

BWAY Holding CO
Form 10-Q
February 13, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended:

December 30, 2007

Registrant, State of

Incorporation, Address and

I.R.S. Employer

Commission File Number
001-33527

Telephone Number

Identification No.
55-0800054

BWAY Holding Company

(A Delaware Corporation)

8607 Roberts Drive Suite 250 Atlanta,
Georgia 30350-2237 (770) 645-4800

001-12415

BWAY Corporation
(A Delaware Corporation)

36-3624491

8607 Roberts Drive Suite 250 Atlanta,

Georgia 30350-2237 (770) 645-4800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Registrant

BWAY Holding Company

Yes No

BWAY Corporation

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

| Registrant | Large Accelerated Filer | Accelerated Filer | Non-accelerated Filer | Smaller Reporting Company |
|----------------------|-------------------------------|----------------------|--------------------------|---------------------------------|
| BWAY Holding Company | .. | .. | x | .. |
| BWAY Corporation | .. | .. | x | .. |

(Do not check if a smaller reporting company)

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

(Response applicable to all registrants).

| Registrant | Description of Common Stock | Shares Outstanding at February 11, 2008 |
|----------------------|-----------------------------|---|
| BWAY Holding Company | Par Value \$0.01 per share | 21,680,937 |
| BWAY Corporation | Par Value \$0.01 per share | 1,000 |

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BWAY HOLDING COMPANY

BWAY CORPORATION

Quarterly Report on Form 10-Q

For the quarterly period ended December 30, 2007

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****BWAY HOLDING COMPANY AND SUBSIDIARIES****UNAUDITED CONSOLIDATED BALANCE SHEETS**

| (Dollars in thousands, except share data) | December 30, 2007 | September 30, 2007 |
|--|----------------------|-----------------------|
| Assets | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 23,772 | \$ 53,423 |
| Accounts receivable, net of allowance for doubtful accounts of \$1,884 and \$1,741 | 96,052 | 107,151 |
| Inventories, net | 130,544 | 111,792 |
| Income taxes receivable | 9,426 | 6,162 |
| Deferred tax assets | 8,065 | 7,928 |
| Other | 5,346 | 5,789 |
| TOTAL CURRENT ASSETS | 273,205 | 292,245 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 144,920 | 141,750 |
| OTHER ASSETS | | |
| Goodwill | 254,906 | 253,618 |
| Other intangible assets, net | 155,533 | 159,214 |
| Deferred financing costs, net of accumulated amortization of \$6,693 and \$6,156 | 8,553 | 9,074 |
| Other | 2,418 | 2,032 |
| TOTAL OTHER ASSETS | 421,410 | 423,938 |
| TOTAL ASSETS | \$ 839,535 | \$ 857,933 |
| Liabilities and Stockholders Equity | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 121,970 | \$ 132,890 |
| Accrued salaries and wages | 10,977 | 11,146 |
| Accrued interest | 5,877 | 12,074 |
| Accrued rebates | 11,757 | 10,089 |
| Current portion of long-term debt | 2,699 | 2,284 |
| Other | 14,332 | 17,269 |
| TOTAL CURRENT LIABILITIES | 167,612 | 185,752 |
| LONG-TERM DEBT | 423,377 | 423,314 |
| OTHER LIABILITIES | | |
| Deferred tax liabilities | 69,511 | 69,786 |
| Other | 23,830 | 21,825 |

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| | | |
|---|-------------------|------------|
| TOTAL OTHER LIABILITIES | 93,341 | 91,611 |
| TOTAL LIABILITIES | 684,330 | 700,677 |
| COMMITMENTS AND CONTINGENCIES (NOTE 9) | | |
| STOCKHOLDERS EQUITY | | |
| Preferred stock, \$.01 par value, 20,000,000 shares authorized; no shares issued | | |
| Common stock, \$.01 par value, 200,000,000 and 23,995,088 shares authorized; 21,660,737 shares issued and outstanding | 217 | 217 |
| Additional paid-in capital | 127,621 | 125,853 |
| Retained earnings | 24,701 | 28,808 |
| Accumulated other comprehensive income | 2,666 | 2,378 |
| TOTAL STOCKHOLDERS EQUITY | 155,205 | 157,256 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | \$ 839,535 | \$ 857,933 |

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

Table of Contents**BWAY HOLDING COMPANY AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**

| (Dollars in thousands except per share amounts) | Three Months Ended | |
|--|------------------------------|------------------------------|
| | December 30, 2007 | December 31, 2006 |
| NET SALES | \$ 217,387 | \$ 202,376 |
| COSTS AND EXPENSES | | |
| Cost of products sold <i>(excluding depreciation and amortization)</i> | 196,872 | 178,350 |
| Depreciation and amortization | 11,127 | 11,398 |
| Selling and administrative expense | 5,880 | 4,215 |
| Restructuring charge | 24 | 39 |
| Interest expense, net | 9,455 | 9,403 |
| Other expense, net | 134 | 57 |
| TOTAL COSTS AND EXPENSES | 223,492 | 203,462 |
| LOSS BEFORE INCOME TAXES | (6,105) | (1,086) |
| Benefit from income taxes | (2,202) | (479) |
| NET LOSS | \$ (3,903) | \$ (607) |
| NET LOSS PER SHARE (NOTE 7) | | |
| Basic and Diluted | \$ (0.18) | \$ (0.03) |

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

Table of Contents**BWAY HOLDING COMPANY AND SUBSIDIARIES**

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

| (Dollars in thousands) | Three Months Ended | |
|--|----------------------|----------------------|
| | December 30, 2007 | December 31, 2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (3,903) | \$ (607) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation | 7,123 | 7,517 |
| Amortization of other intangible assets | 4,004 | 3,881 |
| Amortization of deferred financing costs | 533 | 525 |
| Provision for (benefit from) doubtful accounts | 143 | (391) |
| Loss (gain) on disposition of property, plant and equipment | 28 | (5) |
| Deferred income taxes | (137) | (1,601) |
| Stock-based compensation expense | 1,768 | 223 |
| Changes in assets and liabilities | | |
| Accounts receivable | 11,113 | 18,170 |
| Inventories | (18,656) | (6,261) |
| Other assets | 533 | (1,538) |
| Accounts payable | (9,364) | (27,332) |
| Accrued and other liabilities | (6,954) | (7,724) |
| Income taxes | (3,219) | 1,079 |
| NET CASH USED IN OPERATING ACTIVITIES | (16,988) | (14,064) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (12,306) | (5,273) |
| Other | 2 | 1 |
| NET CASH USED IN INVESTING ACTIVITIES | (12,304) | (5,272) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of term loan | (144) | (20,122) |
| Principal repayments under capital leases | (41) | (55) |
| NET CASH USED IN FINANCING ACTIVITIES | (185) | (20,177) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (174) | (263) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (29,651) | (39,776) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 53,423 | 50,979 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 23,772 | \$ 11,203 |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash paid during the period for: | | |
| Interest | \$ 15,178 | \$ 13,002 |
| Income taxes | 1,728 | 38 |
| Non-cash investing and financing activities: | | |

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Amounts owed for capital expenditures

1,226

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

Table of Contents**BWAY CORPORATION AND SUBSIDIARIES**

UNAUDITED CONSOLIDATED BALANCE SHEETS

| (Dollars in thousands, except share data) | December 30, 2007 | September 30, 2007 |
|--|----------------------|-----------------------|
| Assets | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 23,772 | \$ 53,423 |
| Accounts receivable, net of allowance for doubtful accounts of \$1,884 and \$1,741 | 96,052 | 107,151 |
| Inventories, net | 130,544 | 111,792 |
| Income taxes receivable | 9,426 | 6,162 |
| Deferred tax assets | 8,065 | 7,928 |
| Other | 5,346 | 5,789 |
| TOTAL CURRENT ASSETS | 273,205 | 292,245 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 144,920 | 141,750 |
| OTHER ASSETS | | |
| Goodwill | 254,906 | 253,618 |
| Other intangible assets, net | 155,533 | 159,214 |
| Deferred financing costs, net of accumulated amortization of \$6,693 and \$6,156 | 8,553 | 9,074 |
| Other | 2,418 | 2,032 |
| TOTAL OTHER ASSETS | 421,410 | 423,938 |
| TOTAL ASSETS | \$ 839,535 | \$ 857,933 |
| Liabilities and Stockholder's Equity | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 121,970 | \$ 132,890 |
| Accrued salaries and wages | 10,977 | 11,146 |
| Accrued interest | 5,877 | 12,074 |
| Accrued rebates | 11,757 | 10,089 |
| Current portion of long-term debt | 2,699 | 2,284 |
| Other | 14,332 | 17,269 |
| TOTAL CURRENT LIABILITIES | 167,612 | 185,752 |
| LONG-TERM DEBT | 423,377 | 423,314 |
| OTHER LIABILITIES | | |
| Deferred tax liabilities | 69,511 | 69,786 |
| Other | 23,830 | 21,825 |
| TOTAL OTHER LIABILITIES | 93,341 | 91,611 |
| TOTAL LIABILITIES | 684,330 | 700,677 |
| COMMITMENTS AND CONTINGENCIES (NOTE 9) | | |

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STOCKHOLDER EQUITY

| | | |
|---|-------------------|-------------------|
| Preferred stock, \$.01 par value, 500 shares authorized; no shares issued | | |
| Common stock, \$.01 par value, 2,500 shares authorized; 1,000 shares issued and outstanding | | |
| Additional paid-in capital | 134,364 | 132,596 |
| Retained earnings | 18,175 | 22,282 |
| Accumulated other comprehensive income | 2,666 | 2,378 |
| TOTAL STOCKHOLDER EQUITY | 155,205 | 157,256 |
| TOTAL LIABILITIES AND STOCKHOLDER EQUITY | \$ 839,535 | \$ 857,933 |

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| COSTS AND EXPENSES | | |
| Cost of products sold <i>(excluding depreciation and amortization)</i> | 196,872 | 178,350 |
| Depreciation and amortization | 11,127 | 11,398 |
| Selling and administrative expense | 5,880 | 4,215 |
| Restructuring charge | 24 | 39 |
| Interest expense, net | 9,455 | 9,403 |
| Other expense, net | 134 | 57 |
| TOTAL COSTS AND EXPENSES | 223,492 | 203,462 |
| LOSS BEFORE INCOME TAXES | (6,105) | (1,086) |
| Benefit from income taxes | (2,202) | (479) |
| NET LOSS | \$ (3,903) | \$ (607) |

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|--|----------------------|----------------------|
| | December 30, 2007 | December 31, 2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (3,903) | \$ (607) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation | 7,123 | 7,517 |
| Amortization of other intangible assets | 4,004 | 3,881 |
| Amortization of deferred financing costs | 533 | 525 |
| Provision for (benefit from) doubtful accounts | 143 | (391) |
| Loss (gain) on disposition of property, plant and equipment | 28 | (5) |
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| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (174) | (263) |
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| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 53,423 | 50,979 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 23,772 | \$ 11,203 |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash paid during the period for: | | |
| Interest | \$ 15,178 | \$ 13,002 |
| Income taxes | 1,278 | 38 |
| Non-cash investing and financing activities: | | |

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Amounts owed for capital expenditures

1,226

462

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

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BWAY HOLDING COMPANY AND SUBSIDIARIES

BWAY CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements have been prepared without audit. The consolidated financial statements of BWAY Holding Company (BWAY Holding) include the accounts of BWAY Holding and its wholly owned subsidiary, BWAY Corporation, on a consolidated basis (BWAY). The consolidated financial statements of BWAY include the accounts of BWAY Corporation and its subsidiaries, each wholly-owned. In these notes, BWAY Holding and BWAY are collectively referred to as the Company, we or our.

These statements and the accompanying notes should be read in conjunction with our Annual Report on Form 10-K/A for the year ended September 30, 2007 (the Annual Report). The unaudited 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. Certain information and footnote disclosures, including critical and significant accounting policies, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted.

These Notes to Unaudited Consolidated Financial Statements apply equally to BWAY Holding and BWAY with the exception of Notes 7 and 12, which are only applicable to BWAY Holding and BWAY, respectively.

Results of operations for the three months ended December 30, 2007 are not necessarily indicative of the results that may be expected for the entire fiscal year.

Unless otherwise stated, references to years herein relate to fiscal years.

Business and Segment Information

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

In March 2007, BWAY Holding filed with the United States Securities and Exchange Commission (the SEC), a registration statement on Form S-1 under the Securities Act related to its common stock. The SEC declared the registration statement effective on June 12, 2007 and on June 13, 2007, BWAY Holding common stock began trading on the New York Stock Exchange under the ticker symbol BWY. In this initial public offering of BWAY Holding common stock, certain selling stockholders, including Kelso (as defined below), our executive chairman and another member of the board, offered 10,039,216 shares at an issue price of \$15.00 per share to the public, which represented a portion of their BWAY Holding common stock (the IPO or the public offering). We did not receive any proceeds from the offering.

Prior to the IPO, BWAY Holding common stock was privately held by affiliates of Kelso & Company, L.P. (Kelso), certain members of management and certain other parties, as a result of a leveraged buyout completed on February 7, 2003 (the Transaction). Pursuant to the Transaction, BWAY Holding purchased all of the issued and outstanding shares of BWAY, which, at the time, was publicly traded on the New York Stock Exchange.

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Our fiscal year ends on the Sunday closest to September 30. Our North America Packaging Corporation (NAMPAC) and ICL Industrial Containers ULC (ICL) subsidiaries report their financial position and results of operations on a calendar month basis with fiscal years ending on September 30. NAMPAC and ICL are included in the consolidated financial statements as of and for the three months ended December 31, 2007. There were no significant or unusual transactions between the calendar month and fiscal month ending dates that should have been considered in the consolidated financial statements.

Prior Acquisitions

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 assets were acquired by our subsidiary, ICL.

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

Recently Adopted Accounting Standards

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

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As a result of the implementation of FIN 48, we recorded an increase in the liability for unrecognized tax benefits of approximately \$1.1 million. This increase was recorded as (i) a reduction to the beginning balance of retained earnings of \$0.2 million and (ii) an increase to goodwill of \$0.9 million related to pre-acquisition tax contingencies of our NAMPAC subsidiary. As of October 1, 2007, the gross amount of unrecognized tax benefits was approximately \$1.7 million, exclusive of interest and penalties. Of this balance, approximately \$0.7 million would benefit the effective tax rate, if recognized. We do not expect significant changes in the amount of unrecognized tax benefits for the remainder of 2008. As we do not expect any of the liabilities related to unrecognized tax benefits to be paid within one year, we have classified our liability for uncertain tax positions, including the liability for penalties and interest, as other non-current liabilities. Our gross accrual for interest and penalties related to unrecognized tax benefits was approximately \$0.4 million upon adoption of FIN 48. We recognize interest and penalties accrued related to unrecognized tax benefits in income tax expense in the consolidated statements of operations. Interest accrued on uncertain tax positions for the quarter ended December 30, 2007 was immaterial.

We file federal, state and local income tax returns in the U.S., Puerto Rico and Canada. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for tax years prior to fiscal 2004.

Recently Issued Accounting Standards

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

2. INVENTORIES

| (Dollars in thousands) | December 30, 2007 | September 30, 2007 |
|------------------------|----------------------|-----------------------|
| Raw materials | \$ 45,262 | \$ 30,583 |
| Work-in-progress | 42,706 | 43,140 |
| Finished goods | 42,576 | 38,069 |
| INVENTORIES | \$ 130,544 | \$ 111,792 |

3. GOODWILL AND OTHER INTANGIBLES

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

| (Dollars in thousands) | Metal Packaging | Plastic Packaging | Total |
|--|--------------------|----------------------|-------------------|
| BALANCE, SEPTEMBER 30, 2007 | \$ 122,572 | \$ 131,046 | \$ 253,618 |
| Currency translation adjustment | 111 | 270 | 381 |
| Adjustment as a result of adopting FIN 48(1) | | 907 | 907 |
| BALANCE, DECEMBER 30, 2007 | \$ 122,683 | \$ 132,223 | \$ 254,906 |

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

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Identifiable intangible assets by major asset class:

| December 30, 2007 and September 30, 2007 (Dollars in thousands) | December 30, 2007 | | | September 30, 2007 | | |
|--|-----------------------------|-----------------------------|-------------------|-----------------------------|-----------------------------|------------|
| | Gross Carrying Amount | Accumulated Amortization | Net | Gross Carrying Amount | Accumulated Amortization | Net |
| AMORTIZABLE INTANGIBLE ASSETS | | | | | | |
| Customer relationships | \$ 187,024 | \$ (51,344) | \$ 135,680 | \$ 186,707 | \$ (47,791) | \$ 138,916 |
| Tradenames | 26,408 | (7,168) | 19,240 | 26,369 | (6,684) | 19,685 |
| Noncompetition agreements | 401 | (401) | | 401 | (401) | |
| | 213,833 | (58,913) | 154,920 | 213,477 | (54,876) | 158,601 |
| UNAMORTIZABLE INTANGIBLE ASSETS | | | | | | |
| Technology | 613 | | 613 | 613 | | 613 |
| TOTAL OTHER INTANGIBLE ASSETS | \$ 214,446 | \$ (58,913) | \$ 155,533 | \$ 214,090 | \$ (54,876) | \$ 159,214 |

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

Expected amortization expense is as follows:

| (Dollars in thousands) | |
|---------------------------------------|------------|
| FISCAL YEAR ENDING | |
| 2008 (<i>remaining nine months</i>) | \$ 11,915 |
| 2009 | 15,324 |
| 2010 | 15,227 |
| 2011 | 14,547 |
| 2012 | 13,921 |
| Thereafter | 83,986 |
| | \$ 154,920 |

4. LONG-TERM DEBT

| (Dollars in thousands) | December 30, 2007 | September 30, 2007 |
|--|------------------------------|-------------------------------|
| LONG TERM DEBT | | |
| 10% USD senior subordinated notes due October 2010 | \$ 200,000 | \$ 200,000 |
| Variable rate USD term loan maturing July 2013 | 169,500 | 169,500 |
| Variable rate CAD term loan maturing July 2013 | 56,576 | 56,098 |
| | 426,076 | 425,598 |
| Less: Current portion | (2,699) | (2,284) |
| LONG TERM DEBT, NET OF CURRENT PORTION | \$ 423,377 | \$ 423,314 |

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The current portion of long-term debt as of December 30, 2007 includes a scheduled payment of \$0.4 million on the U.S. Term Loan that was due and paid on December 31, 2007.

The weighted-average interest rate on variable rate credit facility borrowings as of December 30, 2007 and September 30, 2007 was approximately 6.9% and 7.1%, respectively.

Scheduled maturities of long-term debt:

(Dollars in thousands)

| FISCAL YEAR ENDING | |
|---------------------------------------|------------|
| 2008 (<i>remaining nine months</i>) | \$ 2,130 |
| 2009 | 2,274 |
| 2010 | 2,274 |
| 2011 | 202,274 |
| 2012 | 2,274 |
| Thereafter | 214,850 |
| | \$ 426,076 |

Of the \$2.3 million maturing in fiscal 2009, \$0.6 million is included in the current portion of long-term debt in the unaudited consolidated balance sheets as of December 30, 2007.

Senior Subordinated Notes

The \$200.0 million principal amount of 10% Senior Subordinated Notes due 2010 (the Senior Notes) are unsecured senior subordinated obligations of BWAY and are effectively subordinated to all senior debt obligations of BWAY. Interest on the Senior Notes is payable semi-annually in arrears on April 15 and October 15. The interest rate is fixed at 10% per annum. All of BWAY's U.S. subsidiaries have fully and unconditionally guaranteed the Senior Notes.

The Senior Notes are governed by an Indenture dated as of November 27, 2002 with The Bank of New York, as trustee, as assumed by BWAY on February 7, 2003 and as amended from time to time (the Indenture). The Senior Notes are subject to covenants that, among other things,

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limit BWAY's ability (and the ability of some or all of its subsidiaries) to: incur additional debt, pay dividends or distributions on its capital stock or to repurchase its capital stock, make certain investments, create liens on its assets to secure debt, engage in transactions with affiliates, merge or consolidate with another company and transfer or sell assets. These covenants are subject to a number of important limitations and exceptions, which are more fully described in the Indenture. At December 30, 2007, we were in compliance with all applicable covenants related to the Senior Notes.

BWAY may redeem some or all of these notes at redemption prices specified in the Indenture (103.33% for the twelve month period beginning October 15, 2007 and declining annually to 100% on October 15, 2009). Upon the occurrence of a Change in Control, as defined in the Indenture, the holders of the Senior Notes could require BWAY to repurchase the notes at 101% of the principal amount.

Credit Facility

Our credit facility consists of a \$190.0 million B Term Loan (the "U.S. Term Loan"), a \$50.0 million revolving credit facility (the "U.S. Revolver"), a Cdn\$56.4 million (US\$50.0 million equivalent at the borrowing date) C Term Loan (the "Canadian Term Loan") and a US\$5.0 million equivalent revolving credit facility (the "Canadian Revolver"), (collectively, the "Credit Facility"). BWAY is the borrower of the U.S. Term Loan and only BWAY can borrow on the U.S. Revolver. ICL is the borrower on the Canadian Term Loan and only ICL can borrow on the Canadian Revolver.

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

The U.S. Term Loan is denominated in U.S. dollars and, at the option of the borrower, may consist of a Base Rate Loan or a Eurodollar Loan, each as defined in the credit agreement. Interest accrues on Base Rate Loans at a fixed margin of 0.75% plus the greater of the federal funds rate plus 0.5% or the Prime Lending Rate and on Eurodollar Loans at a Eurodollar Rate (as defined in the credit agreement) plus a fixed margin of 1.75%. At December 30, 2007, the effective interest rate on outstanding U.S. Term Loan borrowings was approximately 6.9%.

The U.S. Revolver is denominated in U.S. dollars and, at the option of the borrower, may consist of a Base Rate Loan or a Eurodollar Loan, each as defined in the credit agreement. Any outstanding borrowings are due at maturity. Interest accrues on Base Rate Loans at a variable margin ranging from 0.25% to 1.00% plus the greater of either the federal funds rate plus 0.5% or the administrative agent's prime lending rate. Interest accrues on Eurodollar Loans at a Eurodollar Rate plus a variable margin ranging from 1.25% to 2.00%. The applicable margin for either the Base Rate or Eurodollar loans is based on a Consolidated Total Leverage Ratio, as defined in the credit agreement.

The Canadian Term Loan is denominated in Canadian dollars and, at the option of the borrower, may consist of a Canadian Prime Rate Loan or a B/A Discount Rate Loan, each as defined in the credit agreement. Interest accrues on Canadian Prime Rate Loans at the greater of DB Canada's prime rate or CDOR plus 0.75% plus a fixed margin of 1.0% and on B/A Discount Rate Loans at CDOR plus a fixed margin of 2.0%. At December 30, 2007, the effective interest rate on outstanding Canadian Term Loan borrowings was approximately 7.0%.

The Canadian Revolver can be drawn in either U.S. or Canadian dollars, at the option of the borrower, and, at the option of the borrower, may consist of a Base Rate Loan or a Eurodollar Loan for U.S. dollar denominated loans or Canadian Prime Rate Loan or a B/A Discount Rate Loan for Canadian dollar denominated loans, each as defined in the credit agreement. Any outstanding borrowings are due at maturity. Interest accrues on Base Rate Loans or Canadian Prime Rate Loans at the applicable base (as discussed above) plus a variable margin ranging from 0.25% to 1.00%. Interest accrues on Eurodollar Loans or B/A Discount Rate Loans at the applicable base (as discussed above) plus a variable margin ranging from 1.25% to 2.00%. The applicable margin for either the Base Rate or Eurodollar loans is based on a Consolidated Total Leverage Ratio, as defined in the credit agreement.

The U.S. Term Loan and Canadian Term Loan are subject to scheduled quarterly repayments of approximately \$0.4 million and Cdn\$141 thousand (approximately US\$143 thousand equivalent at December 30, 2007), respectively, that continue through March 31, 2013. The remaining unpaid balance is due on the maturity date. Once repaid, the term loans may not be reborrowed.

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

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As of December 30, 2007, we had \$6.6 million and \$0.2 million in standby letter of credit commitments that reduced our available borrowings to \$43.4 million and \$4.8 million under the U.S. Revolver and Canadian Revolver, respectively. As of December 30, 2007 and September 30, 2007, there were no U.S. Revolver or Canadian Revolver borrowings outstanding.

The credit agreement contains covenants that, among other things, limit our ability (and the ability of some or all of our subsidiaries) to: incur additional debt, pay dividends or distributions on our capital stock or to repurchase our capital stock, make certain investments, loans or advances, create liens on our assets to secure debt, engage in transactions with affiliates, merge or consolidate with another company, transfer and sell assets and make acquisitions. 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. At December 30, 2007, we were in compliance with all applicable covenants contained in the credit agreement.

Deferred Financing Costs

We incurred \$8.0 million in financing costs related to the underwriting and registration of the Senior Notes, and we are amortizing these costs to interest expense over the term of the notes. As of December 30, 2007 and September 30, 2007, there were \$2.9 million and \$3.2 million, respectively, of the deferred costs remained to be amortized.

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We are amortizing approximately \$6.1 million in deferred financing costs related to the Term Loans to interest expense over the term of the loans in proportion to the outstanding principal, which approximates the effective yield method. We are amortizing approximately \$1.2 million in deferred financing costs related to the Revolvers on a straight-line basis over the term of the Revolvers, which approximates the effective yield method. At December 30, 2007 and September 30, 2007, approximately \$5.7 million and \$5.9 million of deferred costs associated with the Credit Facility were unamortized.

5. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligation liabilities:

| (Dollars in thousands) | December 30, 2007 | September 30, 2007 |
|---|----------------------|-----------------------|
| Defined benefit pension liability | \$ 672 | \$ 865 |
| Retiree medical and other postretirement benefits | 7,045 | 6,968 |
| Deferred compensation | 6,557 | 6,576 |
| EMPLOYEE BENEFIT OBLIGATION LIABILITIES | \$ 14,274 | \$ 14,409 |

As of December 30, 2007, approximately \$1.2 million and \$13.1 million of the employee benefit obligation liabilities were recorded in current liabilities and other long-term liabilities, respectively. At September 30, 2007, approximately \$1.2 million and \$13.2 million of the employee benefit obligation liabilities were recorded in current liabilities and other long-term liabilities, respectively.

Components of net periodic benefit cost:

| (Dollars in thousands) | Defined Benefit Pension Plans | | Other Postretirement Benefits | |
|--|-------------------------------|----------------------|-------------------------------|----------------------|
| | December 30, 2007 | December 31, 2006 | December 30, 2007 | December 31, 2006 |
| COMPONENTS OF NET PERIODIC BENEFIT COST | | | | |
| Service cost | \$ | \$ | \$ 1 | \$ 1 |
| Interest cost | 164 | 169 | 101 | 99 |
| Expected return on plan assets | (191) | (170) | | |
| Recognized net actuarial loss | | 1 | 16 | 18 |
| NET PERIODIC BENEFIT COST | \$ (27) | \$ | \$ 118 | \$ 118 |

6. RESTRUCTURING AND REORGANIZATION LIABILITIES

The following table sets forth changes in our restructuring and reorganization liabilities from September 30, 2007 to December 30, 2007. The nature of the liabilities has not changed from that previously reported in the Annual Report. The liabilities are included in other current liabilities as of September 30, 2007 and December 30, 2007. The restructuring and reorganization liabilities relate to the Plastic Packaging segment and Metal Packaging segment, respectively.

| (Dollars in millions) | Balance September 30, 2007 | Expenditures | Balance December 30, 2007 |
|-------------------------------|-------------------------------|--------------|------------------------------|
| FACILITY CLOSURE COSTS | | | |
| Restructuring Liability | \$ 0.5 | \$ (0.1) | \$ 0.4 |

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| | | | |
|--------------------------|--------|----------|--------|
| Reorganization Liability | 0.8 | (0.6) | 0.2 |
| TOTALS | \$ 1.3 | \$ (0.7) | \$ 0.6 |

7. NET LOSS PER SHARE

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

| (Amounts in thousands except per share amounts) | Three Months Ended | |
|--|----------------------|----------------------|
| | December 30, 2007 | December 31, 2006 |
| BASIC AND DILUTED NET LOSS PER SHARE | | |
| Net loss | \$ (3,903) | \$ (607) |
| Weighted-average number of shares outstanding | 21,661 | 20,525 |
| BASIC AND DILUTED NET LOSS PER SHARE | \$ (0.18) | \$ (0.03) |

All common stock equivalents have been excluded in the computation of diluted earnings per share for the three months ended December 30, 2007 and December 31, 2006 because their effect would have been antidilutive.

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

The following table summarizes non-cash stock-based compensation expense included in the statements of operations by line item for the three months ended December 30, 2007 and December 31, 2006. All amounts are included in undistributed corporate expense in the business segment disclosure (see Note 10, *Business Segments*).

| (Amounts in thousands except per share amounts) | Three Months Ended | |
|--|----------------------|----------------------|
| | December 30, 2007 | December 31, 2006 |
| STOCK BASED COMPENSATION EXPENSE INCLUDED IN: | | |
| Cost of products sold (<i>excluding depreciation and amortization</i>) | \$ 477 | \$ 42 |
| Selling and administrative expense | 1,291 | 181 |
| | \$ 1,768 | \$ 223 |

The expense related to the vesting condition modifications in the third quarter of 2007, as further described below, included in cost of products sold (excluding depreciation and amortization) and selling and administrative expense for the three months ended December 30, 2007 was \$0.5 million and \$1.3 million, respectively.

Summary of Stock-Based Compensation Plans

BWAY Holding Company 2007 Annual Incentive Plan On May 23, 2007, the Board approved, upon the recommendation of the Compensation Committee, the BWAY Holding Company 2007 Annual Incentive Plan (the Omnibus Incentive Plan). The plan provides for awards of up to 2,057,898 shares of BWAY Holding common stock, which may be in the form of stock options, stock appreciation rights, performance-based awards, restricted stock, restricted stock units or deferred stock. The Omnibus Incentive Plan will terminate on May 23, 2017 unless terminated earlier. Termination of the Omnibus Incentive Plan will not affect grants made prior to the termination. In the first quarter of 2008, options to acquire 25,000 shares were granted, and as of December 30, 2007, there were 1,995,898 options available for grant under the Omnibus Incentive.

As of December 30, 2007, all options outstanding under the Omnibus Incentive Plan were service options, which will vest annually in three equal tranches beginning on the first anniversary of the grant date.

BCO Holding Company Stock Incentive Plan In July 2004, the Board approved the Amended and Restated BCO Holding Stock Incentive Plan (the Holding Incentive Plan). Under the Holding Incentive Plan, 4,480,797 shares of BWAY Holding's common stock are subject to options. The Holding Incentive Plan will terminate on February 7, 2013 unless terminated earlier. Termination of the Holding Incentive Plan will not affect grants made prior to the termination. Under the Holding Incentive Plan, there were no grants in the first three months of 2008 and as of December 30, 2007, there were 286,738 options available for grant.

As of December 30, 2007, unvested options outstanding under the Holding Incentive Plan will become vested in three equal tranches based on an average per share closing price of BWAY Holding Company common stock over a consecutive 45 day period with a minimum closing price on the 45th day for each tranche, as follows:

1/3 will vest if the average per share closing price of BWAY Holding's common stock over any consecutive 45 days during which the stock trades is at least \$19.26 and the closing price on the 45th such day is at least \$16.37;

1/3 will vest if the average per share closing price of BWAY Holding's common stock over any consecutive 45 days during which the stock trades is at least \$21.52 and the closing price on the 45th such day is at least \$18.29; and

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¹/3 will vest if the average per share closing price of BWAY Holding's common stock over any consecutive 45 days during which the stock trades is at least \$23.78 and the closing price on the 45th such day is at least \$20.21.

In the third quarter of 2007, the Board approved the vesting modification noted above. As a result of the modification, we determined the fair value of such options on the modification date, which will be recognized as stock-based compensation expense over the derived service period. Because the vesting is based on market conditions, we used a Monte Carlo simulation model to determine the fair value of the options. The derived service period for these exit options is the median period of time until the market condition is met, as determined by the simulation model. We determined a modification date fair value of approximately \$11.3 million and a service period of approximately 1.6 years. In the first quarter of 2008, we recognized \$1.8 million of stock-based compensation related to these modified options.

The following inputs were used in the Monte Carlo simulation model to determine fair value: (i) risk-free interest rate ranging from 4.6% to 5.4%; (ii) no dividends; and (iii) expected volatility ranging from 38.5% to 49.1%.

The weighted-average fair value at the grant date for options granted during the first three months of 2008 was \$9.90 per option, which was estimated utilizing a Black-Scholes valuation model with the following weighted-average assumptions: (i) no dividend yield on BWAY Holding's common stock; (ii) expected stock price volatility of 40.0%; (iii) a risk-free interest rate of 3.6%; and (iv) an expected option term of 6.0 years.

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Holding Long-Term Incentive Plan As a result of the Transaction in 2003, which was a change in control event under the incentive plan in effect at the time, all then outstanding options immediately vested and became exercisable. Certain members of management entered into exchange agreements with BWAY Holding whereby their then outstanding options were exchanged for new options to acquire BWAY Holding common stock (the Exchange Options) under the Holding Long-Term Incentive Plan (Holding LTIP). The Exchange Options were fully vested and were issued with substantially the same terms and conditions in effect immediately prior to the exchange. All other options then outstanding were cancelled in exchange for lump sum payments. The plan terminated on May 31, 2005; however, the termination of the plan did not adversely affect any outstanding options granted under the plan.

9. COMMITMENTS AND CONTINGENCIES

Environmental 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 material compliance with all applicable environmental, health and safety laws, though future expenditures may be necessary in order to maintain such compliance, including compliance with air emission control requirements for volatile organic compounds. In addition, in the course of our operations we use, store and dispose of hazardous substances. Some of our current and former facilities are currently involved in environmental investigations, remediations and claims resulting from the release of hazardous substances or the presence of other contaminants. Except to the extent otherwise disclosed herein, we believe it is remote that any material losses may have resulted from identified environmental remediation matters or environmental investigations relating to our current or former facilities. While we do not believe that any identified investigation or remediation obligations will have a material adverse effect on our financial position, results of operations or cash flows, there are no assurances that such obligations will not arise in the future. Many of our facilities have a history of industrial usage for which investigation and remediation obligations could arise in the future and which could have a material adverse effect on our financial position, results of operations or cash flows.

We incurred capital expenditures of approximately \$0.2 million in the first three months of 2008 and expect to incur approximately \$1.0 million in capital expenditures in the remainder of 2008, each to comply with certain environmental laws at a facility related to the ICL Acquisition.

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

We are a member of a potentially responsible party (PRP) group related to a waste disposal site in Georgia. Our status as a PRP is based on documents indicating that waste materials were transported to the site from our Homerville, Georgia facility prior to our acquisition of the facility in 1989. We estimate our exposure related to this site will approximate \$0.1 million.

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

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 December 30, 2007 and September 30, 2007. However, our future expenditures related to these matters may exceed the amounts accrued.

Self-Insurance

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

Litigation

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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 effect on our financial condition, results of operations or cash flows. We had an accrued liability of approximately \$0.5 and \$0.4 million at December 30, 2007 and September 30, 2007, respectively, related to pending litigation matters, other than as discussed below.

Lead Paint Litigation

Our Armstrong Containers, Inc. subsidiary (Armstrong) has been named as a defendant in various complaints related to the sale of lead pigment for use in lead-based paint based on the grounds that Armstrong is an alleged successor in interest to the John R. MacGregor Company and/or the MacGregor Lead Company (collectively, MacGregor). MacGregor allegedly sold lead pigment for use in lead-based paint from around 1937 through 1971.

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

While we believe that we have valid defenses to the personal injury and public nuisance 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. We have, therefore, not reserved any amounts in respect of potential payments of damages. Any potential liability arising out of these matters may have a material adverse effect on our financial position, results of operations and/or cash flows. As of September 30, 2007, we had accrued approximately \$0.2 million in legal fees and expenses related to these matters. There were no amounts to accrue related to legal fees and expenses as of December 30, 2007.

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

Notwithstanding the above, one of these insurers, Liberty Mutual Insurance Company (Liberty), filed a declaratory judgment action against BWAY and Armstrong in Wisconsin state court on May 21, 2007, which is styled as *Liberty Mutual Insurance Company v. BWAY Corporation, Armstrong Containers, Inc., and Anthony Johnson, Demond Dre Myers, and Jamara Ruffin*, Case No. 07-CV-005625, Case Code 30701, in the Circuit Court of Milwaukee County, Wisconsin. In the lawsuit, Liberty seeks a declaration that it is not required to defend or indemnify BWAY or Armstrong, under three insurance policies that Liberty issued to BWAY, in connection with three of the Wisconsin personal injury lead paint lawsuits: (1) *Anthony Johnson v. SJM Properties, LLC, et al.*, Case No. 07-CV-0000343, in the Circuit Court of Milwaukee County, Wisconsin; (2) *Demond Dre Myers v. Brenda Scott, et al.*, Case No. 06-CV-012658, in the Circuit Court of Milwaukee County, Wisconsin; and (3) *Perrion Ruffin, et al. v. Perry Gladney, et al.*, Case No. 06-CV-012650, in the Circuit Court of Milwaukee County, Wisconsin. The policy period for the Liberty Mutual policies at issue begins on October 1, 2004 and ends on October 1, 2007.

In the Wisconsin declaratory judgment action, Liberty argues that there are a number of reasons why it is not obligated to defend or indemnify BWAY or Armstrong under the subject policies, including on the ground that the pollution exclusion clause contained in these policies bars coverage for lead paint claims under Wisconsin law. The 2006-2007 policy also contains a specific lead exclusion.

Armstrong and BWAY responded to the complaint in the Wisconsin declaratory judgment action by removing this case to federal court. Armstrong and BWAY also filed a motion to dismiss this lawsuit based on a lack of jurisdiction. Around the same time, Liberty filed a motion to remand this case from federal court to state court. Liberty's motion to remand and Armstrong/BWAY's motion to dismiss have been fully briefed and currently are pending before the court. Armstrong/BWAY requested oral argument on the motions, but have not heard back from the court as to whether it will grant oral argument.

Shortly after receiving copies of Liberty's Wisconsin declaratory judgment complaint, Armstrong filed a declaratory judgment action in Georgia state court, which is styled as *Armstrong Containers, Inc. v. Liberty Mutual Insurance Company, Anthony Johnson, Demond Dre Myers, and Jamara Ruffin*, Civil Action No. 07A-05222-2, in the Superior Court of Gwinnett County, State of Georgia. In that action, Armstrong seeks to have many of the same coverage issues resolved by a Georgia court. Armstrong served written discovery upon Liberty Mutual along with its complaint. Liberty Mutual answered the complaint and later moved to stay discovery in the Georgia action, arguing that any discovery should be undertaken in the Wisconsin declaratory judgment action.

No discovery has been served upon Armstrong or BWAY in either of these actions.

In early September 2007, Liberty and Armstrong/BWAY reached an agreement to stay both of the declaratory judgment actions while they attempted to reach an agreement with respect to the coverage issues. On September 24, 2007, the Wisconsin Court entered an order staying the case until December 13, 2007. The Georgia Court entered a similar order on September 17, 2007, staying the case until December 13, 2007. The stays in both the Wisconsin and Georgia actions recently were extended through February 14, 2008.

Given that these actions are in a very early stage, we cannot at this time predict the outcome of this litigation or what the impact of an adverse judgment might be with respect to these policies, or any other policies that may potentially provide for coverage for the claims asserted in the

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personal injury lead paint cases referenced above, the other personal injury lawsuits pending against Armstrong in Wisconsin, or any other current or future lead paint related claims against Armstrong.

Letters of Credit

At December 30, 2007, a bank had issued standby letters of credit on our behalf in the aggregate amount of \$6.8 million primarily in favor of our workers compensation insurers.

Table of Contents**Collective Bargaining Agreements**

At December 30, 2007, approximately 28% of our hourly workforce was covered by ten separate collective bargaining agreements. Of our ten collective bargaining agreements, our agreements with four, representing approximately 24% of our unionized employees, will become amendable in 2008. A union representing the majority of hourly employees at our plastics manufacturing facility in Etobicoke (Canada) was organized in December 2007.

Commodity Risk

We are subject to various risks and uncertainties related to changing commodity prices for, and the availability of, the raw materials we use in our manufacturing processes (primarily steel and resin), as well as for unfavorable changes in energy costs (primarily electricity and natural gas).

10. BUSINESS SEGMENTS

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

Metal Packaging. Metal Packaging includes the metal packaging products manufactured and distributed by BWAY and ICL. Principal products in this segment include paint cans, aerosol containers, ammunition boxes and other general line containers made from steel. Metal Packaging is a separate reportable segment of the Company with management and production facilities and manufacturing processes distinct from our Plastic Packaging Division.

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

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

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

The following sets forth certain financial information attributable to our business segments for the three months ended December 30, 2007 and December 31, 2006:

| (Dollars in thousands) | Three Months Ended | |
|---------------------------------|----------------------|----------------------|
| | December 30, 2007 | December 31, 2006 |
| NET SALES | | |
| Metal packaging | \$ 124,400 | \$ 118,874 |
| Plastic packaging | 92,987 | 83,502 |
| CONSOLIDATED NET SALES | 217,387 | 202,376 |
| LOSS BEFORE INCOME TAXES | | |
| Metal packaging | 10,508 | 14,385 |
| Plastic packaging | 8,061 | 7,323 |

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| | | |
|---|-------------------|-------------------|
| SEGMENT EARNINGS | 18,569 | 21,708 |
| Corporate undistributed expense | (3,934) | (1,897) |
| Depreciation and amortization (see below) | (11,127) | (11,398) |
| Restructuring charge | (24) | (39) |
| Interest expense, net | (9,455) | (9,403) |
| Other expense, net | (134) | (57) |
| CONSOLIDATED LOSS BEFORE INCOME TAXES | \$ (6,105) | \$ (1,086) |
| DEPRECIATION AND AMORTIZATION | | |
| Metal packaging | \$ 5,667 | \$ 5,535 |
| Plastic packaging | 5,275 | 5,397 |
| Segment depreciation and amortization | 10,942 | 10,932 |
| Corporate depreciation and amortization | 185 | 466 |
| CONSOLIDATED DEPRECIATION AND AMORTIZATION | \$ 11,127 | \$ 11,398 |

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The following table sets forth total assets attributable to our business segments at December 30, 2007 and September 30, 2007:

| (Dollars in thousands) | December 30, 2007 | September 30, 2007 |
|----------------------------------|----------------------|-----------------------|
| TOTAL ASSETS | | |
| Metal packaging assets | \$ 349,615 | \$ 335,197 |
| Plastic packaging assets | 330,518 | 326,626 |
| Segment assets | 680,133 | 661,823 |
| Corporate | 159,402 | 196,110 |
| CONSOLIDATED TOTAL ASSETS | \$ 839,535 | \$ 857,933 |

In each of the first quarter of 2008 and 2007, approximately 90% of our net sales were in the United States, approximately 9% of our net sales were in Canada and the remaining 1% was to other foreign countries.

In the first quarter of 2008, approximately 92% and 88% of our metal packaging segment net sales and plastics packaging segment net sales, respectively, were in the United States. In the first quarter of 2008, approximately 8% and 12% of our metal packaging segment net sales and plastics packaging segment net sales, respectively, were in Canada. In the first quarter of 2007, approximately 92% and 87% of our metal packaging segment net sales and plastics packaging segment net sales, respectively, were in the United States with the remainder for each primarily in Canada (non-Canadian foreign sales were less than 1.0%). Geographic net sales information is based on the destination of our shipments.

Long-lived assets located in Canada at December 30, 2007 and September 30, 2007 were approximately \$6.5 million and \$5.8 million, respectively.

11. COMPREHENSIVE INCOME (LOSS) INFORMATION

During the first three months of 2008, our comprehensive loss was comprised of net loss and adjustments for foreign currency translation.

The components of total comprehensive loss are as follows:

| (Dollars in thousands) | Three Months Ended | |
|---|----------------------|----------------------|
| | December 30, 2007 | December 31, 2006 |
| COMPREHENSIVE LOSS | | |
| Net loss | \$ (3,903) | \$ (607) |
| Foreign currency translation adjustment | 288 | (928) |
| TOTAL COMPREHENSIVE LOSS | \$ (3,615) | \$ (1,535) |

The components of accumulated other comprehensive income are as follows:

| (Dollars in thousands) | Pension and Other Postretirement Items (net of tax) | Cumulative Foreign Currency Translation Adjustments | Total Accumulated Other Comprehensive Income |
|------------------------|---|---|--|
|------------------------|---|---|--|

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| ACCUMULATED OTHER COMPREHENSIVE INCOME | | | | | | |
|--|----|-------|----|-------|----|-------|
| Balance, September 30, 2007 | \$ | (659) | \$ | 3,037 | \$ | 2,378 |
| Change | | | | 288 | | 288 |
| BALANCE, DECEMBER 30, 2007 | \$ | (659) | \$ | 3,325 | \$ | 2,666 |

12. SUPPLEMENTAL GUARANTOR SUBSIDIARIES INFORMATION

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

Table of Contents**BWAY Corporation and Subsidiaries****Supplemental Condensed Consolidating Balance Sheet Information (unaudited)****December 30, 2007**

| (Dollars in thousands) | BWAY Corporation | Guarantor Subsidiaries | Other Subsidiaries | Eliminations | Consolidated |
|---|---------------------|---------------------------|-----------------------|---------------------|-------------------|
| Assets | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,047 | \$ 14,396 | \$ 7,329 | \$ | \$ 23,772 |
| Accounts receivable, net | 52,676 | 32,441 | 10,935 | | 96,052 |
| Inventories | 88,114 | 33,129 | 9,301 | | 130,544 |
| Income taxes receivable | 33,177 | (24,124) | 373 | | 9,426 |
| Deferred tax assets | 6,718 | 1,347 | | | 8,065 |
| Other | 3,719 | 1,306 | 321 | | 5,346 |
| TOTAL CURRENT ASSETS | 186,451 | 58,495 | 28,259 | | 273,205 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 81,686 | 56,748 | 6,486 | | 144,920 |
| OTHER ASSETS | | | | | |
| Goodwill | 120,259 | 99,915 | 34,732 | | 254,906 |
| Other intangible assets, net | 43,737 | 83,360 | 28,436 | | 155,533 |
| Deferred financing costs, net | 7,451 | | 1,102 | | 8,553 |
| Other | 2,023 | 395 | | | 2,418 |
| Investment in subsidiaries | 269,236 | 32,603 | | (301,839) | |
| TOTAL OTHER ASSETS | 442,706 | 216,273 | 64,270 | (301,839) | 421,410 |
| TOTAL ASSETS | \$ 710,843 | \$ 331,516 | \$ 99,015 | \$ (301,839) | \$ 839,535 |
| Liabilities and Stockholder's Equity | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | \$ 60,445 | \$ 49,038 | \$ 12,487 | \$ | \$ 121,970 |
| Accrued salaries and wages | 3,985 | 5,816 | 1,176 | | 10,977 |
| Accrued interest | 5,493 | | 384 | | 5,877 |
| Accrued rebates | 10,088 | 1,422 | 247 | | 11,757 |
| Current portion of long-term debt | 2,125 | | 574 | | 2,699 |
| Other | 13,017 | 1,150 | 165 | | 14,332 |
| TOTAL CURRENT LIABILITIES | 95,153 | 57,426 | 15,033 | | 167,612 |
| LONG-TERM DEBT | 367,375 | | 56,002 | | 423,377 |
| OTHER LIABILITIES | | | | | |
| Deferred tax liabilities | 24,236 | 44,229 | 1,046 | | 69,511 |
| Intercompany | 47,225 | (41,452) | (5,773) | | |
| Other | 21,649 | 2,077 | 104 | | 23,830 |
| TOTAL OTHER LIABILITIES | 93,110 | 4,854 | (4,623) | | 93,341 |

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| | | | | | |
|---|-------------------|-------------------|------------------|---------------------|-------------------|
| TOTAL LIABILITIES | 555,638 | 62,280 | 66,412 | | 684,330 |
| COMMITMENTS AND CONTINGENCIES | | | | | |
| STOCKHOLDER EQUITY | | | | | |
| Preferred stock | | | | | |
| Common stock | | 1 | | (1) | |
| Additional paid-in capital | 134,364 | 233,675 | 25,615 | (259,290) | 134,364 |
| Retained earnings | 18,175 | 31,718 | 3,661 | (35,379) | 18,175 |
| Accumulated other comprehensive income | 2,666 | 3,842 | 3,327 | (7,169) | 2,666 |
| TOTAL STOCKHOLDER EQUITY | 155,205 | 269,236 | 32,603 | (301,839) | 155,205 |
| TOTAL LIABILITIES AND STOCKHOLDER EQUITY | \$ 710,843 | \$ 331,516 | \$ 99,015 | \$ (301,839) | \$ 839,535 |

Table of Contents**BWAY Corporation and Subsidiaries****Supplemental Condensed Consolidating Balance Sheet Information****September 30, 2007**

| (Dollars in thousands) | BWAY Corporation | Guarantor Subsidiaries | Other Subsidiaries | Eliminations | Consolidated |
|---|---------------------|---------------------------|-----------------------|---------------------|-------------------|
| Assets | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 44,292 | \$ 1,545 | \$ 7,586 | \$ | \$ 53,423 |
| Accounts receivable, net | 54,024 | 39,388 | 14,250 | (511) | 107,151 |
| Inventories | 73,125 | 30,089 | 8,578 | | 111,792 |
| Income taxes receivable | 29,664 | (22,863) | (639) | | 6,162 |
| Deferred tax assets | 6,581 | 1,347 | | | 7,928 |
| Other | 4,856 | 1,198 | 434 | (699) | 5,789 |
| TOTAL CURRENT ASSETS | 212,542 | 50,704 | 30,209 | (1,210) | 292,245 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 80,357 | 55,575 | 5,818 | | 141,750 |
| OTHER ASSETS | | | | | |
| Goodwill | 120,259 | 99,008 | 34,351 | | 253,618 |
| Other intangible assets, net | 45,230 | 85,114 | 28,870 | | 159,214 |
| Deferred financing costs, net | 7,933 | | 1,141 | | 9,074 |
| Other | 1,693 | 339 | | | 2,032 |
| Investment in subsidiaries | 266,284 | 26,238 | | (292,522) | |
| TOTAL OTHER ASSETS | 441,399 | 210,699 | 64,362 | (292,522) | 423,938 |
| TOTAL ASSETS | \$ 734,298 | \$ 316,978 | \$ 100,389 | \$ (293,732) | \$ 857,933 |
| Liabilities and Stockholder's Equity | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | \$ 64,278 | \$ 55,577 | \$ 14,245 | \$ (1,210) | \$ 132,890 |
| Accrued salaries and wages | 6,517 | 3,651 | 978 | | 11,146 |
| Accrued interest | 11,655 | | 419 | | 12,074 |
| Accrued rebates | 8,368 | 1,442 | 279 | | 10,089 |
| Current portion of long-term debt | 1,716 | | 568 | | 2,284 |
| Other | 14,922 | 1,550 | 797 | | 17,269 |
| TOTAL CURRENT LIABILITIES | 107,456 | 62,220 | 17,286 | (1,210) | 185,752 |
| LONG-TERM DEBT | 367,784 | | 55,530 | | 423,314 |
| OTHER LIABILITIES | | | | | |
| Deferred tax liabilities | 24,467 | 44,276 | 1,043 | | 69,786 |
| Intercompany | 56,884 | (57,091) | 207 | | |
| Other | 20,451 | 1,289 | 85 | | 21,825 |
| TOTAL OTHER LIABILITIES | 101,802 | (11,526) | 1,335 | | 91,611 |

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| | | | | | |
|---|-------------------|-------------------|-------------------|---------------------|-------------------|
| TOTAL LIABILITIES | 577,042 | 50,694 | 74,151 | (1,210) | 700,677 |
| COMMITMENTS AND CONTINGENCIES | | | | | |
| STOCKHOLDER EQUITY | | | | | |
| Preferred stock | | | | | |
| Common stock | | 1 | | (1) | |
| Additional paid-in capital | 132,596 | 233,190 | 19,568 | (252,758) | 132,596 |
| Retained earnings | 22,282 | 29,540 | 3,633 | (33,173) | 22,282 |
| Accumulated other comprehensive income | 2,378 | 3,553 | 3,037 | (6,590) | 2,378 |
| TOTAL STOCKHOLDER EQUITY | 157,256 | 266,284 | 26,238 | (292,522) | 157,256 |
| TOTAL LIABILITIES AND STOCKHOLDER EQUITY | \$ 734,298 | \$ 316,978 | \$ 100,389 | \$ (293,732) | \$ 857,933 |

Table of Contents**BWAY Corporation and Subsidiaries****Supplemental Condensed Consolidating Statement of Operations Information (unaudited)****Three Months Ended December 30, 2007**

| (Dollars in thousands) | BWAY Corporation | Guarantor Subsidiaries | Other Subsidiaries | Eliminations | Consolidated |
|--|---------------------|---------------------------|-----------------------|-------------------|-------------------|
| NET SALES | \$ 117,597 | \$ 80,982 | \$ 18,808 | \$ | \$ 217,387 |
| COSTS AND EXPENSES | | | | | |
| Cost of products sold <i>(excluding depreciation and amortization)</i> | 108,348 | 72,171 | 16,536 | (183) | 196,872 |
| Depreciation and amortization | 5,361 | 4,844 | 922 | | 11,127 |
| Selling and administrative expense | 4,806 | 782 | 292 | | 5,880 |
| Restructuring charge | 24 | | | | 24 |
| Interest expense, net | 8,457 | (2) | 1,000 | | 9,455 |
| Other expense (income), net | 121 | (176) | 6 | 183 | 134 |
| TOTAL COSTS AND EXPENSES | 127,117 | 77,619 | 18,756 | | 223,492 |
| (LOSS) INCOME BEFORE INCOME TAXES | (9,520) | 3,363 | 52 | | (6,105) |
| (Benefit from) provision for income taxes | (3,439) | 1,213 | 24 | | (2,202) |
| Equity in income of subsidiaries | 2,178 | 28 | | (2,206) | |
| NET (LOSS) INCOME | \$ (3,903) | \$ 2,178 | \$ 28 | \$ (2,206) | \$ (3,903) |

BWAY Corporation and Subsidiaries**Supplemental Condensed Consolidating Statement of Operations Information (unaudited)****Three Months Ended December 31, 2006**

| (Dollars in thousands) | BWAY Corporation | Guarantor Subsidiaries | Other Subsidiaries | Eliminations | Consolidated |
|--|---------------------|---------------------------|-----------------------|--------------|----------------|
| NET SALES | \$ 115,162 | \$ 72,709 | \$ 14,505 | \$ | \$ 202,376 |
| COSTS AND EXPENSES | | | | | |
| Cost of products sold <i>(excluding depreciation and amortization)</i> | 100,737 | 65,795 | 11,996 | (178) | 178,350 |
| Depreciation and amortization | 5,680 | 5,096 | 622 | | 11,398 |
| Selling and administrative expense | 3,206 | 636 | 373 | | 4,215 |
| Restructuring charge | 39 | | | | 39 |
| Interest expense, net | 8,609 | | 794 | | 9,403 |
| Other expense (income), net | 177 | (153) | (145) | 178 | 57 |
| TOTAL COSTS AND EXPENSES | 118,448 | 71,374 | 13,640 | | 203,462 |
| (LOSS) INCOME BEFORE INCOME TAXES | (3,286) | 1,335 | 865 | | (1,086) |

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| | | | | |
|---|-----------------|-----------------|---------------|----------------------------|
| (Benefit from) provision for income taxes | (1,305) | 522 | 304 | (479) |
| Equity in income of subsidiaries | 1,374 | 561 | (1,935) | |
| NET (LOSS) INCOME | \$ (607) | \$ 1,374 | \$ 561 | \$ (1,935) \$ (607) |

Table of Contents**BWAY Corporation and Subsidiaries****Supplemental Condensed Consolidating Statement of Cash Flows Information (unaudited)****Three Months Ended December 30, 2007**

| (Dollars in thousands) | BWAY Corporation | Guarantor Subsidiaries | Other Subsidiaries | Eliminations | Consolidated |
|---|---------------------|---------------------------|-----------------------|--------------|--------------|
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | \$ (37,309) | \$ 19,627 | \$ 694 | \$ | \$ (16,988) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | |
| Capital expenditures | (4,897) | (6,776) | (633) | | (12,306) |
| Other | 2 | | | | 2 |
| NET CASH USED IN INVESTING ACTIVITIES | (4,895) | (6,776) | (633) | | (12,304) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Repayments of term loan | | | (144) | | (144) |
| Other | (41) | | | | (41) |
| NET CASH USED IN FINANCING ACTIVITIES | (41) | | (144) | | (185) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | | | | |
| | | | (174) | | (174) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (42,245) | 12,851 | (257) | | (29,651) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 44,292 | 1,545 | 7,586 | | 53,423 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 2,047 | \$ 14,396 | \$ 7,329 | | \$ 23,772 |

BWAY Corporation and Subsidiaries**Supplemental Condensed Consolidating Statement of Cash Flows Information (unaudited)****Three Months Ended December 31, 2006**

| (Dollars in thousands) | BWAY Corporation | Guarantor Subsidiaries | Other Subsidiaries | Eliminations | Consolidated |
|---|---------------------|---------------------------|-----------------------|--------------|--------------|
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | \$ (16,882) | \$ 955 | \$ 1,863 | \$ | \$ (14,064) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | |
| Capital expenditures | (3,414) | (1,703) | (156) | | (5,273) |
| Other | 1 | | | | 1 |
| NET CASH USED IN INVESTING ACTIVITIES | (3,413) | (1,703) | (156) | | (5,272) |

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| | | | | |
|---|-----------------|---------------|-----------------|------------------|
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Repayments of term loan | (20,000) | | (122) | (20,122) |
| Other | (47) | (8) | | (55) |
| NET CASH USED IN FINANCING ACTIVITIES | (20,047) | (8) | (122) | (20,177) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | | | |
| | | | (263) | (263) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (40,342) | (756) | 1,322 | (39,776) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 43,617 | 1,458 | 5,904 | 50,979 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 3,275 | \$ 702 | \$ 7,226 | \$ 11,203 |

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

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

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

Executive Summary

The following highlights changes in our results of operations in the first quarter of 2008 as compared to the first quarter of 2007. References to gross margin refer to net sales less cost of products sold (excluding depreciation and amortization).

Net sales increased \$15.0 million (7.4%) and gross margin decreased \$3.5 million (14.6%). Metal segment gross margin decreased 25.3% from \$15.9 million in the first quarter of 2007 to \$11.9 million in the first quarter of 2008 and plastic segment gross margin increased 10.4% from \$8.3 million in the first quarter of 2007 to \$9.1 million in the first quarter of 2008.

The increase in net sales is primarily due to improved volumes in certain business lines in both business segments and higher selling prices in the plastics segment tied to higher raw material cost pass-through, and partially offset by lower aerosol selling prices and unfavorable product and customer mix in our metal packaging segment.

Gross margin as a percentage of net sales decreased to 9.4% in the first quarter of 2008 from 11.9% in the first quarter of 2007. The decrease is due to higher resin and steel costs relative to the increase in selling prices, an unfavorable mix of metal products sold and, for each of our segments, higher spending and lower productivity.

Corporate undistributed expenses included in cost of products sold and selling and administrative expense includes \$0.5 million and \$1.3 million, respectively, in non-cash stock-based compensation expense related to certain stock options with performance based vesting criteria modified in 2007 related to the initial public offering.

Results of Operations

Our operations are organized and reviewed by management along our products lines in two reportable segments, Metal Packaging and Plastic Packaging. For a discussion of our business segments, see Note 10, *Business Segments*, to Notes to Unaudited Consolidated Financial Statements, included in Item 1.

The following table set forth changes in our statements of operations and presents line items as a percentage of net sales for the three months ended December 30, 2007 and December 31, 2006.

| (Dollars in thousands) | Three Months Ended | | Change | | As a % of Net Sales | |
|---|--------------------|-------------------|-----------|--------|---------------------|-------------------|
| | December 30, 2007 | December 31, 2006 | \$ | % | December 30, 2007 | December 31, 2006 |
| Net sales | \$ 217,387 | \$ 202,376 | \$ 15,011 | 7.4% | 100.0% | 100.0% |
| Cost of products sold (excluding depreciation and amortization) | 196,872 | 178,350 | 18,522 | 10.4 | 90.6 | 88.1 |
| Gross margin (excluding depreciation and amortization) | 20,515 | 24,026 | (3,511) | (14.6) | 9.4 | 11.9 |

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| | | | | | | |
|-------------------------------------|------------|----------|------------|--------|--------|--------|
| Depreciation and amortization | 11,127 | 11,398 | (271) | (2.4) | 5.1 | 5.6 |
| Selling and administrative expense | 5,880 | 4,215 | 1,665 | 39.5 | 2.7 | 2.1 |
| Restructuring and impairment charge | 24 | 39 | (15) | (38.5) | | |
| Interest expense, net | 9,455 | 9,403 | 52 | 0.6 | 4.3 | 4.6 |
| Other expense, net | 134 | 57 | 77 | NM | 0.1 | |
| Loss before income taxes | (6,105) | (1,086) | (5,019) | NM | (2.8) | (0.5) |
| Benefit from income taxes | (2,202) | (479) | (1,723) | NM | (1.0) | (0.2) |
| NET LOSS | \$ (3,903) | \$ (607) | \$ (3,296) | NM% | (1.8)% | (0.3)% |

NM - NO MEANINGFUL

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First Quarter of 2008 versus First Quarter of 2007

Net Sales.

| (Dollars in thousands) | Three Months Ended | | Change | | As a % of the Total | |
|-------------------------------|--------------------|-------------------|------------------|-------------|---------------------|-------------------|
| | December 30, 2007 | December 31, 2006 | \$ | % | December 30, 2007 | December 31, 2006 |
| NET SALES BY SEGMENT | | | | | | |
| Metal packaging | \$ 124,400 | \$ 118,874 | \$ 5,526 | 4.6% | 57.2% | 58.7% |
| Plastic packaging | 92,987 | 83,502 | 9,485 | 11.4 | 42.8 | 41.3 |
| CONSOLIDATED NET SALES | \$ 217,387 | \$ 202,376 | \$ 15,011 | 7.4% | 100.0% | 100.0% |

The increase in metal packaging segment net sales resulted from the January 2007 acquisition of Vulcan Containers, higher aerosol can and ammunition box volumes, and higher raw material-driven selling prices. General line metal container volume overall was flat. Demand for architectural paint and coatings, the largest end use market segment for the Company's metal packaging containers, remained weak during the quarter due to continued slowness in the housing market.

The increase in plastics packaging segment net sales is attributable to higher volumes in all product categories compared with the first quarter of fiscal 2007 and higher selling prices resulting from increases in resin cost pass-through. In addition, product mix within the plastic packaging segment was favorable.

Cost of Products Sold (excluding depreciation and amortization).

| (Dollars in thousands) | Three Months Ended | | Change | | As a % of the Total | |
|--|--------------------|-------------------|------------------|--------------|---------------------|-------------------|
| | December 30, 2007 | December 31, 2006 | \$ | % | December 30, 2007 | December 31, 2006 |
| COST OF PRODUCTS SOLD BY SEGMENT | | | | | | |
| <i>(excluding depreciation and amortization)</i> | | | | | | |
| Metal packaging | \$ 112,535 | \$ 102,999 | \$ 9,536 | 9.3% | 57.2% | 57.8% |
| Plastic packaging | 83,878 | 75,249 | 8,629 | 11.5 | 42.6 | 42.2 |
| Segment CPS | 196,413 | 178,248 | 18,165 | 10.2 | 99.8 | 99.9 |
| Corporate undistributed expenses | 459 | 102 | 357 | NM | 0.2 | 0.1 |
| CONSOLIDATED CPS | \$ 196,872 | \$ 178,350 | \$ 18,522 | 10.4% | 100.0% | 100.0% |

Metal packaging segment cost of products sold, excluding depreciation and amortization, (CPS) increased due to higher volumes and unfavorable changes in customer and product mix. CPS was also adversely affected by increases in material costs, lower productivity and increased spending. Metal packaging segment CPS as a percentage of segment net sales increased to 90.5% in the first quarter of 2008 from 86.6% in the first quarter of 2007.

The increase in metal packaging segment CPS as a percentage of net sales was adversely affected by: (i) steel cost in the second half of fiscal 2007 and through the first quarter of 2008 became unfavorable as lower-cost foreign sources and opportunistic spot buys largely disappeared; (ii) competitive pricing pressures, particularly for aerosol cans; and (iii) lower volume and an unfavorable customer mix driven by the housing market downturn.

At the end of the first quarter of 2008, we adjusted our steel supplier portfolio and negotiated new steel supply agreements for calendar 2008. In January, we implemented product selling price increases to reflect the higher cost of steel, which we expect will restore metal segment gross margin (net sales less CPS) to historical levels.

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Plastic packaging segment CPS increased primarily due to higher sales volume, higher resin costs and lower productivity. Plastic packaging segment CPS as a percentage of segment net sales increased slightly to 90.2% in the first quarter of 2008 from 90.1% in the first quarter of fiscal 2007 primarily as a result of higher raw material costs.

Depreciation and Amortization.

| (Dollars in thousands) | Three Months Ended | | Change | | As a % of the Total | |
|---|----------------------|----------------------|-----------------|---------------|----------------------|----------------------|
| | December 30, 2007 | December 31, 2006 | \$ | % | December 30, 2007 | December 31, 2006 |
| DEPRECIATION AND AMORTIZATION BY SEGMENT | | | | | | |
| Metal packaging | \$ 5,667 | \$ 5,535 | \$ 132 | 2.4% | 50.9% | 48.6% |
| Plastic packaging | 5,275 | 5,397 | (122) | (2.3) | 47.4 | 47.3 |
| Segment D&A | 10,942 | 10,932 | 10 | 0.1 | 98.3 | 95.9 |
| Corporate undistributed expenses | 185 | 466 | (281) | (60.3) | 1.7 | 4.1 |
| CONSOLIDATED D&A | \$ 11,127 | \$ 11,398 | \$ (271) | (2.4)% | 100.0% | 100.0% |

Depreciation and amortization expense (D&A) decreased slightly due to lower depreciation partially offset by higher scheduled amortization related to intangible assets acquired in the Vulcan Acquisition. Depreciation remained relatively unchanged as depreciation on assets placed in service replaced depreciation on assets becoming fully depreciated.

Table of Contents*Selling and Administrative Expense.*

| (Dollars in thousands) | Three Months Ended | | Change | | As a % of the Total | |
|--|--------------------|-------------------|-----------------|--------------|---------------------|-------------------|
| | December 30, 2007 | December 31, 2006 | \$ | % | December 30, 2007 | December 31, 2006 |
| SELLING AND ADMINISTRATIVE EXPENSE BY SEGMENT | | | | | | |
| Metal packaging | \$ 1,357 | \$ 1,490 | \$ (133) | (8.9)% | 23.1% | 35.3% |
| Plastic packaging | 1,048 | 930 | 118 | 12.7 | 17.8 | 22.1 |
| Segment S&A | 2,405 | 2,420 | (15) | (0.6) | 40.9 | 57.4 |
| Corporate undistributed expenses | 3,475 | 1,795 | 1,680 | 93.6 | 59.1 | 42.6 |
| CONSOLIDATED S&A | \$ 5,880 | \$ 4,215 | \$ 1,665 | 39.5% | 100.0% | 100.0% |

Segment selling and administrative expense (S&A) remained relatively unchanged in the first quarter of 2008 compared to the first quarter of 2007

Corporate undistributed expense increased in the first quarter of 2008 over the first quarter of 2007 primarily due to a \$1.1 million increase in stock-based compensation primarily related to the modification of certain stock options in the third quarter of 2007 with performance related vesting criteria and a \$0.4 million favorable adjustment to bad debt expense in the prior year.

Interest and Taxes

Interest Expense, Net. Interest expense, net, increased \$0.1 million to \$9.5 million in the first quarter of 2008 from \$9.4 million in the first quarter of 2007. The increase is primarily a result of changes in interest rates offset by lower average debt.

Benefit From Income Taxes. The benefit from income taxes increased \$1.7 million in the first quarter of 2008 from the first quarter of 2007 due to the increase in taxable loss resulting from the \$5.0 million increase in loss before income taxes from the first quarter of 2007. The effective income tax rate decreased in the first quarter of 2008 to 36.1% from 44.1% in the first quarter of 2007 due primarily to an increase in the domestic manufacturing deduction and the impact of favorable state income tax law changes effective for us in fiscal 2008.

Liquidity and Capital Resources

Our cash requirements for operations and capital expenditures during the first quarter of 2008 and the first quarter of 2007 were financed through internally generated cash flows and cash on hand.

During the first quarter of 2008, cash and cash equivalents decreased \$29.7 million to \$23.8 million primarily due to a \$16.9 million increase in primary working capital (accounts receivable plus inventories less accounts payable) and a semi-annual \$10.0 million interest payment on the Senior Notes. Primary working capital increased primarily due to an increase in inventory related to approximately \$15.6 million in steel purchases in the fourth calendar quarter of 2007 in anticipation of calendar 2008 price increases.

During the first quarter of 2007, cash and cash equivalents decreased \$39.8 million to \$11.2 million primarily due to a \$15.4 million increase in primary working capital, a \$20.0 million voluntary prepayment on the US Term Loan and the semi-annual \$10.0 million interest payment on the Senior Notes, partially offset by cash received from operations. Primary working capital increased due to an \$18.2 million decrease in accounts receivable and a \$27.3 million decrease in accounts payable, partially offset by a \$6.3 million increase in inventory. The increase in inventory is partially due to the purchase of raw materials in anticipation of price increases.

As noted above, we made a \$10.0 million semi-annual interest payment on the Senior Notes in each of the first quarter of 2008 and 2007. The next semi-annual interest payment on the Senior Notes is due in April 2008.

Changes in working capital experienced in the first quarter of 2008 are not necessarily indicative of changes that should be expected for the entire fiscal year.

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Long-term debt outstanding, including the current portion, increased \$8.5 million to \$426.1 million as of December 30, 2007 from \$417.6 million as of December 31, 2006. The increase in long-term debt is due to changes in the exchange rate used to translate Canadian dollar denominated debt to U.S. dollars for reporting purposes, partially offset by principal repayments. Our Canadian dollar denominated debt is serviced by our Canadian operations, which are denominated in Canadian dollars and, as such, cash flows servicing the debt are not affected by the exchange rate.

At December 30, 2007, we had \$43.4 million in revolving credit available to us and our U.S. subsidiaries, net of \$6.6 million in standby letters of credit, and we had \$4.8 million in revolving credit available to our Canadian subsidiary, net of \$0.2 million in standby letters of credit. Standby letters of credit reduce available borrowings. We believe we have sufficient borrowing capacity under our credit facility to provide adequate resources to meet any short-term cash shortfalls, which may result from the timing of operating cash flows. However, we may be limited by our credit agreement to provide funds to our Canadian subsidiary if its revolver is insufficient.

Interest rates on our term loan borrowings are variable. The weighted-average interest rate on variable rate borrowings outstanding at December 30, 2007 and December 31, 2006 was approximately 6.9% and 7.0%, respectively. The decrease in the interest rate is due to a decrease in the underlying base rate since the margin we pay, which is based on our leverage ratio (as defined in the applicable credit agreement), has not changed. We are exposed to increases in interest rates in the U.S. and Canada. See **Market Risk** below.

The credit agreement governing our U.S. Term Loan, U.S. Revolver, Canadian Term Loan and Canadian Revolver requires that for the twelve months ended December 30, 2007 we maintain a minimum Consolidated Interest Coverage Ratio of 2.80. For the twelve months ended December 30, 2007, that ratio was 3.08.

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The credit agreement also requires that for the twelve months ended December 30, 2007 we not exceed a Maximum Consolidated Total Leverage Ratio of 4.55. For the twelve months ended December 30, 2007, that ratio was 3.70.

We believe cash provided from operations and available revolver borrowings 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.

The following table presents financial information on our cash flows and changes in cash and cash equivalents for each of the three months ended December 30, 2007 and December 31, 2006.

| (Dollars in thousands) | Three Months Ended | | Change |
|--|--------------------|-------------------|------------|
| | December 30, 2007 | December 31, 2006 | |
| NET CASH USED IN OPERATING ACTIVITIES | \$ (16,988) | \$ (14,064) | \$ (2,924) |
| NET CASH USED IN INVESTING ACTIVITIES | (12,304) | (5,272) | (7,032) |
| NET CASH USED IN FINANCING ACTIVITIES | (185) | (20,177) | \$ 19,992 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 23,772 | \$ 11,203 | |

Net loss, adjusted for depreciation, amortization of other intangibles and deferred financing costs, loss/gain on disposition of property, plant and equipment and stock-based compensation expense, provided cash from operating activities of \$9.6 million and \$11.5 million in the first quarter of 2008 and 2007, respectively. The change in primary working capital used operating cash of \$16.9 million and of \$15.4 million in the first quarters of 2008 and 2007, respectively.

Net cash used in investing activities is primarily for capital expenditures each of the first quarters of 2008 and 2007, respectively. We expect capital expenditures in 2008 to increase to between \$31.0 million and \$33.0 million, which are higher than normal levels, in order to complete capital investments related to machinery and equipment for the production of new plastic containers developed in 2007 and for machinery and equipment for the production of aerosol components.

Net cash used in financing activities in the first quarter of 2007 primarily relates to a \$20.0 million voluntary term loan repayment. We did not make a voluntary repayment in the first quarter of 2008 in order to reserve available cash for capital expenditures.

The Senior Notes and the Credit Facility are more fully discussed in Note 4, Long-Term Debt, to the unaudited consolidated financial statements in Part I, Item 1, of this report.

The indenture to the Senior Notes and the credit agreement related to the Credit Facility each contain 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 December 30, 2007, we were in compliance with all applicable covenants contained in each of the indenture and the credit agreement related to the Senior Notes and the Credit Facility, respectively.

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. Credit facility borrowings bear interest at an applicable margin (based on certain ratios contained in the credit agreement) plus a market rate of interest. At December 30, 2007, we had borrowings of \$226.1 million that were subject to interest rate risk. Each 100 basis point increase in interest rates relative to these borrowings would reduce quarterly pretax earnings by approximately \$0.6 million.

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 decrease the market value of the Senior Notes by approximately \$4.8 million.

Foreign Exchange

Our earnings are exposed to the fluctuations of the Canadian dollar against the U.S. dollar, our reporting currency. For the first quarters of 2008 and 2007, approximately 9% of our net sales were denominated in Canadian dollars. 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 these purchases.

Commodity Risk

We are subject to various risks and uncertainties related to changing commodity prices for, and the availability of, the raw materials we use in our manufacturing processes (primarily steel and resin), as well as for unfavorable changes in energy costs (primarily electricity and natural gas).

We require substantial amounts of raw materials in our operations, including steel, resin and energy. We purchase all of our raw materials from outside sources, and consolidate our steel and resin purchases among a select group of suppliers in an effort to leverage purchasing power. As a result, our purchases of both steel and resin are concentrated with a few suppliers and any interruptions in their ability to supply these materials could have a material adverse effect on our financial position, results of operations and/or cash flows. In addition, the availability and price 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 price 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.

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The price of these raw materials, such as steel and resin, has been subject to volatility in the past. Historically, we have generally been able to increase the selling price of our products to reflect increases in the cost of steel and plastic resin, but we may not be able to do so in the future, and we have generally not been able to pass on to our customers any price increases in the costs of the other raw materials 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 may not be able to increase the selling price of our products to reflect increases in the costs of raw materials, or if we experience any interruptions or shortages in the supply of raw materials, our operating margins could materially decrease. In addition, our manufacturing operations are dependent on the availability of natural gas and electricity. In certain cases, these energy sources may become difficult to obtain on acceptable terms due to external factors, or may only be available at substantially increased cost, which could increase our operating costs or interrupt our ability to produce our products.

Critical Accounting Policies

For a summary of our critical accounting policies, see Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies* of the Annual Report. Other than as a result of the adoption of FIN 48, our critical accounting policies have not changed since September 30, 2007 (see *Recently Adopted Accounting Standards* in Note 1, *General*, to Notes to Unaudited Consolidated Financial Statements, included in Part I, Item 8, which is incorporated herein by reference).

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

For a summary of our significant contractual obligations, see Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations and Commercial Commitments* of the Annual Report. The nature of the obligations has not materially changed since September 30, 2007.

At December 30, 2007, a bank had issued standby letters of credit on our behalf in the aggregate amount of \$6.8 million primarily in favor of our workers' compensation insurers.

Environmental Matters

For a discussion of contingencies related to environmental matters, see *Environmental Matters* in Note 9, *Commitments and Contingencies*, to Notes to Unaudited Consolidated Financial Statements, included in Part I, Item 8, which is incorporated herein by reference.

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.

For a discussion of interest rate risk and its relation to our indebtedness, see Part I, Item 2, *Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources*, which is incorporated herein by reference.

Our business is exposed to variations in prices of raw materials and energy. See Part I, Item 2, *Management's Discussion and Analysis of Financial Condition and Results of Operations - Commodity Risk*, 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

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

An evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act)). Based on that evaluation, the CEO and CFO have concluded that as of December 30, 2007, our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and timely reported as provided in the Securities and Exchange Commission rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to the issuer s management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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No changes occurred during the quarter ended December 30, 2007 in our internal control over financial reporting 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.

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 effect on our financial condition, results of operations or cash flows. We had an accrued liability of approximately \$0.5 million and \$0.4 as of December 30, 2007 and September 30, 2007, respectively, related to pending litigation matters, other than as discussed below.

Initial Wisconsin Personal Injury Lawsuits

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, Millennium Holdings, LLC, 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., Millennium Holdings, LLC, 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*); and

Ruben Baez Godoy, Minor, by her guardian ad litem, Susan M. Gramling vs. American Cyanamid Co, BWAY Corp., 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*).

These lawsuits involve personal injury claims arising from the manufacture and sale of lead pigment for use in lead-based paint.

Plaintiffs filed the *Evans* lawsuit in October 2005, and the *Hardison* and *Godoy* lawsuits in January 2006. BWAY initially was not named as a defendant in any of these lawsuits. BWAY was later added as a defendant to the *Evans* and *Hardison* cases in June 2006, and to the *Godoy* lawsuit in September 2006.

BWAY was originally added as a defendant in these lawsuits on the ground that it is a successor in interest to the John R. MacGregor Company and/or the MacGregor Lead Company. Based upon BWAY's investigation to date, it does not believe that it is a successor in interest to either of these entities. However, BWAY's subsidiary Armstrong potentially may be a successor to one of these MacGregor entities. Accordingly, BWAY was dismissed from these lawsuits and Armstrong was named in its stead.

The John R. MacGregor Company and the MacGregor Lead Company allegedly sold lead pigment for use in lead-based paint from around 1937 through 1971. Plaintiffs contend that lead is hazardous to human health, especially the health of children, who have as a result, sustained physical injuries, due to their alleged exposure thereto. Plaintiffs further contend that despite knowing of this alleged hazard, defendants continued to manufacture and market lead pigment as acceptable for use in lead paint. Based upon these allegations, Plaintiffs assert claims for negligence and strict liability, including claims based upon failure to warn and design defect. Plaintiffs seek to recover compensatory and punitive damages.

In or around November 2007, Plaintiffs' counsel indicated that they planned to dismiss the *Evans* case without prejudice. A stipulation of dismissal without prejudice was recently filed and the court entered an order of dismissal without prejudice on December 12, 2007.

Plaintiffs' counsel also recently indicated that they plan to dismiss the *Hardison* case without prejudice. A stipulation of dismissal without prejudice was filed by the parties with the Court on January 7, 2008, and the court entered an order of dismissal without prejudice on January 23, 2008.

The *Godoy* case effectively has been stayed pending appellate review of the trial court's granting of Defendants' Motion to Dismiss Plaintiff's design defect claim. The trial court granted Defendants' Motion to Dismiss on October 23, 2006. In its order, the trial court agreed with

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Defendants that Plaintiff's negligence and strict liability claims lacked merit, to the extent they are based upon allegations that white lead carbonate was defectively designed, because lead is an inherent characteristic of white lead carbonate, and thus white lead carbonate could not have been designed without it. Thus, there could be no design defect. On October 16, 2007, a panel of the Wisconsin Court of Appeals agreed, affirming the trial court's dismissal of Plaintiff's design defect claim. On November 15, 2007, Plaintiff filed a Petition for Review of this decision with the Wisconsin Supreme Court. On November 29, 2007, Defendants (except American Cyanamid) filed a Joint Brief in Opposition to Plaintiff's Petition for Review. That same day, American Cyanamid filed its own Response to Plaintiff's Petition for Review. On December 5, 2007, Plaintiff filed a Motion for Leave to File a Reply Brief and a Proposed Reply to American Cyanamid's Response to the Petition for Review. On December 10, 2007, the Wisconsin Supreme Court granted Plaintiff's motion, thus accepting Plaintiff's reply brief for filing. Defendants anticipate a decision from the Wisconsin Supreme Court as to whether to review the appellate court's ruling on the motion to dismiss by the middle of March 2008.

Plaintiff's counsel has indicated that they have approximately 200 additional lead paint cases in Wisconsin, which are believed to be similar in nature to the existing lawsuits. In late 2006 and early 2007, Plaintiff's counsel filed an additional 30 cases, which are discussed in Subsequent Wisconsin Personal Injury Lawsuits below.

In addition to these Wisconsin personal injury cases, Plaintiff's counsel also are involved in other lead paint litigation being pursued on behalf of governmental entities in various states around the country. These governmental entity lawsuits are being pursued under a public nuisance theory. Certain of these cases are discussed in Public Nuisance Ohio Lawsuits below.

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Armstrong has filed answers to the complaints denying the allegations contained therein, and intends to defend these cases vigorously. Given the preliminary nature of these cases, we cannot at this time assess whether an adverse judgment ultimately may be returned against Armstrong and what the impact of any such judgment might be.

Subsequent Wisconsin Personal Injury Lawsuits

Glenn Burton, Jr., Minor, by his guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E.I. Dupont Denemours & Company; Lead Industries Association, Inc.; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin-Williams Company; Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012647; Case Code 30107 (Burton);

LaTonya D. Cannon, Minor, by her guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; Atlantic Richfield Company; Conagra Foods, Inc.; E. I. Du Pont De Nemours; Millennium Holdings, LLC; NL Industries, Inc.; The Sherwin Williams Company; Melvin L. Peterson; Department of Health and Family Services, State of Wisconsin, Circuit Court, Milwaukee County, State of Wisconsin; Case No. 07-CV-000300; Case Code 30107 (Cannon);

Yasmine Clark, Minor, by her guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E. I. Dupont Denemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin-Williams Company; 3738 Galena LLC c/o Affordable Rentals; The ABC Insurance Company; AKP Properties RA; Vern Suhr; The XYZ Insurance Company; Department of Health and Family Services, State Of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012653; Case Code 30107 (Clark);

Diamond Davidson, Minor, by her guardian ad litem, Susan M. Gramling vs. Northside Church Of God; ABC Insurance; Armstrong Containers, Inc., Conagra Foods, Inc.; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin Williams Company; and Department of Health and Family Services, State Of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012566; Case Code 30107 (Davidson);

Felton Dodd, Minor, by his guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E.I. Dupont Denemours & Company; Millennium Holdings, LLC; NL Industries, Inc., The Atlantic Richfield Company; The Sherwin-Williams Company; John Scibby; The ABC Insurance Company; Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 07-CV-000285; Case Code 30107 (Dodd);

Lakendelyn N. Evans, Minor, by her guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; The Atlantic Richfield Company; Conagra Foods, Inc.; E. I. Du Pont De Nemours; Millennium Holdings, LLC; N L Industries, Inc.; The Sherwin-Williams Company; Peter W. Henke; Department of Health and Family Services, State Of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 2006-CV-012744; Case Code 30107 (L. Evans);

Chasidy S. Farmer, Minor, by her guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E.I. Dupont Denemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin-Williams Company; North East Community Limited Partnership; The ABC Insurance Company; Betty J. Smith; The XYZ Insurance Company; Department of Health and Family Services, State Of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012645; Case Code 30107 (Farmer);

Shamarra Ferguson, Minor, by her guardian ad litem, Susan M. Gramling vs. Deborah And Dale Polzin, ABC Insurance, John Rick, XYZ Insurance, American Cyanamid Company, Armstrong Containers, Inc., Conagra Foods, Inc., E. I. Dupont Denemours & Company, Millennium Holdings, LLC, NL Industries, Inc., The Atlantic Richfield Company, The Sherwin Williams Company, and Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012567; Case Code 30107 (Ferguson);

Ernest Gibson, Minor, by his guardian ad litem, Susan M. Gramling vs. American Cyanamid Company, Armstrong Containers, Inc., Conagra Foods, Inc., E. I. Dupont Denemours & Company, Millennium Holdings, LLC, NL Industries, Inc., The Atlantic Richfield Company, The Sherwin Williams Company, and Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012605; Case Code 30107 (Gibson);

Michael J. Henderson, a Minor, by his guardian ad litem, Susan M. Gramling, vs. American Cyanamid Company; Armstrong Containers, Inc., Conagra Foods, Inc.; E. I. Du Pont De Nemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; Atlantic Richfield Company; The Sherwin Williams Company; Andrew D. Hopkins; American Family Insurance Group; Department of Health and Family Services, State of

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Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012745; Case Code 30107 (*Henderson*);

Ambrea Holder, Jada Jamison, Minor, by their guardian ad litem, Susan M. Gramling, vs. Paul N. Jacobs, RJ Properties LLC; ABC Insurance, American Cyanamid Company, Armstrong Containers, Inc., Conagra Foods, Inc., E.I. Dupont Denemours & Company, Millennium Holdings, LLC, NL Industries, Inc., The Atlantic Richfield Company, The Sherwin Williams Company, Department of Health and Family Services, State Of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012602; Case Code 30107 (*Holder*);

Anthony Johnson, Minor, by his guardian ad litem, Susan M. Gramling vs. SJM Properties, LLC; ABC Insurance, American Cyanamid Company; Armstrong Containers, Inc., Conagra Foods, Inc., E.I. Dupont Denemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin Williams Company; and Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 07CV-000343; Case Code 30107 (*A. Johnson*);

Brandon Johnson, Minor, by his guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E.I. Dupont Denemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin-Williams Company; Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012743; Case Code 30107 (*B. Johnson*);

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Qua-Shawn Jones, Minor, by his guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E.I. Dupont Denemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin-Williams Company; Adrienne Jordan; The ABC Insurance Company; 2506 S. 6th LLC; XYZ Insurance Company; Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012652; Case Code 30107 (Jones);

Demond dre Myers, Minor, by his guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E.I. Dupont Denemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin-Williams Company; Brenda Scott; The ABC Insurance Company; Deutsche Bank National Trust c/o New Century Mortgage Corp.; The XYZ Insurance Company; Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012658; Case Code 30107 (Myers);

Trinity Moore, Minor, by her guardian ad litem, Susan M. Gramling vs. Alan And Kim Skarzynski, MK Properties, ABC Insurance, Armstrong Containers, Inc., Conagra Foods, Inc., Millennium Holdings, LLC, NL Industries, Inc., The Atlantic Richfield Company, The Sherwin Williams Company, and Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 07-CV-000342; Case Code 30107 (Moore);

Ravon Owens, Minor, by his guardian ad litem, Susan M. Gramling vs. Latasha Conley; ABC Insurance, American Cyanamid Company, Armstrong Containers, Inc., Conagra Foods, Inc., E.I. Dupont Denemours & Company, Millennium Holdings, LLC, NL Industries, Inc., The Atlantic Richfield Company, The Sherwin Williams Company, and Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012604; Case Code 30107 (R. Owens);

Titus Owens, IV, Minor, by his guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E.I. Dupont Denemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin-Williams Company; Barbara Pharr; The ABC Insurance Company; Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012654; Case Code 30107 (T. Owens);

Jamara Ruffin, Minor, by her guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E.I. Dupont Denemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin Williams Company; David A. Frick; The ABC Insurance Company; Community Property Center, Inc.; The XYZ Insurance Company; Department Of Health And Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012657; Case Code 30107 (J. Ruffin);

Perrion Ruffin, Minor, by his guardian ad litem, Susan M. Gramling, and Javonte King, Minor, by his guardian ad litem, Susan M. Gramling vs. American Cyanamid Co., Armstrong Containers, Inc., Conagra Foods, Inc., E.I. Dupont Denemours & Company, Millennium Holdings, LLC, NL Industries, Inc., The Atlantic Richfield Company, The Sherwin Williams Company, Perry Gladney, The ABC Insurance Company, W. J. Sherard a/k/a/ William J. Sherard, The Ghi Insurance Company, Sherard W. J. Realty Co., The UVW Insurance Company, Loretta Lindsey; The XYZ Insurance Company, Department Of Health And Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012650; Case Code 30107 (P. Ruffin);

Darrell Scales, Minor, by his guardian ad litem, Susan M. Gramling vs. Lovell Johnson, Jr., ABC Insurance, American Cyanamid Company, Armstrong Containers, Inc., Conagra Foods, Inc.; E.I. Dupont Denemours & Company, Millennium Holdings, LLC, NL Industries, Inc., The Atlantic Richfield Company, The Sherwin Williams Company, and Department Of Health And Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012601; Case Code 30107 (Scales);

Brionn Stokes, Minor, by his guardian ad litem, Susan M. Gramling vs. American Cyanamid Co., Armstrong Containers, Inc., Conagra Foods, Inc., E.I. Dupont Denemours & Company, Lead Industries Association, Inc., Millennium Holdings, LLC, NL Industries, Inc., The Atlantic Richfield Company, The Sherwin Williams Company, Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012649; Case Code 30107 (B. Stokes);

Destiny Stokes, Minor, by her guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E. I. Denemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin-Williams Company; Westside Housing Cooperative; The AGC Insurance Company; Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 07-CV-000299; Case Code 30107 (D. Stokes);

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Gerald D. Tennant, III, Minor, by his guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers; Atlantic Richfield Company; Conagra Grocery Products Co.; E. I. Dupont Denemours; Millennium Holdings, LLC; NL Industries, Inc.; The Sherwin-Williams Company; Bruce K. Macarthur; Blake E. Wesner; ABC Insurance Company; Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 07-CV-11; Case Code 30107 (Tennant);

Jaquan Trammell, Dijonae Trammell, Ty jai Trammell, Minors, by their guardian ad litem, Susan M. Gramling vs. M Richard W. Geis, Jr., Brookfall Investments, ABC Insurance, American Cyanamid Company, Armstrong Containers, Inc., Conagra Foods, Inc., E. I. Dupont Denemours & Company, Millennium Holdings, LLC, NL Industries, Inc., The Atlantic Richfield Company, The Sherwin Williams Company, and Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012603; Case Code 30107 (Trammell);

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Syngeon Turner, Keonte Turner, Chauncy Turner, and Henry Harmon, Minors, by their guardian ad litem, Susan M. Gramling vs. Velved Lee Stevenson, ABC Insurance, American Cyanamid Company, Armstrong Containers, Inc., Conagra Foods, Inc., E.I. Dupont Denemours & Company, Millennium Holdings, LLC, NL Industries, Inc., The Atlantic Richfield Company, The Sherwin Williams Company, and Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 06-CV-012606; Case Code 30107 (Turner);

Tevin Brown, Minor, by his guardian ad litem, Susan M. Gramling, and Tevine Brown, Minor, by his guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E.I. Dupont De Nemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin-Williams Company; Calvin R. Malone; Kathryn E. Malone; State Farm Insurance; Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 07-CV-001499; Case Code 30107 (T. Brown);

Mahogany Hughes-Hinton, Minor, by her guardian ad litem, Susan M. Gramling vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E.I. Dupont De Nemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin-Williams Company; Stephen Geiss; Janice M. Geiss; Raymond Nauer; The ABC Insurance Company; Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 07-CV-001500; Case Code 30107 (Hughes-Hinton);

Damian Arias, Minor, by his guardian ad litem, Susan M. Gramling, vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E.I. Dupont De Nemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin-Williams Company; Christopher M. Torzala; Metropolitan Insurance Company; Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 07-CV-001428; Case Code 30107 (Arias); and

D Angelo Thompson, Minor, by his guardian ad litem, Susan M. Gramling, vs. American Cyanamid Co.; Armstrong Containers, Inc.; Conagra Foods, Inc.; E.I. Dupont De Nemours & Company; Millennium Holdings, LLC; NL Industries, Inc.; The Atlantic Richfield Company; The Sherwin-Williams Company; Steve Fowlkes; Jessie Fowlkes; All State Insurance Co.; Department of Health and Family Services, State of Wisconsin; Circuit Court, Milwaukee County, State of Wisconsin; Case No. 07-CV-001429; Case Code 30107 (Thompson).

These 30 cases were filed against BWAY’s subsidiary Armstrong in late 2006 and early 2007. These cases are similar to the *Evans, Hardison,* and *Godoy* cases referenced above. Armstrong has been named as a defendant in these lawsuits solely as an alleged successor in interest to the John R. MacGregor Company and/or MacGregor Lead Company.

Certain of these cases have been removed to the federal court and currently are proceeding therein, including the *Burton, Dodd, B. Stokes, B. Johnson, Farmer, R. Owens,* and *Gibson* cases.

Recently, Plaintiff’s counsel has either dismissed or stated that they plan to dismiss a number of these 30 cases. For example, the *Brown, L. Evans, Henderson, A. Johnson, Moore, Myers, J. Ruffin, Scales and Tennant* cases all have been dismissed. Dismissals are pending in the *Arias, Holder* and *Jones* cases. Plaintiff’s counsel further indicated that they plan to dismiss certain other cases, but have not yet identified which other cases they plan to dismiss.

Armstrong has answered the complaints in these cases. Discovery has begun in virtually all of the cases, and Defendants have served written discovery requests to Plaintiffs in these cases. Recently, depositions have begun in the *Burton, Cannon and Clark* cases. Property inspections have begun in certain of these cases as well. Scheduling orders have been entered in virtually all of the cases.

Given the preliminary nature of these cases, we cannot at this time assess whether an adverse judgment ultimately may be returned against Armstrong and what the impact of any such judgment might be.

Public Nuisance Ohio Lawsuits

City of Columbus, Ohio, vs. Sherwin-Williams Company, Millennium Holdings LLC, NL Industries, Inc., Conagra Grocery Products Company, E.I. Du Pont DeNemours and Company, Atlantic Richfield Company, CYTEC Industries, Inc., American Cyanamid Company, Armstrong Containers and John Doe Corporations, Defendants; Court of Common Pleas, Franklin County, Ohio, Civil Division; Civil Action File No. 06CVH12 16480;

City of Canton, Ohio, vs. Sherwin-Williams Company, Millennium Holdings LLC, NL Industries, Inc., Conagra Grocery Products Company, E.I. DuPont DeNemours and Company, Atlantic Richfield Company, CYTEC Industries, Inc., American Cyanamid Company, Armstrong

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Containers, Inc., and John Doe Corporations, Defendants; Court of Common Pleas, Stark County, Ohio, Civil Division; Civil Action File No. 2006CV05048;

City of Cincinnati, Ohio, vs. Sherwin-Williams Company, Millennium Holdings LLC, NL Industries, Inc., Conagra Grocery Products Company, E.I. DuPont DeNemours and Company, Atlantic Richfield Company, CYTEC Industries, Inc., American Cyanamid Co., Armstrong Containers, Inc., and John Doe Corporations, Defendants; Court of Common Pleas, Hamilton County, Ohio, Civil Division; Civil Action File No. A0611226;

State of Ohio, ex rel. Marc Dann Attorney General vs. Sherwin-Williams Company, E.I. DuPont De Nemours and Company, American Cyanamid Company, Armstrong Containers, Inc., Atlantic Richfield Company, Conagra Grocery Products Company, CYTEC Industries, Inc., Lyondell Chemical Company, Millennium Holdings LLC, NL Industries, Inc. and John Doe Corporations, Defendants; Court of Common Pleas, Franklin County, Ohio, Civil Division; Civil Action File No. 07CV 4587;

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City of Athens, Ohio, vs. Sherwin-Williams Company, Millennium Holdings LLC, NL Industries, Conagra Grocery Products Company, E.I. DuPont DeNemours and Company, Atlantic Richfield Company, CYTEC Industries, Inc., American Cyanamid Company, Armstrong Containers, Inc., and John Doe Corporations, Defendants; Court of Common Pleas, Athens County, Ohio, Civil Division; Civil Action File No. 07CI136;

City of Dayton, Ohio, vs. Sherwin-Williams Company, Millennium Holdings LLC, NL Industries, Inc., Conagra Grocery Products Company, E.I. DuPont DeNemours and Company, Atlantic Richfield Company, CYTEC Industries, Inc., American Cyanamid Co., Armstrong Containers, Inc., Lyondell Chemical Company, and John Doe Corporations, Defendants; Court of Common Pleas, Montgomery County, Ohio, Civil Division; Civil Action File No. 07-2701;

City of Youngstown, Ohio, vs. Sherwin-Williams Company, E.I. DuPont DeNemours and Company, American Cyanamid Company, Armstrong Containers, Inc., Atlantic Richfield Company, Conagra Grocery Products Company, CYTEC Industries, Inc., Lyondell Chemical Company, Millennium Holdings LLC, NL Industries, Inc. and John Doe Corporations, Defendants; Court of Common Pleas, Mahoning County, Ohio, Civil Division; Civil Action File No. 07-CV1167; and

City of Massillon, Ohio, vs. Sherwin-Williams Company, Millennium Holdings LLC, NL Industries, Inc., Conagra Grocery Products Company, E.I. DuPont DeNemours and Company, Atlantic Richfield Company, CYTEC Industries, Inc., American Cyanamid Co., Armstrong Containers and John Doe Corporations, Defendants; Court of Common Pleas, Stark County, Ohio, Civil Division; Civil Action File No. 2007CV01224.

These lawsuits involve public nuisance claims arising from the manufacture and sale of lead pigment for use in lead-based paint. They were filed in late 2006 and early 2007. BWAY's subsidiary Armstrong has been named as a defendant in these lawsuits.

Armstrong has been named in these actions as the alleged successor in interest to the John R. MacGregor Company and/or the MacGregor Lead Company. The John R. MacGregor Company and the MacGregor Lead Company allegedly sold lead pigment for use in lead based paint from around 1938 through 1971. Plaintiffs contend that lead is hazardous to human health, especially the health of children. Plaintiffs further contend that despite knowing of this alleged hazard, Defendants continued to manufacture and market lead pigment as acceptable for use in lead paint. Based upon these allegations, Plaintiffs assert claims for, among other things, public nuisance and concert in action, and seek to recover compensatory damages from Defendants, including the costs of abating the alleged nuisance. The complaint also seeks to recover punitive damages.

Many of these cases have been dismissed without prejudice by the respective municipalities. The *Cincinnati* case was dismissed on June 6, 2007. The *Canton* and *Massillon* cases were dismissed on November 2, 2007 (these cases were consolidated prior to their dismissal). The *Youngstown* case was dismissed on November 19, 2007. The *Dayton* case was dismissed on November 28, 2007. The *Athens* case was dismissed on December 4, 2007.

The *Columbus* and *State of Ohio* cases, which were consolidated into a single case on May 29, 2007, currently remain. Defendants have moved to dismiss the *Columbus* and *State of Ohio* cases. Defendants' motion has been fully briefed in *Columbus*, except for the city's response to Defendants' supplemental brief.

Initially, Judge Brown was presiding over these two consolidated cases. Defendants understand that Judge Brown formerly worked in the Ohio Attorney General's office and was involved in the Ohio Attorney General's litigation against the tobacco companies. Defendants further understand that he may have worked with Motley Rice, the law firm representing the municipalities in these public nuisance cases, in connection with the tobacco litigation. Based on this information, an issue has been raised as to whether Judge Brown should recuse himself from these cases. Defendants have submitted a letter to Judge Brown regarding this issue. Judge Brown held an informal conference with the parties to discuss this issue on November 30, 2007. Judge Brown contacted the parties following the conference and indicated that he has declined to recuse himself from these cases.

On December 14, 2007, Defendant Sherwin-Williams filed an Affidavit of Disqualification with the Ohio Supreme Court, seeking to have Judge Brown disqualified. On January 15, 2008, the Attorney General filed its Memorandum in Opposition to Sherwin-Williams' Affidavit of Disqualification, and on January 18, 2008, Judge Brown filed his response. On January 10, 2008, Judge Brown vacated the previously entered case schedule until the disqualification issue is resolved.

The Attorney General filed a First Amended Complaint in the *State of Ohio* action on December 28, 2007. Among other changes, the amended complaint contains added allegations regarding the Defendants' manufacture, distribution and sale in Ohio, including the identification of customers in some instances. On January 28, 2008, Defendant Atlantic Richfield removed the action to federal court (Southern District of Ohio, Eastern Division). Plaintiff's counsel thereafter agreed that Defendants would have up through and including February 25, 2008 to answer or

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otherwise respond to the First Amended Complaint. In connection with its removal to federal court, this case has been assigned to Judge Watson. Thus, Judge Brown no longer presides over the *State of Ohio* action.

Given the preliminary nature of these cases, we cannot at this time assess whether an adverse judgment ultimately may be returned against Armstrong and what the impact of any such judgment might be.

As of September 30, 2007, we had accrued approximately \$0.2 million, respectively, in legal fees and expenses related to the lead paint litigation matter discussed in the Annual Report.

Item 1A. Risk Factors.

There are no material changes to report under this item for the quarter ended December 30, 2007.

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

There are no events to report under this item for the quarter ended December 30, 2007.

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Item 3. Defaults Upon Senior Securities.

There are no events to report under this item for the quarter ended December 30, 2007.

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

There are no events to report under this item for the quarter ended December 30, 2007.

Item 5. Other Information.

There is no information to report under this item for the quarter ended December 30, 2007.

Item 6. Exhibits.

See Index to Exhibits.

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FORWARD-LOOKING STATEMENTS

Note: This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You should not place reliance on these statements. Forward-looking statements include information concerning our liquidity and our possible or assumed future results of operations, including descriptions of our business strategies. These statements often include words such as believe, expect, anticipate, intend, plan, estimate, seek, will, may or similar expressions. These statements are based on assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate in these circumstances. As you read and consider this document, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. Many factors could affect our actual financial results and could cause actual results to differ materially from those expressed in the forward-looking statements. Some important factors include competitive risk from other container manufacturers or self-manufacture by customers, termination of our customer contracts, loss or reduction of business from key customers, dependence on key personnel, changes in steel, resin, other raw material and energy costs or availability, product liability or product recall costs, lead pigment and lead paint litigation, increased consolidation in our end markets, consolidation of key suppliers, deceleration of growth in our end markets, increased use of alternative packaging, labor unrest, environmental, health and safety costs, management's inability to evaluate and selectively pursue acquisitions, fluctuation of our quarterly operating results, an increase in interest rates, inability to repay or refinance the senior subordinated notes, restrictions in our debt agreements, fluctuations of the Canadian dollar, and the other factors discussed in our filings with the Securities and Exchange Commission. In light of these risks, uncertainties and assumptions, the forward-looking statements contained in this document might not prove to be accurate and you should not place undue reliance upon them. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. All such statements speak only as of the date made, and we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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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: February 13, 2008

By: /s/ Kenneth M. Roessler
Kenneth M. Roessler
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 13, 2008

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

BWAY Corporation
(Registrant)

Date: February 13, 2008

By: /s/ Kenneth M. Roessler
Kenneth M. Roessler
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 13, 2008

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

| Exhibit Number | Description of Document |
|---------------------------|--|
| 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. |