BWAY CORP
Form 10-K
December 28, 2006
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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 1, 2006

001-12415

(Commission File Number)

BWAY CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE **(State of incorporation)**	**36-3624491** **(IRS Employer Identification No.)**
8607 Roberts Drive, Suite 250	
Atlanta, Georgia 30350-2237 **(Address of principal executive offices)**	**(770) 645-4800** **(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 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.

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer 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 2, 2006 (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 22, 2006, 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 1, 2006

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.

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.

Our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K are filed electronically with the Securities and Exchange Commission (the SEC). The SEC maintains an internet site that contains these reports at www.sec.gov. You may also access these reports through links found on our website at www.bwaycorp.com.

Acquisitions and Dispositions

On July 17, 2006, we 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 net assets were acquired by ICL Industrial Containers ULC (ICL), a wholly owned subsidiary of BWAY created to effectuate the acquisition. For a further discussion of the ICL Acquisition, see Note 2 of the Notes to the Consolidated Financial Statements under Item 8 of this Form 10-K.

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

Metal containers are produced for three primary markets: beverage, food and general line. We compete primarily in the general line market. General line products include 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 calendar 2006 industry shipments in the United States will approximate 135 billion units as follows: 75% to the beverage market, 21% to the food market and 4% to the general line market. General line cans generally have higher

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selling prices than food or beverage cans. Few companies compete in each of the three product markets.

Products and Markets

Our metal packaging segment operates primarily in North America in the general line segment of the metal container market. 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.

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.

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.

Specialty Cans. We are the leading supplier of metal specialty cans in North America. Specialty cans include screw top cans, pour top cans, oblong or F style cans and ammunition boxes. Screw top cans 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. Oblong or F style cans are typically used for packaging paint-related products, charcoal lighter fluid and waterproofing products. 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.

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.

Customers

Our metal packaging segment customers include many of the world s leading paint, consumer and personal care companies. In 2006, sales to our 10 largest metal packaging segment customers accounted for approximately 43% of the segment s net sales. Of the 2006 segment net sales, approximately 13% were to The Sherwin-Williams Company.

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 right 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.

Raw Materials

Our principal raw materials consist of tinplate, blackplate and cold rolled steel, energy, various coatings, inks and compounds. Steel products represent the largest component of raw material costs. With the exception of pails and ammunition boxes, which are manufactured from either blackplate or cold rolled steel, all of our products are manufactured from tinplate 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.

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

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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 the current number of suppliers.

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. 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

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.

Open-head Containers. Open-head containers are injection-molded products made of high-density polyethylene (HDPE) that are used primarily by the paint and coating, petroleum, food, building materials, agricultural and janitorial supply industries.

Tight-head Containers. Tight-head containers are blow-molded made of HDPE that are used primarily by the food, petroleum, agricultural, chemical, janitorial supply, beverage and coating industries.

F-Style Plastic Bottles. F-Style plastic bottles are one-piece, blow-molded HDPE containers that are most commonly used for storing and shipping herbicides and pesticides for the crop protection industries.

Plastic Drums. Plastic drums are large transportable containers made from HDPE available in either an open-head or tight-head format. Plastic drums 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 made from HDPE. The paint bottle 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. We have long-term relationships with our customers and in many cases we are the exclusive supplier of our customers plastic packaging requirements. In 2006, sales to our 10 largest plastics packaging segment customers accounted for approximately 40% of the segment s net sales. Of the 2006 segment net sales, approximately 18% were to The Sherwin-Williams Company.

We maintain a diversified customer base, which is broadly distributed among industries as diverse as paint, food, construction, petroleum and chemicals. 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 right to retain the customer s business subject to the terms of the competitive proposal.

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 27% during the last year.

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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 1, 2006, we employed approximately 2,400 hourly employees and approximately 500 salaried employees. Approximately 23% of our hourly workforce is covered by nine separate collective bargaining agreements.

Two of our collective bargaining agreements, representing approximately 47% of our unionized employees, will become amendable in fiscal 2007.

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, 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 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 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 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. However, except to the extent otherwise disclosed herein, we believe it is remote that any such material losses could result from environmental remediation matters or environmental investigations relating to our current or former facilities.

We incurred approximately $1.1 million in capital expenditures in 2006 and approximately $0.6 million in the first quarter of 2007 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. In addition, we expect to incur approximately $1.1 million in capital expenditures in 2007 to comply with certain environmental laws at a facility related to the ICL Acquisition.

In the third quarter of 2005, we joined a potentially responsible party (PRP) group related to a waste disposal site in Georgia. Our status as a PRP was 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 joined the PRP group in order to reduce our exposure, which we estimate 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 its current or former facilities or its 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 had accrued liabilities of approximately $0.3 million at the end of each of 2006 and 2005; however, future expenditures may exceed the amounts accrued.

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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.

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.

Some of our 2006 sales were made to customers with whom we have contractual relationships. Many of these contracts, which are often 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.

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

In 2006, approximately 34% of our net sales were to our top 10 customers. Sales to our largest customer accounted for approximately 15% of our 2006 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, various inks and coatings. We purchase all raw materials we require from outside sources, and

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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 and plastic resin, 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 plastic 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.

At the end of 2006, approximately 23% of our hourly employees worked under various collective bargaining agreements. Two of our nine collective bargaining agreements, representing approximately 47% of our unionized workforce, will become amendable in 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 have a material adverse effect on our ability to produce aerosol containers and could result in a deterioration of that business. The agreement with our largest union at the Cincinnati facility becomes amendable in August 2007.

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 remediation 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.

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 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 of children to lead-based paint applied thirty or more years ago, as well as alleging that lead pigment in paint constitutes a public nuisance requiring abatement. 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

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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. One of our subsidiaries, Armstrong Containers, Inc. (Armstrong), has been joined as a defendant in some of the lead-based paint litigation based upon allegations of its corporate predecessor s conduct that predated our ownership of Armstrong. See Item 3, Legal Proceedings, below.

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) increase cash flow; (iii) diversify our product and customer base in related markets; and (iv) broaden our geographic sales, distribution and manufacturing platform throughout the United States and Canada. 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

None.

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Item 2. Properties

The following table sets forth certain information with respect to our headquarters and manufacturing facilities as of December 1, 2006. We believe our properties are generally in good condition, well maintained and suitable for their intended use. We have excluded from the table our warehouses and 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
Brampton, Ontario	Manufacturing	41,000	Leased	Metal
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
St. Albert, Alberta	Manufacturing	62,000	Leased	Plastics
Sturtevant, Wisconsin	Manufacturing	85,000	Leased	Metal
Toccoa, Georgia	Manufacturing	121,000	Leased	Plastics
Toronto, Ontario	Manufacturing	73,000	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.

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 business. Other than as described below, we are not currently involved in any litigation or other proceedings that we expect, either individually or in the aggregate, will 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.

Lead Pigment Litigation

Angel Evans, a Minor, by her guardian ad litem, Susan M. Gramling vs. American Cyanamid Co., Atlantic Richfield Company, BWAY Corp, Conagra Foods, Inc., E.I. Dupont De Nemours and Company, Millenium Holding, NL Industries, Inc., The Sherwin-Williams Company, Bobby Armon, Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County; State of Wisconsin; Case No. 05-CV-9281 (*Evans*).

Jomara Hardison, Minor by her guardian ad litem, Susan M. Gramling vs. American Cyanamid Co., BWAY Corp, E.I. Dupont De Nemours and Company, Conagra Foods, Inc., Millenium Holding, Sylvia Kirkendoll, Joel Kirkendoll, Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County; State of Wisconsin; Case No. 06-CV-00606 (*Hardison*).

Ruben Baez Godoy, Minor, by her guardian ad litem, Susan M. Gramling vs. American Cyanamid Co, BWAY Corporation, Cytec Industries, Inc., E.I. Dupont De Nemours and Company, Conagra Foods, Inc., The Sherwin Williams Company, Walter Stankowski, Wayne Stankowski, and Wisconsin Electric Power Company; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-277 (*Godoy*).

In 2006, we were named as one of several defendants in the above-referenced personal injury cases in the state of Wisconsin. Plaintiffs initially filed the *Evans* lawsuit in October 2005, and the *Hardison* and *Godoy* lawsuits in January 2006. More recently, the plaintiffs in these actions agreed to the dismissal of BWAY Corporation as a defendant and the substitution of our subsidiary, Armstrong Containers, Inc. (Armstrong) as a defendant.

These cases arise out of the sale of lead pigment for use in lead-based paint. The claims have been asserted against Armstrong based on allegations that Armstrong assumed certain liabilities of MacGregor Lead Company (MacGregor), an entity that was involved in the manufacture and sale of lead

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pigment until 1971, when MacGregor sold its lead paint business to a third party. These cases seek to recover unspecified monetary damages in excess of the statutory minimum for personal injuries due to alleged exposure to lead based paint. Armstrong has answered the complaints, denying the allegations contained therein. The cases currently are in the discovery phase. We have been advised by plaintiffs counsel that other cases are likely to be filed which will name Armstrong as a defendant.

Separately, on December 18, 2006, Armstrong received a copy of a complaint in the case of *City of Columbus, Ohio vs. Sherwin-Williams Company, Millennium Holdings, LLC, NL Industries, Inc., Conagra Grocery Products Company, E.I. DuPont De Nemours and Company, Atlantic Ritchfield Company, Cytec Industries, Inc., American Cyanamid Company, Armstrong Containers, and John Doe Corporations*; In the Court of Common Pleas Franklin County, Ohio, Civil Division; Case No. 06CVH12 16480. In that case, which also arises from the alleged historic activities of MacGregor, the City of Columbus, Ohio, has alleged that lead pigment in paint constitutes a public nuisance under Ohio law and seeks abatement of that nuisance. Other defendants in the case include Sherwin-Williams Company, Millennium Holdings, LLC, NL Industries, Inc., Conagra Grocery Products Company, E.I. DuPont De Nemours and Company, Atlantic Ritchfield Company, Cytec Industries, Inc., and American Cyanamid Company.

While we believe that we have valid defenses to these cases and plan to vigorously defend them, we can neither predict the outcome at this time due to the uncertainties involved nor can we reasonably determine the scope or amount of the potential costs and liabilities related to these matters. At the end of 2006, we had accrued approximately $0.5 million in legal fees and expenses related to these matters. We have notified our general liability insurers, who are participating in the defense of the claims, subject to reservation of rights.

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

No matters were submitted during the fourth quarter of 2006 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.

During the year we declared a $10.0 million cash dividend payable to BCO Holding. The dividend was used by BCO Holding to repurchase 45,482 shares of its common stock and to cash settle the exercise of 386,221 shares under option related to options held by BWAY s chief executive officer.

With certain exceptions, we are prohibited by our long-term debt arrangements from paying dividends. The dividend paid to BCO Holding discussed above was such an exception.

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Item 6. Selected Financial Data

The following table sets forth our selected historical consolidated financial and operating data, which should be 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 fiscal years in the three-year period ended October 1, 2006 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 periods in the two-year period ended September 28, 2003 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 , NAMPAC Acquisition and ICL Acquisition are defined in Item 1 of this Form 10-K. Unless otherwise indicated, references to years in this report relate to fiscal years rather than to calendar years.

	Predecessor			Successor		
Fiscal periods ended (1)		Predecessor	Successor			
(Dollars in thousands)	**2002**	**2003**	**2003**	**2004**	**2005**	**2006**
STATEMENT OF OPERATIONS DATA						
Net sales	$ 527,601	$ 186,726	$ 364,384	$ 611,588	$ 829,109	$ 918,513
Cost of products sold (excluding depreciation and amortization) (2)	456,788	166,383	311,447	529,064	714,039	796,401
Gross profit (excluding depreciation and amortization)	70,813	20,343	52,937	82,524	115,070	122,112
Depreciation and amortization (3)(4)	19,582	6,091	16,835	31,724	43,215	41,615
Selling and administrative expense (5)	14,179	14,875	8,675	14,040	22,120	29,777
Merger related transaction costs (6)	1,478	2,488				
Restructuring and impairment charges (adjustment) (7)(8)(9)(10)(11)(12)	1,250	(460)	260	352	5,265	1,511
Other (income) expense, net (13)(14)	(597)	17	905	178	(175)	1,813
Income (loss) from operations	34,921	(2,668)	26,262	36,230	44,645	47,396
Interest expense, net (15)(16)(17)	13,109	11,190	16,935	26,889	32,165	34,660
Income (loss) before income taxes and cumulative effect of change in accounting principle	21,812	(13,858)	9,327	9,341	12,480	12,736
Provision for (benefit from) income taxes	9,556	(4,791)	3,462	3,634	4,351	6,941
Income (loss) before cumulative effect of change in accounting principle	12,256	(9,067)	5,865	5,707	8,129	5,795
Cumulative effect of change in accounting principle, net of tax						(398)
Net income (loss)	12,256	(9,067)	5,865	5,707	8,129	5,397
OTHER FINANCIAL DATA						
EBITDA (18)	54,503	3,423	43,097	67,594	87,860	89,011
EBITDA margin % (19)	10.3%	1.8%	11.8%	11.1%	10.6%	9.7%
Capital expenditures	10,586	4,607	8,879	19,066	20,282	25,041
Cash interest paid, net	11,720	5,374	18,611	22,595	29,866	33,200
STATEMENT OF CASH FLOWS DATA						
Net cash provided by (used in) operating activities	46,063	(2,135)	30,415	45,098	64,324	60,933
Net cash used in investing activities (20)(21)(22)	(9,528)	(4,582)	(52,006)	(220,857)	(19,247)	(92,131)
Net cash (used in) provided by financing activities (23)(24) (25)	(17,330)	(12,663)	21,729	202,836	(20,513)	30,288
Ratio of earnings to fixed charges (26)	2.46x		1.51x	1.32x	1.35x	1.33x

	Predecessor		Successor		
	2002	2003	2004	2005	2006
BALANCE SHEET DATA					
Working capital	20,467	17,451	52,382	53,709	70,988
Total assets (27)	306,686	443,325	741,404	771,994	833,745
Total debt (28)(29)	100,291	217,465	415,810	395,975	440,444
Stockholder s equity	72,648	79,487	115,005	123,436	127,483

Notes to Selected Financial Data Table:

(1) Our fiscal year ends on the Sunday closest to September 30. Fiscal years 2002, 2003, 2004, 2005 and 2006 ended September 29, 2002, September 28, 2003, October 3, 2004, October 2, 2005 and October 1, 2006, respectively. Fiscal 2003 consists of Predecessor 2003 (for the period from September 30, 2002 to February 6, 2003) and Successor 2003 (for the period from February 7, 2003 to September 28, 2003). The fiscal years 2002, 2003, 2005 and 2006 consisted of 52 weeks. 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 and liabilities assumed from SST Industries, from and including July 7, 2004 related to the NAMPAC Acquisition and from and including July 17, 2006 related to the ICL Acquisition. Some of our subsidiaries report their financial position and results of operations on a calendar month basis with fiscal years ending on September 30 and have been consolidated as of September 30, 2004, September 30, 2005 and September 30, 2006. 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.

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Notes to Selected Financial Data Table:

(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 2002.

Fiscal periods ended (a)	Predecessor	Successor	Successor		
	Predecessor	Successor			
(Dollars in thousands)	2003	2003	2004	2005	2006
STOCK-BASED COMPENSATION					
Cost of products sold (excluding depreciation and amortization)	$ 2,900	$ 214	$ 206	$ 344	$ 274
Selling and administrative expense (b)	9,692	940	904	1,508	9,881
TOTAL STOCK-BASED COMPENSATION (c)(d)(e)	$ 12,592	$ 1,154	$ 1,110	$ 1,852	$ 10,155

(a) See Note 1 above.
(b) Stock-based compensation expense in 2006 includes approximately $8.8 million related to the cash settlement of certain Exchange Options exercised by one of our officers.
(c) Stock-based compensation expense in Predecessor 2003 relates to Predecessor stock option payouts associated with the Transaction.
(d) Stock-based compensation expense in Successor 2003, 2004 and 2005 relates to stock options issued subsequent to the Transaction.
(e) Stock-based compensation expense for 2006 relates partially to stock options issued subsequent to the Transaction and to the cash settlement of certain Exchange Options as discussed in (b) above.

(3) Depreciation for 2002 includes an additional depreciation expense of $0.7 million related to shortened useful lives of certain computer systems.
(4) Depreciation for Successor 2003, 2004 and 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) See Note 2 above.
(6) Amounts relate to certain professional fees and other transaction costs relating to the Transaction.
(7) Fiscal 2002 includes an additional $1.2 million restructuring charge related to the closing of one of our manufacturing facilities 2001.
(8) Predecessor 2003 includes a $0.5 million adjustment related to revised expectations of future lease payments for closed facilities.
(9) Successor 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 consisted 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 a $(0.1) million adjustment to a previously recognized facility closure exit liability. The $1.0 million impairment charge was taken to write down certain assets associated with the closed plastics manufacturing facilities to their estimated fair value.
(12) Fiscal 2006 primarily relates to on-going severance and facility holding costs associated with the plastics manufacturing facility shutdowns discussed in Note 11 above. The facility holding costs include an additional expense of approximately $0.8 million related to changes in our sublease assumptions on the remaining facility.
(13) Includes financial advisory fees paid to Kelso of $0.3 million in Successor 2003 and $0.5 million in each of 2004, 2005 and 2006.
(14) Fiscal 2006 includes approximately $0.8 million in third party expenses incurred in connection with the refinancing of the term loan component of our credit facility that could not be capitalized as deferred financing costs in accordance with applicable accounting guidance.
(15)

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 costs, each associated with the redemption of our $100.0 million 10 1/4% Senior Subordinated Notes due 2007.

(16) 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.

(17) Fiscal 2004 includes approximately $1.3 million of unamortized deferred financing costs written-off as a result of refinancing the credit facility in connection with the NAMPAC Acquisition.

(18) Earnings before interest, taxes, depreciation and amortization (EBITDA) is reconciled to income (loss) before cumulative effect of change in accounting principle and to net cash provided by (used in) operating activities in the tables below. EBITDA is not a GAAP measurement. However, we present EBITDA because it is one of the measures upon which management assesses our financial performance and is a primary metric used in certain management incentive programs. Management also believes that EBITDA is a commonly used measurement of performance used by companies in our industry and is frequently used by securities analysts, investors and other interested parties to measure our ability to service debt and as a measurement of 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 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 above), restructuring and impairment charges (adjustments), other (income) expense, net and merger-related transaction costs, collectively representing $2.1 million, $14.6 million, $2.3 million, $1.6 million, $6.9 million and $14.0 million, in 2002, Predecessor 2003, Successor 2003, 2004, 2005 and 2006, respectively, have not been added back to income (loss) before cumulative effect of change in accounting principle for purposes of calculating EBITDA. In addition, included in cost of products sold (excluding depreciation and amortization), for Predecessor 2003, Successor 2003, 2004 and 2006 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, $0.4 million in amortization of manufacturer s profit recorded in inventory as a result of the NAMPAC Acquisition and $0.5 million in amortization of manufacturer s profit recorded in inventory as a result of the ICL Acquisition respectively, that have not been added back to income (loss) before cumulative effect of change in accounting principle for purposes of calculating EBITDA.

For the periods indicated (a)	**Predecessor**	**Predecessor**	**Successor**	**Successor**		
(Dollars in thousands)	**2002**	**2003**	**2003**	**2004**	**2005**	**2006**
RECONCILIATION OF EBITDA TO INCOME (LOSS) BEFORE CUMULATIVE CHANGE IN ACCOUNTING PRINCIPLE						
Income (loss) before cumulative effect of change in accounting principle	$ 12,256	$ (9,067)	$ 5,865	$ 5,707	$ 8,129	$ 5,795
Depreciation and amortization (b)	19,582	6,091	16,835	31,724	43,215	41,615
Interest expense, net (c)	13,109	11,190	16,935	26,889	32,165	34,660
Provision for (benefit from) income taxes	9,556	(4,791)	3,462	3,634	4,351	6,941
EBITDA	$ 54,503	$ 3,423	$ 43,097	$ 67,954	$ 87,860	$ 89,011

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Notes to Selected Financial Data Table:

For the periods indicated (a)	Predecessor	Predecessor	Successor	Successor		
(Dollars in thousands)	2002	2003	2003	2004	2005	2006
RECONCILIATION OF EBITDA TO CASH FLOW FROM OPERATIONS						
Net cash provided by (used in) operating activities	$ 46,063	$ (2,135)	$ 30,415	$ 45,098	$ 64,324	$ 60,933
Interest expense, net	13,109	11,190	16,935	26,889	32,165	34,660
Provision for (benefit from) income taxes	9,556	(4,791)	3,462	3,634	4,351	6,941
Stock-based compensation expense			(1,154)	(1,110)	(1,852)	(10,155)
Amortization of deferred financing costs	(977)	(359)	(1,168)	(1,970)	(2,120)	(2,156)
Change in operating assets, liabilities and other	(13,248)	(482)	(5,393)	(4,587)	(9,008)	(1,212)
EBITDA	$ 54,503	$ 3,423	$ 43,097	$ 67,954	$ 87,860	$ 89,011

(a) See Note (1) above.
(b) See Notes (3) and (4) above.
(c) See Notes (15) and (16) above.
(19) EBITDA margin is defined as the ratio of EBITDA to net sales.
(20) Investing activities in Successor 2003 include the use of $19.9 million in transaction costs related to the Transaction and $23.2 million related to the SST Acquisition.
(21) Investing activities in 2004 include the use of $202.5 million, which is net of $11.3 million in cash acquired, related to the NAMPAC Acquisition.
(22) Investing activities in 2006 include the use of $68.4 million related to the ICL Acquisition.
(23) Financing activities in Predecessor 2003 include $0.4 million used in financing costs incurred related to the Transaction. Financing activities Successor 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.
(24) Financing activities in 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.
(25) Financing activities in 2006 include the net proceeds of $74.7 million from refinancing the credit facility that were used, in part, to finance the ICL Acquisition. Also included in financing activities in 2006 is the payment of a $10.0 million dividend to BCO Holding for the purposes of repurchasing certain stock and settling the exercise of certain Exchange Options by one of our officers.
(26) For purposes of determining the ratio of fixed charges, earnings are defined as earnings (loss) before income taxes and cumulative effect of change in accounting principle plus fixed charges. Fixed charges include interest on all indebtedness, amortization of capitalized expenses related to indebtedness and a portion of rental expense on operating leases, which is representative of an interest factor. In Predecessor 2003, fixed charges exceeded our earnings by $13.9 million.
(27) The increase in total assets at the end of 2004 from 2003 reflects the assets associated with the NAMPAC Acquisition and the increase in total assets at the end of 2006 from 2005 reflects the assets associated with the ICL Acquisition.
(28) The increase in total debt at the end of 2004 from 2003 reflects the debt incurred in financing the NAMPAC Acquisition and the increase in total debt at the end of 2006 from 2005 reflects the debt incurred in financing the ICL Acquisition.
(29) Total debt includes capital lease obligations of $0.3 million at the end of both 2002 and 2003, $0.8 million at the end of 2004, $0.7 million at the end of 2005 and $0.5 million at the end of 2006.

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. Unless otherwise indicated, references to years in our discussion and analysis relates to fiscal years rather than to calendar years.

Major Developments

ICL Acquisition. On July 17, 2006, we acquired substantially all of the assets and 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 ICL Industrial Containers ULC (ICL), a wholly owned subsidiary of BWAY created to effectuate the acquisition. We paid approximately $68.4 million in cash for the acquisition, which was funded by $50.0 million in term loan borrowings by ICL and from a portion of the proceeds of additional term loan borrowings by BWAY. The term loans are further discussed in Note 6 to the consolidated financial statements in Item 8 of this report. The results of operations related to this acquisition are included in the consolidated financial statements from the date of acquisition. Included in the purchase price is approximately $1.7 million in transaction costs associated with the acquisition. The purchase price also includes purchase price adjustments of approximately $0.4 million settled in fiscal 2007, which were accrued as of October 1, 2006.

The ICL Acquisition enables us to expand in the Canadian market. We believe geographic expansion is important to our growth.

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.

The NAMPAC acquisition 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

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one at the end of fiscal 2004 and the remaining two in the third quarter of 2005. We consolidated the business from these closed facilities into our other plastics manufacturing facilities, which has resulted 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.

Results of Operations

2006 and 2005

The following table sets forth changes in our statements of operations and line items as a percentage of net sales for 2006 (year ended October 1, 2006) and 2005 (year ended October 2, 2005).

Fiscal years ended October 1, 2006 and October 2, 2005			**Change**		**As a % of Net Sales**	
(Dollars in thousands)	**2006**	**2005**	**$**	**%**	**2006**	**2005**
NET SALES	$ 918,513	$ 829,109	$ 89,404	10.8%	100.0%	100.0%
Cost of products sold (excluding depreciation and amortization)	796,401	714,039	82,362	11.5	86.7	86.1
Gross profit (excluding depreciation and amortization)	122,112	115,070	7,042	6.1	13.3	13.9
Depreciation and amortization	41,615	43,215	(1,600)	(3.7)	4.5	5.2
Selling and administrative expense	29,777	22,120	7,651	34.6	3.2	2.7
Restructuring and impairment charge	1,511	5,265	(3,754)	(71.3)	0.2	0.6
Interest expense, net	34,660	32,165	2,495	7.8	3.8	3.9
Other expense (income), net	1,813	(175)	1,988		0.2	
Income before income taxes and cumulative effect of change in accounting principle	12,736	12,480	256	2.1	1.4	1.5
Provision for income taxes	6,941	4,351	2,590	59.5	0.8	0.5
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	5,795	8,129	(2,334)	(28.7)	0.6	1.0
Cumulative effect of change in accounting principle, net of tax benefit	(398)		(398)			
NET INCOME	$ 5,397	$ 8,129	$ (2,732)	(33.6)%	0.6%	1.0%

As noted above under Major Developments, we acquired ICL in July 2006. The following discussion refers to this acquisition as the ICL Acquisition.

Net Sales.

Fiscal years ended October 1, 2006 and October 2, 2005			**Change**		**As a % of the Total**	
(Dollars in thousands)	**2006**	**2005**	**$**	**%**	**2006**	**2005**
NET SALES BY SEGMENT						
Metal packaging	$ 552,968	$ 528,512	$ 24,456	4.6%	60.2%	63.7%
Plastics packaging	365,545	300,597	64,948	21.6	39.8	36.3
CONSOLIDATED NET SALES	$ 918,513	$ 829,109	$ 89,404	10.8%	100.0%	100.0%

The increase in metal packaging segment net sales for 2006 over 2005 is primarily related to net volume gains and to the ICL Acquisition. The increase in plastics packaging segment net sales for 2006 over 2005 is primarily due to higher selling prices related to higher resin costs and, to a lesser extent, revenue from the ICL Acquisition.

Cost of Products Sold.

Fiscal years ended October 1, 2006 and October 2, 2005 (Dollars in thousands)	**2006**	**2005**	**Change $**	**Change %**	**As a % of the Total 2006**	**As a % of the Total 2005**
COST OF PRODUCTS SOLD BY SEGMENT *(excluding depreciation and amortization)*						
Metal packaging	$ 459,217	$ 439,844	$ 19,373	4.4%	57.7%	61.6%
Plastics packaging	335,217	273,851	61,366	22.4	42.1	38.4
SEGMENT CPS	794,434	713,695	80,739	11.3	99.8	100.0
Corporate undistributed expenses	1,967	344	1,623	471.8	0.2	
CONSOLIDATED CPS	$ 796,401	$ 714,039	$ 82,362	11.5%	100.0%	100.0%

The increase in cost of products sold, excluding depreciation and amortization, (CPS) for the metal packaging segment for 2006 over 2005 is primarily due to the net increase in metal packaging sales volume and to the ICL Acquisition. Metal packaging CPS improved in 2006 over 2005 by approximately $3.5 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 83.0% in 2006 from 83.2% in 2005.

The increase in CPS for the plastics packaging segment in 2006 from 2005 is primarily due to higher raw material costs and to the ICL Acquisition, partially offset by reduced spending and manufacturing productivity. Plastics packaging segment CPS increased by approximately $3.0 million related to changes in the LIFO reserve due to movements in raw material costs. Plastics packaging segment CPS as a percentage of segment net sales increased to 91.7% in 2006 from 91.1% in 2005 primarily

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as a result of higher raw material costs for plastic resin that could not be passed on through increases in selling prices.

The increase in corporate undistributed expenses in 2006 over 2005 is primarily related to higher stock-based compensation expense associated with options issued after the Transaction.

Depreciation and Amortization.

Fiscal years ended October 1, 2006 and October 2, 2005 (Dollars in thousands)	2006	2005	Change $	Change %	As a % of the Total 2006	As a % of the Total 2005
DEPRECIATION AND AMORTIZATION BY SEGMENT						
Metal packaging	$ 21,381	$ 21,468	$ (87)	(0.4)%	51.4%	49.7%
Plastics packaging	18,331	19,646	(1,315)	(6.7)	44.0	45.5
SEGMENT D&A	39,712	41,114	(1,402)	(3.4)	95.4	95.1
Corporate	1,903	2,101	(198)	(9.4)	4.6	4.9
CONSOLIDATED D&A	$ 41,615	$ 43,215	$ (1,600)	(3.7)%	100.0%	100.0%

The decrease in metal packaging segment depreciation and amortization expense (D&A) in 2006 from 2005 primarily relates to lower scheduled amortization of intangibles, which was partially offset by increased amortization associated with the ICL Acquisition.

The decrease in plastics packaging segment D&A in 2006 from 2005 primarily relates to approximately $3.9 million of additional depreciation in 2005 associated with the shortened useful lives on certain assets offset by higher scheduled amortization of intangibles and to the amortization of intangibles associated with the ICL Acquisition

Selling and Administrative Expense.

Fiscal years ended October 1, 2006 and October 2, 2005 (Dollars in thousands)	2006	2005	Change $	Change %	As a % of the Total 2006	As a % of the Total 2005
SELLING AND ADMINISTRATIVE EXPENSE BY SEGMENT						
Metal packaging	$ 6,558	$ 6,837	$ (279)	(4.1)%	22.0%	30.9%
Plastics packaging	3,974	4,561	(587)	(12.9)	13.3	20.6
SEGMENT S&A	10,532	11,398	(866)	(7.6)	35.4	51.5
Corporate undistributed expenses	19,245	10,722	8,523	79.5	64.6	48.5
CONSOLIDATED S&A	$ 29,777	$ 22,120	$ 7,657	34.6%	100.0%	100.0%

The increase in consolidated selling and administrative expense (S&A) in 2006 from 2005 is primarily due to stock-based compensation expense of $8.8 million in 2006 associated with the exercise of certain stock options partially offset by general cost savings and lower spending in each of the segments.

Other Changes

Restructuring and Impairment Charges. In 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 related to the write-down of certain manufacturing equipment. The majority of the restructuring charge related to costs associated with the shutdown of certain of our plastics manufacturing facilities and related severance costs. A portion of the restructuring charge related to shutdown costs included 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 2005.

The restructuring charge in 2006 primarily related to on-going holding costs and severance related to the closures in 2005, including a charge of approximately $0.8 million related to a revision in our sublease assumption for one of the closed facilities.

Interest Expense, Net. Interest expense, net, increased $2.4 million in 2006 from 2005 primarily due to higher interest rates and to additional borrowings associated with the ICL Acquisition. Interest expense, net, in 2006 includes $0.2 million in deferred financing costs written off associated with the refinancing of the revolver component of the credit facility.

Other, Net. Other expense, net, in 2006 includes $0.8 million in third party expenses incurred in connection with the refinancing of the term loan component of the credit facility that could not be capitalized as deferred financing costs in accordance with applicable accounting guidance. Other expense, net, in each of 2006 and 2005 includes $0.5 million in financial advisory fees paid to Kelso. Other income, net, in 2005 included 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 approximately $2.5 million to $6.9 million in 2006 from $4.4 million in 2005. The increase in the provision for income taxes was due primarily to a $0.9 million tax assessment by the Puerto Rican tax authority and to a $1.0 million adjustment to our estimated effective state tax rate.

Cumulative Effect of Change in Accounting Principle, Net of Tax Benefit. Upon adoption of FIN 47 in the fourth quarter of 2006, we recorded an increase in property, plant and equipment of $0.6 million and recognized an asset retirement obligation of $1.2 million. This resulted in the recognition of a non-cash cumulative effect of a change in accounting principle of $0.4 million, net of a $0.2 deferred tax benefit, in 2006.

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2005 and 2004

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

Fiscal years ended October 2, 2005 and October 3, 2004 (Dollars in thousands)	2005	2004	Change $	Change %	As a % of Net Sales 2005	As a % of Net Sales 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 profit (excluding depreciation and amortization)	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 charge	5,265	352	4,913		0.6	0.1
Interest expense, net	32,165	26,889	5,276	19.6	3.9	4.4
Other (income) expense, net	(175)	178	(353)	111.4		
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.

Fiscal years ended October 2, 2005 and October 3, 2004 (Dollars in thousands)	2005	2004	Change $	Change %	As a % of the Total 2005	As a % of the Total 2004
NET SALES BY SEGMENT						
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 2005 over 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 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 2005 over 2004 is attributable to the NAMPAC Acquisition, which occurred in July 2004.

Cost of Products Sold.

Fiscal years ended October 2, 2005 and October 3, 2004 (Dollars in thousands)	2005	2004	Change $	Change %	As a % of the Total 2005	As a % of the Total 2004
COST OF PRODUCTS SOLD BY SEGMENT						

(excluding depreciation and amortization)						
Metal packaging	$ 439,844	$ 455,459	$ (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 2005 from 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 2005 from 85.9% in 2004. The decrease in CPS as a percentage of segment net sales is primarily a result of the pass through of steel surcharges as well as manufacturing efficiencies. In the fourth quarter of 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 2005 and realized additional benefits in 2006. Some of the improvements in metal packaging segment CPS as a percentage of segment net sales were temporary.

The increase in CPS for the plastics packaging segment in 2005 from 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.

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Plastics packaging segment CPS as a percentage of segment net sales increased to 91.1% in 2005 from 89.4% in 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 2005 and 2004, respectively, represent stock-based compensation associated with options issued after the Transaction. Acquisition related expenses in 2004 represent the recognition of manufacturer s profit in beginning inventory resulting from the NAMPAC Acquisition.

Depreciation and Amortization.

Fiscal years ended October 2, 2005 and October 3, 2004			**Change**		**As a % of the Total**	
(Dollars in thousands)	**2005**	**2004**	**$**	**%**	**2005**	**2004**
DEPRECIATION AND AMORTIZATION BY SEGMENT						
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) in 2005 from 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 2004.

The increase in plastics packaging segment D&A in 2005 from 2004 is a result of the NAMPAC Acquisition. In addition, 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 Expense.

Fiscal years ended October 2, 2005 and October 3, 2004			**Change**		**As a % of the Total**	
(Dollars in thousands)	**2005**	**2004**	**$**	**%**	**2005**	**2004**
SELLING AND ADMINISTRATIVE EXPENSE BY SEGMENT						
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 2005 from 2004 relates primarily to general cost savings and lower spending in 2005.

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

Corporate undistributed expenses include $1.5 million and $0.9 million in 2005 and 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 2005 over 2004 as a result of the company meeting certain performance measures in 2005 that were not met in

2004.

Restructuring and Impairment, Interest, Taxes and Other

Restructuring and Impairment Charges. In 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 subsequently sold in 2006. 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 2005.

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

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interest rates, which increased in 2005. Included in 2004 interest expense, net, is $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 2004.

Other, Net. Other, net, in 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 2005 from $3.6 million in 2004. The effective tax rate decreased in 2005 to 34.9% from 38.9% in 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.

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.

Liquidity and Capital Resources

The ICL Acquisition in 2006 required total cash of approximately $68.4 million, which was funded by $50.0 million in term loan borrowings by ICL and from a portion of the proceeds of additional term loan borrowings by BWAY. The term loans are further discussed below. The $68.4 million includes approximately $1.7 million in transaction costs associated with the acquisition and approximately $0.4 million in purchase price adjustments settled in fiscal 2007, which were accrued as of October 1, 2006.

In connection with the ICL Acquisition, we refinanced our existing credit facility, which now provides a U.S. dollar term loan of $190.0 million and a Canadian dollar term loan of $50.0 million, which is denominated in Canadian dollars (Cdn$56.4 million at the time of borrowing). The Canadian dollar term loan was borrowed by ICL. The $240.0 million in term loan proceeds were used to repay the existing term loan outstanding of $165.3 million, to pay the consideration and transaction costs related to the ICL Acquisition of approximately $68.4 million and to pay financing fees and costs of approximately $3.5 million related to the new credit facility. In addition, the new credit facility increases our revolver from $30.0 million to $50.0 million and provides for a $5.0 million revolver, which can be borrowed by ICL. There were no revolver borrowings drawn on the initial borrowing date or outstanding at year-end.

The interest rates on our term loan borrowings are variable. The weighted-average borrowing rate on these variable rate loans at the end of 2006 was approximately 7.0%.

During 2006, we used available cash on hand to pay a $10.0 million dividend to BCO Holding. The dividend was used by BCO Holding to purchase shares of BCO Holding common stock controlled by our chairman and chief executive officer, and to cash settle the exercise of a portion of his Exchange Options.

Our cash requirements for operations and capital expenditures during 2006 and 2005 were primarily financed through internally generated cash flows and borrowings under our revolving credit facility. During 2006, cash and cash equivalents decreased $0.9 million to $51.0 million. In the first quarter of 2007, we made a voluntary repayment of $20.0 million on the U.S. term loan. Repayments permanently reduce the term loan.

Debt increased in 2006 by $44.7 million primarily as a result of borrowings to finance the ICL Acquisition offset by a $30.0 million term loan payment in the first quarter of 2006.

At the end of 2006, we had $8.0 million in standby letter of credit commitments that reduced our available borrowings under the U.S. Revolver to $42.0 million. There were no borrowings under the $5.0 million Canadian revolver at the end of 2006.

We expect that cash provided from operations and available borrowings under the revolvers will provide sufficient working capital to operate our business, to make expected capital expenditures and to meet foreseeable liquidity requirements, including debt service on our long-term debt, including 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 or to fund our other liquidity needs in the long term.

The Senior Notes and the Credit Facility are subject to certain covenants, which we were in compliance with at October 1, 2006. For a discussion of these covenants and for further information on our long-term debt, see Note 6 to the consolidated financial statements under Item 8 of this report.

The following table presents financial information on our cash flows and changes in cash and cash equivalents for 2006, 2005 and 2004:

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Fiscal years ended October 1, 2006, October 2, 2005 and October 3, 2004				Change 2005	Change 2004
(Dollars in thousands)	2006	2005	2004	to 2006	to 2005
Net cash provided by operating activities	$ 60,933	$ 64,324	$ 45,098	$ (3,391)	$ 19,226
Net cash used in investing activities	(92,131)	(19,247)	(220,857)	(72,884)	201,610
Net cash provided by (used in) financing activities	30,288	(20,513)	202,836	50,801	(223,349)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(910)	24,564	27,077	(25,474)	(2,513)
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 50,979	$ 51,889	$ 27,325	$ (910)	$ 24,564

The increase in cash provided by operating activities from 2004 to 2005 is primarily a result of additional business associated with the NAMPAC Acquisition in the fourth quarter of 2004. We paid cash interest of $33.2 million, $29.9 million and $22.6 million in 2006, 2005 and 2004, respectively. The increase in interest is primarily due to borrowings in 2004 related to the NAMPAC Acquisition and, to a lesser extent, higher interest rates. We paid income taxes of $20.0 million and $0.4 million in 2006 and 2005, respectively, and received an income tax refund of $2.5 million in 2004.

We used cash in investing activities for capital expenditures of $25.0 million, $20.3 million and $19.1 million in 2006, 2005 and 2004, respectively. Increases in capital expenditures are primarily related to certain manufacturing improvement initiatives. Included in 2006 are capital expenditures for improvements required to meet certain environmental standards. Investing cash flows related to business acquisitions were $68.4 million in 2006 (ICL) and $202.3 million in 2004 (primarily NAMPAC). We expect lower capital expenditures in FY 2007.

Changes in cash related to financing activities are due to the following: net long-term debt borrowings of $44.1 million in 2006 and $197.8 million in 2004 were primarily related to the funding of the acquisitions discussed above. We had net repayments of $19.7 million in 2005. We received a capital contribution of $30.0 million in 2004 to partially fund the NAMPAC Acquisition and paid a dividend of $10.0 million in 2006 to fund the purchase of stock and settlement of options by BCO Holding, as discussed above.

Market Risk

Our cash flows and earnings are exposed to the 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 the end of 2006, we had Term Loan borrowings of $240.0 million that were subject to interest rate risk. Each 100 basis point increase in interest rates relative to these borrowings would reduce annual pretax earnings by approximately $2.4 million based on the debt level at the end of the year. There were no outstanding borrowings at the end of 2006 under the Revolvers.

Our business is also exposed to variations in the prices of steel and of plastic resin. See Commodity Risk below and Item 1, Business.

The fair value of the Senior Notes is exposed to the market risk of interest rate changes. A 100 basis point increase in interest rates would reduce the market value of the Senior Notes by approximately $6.4 million.

Off-Balance Sheet Arrangements

None.

Contractual Obligations and Commercial Commitments

The following table summarizes our significant contractual obligations at the end of 2006:

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(Dollars in millions)	Total	Payments Due by Period Less than 1 year	1 3 years	3 5 years	More than 5 years
CONTRACTUAL OBLIGATIONS					
Long-term debt obligations (1)(2)(3)	$ 440.0	$ 20.5	$ 4.5	$ 204.4	$ 210.6
Interest on the Senior Notes (4)	90.0	20.0	40.0	30.0	
Operating and capital lease obligations	57.9	10.0	17.5	13.2	17.2
Other long-term liabilities (5)	21.3	1.3	3.3	3.5	13.2
TOTAL CONTRACTUAL OBLIGATIONS	$ 609.2	$ 51.8	$ 65.3	$ 251.1	$ 241.0

(1) Includes $200.0 million in principal amount of our 10% Senior Subordinated Notes due 2010 and $240.0 million of outstanding borrowings under the Term Loans. There were no outstanding borrowings under the Revolvers. 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 1, 2006, we had borrowing capacity under the Revolvers of approximately $47.0 million. The Revolvers expire July 17, 2012; the Term Loans have scheduled quarterly repayments due with final maturity on July 17, 2013.

(2) Included in the payments due in less than one year is a $ 20.0 million voluntary repayment on the US Term Loan made in November 2006. Prepayments reduce future scheduled payments.

(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 1, 2006, $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 $240.0 million and a weighted-average interest rate of 7.0% at October 1, 2006, our annual interest obligation would be approximately $16.8 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 1, 2006.

At the end of 2006, we had standby letters of credit, which expire in less than one year, in the aggregate amount of approximately $8.0 million in favor of our workers compensation insurers and purchasing card vendor. The standby letters of credit reduce the borrowing capacity under the U.S. Revolver, and at the end of 2006, $42.0 million of the $50.0 million facility was available. All of the $5.0 million Canadian Revolver was available at the end of 2006.

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.

New Accounting Standards

In December 2004, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards (SFAS) 123 (revised 2004), *Share-Based Payment* (SFAS 123R), which eliminates the ability to account for share based compensation transactions using APB 25 and generally requires that such transactions be accounted for using a fair value-based method with the resulting compensation cost recognized over the period that the employee is required to provide service in order to receive their compensation. SFAS 123R also amends SFAS 95, *Statement of Cash Flows*, requiring the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as currently required. For purposes of SFAS 123R, a nonpublic entity as defined in the Statement includes entities that have only debt securities trading in a public market.

We adopted SFAS 123R as of the required effective date for nonpublic entities, which, for us, was October 2, 2006, using the prospective transition method. Under the prospective transition method, compensation cost is recognized in the financial statements beginning with the effective date for all new awards and to awards modified, repurchased or cancelled after the required effective date. As such, the adoption of the Statement did not result in a cumulative effect of a change in accounting principle. However, SFAS 123R will have an impact on our consolidated financial statements for new awards and for awards modified, repurchased or cancelled after the required effective date.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections A Replacement of APB Opinion No. 20 and FASB Statement No. 3* (SFAS 154). SFAS 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 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. The Statement does not change the transition provisions of any existing accounting pronouncements. SFAS 154 is effective for accounting changes and errors in previously issued financial statements made in fiscal years beginning after December 15, 2005, which for us is the beginning of 2007. We will follow the provisions of this Statement in the event of any future accounting changes.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting *for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48). This interpretation clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return and requires that we recognize in our financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure requirements for uncertain tax positions. The provisions of FIN 48 are effective for us at the beginning of 2008 (October 2007). We are currently evaluating the impact of FIN 48 on our consolidated financial statements.

In September 2006, the SEC issued SAB 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108). SAB 108 states that registrants should use both a balance sheet approach and an income statement approach when quantifying and evaluating the materiality of a misstatement. The interpretations in SAB 108 contain guidance on correcting errors under the dual approach as well as provide transition guidance for correcting errors. This interpretation does not change the requirements within SFAS 154 for the correction of an error on financial statements. SAB 108 is effective for annual financial statements covering the first fiscal year ending after November 15, 2006, which, for us, is fiscal 2007 ending September 30, 2007. We are currently evaluating the impact of SAB 108 on our consolidated financial statements.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 is effective for us at the beginning of 2009 (October 2008). We are currently evaluating the impact of SFAS 157 on our consolidated financial statements.

In September 2006, the FASB issued SFAS 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans-an amendment of FASB Statements No. 87, 88, 106, and 132(R) (SFAS 158). This Statement requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability on its statement of financial position. SFAS 158 also requires an employer to recognize changes in that funded status in the year in which the changes occur through comprehensive income. In addition, this statement requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. Since we do not have publicly traded equity securities, SFAS 158 is effective for us at the end of the fiscal year ending after June 15, 2007, which is fiscal 2007 ending September 30, 2007. We are currently evaluating the impact of SFAS 158 on our consolidated financial statements.

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. 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. Generally, inventory is determined under the last-in, first-out (LIFO) method of inventory valuation. However, inventory at our ICL subsidiary is determined under the first-in, first-out (FIFO) method of inventory valuation. We estimate reserves for inventory obsolescence and shrinkage based on management s 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 provide volume rebates to our customers on certain products. We accrue a provision for these rebates, which is recognized as a reduction of net sales, in the period that the goods are shipped. Accrued rebates may be settled in cash or as a credit against customer accounts receivable.

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.

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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 acquired value. Finite-lived, identifiable intangible assets are also 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.

We have two reporting units that have goodwill: metal packaging and plastic packaging. 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.

For a discussion of commodity risk and its relation to our cost of products sold, see Item 1, Business, and Commodity Risk in Item 7, which is incorporated herein by reference.

Our purchases 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 local currency.

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

Evaluation of Disclosure Controls and Procedures: Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has concluded, based upon its evaluation as of the end of the period covered by this report, that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) are effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms.

Changes in Internal Control Over Financial Reporting: There have been no changes in our internal controls over financial reporting during the three months ended October 1, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

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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.

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, 2006 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	67	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	77	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	49	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 Enterprises, Inc., Insurance Auto Auctions, Inc., Renfro Corporation and U.S. Electrical Services, LLC. Mr. Wahrhaftig is also on the Board of Visitors at Wake Forest University.
Thomas R. Wall, IV Director	48	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 is a director of Ellis Communications Group, LLC, Endurance Business Media, Inc., Mitchell Supreme Fuel Company, Renfro Corporation and U.S. Electrical Services, LLC. Mr. Wall is also a Trustee of Choate Rosemary Hall.

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Name	Age	Business Experience
David M. Roderick Director	82	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.
Lawrence A. McVicker Director	66	Mr. McVicker became one of our directors in October 2004. Mr. McVicker is currently the chief effective officer of MVOC, LLC. Mr. McVicker was chairman and chief executive officer of North America Packaging Corporation (NAMPAC) from 2001 to July 2004 and was president and chief operating officer of Southcorp Packaging USA from 1999 to 2001. Mr. McVicker served as president and chief operating officer for Waldorf Corporation from 1995 to 1997 and from 1964 to 1995 was employed by Packaging Corporation of America (Tenneco), most recently as the senior vice president of international operations from 1991 to 1995. Mr. McVicker is a trustee of the Miami University Foundation. He has served as vice-chairman, executive committee recycled paperboard and solid waste task force for the American Forest & Paper Association; served on the executive committee and board of directors of the Paperboard Packaging Council; served on the board of trustees of the Recycled Paperboard Technical Association and of the Miami University Pulp & Paper Foundation.
Kenneth M. Roessler President and Chief Operating Officer of the Company and President and Chief Operating Officer BWAY Packaging Division	44	Mr. Roessler was appointed president and chief operating officer of the Company in March 2006. From October 2004 to February 2006, Mr. Roessler served as senior vice president of the Company. Mr. Roessler continues to serve as the president and chief operating officer of our BWAY Packaging Division, which he has done since September 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.
Kevin C. Kern Chief Financial Officer and Vice-President of Administration	47	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.
Jeffrey M. O Connell Vice-President, Treasurer and Secretary	53	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.

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Name	Age	Business Experience
Thomas K. Linton Senior Vice-President of the Company and President and Chief Operating Officer NAMPAC Division	53	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.

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 2004, 2005 and 2006.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation		
					Awards	Payouts	
					Securities	LTIP	
		Salary	Bonus	Other Annual Compensation	Underlying Options/SARs	Payouts	All Other Compensation
Name and Principal Position	Fiscal Year	($)	($) (1)	($)	(#)	($)	($)
Jean-Pierre M. Ergas	2006	681,667	1,227,000			8,800,646(2)	463,257(3)
Chairman and Chief Executive	2005	637,500	1,490,000				699,517(4)
Officer	2004	581,250	300,000				446,099(5)
Kenneth M. Roessler (6)	2006	374,792	505,969				8,800(7)
President and Chief Operating	2005	339,375	564,219				5,600(7)
Officer; President and Chief Operating	2004	318,750	100,000				1,432(7)
Officer BWAY Packaging Division							
Thomas K. Linton (8)	2006	318,760	298,838				6,300(7)
Senior Vice President; President	2005	307,500	217,188				7,060(7)
and Chief Operating Officer NAMPAC	2004	70,161	150,000		120,000(9)		1,811(7)
Division							
Kevin C. Kern	2006	288,542	324,609				3,333(7)
Chief Financial Officer;	2005	265,625	402,031				3,083(7)
Vice-President of Administration	2004	246,250	175,000				3,283(7)
Jeffrey M. O Connell	2006	194,042	174,638				6,681(7)
Vice President; Treasurer and	2005	180,625	230,625				6,375(7)
Secretary	2004	168,125	100,000				5,075(7)

(1) Bonus amounts were earned during the fiscal year indicated and paid in the subsequent fiscal year.
(2) Compensation related to the cash settlement upon the exercise of 386,221 Exchange Options.
(3) The amount includes an accrual of $459,957 for supplemental executive retirement benefits pursuant to his employment agreement and $3,300 of Company paid 401(k) contributions under the Savings Plan.
(4) The amount includes an accrual of $696,517 for supplemental executive retirement benefits pursuant to his employment agreement and $3,000 of Company paid 401(k) contributions under the Savings Plan.

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

(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 September 2004 and was appointed president and chief operating officer of the Company in March 2006.

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

(8) 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.

(9) 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.

There were no stock options granted to the Named Executive Officers during fiscal 2006. The following table summarizes options held by the Named Executive Officers at the end of 2006.

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Aggregated Option/SAR Exercises in Last Fiscal Year

and Fiscal Year-End Option/SAR Values

Under the Holding Incentive Plan

	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	386,221	$ 8,800,646	727,731 / 417,454	$16,952,811 / 8,845,850
Kenneth M. Roessler			242,954 / 208,727	5,481,541 / 4,422,925
Thomas K. Linton			39,200 / 80,800	576,240 / 1,187,760
Kevin C. Kern			96,533 / 50,095	2,291,362 / 1,061,513
Jeffrey M. O Connell			56,587 / 20,873	1,369,252 / 442,299

(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, 2006 at $31.19 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 2006.

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.

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

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(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 executives other than Mr. Ergas, outplacement services for a period of 12 months.

The change in control agreements provide that if any payments to the executive are considered excess parachute payments as defined in Section 280G of the Internal Revenue Code, the amount of the separation payment to an executive described under the first bullet point above will be reduced by the minimum amount necessary to reduce the parachute payments to 299% of the executive s base amount as defined in Section 280G of the Internal Revenue Code. Following termination, each executive is subject to a customary one-year non-compete agreement, which, if breached, would require an executive to repay (or, if unpaid, to forfeit) all the above specified payments and benefits.

The Transaction constituted a change in control pursuant to the above agreements. However, the 24 month period in which the agreements would be applicable to the Transaction expired on February 6, 2005.

The change in control agreements survived the Transaction and are applicable to any future change in control per each respective agreement.

As discussed above under Management Employment Agreements, Mr. Linton s letter agreement provides certain change in control benefits.

BCO Holding Stock Incentive Plan

In February 2000, the Predecessor adopted the Fourth Amendment and Restatement of the 1995 Long-Term Incentive Plan (the Predecessor Incentive Plan). As a result of the Transaction, (which, as defined in the Predecessor Incentive Plan, was an event of a change in control), all outstanding options became immediately vested and exercisable. Certain members of management that held stock options under the Predecessor Incentive Plan entered into Exchange Agreements with BCO Holding whereby their Predecessor Incentive Plan options to acquire shares in BWAY Corporation were exchanged 2-for-1 for new options under the Holding Incentive Plan with an exercise price of $10.00 per share of BCO Holding common stock (Exchange Options). The Exchange Options were fully vested as of the closing of the Transaction and were issued with substantially the same terms and conditions in effect immediately before the exchange.

Effective with the closing of the Transaction in February 2003, BCO Holding, our parent company, assumed the Predecessor Incentive Plan, which was replaced in July 2004 with the Amended and Restated BCO Holding Stock Incentive Plan (the Holding Incentive Plan). The July 2004 amendment increased the number of available shares of the common stock of BCO Holding subject to options from 2,006,989 to 2,395,103.

Three types of options may be granted under the BCO Plan:

Service options. These options generally become exercisable in up to three equal annual installments commencing on the first anniversary of the grant date.

Performance options. These options generally become exercisable in five equal annual installments if the Company achieves certain specified EBITDA objectives.

Exit options. These options generally become exercisable only if the Kelso affiliates are able to sell all or substantially all of their equity investment in BCO Holding at a price greater than or equal to four times their initial investment (taking into account all options) and achieve at least a 15% internal rate of return, compounded annually, subject to certain exceptions. Exit options become exercisable ratably between two times the exit value and four times the exit value.

Under the BCO Plan, 40% of the options (approximately 958,000) will be service options, 10% (approximately 239,000) will be performance options and 50% (approximately 1,198,000) will be exit options.

In the event that a participant s employment with us terminates by reason of death, disability or retirement, the participant (or the participant s beneficiary) may exercise any vested options within one year following the termination or the normal date of the options, whichever period is shorter, and all unvested options are canceled immediately upon such termination. If we terminate the participant for cause, all options, whether vested or unvested, are immediately canceled. In the event a participant s employment terminates due to voluntary resignation or any reason other than those described above, any options held by the participant that are exercisable at the date of such termination, shall remain exercisable for a period of sixty days following the termination.

Upon a change in control, each outstanding service option (regardless of whether such service options are at such time otherwise exercisable), each performance option that is exercisable on or prior to the change in control and each exit option that is exercisable on or prior to the change in control shall be canceled in exchange for a payment in cash of an amount equal to the excess, if any, of the change in control price over the option price. Alternatively, the Compensation Committee of the BCO Holding board of directors may determine that in the event of a change in control, such options shall be honored or assumed, or new rights substituted therefore by the new employer on a substantially similar basis and in accordance with the terms and conditions of the BCO Plan. The BCO Plan also provides that if any payments to the participant are considered excess parachute payments as defined in Section 280G of the Internal Revenue Code, the amount of the payment to a participant under the BCO Plan will be reduced by the minimum amount necessary to reduce the parachute payments to 299% of the participant s base amount as defined in Section 280G of the Internal Revenue Code.

The Compensation Committee of the Board of Directors of BCO Holding administers the BCO Plan or, if there shall not be any committee serving, the board administers the plan. The committee has discretionary authority to determine the employees eligible to participate under the plan and determines the number of shares of common stock subject to each option granted thereunder, the time and condition of exercise of such option and all other terms and conditions of such option, including the form of the option agreement setting forth the terms and conditions of such option. The compensation committee determines the exercise price of each option under the incentive plan, provided that the exercise price cannot be less than the fair market value (as determined under the incentive plan) of the BCO Holding common stock on the date of grant. It is anticipated that all options will be non-qualified stock options for federal income tax purposes. Options are not transferable other than by will or by the laws of descent and distribution or, if permitted by the compensation committee, in connection with certain pledges and estate planning transfers. All of the shares acquired upon exercise of any option will be subject to the securityholder arrangements described above.

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Pension and Savings Plans

We maintain various savings plans (the Savings Plans) qualified under Sections 401(a) and 401(k) of the Internal Revenue Code. Generally, all full-time employees, including executives and officers, are eligible to participate in the Savings Plans upon their employment with us. With the exception of Mr. Linton, the named executive officers are eligible to participate under the BWAY Corporation Retirement Savings Plan, which provides for company matching contributions of 100% of the first 4% of annual compensation contributed after completing one year of service. Mr. Linton is eligible to participate in the North America Packaging Corporation 401(k) Retirement Savings Plan, which provides for contributions from the company of 3% of compensation.

Mr. Linton is a participant in the North America Packaging Corporation Pension Plan, which was frozen in October 2004. Effective with the freeze, each active participant s pension benefit will be determined based on the participant s compensation and period of employment as of the freeze.

Compensation Committee Interlocks and Insider Participation

We do not have any items to report related to Management Resources, Nominating and Compensation Committee interlocks or insider participation relationships with the Company by its members.

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Management Resources, Nominating and Compensation Committee Report on Executive Compensation

The Management Resources, Nominating and Compensation Committee of the Board of Directors (the Compensation Committee) offers this report regarding the compensation policies for the Company s executive officers, including the Chief Executive Officer.

The Compensation Committee reviews and makes recommendations to the Board regarding salaries, compensation and benefits of executive officers of the Company and develops and administers programs providing stock-based incentives. After consideration of the Compensation Committee s recommendations, the entire Board reviews and approves the salaries and bonuses and the stock and benefit programs for the Company s executive officers. This report documents the components of the Company s executive officer compensation programs and describes the bases upon which compensation will be determined by the Compensation Committee with respect to the executive officers of the Company.

Compensation Philosophy

The compensation philosophy of the Company is to link executive compensation to continuous improvements in corporate performance and increases in stockholder value. The goals of the Company s executive compensation programs are as follows:

To establish pay levels that are necessary to attract and retain highly qualified executives in light of the overall competitiveness of the market for high quality executive talent.

To recognize superior individual performance, new responsibilities and new positions within the Company.

To balance short-term and long-term compensation to complement the Company s annual and long-term business objectives and strategy and to encourage executive performance in furtherance of the fulfillment of those objectives.

To provide variable compensation opportunities based on the Company s performance.

To align executive remuneration with the interests of the stockholder.

Compensation Program Components

The Compensation Committee regularly reviews the Company s compensation program to ensure that pay levels and incentive opportunities are competitive with the market and reflect the performance of the Company. The particular elements of the compensation program for executive officers are further explained below.

Base Salary. The base pay level for Mr. Ergas is set forth in his employment agreement, as amended. (See Management Employment Agreements above.) Mr. Ergas, as Chief Executive Officer, may change or modify the compensation of the other executive officers as he deems necessary for the proper operation of the Company.

Annual Incentives. All executive officers are eligible for annual incentives under the Company s Officer Incentive Plan with awards determined annually by the Compensation Committee. The Company uses annual incentives to enhance management s contribution to stockholder returns by offering competitive levels of compensation for the attainment of the Company s financial objectives. In particular, the Company utilizes annual incentives to focus corporate behavior on the achievement of goals for growth, financial performance and other items.

Stock Ownership. The Compensation Committee believes that it can align the interests of stockholders and executives by providing those persons who have substantial responsibility over the management and growth of the Company with an opportunity to establish a meaningful ownership position in the Company. There were no stock options granted to the executive officers in fiscal 2006.

Following the buyout of the Company in February 2003, management rolled a substantial number of stock options into options to receive BCO Holding common stock. As stockholders, we believe management will continue to act in the best interests of the Company and of the other stockholders.

Compensation for the Chief Executive Officer

The base pay level and annual incentive bonus compensation for Mr. Ergas, who has served as the Company s Chief Executive Officer since January 2000, was initially determined pursuant to his amended employment agreement dated February 7, 2003. Pursuant to this employment agreement, Mr. Ergas base salary was initially set at $550,000 per annum and bonus compensation pursuant to the Officer Incentive Program was set based on certain EBITDA targets as defined in the employment agreement. The Compensation Committee in its sole discretion based on the achievement of goals and objectives determined by it and in accordance with Mr. Ergas employment agreement may change base pay and shall determine the Company s EBITDA objectives that, if achieved, will trigger Mr. Ergas annual incentive bonus. In March 2006, Mr. Ergas base salary was set at $700,000 per annum and Mr. Ergas was awarded an annual bonus of $1,227,000 for fiscal 2006 based on the Company exceeding certain performance objectives.

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Summary

After reviewing the Company s existing programs, the Compensation Committee believes that the total compensation program for executives of the Company is focused on increasing value for stockholders and enhancing corporate performance, that the compensation of executive officers is properly tied to stock appreciation through stock options or stock ownership, and that executive compensation levels at the Company are competitive with the compensation programs provided by other corporations with which the Company competes.

THIS COMPENSATION COMMITTEE REPORT SHALL NOT BE DEEMED INCORPORATED BY REFERENCE BY ANY GENERAL STATEMENT INCORPORATING BY REFERENCE THIS FORM 10-K INTO ANY FILING UNDER THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES EXCHANGE ACT OF 1934, EXCEPT TO THE EXTENT THAT THE COMPANY SPECIFICALLY INCORPORATES THIS INFORMATION BY REFERENCE, AND SHALL NOT OTHERWISE BE DEEMED FILED UNDER SUCH ACTS.

The following directors and members of the Company s Management Resources, Nominating and Compensation Committee have provided the foregoing report:

Thomas R. Wall, IV, *Chairman*

Warren J. Hayford

David I. Wahrhaftig

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table provides certain information with respect to the beneficial ownership of the common stock of BCO Holding as of December 1, 2006, by (i) each stockholder known by us who owns beneficially 5 percent or more of the outstanding shares of such common stock, (ii) each of our directors, (iii) each of our executive officers and (iv) all of our directors and executive officers as a group. BCO Holding owns 100% of the capital stock of BWAY, which in turn owns 100% of the capital stock of NAMPAC. To our knowledge, each stockholder has sole voting and investment power with respect to the shares indicated as beneficially owned, unless otherwise indicated in a footnote to the following table. Unless otherwise indicated in a footnote, the business address of each person is our corporate address.

On February 7, 2003, BCO Holding entered into a securityholders agreement with the Kelso affiliates and certain stockholders who own shares and options of BCO Holding. This securityholders agreement covers, among other things, transferability of the stockholders shares and the composition of the board of directors. See Certain Relationships and Related Transactions Securityholders Agreement. In addition, the securityholders agreement requires, and other future agreements may require, BCO Holding to repurchase BCO Holding s common stock or options to purchase BCO Holding s common stock. We may fund all or a portion of such repurchases, subject to the provisions of the indenture governing the notes, provisions of our new credit facility and other conditions.

Beneficial Owner	Number of Shares of Common Stock (1)	Percent of Class (2)
Kelso Investment Associates VI, L.P. (3)	9,430,983(4)	86.0%
KEP VI, LLC (3)	9,430,983(4)	86.0%
Frank T. Nickell (3)	(5)	(5)
Thomas R. Wall, IV (3)	(5)	(5)
George E. Matelich (3)	(5)	(5)
Michael B. Goldberg (3)	(5)	(5)
David I. Wahrhaftig (3)	(5)	(5)
Frank K. Bynum, Jr. (3)	(5)	(5)
Philip E. Berney (3)	(5)	(5)
Frank J. Loverro (3)	(5)	(5)
James J. Connors, II (3)	(5)	(5)
Jean-Pierre M. Ergas	727,731(6)	6.2%
Kenneth Roessler	242,954(7)	2.2%
Kevin C. Kern	101,081(8)	*
Jeffrey O Connell	59,619(9)	*
Warren J. Hayford	1,954,990(10)	16.8%
Marylou Hayford	1,284,156(11)	11.7%
Thomas K. Linton	39,200(12)	
David M. Roderick		
Lawrence A. McVicker		
All Directors and Executive Officers as a Group (10 persons)	3,125,575(13)	24.4%

* *Less than one percent.*

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(1) The number of shares includes shares of BCO Holding common stock subject to options exercisable within 60 days of December 1, 2006.
(2) As of December 1, 2006, 10,970,992 shares of BCO Holding common stock were issued and outstanding. Shares subject to options exercisable within 60 days of December 1, 2006 are considered outstanding for the purpose of determining the percent of the class held by the holder of such option, but not for the purpose of computing the percentage held by others.
(3) The business address for these persons is c/o Kelso & Company, 320 Park Avenue, 24th Floor, New York, New York 10022.
(4) The shares of common stock beneficially owned by Kelso Investment Associates VI, L.P. and KEP VI, LLC represents the combined share ownership of Kelso Investment Associates VI, L.P. and KEP VI, LLC. Kelso Investment Associates VI, L.P. and KEP VI, LLC, due to their common control, could be deemed to beneficially own each of the other s shares, but disclaim such beneficial ownership.
(5) Messrs. Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum, Berney, Loverro and Connors may be deemed to share beneficial ownership of shares of common stock owned of record by Kelso Investment Associates VI, L.P. and KEP VI, LLC, by virtue of their status as managing members of KEP VI, LLC and the general partner of Kelso Investment Associates VI, L.P. Messrs. Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum, Berney, Loverro and Connors share investment and voting power with respect to the shares of common stock owned by Kelso Investment Associates VI, L.P. and KEP VI, LLC but disclaim beneficial ownership of such shares.
(6) The shares of common stock beneficially owned by Mr. Ergas include 727,731 shares subject to options exercisable within 60 days.
(7) The shares of common stock beneficially owned by Mr. Roessler consist of 242,954 shares subject to options exercisable within 60 days. The shares of common stock beneficially owned by Mr. Roessler exclude 34,237 shares and shares subject to option transferred to his wife in fiscal 2005 pursuant to a settlement agreement entered into in conjunction with a division of marital assets incident to their divorce.
(8) The shares of common stock beneficially owned by Mr. Kern consist of 96,533 shares subject to options exercisable within 60 days.
(9) The shares of common stock beneficially owned by Mr. O Connell consist of 56,587 shares subject to options exercisable within 60 days.
(10) The shares of common stock beneficially owned by Mr. Hayford consist of 1,238,674 shares directly owned by his wife, Marylou Hayford, and 45,482 shares and 670,834 shares subject to options directly owned by Mr. Hayford. Mr. Hayford disclaims beneficial ownership of the shares directly owned by his wife.
(11) The shares of common stock beneficially owned by Mrs. Hayford include 45,482 shares directly owned by her husband, Warren J. Hayford, but do not include 670,834 shares subject to options owned directly by Mr. Hayford. Mrs. Hayford disclaims beneficial ownership of the shares directly owned by her husband.
(12) The shares of common stock beneficially owned by Mr. Linton consist of 39,200 shares subject to options exercisable within 60 days.
(13) The shares of common stock held by directors and executive officers as a group excludes shares held by Kelso Investment Associates VI, L.P. and KEP VI, LLC that may be deemed to be beneficially owned by Mr. Wall and Mr. Wahrhaftig.

Equity Compensation Plan Information

The following table summarizes compensation plans (including individual compensation arrangements) under which the equity securities of BCO Holding are authorized for issuance as of October 1, 2006. We are a wholly-owned subsidiary of BCO Holding.

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted-average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders under the BCO Holding Incentive Plan	3,468,653	$ 9.90	144,049
Equity compensation plans not approved by security holders			

Total	3,486,653	$ 9.90	144,049

Item 13. Certain Relationships and Related Transactions

Securityholders Agreement

BWAY is a wholly-owned subsidiary of BCO Holding. On February 7, 2003, BCO Holding entered into a securityholders agreement with the Kelso affiliates, which in the aggregate own a majority of BCO Holding s common stock, and certain other securityholders who own common stock and options to purchase common stock of BCO Holding and whom we refer to in this prospectus as the non-Kelso securityholders. The securityholders agreement provides that Jean-Pierre M. Ergas or a family representative or, with Kelso s consent, other representative following his death or disability, will be a member of BCO Holding s board of directors until the later of (a) Mr. Ergas no longer serving as either our chief executive officer or chairman or (b) he or his family or estate selling any of their equity in BCO Holding. The securityholders agreement also provides that Warren J. Hayford or another person he and Mary Lou Hayford designate will be a member of BCO Holding s board of directors (or if BCO Holding s board of directors is composed of 11 or more persons, Mr. and Mrs. Hayford may designate two of BCO Holding s directors). Consent of the Kelso affiliates is required for any Hayford designees who are not members of the Hayford family. The Kelso affiliates have the right to designate all of the other members of BCO Holding s board of directors. Mr. Hayford or any Hayford family member board designee or the disinterested members of BCO Holding s board have the right to approve all affiliate transactions and certain other matters, subject to certain specified exceptions. Mr. Ergas employment agreement has been

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amended to provide that Mr. Ergas will remain as either chief executive officer or executive chairman through December 31, 2007.

The securityholders agreement generally restricts the transfer of shares of common stock owned by the non-Kelso securityholders and any of our employees who will, at a later point, become parties to the agreement. Exceptions to this restriction include transfers for estate planning purposes or transfers in connection with certain pledges, so long as any transferee agrees to be bound by the terms of the securityholders agreement. Warren J. Hayford and Mary Lou Hayford have the right to transfer their shares to third parties with the consent of the Kelso affiliates.

In addition, the non-Kelso securityholders have tag-along rights to sell their shares on a pro rata basis with the Kelso affiliates in significant sales to third parties. Similarly, the Kelso affiliates have drag-along rights to cause the non-Kelso securityholders to sell their shares on a pro rata basis with the Kelso affiliates in significant sales to third parties. Our employees who are parties to the securityholders agreement are subject to put and call rights which, subject to certain exceptions, entitle an employee stockholder to require BCO Holding to purchase their shares and which entitle BCO Holding, subject to certain exceptions, to require the employee stockholder to sell their shares to BCO Holding, upon any termination of the stockholder s employment with BCO Holding at differing prices, depending upon the circumstances of the termination and further subject to a six-month and one day holding period following the date of acquisition of any shares through the exercise of stock options. The securityholders agreement also contains a provision that requires BCO Holding to offer certain existing stockholders the right to purchase shares of BCO Holding upon a new issuance on a pro rata basis, subject to certain exceptions.

Registration Rights Agreement

On February 7, 2003, BCO Holding entered into a registration rights agreement with the non-Kelso securityholders. Pursuant to this agreement, the Kelso affiliates have the right to make an unlimited number of requests that BCO Holding register their shares under the Securities Act, and, following the first anniversary of an initial public offering, Mr. and Mrs. Hayford have the right to make up to two requests for such registration. In any demand registration, all of the parties to the registration rights agreement have the right to participate on a pro rata basis, subject to certain conditions. In addition, if BCO Holding proposes to register any of its shares (other than registrations related to exchange offers, benefit plans and certain other exceptions), all of the holders of registration rights under the registration rights agreement have the right to include their shares in the registration statement, subject to certain conditions.

Kelso Arrangements

In connection with the closing of the merger, we paid to Kelso a one-time fee of $4,950,000. In addition, we entered into an agreement, which requires us to pay to Kelso annual financial advisory fees not to exceed $495,000, reimburse Kelso and certain of its affiliates for their expenses incurred in connection with the transactions and in connection with any services to be provided by Kelso or any such affiliates to us on a going forward basis, and indemnify Kelso and certain of its affiliates with respect to the Transaction and any services to be provided by Kelso or any such affiliates to us on a going-forward basis.

Exchange Agreements

BCO Holding entered into separate exchange agreements, dated as of September 30, 2002, with each of Jean-Pierre M. Ergas, Warren J. Hayford, Mary Lou Hayford, Thomas N. Eagleson, Kevin C. Kern, Jeffrey M. O Connell and Kenneth M. Roessler. Pursuant to these exchange agreements, immediately prior to the consummation of the merger of BCO Acquisition and BWAY, Mary Lou Hayford exchanged 596,596 shares of common stock of BWAY for 1,193,192 shares of common stock of BCO Holding, and Jean-Pierre M. Ergas, Warren J. Hayford, Thomas N. Eagleson, Kevin C. Kern, Jeffrey M. O Connell and Kenneth M. Roessler exchanged, in the aggregate, options to acquire 812,910 shares of common stock of BWAY for new options to acquire, in the aggregate, 1,625,820 shares of common stock of BCO Holding. As a result of the exchange agreements, these continuing investors hold, in the aggregate, shares of BCO Holding s common stock, which, together with options to purchase BCO Holding s common stock, but without giving effect to the grant of new stock options under BCO Holding s new stock incentive plan, represent approximately 26.1% of the fully diluted equity of BCO Holding.

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Item 14. Principal Accounting Fees and Services

Fees paid to Deloitte & Touche LLP Audit and non-audit fees

The following table presents fees for professional audit services rendered by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, Deloitte & Touche) for the audit of the Company s annual financial statements for the years ended October 1, 2006 and October 2, 2005 and fees billed for tax and other services rendered by Deloitte & Touche during those periods. All of the following fees were approved by the Audit Committee.

	Fiscal Year	
(Dollars in millions)	**2006**	**2005**
Audit Fees	$ 0.7	$ 0.6
Audit Related Fees(1)	$ 0.1	$ 0.4
Tax Fees(2)	$ 0.3	$ 0.2
All Other Fees		
Total	$ 1.1	$ 1.2

(1) Audit Related Fees consist of the assurance and related services that are reasonably related to the performance of the audit or review of the Company s financial statements. We have included in this category fees related to the performance of audits and attest services not required by statute or regulations, audits of the Company s benefit plans, due diligence related to mergers and acquisitions, review of filings related to the registration of the Company s senior subordinated notes, review of filings related to mergers and acquisitions and accounting consultations regarding the application of GAAP to proposed transactions.

(2) Tax Fees consist of the aggregate fees billed for professional services rendered by Deloitte & Touche for tax compliance, tax advice and tax planning.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

The Audit Committee is responsible for appointing, setting compensation and overseeing the work of the independent auditor. The Audit Committee assists the Board of Directors in its oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Company. The Audit Committee s role includes discussing with management the Company s processes to manage business and financial risk, and for compliance with significant applicable legal, ethical and regulatory requirements. The Audit Committee is responsible for the appointment, replacement, compensation, and oversight of the independent auditor engaged to prepare or issue audit reports on the financial statements of the Company. The Audit Committee relies on the expertise and knowledge of management, the internal auditors and the independent auditor in carrying out its oversight responsibilities.

The audit committee approves all fees incurred by us from Deloitte & Touche LLP.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as a part of this report:

(1) The Consolidated Financial Statements included in Item 8 hereof and set forth on pages F-1 through F-34.

(2) The Financial Statement Schedule listed in the Index to the Financial Statement Schedules on page S-1. Financial Statement Schedules not included in the Index are not applicable.

(3) The Exhibits listed in the Index to Exhibits at page 33.

(b) Exhibits. The exhibits required by Item 601 of Regulation S-K are either filed as part of this Annual Report on Form 10-K or are incorporated by reference. See the Index to Exhibits at page 33.

(c) Financial Statements and Schedules Excluded from Annual Report to Shareholders: None

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements as encouraged by the Private Securities Litigation Reform Act of 1995. All statements contained in this document, other than historical information, are forward-looking statements. These statements represent management s current judgment on what the future holds. A variety of factors could cause business conditions and the Company s actual results to differ materially from those expected by the Company or expressed in the Company s forward-looking statements. These factors include, without limitation, competitive risks from substitute products and other container manufacturers, termination of the Company s customer contracts, loss or reduction of business from key customers, dependence on key personnel, changes in steel, resin and other raw material costs or availability, labor unrest, catastrophic loss of one of the Company s manufacturing facilities, environmental exposures, management s inability to identify or execute selective acquisitions, failures in the Company s computer systems, unanticipated expenses, delays in implementing cost reduction initiatives, potential equipment malfunctions and the other factors discussed in the Company s filings with the Securities and Exchange Commission. The Company takes no obligation to update or revise

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forward-looking statements to reflect changed assumptions, the occurrences of unanticipated events or changes to future results of operations.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BWAY CORPORATION
(Registrant)

By	/s/ Jean-Pierre M. Ergas Jean-Pierre M. Ergas Chairman and Chief Executive Officer
Date	December 28, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated and on December 28, 2006.

Signatures	**Title**