

BWAY CORP  
Form 10-Q  
August 11, 2006  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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**QUARTERLY REPORT**

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

For the quarterly period ended:

July 2, 2006

001-12415

(Commission File Number)

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**BWAY CORPORATION**

(Exact name of registrant as specified in its charter)

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DELAWARE

(State of incorporation)

36-3624491

(IRS Employer Identification No.)

8607 Roberts Drive, Suite 250

Atlanta, Georgia

(Address of principal executive offices)

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30350-2237

(Zip Code)

(770) 645-4800

(Registrant's telephone number)

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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  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

As of August 10, 2006, there were 1,000 shares of BWAY Corporation's Common Stock outstanding.

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**BWAY CORPORATION**

**Quarterly Report on Form 10-Q**

**For the quarterly period ended July 2, 2006**

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

<i>(Dollars in thousands, except share data)</i>	<b>July 2, 2006</b>	<b>October 2, 2005</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 22,608	\$ 51,889
Accounts receivable, net of allowance for doubtful accounts of \$1,790 and \$1,613	114,895	104,122
Inventories, net	76,549	71,965
Deferred tax assets	11,391	9,174
Other	5,556	3,750
<b>Total current assets</b>	<b>230,999</b>	<b>240,900</b>
Property, plant and equipment, net	141,926	142,476
Other assets		
Goodwill	219,154	219,218
Other intangible assets, net	146,998	156,751
Deferred financing costs, net of accumulated amortization of \$5,680 and \$4,085	8,994	10,589
Other	4,046	2,060
<b>Total other assets</b>	<b>379,192</b>	<b>388,618</b>
<b>Total Assets</b>	<b>\$ 752,117</b>	<b>\$ 771,994</b>
<b>Liabilities and Stockholder's Equity</b>		
Current liabilities		
Accounts payable	\$ 109,822	\$ 97,968
Accrued salaries and wages	11,705	13,786
Accrued interest	5,710	10,803
Accrued rebates	9,105	10,104
Income taxes payable	5,507	7,993
Current portion of long-term debt		30,000
Other	20,286	16,537
<b>Total current liabilities</b>	<b>162,135</b>	<b>187,191</b>
Long-term debt	365,300	365,300
Other long-term liabilities		
Deferred tax liabilities	71,046	76,119
Other	20,579	19,948
<b>Total other long-term liabilities</b>	<b>91,625</b>	<b>96,067</b>
Commitments and contingencies (Note 7)		
Stockholder's equity		
Preferred stock, \$.01 par value, 5,000,000 shares authorized; no shares issued		

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Common stock, \$.01 par value, 24,000,000 shares authorized; 1,000 shares issued and outstanding		
Additional paid-in capital	104,082	104,082
Retained earnings	29,322	19,701
Accumulated other comprehensive loss	(347)	(347)
<b>Total stockholder s equity</b>	<b>133,057</b>	<b>123,436</b>
<b>Total Liabilities and Stockholder s Equity</b>	<b>\$ 752,117</b>	<b>\$ 771,994</b>

*The accompanying notes are an integral part of the Consolidated Financial Statements.*

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>July 2,</b>	<b>July 3,</b>	<b>July 2,</b>	<b>July 3,</b>
<i>(Dollars in thousands)</i>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Net sales</b>	\$ 242,675	\$ 227,412	\$ 669,467	\$ 608,949
Costs, expenses and other:				
Cost of products sold (excluding depreciation and amortization)	204,889	191,543	583,891	524,349
Depreciation and amortization	10,112	9,372	30,449	32,565
Selling and administrative	4,833	5,238	14,391	15,272
Restructuring and impairment charges	338	3,943	533	4,821
Interest, net	8,441	8,155	24,952	23,928
Financial advisory fees	123	123	371	371
Other expense (income), net	65	61	538	(592)
Total costs, expenses and other	228,801	218,435	655,125	600,714
Income before income taxes	13,874	8,977	14,342	8,235
Provision for income taxes	4,564	2,965	4,721	2,692
<b>Net income</b>	<b>\$ 9,310</b>	<b>\$ 6,012</b>	<b>\$ 9,621</b>	<b>\$ 5,543</b>

*The accompanying notes are an integral part of the Consolidated Financial Statements.*

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

	<b>Nine Months Ended</b>	
	<b>July 2,</b>	<b>July 3,</b>
<i>(Dollars in thousands)</i>	<b>2006</b>	<b>2005</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 9,621	\$ 5,543
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	20,696	23,669
Amortization of other intangible assets	9,753	8,896
Amortization of deferred financing costs	1,595	1,590
Provision for doubtful accounts	177	108
Impairment charge		775
Loss (gain) on disposition of property, plant and equipment	358	(715)
Utilization of acquired deferred tax asset	1,659	
Deferred income taxes	(7,290)	(3,094)
Stock-based compensation	914	1,286
Changes in assets and liabilities:		
Accounts receivable	(10,950)	(20,369)
Inventories	(4,584)	(11,128)
Other assets	(4,333)	10
Accounts payable	11,490	25,297
Accrued and other liabilities	(6,837)	(52)
Income taxes, net	(2,486)	5,904
<b>Net cash provided by operating activities</b>	<b>19,783</b>	<b>37,720</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(20,342)	(14,926)
Business acquisitions		(268)
Proceeds from disposition of property, plant and equipment and assets held for sale	725	1,243
<b>Net cash used in investing activities</b>	<b>(19,617)</b>	<b>(13,951)</b>
<b>Cash flows from financing activities:</b>		
Repayments of term loan	(30,000)	(19,700)
Increase (decrease) in unrepresented bank drafts in excess of cash available for offset	735	(623)
Principal payments under capital leases	(182)	(162)
<b>Net cash used in financing activities</b>	<b>(29,447)</b>	<b>(20,485)</b>
<b>Net (decrease) increase in cash and equivalents</b>	<b>(29,281)</b>	<b>3,284</b>
Cash and equivalents, beginning of period	51,889	27,325
<b>Cash and equivalents, end of period</b>	<b>\$ 22,608</b>	<b>\$ 30,609</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid (refunded) during the period for:		
Interest	\$ 28,450	\$ 28,082

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Income taxes	\$ 12,838	\$ (118)
<b>Non-cash investing and financing activities:</b>		
Amounts owed for capital expenditures	\$ 1,261	\$ 791
Acquisition of property, plant and equipment utilizing capital leases	\$	\$ 81

*The accompanying notes are an integral part of the Consolidated Financial Statements.*

**Table of Contents****BWAY Corporation and Subsidiaries****Notes to Consolidated Financial Statements (unaudited)****1. GENERAL***Principles of Consolidation and Basis of Presentation*

The accompanying unaudited consolidated financial statements include the accounts of BWAY Corporation ( BWAY ) and our subsidiaries (collectively, the Company , we or our ) and have been prepared without audit. Certain information and footnote disclosures, including critical and significant accounting policies, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These statements and the accompanying notes should be read in conjunction with our Annual Report on Form 10-K for the year ended October 2, 2005 (the Annual Report ). The consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of the financial position and results of operations for the periods presented.

Results of operations for the three and nine months ended July 2, 2006 are not necessarily indicative of the results that may be expected for the entire fiscal year, particularly in view of the seasonality of the packaging business.

*Business and Segment Information*

We manufacture and distribute metal and rigid plastic containers primarily in the United States. We operate the company as two divisions. Our BWAY Packaging Division primarily sells and markets our metal packaging products and our NAMPAC Division primarily sells and markets our rigid plastic packaging products.

We are a wholly-owned subsidiary of BCO Holding Company ( BCO Holding ), an affiliate of Kelso & Company, L.P., a private equity firm, as a result of a merger transaction whereby all outstanding shares of BWAY 's common stock, with certain exceptions, were redeemed on February 7, 2003.

On July 7, 2004, we acquired all of the stock of North America Packaging Corporation ( NAMPAC ) 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.

We operate on a 52/53-week fiscal year ending on the Sunday closest to September 30. Our NAMPAC subsidiary reports its operations on a calendar month basis. There were no material transactions between the different period ends that required adjustment in the consolidated financial statements.

*Stock-Based Compensation*

We account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board ( APB ) Opinion 25, *Accounting for Stock Issued to Employees*, and related interpretations ( APB 25 ). Accordingly, we are not required to record compensation expense when the exercise price of stock options granted to employees or directors is equal to or greater than the fair market value of the stock when the option is granted.

If we determined stock-based compensation based on the fair-value method, our net income would be as follows:

	Three Months Ended		Nine Months Ended	
	July 2, 2006	July 3, 2005	July 2, 2006	July 3, 2005
<i>(Dollars in thousands)</i>				
Net income, as reported	\$ 9,310	\$ 6,012	\$ 9,621	\$ 5,543
Add: Stock-based compensation included in reported net income, net of related tax effects	277	416	616	866

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Less: Pro forma stock-based compensation under SFAS 123, net of related tax effects	(656)	(832)	(2,021)	(2,200)
Pro forma net income	\$ 8,931	\$ 5,596	\$ 8,216	\$ 4,209

### *Recent Accounting Pronouncements*

On May 18, 2006, the Texas Governor signed into law a Texas margin tax (H.B. No. 3) which restructures the state business tax by replacing the taxable capital and earned surplus components of the current franchise tax with a new taxable margin component. Because the tax base on the Texas margin tax is derived from an income-based measure, we believe the margin tax is an income tax and, therefore, the provisions of SFAS 109 regarding the recognition of deferred taxes apply to the new margin tax. In accordance with SFAS 109, the effect on deferred tax assets and liabilities of a change in tax law should be included in tax expense attributable to continuing operations in the period that includes the enactment date. The change did not have a material impact on deferred tax expense.

In July 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ( FIN 48 ). This interpretation 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 in October 2007, at the beginning of our 2008 fiscal year. We are currently evaluating the impact the adoption of FIN 48 may have on our financial statements.

**Table of Contents****2. INVENTORIES**

Inventories consist of the following:

	July 2,	October 2,
<i>(Dollars in thousands)</i>	2006	2005
Inventories at FIFO cost		
Raw materials	\$ 28,258	\$ 28,999
Work-in-process	36,744	29,737
Finished goods	27,552	25,316
	92,554	84,052
LIFO reserve	(16,005)	(12,087)
Inventories, net	\$ 76,549	\$ 71,965

During the first nine months of fiscal 2006, the LIFO reserve increased \$3.9 million primarily as a result of changes in the cost of plastic resin.

**3. GOODWILL AND OTHER INTANGIBLES**

The following table sets forth the change in goodwill by reportable segment during the first nine months of fiscal 2006:

<i>(Dollars in thousands)</i>	Metal Packaging	Plastics Packaging	Total
Goodwill, October 2, 2005	\$ 112,556	\$ 106,662	\$ 219,218
Correction related to the NAMPAC Acquisition		667	667
Utilization of acquired deferred tax asset, net of contingency		(731)	(731)
Goodwill, July 2, 2006	\$ 112,556	\$ 106,598	\$ 219,154

During the implementation of an automated time keeping system in the first quarter of fiscal 2006 at facilities acquired in the NAMPAC Acquisition, we determined that the accrued vacation liability recorded as part of the purchase price allocation for the NAMPAC Acquisition was understated by approximately \$0.7 million due to differences between actual pay practices and documentation provided and used to determine the purchase price allocation. We recorded an adjustment of \$0.7 million to the accrued salaries and wages liability related to accrued vacation in the consolidated balance sheet as of January 1, 2006 with an offsetting increase to goodwill. Based on the amount of this adjustment and the impact on previously reported financial statements, management determined that such previously issued financial statements were not materially misstated.

In the third quarter of fiscal 2006, we reduced goodwill for approximately \$1.7 million related to the utilization of a deferred tax asset associated with a net operating loss carryforward acquired in the NAMPAC Acquisition. However, a portion of the net operating loss carryforward is currently under review by the Internal Revenue Service. As such, we have established a contingent liability for approximately \$1.0 million based on our estimate of net operating loss carry forwards that are probable of disallowance by the Internal Revenue Service.

The following table sets forth identifiable intangible assets by major asset class:

<i>(Dollars in thousands)</i>	Gross Carrying	July 2, 2006 Accumulated Amortization	Net	Gross Carrying	October 2, 2005 Accumulated Amortization	Net
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	Amount		Amount		Amount	
<b>Amortized intangible assets</b>						
Customer relationships (1)	\$ 158,060	\$ (30,327)	127,733	\$ 158,060	\$ (21,924)	\$ 136,136
Tradenames (2)	22,833	(4,366)	18,467	22,833	(3,150)	19,683
Non-compete agreements (3)	401	(216)	185	401	(82)	319
<b>Total amortized intangible assets</b>	<b>181,294</b>	<b>(34,909)</b>	<b>146,385</b>	<b>181,294</b>	<b>(25,156)</b>	<b>156,138</b>
<b>Unamortized intangible assets</b>						
Technology	613		613	613		613
<b>Total identifiable intangible assets</b>	<b>\$ 181,907</b>	<b>\$ (34,909)</b>	<b>\$ 146,998</b>	<b>\$ 181,907</b>	<b>\$ (25,156)</b>	<b>\$ 156,751</b>

(1) Useful lives range between 14 and 18 years.

(2) Useful lives range between 10 and 15 years.

(3) Useful lives range between 3 and 4 years.

We amortize finite-lived, identifiable intangible assets over their remaining useful lives, which range from 3 to 18 years. These finite-lived intangibles are amortized in proportion to the underlying cash flows that were used in determining their initial valuation. We periodically review the underlying cash flow assumptions to determine if they remain reasonable. The portion of these intangibles associated with the carryover basis from Predecessor (as defined in the Annual Report) continues to be amortized on a straight-line basis.

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Expected amortization expense:

<i>(Dollars in thousands)</i>	
<b>Fiscal Year Ending</b>	
2006	\$ 13,003
2007	13,405
2008	12,900
2009	12,510
2010	12,398
Thereafter	91,922
	\$ 156,138

In the first nine months of fiscal 2006, we recorded \$9.8 million of the \$13.0 million of amortization expense expected for fiscal year 2006. In the first nine months of fiscal 2005, we recorded amortization expense of \$8.9 million.

**4. LONG-TERM DEBT**

Long-term debt consists of the following:

<i>(Dollars in thousands)</i>	<b>July 2, 2006</b>	<b>October 2, 2005</b>
10% Senior subordinated notes, due 2010	\$ 200,000	\$ 200,000
Senior credit facility: term loan	165,300	195,300
<b>Total long-term debt</b>	<b>365,300</b>	<b>395,300</b>
Less: current portion		(30,000)
<b>Long-term debt, net of current portion</b>	<b>\$ 365,300</b>	<b>\$ 365,300</b>

The current portion of long-term debt at October 2, 2005 represented a voluntary prepayment on the Term Loan made in the first quarter of fiscal 2006. Prepayments on the Term Loan reduce future scheduled payments. As further discussed in Note 9, we refinanced the senior credit facility as of July 17, 2006 to facilitate the acquisition of assets and assumption of certain liabilities from Industrial Containers Ltd. As a result of this refinancing, scheduled payments on the new credit facility for the next twelve months consist of quarterly payments in the amount of \$0.6 million beginning September 30, 2006.

**Senior Subordinated Notes***10% Senior Notes Due 2010*

The notes were issued on November 27, 2002 in a private offering of \$200.0 million principal amount of 10% Senior Subordinated Notes due 2010. In December 2003, we exchanged the notes for new notes registered under the Securities Act in an equal principal amount (the Senior Notes). The Senior Notes mature on October 15, 2010. The Senior Notes are governed by an indenture dated as of November 27, 2002 between BWAY Finance Corp. and The Bank of New York, as trustee, as assumed by BWAY Corporation on February 7, 2003 and as amended from time to time (the Indenture).

The Senior Notes are unsecured senior subordinated obligations of the Company and are effectively subordinated to all senior debt obligations (as defined in the Indenture) of the Company. Interest on the notes is payable semi-annually in arrears on April 15 and October 15 of each year.

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Except in certain cases following an equity offering, the Senior Notes cannot be redeemed until October 15, 2006. Thereafter, we may redeem some or all of these notes at the redemption prices specified in the Indenture (105.0% on October 15, 2006 declining annually to 100% on October 15, 2009), plus accrued and unpaid interest to the date of redemption. Upon the occurrence of a Change in Control (as defined in the Indenture) the holders of the Senior Notes could require us to repurchase the notes at 101% of the principal amount plus accrued and unpaid interest to the date of repurchase.

The Indenture contains covenants that, among other things, limit our ability (and some or all of our subsidiaries) to: incur additional debt, pay dividends or distributions on our capital stock or to repurchase our capital stock, make certain investments, create liens on our assets to secure debt, engage in transactions with affiliates, merge or consolidate with another company and transfer and sell assets. These covenants are subject to a number of important limitations and exceptions. At July 2, 2006, we were in compliance with all applicable covenants contained in the Indenture.

Under the terms of the Indenture and in connection with its guarantee of our Credit Facility, NAMPAC and its subsidiaries have fully and unconditionally guaranteed the Senior Notes. The Indenture requires any current or future subsidiary of the Company that guarantees certain indebtedness of the Company to guarantee the Senior Notes (see Note 10).

We incurred and have deferred approximately \$8.0 million in financing costs related to the underwriting and registration of the Senior Notes. We are amortizing these deferred costs to interest expense over the term of the notes. At July 2, 2006 and October 2, 2005, approximately \$4.4 million and \$5.2 million, respectively, of these deferred costs were unamortized.

### **Credit Facility**

As of July 2, 2006, the credit facility consisted of (a) a \$225.0 million term loan facility (the Term Loan ) maturing June 30, 2011 (or April 15, 2010 under certain conditions) and (b) a \$30.0 million revolving credit facility (the Revolver ) maturing June 30, 2009 (the Term Loan and Revolver, collectively, the Credit Facility ).

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We made a voluntary prepayment on the Term Loan of \$30.0 million in November 2005. As a result of prepayments, our next scheduled quarterly repayment becomes due in December 2009. Repayments permanently reduce the Term Loan.

Interest accrues on the Term Loan and the Revolver at an applicable margin plus either (a) a base rate (which is the higher of prime or 0.5% in excess of the overnight federal funds rate) or (b) a Eurodollar rate. For the Term Loan, the applicable margins were initially fixed at 1.25% for base rate loans and at 2.25% for Eurodollar rate loans, and can range down to 1.00% and 2.00%, respectively, based upon meeting specified consolidated leverage ratio targets. For the Revolver, the applicable margins were initially fixed at 1.75% for base rate loans and 2.75% for Eurodollar rate loans, and can range down to 1.00% and 2.00%, respectively, based upon meeting specified consolidated leverage ratio targets. Borrowing at the base rate or the Eurodollar rate is at our discretion. The effective borrowing rate on Term Loan borrowings outstanding at July 2, 2006 was approximately 7.3%.

The credit agreement contains covenants that, among other things, limit our ability (and the ability of some or all of our subsidiaries) to: incur additional debt, pay dividends or distributions on our capital stock or to repurchase our capital stock, make certain investments, create liens on our assets to secure debt, engage in transactions with affiliates, merge or consolidate with another company and transfer and sell assets. We are also required to maintain a minimum Consolidated Interest Coverage Ratio and to not exceed a Maximum Consolidated Total Leverage Ratio (each as defined in the credit agreement). These covenants are subject to a number of important limitations and exceptions.

BCO Holding and each of our direct and indirect subsidiaries have guaranteed our obligations under the Credit Facility. The Credit Facility is secured by substantially all of our assets and the assets of BCO Holding. In addition, we have pledged as collateral all of the issued and outstanding stock of our subsidiaries, which are wholly-owned by BWAY.

At July 2, 2006, we had \$8.0 million in standby letter of credit commitments that reduced our available borrowings under the Revolver to \$22.0 million. At July 2, 2006, we did not have any outstanding Revolver borrowings.

We incurred and have deferred approximately \$6.7 million in financing costs related to the underwriting of the Credit Facility. The costs are being amortized to interest expense over the term of the loan primarily in proportion to the outstanding principal. At July 2, 2006 and October 2, 2005, approximately \$4.6 million and \$5.4 million, respectively, of these deferred costs were unamortized.

**5. EMPLOYMENT BENEFIT OBLIGATIONS**

The following table summarizes our employee benefit obligation liabilities:

<i>(Dollars in thousands)</i>	July 2, 2006	October 2, 2005
Defined benefit pension liability	\$ 3,188	\$ 3,475
Retiree medical and other postretirement benefits	4,978	5,024
Deferred compensation	6,428	6,200
	\$ 14,594	\$ 14,699

The following table summarizes the components of net periodic benefit cost. The defined benefit pension plan was frozen effective October 31, 2004.

<i>(Dollars in thousands)</i>	Defined Benefit Pension Plan				Other Postretirement Benefits			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	July 2, 2006	July 3, 2005	July 2, 2006	July 3, 2005	July 2, 2006	July 3, 2005	July 2, 2006	July 3, 2005
<b>Components of net periodic benefit cost</b>								
Service cost	\$	\$	\$	\$ 71	\$ 2	\$ 1	\$ 5	\$ 3
Interest cost	150	163	449	464	88	108	266	298

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Expected return on plan assets	(151)	(133)	(452)	(427)				
Recognized net actuarial loss					14	15	40	43
Net periodic benefit cost	\$ (1)	\$ 30	\$ (3)	\$ 108	\$ 104	\$ 124	\$ 311	\$ 344

**Table of Contents****6. RESTRUCTURING LIABILITY**

The following table sets forth changes in our restructuring liability from October 2, 2005 to July 2, 2006. The nature of the liability has not changed from that previously reported in the Annual Report. However, the 2005 Plastics Manufacturing Restructuring Plan was revised during the quarter to include severance for five additional salaried employees. We recorded an additional charge of \$0.3 million related to this change. The restructuring liability is included in other current liabilities and relates to the Plastic Packaging segment.

	Balance			Balance
	October 2,	Additions /		July 2,
<i>(Dollars in millions)</i>	2005	(Adjustments)	Expenditures	2006
<b>Restructuring liability</b>				
Severance costs	\$ 0.4	\$ 0.3	\$ (0.5)	\$ 0.2
Facility closure costs	1.5	0.2	(1.0)	0.7
Total	\$ 1.9	\$ 0.5	\$ (1.5)	\$ 0.9

**7. CONTINGENCIES****Environmental**

We are subject to a broad range of federal, state and local environmental, health and safety laws, including those governing discharges to air, soil and water, the handling and disposal of hazardous substances and the investigation and remediation of contamination resulting from the release of hazardous substances. We believe that we are currently in compliance with all applicable environmental, health and safety laws, though future expenditures may be necessary in order to maintain such compliance, including compliance with air emission control requirements for volatile organic compounds. In addition, in the course of our operations we use, store and dispose of hazardous substances. Some of our current and former facilities are currently involved in environmental investigations and remediation resulting from the release of hazardous substances or the presence of other contaminants. While we do not believe that any 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 have incurred approximately \$1.1 million of the estimated \$1.7 million in capital expenditures we expect to incur to comply with federal Maximum Achievable Control Technology ( MACT ) regulations related to air emission control requirements for Hazardous Air Pollutants ( HAP ) and volatile organic compounds. We have until November 2006 to comply with the new regulations.

In the third quarter of fiscal 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 our current or former facilities or our predecessors in interest. We do not believe that any of these identified matters will have a material adverse effect on our financial condition, results of operations or cash flows.

We record reserves for environmental liabilities when environmental investigation and remediation obligations are probable and related costs are reasonably estimable. We had accrued liabilities of approximately \$0.3 million for environmental investigation and remediation obligations as of July 2, 2006 and October 2, 2005; however, future expenditures may exceed the amounts accrued.

**Other**

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We are involved in legal proceedings from time to time in the ordinary course of business. We believe that the outcome of these proceedings will not have a material adverse effect on our financial condition, results of operations, or cash flows. At July 2, 2006 and October 2, 2005, we had accrued liabilities of approximately \$0.4 million and \$0.5 million, respectively, related to litigation matters.

In the third quarter of fiscal 2006, one of our customers notified us that it had initiated a voluntary product recall of certain of its products due to potential leaks in certain of the containers that we likely provided. At July 2, 2006, we had an accrued liability of approximately \$0.7 million related to this matter.

### **Letters of Credit**

At July 2, 2006, a bank had issued standby letters of credit on our behalf in the aggregate amount of \$8.0 million primarily in favor of our workers' compensation insurers and purchasing card vendor.

### **Commodity Risk**

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

**Table of Contents****8. BUSINESS SEGMENTS**

Our operations are organized and reviewed by management along our product lines in 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 primary raw material and manufacturing process are unique for each segment. A further description of each business segment and of our Corporate services area follows:

*Metal Packaging.* Metal Packaging includes our metal packaging products, which include paint cans, aerosol containers, ammunition boxes and other general line containers made from steel. Metal Packaging is a separate division of the Company with management and production facilities and processes distinct from our Plastics Packaging Division.

*Plastics Packaging.* Plastics Packaging includes the plastics packaging products manufactured and distributed by NAMPAC. Principal products in this segment include open- and tight-head pails and drums and other multi-purpose rigid industrial plastic packaging. Plastics Packaging is a separate division of the Company with management and production facilities and processes distinct from our Metal Packaging Division.

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

Segment assets include, among other things, inventories, property, plant and equipment, goodwill and other intangible assets. Consolidated total assets not allocated to the individual segments are included in the corporate services area. The accounting policies of our segments have not changed from those described in the Annual Report. There were no intersegment sales in the periods presented. Management's evaluation of segment performance is principally based on a measure of segment earnings before interest, taxes, depreciation and amortization.

The following sets forth certain financial information attributable to our business segments for three and nine months ended July 2, 2006 and July 3, 2005.

	Three Months Ended		Nine Months Ended	
	July 2, 2006	July 3, 2005	July 2, 2006	July 3, 2005
<i>(Dollars in thousands)</i>				
<b>Net sales</b>				
Metal packaging	\$ 153,687	\$ 146,815	\$ 405,984	\$ 386,903
Plastics packaging	88,988	80,597	263,483	222,046
Consolidated net sales	\$ 242,675	\$ 227,412	\$ 669,467	\$ 608,949
<b>Income before income taxes</b>				
Metal packaging	\$ 26,106	\$ 24,911	\$ 58,567	\$ 60,545
Plastics packaging	9,273	8,685	19,511	15,822
Segment earnings before interest, taxes, depreciation and amortization	35,379	33,596	78,078	76,367
Less:				
Corporate undistributed expenses	2,549	3,088	7,264	7,410
Depreciation and amortization (see below)	10,112	9,372	30,449	32,565
Restructuring and impairment charges	338	3,943	533	4,821
Interest expense, net	8,441	8,155	24,952	23,928
Other expense (income), net	65	61	538	(592)
Consolidated income before income taxes	\$ 13,874	\$ 8,977	\$ 14,342	\$ 8,235
<b>Depreciation and amortization</b>				
Metal packaging	\$ 5,149	\$ 5,083	\$ 15,809	\$ 16,116
Plastics packaging	4,508	3,818	13,209	14,957

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Segment depreciation and amortization	9,657	8,901	29,018	31,073
Corporate	455	471	1,431	1,492
<b>Consolidated depreciation and amortization</b>	<b>\$ 10,112</b>	<b>\$ 9,372</b>	<b>\$ 30,449</b>	<b>\$ 32,565</b>

The following table sets forth total assets attributable to our business segments and a reconciliation of segment assets to consolidated total assets as of July 2, 2006 and October 2, 2005.

	July 2,	October 2,
	2006	2005
<i>(Dollars in thousands)</i>		
<b>Total assets</b>		
Metal packaging	\$ 306,569	\$ 303,364
Plastics packaging	280,948	285,434
Segment assets	587,517	588,798
Corporate	164,600	183,196
Consolidated total assets	\$ 752,117	\$ 771,994

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**9. SUBSEQUENT EVENTS**

On July 17, 2006, we acquired substantially all of the assets and certain liabilities associated with the plastic and steel general line pail business of Industrial Containers Ltd. ( ICL ) for approximately \$66.1 million, excluding approximately \$1.5 million of transaction costs. In association with the transaction, we refinanced our existing credit facility. The new credit facility provides for a \$190.0 million term loan, CDN\$56.4 million term loan (\$50.0 million U.S. dollar equivalent at closing), \$50.0 million revolving credit facility and a \$5.0 million revolving credit facility available in U.S. dollars or equivalent Canadian dollars. With certain exceptions, the revolving credit facilities expire on July 17, 2012 and the term loans expire on July 17, 2013. The term loans and revolving credit facilities will expire on April 15, 2010 if we have not refinanced our outstanding \$200.0 million of senior subordinated notes. The covenants contained in the credit agreement related to the new credit facility are substantially similar to those in the previous credit agreement. We incurred approximately \$3.5 million in costs associated with the new debt.

On July 17, 2006, we paid a \$10.0 million dividend to BCO Holding to facilitate a repurchase of BCO Holding common stock from Jean-Pierre M. Ergas, our Chairman and Chief Executive Officer. The shares repurchased represented both shares held by Mr. Ergas prior to the repurchase as well as stock options contemporaneously exercised.

**10. SUPPLEMENTAL GUARANTOR SUBSIDIARIES INFORMATION**

The Senior Notes and Term Loan are guaranteed on a full, unconditional joint and several basis by our wholly owned subsidiaries. The following condensed, consolidating financial information presents the consolidating financial statements of BWAY and its subsidiaries, all of which have guaranteed the Senior Notes and Term Loan, as of and for the three and nine months ended July 2, 2006. Separate financial statements of the guarantor subsidiaries are not presented because we have determined that they would not be material to investors.

BWAY is the sole borrower under the Credit Facility and each of its subsidiaries is a guarantor. In addition, each of the subsidiaries has guaranteed the Senior Notes.

**Table of Contents****BWAY Corporation and Subsidiaries****Supplemental Condensed Consolidating Balance Sheet Information****July 2, 2006**

<i>(Dollars in thousands)</i>	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 22,019	\$ 589	\$	\$ 22,608
Accounts receivable, net	68,883	46,012		114,895
Inventories, net	53,398	23,151		76,549
Deferred tax assets	8,227	3,164		11,391
Other	4,011	1,545		5,556
Total current assets	156,538	74,461		230,999
Property, plant and equipment, net	86,147	55,779		141,926
Other assets				
Goodwill	120,259	98,895		219,154
Other intangible assets, net	53,122	93,876		146,998
Deferred financing costs, net	8,994			8,994
Other	3,124	922		4,046
Investment in subsidiaries	223,370		(223,370)	
Total other assets	408,869	193,693	(223,370)	379,192
<b>Total Assets</b>	<b>\$ 651,554</b>	<b>\$ 323,933</b>	<b>\$ (223,370)</b>	<b>\$ 752,117</b>
<b>Liabilities and Stockholder's Equity</b>				
Current liabilities				
Accounts payable	\$ 55,530	\$ 54,292	\$	\$ 109,822
Accrued salaries and wages	6,571	5,134		11,705
Accrued interest	5,710			5,710
Accrued rebates	7,982	1,123		9,105
Income taxes payable	(2,800)	8,307		5,507
Other	18,916	1,370		20,286
Total current liabilities	91,909	70,226		162,135
Long-term debt	365,300			365,300
Other long-term liabilities				
Deferred tax liabilities	23,753	47,293		71,046
Intercompany	20,602	(20,602)		
Other	16,933	3,646		20,579
Total other long-term liabilities	61,288	30,337		91,625
Commitments and contingencies (Note 7)				
Stockholder's equity				
Common stock		1	(1)	

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Additional paid-in capital	104,082	214,107	(214,107)	104,082
Retained earnings	29,322	9,609	(9,609)	29,322
Accumulated other comprehensive loss	(347)	(347)	347	(347)
<b>Total stockholder s equity</b>	<b>133,057</b>	<b>223,370</b>	<b>(223,370)</b>	<b>133,057</b>
<b>Total Liabilities and Stockholder s Equity</b>	<b>\$ 651,554</b>	<b>\$ 323,933</b>	<b>\$ (223,370)</b>	<b>\$ 752,117</b>

**Table of Contents****BWAY Corporation and Subsidiaries****Supplemental Condensed Consolidating Balance Sheet Information**

October 2, 2005

<i>(Dollars in thousands)</i>	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 50,161	\$ 1,728		\$ 51,889
Accounts receivable, net	61,900	42,222		104,122
Inventories, net	41,776	30,189		71,965
Deferred tax assets	8,226	948		9,174
Other	2,925	825		3,750
Total current assets	164,988	75,912		240,900
Property, plant and equipment, net				
Other assets	90,594	51,882		142,476
Goodwill	120,259	98,959		219,218
Other intangible assets, net	58,042	98,709		156,751
Deferred financing costs, net	10,589			10,589
Other	1,138	922		2,060
Investment in subsidiaries	219,231		(219,231)	
Total other assets	409,259	198,590	(219,231)	388,618
<b>Total Assets</b>	<b>\$ 664,841</b>	<b>\$ 326,384</b>	<b>\$ (219,231)</b>	<b>\$ 771,994</b>
<b>Liabilities and Stockholder's Equity</b>				
Current liabilities				
Accounts payable	\$ 48,311	\$ 49,657		\$ 97,968
Accrued salaries and wages	12,233	1,553		13,786
Accrued interest	10,803			10,803
Accrued rebates	9,458	646		10,104
Income taxes payable	4,117	3,876		7,993
Current portion of long-term debt	30,000			30,000
Other	15,292	1,245		16,537
Total current liabilities	130,214	56,977		187,191
Long-term debt				
Other long-term liabilities	365,300			365,300
Deferred tax liabilities	28,388	47,731		76,119
Intercompany	1,324	(1,324)		
Other	16,179	3,769		19,948
Total other long-term liabilities	45,891	50,176		96,067
Commitments and contingencies (Note 7)				
Stockholder's equity				

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Common stock		1	(1)	
Additional paid-in capital	104,082	214,107	(214,107)	104,082
Retained earnings	19,701	5,470	(5,470)	19,701
Accumulated other comprehensive loss	(347)	(347)	347	(347)
Total stockholder s equity	123,436	219,231	(219,231)	123,436
<b>Total Liabilities and Stockholder s Equity</b>	<b>\$ 664,841</b>	<b>\$ 326,384</b>	<b>\$ (219,231)</b>	<b>\$ 771,994</b>

**Table of Contents****BWAY Corporation and Subsidiaries****Supplemental Condensed Consolidating Statement of Operations****Three Months Ended July 2, 2006**

<i>(Dollars in thousands)</i>	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net sales	\$ 153,687	\$ 88,988	\$	\$ 242,675
Costs, expenses and other				
Cost of products sold (excluding depreciation and amortization)	126,298	78,769	(178)	204,889
Depreciation and amortization	5,431	4,681		10,112
Selling and administrative	3,894	939		4,833
Restructuring charge	338			338
Interest, net	8,446	(5)		8,441
Financial advisory fees	123			123
Other expense (income), net	65	(178)	178	65
Total costs, expenses and other	144,595	84,206		228,801
Income before income taxes and equity in earnings of subsidiaries	9,092	4,782		13,874
Provision for income taxes	3,025	1,539		4,564
Equity in earnings of subsidiaries	3,243		(3,243)	
Net income	\$ 9,310	\$ 3,243	\$ (3,243)	\$ 9,310

**BWAY Corporation and Subsidiaries****Supplemental Condensed Consolidating Statement of Operations****Three Months Ended July 3, 2005**

<i>(Dollars in thousands)</i>	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net sales	\$ 147,442	\$ 79,970	\$	\$ 227,412
Costs, expenses and other				
Cost of products sold (excluding depreciation and amortization)	121,567	70,154	(178)	191,543
Depreciation and amortization	5,530	3,842		9,372
Selling and administrative	4,475	763		5,238
Restructuring and impairment charges	3,943			3,943
Interest, net	8,183	(28)		8,155
Financial advisory fees	123			123
Other (income) expense, net	(134)	17	178	61
Total costs, expenses and other	143,687	74,748		218,435
Income before income taxes and equity in earnings of subsidiaries	3,755	5,222		8,977

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Provision for income taxes	1,313	1,652		2,965
Equity in earnings of subsidiaries	3,570		(3,570)	
Net income	\$ 6,012	\$ 3,570	\$ (3,570)	\$ 6,012

**Table of Contents****BWAY Corporation and Subsidiaries****Supplemental Condensed Consolidating Statement of Operations****Nine Months Ended July 2, 2006**

<i>(Dollars in thousands)</i>	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net sales	\$ 405,982	\$ 263,485	\$	\$ 669,467
Costs, expenses and other				
Cost of products sold (excluding depreciation and amortization)	343,219	241,205	(533)	583,891
Depreciation and amortization	16,721	13,728		30,449
Selling and administrative	11,639	2,752		14,391
Restructuring charge	533			533
Interest, net	24,964	(12)		24,952
Financial advisory fees	371			371
Other expense (income), net	294	(289)	533	538
Total costs, expenses and other	397,741	257,384		655,125
Income before income taxes and equity in earnings of subsidiaries	8,241	6,101		14,342
Provision for income taxes	2,759	1,962		4,721
Equity in earnings of subsidiaries	4,139		(4,139)	
Net income	\$ 9,621	\$ 4,139	\$ (4,139)	\$ 9,621

**BWAY Corporation and Subsidiaries****Supplemental Condensed Consolidating Statement of Operations****Nine Months Ended July 3, 2005**

<i>(Dollars in thousands)</i>	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net sales	\$ 396,802	\$ 212,147	\$	\$ 608,949
Costs, expenses and other				
Cost of products sold (excluding depreciation and amortization)	332,567	192,315	(533)	524,349
Depreciation and amortization	21,542	11,023		32,565
Selling and administrative	12,357	2,915		15,272
Restructuring and impairment charges	4,821			4,821
Interest, net	23,958	(30)		23,928
Financial advisory fees	371			371
Other income, net	(566)	(559)	533	(592)
Total costs, expenses and other	395,050	205,664		600,714
Income before income taxes and equity in earnings of subsidiaries	1,752	6,483		8,235
Provision for income taxes	572	2,120		2,692
Equity in earnings of subsidiaries	4,363		(4,363)	

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Net income	\$	5,543	\$	4,363	\$	(4,363)	\$	5,543
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**Table of Contents****BWAY Corporation and Subsidiaries****Supplemental Condensed Consolidating Statement of Cash Flows****Nine Months Ended July 2, 2006**

<i>(Dollars in thousands)</i>	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net cash provided by operating activities	\$ 8,633	\$ 11,150	\$	\$ 19,783
Cash flows from investing activities				
Capital expenditures	(7,318)	(13,024)		(20,342)
Other	725			725
Net cash used in investing activities	(6,593)	(13,024)		(19,617)
Cash flows from financing activities				
Repayments of term loan	(30,000)			(30,000)
Other	(182)	735		553
Net cash used in financing activities	(30,182)	735		(29,447)
Net decrease in cash and cash equivalents	(28,142)	(1,139)		(29,281)
Cash and cash equivalents, beginning of period	50,161	1,728		51,889
Cash and cash equivalents, end of period	\$ 22,019	\$ 589	\$	\$ 22,608

**BWAY Corporation and Subsidiaries****Supplemental Condensed Consolidating Statement of Cash Flows****Nine Months Ended July 3, 2005**

<i>(Dollars in thousands)</i>	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net cash provided by operating activities	\$ 33,350	\$ 4,370	\$	\$ 37,720
Cash flows from investing activities				
Capital expenditures	(7,158)	(7,768)		(14,926)
Other	975			975
Net cash used in investing activities	(6,183)	(7,768)		(13,951)
Cash flows from financing activities				
Repayments of term loan	(19,700)			(19,700)
Other	(785)			(785)
Net cash used in financing activities	(20,485)			(20,485)
Net increase (decrease) in cash and cash equivalents	6,682	(3,398)		3,284

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Cash and cash equivalents, beginning of period	22,800	4,525	27,325
Cash and cash equivalents, end of period	\$ 29,482	\$ 1,127	\$ 30,609

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

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 accounting 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. The following discussion should be read in conjunction with our unaudited consolidated financial statements and related notes included in Item 1 of this report.

**Results of Operations**

Our operations are organized and reviewed by management along our product lines in 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 primary raw material and manufacturing process are unique for each segment. In addition to the business segments, we report certain items as corporate, which relate to corporate services including accounting and finance, information technology, payroll and human resources and various other overhead charges, each to the extent not allocated to the divisions.

*Metal Packaging.* Metal Packaging includes our metal packaging products, which include paint cans, aerosol containers, ammunition boxes and other general line containers made from steel. Metal Packaging is a separate division of the Company with management and production facilities and processes distinct from our Plastics Packaging Division.

*Plastics Packaging.* Plastics Packaging includes the plastics packaging products manufactured and distributed by NAMPAC. Principal products in this segment include open- and tight-head pails and drums and other multi-purpose rigid industrial plastic packaging. Plastics Packaging is a separate division of the Company with management and production facilities and processes distinct from our Metal Packaging Division.

The following table sets forth changes in our statements of operations and line items as a percentage of net sales for the three months ended July 2, 2006 and July 3, 2005.

<i>(Dollars in thousands)</i>	Three Months Ended		Change		As a % of Net Sales Three Months Ended	
	July 2, 2006	July 3, 2005	\$	%	July 2, 2006	July 3, 2005
Net sales	\$ 242,675	\$ 227,412	\$ 15,263	6.7 %	100.0 %	100.0 %
Cost of products sold (excluding depreciation and amortization)	204,889	191,543	13,346	7.0 %	84.4 %	84.2 %
Gross margin	37,786	35,869	1,917	5.3 %	15.6 %	15.8 %
Depreciation and amortization	10,112	9,372	740	7.9 %	4.2%	4.1%
Selling and administrative expense	4,833	5,238	(405)	(7.7) %	2.0%	2.3%
Restructuring and impairment charges	338	3,943	(3,605)	(91.4) %	0.1%	1.7%
Interest expense, net	8,441	8,155	286	3.5 %	3.5%	3.6%
Financial advisory fees	123	123		%	0.1%	0.1%
Other expense, net	65	61	4	6.6 %	%	%
Income before income taxes	13,874	8,977	4,897	54.6 %	5.7%	3.9%
Provision for income taxes	4,564	2,965	1,599	53.9 %	1.9%	1.3%
Net income	\$ 9,310	\$ 6,012	\$ 3,298	54.9 %	3.8%	2.6%

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The following table sets forth changes in our statements of operations and line items as a percentage of net sales for the nine months ended July 2, 2006 and July 3, 2005.

<i>(Dollars in thousands)</i>	Nine Months Ended		Change		As a % of Net Sales Nine Months Ended	
	July 2, 2006	July 3, 2005	\$	%	July 2, 2006	July 3, 2005
Net sales	\$ 669,467	\$ 608,949	\$ 60,518	9.9%	100.0 %	100.0 %
Cost of products sold (excluding depreciation and amortization)	583,891	524,349	59,542	11.4 %	87.2 %	86.1 %
Gross margin	85,576	84,600	976	1.2%	12.8 %	13.9 %
Depreciation and amortization	30,449	32,565	(2,116)	(6.5) %	4.5%	5.3%
Selling and administrative expense	14,391	15,272	(881)	(5.8) %	2.1%	2.5%
Restructuring and impairment charges	533	4,821	(4,288)	(88.9) %	0.1%	0.8%
Interest expense, net	24,952	23,928	1,024	4.3%	3.7%	3.9%
Financial advisory fees	371	371		%	0.1%	0.1%
Other expense (income), net	538	(592)	1,130	(190.9) %	0.1%	(0.1) %
Income before income taxes	14,342	8,235	6,107	74.2 %	2.1%	1.4%
Provision for income taxes	4,721	2,692	2,029	75.4 %	0.7%	0.4%
Net income	\$ 9,621	\$ 5,543	\$ 4,078	73.6 %	1.4%	0.9%

*Net Sales***Net Sales by Segment**

<i>(Dollars in thousands)</i>	Three Months Ended		Change		As a % of the Total Three Months Ended	
	July 2, 2006	July 3, 2005	\$	%	July 2, 2006	July 3, 2005
Metal packaging	\$ 153,687	\$ 146,815	\$ 6,872	4.7 %	63.3 %	64.6%
Plastics packaging	88,988	80,597	8,391	10.4 %	36.7 %	35.4 %
Consolidated net sales	\$ 242,675	\$ 227,412	\$ 15,263	6.7 %	100.0 %	100.0 %

<i>(Dollars in thousands)</i>	Nine Months Ended		Change		Nine Months Ended	
	July 2, 2006	July 3, 2005	\$	%	July 2, 2006	July 3, 2005
Metal packaging	\$ 405,984	\$ 386,903	\$ 19,081	4.9%	60.6%	63.5%
Plastics packaging	263,483	222,046	41,437	18.7%	39.4%	36.5%
Consolidated net sales	\$ 669,467	\$ 608,949	\$ 60,518	9.9%	100.0%	100.0%

The increase in metal packaging segment net sales in the three and nine month periods ended July 2, 2006 over the comparable periods of fiscal 2005 is primarily related to both higher net volume and to higher selling prices.

The increase in plastics packaging segment net sales in the three and nine month periods ended July 2, 2006 over the comparable periods of fiscal 2005 is primarily related to higher selling prices associated with the cost of plastic resin and, to a lesser extent, net increases in volume.

*Cost of Products Sold***Cost of Products Sold by Segment***(excluding depreciation and amortization)*

<i>(Dollars in thousands)</i>	<b>Three Months Ended</b>		<b>Change</b>		<b>As a % of the Total Three Months Ended</b>	
	<b>July 2, 2006</b>	<b>July 3, 2005</b>	<b>\$</b>	<b>%</b>	<b>July 2, 2006</b>	<b>July 3, 2005</b>
Metal packaging	\$ 126,045	\$ 120,350	\$ 5,695	4.7%	61.5%	62.8%
Plastics packaging	78,769	71,086	7,683	10.8%	38.5%	37.1%
Segment CPS	204,814	191,436	13,378	7.0%	100.0%	99.9%
Corporate undistributed expenses	75	107	(32)	(29.9)%	%	0.1%
Consolidated CPS	\$ 204,889	\$ 191,543	\$ 13,346	7.0%	100.0%	100.0%

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<i>(Dollars in thousands)</i>	Nine Months Ended		Change		Nine Months Ended	
	July 2, 2006	July 3, 2005	\$	%	July 2, 2006	July 3, 2005
Metal packaging	\$ 342,514	\$ 321,183	\$ 21,331	6.6 %	58.7 %	61.3 %
Plastics packaging	241,207	202,927	38,280	18.9 %	41.3 %	38.7 %
Segment CPS	583,721	524,110	59,611	11.4 %	100.0 %	100.0 %
Corporate undistributed expenses	170	239	(69)	(28.9) %	%	%
Consolidated CPS	\$ 583,891	\$ 524,349	\$ 59,542	11.4 %	100.0 %	100.0 %

The increase in cost of products sold, excluding depreciation and amortization, ( CPS ) for the metal packaging segment in each of the three and nine month periods ended July 2, 2006 over the comparable periods of fiscal 2005 is primarily due to the net volume increase in segment net sales, as discussed above, changes in the mix of products sold and higher material costs. Metal packaging segment CPS as a percentage of segment net sales was 82.0% in each of the third quarters of fiscal 2006 and fiscal 2005 and increased to 84.4% in the first nine months of fiscal 2006 from 83.0% in the first nine months of fiscal 2005, for the reasons previously discussed. In addition, segment CPS decreased approximately \$1.8 million and \$4.7 million in the three and nine month periods ended July 2, 2006, respectively, over the comparable periods of fiscal 2005 related to a decrease in inventory costs as a result of our LIFO method of accounting.

The increase in CPS for the plastics packaging segment in the three month period ended July 2, 2006 over the comparable period of fiscal 2005 is primarily due to higher plastic resin costs partially offset by lower overhead costs as a result of cost reduction efforts. Plastics packaging segment CPS as a percentage of segment net sales remained essentially unchanged at 88.5% in the third quarter of fiscal 2006 from 88.2% in the third quarter of fiscal 2005. The increase in CPS for the plastics packaging segment in the nine month period ended July 2, 2006 over the comparable period of fiscal 2005 is primarily due to higher plastic resin costs and the unfavorable LIFO adjustment discussed below partially offset by lower overhead costs as a result of cost reduction efforts. Plastics packaging segment CPS as a percentage of segment net sales remained essentially unchanged at 91.5% in the first nine months of fiscal 2006 from 91.4% in the first nine months of fiscal 2005. Segment CPS increased approximately \$0.4 million in the third quarter of fiscal 2006 over the comparable period of fiscal 2005 and increased approximately \$2.3 million for first nine months of fiscal 2006 over the comparable period of fiscal related to fluctuations in inventory costs as a result of our LIFO method of accounting.

*Depreciation and Amortization***Depreciation and Amortization by Segment**

<i>(Dollars in thousands)</i>	Three Months Ended		Change		As a % of the Total Three Months Ended	
	July 2, 2006	July 3, 2005	\$	%	July 2, 2006	July 3, 2005
Metal packaging	\$ 5,149	\$ 5,083	\$ 66	1.3 %	50.9%	54.2%
Plastics packaging	4,508	3,818	690	18.1 %	44.6 %	40.7 %
Segment depreciation and amortization	9,657	8,901	756	8.5 %	95.5 %	95.0 %
Corporate	455	471	(16)	(3.4) %	4.5 %	5.0 %
Consolidated depreciation and amortization	\$ 10,112	\$ 9,372	740	7.9 %	100.0 %	100.0 %

<i>(Dollars in thousands)</i>	Nine Months Ended		Change		Nine Months Ended	
	July 2, 2006	July 3, 2005	\$	%	July 2, 2006	July 3, 2005
Metal packaging	\$ 15,809	\$ 16,116	\$ (307)	(1.9) %	51.9 %	49.5 %
Plastics packaging	13,209	14,957	(1,748)	(11.7) %	43.4 %	45.9 %

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Segment depreciation and amortization	29,018	31,073	(2,055)	(6.6) %	95.3 %	95.4 %
Corporate	1,431	1,492	(61)	(4.1) %	4.7 %	4.6 %
<b>Consolidated depreciation and amortization</b>	<b>\$ 30,449</b>	<b>\$ 32,565</b>	<b>(2,116)</b>	<b>(6.5) %</b>	<b>100.0 %</b>	<b>100.0 %</b>

The decrease in metal packaging segment depreciation and amortization expense ( D&A ) for the first nine months of fiscal 2006 over the comparable period of fiscal 2005 relates partially due to lower amortization of intangible assets and to the timing of fixed asset capitalizations. The increase in metal packaging segment D&A in the third quarter of fiscal 2006 over the comparable period of fiscal 2005 relates the lower amortization offset by higher depreciation associated with timing of fixed asset capitalizations. We recorded additional depreciation of approximately \$3.9 million in the first and second quarters of fiscal 2005 associated with the shortened useful lives on certain assets (primarily equipment), which were subsequently disposed of in connection with the closure of certain of our plastics manufacturing facilities. Net of this additional depreciation, plastics packaging segment D&A increased in the third quarter and first nine months of fiscal 2006 over the comparable periods of fiscal 2005 due to higher depreciation associated with capital expenditures and to higher amortization of intangibles.

**Table of Contents***Selling and Administrative Expenses***Selling and Administrative Expense by Segment**

<i>(Dollars in thousands)</i>	<b>Three Months Ended</b>		<b>Change</b>		<b>As a % of the Total Three Months Ended</b>	
	<b>July 2, 2006</b>	<b>July 3, 2005</b>	<b>\$</b>	<b>%</b>	<b>July 2, 2006</b>	<b>July 3, 2005</b>
Metal packaging	\$ 1,536	\$ 1,554	\$ (18)	(1.2) %	31.8%	29.7 %
Plastics packaging	946	826	120	14.5 %	19.6 %	15.8 %
Segment selling and administrative expense	2,482	2,380	102	4.3 %	51.4 %	45.4 %
Corporate undistributed administrative expense	2,351	2,858	(507)	(17.7) %	48.6 %	54.6 %
<b>Consolidated selling and administrative expense</b>	<b>\$ 4,833</b>	<b>\$ 5,238</b>	<b>\$ (405)</b>	<b>(7.7) %</b>	<b>100.0 %</b>	<b>100.0 %</b>

<i>(Dollars in thousands)</i>	<b>Nine Months Ended</b>		<b>Change</b>		<b>Nine Months Ended</b>	
	<b>July 2, 2006</b>	<b>July 3, 2005</b>	<b>\$</b>	<b>%</b>	<b>July 2, 2006</b>	<b>July 3, 2005</b>
Metal packaging	\$ 4,903	\$ 5,175	\$ (272)	(5.3) %	34.1%	33.9 %
Plastics packaging	2,765	3,297	(532)	(16.1) %	19.2 %	21.6 %
Segment selling and administrative expense	7,668	8,472	(804)	(9.5) %	53.3 %	55.5 %
Corporate undistributed administrative expense	6,723	6,800	(77)	(1.1) %	46.7 %	44.5 %
<b>Consolidated selling and administrative expense</b>	<b>\$ 14,391</b>	<b>\$ 15,272</b>	<b>\$ (881)</b>	<b>(5.8) %</b>	<b>100.0 %</b>	<b>100.0 %</b>

The decrease in metal packaging segment selling and administrative expense ( S&A ) in the nine month period ended July 3, 2006 is primarily related to a lower bonus expense and to lower spending from the comparable period of fiscal 2005. Metal packaging segment S&A in the third quarter of fiscal 2006 is comparable with the third quarter of fiscal 2005.

The decrease in plastics packaging segment S&A in the nine month period ended July 3, 2006 is primarily related to lower wages and spending from the comparable period of fiscal 2005 as part of a cost reduction initiative. Plastics packaging segment S&A increased in the third quarter of fiscal 2006 over the comparable period of fiscal 2005 primarily due to an increase in bonus expense.

The decrease in corporate undistributed S&A in the third quarter of fiscal 2006 over the comparable period of fiscal 2005 is primarily due a decrease in accrued litigation, lower stock based compensation and lower bonus expense. The decrease in corporate undistributed administrative expenses for the first nine months of fiscal 2006 over the comparable period of fiscal 2005 is primarily due to a recovery of approximately \$0.6 million in the first quarter of fiscal 2005 of a previously written-off note receivable offset by lower spending and the changes noted above for the third quarter of fiscal 2006.

*Interest, Taxes and Other*

*Interest Expense, Net.* Interest expense, net, increased \$0.3 million and \$1.0 million in the third quarter and first nine months of fiscal 2006, respectively, from the comparable periods of fiscal 2005 primarily as a result of higher interest rates on the variable rate Credit Facility partially offset by a decrease in average Credit Facility borrowings outstanding.

*Provision for Income Taxes.* The effective tax rate increased slightly to 32.9% for the first nine months of fiscal 2006 from 32.7% for the comparable period of fiscal 2005.

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*Other Expense (Income), Net.* Other expense (income), net, for the first nine months of fiscal 2006 relates primarily to losses from the disposal of idled equipment in the second quarter. Other expense (income), net, in the first nine months of fiscal 2005 relates primarily to gains on the sale in the first quarter of idled equipment and a vacant manufacturing facility in Dallas, Texas.

### **Liquidity and Capital Resources**

Our cash requirements for operations and capital expenditures during the first nine months of fiscal 2006 and the first nine months of fiscal 2005 were primarily financed through internally generated cash flows. During the first nine months of fiscal 2006, cash and cash equivalents decreased \$29.3 million to \$22.6 million primarily due to a \$30.0 million repayment on the Term Loan during the period. During the first nine months of fiscal 2005, cash and cash equivalents increased \$3.3 million to \$30.6 million primarily due to cash from operations partially offset by a \$19.7 million repayment on the Term Loan. Long-term debt outstanding at July 2, 2006 and July 3, 2005 was \$365.3 million and \$395.3 million, respectively. There were no Revolver borrowings outstanding at either date.

At July 2, 2006, we had \$22.0 million in revolving credit available after taking into consideration \$8.0 million in standby letters of credit, which reduce available borrowings under the \$30.0 million Revolver.

Interest accrues on the Term Loan and the Revolver at an applicable margin plus either (a) a base rate (which is the higher of prime or 0.5% in excess of the overnight federal funds rate) or (b) a Eurodollar rate. For the Term Loan, the applicable margins were initially fixed at 1.25% for base rate loans and at 2.25% for Eurodollar rate loans and can range down to 1.00% and 2.00%, respectively, based upon meeting specified consolidated leverage ratio targets. For the Revolver, the applicable margins are initially fixed at 1.75% for base rate loans and 2.75% for Eurodollar rate loans and can range down to 1.00% and 2.00%, respectively, based upon meeting specified consolidated leverage ratio targets. Borrowing at the base rate or the Eurodollar rate is at our discretion. The rate margins are subject to quarterly change based on our ratio of Consolidated Indebtedness to Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization), each as defined in the underlying credit agreement. The weighted-average interest rate on outstanding Term Loan borrowings at July 2, 2006 was approximately 7.3%.

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In July 2006, we refinanced our Credit Facility in connection with the acquisition of substantially all of the assets and certain liabilities of Industrial Containers Ltd. for approximately \$66.1 million (see Note 9 to the unaudited consolidated financial statements in Item 1).

The following table presents financial information on our cash flows and changes in cash and cash equivalents for each of the nine months ended July 2, 2006 and July 3, 2005.

<i>(Dollars in thousands)</i>	<b>Nine Months Ended</b>		<b>Change</b>
	<b>July 2, 2006</b>	<b>July 3, 2005</b>	
Net cash provided by operating activities	\$ 19,783	\$ 37,720	\$ (17,937)
Net cash used in investing activities	(19,617)	(13,951)	(5,666)
Net cash used in financing activities	(29,447)	(20,485)	(8,962)
Net decrease in cash and cash equivalents	\$ (29,281)	\$ 3,284	\$ (32,565)
Cash and cash equivalents, end of period	\$ 22,608	\$ 30,609	

Net income, adjusted for depreciation, amortization of other intangible assets and deferred financing costs, impairment charge, loss/gain on disposition of property, plant and equipment and stock-based compensation expense, provided cash from operating activities of \$42.9 million and \$41.0 million in the first nine months of fiscal 2006 and 2005, respectively. The net change in accounts receivable, inventories and accounts payable used operating cash of \$4.0 million and \$6.2 million in the first nine months of fiscal 2006 and 2005, respectively. An increase in other assets in the first nine months of fiscal 2006 used cash of \$4.3 million. Accrued and other liabilities used cash of \$6.8 million in the first nine months of fiscal 2006 primarily as a result of interest payments in excess of interest expense. Interest paid in the first nine months of fiscal 2006 and fiscal 2005 was \$28.4 million and \$28.1 million, respectively. The change in accrued income taxes, net of changes in deferred income taxes, used cash of \$8.0 million in the first nine months of fiscal 2006 versus cash provided of \$2.8 million in the first nine months of fiscal 2005 primarily as a result of the difference between the provision for income taxes and tax payments or refunds. Income taxes paid in the first nine months of fiscal 2006 was \$12.8 million compared to net income tax refunds of \$(0.1) million in the first nine months of fiscal 2005.

Net cash used in investing activities for capital expenditures was \$20.3 million and \$14.9 million in the first nine months of fiscal 2006 and 2005, respectively. Net cash used in investing activities was partially offset in the first nine months of fiscal 2006 and 2005 by proceeds of \$0.7 million and \$1.2 million, respectively, from the sale of property, plant and equipment and assets held for sale. We expect total capital expenditures in fiscal 2006 to exceed fiscal 2005 capital expenditures by approximately \$3.0 to \$6.0 million due to certain manufacturing improvement initiatives and for improvements required to meet certain environmental standards.

Net cash used in financing activities related primarily to repayments on the Term Loan of \$30.0 million and \$19.7 million in the first nine months of fiscal 2006 and fiscal 2005, respectively.

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

At July 2, 2006, we were in compliance with all applicable covenants contained in the Indenture related to the Senior Notes.

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

**Market Risk**

Our cash flows and earnings are exposed to the market risk of interest rate changes resulting from variable rate borrowings under our Credit Facility. Borrowings under the Credit Facility bear interest on the outstanding Term Loan and the Revolver borrowings at an applicable margin

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(based on certain ratios contained in the credit agreement) plus a market rate of interest. At July 2, 2006, we had Term Loan borrowings of \$165.0 million that were subject to interest rate risk. Each 100 basis point increase in interest rates relative to these borrowings would impact quarterly pretax earnings by approximately \$0.4 million based on the July 2, 2006 debt level. There were no outstanding borrowings at July 2, 2006 under the Revolver.

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

### **Commodity Risk**

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

### **Critical Accounting Policies**

For a summary of our critical accounting policies, see management's discussion and analysis in Item 7 of the Annual Report. Our critical accounting policies have not changed since October 2, 2005.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

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### **Contractual Obligations**

For a summary of our significant contractual obligations, see the Contractual Obligations and Commercial Commitments section of Item 7 in the Annual Report. As of July 2, 2006, the nature and timing of the obligations has not materially changed since October 2, 2005. However, we refinanced our credit facility on July 17, 2006 in association with the acquisition of substantially all of the assets and certain liabilities of Industrial Containers Ltd. (see Note 9 to the unaudited consolidated financial statements in Item 1). The terms of the new facility will impact the contractual obligations disclosure previously reported in the Annual Report.

At July 2, 2006, a bank had issued standby letters of credit on our behalf in the aggregate amount of \$8.0 million primarily in favor of our workers' compensation insurers and purchasing card vendor.

### **Environmental Matters**

We are subject to a broad range of federal, state and local environmental, health and safety laws, including those governing discharges to air, soil and water, the handling and disposal of hazardous substances and the investigation and remediation of contamination resulting from the release of hazardous substances. We believe that we are currently in compliance with all applicable environmental, health and safety laws, though future expenditures may be necessary in order to maintain such compliance, including compliance with air emission control requirements for volatile organic compounds. In addition, in the course of our operations we use, store and dispose of hazardous substances. Some of our current and former facilities are currently involved in environmental investigations and remediation resulting from the release of hazardous substances or the presence of other contaminants. While we do not believe that any 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 have incurred approximately \$1.1 million of the estimated \$1.7 million in capital expenditures we expect to incur to comply with federal Maximum Achievable Control Technology (MACT) regulations related to air emission control requirements for Hazardous Air Pollutants (HAP) and volatile organic compounds. We have until November 2006 to comply with the new regulations.

In the third quarter of fiscal 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 our current or former facilities or our predecessors in interest. We do not believe that any of these identified matters will have a material adverse effect on our financial condition, results of operations or cash flows.

We record reserves for environmental liabilities when environmental investigation and remediation obligations are probable and related costs are reasonably estimable. We had accrued liabilities of approximately \$0.3 million for environmental investigation and remediation obligations as of July 2, 2006 and October 2, 2005; however, future expenditures may exceed the amounts accrued.

### **Other**

In the third quarter of fiscal 2006, one of our customers notified us that it had initiated a voluntary product recall of certain of its products due to potential leaks in certain of the containers that we likely provided. At July 2, 2006, we had an accrued liability of approximately \$0.7 million related to this matter.

### **Item 3. 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.

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For a discussion of interest rate risk and its relation to our indebtedness, see *Liquidity and Capital Resources* in Item 2, which is incorporated herein by reference.

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

### **Item 4. 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.

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*Changes in Internal Control Over Financial Reporting:* There have been no changes in our internal controls over financial reporting during the three months ended July 2, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings.**

There are no events to report under this item for the quarter ended July 2, 2006.

**Item 1A. Risk Factors.**

There are no material changes to report under this item for the quarter ended July 2, 2006.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

There are no events to report under this item for the quarter ended July 2, 2006.

**Item 3. Defaults Upon Senior Securities.**

There are no events to report under this item for the quarter ended July 2, 2006.

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

There are no events to report under this item for the quarter ended July 2, 2006.

**Item 5. Other Information.**

There is no information to report under this item for the quarter ended July 2, 2006.

**Item 6. Exhibits.**

See Index to Exhibits.

**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 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 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)

Date: August 11, 2006

By: /s/ Jean-Pierre M. Ergas  
Jean-Pierre M. Ergas  
Chairman and  
Chief Executive Officer  
*(Principal Executive Officer)*

Date: August 11, 2006

By: /s/ Kevin C. Kern  
Kevin C. Kern  
Vice President, Administration and  
  
Chief Financial Officer  
*(Principal Financial Officer and Chief Accounting Officer)*

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**INDEX TO EXHIBITS**

<b>Exhibit Number</b>	<b>Description of Document</b>
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) (17 C.F.R. 240.13a-14(a)).
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) (17 C.F.R. 240.13a-14(a)).
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.