysis of actual claims. The amounts related to these claims are included in other current liabilities and were approximately \$7.3 million and \$7.6 million as of June 29, 2008 and September 30, 2007, respectively.

Table of Contents

Litigation

The Company is involved in legal proceedings from time to time in the ordinary course of business. We believe that the outcome of these proceedings will not have a material effect on our financial condition, results of operations or cash flows. We had an accrued liability of approximately \$0.6 million and \$0.4 million as of June 29, 2008 and September 30, 2007, respectively, related to pending litigation matters, other than as discussed below.

Lead Paint Litigation

The Company's Armstrong Containers, Inc. subsidiary (Armstrong) has been named as a defendant in various complaints related to the sale of lead pigment for use in lead-based paint based on the grounds that Armstrong is an alleged successor in interest to the John R. MacGregor Company and/or the MacGregor Lead Company (collectively, MacGregor). MacGregor allegedly sold lead pigment for use in lead-based paint from around 1937 through 1971. See Note 15, *Contingencies*, Litigation Lead Paint Litigation, in Notes to Consolidated Financial Statements in the Annual Report for a further discussion of this litigation.

The allegations in these cases are similar to those that have been made against leading paint manufacturers in the United States. Plaintiffs in certain of the cases, based upon theories of public nuisance, indemnity, unjust enrichment and concert of action, seek compensatory and punitive damages, including the cost of abating the alleged nuisance. Plaintiffs in certain of the cases, based upon a theory of personal injury, seek unspecified monetary damages in excess of the statutory minimum for personal injuries due to alleged exposure to lead paint. The Company expects that additional lead pigment/lead-based paint litigation may be filed against Armstrong (or that Armstrong may be added to existing litigation against other defendants) in the future asserting similar or different claims and seeking similar or different types of damages or relief.

However, in July 2008, the Rhode Island Supreme Court rejected public nuisance theory as a basis for liability and unanimously overturned a landmark 2006 verdict against three former manufacturers of lead paint that held them liable for creating a public nuisance. The Company believes the ruling could have a positive effect on the pending or threatened litigation discussed above.

The Company believes it has valid defenses to the personal injury and public nuisance cases and plans to vigorously defend them; however, due to the uncertainties involved, the Company cannot predict the outcome at this time nor can it reasonably determine the scope or amount of the potential costs and liabilities related to these matters. As such, the Company has not reserved any amounts in respect of potential payments of damages. Any potential liability arising out of these matters may have a material adverse effect on the Company's financial position, results of operations and/or cash flows.

The lawsuits have been tendered to Armstrong's insurers for which Armstrong had policies in place during the potentially relevant time period (and of which it is aware), which currently is from around 1972 through the present. In response to the tenders, the various insurers have acknowledged receipt of the lawsuits and generally agreed to participate in the defense of the cases, subject to a reservation of their rights to contest coverage at a later date. A few recently identified insurers still are trying to determine whether they insured Armstrong, and therefore have not yet agreed to participate in the defense of these cases.

Notwithstanding the above, as previously disclosed, one of these insurers, Liberty Mutual Insurance Company (Liberty), filed a declaratory judgment action against BWAY and Armstrong in Wisconsin state court. The action is styled as *Liberty Mutual Insurance Company v. BWAY Corporation, Armstrong Containers, Inc., et al.*, Case No: 07-C-0530, in the U.S. District Court for the Eastern District of Wisconsin (the Wisconsin declaratory judgment action).

Shortly after receiving copies of Liberty's Wisconsin declaratory judgment complaint, Armstrong filed a declaratory judgment action in Georgia state court. The action is styled as *Armstrong Containers, Inc. v. Liberty Mutual Insurance Company, Anthony Johnson, Demond Dre Myers, and Jamara Ruffin*, Civil Action No. 07A-05222-2, in the Superior Court of Gwinnett County, State of Georgia (the Georgia declaratory judgment action).

In May of 2008, the Parties reached a mutually agreeable resolution of the above disputes the Wisconsin declaratory judgment action and the Georgia declaratory judgment action were dismissed with prejudice in May 2008.

Table of Contents

In the *Godoy* case, previously disclosed, on March 18, 2008, the Wisconsin Supreme Court granted Plaintiff's Petition for Review. On April 15, 2008, Plaintiff filed his Brief of Plaintiff-Appellant-Petitioner. Defendants' -Respondents' Brief in Opposition to Plaintiff's Brief was filed on May 21, 2008. The Wisconsin Supreme Court has granted oral argument, and oral argument is scheduled to be held on September 10, 2008. The Court will issue a ruling after oral argument. However, it is unclear how long after oral argument the Wisconsin Supreme Court will issue its ruling.

As to the other Wisconsin personal injury lawsuits previously disclosed, Plaintiffs agreed to dismiss without prejudice all remaining personal injury cases except for the following: *Burton, Clark, Gibson, Godoy* and *B. Stokes*. With respect to these remaining cases, Plaintiffs have agreed to stay these cases pending a ruling by the Wisconsin Supreme Court in the *Godoy* case referenced above.

The *Columbus* case, previously disclosed, was dismissed with prejudice on March 28, 2008.

With respect to the *State of Ohio* case, previously disclosed, Plaintiff State of Ohio filed a motion to remand this case back to state court on February 27, 2008. Defendant Atlantic Richfield Company filed a Memorandum in Opposition to Plaintiff's Motion to Remand on May 15, 2008. The other defendants filed a Joinder in Defendant Atlantic Richfield Company's Memorandum in Opposition to Plaintiff's Motion to Remand on May 15, 2008. Plaintiff filed its Reply Brief in Support of its Motion to Remand on June 17, 2008. On June 20, 2008, Atlantic Richfield Company filed a Motion for Leave to File Supplemental Response to New Matter in Plaintiff's Reply Brief in Support of Motion to Remand. The Court issued an Order on June 23, 2008 granting Defendant Atlantic Richfield Company leave to file a Supplemental Response to New Matter in Plaintiff's Reply Brief in Support of Motion to Remand. The magistrate judge has scheduled oral argument on Plaintiffs' Motion to Remand to take place on August 25, 2008. It is unclear how long after oral argument the magistrate judge will take to issue a ruling on Plaintiff's Motion to Remand.

As of June 29, 2008 and September 30, 2007, the Company had accrued approximately \$0.2 million in legal fees and expenses related to this lead paint litigation.

Letters of Credit

As of June 29, 2008, a bank had issued standby letters of credit on our behalf in the aggregate amount of approximately \$6.6 million primarily in favor of our workers' compensation insurers.

Collective Bargaining Agreements

As of June 29, 2008, approximately 29% of the Company's hourly workforce was covered by nine separate collective bargaining agreements. Of the nine collective bargaining agreements, one agreement, representing approximately 2% of our unionized employees, will become amendable in 2008.

The closure of Franklin Park (as discussed in Note 6, *Restructuring and Reorganization Liabilities*) will affect the remaining 29 hourly employees, represented by two separate collective bargaining agreements.

Commodity Risk

The Company is subject to various risks and uncertainties related to changing commodity prices for, and the availability of, the raw materials used in the manufacturing processes (primarily steel and resin), as well as for unfavorable changes in energy costs (primarily electricity and natural gas).

10. BUSINESS SEGMENTS

The Company's operations are organized and reviewed by management along its product lines in two reportable segments, Metal Packaging and Plastic Packaging. The Company differentiates the segments based on the nature of the products they offer. The primary raw material and manufacturing process are unique for each segment. A further description of each business segment and of the Company's Corporate services area follows:

Metal Packaging. Metal Packaging includes the metal packaging products manufactured and distributed by BWAY and ICL. Principal products in this segment include paint cans, aerosol containers, ammunition boxes and other general line containers made from steel. Metal Packaging is a

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separate reportable segment of the Company with management, production facilities and manufacturing processes distinct from the Company's Plastic Packaging Division.

Plastic Packaging. Plastic Packaging includes the plastics packaging products manufactured and distributed by NAMPAC and ICL. Principal products in this segment include open-head and tight-head pails and drums and other multi-purpose rigid industrial plastic packaging. Plastic Packaging is a separate reportable segment of the Company with management, production facilities and manufacturing processes distinct from the Company's Metal Packaging segment.

Corporate. Corporate includes executive management, accounting and finance, information technology, payroll and human resources and various other overhead charges, each to the extent not allocated to the segments.

Segment assets include, among other things, inventories, property, plant and equipment, goodwill and other intangible assets. The accounting policies of the Company's segments have not changed from those described in the Annual Report. There were no inter-segment sales reported in the periods presented. Management's evaluation of segment performance is principally based on a measure of segment earnings, which the Company calculates as segment gross profit (excluding depreciation and amortization) less selling expenses (Segment Earnings).

Table of Contents

The following sets forth certain financial information attributable to the Company's business segments for the three and nine months ended June 29, 2008 and July 1, 2007:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
NET SALES				
Metal packaging	\$ 156,583	\$ 162,626	\$ 421,462	\$ 422,061
Plastic packaging	117,426	106,906	313,510	284,118
CONSOLIDATED NET SALES	274,009	269,532	734,972	706,179
INCOME (LOSS) BEFORE INCOME TAXES				
Metal packaging	24,035	22,724	54,422	57,797
Plastic packaging	13,945	15,920	32,338	36,804
SEGMENT EARNINGS	37,980	38,644	86,760	94,601
Corporate undistributed expense	4,611	23,239	12,222	28,639
Public offering expense		9,210		9,527
Depreciation and amortization (see below)	12,103	11,532	34,720	34,107
Restructuring charge (adjustment)	1,398	29	5,612	(135)
Interest expense, net	8,277	9,630	27,066	28,353
Other expense, net	363	369	485	956
CONSOLIDATED INCOME (LOSS) BEFORE INCOME TAXES	\$ 11,228	\$ (15,365)	\$ 6,655	\$ (6,846)
DEPRECIATION AND AMORTIZATION				
Metal packaging	\$ 5,652	\$ 5,700	\$ 17,185	\$ 16,818
Plastic packaging	5,918	5,666	16,570	16,442
Segment depreciation and amortization	11,570	11,366	33,755	33,260
Corporate depreciation and amortization	533	166	965	847
CONSOLIDATED DEPRECIATION AND AMORTIZATION	\$ 12,103	\$ 11,532	\$ 34,720	\$ 34,107

The following table sets forth total assets attributable to the Company's business segments as of June 29, 2008 and September 30, 2007:

(Dollars in thousands)	June 29, 2008	September 30, 2007
TOTAL ASSETS		
Metal packaging assets	\$ 333,445	\$ 335,197
Plastic packaging assets	321,253	326,626
Segment assets	654,698	661,823
Corporate	199,043	196,110
CONSOLIDATED TOTAL ASSETS	\$ 853,741	\$ 857,933

For the three and nine months ended June 29, 2008, approximately 90% of the Company's net sales were in the United States, approximately 9% of the Company's net sales were in Canada and the remaining 1% was to other foreign countries. For the three and nine months ended July 1,

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2007, approximately 90% of the Company's net sales were in the United States, approximately 9% of the Company's net sales were in Canada and the remaining 1% was to other foreign countries.

For the three and nine months ended June 29, 2008, approximately 92% and 88% of the Company's metal packaging segment net sales and plastics packaging segment net sales, respectively, were in the United States with the remainder for each primarily in Canada (non-Canadian foreign sales were less than 1.0%). For the three and nine months ended July 1, 2007, approximately 92% and 87% of the Company's metal packaging segment net sales and plastics packaging segment net sales, respectively, were in the United States with the remainder for each primarily in Canada (non-Canadian foreign sales were less than 1.0%). Geographic net sales information is based on the destination of the shipments.

Long-lived assets located in Canada as of June 29, 2008 and September 30, 2007 were approximately \$8.2 million and \$5.8 million, respectively.

Table of Contents**11. COMPREHENSIVE INCOME (LOSS) INFORMATION**

For the three and nine months ended June 29, 2008 and July 1, 2007, the Company's comprehensive income (loss) was comprised of net income (loss) and adjustments for foreign currency translation.

Total comprehensive income (loss) consisted of the following:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
COMPREHENSIVE INCOME (LOSS)				
Net income (loss)	\$ 8,109	\$ (6,583)	\$ 5,329	\$ (1,750)
Foreign currency translation adjustments	290	1,982	(576)	1,257
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 8,399	\$ (4,601)	\$ 4,753	\$ (493)

The components of accumulated other comprehensive income consisted of the following:

(Dollars in thousands)	Pension and Other Postretirement Items (net of tax)	Cumulative Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Balance, September 30, 2007	\$ (659)	\$ 3,037	\$ 2,378
Change		(576)	(576)
BALANCE, JUNE 29, 2008	\$ (659)	\$ 2,461	\$ 1,802

12. SUPPLEMENTAL GUARANTOR SUBSIDIARIES INFORMATION

The Senior Notes are guaranteed on a full, unconditional joint and several basis by BWAY's U.S. based subsidiaries, each of which is wholly owned. The following condensed, consolidating financial information presents the unaudited consolidating financial statements of BWAY and its subsidiaries. We have not presented separate guarantor subsidiary financial statements because we do not believe they would provide materially useful information to investors.

Table of Contents**BWAY Corporation and Subsidiaries****Supplemental Condensed Consolidating Balance Sheet Information****(unaudited)****June 29, 2008**

(Dollars in thousands)	BWAY Corporation	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
Assets					
CURRENT ASSETS					
Cash and cash equivalents	\$ 16,167	\$ 10,097	\$ 5,353	\$	\$ 31,617
Accounts receivable, net	69,479	46,236	11,515		127,230
Inventories	78,627	28,446	8,680		115,753
Income taxes receivable	33,826	(28,008)	646		6,464
Deferred tax assets	6,853	1,526	141		8,520
Other	6,096	812	364		7,272
TOTAL CURRENT ASSETS	211,048	59,109	26,699		296,856
PROPERTY, PLANT AND EQUIPMENT, NET	81,977	55,631	8,265		145,873
OTHER ASSETS					
Goodwill	120,259	99,915	33,934		254,108
Other intangible assets, net	40,752	79,917	26,155		146,824
Deferred financing costs, net	6,495		970		7,465
Other	2,254	361			2,615
Investment in subsidiaries	274,879	26,090		(300,969)	
TOTAL OTHER ASSETS	444,639	206,283	61,059	(300,969)	411,012
TOTAL ASSETS	\$ 737,664	\$ 321,023	\$ 96,023	\$ (300,969)	\$ 853,741
Liabilities and Stockholders Equity					
CURRENT LIABILITIES					
Accounts payable	\$ 56,702	\$ 58,056	\$ 11,830	\$	\$ 126,588
Accrued salaries and wages	5,987	4,860	1,155		12,002
Accrued interest	5,049		252		5,301
Accrued rebates	6,611	1,070	205		7,886
Current portion of long-term debt	2,104		558		2,662
Other	14,356	1,521	377		16,254
TOTAL CURRENT LIABILITIES	90,809	65,507	14,377		170,693
LONG-TERM DEBT					