BWAY CORP
Form 10-K
December 22, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT

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

For the Fiscal Year Ended:

October 2, 2005

001-12415

(Commission File Number)

BWAY CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	**36-3624491**

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

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

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (x)

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

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

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

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

<u>DOCUMENTS INCORPORATED BY REFERENCE</u>

None.

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BWAY CORPORATION

Annual Report on Form 10-K

For the Fiscal Year Ended October 2, 2005

PART I

Item 1. Business

GENERAL

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

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

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

Acquisitions and Dispositions

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

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

INDUSTRY SEGMENTS

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

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

Metal Packaging Segment (BWAY Packaging Division)

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

Products and Markets

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

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

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

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

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

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

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

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

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

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

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

Customers

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

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

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

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Raw Materials

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

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

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

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

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

Competition

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

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

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

Plastics Packaging Segment (NAMPAC Division)

Products and Markets

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

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

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

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

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

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

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

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

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

Customers

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

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

Raw Materials

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

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

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

Competition

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

Employees

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

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

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

Environmental, Health and Safety Matters

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

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

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

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

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

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

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

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

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

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

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

Item 3. Legal Proceedings

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

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

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

PART II

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

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

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

Item 6. Selected Financial Data

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

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

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

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

Notes to Selected Financial Data Table:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(12) Represents annual advisory fees paid to Kelso.

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

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

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

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Notes to Selected Financial Data Table:

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

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

Reconciliation of EBITDA to Net (loss) income:

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

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

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

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

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

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

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

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

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

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

Major Developments

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

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

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

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

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

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Results of Operations

Fiscal Years 2005 and 2004

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

					As a % of Net Sales	
	Fiscal Year		Change		Fiscal Year	
(Dollars in thousands)	2005	2004	$	%	2005	2004
Net sales	$ 829,109	$ 611,588	$ 217,521	35.6%	100.0%	100.0%
Cost of products sold (excluding depreciation and amortization)	714,039	529,064	184,975	35.0%	86.1%	86.5%