

BWAY CORP  
Form 10-Q  
February 09, 2010  
Table of Contents

As Filed with the Securities and Exchange Commission on February 9, 2010

**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 31, 2009

**Registrant and State of Incorporation**

Commission File Number  
001-33527

Address and Telephone Number  
**BWAY HOLDING COMPANY**  
(Delaware)  
8607 Roberts Drive, Suite 250  
Atlanta, Georgia 30350-2237  
(770) 645-4800

I.R.S. Employer Identification Number  
55-0800054

Edgar Filing: BWAY CORP - Form 10-Q

001-12415

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

36-3624491

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	<input type="checkbox"/> Yes	<input type="checkbox"/> No
BWAY Corporation	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

**Registrant**

BWAY Holding Company	<input type="checkbox"/> Yes	<input type="checkbox"/> No
BWAY Corporation	<input type="checkbox"/> Yes	<input type="checkbox"/> No

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

<b>Registrant</b>	<b>Large Accelerated Filer</b>	<b>Accelerated Filer</b>	<b>Non-Accelerated Filer</b>	<b>Smaller Reporting Company</b>
BWAY Holding Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BWAY Corporation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

**Registrant**

BWAY Holding Company	<input type="checkbox"/> Yes	<input type="checkbox"/> No
BWAY Corporation	<input type="checkbox"/> Yes	<input type="checkbox"/> No

**Shares Outstanding at**

<b>Registrant</b>	<b>Description of Common Stock</b>	<b>February 5, 2010</b>
BWAY Holding Company	Par Value \$0.01 per share	<b>22,361,376</b>
BWAY Corporation	Par Value \$0.01 per share	<b>1,000</b>

**Table of Contents**

**BWAY HOLDING COMPANY**

**BWAY CORPORATION**

**Quarterly Report on Form 10-Q**

**For the quarterly period ended December 31, 2009**

**TABLE OF CONTENTS**

**PART I**

**FINANCIAL INFORMATION**

Item 1. <u>Financial Statements</u>	1
BWAY Holding Company (unaudited)	
<u>Condensed Consolidated Balance Sheets</u>	1
<u>Condensed Consolidated Statements of Operations</u>	2
<u>Condensed Consolidated Statements of Cash Flows</u>	3
BWAY Corporation (unaudited)	
<u>Condensed Consolidated Balance Sheets</u>	4
<u>Condensed Consolidated Statements of Operations</u>	5
<u>Condensed Consolidated Statements of Cash Flows</u>	6
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	33
Item 4. <u>Controls and Procedures</u>	33

**PART II**

**OTHER INFORMATION**

Item 1. <u>Legal Proceedings</u>	33
Item 6. <u>Exhibits</u>	34

**Table of Contents****PART I****FINANCIAL INFORMATION****Item 1. Financial Statements****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS****BWAY Holding Company and Subsidiaries**

(\$ in millions, except par value)

	December 31, 2009	September 27, 2009
<b>Assets</b>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 16.8	\$ 88.7
Accounts receivable, net of allowance for doubtful accounts of \$0.6 and \$0.5	101.3	103.8
Inventories, net	103.1	87.0
Other current assets	18.5	15.6
Total current assets	239.7	295.1
Property, plant and equipment, net	167.6	160.9
Goodwill	265.2	259.0
Other intangible assets, net	138.8	129.4
Other assets	10.6	11.1
Total assets	\$ 821.9	\$ 855.5
<b>Liabilities and Stockholders' Equity</b>		
<u>Current liabilities</u>		
Accounts payable	\$ 86.0	\$ 98.0
Other current liabilities	43.1	63.3
Current portion of long-term debt	0.5	6.5
Total current liabilities	129.6	167.8
Long-term debt	397.9	395.8
Deferred tax liabilities	46.5	46.5
Other liabilities	47.0	47.1
Total liabilities	621.0	657.2
Commitments and contingencies (Note 12)		
<u>Stockholders' equity</u>		
Preferred stock, \$0.01 par value, 20,000,000 shares authorized		
Common stock, \$0.01 par value, 200,000,000 shares authorized; 22,298,142 and 22,198,718 shares issued and outstanding	0.2	0.2
Additional paid-in capital	138.8	137.9

Edgar Filing: BWAY CORP - Form 10-Q

Retained earnings	64.8	64.0
Accumulated other comprehensive loss	(2.9)	(3.8)
Total stockholders' equity	200.9	198.3
Total liabilities and stockholders' equity	\$ 821.9	\$ 855.5

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Table of Contents****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****BWAY Holding Company and Subsidiaries**

(\$ in millions, except per share amounts)

	<b>Three Months Ended</b>	
	<b>December 31,</b>	<b>December 28,</b>
	<b>2009</b>	<b>2008</b>
Net sales	\$ 219.0	\$ 212.5
<u>Costs and expenses</u>		
Cost of products sold (excluding depreciation and amortization)	186.9	192.1
Depreciation and amortization	13.7	11.1
Selling and administrative	5.7	5.6
Restructuring	2.0	0.7
Interest, net	8.9	8.2
Business acquisition costs	0.5	
Other	0.4	(0.8)
Total costs and expenses	218.1	216.9
Income (loss) before income taxes	0.9	(4.4)
Provision for (benefit from) income taxes	0.1	(1.7)
Net income (loss)	\$ 0.8	\$ (2.7)
<u>Net income (loss) per share (Note 10)</u>		
Basic	\$ 0.04	\$ (0.13)
Diluted	0.03	(0.13)

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Table of Contents****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****BWAY Holding Company and Subsidiaries**

(\$ in millions)

	<b>Three Months Ended</b>	
	<b>December 31, 2009</b>	<b>December 28, 2008</b>
<b>Cash Flows from Operating Activities</b>		
Net income (loss)	\$ 0.8	\$ (2.7)
<b><u>Adjustments to reconcile net income (loss) to net cash used in operating activities</u></b>		
Depreciation	9.7	7.4
Amortization of other intangible assets	4.0	3.7
Amortization of debt issuance costs	0.5	0.5
Amortization of debt discount	1.1	
Provision for (credit from) doubtful accounts	0.1	(0.6)
Loss on disposition of property, plant and equipment	(0.1)	
Deferred income taxes		(0.1)
Stock-based compensation expense	0.1	0.9
Change in operating assets and liabilities, net of business acquisitions:		
Accounts receivable	3.7	12.6
Inventories	(12.5)	8.9
Accounts payable	(12.3)	(67.0)
Other assets	0.4	4.1
Accrued and other liabilities	(17.0)	(10.3)
Income taxes, net	(6.6)	(2.3)
Net cash used in operating activities	(28.1)	(44.9)
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(5.5)	(3.4)
Business acquisitions	(32.3)	
Net cash used in investing activities	(37.8)	(3.4)
<b>Cash Flows from Financing Activities</b>		
Repayments of other long-term debt	(6.6)	(18.1)
Borrowings of revolving credit facility		1.2
Principal repayments under capital lease obligations	(0.1)	
Proceeds from stock option exercises	0.3	
Excess tax benefit related to share-based payments	0.1	
Net cash used in financing activities	(6.3)	(16.9)
Effect of exchange rate changes on cash and cash equivalents	0.3	(1.4)
Net decrease in cash and cash equivalents	(71.9)	(66.6)
Cash and cash equivalents, beginning of period	88.7	92.1
Cash and cash equivalents, end of period	\$ 16.8	\$ 25.5

## Edgar Filing: BWAY CORP - Form 10-Q

The accompanying notes are an integral part of the condensed consolidated financial statements.



**Table of Contents****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS****BWAY Corporation and Subsidiaries**

(\$ in millions, except par value)

	December 31, 2009	September 27, 2009
<b>Assets</b>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 16.8	\$ 88.7
Accounts receivable, net of allowance for doubtful accounts of \$0.6 and \$0.5	101.3	103.8
Inventories, net	103.1	87.0
Other current assets	18.5	15.6
<b>Total current assets</b>	<b>239.7</b>	<b>295.1</b>
Property, plant and equipment, net	167.6	160.9
Goodwill	265.2	259.0
Other intangible assets, net	138.8	129.4
Other assets	10.6	11.1
<b>Total assets</b>	<b>\$ 821.9</b>	<b>\$ 855.5</b>
<b>Liabilities and Stockholder's Equity</b>		
<u>Current liabilities</u>		
Accounts payable	\$ 86.0	\$ 98.0
Other current liabilities	43.1	63.3
Current portion of long-term debt	0.5	6.5
<b>Total current liabilities</b>	<b>129.6</b>	<b>167.8</b>
Long-term debt	397.9	395.8
Deferred tax liabilities	46.5	46.5
Other liabilities	47.0	47.1
<b>Total liabilities</b>	<b>621.0</b>	<b>657.2</b>
Commitments and contingencies (Note 12)		
<u>Stockholder's equity</u>		
Preferred stock, \$0.01 par value, 500 shares authorized		
Common stock, \$0.01 par value, 2,500 shares authorized; 1,000 shares issued and outstanding		
Additional paid-in capital	145.5	144.6
Retained earnings	58.3	57.5
Accumulated other comprehensive loss	(2.9)	(3.8)
<b>Total stockholder's equity</b>	<b>200.9</b>	<b>198.3</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 821.9</b>	<b>\$ 855.5</b>

Edgar Filing: BWAY CORP - Form 10-Q

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Table of Contents****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****BWAY Corporation and Subsidiaries**

(\$ in millions)

	<b>Three Months Ended</b>	
	<b>December 31,</b>	<b>December 28,</b>
	<b>2009</b>	<b>2008</b>
Net sales	\$ 219.0	\$ 212.5
<b><u>Costs and expenses</u></b>		
Cost of products sold (excluding depreciation and amortization)	186.9	192.1
Depreciation and amortization	13.7	11.1
Selling and administrative	5.7	5.6
Restructuring	2.0	0.7
Interest, net	8.9	8.2
Business acquisition costs	0.5	
Other	0.4	(0.8)
Total costs and expenses	218.1	216.9
Income (loss) before income taxes	0.9	(4.4)
Provision for (benefit from) income taxes	0.1	(1.7)
Net income (loss)	\$ 0.8	\$ (2.7)

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Table of Contents****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****BWAY Corporation and Subsidiaries**

(\$ in millions)

	<b>Three Months Ended</b>	
	<b>December 31, 2009</b>	<b>December 28, 2008</b>
<b>Cash Flows from Operating Activities</b>		
Net income (loss)	\$ 0.8	\$ (2.7)
<b><u>Adjustments to reconcile net income (loss) to net cash used in operating activities</u></b>		
Depreciation	9.7	7.4
Amortization of other intangible assets	4.0	3.7
Amortization of debt issuance costs	0.5	0.5
Amortization of debt discount	1.1	
Provision for (credit from) doubtful accounts	0.1	(0.6)
Loss on disposition of property, plant and equipment	(0.1)	
Deferred income taxes		(0.1)
Stock-based compensation expense	0.1	0.9
Change in operating assets and liabilities, net of business acquisitions:		
Accounts receivable	3.7	12.6
Inventories	(12.5)	8.9
Accounts payable	(12.3)	(67.0)
Other assets	0.4	4.1
Accrued and other liabilities	(17.0)	(10.3)
Income taxes, net	(6.6)	(2.3)
Net cash used in operating activities	(28.1)	(44.9)
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(5.5)	(3.4)
Business acquisitions	(32.3)	
Net cash used in investing activities	(37.8)	(3.4)
<b>Cash Flows from Financing Activities</b>		
Repayments of other long-term debt	(6.6)	(18.1)
Borrowings of revolving credit facility		1.2
Principal repayments under capital lease obligations	(0.1)	
Proceeds from stock option exercises	0.3	
Excess tax benefit related to share-based payments	0.1	
Net cash used in financing activities	(6.3)	(16.9)
Effect of exchange rate changes on cash and cash equivalents	0.3	(1.4)
Net decrease in cash and cash equivalents	(71.9)	(66.6)
Cash and cash equivalents, beginning of period	88.7	92.1
Cash and cash equivalents, end of period	\$ 16.8	\$ 25.5

Edgar Filing: BWAY CORP - Form 10-Q

The accompanying notes are an integral part of the condensed consolidated financial statements.

---

**Table of Contents**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**BWAY Holding Company and Subsidiaries**

**BWAY Corporation and Subsidiaries**

**1. GENERAL**

**Principles of Consolidation and Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of BWAY Holding Company (BHC) include the accounts of BHC and its 100% owned subsidiary, BWAY Corporation (BWAY). The accompanying unaudited condensed consolidated financial statements of BWAY include the accounts of BWAY and its subsidiaries, each 100% owned. In these notes, we refer to BHC and BWAY collectively as the Company, we or our.

The unaudited condensed consolidated financial statements and these notes should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended September 27, 2009 (the Annual Report). The unaudited condensed consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures, including critical and significant accounting policies, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted.

These notes are applicable equally to BHC and BWAY with the exception of Net Income per Share in Note 10, Stockholders Equity, which is applicable only to BHC and Note 14, Supplemental Guarantor Subsidiaries Information, which is applicable only to BWAY.

Results of operations and cash flows for interim periods presented in the unaudited condensed consolidated financial statements are not necessarily indicative of results of operations and cash flows for the full fiscal year.

In these notes, we refer to fiscal year or fiscal quarter when we reference or discuss a year or quarter, unless otherwise indicated. For purposes of these notes, we include our subsidiary and operations in the Commonwealth of Puerto Rico with those of our U.S. operations, unless otherwise indicated.

Beginning with fiscal 2010, our fiscal year ends on September 30. Prior to 2010, our fiscal year ended on the Sunday closest to September 30 (fiscal 2009 ended September 27, 2009). Our North America Packaging Corporation (NAMPAC) and ICL Industrial Containers ULC (ICL) subsidiaries have had and will continue to have a September 30 fiscal year end. Fiscal 2009 results of operations and cash flows for NAMPAC and ICL are included in the unaudited condensed consolidated financial statements for the three months ended December 31, 2009 and fiscal 2009 year-end balances are as of September 30, 2009. In 2009, there were no significant or unusual transactions between the fiscal end and calendar end dates that should have been considered in the consolidated financial statements.

**Business and Segment Information**

BHC is a holding company without independent operations. BWAY, the operating subsidiary of BHC, manufactures and distributes metal and rigid plastic containers primarily to manufacturers of industrial and consumer products for use as packaging. We have operations in the United States and Canada and primarily sell to customers located in these geographic markets. We report our operations in two business segments: metal packaging and plastic packaging (see Note 13, Business Segments).

**Recent Acquisitions**

**Ball Plastics**

On October 23, 2009, we acquired substantially all of the assets and assumed certain of the liabilities from Ball Plastic Container Corp. related to its plastic packaging plant and business located in Newnan, Georgia. The facility produces injection molded plastic pails and certain other products. The acquisition of Ball Plastics fits with our core skills. We acquired the net assets for approximately \$32.3 million, which we funded using available cash on hand. We refer to this acquisition and the associated acquired business as Ball Plastics.



**Table of Contents**

We recorded the acquired assets and assumed liabilities at fair value in accordance with applicable accounting guidance. We have allocated the purchase price based on our preliminary estimates of fair value. The results of operations for Ball Plastics are included in the consolidated financial statements from the acquisition date. Ball Plastics is included in our plastic packaging segment.

Our preliminary purchase price allocation for the fair value of the assets acquired and liabilities assumed is as follows. The purchase price allocation is preliminary and subject to completion.

(\$ in millions)

	<b>Ball Plastics</b>
Current assets	\$ 4.5
Property, plant and equipment	10.4
Intangible assets subject to amortization (customer relationships)	12.8
Goodwill	5.1
<b>Total assets acquired</b>	<b>32.8</b>
Current liabilities assumed	0.5
<b>Purchase price</b>	<b>\$ 32.3</b>

We allocated the acquired goodwill and intangible assets to our plastic packaging segment. Goodwill related to this acquisition is deductible for U.S. income tax purposes. The estimated useful life of the acquired customer relationships is approximately 13 years.

**Recently Issued Accounting Standards**

There have been no developments to recently issued accounting standards not yet adopted, including the expected dates of adoption and estimated effects on our consolidated financial statements, from those disclosed in the Annual Report.

**2. SUPPLEMENTAL CASH FLOW DISCLOSURES**

The following information supplements the unaudited condensed consolidated statements of cash flows for the three months ended December 31, 2009 and December 28, 2008:

(\$ in millions)

	<b>Three Months Ended</b>	
	<b>December 31, 2009</b>	<b>December 28, 2008</b>
<b><u>Cash paid during the period for:</u></b>		
Interest	\$ 14.2	\$ 12.8
Income taxes	6.5	1.0
<b><u>Business acquisitions</u></b>		
Fair value of assets acquired	\$ 32.8	\$
Fair value of liabilities assumed	(0.5)	
<b>Cash paid for business acquisitions</b>	<b>32.3</b>	



Edgar Filing: BWAY CORP - Form 10-Q

Non-cash investing and financing activities

Amounts owed for capital expenditures	\$ 0.6	\$ 0.5
Assets acquired through capital lease	0.1	

**Table of Contents****3. INVENTORIES**

The components of inventories as of December 31, 2009 and September 27, 2009 were:

(\$ in millions)

	December 31, 2009	September 27, 2009
Raw materials	\$ 34.0	\$ 21.6
Work-in-progress	34.2	35.7
Finished goods	34.9	29.7
Total inventories	\$ 103.1	\$ 87.0

**4. OTHER CURRENT ASSETS AND LIABILITIES**

The components of other current assets and other current liabilities as of December 31, 2009 and September 27, 2009 were:

(\$ in millions)

	December 31, 2009	September 27, 2009
<b><u>Other current assets</u></b>		
Income taxes receivable	\$ 3.0	\$
Deferred tax assets	9.3	9.3
Other	6.2	6.3
Total other current assets	\$ 18.5	\$ 15.6
<b><u>Other current liabilities</u></b>		
Accrued salaries and wages	\$ 9.9	\$ 18.8
Accrued interest	5.0	11.9
Accrued rebates	5.0	4.2
Income taxes payable		3.6
Self insurance	6.2	6.7
Other	17.0	18.1
Total other current liabilities	\$ 43.1	\$ 63.3

**5. FAIR VALUE OF FINANCIAL INSTRUMENTS**

We do not carry any financial instruments at fair value. Other than our long-term debt, we believe the carrying amounts of financial instruments at December 31, 2009 approximate the fair values of those instruments.

Estimated fair value of long-term debt at December 31, 2009:

(\$ in millions)

Edgar Filing: BWAY CORP - Form 10-Q

	Carrying Value	Estimated Fair Value
<u>Long-term debt</u>		
10% senior subordinated notes due April 2014, gross of debt discount	\$ 228.5	\$ 241.7
Variable rate term loan, U.S. dollar denominated, maturing July 2013	148.7	139.1
Variable rate term loan, Canadian dollar denominated, maturing July 2013	46.6	43.5
	423.8	\$ 424.3
Unamortized debt discount	(25.4)	
<b>Total long-term debt</b>	<b>\$ 398.4</b>	

We have estimated the fair value of our long-term debt financial instruments based on quoted market prices in the secondary credit market.

**Table of Contents****6. GOODWILL AND OTHER INTANGIBLE ASSETS****Goodwill**

The change in goodwill for the three months ended December 31, 2009 by reportable segment was:

(\$ in millions)

	Metal Packaging	Plastic Packaging	Total
Balance, September 27, 2009	\$ 128.7	\$ 130.3	\$ 259.0
Acquired (1)		5.1	5.1
Currency translation adjustment	0.4	0.7	1.1
Balance, December 31, 2009	\$ 129.1	\$ 136.1	\$ 265.2

(1) See Recent Acquisitions under Note 1, General.

**Other Intangible Assets**

The components of other intangible assets at December 31, 2009 and September 27, 2009 were:

(\$ in millions)

	December 31, 2009			September 27, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
<b>Amortizable intangible assets</b>						
Customer relationships	\$ 201.2	\$ (78.1)	\$ 123.1	\$ 187.5	\$ (74.3)	\$ 113.2
Tradenames	26.2	(11.1)	15.1	26.1	(10.5)	15.6
Total amortizable intangible assets	227.4	(89.2)	138.2	213.6	(84.8)	128.8
<b>Indefinite-lived intangible assets</b>						
Technology	0.6		0.6	0.6		0.6
Total other intangible assets	\$ 228.0	\$ (89.2)	\$ 138.8	\$ 214.2	\$ (84.8)	\$ 129.4

The estimated useful lives of customer relationships range from 13 to 18 years and the estimated useful lives of tradenames range from 10 to 15 years.

**Expected Future Amortization Expense**

Expected future amortization expense at December 31, 2009 was:

(\$ in millions)

Edgar Filing: BWAY CORP - Form 10-Q

<b>Fiscal year</b>	<b>Amortization Expense</b>
2010 ( <i>remainder</i> )	\$ 12.3
2011	16.0
2012	15.8
2013	14.6
2014	13.8
Thereafter	65.7
<b>Total expected future amortization expense</b>	<b>\$ 138.2</b>

**Table of Contents****7. LONG-TERM DEBT****Outstanding Long-Term Debt**

Long-term debt outstanding at December 31, 2009 and September 27, 2009 consisted of:

(\$ in millions)

	December 31, 2009	September 27, 2009
<b><u>Long-term debt</u></b>		
10% senior subordinated notes due April 2014	\$ 228.5	\$ 228.5
Variable rate term loan, U.S. dollar denominated, maturing July 2013	148.7	153.8
Variable rate term loan, Canadian dollar denominated, maturing July 2013	46.6	46.5
	423.8	428.8
Unamortized debt discount	(25.4)	(26.5)
<b>Total long-term debt</b>	<b>398.4</b>	<b>402.3</b>
Less current portion of long-term debt	(0.5)	(6.5)
<b>Long-term debt, net of current portion</b>	<b>\$ 397.9</b>	<b>\$ 395.8</b>

The weighted-average interest rate on variable rate credit facility borrowings was approximately 2.2% at December 31, 2009 and approximately 2.6% at September 27, 2009.

**Current Portion of Long-Term Debt**

The current portion of long-term debt at September 27, 2009 included a mandatory repayment of \$6.5 million. Of the repayment, \$5.0 million represented a repayment on the U.S. dollar denominated term loan and \$1.5 million represented a repayment on the Canadian dollar denominated term loan. The repayments occurred in December 2009.

Under the terms of the credit agreement, non-scheduled repayments generally reduce the subsequent four scheduled payments and then reduce the remaining payments thereafter on a pro rata basis. The next scheduled repayments on the term loans are not due until December 2010 because of the repayments in December 2009.

**Scheduled Maturities of Long-Term Debt**

Scheduled maturities of long-term debt at December 31, 2009 were:

(\$ in millions)

Fiscal year	Amount Due
2011	\$ 2.0
2012	2.1
2013	191.2
2014	228.5
<b>Total scheduled maturities of long-term debt</b>	<b>\$ 423.8</b>

**Senior Subordinated Notes**

**2014 Notes**

On April 6, 2009, BWAY completed a private placement offering of approximately \$228.5 million aggregate principal amount of 10% Senior Subordinated Notes due April 15, 2014 (the 2014 Notes) which priced at a discount to par of 87.513%. The 2014 Notes were issued pursuant to an indenture, dated as of April 6, 2009 (the Indenture), among BWAY, the Guarantors (as defined below) and The Bank of New York Mellon Trust Company, N.A., as trustee (the Trustee.)

The 2014 Notes are unsecured and subordinated to all of BWAY's existing and future senior debt, including its existing credit facilities. Each of BWAY's 100% owned U.S. subsidiaries (the Guarantors) have guaranteed the 2014 Notes with a guarantee that will be unsecured and subordinated to all existing and future senior debt of each such subsidiary. If any subsidiary of BWAY that is not a Guarantor guarantees certain indebtedness of BWAY in the future, such subsidiary will guarantee the 2014 Notes.

---

## **Table of Contents**

BWAY may redeem the 2014 Notes, in whole or in part, at any time on or after April 15, 2011 at the redemption prices set forth in the 2014 Notes. In addition, prior to April 15, 2011, BWAY may redeem up to 35% of the 2014 Notes with the net proceeds of one or more equity offerings at a redemption price equal to 110% of the principal amount plus accrued interest. If BWAY undergoes a change of control or sells certain of its assets, it may be required to offer to purchase the 2014 Notes from holders at a purchase price equal to 101% of the principal amount plus accrued interest.

The Indenture contains covenants limiting BWAY's and the Guarantors' ability to: (i) incur additional debt or issue certain preferred stock; (ii) pay dividends or distributions on capital stock or repurchase capital stock; (iii) make certain investments; (iv) create liens on assets to secure debt; (v) engage in transactions with affiliates; (vi) merge or consolidate with another company; and (vii) transfer and sell assets, in each case subject to a number of limitations and exceptions provided in the Indenture.

Upon the occurrence of customary events of default, the Trustee or the holders of 25% of the principal amount of the outstanding 2014 Notes may declare the principal of and accrued and unpaid interest on the 2014 Notes to be due and payable. Upon the occurrence of certain bankruptcy events affecting BWAY or certain of its subsidiaries, the principal of and accrued and unpaid interest on the 2014 Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

The 2014 Notes were offered in the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the Securities Act), and outside the United States pursuant to Regulation S under the Securities Act.

In connection with the issuance of the 2014 Notes, BWAY and the Guarantors entered into a registration rights agreement, dated as of April 6, 2009, with the initial purchasers of the 2014 Notes (the Registration Rights Agreement), obligating BWAY, to use its commercially reasonable efforts to file with the SEC and cause to become effective a registration statement relating to an offer to exchange the 2014 Notes for new notes evidencing the same continuing indebtedness as the 2014 Notes with terms substantially identical to the 2014 Notes. BWAY will not be required to consummate the exchange offer to the extent that before April 7, 2010 (1) the 2014 Notes are freely tradeable pursuant to Rule 144 under the Securities Act and (2) the restrictive legend has been removed from the 2014 Notes. If applicable interpretations of the staff of the SEC do not permit BWAY to effect the exchange offer, BWAY will be required to use its commercially reasonable efforts to make available an effective shelf registration statement relating to resales of any 2014 Notes. In the event that BWAY defaults on these obligations, it will be required to pay additional interest on the 2014 Notes with respect to which such default exists until the default is cured.

We incurred costs of approximately \$5.5 million associated with the issuance of the 2014 Notes. The amount includes an underwriting fee of approximately \$4.3 million. We capitalized the costs and are amortizing them to interest expense over the term of the 2014 Notes.

At December 31, 2009, we complied with applicable financial covenants related to the senior notes.

## **Credit Facility**

Our credit facility consists of a U.S. denominated term loan (the U.S. term loan), a \$50.0 million revolving credit facility (the U.S. revolver), a Canadian denominated term loan (the Canadian term loan) and a US\$5.0 million equivalent revolving credit facility (the Canadian revolver), (collectively, the credit facility). We initially borrowed \$190.0 million on the U.S. term loan and Cdn\$56.4 million (US\$50.0 million equivalent at the borrowing date) on the Canadian term loan. We have subsequently made repayments of these term loans that we may not re-borrow.

BWAY is the borrower of the U.S. term loan and only BWAY can borrow on the U.S. revolver. ICL is the borrower of the Canadian term loan and only ICL can borrow on the Canadian revolver. ICL can draw on the Canadian revolver in either U.S. dollars or Canadian dollars.



---

## **Table of Contents**

The term loans mature on July 17, 2013 and the revolving credit facilities mature on July 17, 2012.

The term loans are subject to scheduled quarterly repayments. Voluntary prepayments or mandatory repayments may offset scheduled repayments. In December 2009, we made a \$5.0 million mandatory repayment on the U.S. term loan and a \$1.6 million mandatory repayment on the Canadian term loan. These mandatory repayments offset the scheduled quarterly repayments for 2010. Scheduled quarterly repayments of approximately \$0.4 million on the U.S. term loan and approximately \$0.1 million on the Canadian term loan will resume in December 2010 and continue through March 31, 2013. The remaining unpaid balance is due on the maturity date.

Amounts repaid on the term loans may not be re-borrowed. The mandatory repayments in December 2009 represented a portion of excess cash flow, as defined in the credit agreement, from 2009.

Interest accrues on the term loans at a variable base rate plus a fixed margin. At December 31, 2009, the effective interest rate was approximately 2.1% on outstanding U.S. loan borrowings and approximately 2.5% on outstanding Canadian term loan borrowings.

Interest on outstanding revolving credit facility borrowings, if any, accrues at a variable base rate plus a variable margin. The margin is based on a consolidated total leverage ratio, as defined in the credit agreement. At December 31, 2009, we had \$5.4 million in standby letter of credit commitments that reduced the amount available to borrow under the U.S. revolver to \$44.6 million. At December 31, 2009, we had \$0.2 million in standby letter of credit commitments that reduced the amount available to borrow under the Canadian revolver to \$4.8 million.

BHC 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 the U.S. assets of BWAY and the assets of BHC. In addition, we have pledged as collateral all of the issued and outstanding stock of our U.S. subsidiaries, which are 100% owned, and, subject to certain limitations, the outstanding stock of ICL. ICL has guaranteed the Canadian term loan and Canadian revolver, each of which is secured by all of the assets of ICL.

The credit agreement contains covenants that, among other things, limit our ability (and the ability of some or all of our subsidiaries) to: incur additional debt, pay dividends or distributions on our capital stock or to repurchase our capital stock, make certain investments, loans or advances, create liens on our assets to secure debt, engage in transactions with affiliates, merge or consolidate with another company, transfer and sell assets and make acquisitions. The credit agreement limits the amount of capital expenditures we may expend annually, and we may be required to make mandatory repayments of the term loans based on excess cash flow.

We are required to maintain a minimum consolidated interest coverage ratio, as defined in the credit agreement, and we may not exceed a maximum consolidated total leverage ratio, as defined in the credit agreement. These ratios are calculated using consolidated EBITDA, which, as defined in the credit agreement, permits certain adjustments including cash restructuring charges. However, these adjustments, including cash restructuring charges, may be limited over a certain period or in total.

The required minimum consolidated interest coverage ratio we must maintain is 3.05, and the maximum consolidated total leverage ratio we cannot exceed is 3.55. These ratios are determined at the end of each quarter for the twelve-month period then ended.

The covenants contained in the credit agreement, including the ratios discussed above, are subject to a number of important limitations and exceptions. At December 31, 2009, we complied with all applicable financial covenants contained in the credit agreement.

## **Debt Issuance Costs**

We are amortizing original debt issuance costs of approximately \$12.7 million related to the 2014 Notes and our credit facility. We amortize these costs to interest expense over the term of the related debt utilizing a method that approximates the effective yield method. At December 31, 2009 and September 27, 2009, approximately \$8.2 million and \$8.7 million, respectively, of deferred costs remained unamortized. We record deferred debt issuance costs in other assets on the unaudited condensed consolidated balance sheets.

**Table of Contents****8. EMPLOYEE BENEFIT OBLIGATIONS****Employee Benefit Obligation Liabilities**

Employee benefit obligations at December 31, 2009 and September 27, 2009 were:

(\$ in millions)

	December 31, 2009	September 27, 2009
<b><u>Employee benefit obligation liabilities</u></b>		
Defined benefit pension plan	\$ 13.9	\$ 14.0
Retiree medical and other postretirement benefits	7.6	7.5
Deferred compensation	6.4	6.3
<b>Total employee benefit obligation liabilities</b>	<b>\$ 27.9</b>	<b>\$ 27.8</b>

Employee benefit obligations recorded in other current liabilities at December 31, 2009 and September 27, 2009 were approximately \$1.2 million. Employee benefit obligations recorded in other liabilities at December 31, 2009 and September 27, 2009 were approximately \$26.7 million and \$26.6 million, respectively.

**Components of Net Periodic Benefit Cost**

The components of net periodic benefit costs for the three months ended December 31, 2009 and December 28, 2008 were:

(\$ in millions)

	December 31, 2009	Three Months Ended December 28, 2008
<b><u>Defined benefit pension plan</u></b>		
Interest cost	\$ 0.4	\$ 0.2
Expected return on plan assets	(0.3)	(0.1)
Amortization of actuarial loss	0.1	
	0.2	0.1
<b><u>Other benefits</u></b>		
Interest cost	0.1	0.1
<b>Total net periodic benefit cost</b>	<b>\$ 0.3</b>	<b>\$ 0.2</b>

**Multiemployer Pension Liabilities**

We had accrued pension withdrawal liabilities of \$3.6 million at December 31, 2009 and \$3.7 million at September 27, 2009 related to multiemployer pension plans that covered certain union employees at the Franklin Park, Illinois facility, which we closed in 2008 (see Note 9, Restructuring. )

**Table of Contents****9. RESTRUCTURING**

The components of restructuring liabilities by reportable segment, including certain amounts not allocated to a segment, as of September 27, 2009 and December 31, 2009 and the change in the liabilities during the three months ended December 31, 2009 were:

(\$ in millions)

	Balance, September 27, 2009	Additions	Expenditures	Balance, December 31, 2009
<b><u>Plastic packaging segment</u></b>				
Severance and benefit costs	\$	\$	\$	\$
Facility closure costs	0.7	0.1	(0.1)	0.7
Total plastic packaging segment restructuring liability	0.7	0.1	(0.1)	0.7
<b><u>Metal packaging segment</u></b>				
Severance and benefit costs	1.5	0.6	(0.6)	1.5
Pension withdrawal liabilities	3.7		(0.1)	3.6
Facility closure costs	1.3	1.0	(0.5)	1.8
Total metal packaging segment restructuring liability	6.5	1.6	(1.2)	6.9
<b><u>Corporate unallocated</u></b>				
Severance and benefit costs	1.3	0.1	(0.6)	0.8
Relocation and closure costs		0.2	(0.2)	
Total corporate unallocated restructuring liability	1.3	0.3	(0.8)	0.8
Total restructuring liabilities	\$ 8.5	\$ 2.0	\$ (2.1)	\$ 8.4

Excluding \$3.6 million and \$3.5 million of the pension withdrawal liabilities included in other liabilities at September 27, 2009 and December 31, 2009, respectively, restructuring liabilities are included in other current liabilities.

**Division Consolidation**

In May 2009, we implemented a plan to eliminate our operating divisions and restructure management in order to operate the company as a single entity. Management believes the change in the operating structure change will increase management efficiency and lower overhead expenses in support of its continued efforts to reduce our overall cost base. Under the plan, we closed our divisional offices, eliminated approximately 25 salaried positions and relocated approximately 20 salaried positions.

We estimate the plan will result in restructuring expenses of approximately \$3.1 million, consisting of approximately \$1.6 million for severance and benefits, approximately \$1.3 million for employee relocations and approximately \$0.2 million for other associated costs. We recognized approximately \$2.4 million of the estimated expenses in fiscal 2009. In the first quarter of 2010, we recognized approximately \$0.1 million for severance and benefits and approximately \$0.2 million for employee relocation expenses. We expect to recognize the remaining expenses in remainder of 2010.

**Other Initiatives**

In 2008, in connection with our on-going productivity and cost-savings initiatives, we closed manufacturing facilities in Franklin Park, Illinois ( Franklin Park ) and Cleveland, Ohio ( Cleveland ). Although operations have ceased at the facilities, we will continue to incur certain holding costs until the facility leases expire. The restructuring plans for Franklin Park and Cleveland are discussed in further detail in Note 16, Restructuring, of Notes to Consolidated Financial Statements in Item 8 of the Annual Report.



**Table of Contents**

**Central Can.** In conjunction with the Central Can acquisition in 2009, management committed to a plan close our Brampton, Ontario and Kilbourn manufacturing facilities. Kilbourn is located in Chicago, Illinois. We will consolidate the facilities into the acquired Central Can facility. We recorded a reorganization liability in purchase accounting of approximately \$1.2 million for severance and benefits for the elimination of redundant positions at Central Can.

In the first quarter of 2010, we recorded restructuring expenses related to Brampton of \$0.8 million for severance and benefits for eliminated positions and \$0.7 million for leasehold, shutdown and holding costs. In the remainder of 2010, we expect to record restructuring expenses of approximately \$1.5 million.

In addition to the above costs, we recorded additional depreciation related to long-lived assets that will be taken out of service. We recorded additional depreciation of \$0.6 million in 2009 and \$1.1 million in the first quarter of 2010, and we expect to record an additional \$1.7 million in remainder of 2010.

**10. STOCKHOLDERS EQUITY****Net Income per Share**

Net income per share for the three months ended December 31, 2009 and December 28, 2008 was:

(\$ in millions, except per share amounts)

	<b>Three Months Ended</b>	
	<b>December 31, 2009</b>	<b>December 28, 2008</b>
Net income (loss)	\$ 0.8	\$ (2.7)
<b><u>Basic net income (loss) per share</u></b>		
Weighted-average number of shares outstanding (000s)	22,219	21,865
Basic net income per share	\$ 0.04	\$ (0.13)
<b><u>Diluted net income (loss) per share</u></b>		
Weighted-average number of shares outstanding (000s)	22,219	21,865
Dilutive effect of stock options (000s)	2,020	
Weighted-average number of shares outstanding assuming dilution (000s)	24,239	21,865
Diluted net income (loss) per share	\$ 0.03	\$ (0.13)

For the three months ended December 31, 2009 and December 28, 2008, approximately 1.4 million and 5.4 million, respectively, of outstanding stock options were not included in the diluted net income (loss) per share calculation because the options were out-of-the-money, unvested with vesting based on an unachieved market condition or to do so would have been anti-dilutive.

**Comprehensive Income (Loss) Information**

The components of comprehensive income for the three months ended December 31, 2009 and December 28, 2008 were:

(\$ in millions)

Edgar Filing: BWAY CORP - Form 10-Q

	Three Months Ended	
	December 31, 2009	December 28, 2008
<u>Comprehensive income (loss)</u>		
Net income (loss)	\$ 0.8	\$ (2.7)
Foreign currency translation adjustments	0.9	(4.1)
Comprehensive income (loss)	\$ 1.7	\$ (6.8)

**Table of Contents**

The components of accumulated other comprehensive loss as of September 27, 2009 and December 31, 2009 and the change during the period were:

(\$ in millions)

	Pension and Other Postretirement Items (net of tax)	Cumulative Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Loss
<u>Accumulated other comprehensive loss</u>			
Balance, September 27, 2009	\$ (4.6)	\$ 0.8	\$ (3.8)
Change		0.9	0.9
Balance, December 31, 2009	\$ (4.6)	\$ 1.7	\$ (2.9)

**11. SHARE-BASED COMPENSATION****Summary of Share-Based Compensation Plans**

We describe our share-based compensation plans in Note 11, Share-Based Compensation, of Notes to Consolidated Financial Statements in Item 8 of the Annual Report.

In the first three months of 2010, we granted options to acquire 30,000 shares of BHC common stock. The options vest in three equal tranches beginning on each of the first three anniversaries of the grant date. In the first three months of 2010, we awarded 15,140 shares of BHC restricted common stock to our independent directors. We awarded the restricted stock awards pursuant to our independent director compensation policy. The restricted stock will vest on September 30, 2010. At December 31, 2009, there were 1,325,063 shares available for grant under our share-based compensation plans.

The weighted-average grant date fair value for options granted during the first three months of 2010 was \$7.98 per share subject to option. We calculate grant date fair value based on the Black-Scholes Model with the following assumptions: (i) no dividend yield on BHC's common stock; (ii) expected stock price volatility of 40.0%; (iii) a risk-free interest rate of 2.5%; and (iv) an expected option term of 6.0 years. We estimated the expected option term using the simplified method for plain vanilla options. We describe the Black-Scholes Model and the assumptions used to determine grant date fair value under Grant Date Fair Value in Note 11, Share-Based Compensation, of Notes to Consolidated Financial Statements in Item 8 of the Annual Report.

**Stock-Based Compensation Expense**

Stock-based compensation expense in the statement of operations for the three months ended December 31, 2009 and December 28, 2008 was as follows:

(\$ in millions)

	Three Months Ended	
	December 31, 2009	December 28, 2008
<u>Stock-based compensation expense (a)</u>		
Cost of products sold (excluding depreciation and amortization) (b)	\$ 0.1	\$ 0.2
Selling and administrative expense (c)		0.7

## Edgar Filing: BWAY CORP - Form 10-Q

Total stock-based compensation expense	\$ 0.1	\$	0.9
--	--------	----	-----

- (a) Stock-based compensation expense is included in corporate undistributed expenses in the business segment disclosure in Note 13, Business Segments.
- (b) In the three months ended December 28, 2008, stock-based compensation expense included \$0.2 million related to exit options with vesting conditions that were modified at the June 2007 initial public offering.
- (c) In the three months ended December 31, 2009 and December 28, 2008, stock-based compensation expense included \$(0.2) million and \$0.7 million related to exit options with vesting conditions that were modified at the June 2007 initial public offering. The credit in the three months ended December 31, 2009 related to the reversal of previously recognized stock-based compensation expense due to the forfeiture of unvested options during the quarter.



---

**Table of Contents**

**12. COMMITMENTS AND CONTINGENCIES**

**Environmental**

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, although 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 operations we use, store and dispose of hazardous substances.

Some of our current and former facilities are currently involved in environmental investigations, remediation or other claims resulting from the release of hazardous substances or the presence of other contaminants. Except to the extent otherwise disclosed, we believe the likelihood is remote that any material losses may have resulted from identified environmental remediation matters or environmental investigations relating to 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 is no assurance 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.

In a letter dated March 14, 2007, the United States Environmental Protection Agency ( EPA ) informed us that corrective action was required at our Cincinnati facility to address documented releases of hazardous substances at the site. The documented 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 (RCRA) with respect to corrective action obligations. We are working with the EPA to address their concerns, and we have notified the former owner of the site that we believe has indemnity obligations to us with respect to these claims.

From time to time, we receive requests for information or are identified as a potentially responsible party (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 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 position, results of operations or cash flows. We cannot, however, provide assurance that such obligations will not arise in the future.

We are a member of a PRP group related to a waste disposal site in Georgia. Our status as a PRP was based on documents indicating that waste materials were transported to the site from our Homerville, Georgia facility prior to our acquisition of the facility in 1989. We joined the PRP group in order to reduce exposure, which is estimated to be approximately \$0.1 million.

We record reserves for environmental liabilities when environmental investigation and remediation obligations are probable and related costs are reasonably estimable. At December 31, 2009 and September 27, 2009, we had accrued approximately \$0.3 million in other current liabilities related to environmental liabilities, including those amounts noted above. These accruals are estimates and future expenditures may exceed these amounts.

**Self Insurance**

The majority of our medical and workers' compensation benefits are under high-deductible plans with certain stop loss arrangements. We determine our workers' compensation liability using actuarial data based on filed claims, and we determine our medical claims liability based on our analysis of actual claims. The amounts related to these claims are included in other current liabilities and were \$6.2 million at December 31, 2009 and \$6.7 million at September 27, 2009.

## **Table of Contents**

### **Litigation**

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 are also involved in certain proceedings relating to environmental matters as described under Environmental above. We had accrued liabilities relating to pending litigation matters, including lead paint litigation, of approximately \$2.4 million at December 31, 2009 and \$2.3 million at September 27, 2009.

We discuss lead paint litigation under Litigation Lead Paint Litigation in Note 17, Commitments and Contingencies, of Notes to Consolidated Financial Statements in Item 8 of the Annual Report.

### **Letters of Credit**

At December 31, 2009, a bank had issued \$5.6 million of standby letters of credit on our behalf, primarily in favor of our workers' compensation insurers.

### **Collective Bargaining Agreements**

At December 31, 2009, approximately 31% of our hourly workforce was covered by eight separate collective bargaining agreements. One of the collective bargaining agreements, representing approximately 10% of our unionized workforce, will become amendable in 2010.

### **Commodity Risk**

We are subject to various risks and uncertainties related to changing commodity prices for, and the availability of, the raw materials (primarily steel and plastic resin) and energy (primarily electricity and natural gas) used in our manufacturing processes.

## **13. BUSINESS SEGMENTS**

Management reviews operations 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 manufacture. The primary raw materials and manufacturing processes are unique for each segment. We describe our business segments in further detail in Note 18, Business Segments, of Notes to Consolidated Financial Statements in Item 8 of the Annual Report.

We do not allocate stock-based compensation expense or certain other general administrative expenses to our business segments for reporting purposes. These unallocated expenses are included in our business segment disclosures as corporate undistributed expenses.

Our segment asset disclosures include those inventories, property, plant and equipment, goodwill and other intangible assets applicable to the segment. The accounting policies of our segments are the same as those described in Note 2, Summary of Significant Accounting Policies of Notes to Consolidated Financial Statements in Item 8 of the Annual Report.

In the periods presented, there were no significant inter-segment sales. Management uses a measure of segment earnings to evaluate segment performance. We calculate segment earnings as segment gross profit (excluding depreciation and amortization) less selling expenses (Segment Earnings).

**Table of Contents**

The following tables set forth certain financial information attributable to our business segments for the three months ended December 31, 2009 and December 28, 2008:

(\$ in millions)

	<b>Three Months Ended</b>	
	<b>December 31,</b>	<b>December 28,</b>
	<b>2009</b>	<b>2008</b>
<b>Net sales</b>		
Metal packaging	\$ 143.1	\$ 130.9
Plastic packaging	75.9	81.6
Consolidated net sales	\$ 219.0	\$ 212.5
<b>Income (loss) before income taxes</b>		
<b>Segment earnings</b>		
Metal packaging	\$ 20.4	\$ 11.5
Plastic packaging	9.8	6.8
Segment earnings	30.2	18.3
<b>Expenses not distributed to segments</b>		
Corporate undistributed expenses	3.8	3.5
Depreciation and amortization (summarized below)	13.7	11.1
Restructuring	2.0	0.7
Interest, net	8.9	8.2
Business acquisition costs	0.5	
Other	0.4	(0.8)
Total expenses not distributed to segments	29.3	22.7
Consolidated income (loss) before income taxes	\$ 0.9	\$ (4.4)
<b>Depreciation and amortization</b>		
Metal packaging	\$ 6.7	\$ 5.4
Plastic packaging	6.6	5.4
Segment depreciation and amortization	13.3	10.8
Corporate	0.4	0.3
Consolidated depreciation and amortization	\$ 13.7	\$ 11.1

The following table sets forth total assets attributable to our business segments as of December 31, 2009 and September 27, 2009:

(\$ in millions)

December 31, 2009	September 27, 2009
----------------------	-----------------------

Edgar Filing: BWAY CORP - Form 10-Q

<u>Total assets</u>			
Metal packaging	\$	342.7	\$ 336.0
Plastic packaging		319.9	290.0
Segment total assets		662.6	626.0
Corporate		159.3	229.5
Total assets	\$	821.9	\$ 855.5

**Table of Contents**

The following table sets forth percentage of net sales by customer geographic location for the three months ended December 31, 2009 and December 28, 2008:

(\$ in millions)

	<b>Three Months Ended</b>	
	<b>December 31, 2009</b>	<b>December 28, 2008</b>
<b><u>Consolidated net sales</u></b>		
United States	92%	91%
Canada	8	8
Other		1
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b><u>Metal packaging net sales</u></b>		
United States	93%	93%
Canada	6	6
Other	1	1
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b><u>Plastic packaging net sales</u></b>		
United States	89%	89%
Canada	11	11
Other		
<b>Total</b>	<b>100%</b>	<b>100%</b>

**14. SUPPLEMENTAL GUARANTOR SUBSIDIARIES INFORMATION**

The 2014 Notes are guaranteed on a full, unconditional joint and several basis by our U.S. based subsidiaries. The following is condensed, consolidating financial information for BWAY and its subsidiaries, segregating the guarantor subsidiaries and non-guarantor subsidiaries, as of December 31, 2009 and September 27, 2009, and for the three months ended December 31, 2009 and December 28, 2008. We have not presented separate financial statements for the guarantor subsidiaries or the non-guarantor subsidiaries because we believe the statements would not provide materially useful information to investors.

**Table of Contents****BWAY Corporation and Subsidiaries****Supplemental Unaudited Condensed Consolidating Balance Sheet Information****December 31, 2009**

(\$ in millions)

	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Other Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>					
<u>Current assets</u>					
Cash and cash equivalents	\$ 5.5	\$ 4.4	\$ 6.9	\$	\$ 16.8
Accounts receivable, net	58.9	35.8	6.6		101.3
Inventories, net	68.3	30.7	4.1		103.1
Other current assets	49.3	4.3	2.5	(37.6)	18.5
<b>Total current assets</b>	<b>182.0</b>	<b>75.2</b>	<b>20.1</b>	<b>(37.6)</b>	<b>239.7</b>
Property, plant and equipment, net	83.5	77.3	6.8		167.6
Goodwill	125.3	107.2	32.7		265.2
Other intangible assets, net	44.6	73.0	21.2		138.8
Other assets	9.4	0.6	0.6		10.6
Intercompany		115.6		(115.6)	
Investment in subsidiaries	321.9	25.3		(347.2)	
<b>Total assets</b>	<b>\$ 766.7</b>	<b>\$ 474.2</b>	<b>\$ 81.4</b>	<b>\$ (500.4)</b>	<b>\$ 821.9</b>
<b>Liabilities and Stockholder's Equity</b>					
<u>Current liabilities</u>					
Accounts payable	\$ 43.9	\$ 36.5	\$ 5.6	\$	\$ 86.0
Other current liabilities	31.7	46.9	2.1	(37.6)	43.1
Current portion of long-term debt	0.4		0.1		0.5
<b>Total current liabilities</b>	<b>76.0</b>	<b>83.4</b>	<b>7.8</b>	<b>(37.6)</b>	<b>129.6</b>
Long-term debt	351.4		46.5		397.9
Deferred tax liabilities	10.8	34.5	1.2		46.5
Intercompany	102.7	12.5	0.4	(115.6)	
Other liabilities	24.9	21.9	0.2		47.0
<b>Total liabilities</b>	<b>565.8</b>	<b>152.3</b>	<b>56.1</b>	<b>(153.2)</b>	<b>621.0</b>
<u>Stockholder's equity</u>					
Preferred stock					
Common stock					
Additional paid-in capital	145.5	261.5	19.6	(281.1)	145.5
Retained earnings	58.3	61.8	4.0	(65.8)	58.3
Accumulated other comprehensive (loss) income	(2.9)	(1.4)	1.7	(0.3)	(2.9)
<b>Total stockholder's equity</b>	<b>200.9</b>	<b>321.9</b>	<b>25.3</b>	<b>(347.2)</b>	<b>200.9</b>

Edgar Filing: BWAY CORP - Form 10-Q

Total liabilities and stockholder's equity	\$ 766.7	\$ 474.2	\$ 81.4	\$ (500.4)	\$ 821.9
--	----------	----------	---------	------------	----------

**Table of Contents****BWAY Corporation and Subsidiaries****Supplemental Unaudited Condensed Consolidating Balance Sheet Information****September 27, 2009**

(\$ in millions)

	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Other Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 58.0	\$ 21.7	\$ 9.0	\$	\$ 88.7
Accounts receivable, net	58.5	38.1	7.2		103.8
Inventories, net	59.8	22.7	4.5		87.0
Other current assets	43.2	4.1	0.6	(32.3)	15.6
<b>Total current assets</b>	<b>219.5</b>	<b>86.6</b>	<b>21.3</b>	<b>(32.3)</b>	<b>295.1</b>
Property, plant and equipment, net	73.3	79.7	7.9		160.9
Goodwill	120.3	107.1	31.6		259.0
Other intangible assets, net	33.6	74.7	21.1		129.4
Other assets	9.9	0.5	0.7		11.1
Intercompany		93.6		(93.6)	
Investment in subsidiaries	320.7	26.7		(347.4)	
<b>Total assets</b>	<b>\$ 777.3</b>	<b>\$ 468.9</b>	<b>\$ 82.6</b>	<b>\$ (473.3)</b>	<b>\$ 855.5</b>
<b>Liabilities and Stockholder's Equity</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 56.9	\$ 35.0	\$ 6.1	\$	\$ 98.0
Other current liabilities	47.1	47.2	1.3	(32.3)	63.3
Current portion of long-term debt	5.0		1.5		6.5
<b>Total current liabilities</b>	<b>109.0</b>	<b>82.2</b>	<b>8.9</b>	<b>(32.3)</b>	<b>167.8</b>
Long-term debt	350.8		45.0		395.8
Deferred tax liabilities	10.9	34.5	1.1		46.5
Intercompany	83.5	9.5	0.6	(93.6)	
Other liabilities	24.8	22.1	0.2		47.1
<b>Total liabilities</b>	<b>579.0</b>	<b>148.3</b>	<b>55.8</b>	<b>(125.9)</b>	<b>657.2</b>
<b>Stockholder's equity</b>					
Preferred stock					
Common stock					
Additional paid-in capital	144.6	261.4	19.6	(281.0)	144.6
Retained earnings	57.5	61.6	6.4	(68.0)	57.5
Accumulated other comprehensive (loss) income	(3.8)	(2.4)	0.8	1.6	(3.8)
<b>Total stockholder's equity</b>	<b>198.3</b>	<b>320.6</b>	<b>26.8</b>	<b>(347.4)</b>	<b>198.3</b>



Edgar Filing: BWAY CORP - Form 10-Q

Total liabilities and stockholder's equity	\$ 777.3	\$ 468.9	\$ 82.6	\$ (473.3)	\$ 855.5
--	----------	----------	---------	------------	----------

**Table of Contents****BWAY Corporation and Subsidiaries****Supplemental Unaudited Condensed Consolidating Statement of Operations Information****For the three months ended December 31, 2009**

(\$ in millions)

	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Other Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net sales	\$ 134.8	\$ 76.5	\$ 11.4	\$ (3.7)	\$ 219.0
<b>Costs and expenses</b>					
Cost of products sold (excluding depreciation and amortization)	113.8	66.2	10.6	(3.7)	186.9
Depreciation and amortization	5.6	5.9	2.2		13.7
Selling and administrative	5.3	0.2	0.2		5.7
Restructuring	0.3	0.1	1.6		2.0
Interest, net	8.4	0.1	0.4		8.9
Other	0.9	(0.1)	0.1		0.9
<b>Total costs and expenses</b>	<b>134.3</b>	<b>72.4</b>	<b>15.1</b>	<b>(3.7)</b>	<b>218.1</b>
Income (loss) before income taxes	0.5	4.1	(3.7)		0.9
Provision for (benefit from) income taxes		1.4	(1.3)		0.1
Equity in income (loss) of subsidiaries	0.3	(2.4)		2.1	
<b>Net income</b>	<b>\$ 0.8</b>	<b>\$ 0.3</b>	<b>\$ (2.4)</b>	<b>\$ 2.1</b>	<b>\$ 0.8</b>

**BWAY Corporation and Subsidiaries****Supplemental Unaudited Condensed Consolidating Statement of Operations Information****For the three months ended December 28, 2008**

(\$ in millions)

	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Other Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net sales	\$ 126.6	\$ 72.3	\$ 13.6	\$	\$ 212.5
<b>Costs and expenses</b>					
Cost of products sold (excluding depreciation and amortization)	116.2	64.1	11.9	(0.1)	192.1
Depreciation and amortization	5.2	5.0	0.9		11.1
Selling and administrative	4.7	0.7	0.2		5.6
Restructuring	0.4	0.3			0.7
Interest, net	7.6		0.6		8.2
Other	0.2	(0.1)	(1.0)	0.1	(0.8)

Edgar Filing: BWAY CORP - Form 10-Q

Total costs and expenses	134.3	70.0	12.6	216.9
(Loss) income before income taxes	(7.7)	2.3	1.0	(4.4)
(Benefit from) provision for income taxes	(2.8)	0.7	0.4	(1.7)
Equity in income of subsidiaries	2.2	0.6		(2.8)
Net (loss) income	\$ (2.7)	\$ 2.2	\$ 0.6	\$ (2.8) \$ (2.7)

**Table of Contents****BWAY Corporation and Subsidiaries****Supplemental Unaudited Condensed Consolidating Statement of Cash Flows Information****For the three months ended December 31, 2009**

(\$ in millions)

	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Other Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net cash (used in) provided by operating activities	\$ 6.2	\$ (33.8)	\$ (0.5)	\$	\$ (28.1)
<u>Cash flows from investing activities</u>					
Capital expenditures	(3.1)	(2.1)	(0.3)		(5.5)
Business acquisitions	(32.3)				(32.3)
Change in intercompany		18.7		(18.7)	
Net cash used in investing activities	(35.4)	16.6	(0.3)	(18.7)	(37.8)
<u>Cash flows from financing activities</u>					
Repayments of other long-term debt	(5.0)		(1.6)		(6.6)
Change in intercompany	(18.7)			18.7	
Other	0.4	(0.1)			0.3
Net cash used in financing activities	(23.3)	(0.1)	(1.6)	18.7	(6.3)
Effect of exchange rate changes on cash flows			0.3		0.3
Net decrease in cash and cash equivalents	(52.5)	(17.3)	(2.1)		(71.9)
Cash and cash equivalents, beginning of period	58.0	21.7	9.0		88.7
Cash and cash equivalents, end of period	\$ 5.5	\$ 4.4	\$ 6.9	\$	\$ 16.8

**BWAY Corporation and Subsidiaries****Supplemental Unaudited Condensed Consolidating Statement of Cash Flows Information****For the three months ended December 28, 2008**

(\$ in millions)

	<b>BWAY Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Other Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net cash (used in) provided by operating activities	\$ (34.5)	\$ (10.4)	\$	\$	\$ (44.9)
<u>Cash flows from investing activities</u>					
Capital expenditures	(2.0)	(1.1)	(0.3)		(3.4)
Change in intercompany		11.1	(0.5)	(10.6)	

Edgar Filing: BWAY CORP - Form 10-Q

Net cash used in investing activities	(2.0)	10.0	(0.8)	(10.6)	(3.4)
<u>Cash flows from financing activities</u>					
Repayments of other long-term debt	(14.4)		(3.7)		(18.1)
Borrowings of revolving credit facility			1.2		1.2
Change in intercompany	(10.6)			10.6	
Net cash used in financing activities	(25.0)		(2.5)	10.6	(16.9)
Effect of exchange rate changes on cash flows			(1.4)		(1.4)
Net decrease in cash and cash equivalents	(61.5)	(0.4)	(4.7)		(66.6)
Cash and cash equivalents, beginning of period	78.3	5.3	8.5		92.1
Cash and cash equivalents, end of period	\$ 16.8	\$ 4.9	\$ 3.8	\$	\$ 25.5

---

## Table of Contents

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

In this discussion and analysis, we refer to fiscal periods in this discussion and analysis unless otherwise indicated. Fiscal year 2009 ended September 27, 2009 and fiscal 2010 will end September 30, 2010. The first quarter of fiscal 2010 ended December 31, 2009 and the first quarter of 2009 ended December 28, 2008.

In addition, in our discussion of results of operations, we discuss gross margin, gross margin percentage and segment earnings. We define gross margin as net sales less cost of products sold, which excludes depreciation and amortization. We define gross margin percentage as gross margin divided by net sales. We define segment earnings as segment net sales less segment cost of products sold and segment related selling expenses. Segment cost of products sold also excludes segment depreciation and amortization.

### **Segments**

We report our results of operations in two segments: metal packaging and plastic packaging. Our products within each of these segments include:

**Metal packaging:** general line rigid metal containers made from steel, including paint cans and components, aerosol cans, steel pails, oblong cans and a variety of other specialty cans, including ammunition boxes, that our customers use to package paint, household and personal care products, automotive after-market products, paint thinners, driveway and deck sealants, ammunition and other end-use products.

**Plastic packaging:** injection-molded plastic pails and blow-molded tight-head containers, bottles and drums that our customers use to package petroleum products, agricultural chemicals, other chemical applications, paint, ink, edible oils, high-tech coatings, high-solid coatings, roofing mastic and adhesives, driveway sealants and other end-use products.

### **Factors Affecting Our Results of Operations**

For a discussion of factors affecting our results of operations, including net sales, expenses and raw materials, see "Factors Affecting Our Results of Operations" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation" of the Annual Report.

In the fourth quarter of fiscal 2009, we acquired Central Can. On October 23, 2009, in the first quarter of 2010, we acquired the Ball Plastics business. In this discussion and analysis, we refer to these acquisitions as the "recent acquisitions." We discuss the recent acquisitions under "Recent Acquisitions" in Note 1, "General," of Notes to Condensed Consolidated Financial Statements, included in Part I, Item 1 of this report.

### **Overview**

Principal changes in our results of operations for the three months ended December 31, 2009 (the first quarter of 2010) as compared to the three months ended December 28, 2008 (the first quarter of 2009) (each, the first quarter) were these:

Consolidated net sales increased 3.1% to \$219.0 million and gross margin percentage increased to 14.7% from 9.6%. Excluding the impact of the recent acquisitions, consolidated net sales decreased 6.2%. The condition of the general economy continued to affect net sales in the first quarter of 2010.

Metal packaging net sales increased 9.3% to \$143.1 million and gross margin percentage increased to 15.1% from 9.8%. Excluding the impact of the recent acquisitions, metal packaging net sales increased 0.7%.

Plastic packaging net sales decreased 7.0% to \$75.9 million and gross margin percentage increased to 14.0% from 9.6%. Excluding the impact of the recent acquisitions, plastic packaging net sales decreased 17.3%.

**Table of Contents**

Consolidated net sales declined approximately 4% due to volume, metal packaging net sales declined approximately 6% due to volume and plastic packaging net sales declined approximately 2% due to volume, each excluding volume related to the recent acquisitions. The negative effect of lower volume on net sales has decreased from fiscal 2009, as markets appear to be recovering from the general economic slowdown.

Gross margin as a percentage of net sales continues to benefit from changes in selling price relative to changes in the cost of raw materials and from lower costs associated with our cost reduction and productivity initiatives.

In the first quarter of 2010, we closed our manufacturing facility in Brampton, Ontario. We recorded restructuring expense of \$1.5 million for severance, lease costs and shutdown expenses related to the Brampton closure. In the first quarter of 2010, we also recorded restructuring expense of \$0.3 million related to our one company management consolidation initiative implemented in the third quarter of 2009.

**Results of Operations**

Management reviews operations along our product lines in two reportable segments: metal packaging and plastic packaging. We describe our business segments in Note 13, Business Segments, of Notes to Condensed Consolidated Financial Statements, included in Part I, Item 1 of this report.

The following tables set forth changes in our statements of operations for the three months ended December 31, 2009 (First Quarter 2010) and December 28, 2008 (First Quarter 2009).

(\$ in millions)

	First Quarter 2010	First Quarter 2009	Percentage Change
Net sales	\$ 219.0	\$ 212.5	3.1%
Cost of products sold (excluding depreciation and amortization)	186.9	192.1	(2.7)
Gross margin	32.1	20.4	57.4
Depreciation and amortization	13.7	11.1	23.4
Selling and administrative expense	5.7	5.6	1.8
Restructuring expense	2.0	0.7	NM
Interest expense, net	8.9	8.2	8.5
Business acquisition costs	0.5		NM
Other	0.4	(0.8)	NM
Income (loss) before income taxes	0.9	(4.4)	120.5
Provision for (benefit from) income taxes	0.1	(1.7)	105.9
Net income (loss)	\$ 0.8	\$ (2.7)	129.6%

NM Not Meaningful

**Net Sales**

(\$ in millions)

Edgar Filing: BWAY CORP - Form 10-Q

	First Quarter 2010	First Quarter 2009	Percentage Change
<u>Net sales by segment</u>			
Metal packaging	\$ 143.1	\$ 130.9	9.3%
Plastic packaging	75.9	81.6	(7.0)
Consolidated net sales	\$ 219.0	\$ 212.5	3.1%



**Table of Contents**

In 2010, the recent acquisitions contributed \$11.3 million to metal packaging net sales. Excluding the impact of the recent acquisitions, segment net sales increased 0.7%. The increase was primarily due to higher selling prices, related to the pass-through of higher raw material costs, largely offset by a volume decline of approximately 6%.

In 2010, the recent acquisitions contributed \$8.4 million to plastic packaging net sales. Excluding the impact of the recent acquisitions, segment net sales decreased 17.3%. The decrease was primarily due to lower selling prices, related to the pass-through of lower raw material costs, and a volume decline of approximately 2%.

Volume declines in 2010 were primarily due to lower demand. Lower demand for our customers' products generally affects our customers' demand for packaging. The weak overall general economic environment continues to adversely affect demand.

**Cost of Products Sold and Gross Margin**

(\$ in millions)

	First Quarter 2010	First Quarter 2009	Percentage Change
<b><u>Cost of products sold by segment</u></b>			
Metal packaging	\$ 121.5	\$ 118.1	2.9%
Plastic packaging	65.3	73.8	(11.5)
Segment CPS	186.8	191.9	(2.7)
Corporate undistributed expenses	0.1	0.2	(50.0)
Consolidated CPS	\$ 186.9	\$ 192.1	(2.7)%

(\$ in millions)

	First Quarter 2010	First Quarter 2009	Percentage Change
<b><u>Gross margin by segment</u></b>			
Metal packaging	\$ 21.6	\$ 12.8	68.8%
Plastic packaging	10.6	7.8	35.9
Segment gross margin	32.2	20.6	56.3
Corporate undistributed expenses	(0.1)	(0.2)	(50.0)
Consolidated gross margin	\$ 32.1	\$ 20.4	57.4%
<b><u>Gross margin percentage</u></b>			
Metal packaging	15.1%	9.8%	
Plastic packaging	14.0%	9.6%	
Consolidated	14.7%	9.6%	

In 2010, higher sales associated with the recent acquisitions contributed to an increase in metal packaging and plastic packaging cost of products sold. Excluding this impact, segment cost of products sold decreased, in part, due to declines in sales volume. We continue to be able to offset the impact of volume declines on gross margin percentages through lower costs from our cost reduction and productivity initiatives. We have been able to offset the impact of volume declines for metal packaging through changes in selling prices relative to the pass through of changes in raw material costs.

**Depreciation and Amortization**

Edgar Filing: BWAY CORP - Form 10-Q

(\$ in millions)

	First Quarter 2010	First Quarter 2009	Percentage Change
<u>Depreciation and amortization by segment</u>			
Metal packaging	\$ 6.7	\$ 5.4	24.1%
Plastic packaging	6.6	5.4	22.2
Segment depreciation and amortization	13.3	10.8	23.1
Corporate undistributed expenses	0.4	0.3	33.3
Consolidated depreciation and amortization	\$ 13.7	\$ 11.1	23.4%

**Table of Contents**

In 2010, the recent acquisitions were responsible for \$0.6 million and \$1.0 million of segment depreciation and amortization for metal packaging and plastic packaging, respectively. In 2010, metal packaging also included \$1.1 million of additional depreciation associated with the closure of our Brampton facility. Excluding these changes, consolidated depreciation and amortization expense decreased 0.9%.

**Selling and Administrative Expense**

(\$ in millions)

	First Quarter 2010	First Quarter 2009	Percentage Change
<b><u>Selling and administrative expense by segment</u></b>			
Metal packaging	\$ 1.2	\$ 1.3	(7.7)%
Plastic packaging	0.8	1.0	(20.0)
Segment selling and administrative expense	2.0	2.3	(13.0)
Corporate undistributed expenses	3.7	3.3	12.1
Consolidated selling and administrative expense	\$ 5.7	\$ 5.6	1.8%

The decrease in segment selling and administrative expenses is primarily due to reduced spending related to cost reduction initiatives.

In 2010 and 2009, corporate undistributed selling and administrative expenses included stock-based compensation expense of \$(0.2) million and \$0.7 million related to options modified in 2007. Excluding the impact of this stock-based compensation, corporate undistributed expenses increased \$1.2 million from 2009 primarily related to higher professional fees and higher performance based bonus expense. See *Stock-Based Compensation Expense* under Note 11, *Share-Based Compensation*, of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for further information.

**Restructuring Expense**

In the third quarter of 2009, we implemented a plan to eliminate our operating divisions and restructure management in order to operate the company as a single entity. In the first quarter of 2010, we recorded \$0.3 million related to the plan for severance and relocation expenses.

Restructuring expense in the first quarter of 2009 primarily related to severance and facility shutdown costs associated with initiatives implemented in the second half of 2008 involving the closure of our Franklin Park and Cleveland and the elimination of certain redundant positions.

See Note 9, *Restructuring*, of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for further information.

**Interest, Other and Income Taxes**

*Interest expense, net.* Interest expense, net, increased 8.5% to \$8.9 million in the first quarter of 2010 primarily due to the refinancing of our senior notes in April 2009. Interest expense in 2010 increased \$1.8 million (including \$1.1 million of debt discount amortization) over 2009 due to the refinanced senior notes. Excluding the impact of the refinanced notes, interest expense, net, decreased 13.4% primarily due to lower interest rates and lower average outstanding borrowings on our variable rate debt. See *Senior Subordinated Debt* under Note 9, *Long-Term Debt*, of Notes to Consolidated Financial Statements in Item 8 of the Annual Report for further information on the refinancing of the senior notes.

*Business acquisition costs.* The amount represents acquisition expenses related to the Ball Plastics acquisition. New accounting guidance effective for us at the beginning of 2010 no longer permits the capitalization of transaction costs and expenses related to the completion of a successful business combination.

*Other.* In 2009, other included realized foreign exchange gains of approximately \$1.0 million as the U.S. dollar strengthened against the Canadian dollar.



**Table of Contents**

*Provision for income taxes.* The provision for income taxes in 2010 was \$0.1 million for an effective tax rate of approximately 11% as compared to a benefit from income taxes in 2009 of \$1.7 million for an effective tax rate of approximately 38%. Refunds of certain state income taxes of \$0.2 million in the first quarter of 2010 affected the reduction of the effective tax rate in the quarter. We expect the full-year effective tax rate to normalize to approximately 36%.

**Liquidity and Capital Resources**

See our discussion of *Liquidity and Capital Resources* in Item 7, *Management's Discussion and Analysis* of the Annual Report for certain risk factors that could affect our liquidity and access to capital. These risks remain unchanged as of December 31, 2009.

We expect cash on hand, cash provided by operations and borrowings available under revolving credit facilities to provide sufficient working capital to operate our business, to make expected capital expenditures and to meet foreseeable liquidity requirements, including debt service on our long-term debt, in the next 12 months. We expect to use cash provided by operations in excess of amounts needed for capital expenditures and required debt repayments to reduce our debt, to fund potential acquisitions or for other general corporate purposes.

Our long-term debt, including available revolving credit facilities and certain covenants and restrictions, is discussed in Note 7, *Long-Term Debt*, of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report. At December 31, 2009, we complied with our debt covenants. With certain exceptions, our long-term debt arrangements prohibit us from paying cash dividends, including cash dividends between BWAY and BHC.

At December 31, 2009, BWAY had \$44.6 million and ICL had \$4.8 million available under revolving credit facilities. At December 31, 2009, we had \$16.8 million of cash on hand.

In December 2009, we made a mandatory excess cash flow repayment of \$6.6 million of the term loans. Because of the mandatory repayment, there are no scheduled quarterly repayments due until December 2010. Scheduled quarterly repayments will be approximately \$0.5 million and will continue through March 2013. The remaining balance will be due at maturity.

At December 31, 2009, we had outstanding borrowings of \$195.3 million that were subject to variable interest rates at a weighted-average borrowing rate of 2.2%.

In 2010, we expect capital expenditures of approximately \$26.0 million to \$28.0 million.

**Cash Flow Information**

Summary of cash flows and changes in cash and cash equivalents for the three months ended December 31, 2009 (2010) and December 28, 2008 (2009):

(\$ in millions)

	2010	2009	Percentage Change
Cash used in operating activities	\$ (28.1)	\$ (44.9)	(37.4)%
Cash used in investing activities	(37.8)	(3.4)	NM
Cash used in financing activities	(6.3)	(16.9)	(62.7)
Effect of exchange rate changes	0.3	(1.4)	(121.4)
<b>Net decrease in cash and cash equivalents</b>	<b>\$ (71.9)</b>	<b>\$ (66.6)</b>	<b>8.0%</b>
Cash and cash equivalents, end of period	\$ 16.8	\$ 25.5	(34.1)%

NM Not Meaningful

---

## **Table of Contents**

### **Operating Activities**

Cash used in operating activities decreased \$16.8 million in the first three months of 2010 compared to cash used in operating activities in the first three months of 2009. The decrease is primarily due to a decrease in cash used for primary working capital (accounts receivable plus inventories less accounts payable).

Cash used in operating activities for primary working capital was approximately \$21.1 million in the first three months of 2010 compared to approximately \$45.5 million in the first three months of 2009. The decrease in use of cash for primary working capital is primarily due to a use of cash to lower accounts payable in the first quarter of 2009 primarily related to the timing of disbursements at the end of the quarter.

### **Investing Activities**

Cash used in investing activities increased \$34.4 million in the first three months of 2010 as compared to the first three months of 2009. We used \$32.3 million of cash in 2010 to acquire Ball Plastics. Capital expenditures in the first three months of 2010 increased \$2.1 million. Capital expenditures increased primarily due to capital projects associated with the recent acquisitions and company consolidation initiatives.

### **Financing Activities**

Cash used in financing activities decreased \$10.6 million in the first three months of 2010 as compared to the first three months of 2009. The decrease is primarily due to lower repayments of the term loan. Our mandatory excess cash flow repayment related to 2009 was \$6.6 million in the first quarter of 2010 compared to \$17.6 million related to 2008 paid in the first quarter of 2009. The excess cash flow repayment decreased because the credit agreement allows the use of cash for permitted acquisitions to offset excess cash. In the fourth quarter of 2009, we used \$27.7 million to acquire Central Can.

In the first three months of 2010, long-term debt outstanding, including the current portion, decreased \$3.9 million to \$398.4 million at December 31, 2009. The decrease was due to debt repayments of \$6.6 million offset by changes in the exchange rate used to translate Canadian dollar denominated debt to U.S. dollars for reporting purposes of \$1.6 million and the amortization of the debt discount related to the 2014 notes of \$1.1 million. We use cash generated by our Canadian operations to service the Canadian dollar denominated debt.

### **Market Risk**

We have certain variable rate debt that exposes our cash flows and earnings to the market risk of interest rate changes. Our 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 31, 2009, we had borrowings of \$195.3 million exposed to interest rate risk. Each 100 basis point increase in interest rates relative to these borrowings would reduce quarterly pretax earnings by approximately \$0.5 million.

### **Foreign Exchange**

Our reporting currency is the U.S. dollar. Fluctuations in the Canadian dollar relative to the U.S. dollar can affect our reported financial position, results of operations and cash flows. In the first three months of 2010 and 2009, approximately 9% of net sales were denominated in Canadian dollars. Excluding purchases denominated in Canadian dollars, which we generally funded through our Canadian operations, other purchases denominated in foreign currencies were not significant. We do not believe exchange rate changes related to such purchases expose us to a significant exchange rate risk.

### **Commodity Risk**

We require substantial amounts of raw materials in our operations, including steel, resin and energy. We are exposed to commodity price and quantity risks for a majority of these raw materials. In addition to steel and resin, we are exposed to fluctuations in the price of energy (primarily electricity and natural gas), the cost of freight (which is impacted by fluctuations in the price of fuel) and the cost of other components that we use in our manufacturing process.

## **Table of Contents**

We manage these risks by consolidating our purchases among a select group of suppliers and through provisions in sales agreements that allow for certain increases in raw material costs to be passed through to our customers. The consolidation of suppliers enables us to use leverage in negotiating pricing and supply. However, an interruption in the ability of these suppliers to provide raw materials could have a material adverse effect on our financial position, results of operations and cash flows. 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, changes in exchange rates, global demand and worldwide price levels.

The price of raw materials has been subject to volatility in the past, and we do not foresee stabilization in these markets in the near future. Historically, we have been able to pass certain cost changes through to our customers. However, we may not be able to do so in the future.

In addition to steel and plastic resin, the prices of other items used in our manufacturing processes are exposed to commodity price risks, and we have experienced increases in the cost of these items above expected trends. Historically, we have not passed these price increases through to our customers. However, given the unprecedented increase in the cost of these other inputs, we are evaluating the impact of increasing our selling prices to compensate for these higher costs.

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 be adversely affected. 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 a substantially increased cost, which could increase our operating costs or interrupt our ability to produce our products.

For an additional discussion of changes in steel and plastic resin costs and their impact on selling prices, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting Our Results of Operations of the Annual Report.

## **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. Our critical accounting policies have not changed since September 27, 2009.

## **Off-Balance Sheet Arrangements**

At December 31, 2009, a bank had issued \$5.6 million of standby letters of credit on our behalf, primarily in favor of our workers' compensation insurers. Other than these standby letters of credit, we do not have any off-balance sheet arrangements.

## **Contractual Obligations**

At December 31, 2009, the nature of our contractual obligations, as presented in the Annual Report, had not materially changed. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations and Commercial Commitments of the Annual Report.

## **Environmental Matters**

For a discussion of contingencies related to environmental matters, see Environmental Matters in Note 12, Commitments and Contingencies, of Notes to Condensed Consolidated Financial Statements, included in Part I, Item 1 of this report, which we incorporate herein by reference.



---

**Table of Contents**

**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. We do not believe exchange rate changes related to fluctuations in the value of these foreign currencies in relation to the U.S. dollar expose us to a significant market risk.

**Item 4. Controls and Procedures**

**Disclosure Controls and Procedures**

Management, including the principal executive officer and principal financial officer, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures as of December 31, 2009. Based on this evaluation, management, including the principal executive officer and principal financial officer, concluded that the disclosure controls and procedures of the Company were effective as of December 31, 2009.

**Changes in Internal Control over Financial Reporting**

There has been no change in the Company's internal control over financial reporting during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's 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 are also involved in certain proceedings relating to environmental matters as described under Environmental in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations. We had accrued liabilities relating to pending litigation matters of \$2.4 million at December 31, 2009 and \$2.3 million at September 27, 2009.

There have been no material changes to the legal proceedings disclosed in the Annual Report, except as noted below.

On January 28, 2010, an additional lead paint personal injury case was filed against our subsidiary, Armstrong Containers, Inc., as well as other defendants, in the United States District Court for the Eastern District of Wisconsin. The case is captioned *Cesar Sifuentes, Minor, by his Guardian ad litem, Susan M. Gramling v. American Cyanamid Co. et al.*; Case No. 10-C-0075. This case is substantially similar to the other lead paint cases previously disclosed.

**Table of Contents****Item 6. Exhibits**

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

**FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and are subject to substantial risks, uncertainties and assumptions. 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, or similar expressions. These statements are based on certain 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. Many factors could affect our actual performance and results and could cause actual results to differ materially from those expressed in the forward-looking statements. Please refer to our Form 10-K filing for the fiscal year ended September 27, 2009, and our other filings with the United States Securities and Exchange Commission, for a discussion of other factors that may affect future performance or results.

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.

**Table of Contents**

**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 Holding Company**

(Registrant)

Date: February 9, 2010

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

Date: February 9, 2010

By: /s/ Michael B. Clauer  
Michael B. Clauer  
Executive Vice President and  
Chief Financial Officer  
*(Principal Financial Officer)*

**BWAY Corporation**

(Registrant)

Date: February 9, 2010

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

Date: February 9, 2010

By: /s/ Michael B. Clauer  
Michael B. Clauer  
Executive Vice President and  
Chief Financial Officer  
*(Principal Financial Officer)*