BWAY CORP
Form 10-K
December 30, 2002


# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended September 29, 2002**

**OR**

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from__________to__________**

**Commission File Number 1-12415**

# BWAY CORPORATION
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State of incorporation)** | **36-3624491**<br>**(I.R.S. Employer Identification No.)** |

**8607 Roberts Drive, Suite 250**
**Atlanta, Georgia**
**30350**
**(Address of principal executive offices)**

**770-645-4800**
**(Registrant s telephone number)**

**Securities registered pursuant to Section 12(b) of the Act:**

**Common Stock, par value $0.01 per share, registered on the New York Stock Exchange.**

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed as of December 19, 2002 was approximately $172,421,577 (based upon the closing price for shares of the registrant s common stock as quoted on the New York Stock Exchange as of that date).

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed as of March 28, 2002 was approximately $109,670,389 (based upon the closing price for shares of the registrant s common stock as quoted on the New York Stock Exchange as of that date, which is the last business day of the New York Stock Exchange preceding the registrant s most recently completed second fiscal quarter).

As of December 19, 2002, there were 8,761,259 shares of BWAY Corporation s Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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**BWAY CORPORATION**

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**BWAY CORPORATION AND SUBSIDIARIES**

**FORM 10-K ANNUAL REPORT**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 29, 2002**

**PART I**

**Item 1. Business**

**General**

BWAY Corporation, including all of its subsidiaries (hereinafter BWAY, the Company, we, our or us ), is the leading North American manufacturer of steel containers for paint, coffee and certain other consumer and industrial products. Our product offerings include a wide variety of steel containers such as paint, coffee, aerosol and specialty cans which are used by our customers to package a diverse range of end-use products which, in addition to paint and coffee, include household and personal care products, automotive after-market products, paint thinners and driveway and deck sealants. We also provide our customers with metal shearing, coating and printing services through our material center services business. Our end-use markets have historically exhibited stable demand characteristics and our customer base includes leading participants in these markets. The references in this report to market positions or market share are based on information derived from annual reports, trade publications and management estimates, which we believe are reliable.

We are the successor to a business founded in 1875. In January 1989, we were purchased from Owens-Illinois Corporation in a leveraged transaction led by our then existing management and other industry investors. In June 1995, we completed our initial public offering and, since November 1996, have been listed on the New York Stock Exchange.

**Agreement and Plan of Merger**

On September 30, 2002, BWAY, BCO Holding Company ( BCO Holding ), an affiliate of Kelso & Company, L.P. ( Kelso ), and BCO Acquisition, Inc. ( BCO Acquisition), a wholly-owned subsidiary of BCO Holding, entered into an Agreement and Plan of Merger (the Merger Agreement ), which provides for the merger (the Merger ) of BCO Acquisition and BWAY, with BWAY continuing as the surviving corporation. Upon completion of the Merger and related transactions, we will be controlled by affiliates of Kelso, which is a private investment firm founded in 1971. The Merger is subject to approval by our stockholders, the availability of certain financing, and other customary conditions. We anticipate completing the Merger prior to February 28, 2003, although we cannot provide assurance that we will be able to do so.

The following transactions are expected to occur in connection with the Merger: (1) approximately 8.1 million shares of our common stock will be converted into the right to receive $20.00 per share in cash; (2) options to purchase approximately 1.1 million shares of our common stock will be canceled in exchange for lump sum payments in cash of $20.00 per underlying share, less the applicable option exercise price; (3) affiliates of Kelso will contribute cash in exchange for shares representing approximately 73.9% of BCO Holding s fully diluted common stock following the transactions; (4) certain stockholders of BWAY, including members of management, will exchange certain of their shares and options in BWAY in exchange for the balance of BCO Holding s fully diluted common stock following the transactions; (5) we will either amend and restate our credit facility or enter into a new credit facility; and (6) we will assume the obligations of BWAY Finance Corp. under the notes and related indenture for $200 million 10% senior subordinated notes due 2010. BWAY Finance Corp. is a subsidiary of BCO Holding. As of the consummation of the Merger and the assumption of the $200 million 10% senior subordinated notes due 2010, BWAY Manufacturing, Inc., a wholly-owned subsidiary of BWAY Corporation, will guarantee the $200 million 10% senior subordinated notes due 2010.

If the Merger and assumption of the $200 million 10% senior subordinated notes due 2010 are not completed by April 7, 2003, or the Merger Agreement is terminated before that date, BWAY Finance Corp. will be required to redeem the notes at a redemption price of 101% plus accrued and unpaid interest to the redemption date. In connection with the issuance of the $200 million 10% senior subordinated notes due 2010 and pursuant to the terms of the Merger Agreement, we made available $3.0 million to BWAY Finance, Corp. for deposit into escrow, representing a portion of the amount sufficient to cover the redemption premium and accrued interest.

We will use the net proceeds from these equity and debt financings to: (1) fund the cash consideration payable to its stockholders and option holders under the Merger Agreement; (2) repurchase or redeem all of our outstanding 10¼% senior subordinated notes due 2007; (3) repay any outstanding principal and accrued interest under our credit facility as of the closing of the Merger; and (4) pay related transaction fees and expenses.

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Upon completion of the Transactions (as defined below), we will become a private company and our common stock will be delisted from the New York Stock Exchange.

The Merger, the investment by affiliates of Kelso, the investment by certain stockholders and option holders who are exchanging shares and options, the new credit facility, the $200 million 10% senior subordinated notes due 2010 and the application of the net proceeds therefrom, the purchase and redemption of our outstanding 10¼% senior subordinated notes due 2007, and the repayment of any outstanding principal and accrued interest under our credit facility are collectively referred to herein as the Transactions.

In the event the Merger Agreement is terminated and subject to the adjustments described in the last sentence of this paragraph, we have agreed to pay Kelso a $6 million termination fee if the Merger Agreement is terminated under certain circumstances as described in the Merger Agreement. In addition, subject to such adjustments, we have agreed to reimburse Kelso for all of its out-of-pocket expenses of Kelso and its affiliates (including fees and expenses of financial advisors, outside legal counsel and accountants) incurred in connection with the Merger and the proposed financing of the Merger up to a maximum amount of $4 million if the Merger Agreement is terminated under certain circumstances described in the Merger Agreement. However, under the terms of the Merger Agreement, because the escrow closing of $200 million 10% senior subordinated notes due 2010 has occurred, the termination fee that may become payable has been reduced to $3 million (instead of $6 million) and the maximum amount of any of Kelso s expenses payable has been increased to $7 million (instead of $4 million).

**Acquisitions and Dispositions**

In November 1998, we acquired substantially all of the assets and assumed certain of the liabilities of the United States Can Company s metal services operations (the U.S. Can Acquisition ). The purchase price was approximately $27.7 million in cash after adjustments for working capital. The acquisition included three operating plants and one non-operating plant. The acquired facilities operated two different businesses, material center services, which are part of our core business, and tinplate metal services, which are not a part of our business. The purchase method of accounting was used to establish and record a new cost basis for the assets acquired and liabilities assumed, and operating results for this acquisition have been included in our consolidated financial statements since the date of acquisition.

In November 1998, management committed to a plan to exit certain activities of the acquired facilities and integrate acquired assets and businesses with other of our facilities. In connection with the recording of the purchase, we established a reorganization liability of approximately $11 million.

In November 1998, we signed a binding letter of intent to sell the acquired tinplate metal services business. The tinplate metal services business primarily purchases, processes, and sells nonprime steel to third party customers. Anticipating the sale of the tinplate metal services business, we closed the Brookfield, Ohio location in March 1999 and closed the Chicago Metal operations in September 1999. We finalized the sale of the tinplate services business to Arbon Steel and Service Company in the fourth quarter of fiscal 1999. In fiscal 1999, we excluded from results of operations the tinplate metal services business losses of $4.4 million, including interest expense of $0.7 million.

In the fourth quarter of fiscal 2000, we also closed the Chicago, Illinois material center services operation and transferred the work to other of our material center services facilities.

In June 2001, we implemented a restructuring plan. As part of that plan, redundant equipment at our manufacturing facilities in Elizabeth, New Jersey and Garland, Texas were taken out of service and the facilities were closed in September 2001. The existing business serviced by those facilities was primarily transferred to our Dallas, Texas and York, Pennsylvania facilities. In August 2002, due to unusually high demand for certain of our products, the previously closed Garland, Texas facility was partially utilized to manufacture goods to meet this demand. We expect to terminate production at the Garland facility when demand returns to normal. Additionally, we are examining the capacity potential of our other manufacturing facilities to handle additional volume.

**Industry Overview**

Metal containers are currently utilized for three primary markets: beverage, food and general line. The general line market includes paint cans, aerosol cans, oblong cans, steel pails and a variety of specialty cans. We estimate, based on industry data published by the Can Manufacturers Institute and the United States Bureau of Statistics, that 2001 industry shipments in the United States totaled approximately 101 billion units to the beverage market, 31 billion units to the food market and four billion units to the general line market. General line cans generally have higher selling prices than food or beverage cans. Few companies compete in all three product markets, and most of the companies which produce beverage and food cans do not compete in the general line market.

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### Products and Markets

We operate primarily in North America in the general line container market (74% of our fiscal 2002 net sales) and the coffee can segment of the food container market (12% of our fiscal 2002 net sales). We also provide our customers with metal shearing, coating and printing services through our material center services business (14% of our fiscal 2002 net sales). We have established leading positions in most of our product lines in the United States, other than aerosol cans, in which we have the number three position in the United States. We also manufacture steel ammunition boxes.

The following table sets forth our percentage of net sales for fiscal 2000, 2001 and 2002 for our general line cans, coffee cans and material center services:

| | Year Ended September 30, | | |
|---|---|---|---|
| | 2000 | 2001 | 2002 |
| **Product** | | | |
| General line cans | 75% | 76% | 74% |
| Coffee cans | 10 | 11 | 12 |
| Material center services | 15 | 13 | 14 |
| Total | 100% | 100% | 100% |

#### *General Line Products*

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

*Paint Cans*. We produce round paint cans in sizes ranging from one-quarter pint to one gallon, with one-gallon paint cans representing the majority of all paint can sales. Paint cans are manufactured to a variety of performance specifications and may be printed on the outside for customer marketing purposes, although most paint manufacturers use paper labels rather than printed cans.

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

*Aerosol Cans*. Aerosol cans are typically used for packaging various household and industrial products, including paint and related products, personal care products, lubricants and insecticides. We produce a variety of sizes, which may be decorated to customer specifications.

*Steel Pails*. Pails are typically used for packaging paint and related products, roof and driveway sealants, marine coatings, vegetable oil, and water repellent. Pails may be either closed head for easy pouring products, or open head for more viscous products, with a lid which is crimped on after filling. The pail market is served by producers of both steel and plastic pails, with steel pails representing an estimated 17% of the pails sold. We manufacture steel pails in sizes ranging from two and one-half to seven gallons. Steel pails are manufactured from either blackplate or cold rolled steel, are typically lined with rust inhibitors or other materials depending on the nature of customers contents and are often printed to customer specifications.

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*Coffee Cans*

We produce coffee cans in sizes commonly referred to as one, two and three pound, and various smaller specialty coffee can sizes and shapes. Coffee cans are generally sold to nationally known coffee processing and marketing companies. We do not sell sanitary food cans in which soups, stews, vegetables, pie fillings and other foods are actually cooked in the can. Our coffee cans are also used for packaging edible vegetable oil under government contract for shipment to foreign countries for food relief programs.

*Material Center Services*

We provide material center services (metal shearing, coating and printing services) for our can assembly facilities and for third party customers.

**Sales and Marketing**

We market our products primarily in North America. Sales are made either by our direct sales force or through an agent and distributor network. Our direct sales force is assigned to a territory or to national accounts. The sales force is supported by order entry and scheduling personnel at each plant and by a centralized credit and billing organization. Most of our sales are made by our direct sales force and to distributors for resale. Distributors determine their own prices and assume credit risks. No single distributor represented more than 2% of our net sales in fiscal 2002. Our sales to customers located outside of the United States were less than 3% of our net sales in fiscal 2002.

**Customers**

Our customers include many of the world s leading paint, food, consumer and personal care companies. For fiscal 2002, sales to our 10 largest customers accounted for approximately 45% of our net sales and no single customer accounted for more than 10% of our net sales.

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

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

**Manufacturing Process**

We generally employ the industry s typical manufacturing process in production of our products, although certain technologies differ from competitors. Following is a sequential list of the specific steps in the can manufacturing process. Not all products require coating and printing.

| Process | Description |
|---|---|
| Shearing | A large coil of tin-coated, blackplate or cold rolled steel is cut into sheets of a specified size depending on the end use of the product. |
| Coating | A coating is sometimes applied to the side of the sheets which becomes the outside of the containers as a base coat for printing and to the side that becomes the inside of the containers to protect the contents from contact with the steel or tinplate. |
| Printing | Sheets are decorated with the customer s design. Also known as lithography. |
| Slitting | Sheets are cut into individual body blanks, which will be formed into cans. |
| Body-Forming | Body blanks are fed into a body-making machine where they are formed into cylinders or oblong cans and joined at their side seam, by welding or soldering. Handles or nozzles may be attached. |
| End-Forming | Ends are stamped out of sheets or strips. |
| Flanging and Seaming | The steel on both ends of the can is rolled to form a flange and the end is attached to the body by folding or seaming. |
| Testing | The cans are tested for potential leakage. |

| | |
|---|---|
| Packaging | Cans are stacked onto pallets and shrink-wrapped or packaged in cartons or bags for delivery to customers. |

**Raw Materials**

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

Various domestic and foreign steel producers supply us with tinplate steel, although we currently purchase most of our tinplate steel from domestic suppliers and countries not currently subject to tariffs imposed by the United States on imports of certain steel products. Procurement from suppliers generally depends on the suppliers product offering, product quality, service and price. As part of our effort to further leverage our purchasing power to obtain favorable raw material prices, we have recently consolidated our steel purchasers among a small group of suppliers, and entered into contractual arrangements with certain suppliers. We have also decreased our purchases of tinplate and cold rolled products from foreign sources, in part due to these tariffs. Because a significant number of reliable suppliers produce the steel used in our process, we believe that we would be able to obtain adequate replacement supplies in the market should one of our current suppliers discontinue supplying us, although the financial terms of these arrangements may differ from our current arrangements. Historically, we have generally been able to increase the price of our products to reflect increases in the price of steel, but we cannot assure you that we will be able to do so in the future.

In addition to steel products, we purchase from various suppliers energy as well as various coatings, inks and compounds used in the manufacturing process. We do not anticipate any future shortages or supply problems for these items based on historical availability and the current number of suppliers. However, we have generally not been successful in the past in passing through price increases in these items to our customers.

**Competition**

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

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

**Employees**

As of September 29, 2002, we employed approximately 1,534 hourly employees and 334 salaried employees. Of the 1,534 hourly employees, 1,048 are non-union and the remaining 486 are covered by seven separate collective bargaining agreements. During the fourth quarter of fiscal 2001, we closed our Elizabeth, New Jersey and Garland, Texas manufacturing facilities and terminated 208 employees. The terminated employees primarily consisted of hourly employees and the terminations were completed by September 30, 2001.

During fiscal 2001, we reached new collective bargaining agreements with three of the seven collective bargaining units covering our employees, which will expire in fiscal 2004. We reached an agreement with Local 14-M of the Graphic Communication Workers International Union at our Trenton, New Jersey facility affecting approximately 76 employees for the period April 1, 2001 through March 31, 2004. We reached an agreement with Chicago Local 458-3M Graphic Communications Workers International Union at our Franklin Park, Illinois facility affecting approximately 15 employees for the period October 1, 2000 through October 15, 2003. We reached an agreement with Local 162 International Association of Machinists and Aerospace Workers Union District 34 at our Cincinnati, Ohio facility affecting approximately 15 employees for the period September 11, 2001 through September 10, 2004. Two of our collective bargaining agreements will expire in fiscal 2003, although both agreements are subject to automatic renewals unless we or the union party to the agreement provides notice otherwise. Our five other collective bargaining agreements will expire in fiscal 2004. While we consider relations with our employees to be good, we cannot assure you that we will be able to negotiate these or other collective bargaining agreements on the same or more favorable terms as the current agreements, or at all and without production interruptions, including labor stoppages. A prolonged labor dispute, which could include a work stoppage, could have a material adverse effect on our business, including our results of operations and financial condition.

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**Environmental, Health and Safety Matters**

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

In 1999, we entered into a consent order with Owens-Illinois, Inc. and the Georgia Department of Natural Resources to investigate and remediate contamination detected at our Homerville, Georgia facility. Pursuant to the terms of the consent order, we have been conducting removal activities related to certain contaminants released at the facility. Owens- Illinois has been addressing other contaminants released at the facility. We have reached an agreement with Owens-Illinois allocating costs relating to the excavation and removal of buried drums and containers that were discovered at the Homerville facility in December 2001.

In addition, a waste disposal area was uncovered at our Cincinnati, Ohio facility. In early 2002, Ball Corporation, the prior owner of the facility, agreed to address the waste disposal area to the satisfaction of state and county authorities, pursuant to its indemnification obligations to us. While there are certain limitations on Ball s indemnification, we do not believe that we will incur material costs for this issue.

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

Reserves for environmental liabilities are recorded when environmental investigation and remediation obligations are probable and related costs are reasonably estimable. We had a reserve of $386,000 for environmental investigation and remediation obligations as of September 29, 2002; however, there can be no guarantee that future expenditures will not exceed the amount reserved.

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**Item 2. Properties**

The following table sets forth certain information with respect to our headquarters and significant manufacturing facilities as of December 19, 2002.

| Location | General Character | Approximate Square Footage | Type of Interest |
|---|---|---|---|
| Atlanta, Georgia (Headquarters) | Office | 16,000 | Leased |
| Chicago, Illinois (Kilbourn)(Kilbourn) | Manufacturing | 141,000 | Owned |
| Cincinnati, Ohio | Manufacturing | 467,000 | Leased |
| Dallas, Texas (Thompson) | Held For Sale | 110,000 | Owned |
| Dallas, Texas (Southwestern) | Manufacturing | 88,000 | Owned |
| Elizabeth, New Jersey | Warehouse / Vacant | 211,000 | Leased |
| Fontana, California | Manufacturing | 72,000 | Leased |
| Franklin Park, Illinois | Manufacturing | 115,000 | Leased |
| Garland, Texas | Warehouse / Vacant | 108,000 | Leased |
| Homerville, Georgia | Manufacturing | 395,000 | Owned |
| Memphis, Tennessee | Manufacturing / Warehouse | 120,000 | Leased |
| Picayune, Mississippi | Manufacturing | 60,000 | Leased |
| Trenton, New Jersey | Manufacturing | 105,000 | Leased |
| York, Pennsylvania | Manufacturing | 97,000 | Owned |

In June 2001, we implemented a restructuring plan. As part of that plan, redundant equipment at our manufacturing facilities in Elizabeth, New Jersey and Garland, Texas was taken out of service and the facilities were closed in September 2001. We are using approximately 50,000 square feet of the Elizabeth facility and approximately 40,000 square feet of the Garland facility for warehousing finished goods inventory. We are currently marketing the properties for a full or partial sublease. The existing business serviced by those facilities was primarily transferred to our Dallas, Texas and York, Pennsylvania facilities.

In June 2002, we recorded an additional restructuring charge of $1.2 million related to ongoing lease commitments at our closed Elizabeth, New Jersey manufacturing facility. The charge represents a change in the estimate of net future lease payments included in the original $21.5 million restructuring charge recorded in the third quarter of fiscal 2001. In June 2001, we anticipated sub-leasing the Elizabeth facility within 12 months. However, due to the weakening of both the general economy and the real estate market, we revised our estimate of facility closure costs to allow additional time to locate a subtenant for this facility.

We believe our properties are generally in good condition, well maintained and suitable for their intended use.

**Item 3. Legal Proceedings**

On October 2, 2002, a civil action was commenced in the Superior Court of Fulton County of the State of Georgia. The plaintiff purports to represent a putative class of our public stockholders (excluding any person or entity related to or affiliated with any of the defendants). Named as defendants in the complaint are we, all members of our board of directors and James Milton (a former director and executive officer). The plaintiff alleges, among other things, that the individual defendants have breached their fiduciary duties of due care and loyalty to our public stockholders and failed to exercise ordinary care and diligence in the exercise of their fiduciary duties by failing to announce an active auction, open bidding or other procedures to increase stockholder value. In addition, the complaint alleges that Mr. Ergas and Mr. Hayford, who have agreed to exchange some of our equity interests for equity interests of BCO Holding, have used inside information for their own benefit and to the detriment of our public stockholders. The complaint seeks injunctive relief, monetary damages, costs and other relief. We believe that this lawsuit is without merit and intend to defend against it vigorously. To that end, in December 2002, all of the defendants filed a motion to prevent the plaintiff from moving forward with discovery in the lawsuit and a motion attacking the sufficiency of the plaintiff s complaint and requesting that it be dismissed.

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

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

No matters were submitted during the fourth quarter of fiscal 2002 to a vote of our security holders through the solicitation of proxies or otherwise.

## PART II

**Item 5. Market for the Registrant s Common Equity and Related Stockholder Matters**

BWAY Corporation common stock is traded on the New York Stock Exchange under the ticker symbol BY . There were 53 holders of record of our common stock on December 19, 2002.

Because BWAY is a holding company, our ability to pay dividends is substantially dependent upon the receipt of dividends or other payments from our significant operating subsidiary. In addition, our Credit Facility dated May 22, 2001, as amended (the Credit Facility ), among us, Bankers Trust Company (an affiliate of Deutsche Bank) and various other lenders, restricts our ability to pay dividends or make other restricted payments and places certain restrictions on us with regard to incurring additional indebtedness, other than as specified in the Credit Facility. Additionally, our Indenture dated April 11, 1997 (the Indenture ) relating to our $100 million, 10¼% Senior Subordinated Notes due 2007 (the Senior Subordinated Notes ) also restricts our ability to pay dividends or make other payments, and places certain restrictions on us with regard to incurring additional indebtedness, other than as specified in the Indenture. In addition, the Merger Agreement prohibits us from paying dividends or incurring additional indebtedness, other than as specified in the Merger Agreement.

Any future determination to pay dividends will be made by our Board of Directors in light of our earnings, financial position, capital requirements, Credit Facility restrictions, Indenture restrictions, Merger Agreement restrictions, business strategies and such other factors as the Board of Directors may deem relevant at such time. Historically, we have not paid any cash distributions or other dividends on our common stock and presently intend to retain our earnings to finance the development of our business for the foreseeable future.

The table below sets forth the high and low sales price information for our common stock for each quarter of fiscal 2001 and fiscal 2002.

| Fiscal Quarter | High | Low |
|---|---|---|
| First quarter, 2001 | $ 5.31 | $ 2.75 |
| Second quarter, 2001 | $ 4.13 | $ 3.35 |
| Third quarter, 2001 | $ 7.00 | $ 2.60 |
| Fourth quarter, 2001 | $ 7.00 | $ 5.20 |
| First quarter, 2002 | $ 11.75 | $ 6.22 |
| Second quarter, 2002 | $ 13.08 | $ 9.90 |
| Third quarter, 2002 | $ 16.75 | $ 12.25 |
| Fourth quarter, 2002 | $ 16.98 | $ 13.25 |

**Item 6. Selected Financial Data**

The following table sets forth our selected historical consolidated financial and operating data, which should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operation included in Item 7 of this report and with our consolidated financial statements and related notes included in Item 8 of this report. The results of operation include the results of the U.S. Can Acquisition described under Business Acquisitions and Dispositions in Item 1 of this report and have been included in our consolidated financial statements from the date of acquisition. The selected consolidated financial and other data as of and for each of the fiscal years in the three-year period ended September 29, 2002 have been derived from our audited financial statements and related notes included in Item 8 of this report. The selected consolidated financial and other data as of and for each of the fiscal years in the two-year period ended October 3, 1999 have been derived from our audited financial statements and related notes which are not included in this report. All amounts are presented in thousands, except ratios.

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| | Fiscal Year Ended(1) | | | | |
|---|---|---|---|---|---|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | (Dollars in thousands) | | | | |
| **Income Statement Data:** | | | | | |
| Net sales | $ 419,474 | $ 487,549 | $ 479,775 | $ 475,039 | $ 527,601 |
| Cost of products sold (excluding depreciation and amortization) | 354,973 | 424,942 | 422,834 | 425,084 | 456,788 |
| Gross profit (excluding depreciation and amortization) | 64,501 | 62,607 | 56,941 | 49,955 | 70,813 |
| Depreciation and amortization(2) | 13,465 | 17,246 | 22,412 | 20,713 | 19,582 |
| Selling and administrative expense | 22,748 | 19,678 | 17,057 | 15,610 | 14,179 |
| Merger related transaction costs(3) | | | | | 1,478 |
| Restructuring and impairment charge(4)(5)(6)(7) | 11,532 | | 5,900 | 21,500 | 1,250 |
| Gain on curtailment of postretirement benefits | (1,861) | | (1,171) | | |
| Other, net | 127 | 33 | (662) | (970) | (597) |
| Income from operations | 18,490 | 25,650 | 13,405 | (6,898) | 34,921 |
| Interest expense, net | 13,021 | 14,733 | 16,657 | 15,325 | 13,109 |
| Income (loss) before income taxes, extraordinary item and cumulative effect of change in accounting | 5,469 | 10,917 | (3,252) | (22,223) | 21,812 |
| Provision (benefit) for income taxes | 2,789 | 5,290 | (334) | (6,042) | 9,556 |
| Income (loss) before extraordinary item | 2,680 | 5,627 | (2,918) | (16,181) | 12,256 |
| Extraordinary item(8) | | | | (307) | |
| Income (loss) before cumulative effect of change in accounting | 2,680 | 5,627 | (2,918) | (16,488) | 12,256 |
| Cumulative effect of change in accounting for systems development cost(9) | (1,161) | | | | |
| Net income (loss) | $ 1,519 | $ 5,627 | $ (2,918) | $ (16,488) | $ 12,256 |
| Basic earnings (loss) per common share data: | | | | | |
| Income (loss) before extraordinary item and accounting change | $ 0.28 | $ 0.60 | $ (0.31) | $ (1.80) | $ 1.41 |
| Extraordinary item(8) | | | | (0.04) | |
| Cumulative effect of change in accounting(9) | (0.12) | | | | |
| Net income (loss) | $ 0.16 | $ 0.60 | $ (0.31) | $ (1.84) | $ 1.41 |
| Diluted earnings (loss) per common share data: | | | | | |
| Income (loss) before extraordinary item and accounting change | $ 0.27 | $ 0.60 | $ (0.31) | $ (1.80) | $ 1.33 |
| Extraordinary item(8) | | | | (0.04) | |
| Cumulative effect of change in accounting(9) | (0.12) | | | | |
| Net income (loss) | $ 0.15 | $ 0.60 | $ (0.31) | $ (1.84) | $ 1.33 |
| Weighted average basic common shares outstanding | 9,527 | 9,323 | 9,278 | 8,979 | 8,697 |
| Weighted average diluted common shares outstanding | 9,959 | 9,453 | 9,278 | 8,979 | 9,225 |
| **Other Financial Data:** | | | | | |
| EBITDA, as defined(10) | $ 41,753 | $ 42,929 | $ 39,884 | $ 34,345 | $ 56,634 |

| | | | | | |
|---|---|---|---|---|---|
| Capital expenditures(11) | $ 33,826 | $ 33,230 | $ 10,907 | $ 9,421 | $ 10,586 |
| Cash interest expense, net | 13,981 | 14,961 | 16,206 | 14,345 | 11,720 |
| Net cash provided by operating activities | 25,561 | 24,452 | 25,297 | 22,116 | 46,063 |
| Net cash used in investing activities | (32,879) | (46,495) | (8,475) | (4,040) | (9,528) |
| Net cash provided by (used in) financing activities | 8,247 | 20,436 | (16,557) | (18,752) | (17,330) |
| Ratio of earnings to fixed charges(12) | 1.39x | 1.67x | | | 2.46x |
| **Balance Sheet Data:** | | | | | |
| Total working capital | $ 737 | $ 14,146 | $ 14,583 | $ 8,369 | $ 20,467 |
| Total assets | 313,711 | 362,023 | 332,723 | 300,895 | 306,686 |
| Total debt | 122,272 | 146,500 | 126,200 | 112,808 | 100,000 |
| Stockholders equity | 77,188 | 82,053 | 78,961 | 60,435 | 72,648 |

(1) We operate on a 52/53-week fiscal year ending on the Sunday closest to September 30 of the applicable year. Our financial statements for the periods presented include the operating results of the steel services operations we acquired from the United States Can Company on November 9, 1998 from the date of that acquisition, but exclude the tin plate services business acquired at the same time from the United States Can Company, which was held for sale from the time of its acquisition and was sold in the fourth quarter of fiscal 1999.

(2) Depreciation for fiscal 2000 and for fiscal 2002 includes an additional $2.5 million and $0.7 million, respectively, of depreciation related to shortened useful lives of certain computer systems.

(3) The fourth quarter of fiscal 2002 includes a $1.5 million charge for certain professional fees and other transaction costs relating to the Transactions.

(4) The third quarter of fiscal 1998 includes an $11.5 million restructuring and impairment charge related to the closure of three plants, the elimination of an internal transportation department and the write-off of equipment at several operating locations which were impaired due primarily to changes in manufacturing processes.

(5) The second quarter of fiscal 2000 includes a $5.9 million restructuring and impairment charge related to the closing of two administrative offices, the termination of 89 employees, and the write-down of equipment held for disposal.

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

(7) The third quarter of fiscal 2002 includes an additional $1.2 million restructuring charge related to the closing of one of our manufacturing facilities in the third quarter of fiscal 2001. See footnote (6) above.

(8) We recorded an extraordinary loss, net of related tax benefit of $115,000, to write-off the unamortized deferred financing fees associated with our previous credit agreement, which was terminated upon the execution of our credit agreement in May 2001.

(9) On November 20, 1997, the EITF issued a consensus on the accounting treatment of certain information systems and process reengineering costs. We were involved in a business information systems and process reengineering project that was subject to this pronouncement. Based on the EITF consensus, $2.0 million of the previously capitalized costs associated with this project were expensed in the first fiscal quarter of 1998 as a change in accounting. A one-time charge of $1.2 million, net of related tax benefit of $0.8 million, for the cumulative effect of this new accounting interpretation for business information systems and process reengineering activities reduced fiscal 1998 net earnings.

(10) EBITDA is defined throughout this Form 10-K as income from operations before depreciation and amortization, restructuring and impairment charges, gain on curtailment of postretirement benefits, other, net and transaction expenses. We believe that EBITDA is generally accepted as useful information regarding a company s ability to incur and service debt. While providing useful information, EBITDA should not be considered in isolation or as a substitute for consolidated statement of operations and cash flows data prepared in accordance with generally accepted accounting principles.

(11) Our capital expenditures in fiscal 1998 and 1999 included $21.1 million and $18.9 million, respectively, in expenditures related to the expansion of our material center services business and the installation of new information technology systems.

(12) For purposes of determining the ratio of fixed charges, earnings are defined as earnings (loss) before income taxes, plus fixed charges. Fixed charges include interest on all indebtedness and one-third of rental expense on operating leases, which is representative of the interest factor. For fiscal 2000 and 2001, our fixed charges exceeded our earnings by $3.3 million and $22.2 million, respectively.

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

The following discussion should be read in conjunction with our consolidated financial statements and related notes included in this Form 10-K. We operate on a 52/53- week fiscal year ending on the Sunday closest to September 30 of the applicable year.

**General**

We are the leading North American manufacturer of steel containers for paint, coffee and certain other consumer and industrial products. Over 85% of our fiscal 2002 net sales were generated from product lines where we estimate we have the leading market share in the United States. Our product offerings include a wide variety of steel containers such as paint, coffee, aerosol and specialty cans which are used by our customers to package a diverse range of end-use products which, in addition to paint and coffee, include household and personal care products, automotive after-market products, paint thinners and driveway and deck sealants. We also provide our customers with metal shearing, coating and printing services through our material center services business. Our end-use markets have historically exhibited stable demand characteristics and our customer base includes leading participants in these markets.

Approximately 75% of our fiscal 2002 net sales were made to customers with whom we have contractual relationships. As is common in our industry, our contracts are generally requirements based, granting us all or a percentage of a customer s requirements for a period of time instead of specific commitments to unit volume.

Sales of certain of our products are to some extent seasonal, with sales levels generally higher in the second half of our fiscal year due primarily to higher demand for paint and related products during warmer periods. On an aggregate basis, however, our sales have not been significantly affected by seasonality.

Raw materials used in our products include steel, energy, various coatings and inks and represent approximately 60% of our cost of products sold. We purchase all raw materials we require from outside sources. Steel is the largest component of our cost of products sold. Historically, we have generally been able to increase the price of our products to reflect increases in the price of steel, but we cannot assure you that we will be able to do so in the future.

The following are the principal initiatives relating to the restructuring and impairment charges taken in the past three fiscal years:

*Fiscal 2002*. During the third quarter of fiscal 2002, an additional $1.2 million restructuring charge was recorded due to a change in our previous estimate of the costs related to the closure of our Elizabeth, New Jersey manufacturing facility, which is described immediately below under General Fiscal 2001. Due to the weakening of both the general economy and the real estate market in the northeastern United States, we revised our estimate for future leasehold commitments to allow additional time to locate a subtenant for this facility.

*Fiscal 2001*. During the third quarter of fiscal 2001, we recorded a $21.5 million restructuring and impairment charge related primarily to the closing of two manufacturing facilities and the write-down of intangible assets and equipment held for disposal as a result of that closing. The $21.5 million charge included a $16.2 million charge for asset impairments and a $5.3 million restructuring charge. The $16.2 million asset impairment charge included the write-off of $0.5 million in goodwill, $3.7 million in other intangibles and $12.0 million in redundant equipment at the manufacturing facilities that were closed. The redundant equipment was taken out of service in the third quarter. Facility closure costs, consisting primarily of future lease obligations, related to the closing of our manufacturing facilities in Elizabeth, New Jersey and Garland, Texas. All 208 of the planned employee terminations were completed and the manufacturing facilities closed by September 30, 2001.

*Fiscal 2000*. During the second quarter of fiscal 2000, we recorded a restructuring and impairment charge related to the closing of two administrative offices, the termination of 89 employees and the write-down of equipment held for disposal. The restructuring and impairment charge totaled $5.9 million and consisted of $1.1 million related to administrative office closings, $1.1 million related to severance, $0.7 million related to contracts and other miscellaneous costs and $3.0 million related to impairments of equipment held for disposal. Both administrative offices were closed and 89 employees were terminated in fiscal 2000.

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**Results of Operations**

**Year ended September 29, 2002 (fiscal 2002) compared to year ended September 30, 2001 (fiscal 2001).**

*Net Sales*. Net sales for fiscal 2002 were $527.6 million, an increase of $52.6 million or 11.1%, from $475.0 million in fiscal 2001. The increase in net sales was primarily due to stronger customer demand resulting from growth in our customers end-use markets during fiscal 2002 compared to fiscal 2001. This increase in net sales was also attributable to new business gained under contractual supply agreements. We gained new business and increased our market shares during fiscal 2002 primarily in the paint, coffee and aerosol markets.

*Cost of Products Sold*. Cost of products sold, excluding depreciation and amortization, in fiscal 2002 was $456.8 million, an increase of $31.7 million or 7.5%, from $425.1 million in fiscal 2001. Cost of products sold, excluding depreciation and amortization, as a percent of net sales, decreased to 86.6% in fiscal 2002 from 89.5% in fiscal 2001. The decrease in cost of products sold, excluding depreciation and amortization, as a percentage of net sales was primarily attributable to lower manufacturing costs, improved operating efficiency and higher sales volumes which served to absorb fixed costs and increase overall margins. During fiscal 2002, we also realized benefits of our third quarter fiscal 2001 restructuring charge, which included the closing of two manufacturing facilities, and reallocation of volume to other more efficient manufacturing facilities. Our cost of products sold, excluding depreciation and amortization, during fiscal 2002 also benefited from our consolidation of our steel purchases among a smaller group of suppliers and from improved steel utilization efficiency.

*Depreciation and Amortization.* Depreciation and amortization decreased to $19.6 million in fiscal 2002 from $20.7 million in fiscal 2001. The decrease was primarily attributable to equipment write-offs during the third quarter of fiscal 2001 associated with our restructuring charge during that quarter. The decrease in fiscal 2002 was partially offset by increased depreciation associated with capital expenditures.

*Selling and Administrative Expense*. Selling and administrative expense decreased by $1.4 million to $14.2 million in fiscal 2002 from $15.6 million in fiscal 2001. The reduction results from ongoing overhead cost reduction initiatives. Selling and administrative expense as a percent of net sales was 2.7% for fiscal 2002 compared to 3.3% for fiscal 2001.

*Merger Related Transaction Costs.* During the fourth quarter of fiscal 2002, we recorded $1.5 million of merger-related transaction costs associated with our agreement to be acquired by BCO Holding.

*Restructuring and Impairment Charge.* During the third quarter of fiscal 2001, we recorded a $21.5 million restructuring and impairment charge as described above under General- Fiscal 2001.

In the third quarter of fiscal 2002, an additional $1.2 million restructuring charge was recorded due to a change in estimate related to the closure of our Elizabeth, New Jersey manufacturing facility. Due to the weakening of both the general economy and the real estate market in the northeastern United States, we revised our estimate for future leasehold commitments to allow additional time to locate a subtenant for this facility.

*Interest Expense, Net.* Interest expense, net, decreased to $13.1 million in fiscal 2002 from $15.3 million in fiscal 2001, primarily due to lower average debt levels and lower LIBOR based interest rates under our credit facility, which provides for floating interest rates. The LIBOR interest rate margin under our credit facility was 2.75% as of September 29, 2002.

*Income (Loss) Before Income Taxes and Extraordinary Item.* Income (loss) before income taxes and extraordinary item for fiscal 2002 was $21.8 million, an increase of $44.0 million from $(22.2) million in fiscal 2001. The change resulted from the factors described above.

*Provision (Benefit) for Income Taxes.* The provision for income taxes was $9.6 million for fiscal 2002. This was an increase of $15.6 million, from a benefit of $(6.0) million in fiscal 2001. The change was due to the increase in income before income taxes and extraordinary item, as described above, and an increase in our effective tax rate.

*Extraordinary Loss Resulting from the Extinguishment of Debt, Net.* We recorded an extraordinary loss of $0.3 million, net of a $0.1 million related tax benefit, in fiscal 2001, related to unamortized deferred financing fees associated with the extinguishment of our former credit agreement. The former credit agreement was terminated upon the execution of our current credit facility in May 2001.

*Net Income (Loss).* Net income (loss) for fiscal 2002 was $12.3 million, an increase of $28.8 million from $(16.5) million in fiscal 2001. The change resulted from the factors described above.

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**Year ended September 30, 2001 (fiscal 2001) compared to year ended October 1, 2000 (fiscal 2000).**

*Net Sales.* Net sales for fiscal 2001 were $475.0 million, a decrease of $4.8 million or 1.0%, from $479.8 million in fiscal 2000. The net sales decrease was primarily due to volume declines in certain product categories resulting from a general business slowdown and customer inventory reductions during the first half of fiscal 2001. Net sales strengthened in the second half of fiscal 2001 and exceeded net sales in the second half of fiscal 2000 by $8.6 million or 3.5%.

*Cost of Products Sold.* Cost of products sold, excluding depreciation and amortization, in fiscal 2001 was $425.1 million, an increase of $2.3 million or 0.5%, from $422.8 million in fiscal 2000. Cost of products sold as a percent of net sales increased to 89.5% in fiscal 2001 from 88.1% in fiscal 2000. The increase in cost of products sold, excluding depreciation and amortization, as percentage of net sales was primarily attributable to lower sales volumes and resulting weaker operating performance at certain of our manufacturing facilities during the first half of fiscal 2001.

*Depreciation and Amortization.* Depreciation and amortization decreased to $20.7 million in fiscal 2001 from $22.4 million in fiscal 2000. The decrease was partially attributable to our decision to decrease the useful lives and fully depreciate certain computer equipment in fiscal 2000, which resulted in additional depreciation expense in fiscal 2000 of $2.5 million, and to reductions in depreciation in fiscal 2001 resulting from equipment write-offs associated with our fiscal 2001 plant restructuring initiatives. The decrease in fiscal 2001 was partially offset by increased depreciation associated with capital expenditures in fiscal 2001.

*Selling and Administrative Expense.* Selling and administrative expense decreased to $15.6 million in fiscal 2001 from $17.1 million in fiscal 2000, primarily due to the elimination of costs resulting from a full year realization of the benefits of our fiscal 2000 restructuring.

*Restructuring and Impairment Charge.* During the third quarter of fiscal 2001, we recorded the $21.5 million restructuring and impairment charge described above under General Fiscal 2001.

*Interest Expense, Net.* Interest expense, net, decreased to $15.3 million in fiscal 2001 from $16.7 million in fiscal 2000, primarily due to lower average debt levels and lower interest rates under our credit facility, which provides for floating interest rates.

*Income (Loss) Before Income Taxes and Extraordinary Item.* Income (loss) before income taxes and extraordinary item for fiscal 2001 was $(22.2) million, a decrease of $18.9 million from $(3.3) million in fiscal 2000. The change resulted from the factors described above.

*Provision (Benefit) for Income Taxes.* The provision (benefit) for income taxes increased to a benefit of $(6.0) million in fiscal 2001 from a benefit of $(0.3) million in fiscal 2000. The change was due to the decrease in income (loss) before income taxes and extraordinary item, as described above, and an increase in our effective tax rate.

*Extraordinary Loss Resulting from the Extinguishment of Debt, Net.* We recorded an extraordinary loss of $0.3 million, net of a $0.1 million related tax benefit, in fiscal 2001 related to unamortized deferred financing fees associated with the extinguishment of our former credit agreement. The former credit agreement was terminated upon the execution of our current credit facility in May 2001.

*Net Income (Loss).* Net income (loss) for fiscal 2001 was $(16.5) million, a decrease of $13.6 million from $(2.9) million in fiscal 2000. The change resulted from the factors described above.

**Seasonality**

Sales of certain of our products are to some extent seasonal, with sales levels generally higher in the second half of our fiscal year due primarily to higher demand for paint and related products during warmer periods. On an aggregate basis, however, our sales have not been significantly affected by seasonality.

**Liquidity and Capital Resources**

Our cash requirements for operations and capital expenditures during fiscal 2002 and fiscal 2001 were primarily financed through internally generated cash flows and borrowings under our credit facility. During fiscal 2002, cash and cash equivalents increased $19.2 million and net credit facility borrowings decreased $12.8 million. We had no borrowings outstanding under our credit facility at September 29, 2002. During fiscal 2001, cash and cash equivalents decreased $0.7 million and net borrowings under our credit facility decreased by $13.4 million to $12.8 million.

At September 29, 2002, we had a $90.0 million credit facility with an available borrowing limit of $75.3 million under borrowing base limitations and excess availability of $72.1 million. The $3.2 million difference between the available borrowing limit and excess availability relates to standby letters of credit and lockbox receipts in transit. Our credit facility limits available borrowings based on a fixed asset sub-limit and percentages of eligible accounts receivable and inventories. We were in compliance with all our credit facility covenants at September 29, 2002.

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Credit facility interest rates are currently based on interest rate margins for either the prime rate (as determined by Deutsche Bank AG, New York branch) or LIBOR. The interest rate margin on prime borrowings is fixed for the term of the agreement at 1.00% and the LIBOR interest rate margin was fixed at 2.75% during fiscal year 2002. Beginning in fiscal 2003, the LIBOR rate margin shall be determined quarterly based on our ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization. LIBOR rate margins can be within the range of 2.0% to 3.0%. For the first quarter of fiscal 2003, the LIBOR rate margin is 2.00%.

During fiscal 2002, net cash provided by operating activities was $46.1 million. Of this amount, net income contributed $12.3 million, depreciation and amortization contributed $19.6 million, the restructuring and impairment charge contributed $1.2 million and changes in provision for doubtful accounts, deferred income taxes, accounts payable, accrued and other current liabilities and income taxes, net, contributed $18.6 million. We used our net cash during fiscal 2002 primarily to increase accounts receivable by $7.0 million.

During fiscal 2001, net cash provided by operating activities was $22.1 million. Of this amount, net loss contributed $16.5 million, depreciation and amortization contributed $20.7 million, the restructuring and impairment charge contributed $21.5 million and changes in other assets, inventories, accounts payable and income taxes receivable contributed $6.7 million. We used our net cash during fiscal 2001 primarily for changes in accounts receivable and accrued liabilities of $5.0 million and changes in deferred taxes of $6.5 million.

During fiscal 2002, net cash used in investing activities was $9.5 million. We used $10.6 million for capital expenditures in fiscal 2002. We received $0.6 million in proceeds from the disposition of property, plant and equipment and $0.4 million in proceeds from the sale of stock received from an insurance company demutualization.

During fiscal 2001, net cash used in investing activities was $4.0 million. We used $9.4 million for capital expenditures in fiscal 2001. We received $5.4 million in proceeds from the disposition of property, plant and equipment in fiscal 2001, primarily from the sale of the Chicago, Illinois material center services facility, which was recorded in Assets Held for Sale at October 1, 2000.

During fiscal 2002, net cash used by financing activities was $17.3 million. During fiscal 2002, net repayments under our credit agreement were $12.8 million. We also used approximately $4.4 million to decrease unpresented bank drafts.

During fiscal 2001, net cash used by financing activities was $18.8 million. During fiscal 2001, net repayments under our credit agreements were $13.4 million. We also used approximately $2.0 million of cash for the repurchase of our common stock in fiscal 2001 and approximately $2.5 million for financing costs.

At September 29, 2002, covenants under our credit agreement prohibited us from paying stockholder dividends, making other restrictive payments or incurring certain additional indebtedness. The indenture governing our outstanding 10¼% senior subordinated notes due 2007 also contains certain restrictive covenants, including limitations on asset sales and incurrence of certain additional indebtedness. Covenants in the indenture restricted our ability to pay stockholder dividends and other restricted payments in an amount greater than $21.0 million at September 29, 2002.

We expect that our total fiscal 2003 capital expenditures will approximate $15.0 million.

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

**Contractual Obligations and Commercial Commitments**

The following chart describes our material contractual cash obligations as of September 29, 2002.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | **Total** | **Less than 1 year** | **1 3 years** | **4 5 years** | **After 5 years** |
| | (Dollars in millions) | | | | |
| **Contractual Obligations** | | | | | |
| Long-term debt(1)(2) | $ 100.0 | $ | $ | $ 100.0 | $ |
| Operating and capital leases | 35.0 | 5.1 | 8.5 | 5.8 | 15.6 |
| Other long-term obligations(3) | 10.2 | 0.1 | 0.6 | 1.1 | 8.4 |

| | | | | | |
|---|---|---|---|---|---|
| Total contractual cash obligations | $ 145.2 | $ 5.2 | $ 9.1 | $ 106.9 | $ 24.0 |

(1) No borrowings were outstanding under our credit agreement at September 29, 2002.
(2) $100.0 million in principal amount of our 10 ¼% senior subordinated notes due 2007 was outstanding at September 29, 2002.
(3) Other long-term obligations include certain future payments related to supplemental executive retirement benefit obligations for certain of our current and retired executives. The amounts shown in the table are the maximum future benefit payments subject to certain actuarial assumptions regarding life expectancy, which will differ from the actuarially determined liability related to these obligations. The actuarially determined amounts are included in our consolidated balance sheet in Other Long-Term Liabilities as of September 29, 2002.

At September 29, 2002, we had letters of credit in the aggregate amount of approximately $3.2 million in favor of our workers compensation insurer and purchasing card vendor. The letters of credit expire in less than one year.

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**Commitments and Contingencies**

On January 22, 2002, the SEC issued an interpretive release on disclosures related to liquidity and capital resources, including off-balance sheet arrangements. We do not have any off-balance sheet arrangements. Except as described elsewhere in this Management s Discussion and Analysis of Financial Condition and Results of Operations section, we are not aware of factors that are reasonably likely to adversely affect liquidity trends.

**Effect of Inflation**

Historically, with the exception of steel, we have not been able to pass through price increases in our raw materials to our customers. Although historically, we have generally been able to increase the price of our products to reflect increases in the price of steel, we cannot assure you that we will be able to do so in the future. We believe that inflation will not have a material adverse impact on us.

**Recent Accounting Pronouncements**

The EITF reached a consensus in September 2000 regarding Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs, which requires companies to report shipping and handling fees and costs as a component of cost of sales. We adopted this consensus in the fourth quarter of fiscal 2001, the effect of which was offsetting increases in net sales and cost of sales in the consolidated statements of operations for all reported periods. Reclassifications of $19.1 million and $19.2 million for fiscal 2001 and 2000, respectively, were reflected for all periods shown for comparative purposes.

In June 2001, the FASB issued SFAS 141, Business Combinations, and SFAS 142, Goodwill and Other Intangible Assets. SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting. SFAS 142 changes the accounting for goodwill and other intangible assets. Upon adoption, goodwill will no longer be subject to amortization over its estimated useful life. Rather, goodwill will be subject to at least annual assessments by reporting units for goodwill impairment based on fair value measurements. All other acquired intangibles will be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed or exchanged, regardless of our intent to do so. Other intangibles will be amortized over their useful lives.

SFAS 142 became effective for us at the beginning of fiscal 2003 (the implementation date). SFAS 142 requires a transitional impairment test as of the implementation date, which involves (1) identifying reporting units, (2) determining carrying value of each reporting unit by assigning assets and liabilities, including existing goodwill and intangible assets, to those reporting units, and (3) determining the fair value of each reporting unit. If the carrying value of any reporting unit exceeds its fair value, then the amount of any goodwill impairment will be determined through a fair value analysis of each of the assigned assets (excluding goodwill) and liabilities.

We have begun the initial assessment required under SFAS 142 and do not expect a material impact on our financial position and results of operations related to accounting for goodwill and intangible assets as a result of such assessment.

At September 29, 2002, the carrying value of goodwill was $68.0 million and annual amortization expense associated with goodwill was approximately $2.3 million.

We must finalize the transitional impairment test before March 30, 2003. Following the transitional impairment test, our goodwill balances will be subject to annual impairment tests using the same process described above. If any impairment were indicated as a result of the annual test, an impairment charge would be recorded as part of income from operations.

In June 2001, the FASB issued SFAS 143, *Accounting for Asset Retirement Obligations*, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The adoption of this statement is effective for us for fiscal 2003. We believe the adoption of this statement will not have an impact on our financial position and results of operations.

In August 2001, the FASB issued SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The adoption of this statement is effective for us for fiscal 2003. We believe the adoption of this statement will not have an impact on our financial position and results of operations.

In April 2002, the FASB issued SFAS 145, *Rescission of FASB Statements No. 4, 44, and 46, Amendment of FASB Statement No. 13, and Technical Corrections*. This statement eliminates the current requirement that gains and losses on extinguishment of debt must be classified as extraordinary items in the statement of operations. Instead, the statement requires that gains and losses on extinguishment of debt be evaluated against the criteria in APB Opinion 30 to determine whether or not it should be classified as an extraordinary item. Additionally, the statement contains other corrections to authoritative accounting literature in SFAS 4, 44 and 46. The changes in SFAS 145 related to debt extinguishment become effective for us in fiscal 2003 and the other changes were effective for all financial statements issued on or after May 15, 2002.

In June 2002, the FASB issued SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities*. This statement is effective for exit or disposal activities initiated after December 31, 2002, and requires these costs to be recognized as liabilities are incurred in periods following a commitment to an exit or disposal plan.

**Critical Accounting Policies**

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, which often require the judgment of management in the selection and application of certain accounting principles and methods. We believe that the quality and reasonableness of our most critical policies enable the fair presentation of our financial position and results of operations. However, investors are cautioned that the sensitivity of financial statements to these methods, assumptions and estimates could create materially different results under different conditions or using different assumptions.

In response to the SEC s Release No. 33-8040, Cautionary Advice Regarding Disclosure About Critical Accounting Policies, we have identified the following as the most critical accounting policies upon which our financial status depends. These critical policies were determined by considering accounting policies that involve the most complex or subjective decisions or assessments. Our most critical accounting policies are as follows:

*Revenue Recognition*. We recognize revenue when products are shipped and title and risk of loss pass to our customers. Provisions for discounts, returns, allowances, customer rebates and other adjustments are provided for in the same period as the related revenues are recorded. We estimate allowances based on the aging of accounts receivable and customer creditworthiness. Allowances are also provided for amounts in dispute with customers. Our estimate of the allowance amounts that are necessary includes amounts for specifically identified losses and a general amount for estimated losses. The determination of the amount of the allowance accounts is subject to significant levels of judgment and estimation by management. If circumstances change or economic conditions deteriorate, we may need to increase the allowance for doubtful accounts.

*Inventories*. Inventories are carried at the lower of cost or market, with cost determined under the last-in, first-out, or LIFO, method of inventory valuation. We estimate reserves for inventory obsolescence and shrinkage based on inventory aging and our judgment of future realization. Projected inventory losses are recognized at the time the loss is evident rather than when the goods are ultimately sold.

*Restructuring and Impairment*. In fiscal 2001, we recorded a restructuring and impairment charge related primarily to a manufacturing and cost structure rightsizing plan. The determination of the amount of these items involved the estimation of the amount of liabilities that will be incurred in the future. The actual amounts that will ultimately be incurred may differ significantly from the amounts originally estimated. Adjustments to the previously estimated amounts are recorded when it becomes evident that a particular item will be settled for more or less than was originally estimated.

*Accrued Rebates*. We enter into contractual agreements with our customers for rebates on certain products. We accrue a provision for these rebates and take a charge against net sales in the same period as the associated revenue is recognized.

**Environmental Matters**

For information regarding environmental matters, see Item 1. Business Environmental, Health and Safety Matters.

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**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

The fair value of our outstanding 10¼% senior subordinated notes due 2007 is exposed to the market risk of interest rate changes. Our cash flows and earnings are also exposed to the market risk of interest rate changes resulting from variable rate borrowings under our credit facility.

Our credit facility permits us to borrow up to $90.0 million, subject to certain conditions and limitations, including a borrowing base formula. Borrowings under our credit facility bear interest at either the prime rate or LIBOR, plus an applicable spread percentage. We determine whether to borrow at prime or LIBOR plus the applicable rate margin based on cash requirements. The interest rate spread on prime borrowings under our credit facility is fixed at 1.0%. The interest rate spread on LIBOR borrowings under our credit facility at September 29, 2002 was 2.75% and the rate spread was fixed through fiscal year 2002. Beginning in fiscal 2003, the LIBOR rate margin shall be determined quarterly based on our ratio of total indebtedness to EBITDA. LIBOR rate margins can be within the range of 2.0% to 3.0%. As of September 30, 2002, the LIBOR rate margin was 2.0% for the first fiscal quarter of 2003. At September 29, 2002, no borrowings were outstanding under our credit facility. Each 100 basis point increase in interest rates under our credit facility would have no impact on our quarterly pretax earnings and cash flows at the September 29, 2002 debt level.

We purchase approximately $1.0 million of equipment and spare and/or replacement parts annually from foreign suppliers in transactions denominated in foreign currencies. These purchases are exposed to the market risk of exchange rate changes from fluctuations in the value of these foreign currencies in relation to the U.S. dollar.

We do not enter into derivatives or other market risk-sensitive instruments to hedge interest rate or exchange rate risk or for trading purposes.

**Item 8. Financial Statements and Supplementary Data**

See the attached Consolidated Financial Statements on pages F-1 through F-21.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

Inapplicable.

**PART III**

**Item 10. Directors and Executive Officers of the Registrant**

Our by-laws provide that the size of the Board of Directors (the Board ) shall be fixed from time to time by resolution of the Board and that vacancies on the Board may be filled by the remaining directors. The Board currently consists of eight directorships, which are divided into three classes with staggered three-year terms. Class I consists of John E. Jones and John W. Puth, whose terms expire at the 2005 annual meeting; Class II consists of Jean-Pierre M. Ergas, John T. Stirrup and one vacant directorship, whose terms expire at the 2003 Annual Meeting; and Class III consists of Thomas A. Donahoe, Alexander P. Dyer and Warren J. Hayford, whose terms expire at the 2004 Annual Meeting. Each director is elected to serve for the remaining term of any vacancy filled by the director or for a three-year term (if elected at an annual meeting of stockholders) or until a successor is duly elected.

We anticipate that immediately after our merger with BCO Acquisition, our Board will consist of five persons with Messrs. Jones, Puth, Donahoe, Dyer and Stirrup submitting their resignations. It is anticipated that Messrs. Hayford and Ergas will continue as directors, and that Kelso will appoint directors for the three remaining directorships. Directors on the new Board will serve until a successor is elected or qualified or until his earlier death, resignation or removal. In the event the transaction is not completed, the Board will nominate persons to fill some or all of the Class II directorships expiring at the 2003 Annual Meeting.

The following sets forth certain information as of December 19, 2002 with respect to BWAY s Board and to certain of its officers (including all executive officers), who serve at the discretion of the Board.

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**Directors**

**Jean-Pierre M. Ergas** **Age: 63**

Jean-Pierre M. Ergas became our chairman and chief executive officer in January 2000. Mr. Ergas has served as one of our directors since August 1995 and served as our board s vice chairman from July 1999 to December 1999. Mr. Ergas has also previously served as executive vice president, Europe of Alcan Aluminum Limited, president of Alcan Europe Limited, executive chairman of British Alcan Aluminum plc. and chief executive officer of Alcan Deutschland GmbH from June 1996 to December 1999. Mr. Ergas served as senior advisor to the chief executive officer of Alcan Aluminum Limited from January 1995 to June 1996 and served as a trustee of DePaul University from February 1994 to December 1994. Prior thereto, Mr. Ergas served as senior executive vice president of Pechiney S.A. and as a member of the Pechiney Group executive committee from 1987 to January 1994 and also held several management positions with various subsidiaries of Pechiney S.A., serving as: chief executive officer of American National Can Company from 1989 to January 1994 and chairman of the board from 1991 to January 1994; chief executive officer of Cegedur Pechiney from 1982 to 1988 and chairman of the board from 1987 to 1988; chief executive officer of Cebal S.A. from 1974 to 1982 and chairman of the board during 1982; and marketing manager for Pechiney Aluminum from 1967 to 1974. Mr. Ergas is a trustee of DePaul and AUP Universities and a director of Dover Corporation and Compagnie Plastic Omnium.

**Warren J. Hayford** **Age: 73**

Warren J. Hayford became the non-executive vice-chairman of our board in December 1999. From 1989 until December 1999, Mr. Hayford served as our chief executive officer and our board s chairman. Mr. Hayford has held a number of senior positions within the packaging industry over the past 35 years including president and chief operating officer of Gaylord Container Corporation, a manufacturer of paper packaging products, 1986 to 1988, and vice chairman of Gaylord Container, 1988 through 1992. Prior to Gaylord Container, Mr. Hayford served as president and a director of Gencorp, Inc., president and a director of Navistar International Corporation and executive vice president and a director of the Continental Group, Inc.

**Thomas A. Donahoe** **Age: 67**

Thomas A. Donahoe has served as a director of the Company since August 1996. Mr. Donahoe was a partner in the accounting firm Price Waterhouse LLP (the Firm ) from 1970 until he retired in June 1996. As a partner in the Firm, Mr. Donahoe held a variety of positions including: Managing Partner-Operations of the Firm s Audit Business Advisory Practice, July 1995 to June 1996; Vice Chairman of the Firm, 1988 to June 1995; member of the Price Waterhouse World Firm General Council, 1985 to June 1995; Managing Partner of the Great Lakes Region, 1978 to June 1995; member of the Firm s Management Committee, 1978 to June 1995; member of the Firm s Policy Board, 1976 to June 1995; and Managing Partner of the Chicago Office, 1976 to June 1994. Mr. Donahoe is a director of Andrew Corporation and NICOR Inc. Mr. Donahoe also serves as a Director or Trustee of a number of not-for-profit entities, including: Chicago Botanic Garden, Chicago Central Area Committee, Executive Service Corp. of Chicago, Kohl s Children s Museum and Rush-Presbyterian-St. Luke s Medical Center.

**Alexander P. Dyer** **Age: 70**

Alexander P. Dyer has served as a director of the Company since August 1995. Mr. Dyer served as Chairman of Bunzl plc. from May 1993 to July 1996 and currently serves as its Deputy Chairman and as Chairman of its Remuneration Committee. Mr. Dyer retired from The BOC Group plc. in January 1996, having served as its Chief Executive Officer and Deputy Chairman, in which capacities he served from November 1993 to January 1996. Prior thereto, Mr. Dyer served as Managing Director-Gases of The BOC Group plc. from 1989 to 1993 and worked for Air Products and Chemicals Inc. for 26 years, serving most recently as Executive Vice President responsible for worldwide gases and equipment businesses from 1987 to 1989.

**John E. Jones** **Age: 68**

John E. Jones has served as a director of the Company since August 1996. From 1989 until his retirement in 1996, Mr. Jones served as Chairman, President and CEO of CBI Industries, Inc. Mr. Jones is a director of Amsted Industries, Inc., NICOR Inc. and Valmont Industries, Inc. Mr. Jones also serves as Trustee or Director on a number of not-for-profit entities, including Rush-Presbyterian-St. Luke s Medical Center.

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**John W. Puth** **Age: 73**

John W. Puth has served as a director of the Company since August 1995. Since December 1987, Mr. Puth has served as President of J.W. Puth Associates, an industrial consulting firm. From 1983 to 1987, Mr. Puth was Chairman and President of Clevite Industries, Inc., a manufacturer of industrial products. From 1975 to 1983, Mr. Puth was President and Chief Executive Officer of Vapor Corporation. Mr. Puth is a director of A.M. Castle & Co., L.B. Foster Company and US Freightways Corporation as well as several privately-held corporations. Since October 1998, Mr. Puth has been a general partner of BVCF III & IV Institutional Venture Capital Funds.

**John T. Stirrup** **Age: 67**

John T. Stirrup has served as a director of the Company since 1989. Mr. Stirrup served as an independent consultant of the Company from June 2000 until December 2001. Mr. Stirrup served as President and Chief Operating Officer of the Company from 1995 to June 2000 and from 1989 to 1995 Mr. Stirrup served as President and Chief Operating Officer of Brockway Standard, Inc., which at the time was the Company s principal operating subsidiary. Mr. Stirrup joined Brockway, Inc. (later acquired by Owens-Illinois Corporation) in 1980 and held a variety of positions including: Group Vice President of Metal & Plastic Packaging, Corporate Purchasing and Regional Airlines of Brockway, Inc., 1985 to 1988; Vice President of Sales and Marketing Brockway Glass Containers of Brockway, Inc., 1983 to 1985; Vice President of Operations Brockway Glass Containers of Brockway, Inc., 1981 to 1983; and Vice President of Manufacturing Brockway Glass Containers of Brockway, Inc., 1980 to 1981. Prior to joining Brockway, Inc., Mr. Stirrup held several positions at Kerr Glass Manufacturing Corp., including Vice President of Manufacturing.

**Officers (Other Than Those who are Directors and Listed Above)**

**Thomas N. Eagleson** **Age: 61**

Thomas N. Eagleson has served as our executive vice president of manufacturing and engineering since July 2000. Previously, Mr. Eagleson served as the senior vice president of American National Can from 1993 to 1998, vice president of manufacturing food/general line from 1990 to 1993, vice president manufacturing beverage from 1988 to 1990, vice president metal integration metal container from 1987 to 1988, vice president manufacturing food/general line of National Can Corp. from 1985 to 1987 and manager of manufacturing food/general line of National Can Corp. from 1983 to 1985. From 1970 to 1983, Mr. Eagleson held positions of increasing responsibility within the manufacturing organization of National Can Corp.

**Kevin C. Kern** **Age: 43**

Kevin C. Kern has been our vice president of administration and chief financial officer since February 2001. From May 1995 until February 2001, Mr. Kern served as our vice president corporate controller. From 1991 to May 1995, Mr. Kern was controller of McKechnie Plastics Components, Inc. From 1981 to 1991, Mr. Kern was employed by Ernst & Young, most recently as a senior audit manager from 1988 to 1991.

**Jeffrey M. O Connell** **Age: 49**

Jeffrey M. O Connell has been our vice president and treasurer since May 1997 and has served as our secretary since May 2001. From June 1996 to May 1997, Mr. O Connell served as our assistant treasurer. From June 1995 to June 1996, Mr. O Connell served as vice president of finance of Macmillan Bloedel Packaging Inc. From October 1994 to June 1995, Mr. O Connell served as our director of financial planning. Prior thereto, Mr. O Connell served as vice president of administration of Mead Coated Board Division of The Mead Corporation.

**Kenneth M. Roessler** **Age: 40**

Kenneth M. Roessler has served as our executive vice president of sales and marketing since March 2000. Effective January 1, 2003, Mr. Roessler will serve as our chief operating officer. From June 1993 to February 2000, Mr. Roessler served in various senior management positions with Southcorp Packaging USA, including vice president of sales and marketing from 1998 to February 2000, vice president and general manager from 1995 to 1998 and vice president and chief financial officer from June 1993 through 1995. Prior to June 1993, Mr. Roessler held senior management positions with Berwind Corporation. Mr. Roessler will be appointed our chief operating officer on Jaunary 1, 2003.

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**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires certain of the Company s officers, the Company s directors and persons who beneficially own more than ten percent of a registered class of the Company s equity securities to file reports of securities ownership and changes in such ownership with the SEC. Certain officers, directors and greater than ten-percent beneficial owners also are required by rules promulgated by the SEC to furnish the Company with copies of all Section 16(a) forms they file.

Based solely upon the Company s review of the copies of such forms it has received or written representations that no Form 5 filings were required, the Company believes that each of its officers, directors and greater than ten-percent beneficial owners complied with all Section 16(a) filing requirements applicable to them during fiscal 2002, except as described below.

Mr. Stirrup inadvertently failed to file a Form 4 in June 2002 to report the open market sale of 30,200 shares of the Company s common stock in May 2002. The shares were sold under Rule 144, and Mr. Stirrup timely filed the related Form 144. The transaction was included on and indicated as a delinquent transaction on a timely filed Form 5.

**Item 11. Executive Compensation**

The compensation of executive officers of the Company is determined by the Management Resources, Nominating and Compensation Committee of the Company s Board of Directors. The following table sets forth information regarding the compensation paid or accrued by the Company to Mr. Ergas, who served as Chief Executive Officer during fiscal 2002, and each of the Company s four other most highly compensated executive officers (the Named Executive Officers ) for services rendered to the Company in all capacities during fiscal years 2000, 2001 and 2002.

**Summary Compensation Table**

| | | Annual Compensation | | | Long Term Compensation | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Awards | | Payouts | |
| **Name and Principal Position** | **Fiscal Year** | **Salary ($)** | **Bonus ($) (1)** | **Other Annual Compen-sation ($)** | **Restricted Stock Awards ($)** | **Securities Underlying Options/ SARs (#)** | **LTIP Payouts ($)** | **All Other Compen-sation ($)** |
| Jean-Pierre M. Ergas | 2002 | 487,500 | 731,250 | | | 36,700(2) | | 300,769(3) |
| Chairman and Chief Executive Officer | 2001 | 450,000 | 300,000 | | | 180,000(4) | | 145,188(5) |
| | 2000 | 337,500 | 337,500 | | | 60,000(6) | | 133,390(7) |
| Kevin C. Kern | 2002 | 181,250 | 180,891 | | | 21,033(2) | | 17,300(8) |
| Chief Financial Officer | 2001 | 166,875 | 57,000 | | | 15,000(4) | | 13,977(9) |
| | 2000 | 148,333 | 53,375 | | | 5,000(10) | | 11,561(11) |
| Thomas N. Eagleson | 2002 | 225,500 | 363,729 | | | | | 13,173(12) |
| Executive Vice President of Manufacturing and Engineering | 2001 | 205,000 | 167,000 | | | 80,000(13) | | |
| | 2000 | 55,384 | 16,615 | | | 40,000(14) | | 10,000(15) |
| Kenneth M. Roessler | 2002 | 205,417 | 171,009 | | | | | 15,584(16) |
| Executive Vice President of Sales and Marketing | 2001 | 172,500 | 80,000 | | | 80,000(17) | | 9,024(18) |
| | 2000 | 93,993 | 21,149 | | | 15,000(19) | | 11,964(20) |
| Jeffrey M. O Connell | 2002 | 151,667 | 104,792 | | | 21,533(2) | | 7,667(21) |
| Secretary and Treasurer | 2001 | 142,500 | 40,000 | | | 15,000(4) | | 6,897(22) |
| | 2000 | 133,833 | 29,090 | | | 5,000(10) | | 6,561(23) |

(1) Amounts shown for fiscal 2000, 2001 and 2002 were earned during fiscal 2000, 2001 and 2002, respectively, under the Company s Management Incentive Plan and were paid during fiscal 2001, 2002 and 2003, respectively.

(2) Options become exercisable in two equal installments with the first installment exercisable immediately on the grant date (January 29, 2002) and the second installment on the first anniversary of the grant. The options were reissued and granted pursuant to the Company s Stock Option Replacement Program and Incentive Plan.

(3) The amount shown includes an accrual of $276,065 for supplemental executive retirement payments pursuant to his employment agreement, $1,404 for country club dues and $23,300 of Company matching 401(k) contributions under the Savings Plan.

(4) Options become exercisable in three equal annual installments with the first installment exercisable on October 12, 2001 and were granted pursuant to the Incentive Plan.
(5) The amount shown includes an accrual of $130,571 for supplemental executive retirement payments pursuant to his employment agreement, $1,117 for country club dues and $13,500 of Company matching 401(k) contributions under the Savings Plan.
(6) Option to acquire 40,000 shares became fully exercisable in January 2000. Options to acquire 20,000 shares become exercisable in three equal annual installments with the first installment exercisable on December 14, 2000 and were granted pursuant to the Incentive Plan.
(7) The amount shown includes an accrual of $97,928 for supplemental executive retirement payments pursuant to his employment agreement and $35,462 for consulting services and reimbursements pursuant to his employment agreement.
(8) The amount shown includes $7,770 for country club dues and $9,530 of Company matching 401(k) contributions under the Savings Plan.
(9) The amount shown includes $5,400 for country club dues and $8,577 of Company matching 401(k) contributions under the Savings Plan.
(10) Options become exercisable in three equal annual installments with the first installment exercisable on December 14, 2000, and were granted pursuant to the Incentive Plan.
(11) The amount shown includes $4,200 for country club dues and $7,361 of Company matching 401(k) contributions under the Savings Plan.
(12) The amount shown represents $13,173 of Company matching 401(k) contributions under the Savings Plan.
(13) Options to acquire 40,000 shares become exercisable in three equal annual installments with the first installment exercisable on October 12, 2001. Options to acquire the other 40,000 shares become exercisable in three annual installments as follows: 10,936 options on September 5, 2002, 10,935 options on September 5, 2003 and 18,129 options on September 5, 2004. These 80,000 options were granted pursuant to the Incentive Plan.
(14) Options become exercisable in two equal annual installments with the first installment exercisable on May 23, 2001, and were granted pursuant to the Incentive Plan.
(15) The amount shown represents a $10,000 sign-on bonus.
(16) The amount shown includes $4,167 for country club dues and $11,417 of Company matching 401(k) contributions under the Savings Plan.
(18) Options to acquire 40,000 shares become exercisable in three equal annual installments with the first installment exercisable on October 12, 2001. Options to acquire the other 40,000 shares become exercisable in three annual installments as follows: 9,213 options on September 5, 2002, 9,212 options on September 5, 2003 and 21,575 options on September 5, 2004. These 80,000 options were granted pursuant to the Incentive Plan.
(19) The amount shown includes $4,449 for country club dues and $4,575 of Company matching 401(k) contributions under the Savings Plan.
(20) The amount shown includes a $10,000 sign-on bonus and $1,964 of country club dues.
(21) The amount shown represents $7,667 of Company matching 401(k) contributions under the Savings Plan.
(22) The amount shown represents $6,897 of Company matching 401(k) contributions under the Savings Plan.
(23) The amount shown represents $6,561 of Company matching 401(k) contributions under the Savings Plan.

The Incentive Plan (as defined) provides for the award of stock options, restricted shares of common stock, stock appreciation rights, stock indemnification rights, units valued on the basis of the long-term performance of the Company, or some combination of the foregoing to participants. The Incentive Plan covers an aggregate of 2,425,000 shares of common stock.

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The following tables set forth, for the Named Executive Officers, information regarding stock options granted or exercised during, or held at the end of, fiscal 2002.

**Option/SAR Grants in Last Fiscal Year**

| | Individual Grants | | | | Potential Realizable Value At Assumed Annual Rates of Stock Price Appreciation for Option Term | |
|---|---|---|---|---|---|---|
| **Name** | **Number of Securities Underlying Options/SARs Granted (#) (1)** | **% of Total Options Granted to Employees In Fiscal Year (%)** | **Exercise Price ($/Share)** | **Expiration Date** | **5% ($) (2)** | **10% ($)(2)** |
| Jean-Pierre M. Ergas | 236,700(3) | 19.5 | 11.05 | 1/28/12 | 1,644,896 | 4,168,489 |
| Kevin C. Kern | 21,033(3) | 1.7 | 11.05 | 1/28/12 | 146,164 | 370,409 |
| Thomas N. Eagleson | | | | | | |
| Kenneth M. Roessler | | | | | | |
| Jeffrey M. O Connell | 21,533(3) | 1.8 | 11.05 | 1/28/12 | 149,639 | 379,315 |

(1) In the event of a change of control all options become fully vested and exercisable. In order to prevent dilution or enlargement of rights under the options, in the event of a reorganization, recapitalization, stock split, stock dividend, combinations of shares, merger, consolidation, distribution of assets or other change in the corporate structure of shares of the Company, the type and number of shares available upon exercise and the exercise price will be adjusted accordingly. The Management Resources, Nominating and Compensation Committee may, subject to specified limitations, advance the date on which an option shall become exercisable.

(2) Amounts reflect assumed rates of appreciation from the fair market value on the date of grant as set forth in the Securities and Exchange Commission s executive compensation disclosure rules. Actual gains, if any, on stock option exercises depend on future performance of our common stock and overall stock market conditions. No assurance can be made that the amounts reflected in these columns will be achieved.

(3) Options become exercisable in two equal installments with the first installment exercisable immediately on the grant date (January 29, 2002) and the second installment on the first anniversary of the grant. The options were reissued and granted pursuant to the Company s Stock Option Replacement Program and Incentive Plan.

**Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values**

| **Name** | **Shares Acquired on Exercise (#)** | **Value Realized ($)** | **Number of Securities Underlying Unexercised Options/SARs at Fiscal Year End (#) Exercisable / Unexercisable** | **Value of Unexercised In-the-Money Options/SARs at Fiscal Year End ($)(1) Exercisable / Unexercisable** |
|---|---|---|---|---|
| Jean-Pierre M. Ergas | | | 231,683/ 245,017 | 1,314,794/ 1,513,216 |
| Kevin C. Kern | | | 18,849 / 22,184 | 102,671 / 136,659 |
| Thomas N. Eagleson | | | 64,270 / 55,730 | 493,245 / 460,255 |
| Kenneth M. Roessler | | | | 261,590 / |

| | | | | |
|---|---|---|---|---|
| | | | 32,547 / 62,453 | 507,535 |
| Jeffrey M. O Connell | 11,833 | 106,693 | 7,266 / 22,434 | 20,435 / 137,359 |

(1) As of the end of the fiscal year, all of the unexercised options held by the Named Executive Officers were in-the-money. The fair market value of the underlying securities was the closing price of the Company s common stock as traded on the New York Stock Exchange on September 27, 2002, which was $13.85 per share.

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The following table sets forth, for the Named Executive Officers, information regarding stock options repriced during fiscal 2002.

**Option/SAR Repricing in Last Fiscal Year**

| Name and Principal Position | Date | Number of Securities Underlying Options/SARs Repriced or Amended (#) | Market Price of Stock at Time of Repricing or Amendment ($) | Exercise Price at Time of Repricing or Amendment ($/Sh) | New Exercise Price ($) (1) | Length of Original Option Term Remaining at Date of Repricing or Amendment |
|---|---|---|---|---|---|---|
| Jean-Pierre M. Ergas | 7/27/01 | 15,000 | 5.94 | 10.67 | 11.05 | 49 months |
| Chairman and Chief Executive Officer | 7/27/01 | 19,200 | 5.94 | 12.17 | 11.05 | 61 months |
| | 7/27/01 | 7,500 | 5.94 | 11.67 | 11.05 | 62 months |
| | 7/27/01 | 15,000 | 5.94 | 16.50 | 11.05 | 88 months |
| | 7/27/01 | 180,000 | 5.94 | 12.75 | 11.05 | 96 months |
| Kevin C. Kern | 7/27/01 | 1,659 | 5.94 | 12.67 | 11.05 | 58 months |
| Chief Financial Officer | 7/27/01 | 11,841 | 5.94 | 12.67 | 11.05 | 58 months |
| | 7/27/01 | 3,333 | 5.94 | 19.38 | 11.05 | 76 months |
| | 7/27/01 | 1,667 | 5.94 | 19.38 | 11.05 | 76 months |
| | 7/27/01 | 844 | 5.94 | 16.50 | 11.05 | 88 months |
| | 7/27/01 | 1,689 | 5.94 | 16.50 | 11.05 | 88 months |
| Thomas N. Eagleson | | | | | | |
| Executive Vice President of Manufacturing and Engineering | | | | | | |
| Kenneth M. Roessler | | | | | | |
| Executive Vice President of Sales and Marketing | | | | | | |
| Jeffrey M. O Connell | 7/27/01 | 14,000 | 5.94 | 14.33 | 11.05 | 70 months |
| Secretary and Treasurer | 7/27/01 | 2,834 | 5.94 | 19.38 | 11.05 | 76 months |
| | 7/27/01 | 2,166 | 5.94 | 19.38 | 11.05 | 76 months |
| | 7/27/01 | 1,688 | 5.94 | 16.50 | 11.05 | 88 months |
| | 7/27/01 | 845 | 5.94 | 16.50 | 11.05 | 88 months |

(1) The options were surrendered to us effective July 27, 2001pursuant to our Stock Option Replacement Program. We reissued new options as of January 29, 2002 with an exercise price equal to the closing price of our common stock on the New York Stock Exchange on January 28, 2002. The number of options reissued was equal to the number of options surrendered by the named executive. The reissued options expire 10 years from the date issued and vest in equal installments: 50% vested on the date granted and the remaining 50% vest on the first anniversary.

**Long-Term Incentive Plans Awards in Last Fiscal Year**

The Company granted no long-term incentive plan awards in fiscal 2002.

**Compensation of Directors**

*Fees and Expenses.* Directors who are employees of the Company or its subsidiaries are not entitled to receive any fees for serving as directors. Each non-employee director receives an annual retainer fee of $25,000 (except for Mr. Hayford, who receives $50,000), a fee per meeting attended of $1,000 and a fee per committee meeting attended of $500. In addition, each non-employee director who serves as a committee chairman receives an annual fee of $3,500. All directors are reimbursed for reasonable out-of-pocket expenses related to their service as directors.

During fiscal 2002, the Board formed a special committee of independent, disinterested directors for the purpose of, among other things, evaluating a proposed merger transaction. The committee consisted of Messrs. Puth, Donahoe, Dyer and Jones with Mr. Puth serving as the committee s chairman. Mr. Puth received a retainer of $12,500 for serving as the committee chair and the other members of the committee each received a retainer of $6,250 for their service. The members of the committee each received a fee per meeting attended of $1,000 and were reimbursed for out-of-pocket expenses related to their service on the special committee.

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*Incentive Plan.* Under the Fourth Amended and Restated 1995 Long-Term Incentive Plan (the Incentive Plan ), the Management Resources, Nominating and Compensation Committee may grant to directors (including non-employee directors) of the Company and its subsidiaries nonqualified stock options, stock appreciation rights in tandem with options, restricted stock awards, performance awards or any combination thereof as the Management Resources, Nominating and Compensation Committee shall determine. Options may be exercised in whole or in part upon the payment of the exercise price of the shares to be acquired and the Management Resources, Nominating and Compensation Committee shall determine the term of the exercise period.

In January 2002, the Company reissued options to each non-employee director who participated in the Company s Stock Option Replacement Program. The options have an exercise price equal to $11.05 with 50% of the options vesting immediately and the remaining 50% vesting in January 2003. Other than options reissued pursuant to the Stock Option Replacement Program, the Company did not grant any additional options to its non-employee directors in fiscal 2002. In November 2001, the Management Resources, Nominating and Compensation Committee amended James W. Milton s outstanding vested and unvested options (including any subsequent options reissued under the Option Replacement Program) to become immediately vested and exercisable for one-year effective with his retirement as a director. Mr. Milton retired from the Board at the end of his term effective February 20, 2002.

**Management Employment Agreements**

*Jean-Pierre M. Ergas*. Jean-Pierre M. Ergas has entered into an employment agreement with us dated as of January 1, 2000 and amended as of January 1, 2002. Under this agreement, as amended, Mr. Ergas will receive an annual base salary of $500,000 (for calendar year 2002) or such higher amount as determined by our board, and will be eligible to receive an annual bonus of 60% of his base salary, based on the achievement of goals and objectives determined by the board, and will be eligible to participate in all of our employee benefit plans for which our senior executive employees are generally eligible. The employment period shall end on December 31, 2004, unless terminated earlier by the resignation, death, or permanent disability or incapacity of Mr. Ergas or we terminate Mr. Ergas employment period with or without cause.

In the event we terminate Mr. Ergas employment without cause prior to December 31, 2004, we shall (i) pay his base salary until the later of December 31, 2004 or the second anniversary of the date of his termination, (ii) pay his target bonus in respect of fiscal year 2002 and the fiscal year in which his employment is terminated (or if his target bonuses have not yet been set for either such fiscal year, an amount equal to 60% of his base salary at the date of termination in lieu of the target bonus for either such fiscal year), (iii) reimburse his COBRA premium under our group health plan and dental plan (if any) on a monthly basis for the lesser of the period in which he is eligible to receive such continuation coverage or 18 months, which we define as the COBRA period, and, (iv) upon expiration of the COBRA period, procure individual medical and dental insurance policies for him on substantially similar terms as the coverage we provided to him as of the date of termination.

If Mr. Ergas employment terminates after the first anniversary of employment for any reason other than for cause, Mr. Ergas will be entitled to a monthly supplemental retirement benefit until his death (and, following his death, until the death of his surviving spouse). The monthly benefit will be equal to one-twelfth of $500,000, multiplied by a percentage multiplier based on the age of Mr. Ergas on the retirement date (10% if Mr. Ergas is 63 years of age on the retirement date and increasing by 5% each year for five years). If we terminate the employment period without cause, because of Mr. Ergas permanent disability or incapacity or because of Mr. Ergas resignation after a change of control, Mr. Ergas shall be entitled to the maximum monthly retirement benefit (as if he were 67 years of age or older on such retirement date). Mr. Ergas has agreed not to compete with us during the term of his employment and so long as he is receiving salary and bonus under the agreement as a result of his termination by us without cause (but in no event for less than eighteen months after the termination of his employment).

*Thomas N. Eagleson*. Thomas N. Eagleson has entered into an employment agreement with us dated as of July 1, 2000 and amended as of June 29, 2002. Under this agreement, Mr. Eagleson will receive an annual base salary of $242,000, and will be eligible to receive an annual bonus of 33% of his base salary, based on the achievement of goals and objectives determined by the board, and will be eligible to participate in all of our employee benefits plans for which our senior executive employees are generally eligible. We shall also provide Mr. Eagleson with a reasonably priced furnished apartment in Cincinnati, Ohio mutually agreed upon by both parties. The term of the employment agreement expires on December 31, 2002, unless terminated earlier by the resignation, death or permanent disability or incapacity of Mr. Eagleson or by us with or without cause.

In the event that we terminate Mr. Eagleson s employment without cause prior to the expiration of the employment agreement, Mr. Eagleson will be entitled to receive his base salary through December 31, 2002, and reimbursement of his COBRA premiums under our health and dental plans through December 31, 2003. In the event that Mr. Eagleson s employment terminates as a result of the expiration of the employment period, we will reimburse his COBRA premiums under our health and dental plans through December 31, 2002, and for as long as Mr. Eagleson remains a part-time employee or consultant following December 31, 2002, we will continue to pay the premium on his life insurance policy. Mr. Eagleson has agreed not to compete with us during the term of his employment and so long as he is receiving salary and bonus under the agreement as a result of his termination by us without cause (but in no event for less than twelve months after the termination of his employment).

**Change of Control Agreements**

In August 2001, we entered into change of control agreements with each of Messrs. Ergas, Kern, Eagleson, Roessler and O Connell. The agreements are a result of a determination by our Board of Directors that it is important and in the best interests of the Company to ensure that, in the event of a possible Change Of Control of the Company, the stability and continuity of management would continue unimpaired, free of the distractions incident to any such Change Of Control. The agreements expire on the earlier of (i) the date such officer s employment with the Company terminates or (ii) the date that is 24 months following a Change Of Control. The Merger constitutes a Change Of Control for purposes of these agreements.

For purposes of the agreements, the Business means the manufacturing of tinplate and steel packaging for consumer and industrial goods, including, but not limited to, aerosol cans, cold rolled and black plate steel pails, tinplate cans, steel ammunition boxes and material center services.

For purposes of the agreements, a Change In Control means (i) the sale, transfer or other disposition of 80% or more of the Company s assets or (ii) a sale of 50% or more of the then outstanding voting stock of the Company in a single transaction or a series of related transactions.

For purposes of the agreements, the Separation Date means the date on which the officer terminates his employment with the Company for good reason or the date on which the Company or successor entity terminates the officer s employment for any reason other than for cause.

The change of control agreements are not employment agreements and do not create a contract for benefits, except as set forth therein. Each officer s employment with the Company is at-will and, at either the officer s or the Company s option, the officer s employment may be terminated at any time, with or without cause or notice.

Jean-Pierre Ergas is party to a change of control agreement with the Company dated as of August 30, 2001 and amended as of January 1, 2002. Benefits are payable under the agreement upon a Change Of Control in exchange for Mr. Ergas continued employment with the company. The principal benefits to be provided to Mr. Ergas under the agreement are: (i) accelerated vesting of all stock options and stock grants held by Mr. Ergas as of the date of the Change Of Control, provided Mr. Ergas is employed by the Company at any time during the 30 day period prior to the Change Of Control, (ii) a lump sum payment equal to the sum of three times Mr. Ergas annual base salary and one times his target incentive bonus in effect as of the date of the Change Of Control (the Separation Payment ), provided Mr. Ergas has been continuously employed within 30 days prior to or 24 months following a Change Of Control and either Mr. Ergas terminates his employment for good reason or the Company or its successor entity terminates his employment for any reason other than for cause, (iii) continued payments of any executive perquisites until the later of six months from the Separation Date or the end of the calendar year in which the Separation Date occurs, (iv) reimbursement of COBRA premiums for the lesser of the period Mr. Ergas is eligible to receive such continuation coverage or for 1.5 years, (v) procurement of individual medical and dental insurance policies provided by the Company as of the Separation Date for a period of 18 months following the expiration of the COBRA period, (vi) procurement and payment of individual life insurance premiums for a period of three years following the Separation Date, (vii) fully vested retirement benefits and (viii) an increase, if necessary, of Mr. Ergas monthly supplemental retirement benefit to the maximum amount possible under such terms and provisions. If, during his employment with the Company or within one year after his employment with the Company ends (the Restricted Period ), Mr. Ergas engages in the Business in North America, (a) this change of control agreement shall be rescinded, (b) Mr. Ergas shall return the entire amount of the Separation Payment, (c) the exercise, payment, delivery or sale pursuant to any stock options and/or stock grants shall be rescinded and Mr. Ergas shall return to the Company any amounts he received in connection therewith, (d) the Company s obligation to provide the benefits described in (iii)-(viii) above shall cease and (e) Mr. Ergas shall reimburse the Company for the full cost of any payments and benefits provided to him pursuant to (iii)-(viii) above during the Restricted Period in which Mr. Ergas engaged in the Business in North America.

Kevin C. Kern is party to a change of control agreement with the Company dated as of August 9, 2001. Benefits are payable under the agreement upon a Change Of Control in exchange for Mr. Kern s continued employment with the company. The principal benefits to be provided to Mr. Kern under the agreement are: (i) accelerated vesting of all stock options and stock grants held by Mr. Kern as of the date of the Change Of Control, provided Mr. Kern is employed by the Company at any time during the 30 day period prior to the Change Of Control, (ii) a lump sum payment equal to the sum of 1.5 times Mr. Kern s annual base salary and one times his target incentive bonus in effect as of the date of the Change Of Control (the Separation Payment ), provided Mr. Kern has been continuously employed within 30 days prior to or 24 months following a Change Of Control and either Mr. Kern terminates his employment for good reason or the Company or its successor entity terminates his employment for any reason other than for cause, (iii) continued payments of any executive perquisites until the later of six months from the Separation Date or the end of the calendar year in which the Separation Date occurs, (iv) reimbursement of COBRA premiums for the lesser of the period Mr. Kern is eligible to receive such continuation coverage or for 1.5 years following the Separation Date, (v) procurement and payment of individual life insurance premiums for a period of 1.5 years following the Separation Date, (vi) fully vested retirement benefits and (vii) outplacement services for a period of 12 months. If, during his employment with the Company or within one year after his employment with the Company ends (the Restricted Period ), Mr. Kern engages in the Business in North America, (a) this change of control agreement shall be rescinded, (b) Mr. Kern shall return to the Company the entire amount of the Separation Payment, (c) the exercise, payment, delivery or sale pursuant to any stock options and/or stock grants shall be rescinded and Mr. Kern shall return to the Company any amounts he received in connection therewith, (d) the Company s obligation to provide the benefits described in (iii)-(vii) above shall cease and (e) Mr. Kern shall reimburse the Company for the full cost of any payments and benefits provided to him pursuant to (iii)-(vii) above during the Restricted Period in which Mr. Kern engaged in the Business in North America.

Thomas N. Eagleson is party to a change of control agreement with the Company dated as of August 9, 2001. Benefits are payable under the agreement upon a Change Of Control in exchange for Mr. Eagleson s continued employment with the company. The principal benefits to be provided to Mr. Eagleson under the agreement are: (i) accelerated vesting of all stock options and stock grants held by Mr. Eagleson as of the date of the Change Of Control, provided Mr. Eagleson is employed by the Company at any time during the 30 day period prior to the Change Of Control, (ii) a lump sum payment equal to the sum of two times Mr. Eagleson s annual base salary and one times his target incentive bonus in effect as of the date of the Change Of Control (the Separation Payment ), provided Mr. Eagleson has been continuously employed within 30 days prior to or 24 months following a Change Of Control and either Mr. Eagleson terminates his employment for good reason or the Company or its successor entity terminates his employment for any reason other than for cause, (iii) continued payments of any executive perquisites until the later of six months from the Separation Date or the end of the calendar year in which the Separation Date occurs, (iv) reimbursement of COBRA premiums for the period Mr. Eagleson is eligible to receive such continuation coverage, (v) procurement of individual medical and dental insurance policies provided by the Company as of the Separation Date for a period of six months following the expiration of the COBRA period, (vi) procurement and payment of individual life insurance premiums for a period of two years following the Separation Date, (vii) fully vested retirement benefits and (viii) outplacement services for a period of 12 months. If, during his employment with the Company or within one year after his employment with the Company ends (the Restricted Period ), Mr. Eagleson engages in the Business in North America, (a) this change of control agreement shall be rescinded, (b) Mr. Eagleson shall return to the Company the entire amount of the Separation Payment, (c) the exercise, payment, delivery or sale pursuant to any stock options and/or stock grants shall be rescinded and Mr. Eagleson shall return to the Company any amounts he received in connection therewith, (d) the Company s obligation to provide the benefits described in (iii)-(viii) above shall cease and (e) Mr. Eagleson shall reimburse the Company for the full cost of any payments and benefits provided to him pursuant to (iii)-(viii) above during the Restricted Period in which Mr. Eagleson engaged in the Business in North America.

Kenneth M. Roessler is party to a change of control agreement with the Company dated as of August 9, 2001. Benefits are payable under the agreement upon a Change Of Control in exchange for Mr. Roessler s continued employment with the company. The principal benefits to be provided to Mr. Roessler under the agreement are: (i) accelerated vesting of all stock options and stock grants held by Mr. Roessler as of the date of the Change Of Control, provided Mr. Roessler is employed by the Company at any time during the 30 day period prior to the Change Of Control, (ii) a lump sum payment equal to the sum of two times Mr. Roessler s annual base salary and one times his target incentive bonus in effect as of the date of the Change Of Control (the Separation Payment ), provided Mr. Roessler has been continuously employed within 30 days prior to or 24 months following a Change Of Control and either Mr. Roessler terminates his employment for good reason or the Company or its successor entity terminates his employment for any reason other than for cause, (iii) continued payments of any executive perquisites until the later of nine months from the Separation Date or the end of the calendar year in which the Separation Date occurs, (iv) reimbursement of COBRA premiums for the period Mr. Roessler is eligible to receive such continuation coverage, (v) procurement of individual medical and dental insurance policies provided by the Company as of the Separation Date for a period of six months following the expiration of the COBRA period, (vi) procurement and payment of individual life insurance premiums for a period of two years following the Separation Date, (vii) fully vested retirement benefits and (viii) outplacement services for a period of 12 months. If, during his employment with the Company or within one year after his employment with the Company ends (the Restricted Period ), Mr. Roessler engages in the Business in North America, (a) this change of control agreement shall be rescinded, (b) Mr. Roessler shall return to the Company the entire amount of the Separation Payment, (c) the exercise, payment, delivery or sale pursuant to any stock options and/or stock grants shall be rescinded and Mr.

Roessler shall return to the Company any amounts he received in connection therewith, (d) the Company s obligation to provide the benefits described in (iii)-(viii) above shall cease and (e) Mr. Roessler shall reimburse the Company for the full cost of any payments and benefits provided to him pursuant to (iii)-(viii) above during the Restricted Period in which Mr. Roessler engaged in the Business in North America.

Jeffrey M. O Connell is party to a change of control agreement with the Company dated as of August 9, 2001. Benefits are payable under the agreement upon a Change Of Control in exchange for Mr. O Connell s continued employment with the company. The principal benefits to be provided to Mr. O Connell under the agreement are: (i) accelerated vesting of all stock options and stock grants held by Mr. O Connell as of the date of the Change Of Control, provided Mr. O Connell is employed by the Company at any time during the 30 day period prior to the Change Of Control, (ii) a lump sum payment equal to the sum of 1.5 times Mr. O Connell s annual base salary and one times his target incentive bonus in effect as of the date of the Change Of Control (the Separation Payment ), provided Mr. O Connell has been continuously employed within 30 days prior to or 24 months following a Change Of Control and either Mr. O Connell terminates his employment for good reason or the Company or its successor entity terminates his employment for any reason other than for cause, (iii) continued payments of any executive perquisites until the later of six months from the Separation Date or the end of the calendar year in which the Separation Date occurs, (iv) reimbursement of COBRA premiums for the lesser of the period Mr. O Connell is eligible to receive such continuation coverage or for 1.5 years following the Separation Date, (v) procurement and payment of individual life insurance premiums for a period of 1.5 years following the Separation Date, (vi) fully vested retirement benefits and (vii) outplacement services for a period of 12 months. If, during his employment with the Company or within one year after his employment with the Company ends (the Restricted Period ), Mr. O Connell engages in the Business in North America, (a) this change of control agreement shall be rescinded, (b) Mr. O Connell shall return to the Company the entire amount of the Separation Payment, (c) the exercise, payment, delivery or sale pursuant to any stock options and/or stock grants shall be rescinded and Mr. O Connell shall return to the Company any amounts he received in connection therewith, (d) the Company s obligation to provide the benefits described in (iii)-(vii) above shall cease and (e) Mr. O Connell shall reimburse the Company for the full cost of any payments and benefits provided to him pursuant to (iii)-(vii) above during the Restricted Period in which Mr. O Connell engaged in the Business in North America.

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

**401(k) Plan**

We maintain a savings plan (the Savings Plan ) qualified under Sections 401(a) and 401(k) of the Internal Revenue Code. Generally, all of our salaried employees in the United States are eligible to participate in the Savings Plan upon their employment with us and become eligible for company matching contributions after completing one year of service. For each employee who elects to participate in the Savings Plan and makes a contribution thereto, we make a matching contribution of 100% of the first 4% of annual compensation contributed. The maximum contribution for any participant for any year is 15% of such participant s eligible compensation.

**Management Resources, Nominating and Compensation Committee Interlocks and Insider Participation**

Messrs. Puth, Donahoe, Dyer and Jones served as members of the Management Resources, Nominating and Compensation Committee during all of fiscal 2002. The Company has no Management Resources, Nominating and Compensation Committee interlocks or insider participation relationships of such persons with the Company to report.

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**Management Resources, Nominating and Compensation Committee Report on Executive Compensation**

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

This Management Resources, Nominating and Compensation Committee report shall not be deemed incorporated by reference by any general statement incorporating by reference this Form 10-K into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

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

- To establish pay levels that are necessary to attract and retain highly qualified executives in light of the overall competitiveness of the market for high quality executive talent.
- To recognize superior individual performance, new responsibilities and new positions within the Company.
- To balance short-term and long-term compensation to complement the Company s annual and long-term business objectives and strategy and to encourage executive performance in furtherance of the fulfillment of those objectives.
- To provide variable compensation opportunities based on the Company s performance.
- To encourage stock ownership by executives.
- To align executive remuneration with the interests of stockholders.

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

*Base Salary*. The base pay level for each of Messrs. Ergas and Eagleson is set forth in each such executive s employment agreement, as amended. (See Management Employment Agreements above.) Mr. Ergas base pay level was re-negotiated effective January 2002 in connection with the extension of his employment agreement as the Company s Chief Executive Officer. Mr. Eagleson s base pay level was re-negotiated in June 2002 in connection with the extension of his employment agreement as the Company s Executive Vice President of Manufacturing and Engineering. The committee approved annual merit based salary adjustments for Messrs. Kern and Roessler at its February 2002 meeting and for Mr. O Connell at its November 2001 meeting. Mr. Ergas, as Chief Executive Officer, may change or modify Messrs. Kern, Roessler or O Connell s compensation as he deems necessary for the proper operation of the Company.

*Annual Incentives*. The Messrs. Ergas, Kern, Eagleson, Roessler and O Connell are eligible for annual bonuses under the Company s Officer Incentive Plan with the awards determined annually by the Management Resources, Nominating and Compensation Committee. See Management Employment Agreements above. The Company uses annual bonuses to enhance management s contribution to stockholder returns by offering competitive levels of compensation for the attainment of the Company s financial objectives. In particular, the Company utilizes annual bonuses to focus corporate behavior on the achievement of goals for growth, financial performance and other items.

*Stock Ownership*. The Management Resources, Nominating and Compensation Committee believes that it can align the interests of stockholders and executives by providing those persons who have substantial responsibility over the management and growth of the Company with an opportunity to establish a meaningful ownership position in the Company. Other than in connection with the Stock Option Replacement Program, the Company did not grant any stock options to Messrs. Ergas, Kern, Eagleson, Roessler or O Connell under the Company s Incentive Plan. See Option/SAR Grants in Last Fiscal Year above. The Company granted a limited number of stock options to other key employees during fiscal 2002.

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*Report on Repricing of Options.* On July 27, 2001, the Company repurchased from certain employees, directors and other eligible option holders certain outstanding options with an exercise price of $9.00 per share or more. In connection therewith and in consideration therefor, on January 29, 2002 the Company reissued to such persons (that continuously remained an employee or director of the Company from the cancellation date) options to acquire a number of shares equal to the number of shares subject to the surrendered options. The new options have an exercise price of $11.05, which is equal to the closing price of the Company s common stock on January 28, 2002. Fifty percent of the new options issued to each person were immediately exercisable and the remaining 50% will become exercisable on the first anniversary of the reissue.

At the time of the Company s decision to commence its option repricing offer, many of the Company s outstanding options had exercise prices that were significantly higher than the market price of the Company s Common Stock. At the time, the Company believed that such options were unlikely to be exercised in the near future. By offering to repurchase certain outstanding options and issue in exchange therefor new options having an exercise price equal to the fair market value of the Company s Common Stock on the Reissue Date, the Company intended to provide option holders with the benefit of owning options possessing a greater potential to increase in value over time. The Company believed that this benefit would not only create performance incentives for options holders, many of whom are employees of the Company, but would also maximize shareholder value.

*Chief Executive Officer Compensation*. The base pay level and annual incentive bonus compensation for Mr. Ergas, who has served as the Company s Chief Executive officer since January 1, 2000, was determined by the Management Resources, Nominating and Compensation Committee in its discretion based on achievement of goals and objectives determined by it and in accordance with his respective employment agreement. The Board set Mr. Ergas base salary for the year beginning on January 1, 2002 and ending on December 31, 2002 at $500,000 per annum, subject to increase by the Board. See Management Employment Agreements above.

*Certain Tax Considerations*. Section 162(m) of the Internal Revenue Code of 1986, as amended, limits the deductibility on the Company s tax return of compensation over $1 million to any of the Named Executive Officers, unless, in general, the compensation is paid pursuant to a plan which is performance-based, is non-discretionary and has been approved by the Company s stockholders. The Company s policy with respect to Section 162(m) is to make reasonable efforts to ensure that compensation is deductible without limiting the Company s ability to attract and retain qualified executives.

*Summary*. After its review of all existing programs, the Management Resources, Nominating and Compensation Committee believes that the total compensation program for executives of the Company is focused on increasing values for stockholders and enhancing corporate performance. The Management Resources, Nominating and Compensation Committee currently believes that the compensation of executive officers is properly tied to stock appreciation through stock options or stock ownership. The Management Resources, Nominating and Compensation Committee believes that executive compensation levels at the Company are competitive with the compensation programs provided by other corporations with which the Company competes. The foregoing report has been approved by all members of the Management Resources, Nominating and Compensation Committee.

MANAGEMENT RESOURCES, NOMINATING AND COMPENSATION COMMITTEE

Alexander P. Dyer
*Chairman*

Thomas A. Donahoe
John E. Jones
John W. Puth
*Members*

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**Performance Graph**

The following line graph compares the annual percentage change in our cumulative total stockholder return on our common stock of an investment of $100 since September 26, 1997 with the cumulative total return of the New York Stock Exchange (NYSE) Composite Index and the Dow Jones Industrial Average for the five-year period ending September 27, 2002.

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

The following table sets forth information with respect to the beneficial ownership of our common stock as of November 30, 2002 by (1) each stockholder known by us to own beneficially five percent or more of the outstanding shares of such common stock, (2) each of our directors, (3) each named executive officer and (4) all of our directors and executive officers as a group. As of November 30, 2002, there were 8,761,259 shares of our common stock outstanding. To our knowledge, each stockholder has sole voting and investment power with respect to the shares indicated as beneficially owned, unless otherwise indicated in a footnote. Unless otherwise indicated in a footnote, the business address of each person is the address of our principal executive office.

| Beneficial Owner | Number of Shares of Common Stock (1) | Percent of Class (2) |
|---|---|---|
| Jean-Pierre M. Ergas (3) | 614,777 | 6.7% |
| Warren J. Hayford (4) | 2,249,608 | 24.7 |
| Mary Lou Hayford (5) | 1,821,273 | 20.8 |
| Kevin C. Kern (6) | 65,091 | * |
| Thomas Eagleson (7) | 120,711 | 1.4 |
| Kenneth Roessler (8) | 115,454 | 1.3 |
| Jeffrey O Connell (9) | 66,820 | * |
| Thomas A. Donahoe (10) | 90,000 | 1.0 |
| Alexander P. Dyer (11) | 203,047 | 2.3 |
| John E. Jones (12) | 110,000 | 1.2 |
| John W. Puth (13) | 150,970 | 1.7 |
| John T. Stirrup (14) | 368,319 | 4.1 |
| BCO Holding (15) | 2,513,168 | 27.3 |
| Dimensional Fund Advisors, Inc. (16) | 701,650 | 8.0 |
| Putnam Investments, LLC. (17) | 725,752 | 8.3 |
| All Directors and Executive Officers as a Group (11 persons) | 4,154,797 | 40.2 |

*Less than one percent.

(1) The number of shares includes shares of BWAY common stock subject to options held by the indicated person, whether or not currently vested, since all options will become vested upon completion of the Merger.

(2) Shares subject to options are considered outstanding for the purpose of determining the percent of the class held by the holder of such option, but not for the purpose of computing the percentage held by others.

(3) The shares of BWAY common stock beneficially owned by Mr. Ergas include 476,700 sharessubject to options and 28,077 shares held under BWAY s 401(k) plan.

(4) The shares of BWAY common stock beneficially owned by Mr. Hayford include 1,821,273 shares owned directly by his wife, Mary Lou Hayford, and 92,918 shares owned directly by Mr. Hayford. In addition, the shares of BWAY common stock beneficially owned by Mr. Hayford include 335,417 shares subject to options. Mr. Hayford disclaims beneficial ownership of the shares owned directly by his wife.

(5) The shares of BWAY common stock beneficially owned by Mrs. Hayford do not include 92,918 shares owned directly by her husband, Warren Hayford, and do not include 335,417 shares subject to options owned directly by her husband.

(6) The shares of BWAY common stock beneficially owned by Mr. Kern include 41,033 shares subject to options and 18,406 shares held under BWAY s 401(k) plan.

(7) The shares of BWAY common stock beneficially owned by Mr. Eagleson include 120,000 shares subject to options and 711 shares held under BWAY s 401(k) plan.

(8) The shares of BWAY common stock beneficially owned by Mr. Roessler include 95,000 shares subject to options and 10,454 shares held under BWAY s 401(k) plan.

(9)

The shares of BWAY common stock beneficially owned by Mr. O Connell include 29,700 shares subject to options and 10,307 shares held under BWAY s 401(k) plan.

(10) The shares of BWAY common stock beneficially owned by Mr. Donahoe include 82,500 shares subject to options.

(11) The shares of BWAY common stock beneficially owned by Mr. Dyer include 4,800 shares owned directly by his wife and 86,700 shares subject to options.

(12) The shares of BWAY common stock beneficially owned by Mr. Jones include 7,000 shares owned by his wife as trustee of a trust for the benefit of Mr. Jones wife and children. In addition, the shares of BWAY common stock beneficially owned by Mr. Jones include 82,500 shares subject to options. Mr. Jones disclaims beneficial ownership of the shares owned by his wife as trustee of this trust.

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(13) The shares of BWAY common stock beneficially owned by Mr. Puth include 86,700 shares subject to options.

(14) The shares of BWAY common stock beneficially owned by Mr. Stirrup include 135,417 shares subject to options.

(15) On October 10, 2002, BCO Holding filed a Schedule 13D reporting that it may be deemed to have acquired beneficial ownership of 2,513,168 shares of BWAY common stock pursuant to the separate voting agreements BCO Holding entered into with each of Mr. Ergas, Mr. Hayford and Mrs. Hayford, which are described under the heading Proposed Change in Control Voting Agreements below. In its Schedule 13D, BCO Holding expressly disclaims any beneficial ownership of the shares of BWAY common stock covered by the voting agreements.

(16) Based solely upon a Schedule 13G, dated February 12, 2002, filed by Dimensional Fund Advisors Inc. ( Dimensional ), Dimensional has sole voting and sole dispositive power with respect to 701,650 shares of BWAY common stock. Dimensional expressly disclaims that it is the beneficial owner of such securities. Dimensional s address is 1299 Ocean Avenue, 11/th/ Floor, Santa Monica, California 90401.

(17) Based solely upon a Schedule 13G, dated February 13, 2002, filed jointly by each of Putnam Investments, LLC. ( Putnam Investments ), Putnam Investment Management, LLC. ( Putnam Management ) and Putnam Advisory Company, LLC. ( Putnam Advisory ), the shares of BWAY common stock shown as beneficially owned by Putnam Investments are owned by two wholly-owned subsidiaries of Putnam Investments, Putnam Management (which owns 169,900 shares) and Putnam Advisory (which owns 555,852). For purposes of the reporting requirements of the Exchange Act, Putnam Investments may be deemed to be a beneficial owner of such securities; however, Putnam Investments expressly disclaims that it is the beneficial owner of such securities. Putnam Investments address is One Post Office Square, Boston, Massachusetts 02109.

**Proposed Change in Control**

*Agreement and Plan of Merger*. We entered into an agreement and plan of merger dated September 30, 2002 as described in Item 1. Business Agreement and Plan of Merger.

*Voting Agreements*. Each of Jean-Pierre Ergas, Warren Hayford and Mary Lou Hayford has entered into a separate voting agreement with BCO Holding under which he or she has agreed to vote (or cause to be voted) all of their shares of BWAY common stock (constituting in the aggregate approximately 23.4% of the outstanding shares of BWAY common stock as of November 30, 2002) at any annual, special or other meeting of BWAY stockholders:

(1) in favor of the approval of the Merger Agreement, the Merger and the other transactions contemplated thereby and any actions required in furtherance thereof;

(2) against any action or agreement that would result in a breach in any material respect of any covenant, representation or warranty or any other obligation of BWAY under the voting agreement, the Merger Agreement or any other agreement contemplated by the voting agreement or the Merger Agreement;

(3) against:

a) any offer or proposal regarding a merger, consolidation, share exchange, recapitalization, reclassification, liquidation or other business combination involving BWAY or any subsidiary of BWAY whose consolidated revenues, net income or assets constitute 10% or more of the revenues, net income or assets of BWAY and its subsidiaries, taken as a whole,

b) the acquisition or purchase of 30% or more of any class of equity securities of BWAY or any subsidiary of BWAY whose consolidated revenues, net income or assets constitute 10% or more of the revenues, net income or assets of BWAY and its subsidiaries, taken as a whole,

c) any tender offer (including self-tenders) or exchange offer or stock purchase (including any repurchase by BWAY) that if completed would result in any person beneficially owning 30% or more of any class of equity securities of BWAY or any subsidiary of BWAY whose consolidated revenues, net income or assets constitute 10% or more of the revenues, net income or assets of BWAY and its subsidiaries, taken as a whole, or a substantial portion of the assets of, BWAY or any of its subsidiaries taken as a whole, other than the transactions contemplated by the Merger Agreement, or

d) any other proposal for action or agreement that is intended, or could reasonably be expected, to materially impede, interfere with, delay, postpone or adversely affect the completion of the Merger;

(4) against any change in the composition of the BWAY board of directors, other than as contemplated by the Merger Agreement; and

(5) against any amendment to the certificate of incorporation or by-laws of BWAY, other than as contemplated by the Merger Agreement.

Under his or her voting agreement, Mr. Ergas, Mr. Hayford and Mrs. Hayford have each agreed to irrevocably appoint BCO Holding and each of its executive officers, from and after September 30, 2002 until the earlier to occur of the effective time of the Merger and the termination of their voting agreement, as his or her attorney, agent and proxy, with full power of substitution, to vote and otherwise act with respect to all of his or her shares of BWAY common stock on the matters and in the manner described above.

Each of Mr. Ergas , Mr. Hayford s and Mrs. Hayford s voting agreement will terminate on the earliest to occur of (1) the termination of the Merger Agreement in accordance with its terms, (2) an agreement of BCO Holding and either Mr. Ergas, Mr. Hayford or Mrs. Hayford, respectively, to terminate their voting agreement, (3) a determination of the BWAY board of directors to not make or to withdraw, modify or change its recommendation of the approval of the Merger Agreement and the Merger and (4) the completion of the Merger.

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**Equity Compensation Plan Information**

The following table summarizes compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance as of September 29, 2002.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders (1) | 1,930,364 | $ 8.90 | 494,636 |
| Equity compensation plans not approved by security holders | | | |
| Total | 1,930,364 | $ 8.90 | 494,636 |

(1) Consists of the BWAY Corporation Fourth Amended and Restated 1995 Long-Term Incentive Plan, which was approved by security holders at our 2000 Annual Meeting of Stockholders.

**Item 13. Certain Relationships and Related Transactions**

The Company is party to a lease agreement with Division Street Partners ( DSP ), a limited partnership, pursuant to which the Company leases a manufacturing facility. James W. Milton, George Milton, Patrick Milton and Michael Milton each hold (i) a 12.5% limited partnership interest in DSP and (ii) a 12.5% interest in the general partner of DSP. The Company is obligated to pay annual rent in the amount of $676,695 through the term of the lease, which ends in September 2004. The Company has the option to extend the term of the lease for one additional five-year period. Each of George Milton, Patrick M