
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

**Annual Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2001

Commission File Number 333-53276

U.S. Can Corporation

(Exact Name Of Registrant As Specified In Its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

06-1094196

(I.R.S. Employer Identification No.)

700 East Butterfield Road, Suite 250, Lombard, Illinois

(Address of principal executive offices)

60148

(Zip code)

Registrant's telephone number, including area code **(630) 678-8000**

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

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

Indicate by check mark 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 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark 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. Yes ☒ No ☐

As of March 15, 2002, 53,333,333 shares of Common Stock were outstanding.

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INCLUSION OF FORWARD-LOOKING INFORMATION

Certain statements in this report constitute "forward-looking statements" within the meaning of the federal securities laws. Such statements involve known and unknown risks and uncertainties which may cause the Company's actual results, performance or achievements to be materially different than any future results, performance or achievements expressed or implied in this report. By way of example and not limitation and in no particular order, known risks and uncertainties include our substantial debt and ability to generate sufficient cash flows to service our debt; the timing and cost of plant closures; the level of cost reduction achieved through restructuring; the success of new technology; changes in market conditions or product demand; loss of important customers or volume; downward product price movements; changes in raw material costs; and currency fluctuations. In light of these and other risks and uncertainties, the inclusion of a forward-looking statement in this report should not be regarded as a representation by the Company that any future results, performance or achievements will be attained.

PART I

ITEM 1. BUSINESS

General

U.S. Can Corporation, incorporated in Delaware in 1983, through its wholly owned subsidiary, United States Can Company, is a leading manufacturer, by sales volume, of steel containers for personal care, household, automotive, paint, industrial and specialty products in the United States and Europe. We also are a manufacturer of plastic containers in the United States and food cans in Europe. We have long-standing relationships with many well-known consumer products and paint manufacturers in the United States and Europe, including Reckitt Benckiser, Sherwin Williams, Gillette, and Unilever. We also produce seasonal holiday tins sold by mass merchandisers. References in this report include U.S. Can Corporation (the "Corporation" or "U.S. Can"), its wholly owned subsidiary, United States Can Company ("United States Can"), and United States Can's subsidiaries (the "Subsidiaries").

We hold the number one market position in steel aerosol cans, based on sales volume, in the United States and the number two market position in Europe. In addition, we hold the number two market position in paint cans in the United States, by unit volume. We attribute our market leadership to our ability to consistently provide high-quality products and service at competitive prices, while continually improving our product-related technologies. 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 the Company believes to be reliable. For financial information about business segments and geographic areas, refer to Note (14) to the Consolidated Financial Statements.

Business Segments

We have four major business segments: Aerosol Products; International Operations; Paint, Plastic and General Line Products; and Custom and Specialty Products.

Aerosol Products

As the largest producer of steel aerosol cans in the United States by sales volume, we have a leading position in all of the major aerosol consumer product lines, including personal care, household, automotive and spray paint cans. We offer a wide range of aerosol containers to meet our customer requirements including stylized necked-in cans and barrier pack cans used for products that cannot be mixed with a propellant, such as shaving gel. Most of the aerosol cans that we produce employ a lithography process that consists of printing our customers' designs and logos on flat sheets of tinplate, prior to formation into cans.

Steel aerosol cans manufactured in the U.S. represent our largest segment, accounting for approximately 43.4%, 44.2% and 49.8% of our total net sales in 2001, 2000 and 1999, respectively. In 2001, we manufactured approximately 50% of the steel aerosol cans produced in the United States.

International Operations

We produce steel aerosol cans and steel food cans in Europe. We also supply steel aerosol cans to customers in Latin America through Formametal S.A., our joint venture in Argentina. In December 1999, we acquired May Verpackungen GmbH & Co., KG ("May"), a German manufacturer of steel food packaging and aerosol cans. May has provided us with diversification across our product lines and customer base.

International Operations represent our second largest segment, accounting for approximately 29.7%, 29.6% and 17.7% of our total net sales in 2001, 2000 and 1999, respectively. In 2001, we were the second largest producer of steel aerosol cans in Europe and manufactured over 25% of the steel aerosol cans produced. May is a leading European food can producer with more than 20% of the German food can market, by sales volume.

Paint, Plastic & General Line Products

Our primary paint, plastic and general line products include steel paint and coating containers, oblong cans and plastic pails and drums. Management estimates that U.S. Can is second in market share in the United States, on a unit volume basis, in steel round and general line containers. Among our largest customers for these products are Sherwin Williams and ICI Industries. Paint, plastic and general line products accounted for approximately 17.4%, 17.4% and 20.3% of our total net sales in 2001, 2000 and 1999, respectively.

Custom & Specialty Products

We also have a significant presence in the custom and specialty market, offering a wide range of decorative and specialty steel products. Our primary products include functional and decorative containers and tins, and collectible items, such as decorative metal signs. These products are generally custom designed and decorated and are typically produced in smaller quantities than our other products. Our customers in this segment include Wyeth Nutritionals, Keebler Company and Liz Claiborne Cosmetics. On February 20, 2001, we acquired certain assets of Olive Can Company, a Custom and Specialty manufacturer. The Olive acquisition is not material to the Company's operations or financial position.

Custom and specialty products accounted for approximately 9.5%, 8.8% and 12.2% of our total net sales in 2001, 2000 and 1999, respectively.

Customers and Sales Force

As of December 31, 2001, in the United States, we had approximately 4,300 customers, with our largest customer accounting for 8.7% of our total net sales in 2001. To the extent possible, we enter into one-year or multi-year supply agreements with our major customers. Some of these agreements specify the number of containers a customer will purchase (or the mechanism for determining this number), pricing, volume discounts (if any) and, in the case of many of our domestic and some of our international multi-year supply agreements, a provision permitting us to pass through price increases in specified raw material and other costs.

We market our products primarily through a sales force comprised of inside and outside sales representatives dedicated to each segment. As of December 31, 2001, we had 81 sales representatives in the United States and 37 sales representatives in Europe. Each sales representative is responsible for growing sales in a specific geographic region and is compensated by a salary and a bonus based on sales volume targets.

Raw Materials

Our principal raw materials are tin-plated steel, referred to as tin-plate, and coatings and inks used to print our customers' designs and logos onto tin-plate. Tin-plate represents our largest raw material cost. Our domestic operations purchase tin-plate principally from domestic steel manufacturers, with a smaller portion purchased from foreign suppliers. Our European operations purchase tin-plate principally from European suppliers. Our largest domestic steel suppliers are U.S. Steel, Weirton Steel and Wheeling-Pitt, while Corus, Arcelor and Rasselstein supply the largest volume in Europe.

The President of the United States has imposed 30% ad valorem tariffs under Section 201 of the Trade Act of 1974 on tin mill imports from most foreign producers effective March 20, 2002. These tariffs are scheduled to remain in effect for three years, declining to 24% in the second year and 18% in the third year. Tin mill imports from Canada, Mexico and certain developing countries are excluded from the tariffs. The Company purchases the vast majority of its domestic steel from domestic sources and since the tariff curtails foreign competition, a negative impact to the Company could arise from price increases from domestic suppliers.

Our domestic and European operations purchase approximately 400,000 tons of tin-plate annually. The Company believes that adequate quantities of tin-plate will continue to be available from steel manufacturers, however, potential seasonal shortages may occur as the result of the tariffs.

Tin-plate prices have increased slightly over the last five years. While there is some long-term variability, tin-plate prices have generally been stable and price increases have historically been announced several months before

implementation. This stability has enhanced our ability to communicate and negotiate required selling price increases with our customers and minimizes fluctuations of our gross margins. Many of our domestic and some of our international multi-year supply agreements with our customers permit us to pass through tin-plate price increases and, in some cases, other raw material costs. While the Company believes it has an agreement in place which should limit the impact of any steel price increases on its operations in fiscal 2002, it cannot assess the impact of the tariffs on its steel prices in 2003 or later years. We have not always been able to immediately offset increases in tin-plate prices with price increases on our products. Further, the tariffs could jeopardize this pricing stability, and could negatively impact our gross margins as we may not have the ability to immediately or fully pass through tinplate price increases to all of our customers. Due to the recent imposition of the tariffs, the Company is unable to determine the effects the tariffs will have on steel prices or resource availability, however, the Company will continue to explore other sourcing alternatives to limit any potential negative impact of the tariffs.

Coatings and inks, which are used to coat tin-plate and print designs and logos, represent our second largest raw material expense. We purchase coatings and inks from regional suppliers in the United States and Europe. These products historically have been readily available, and we expect to be able to meet our needs for coatings and inks in the foreseeable future.

Our plastic products are produced from two main types of resins, which are petroleum or natural gas-based products. High-density polyethylene resin is used to make pails, drums and agricultural products. We use 100% post-industrial and post-consumer use, recycled polypropylene resin in the production of the Plastite® line of paint cans. The price of resin fluctuates significantly, and we believe that it is standard industry practice, as well as a provision of many of our customer contracts, to pass on increases and decreases in resin prices to our customers.

Seasonality

The Company's business as a whole has minor seasonal variations. Quarterly sales and earnings tend to be slightly stronger starting in early spring (second quarter) through late summer (third quarter). Aerosol sales have minor increases in the spring and summer related to increased sales of containers for household products and insect repellents. Paint container sales tend to be stronger in spring and early summer due to the favorable weather conditions. Portions of the Custom and Specialty products line tend to vary seasonally, because of holiday sales late in the year. May's food can sales generally peak in the third and fourth quarters.

Special Charges

During 2001, the Company initiated several restructuring programs. Upon completion, the programs will result in (a) the closure of five manufacturing facilities, (b) the additional consolidation of two facilities into a new facility, (c) the reversal of a previous decision to close a custom and specialty lithography facility due to changing business needs and (d) the elimination of approximately 600 jobs. Charges of \$36.2 million were recorded for the cost of these programs. \$13.2 million of the charge consists of non-cash charges, primarily write-offs of property, plant and equipment. The remainder of the charge consists of cash costs, primarily employee termination costs, future cash payments for employee benefits as required under union contracts, lease termination and other facility exit costs. While the majority of the restructuring initiatives will be completed in 2002, certain portions of the programs will not be completed until 2003, and the Company does not expect to realize the full earnings benefits until 2004. Certain long-term liabilities (approximately \$6.0 million as of December 31, 2001), consisting primarily of employee termination costs and future cash payments for employee benefits as required under union contracts, are expected to be paid over many years.

The individual components of the restructuring programs are discussed in Note (4) to the consolidated financial statements.

Labor

As of February 1, 2002, we employed approximately 2,600 salaried and hourly employees in the United States. Of our total U.S. workforce, approximately 1,600 employees, or 62%, were members of various labor unions, including the United Steelworkers of America, the International Association of Machinists and the Graphic Communications International Union. Labor agreements covering approximately 590 employees were successfully negotiated in 2001. As of February 1, 2002, our European subsidiaries employed approximately 1,400 people. In line with common European practices, all plants are unionized.

We have followed a labor strategy designed to enhance our flexibility and productivity through constructive relations with our employees and collective bargaining units. Our practice is to deal directly with local labor unions on employment contract issues and other employee concerns. This practice also has the effect of staggering renewal negotiations with the various bargaining units. We believe that our relations with our employees and their collective bargaining units are generally good.

As discussed previously, the restructuring programs initiated in 2001 will result in a reduction of the salaried and hourly work force. Of the approximately 600 positions identified for elimination, approximately 400 were hourly positions. As of December 31, 2001 approximately 51 salaried and 53 hourly positions have been eliminated. The Company has worked closely with the various labor unions and their collective bargaining units to ensure provisions for termination, severance and pension eligibility were in accordance with the respective collective bargaining agreements. Except as referenced in "Legal Proceedings – Litigation", the Company's relationship with represented employees is good and there have been no labor strikes, slow-downs, work stoppages or other material labor disputes threatened or pending against the Company for at least the past 10 years.

Competition

Quality, service and price are the principal methods of competition in the rigid metal and plastic container industry. Geographic presence is also an important competitive factor given the cost of shipping empty cans long distances and accordingly, the Company maintains East Coast, Midwest, Southern and West Coast manufacturing facilities. In addition, price competition in our industry limits our ability to raise prices for many of our top products.

In the U.S. steel aerosol can market, we compete primarily with Crown Cork & Seal and BWAY. Because steel aerosol cans are pressurized and are used for personal care, household and other consumer products, they are more sensitive to quality, can decoration and other consumer-oriented features than some of our other products.

Our European subsidiaries compete with Crown Cork & Seal, Impress Metal Packaging and other smaller regional producers. Crown Cork & Seal and Impress are larger and may have greater financial resources than we do.

In metal paint and general line products, we compete primarily with BWAY Corporation and one smaller regional manufacturer. Our plastic products line competes with many regional companies.

Our custom and specialty line competes with a large number of container manufacturers, but we do not compete across the entire product spectrum with any single company. Competition in this segment is based principally on quality, service, price, geographical proximity to customers and production capability, with varying degrees of intensity according to the specific product category.

Our products also face competition from aluminum, glass and plastic containers and flexible pouches.

Acquisitions

In December 1999, the Company acquired all of the partnership interests of May, a German limited liability company, in a transaction accounted for as a purchase. May, headquartered in Erftstadt, Germany, is a manufacturer of pet food and specialty food packaging, as well as aerosol cans. Historically, the Company has not had a significant presence in the food can market.

In February 2001, we acquired certain assets of Olive Can Company, a Custom and Specialty manufacturer. The acquisition, which is not material to the Company's operations or financial position, was accounted for as a purchase.

Refer to Note (5) to the Consolidated Financial Statements for further discussion of these transactions.

ITEM 2. PROPERTIES

We have 15 operations located in the United States, many of which are strategically positioned near principal customers and suppliers. Through our European subsidiaries, we also have production locations in the largest regional markets in Europe, including Denmark, France, Germany, Italy, Spain and the United Kingdom. The following table sets forth certain information with respect to our principal plants as of March 15, 2002.

<u>Location</u>	<u>Size (in sq. ft.)</u>	<u>Status</u>	<u>Segment</u>
United States			
Elgin, IL*	481,346	Owned	Aerosol
Tallapoosa, GA*	249,480	Owned	Aerosol
Commerce, CA	215,860	Leased	Paint, Plastic and General Line
Baltimore, MD	232,172	Leased	Custom and Specialty
Burns Harbor, IN	190,000	Leased	Aerosol
Newnan, GA	185,122	Leased	Paint, Plastic and General Line
Hubbard, OH*	174,970	Owned	Paint, Plastic and General Line
Elgin, IL	144,578	Leased	Custom and Specialty
Baltimore, MD*	137,000	Owned	Custom and Specialty
Horsham, PA*	132,000	Owned	Aerosol
Weirton, WV	108,000	Leased	Aerosol
Danville, IL*	100,000	Owned	Aerosol
Baltimore, MD	55,000	Leased	Custom and Specialty
Alliance, OH	52,000	Leased	Paint, Plastic and General Line
New Castle, PA*	22,750	Owned	Custom and Specialty
Europe			
Erfstadt, Germany	369,000	Leased	International
Merthyr Tydfil, United Kingdom (2)	320,000	Leased	International
Southall, United Kingdom	253,000	(3)	International
Laon, France (1)	220,000	Owned	International
Reus, Spain	182,250	Owned	International
Daegeling, Germany	172,224	Owned	International
Itzehoe, Germany	80,730	Owned	International
Esbjerg, Denmark	66,209	Owned	International
Voghera, Italy	45,200	Leased	International
Schwedt, Germany	35,500	Leased	International

* U.S. owned plants are subject to a mortgage in favor of Bank of America, N.A. as collateral agent for the lenders under the credit agreement.

(1) Subject to a mortgage in favor of Société Générale.

(2) The property at Merthyr Tydfil is subject to a 999-year lease with a pre-paid option to buy that becomes exercisable in January 2007. Up to that time, the landowner may require us to purchase the property for a payment of one Pound Sterling. Currently, the leasehold interest in, and personal property located at, Merthyr Tydfil is subject to a pledge to secure amounts outstanding under a credit agreement with General Electric Capital Corporation.

(3) The Southall, U.K. plant was sold in December 2001. The Company will vacate the facility in the third quarter of 2002.

In connection with our restructuring initiatives, we have closed several manufacturing facilities, some which have been subleased. The Company has reserved for on-going costs associated with these closed facilities and they are not included in the above listing.

We believe our facilities are adequate for our present needs and that our properties are generally in good condition, well-maintained and suitable for their intended use. We continuously evaluate the composition of our various manufacturing facilities in light of current and expected market conditions and demand, and may further consolidate our plant operations in the future.

ITEM 3. LEGAL PROCEEDINGS

Environmental Matters

Our operations are subject to environmental laws in the United States and abroad, relating to pollution, the protection of the environment, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. Our capital and operating budgets include costs and expenses associated with complying with these laws, including the acquisition, maintenance and repair of pollution control equipment, and routine measures to prevent, contain and clean up spills of materials that occur in the ordinary course of our business. In addition, some of our production facilities require environmental permits that are subject to revocation, modification and renewal. We believe that we are in substantial compliance with environmental laws and our environmental permit requirements, and that the costs and expenses associated with this compliance are not material to our business. However, additional operating costs and capital expenditures could be incurred if, among other developments, additional or more stringent requirements relevant to our operations are promulgated.

Occasionally, contaminants from current or historical operations have been detected at some of our present and former sites. Although we are not currently aware of any material claims or obligations with respect to these sites, the detection of additional contamination or the imposition of cleanup obligations at existing or unknown sites could result in significant liability.

We have been designated as a potentially responsible party under superfund laws at various sites in the United States, including a former can plant located in San Leandro, California. As a potentially responsible party, we are or may be legally responsible, jointly and severally with other members of the potentially responsible party group, for the cost of environmental remediation at these sites. Based on currently available data, we believe our contribution to the sites designated under U.S. Superfund law was, in most cases, minimal. With respect to San Leandro, we believe the principal source of contamination is unrelated to our past operations.

Through corporate due diligence and the Company's compliance management system, we identified potential noncompliance with the environmental laws at our New Castle, Pennsylvania facility related to the possible use of a coating or coatings inconsistent with the conditions in the facility's Clean Air Act Title V permit. In February 2001, the Company voluntarily self-reported the potential noncompliance to the Pennsylvania Department of Environmental Protection (PDEP) and the Environmental Protection Agency (EPA) in accordance with PDEP's and EPA's policies. The Company undertook a full review, revised its emissions calculations based on its review and determined that it had not exceeded its emissions cap for any reporting year. In September 2001, the Company reported to PDEP and EPA certain deviations from the requirements of its Title V permit related to the use of non-compliant coatings and corresponding recordkeeping and reporting obligations, and certain recordkeeping deviations stemming from the malfunction of the temperature recorder for an oxidizer. The Company met with PDEP officials in October 2001, and provided some supplemental information requested by PDEP in November 2001. The Company and PDEP plan to discuss a cooperative resolution of this matter once PDEP reviews the Company's submission. Since PDEP's review is not yet complete, the Company is unable, at this time, to determine PDEP's position or the effect on the Company of any reported deviation.

Based upon currently available information, the Company does not expect the effects of environmental matters to be material to its financial position.

Litigation

We are involved in litigation from time to time in the ordinary course of our business. In our opinion, the litigation is not material to our financial condition or results of operations.

In May 1998, the National Labor Relations Board issued a decision ordering us to pay \$1.5 million in back pay, plus interest, for a violation of certain sections of the National Labor Relations Act. The violation was a result of our closure of several facilities in 1991 and our failure to offer inter-plant job opportunities to 25 affected employees. We appealed this decision on the grounds, among others, that we are entitled to a credit against this award for certain supplemental unemployment benefits and pension payments. On June 19, 2001, the Court of Appeals issued a written decision. While the Court enforced the award of backpay, with interest, it agreed with the Company's position that the NLRB should permit the Company to present actuarial calculations of any credit due it because of overpayments or early payments of supplemental unemployment benefits or pension. On March 1, 2002, the Company settled this case. Under the settlement agreement, the Company will pay approximately \$1.8 million in backpay and interest, as well as certain pension adjustments that are not expected to have a material effect on the Company. The National Labor Relations Board must approve the settlement before any payments are made. The Company expects to receive approval in April 2002.

In September 2000, a purported class action suit was filed against U.S. Can Corporation, Pac Packaging Acquisition Corporation, the directors of U.S. Can Corporation prior to the recapitalization and Carl Ferenbach. The complaint challenged the recapitalization and alleged inadequate disclosure with respect to U.S. Can Corporation's filings with the Securities and Exchange Commission and violations of Delaware law. The complaint sought to rescind the recapitalization and requested that the defendants pay unspecified monetary damages, costs and attorney's fees. The parties settled this matter in return for an additional \$0.20 per share payment to the class, or a total additional payment of approximately \$2.0 million (less the legal fees and expenses awarded to plaintiffs' counsel). The Delaware Chancery Court approved this settlement in July 2001, and awarded plaintiffs' counsel approximately \$500,000 in fees. The Company fully complied with its obligations under the settlement by funding the net settlement proceeds of approximately \$0.15 per share to the class members in October 2001.

ITEM 4.SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

PART II

ITEM 5.MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

U.S. Can has approximately 20 common stockholders. Its common stock has not been registered and there is no trading market for its common stock. It has not paid, and has no present intention to pay, cash dividends. As U.S. Can Corporation has no operations, its only source of cash for dividends or distributions is United States Can Company. There are stringent limitations in the Senior Secured Credit Facility ("the Facility") and \$175.0 million Senior Subordinated Notes ("the Notes") on United States Can's ability to fund or pay cash dividends to U.S. Can Corporation.

In 2000, U.S. Can Corporation issued shares of preferred stock having a face value of \$106.7 million. Dividends accrue on the preferred stock at an annual rate of 10%, are cumulative from the date of issuance and are compounded quarterly, on March 31, June 30, September 30 and December 31 of each year and are payable in cash when and as declared by our Board of Directors, so long as sufficient cash is available to make the dividend payment and such payment would not violate the terms of the Facility and the Notes. As of December 31, 2001 and 2000, dividends of approximately \$13.9 million and \$2.6 million, respectively, have been accrued. As United States Can is U.S. Can Corporation's only source of cash and payments by United States Can are restricted by the terms of the Facility and the Notes, U.S. Can Corporation does not anticipate paying cash dividends on the preferred stock in the foreseeable future. Holders of the preferred stock have no voting rights, except as otherwise required by law. The preferred stock has a liquidation preference equal to the purchase price per share, plus all accrued and unpaid dividends. The preferred stock ranks senior to all classes of U.S. Can Corporation common stock and is not convertible into common stock.

ITEM 6. SELECTED FINANCIAL DATA

The following consolidated financial data as of and for each of the fiscal years in the five years ended December 31, 2001 were derived from our audited financial statements. You should read all of this information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements for the year ended December 31, 2001 and accompanying notes beginning on page 17.

U.S. CAN CORPORATION AND SUBSIDIARIES (000's omitted)

	For the Year Ended December 31,				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Operating Data:					
Net sales	\$ 772,188	\$ 809,497	\$ 732,897	\$ 730,951	\$ 777,140
Special charges (a)	36,239	3,413	--	35,869	62,980
Recapitalization charge (b)	--	18,886	--	--	--
Operating income (loss)	(6,146)	48,153	66,975	21,748	(8,093)
Income (loss) from continuing operations before discontinued operations and extraordinary item	(40,416)	3,341	22,452	(7,525)	(29,906)
Discontinued operations, net of income taxes (f)					
Net income from discontinued operations	--	--	--	--	1,078
Net loss on sale of business	--	--	--	(8,528)	(3,204)
Extraordinary item - loss from early extinguishment of debt, net of income taxes (c)...	--	(14,863)	(1,296)	--	--
Net income (loss) before preferred stock dividends	(40,416)	(11,522)	21,156	(16,053)	(32,032)
Preferred stock dividend requirements (d)	(11,345)	(2,601)	--	--	--
Net income (loss) available for common shareholders	\$ (51,761)	\$ (14,123)	\$ 21,156	\$ (16,053)	\$ (32,032)
BALANCE SHEET DATA:					
Total assets	\$ 634,350	\$ 637,864	\$ 663,570	\$ 555,571	\$ 633,704
Total debt	536,776	495,045	359,317	316,673	376,141
Redeemable preferred stock	120,612	109,268	--	--	--
Stockholders' equity (e)	(247,124)	(174,323)	68,556	50,177	62,313

(a) See Note (4) of the "Notes to Consolidated Financial Statements" for a description of the 2001 and 2000 Special Charges. In 1998, the Company established a restructuring provision for closure of the Green Bay, Wisconsin aerosol assembly plant, the Alsip, Illinois general line plant, and the Columbiana, Ohio specialty plant; a write-down to estimated proceeds for the sale of the metal closure business located in Glen Dale, West Virginia; and selected closures and realignment of facilities servicing the lithography needs of the Company's core businesses. In 1997, the Company established a special charge for the closure of the Racine, Wisconsin aerosol assembly plant, the Midwest lithography center in Alsip, Illinois, the Sparrows Point lithography center in Baltimore, Maryland, and the California Specialty plant in Vernalis, California; a write-down to estimated proceeds for the sale of the Orlando machine engineering center; and organizational changes designed to reduce general overhead.

(b) See Note (3) of the "Notes to Consolidated Financial Statements."

(c) See Note (6) of the "Notes to Consolidated Financial Statements."

(d) See Note (12) of the "Notes to Consolidated Financial Statements."

(e) Negative stockholders' equity in 2001 and 2000 was caused by the recapitalization. See Note (3) of the "Notes to Consolidated Financial Statements."

(f) On November 9, 1998, the Company sold its commercial metal services business ("Metal Services"). Metal Services included one plant in each of Chicago, Illinois; Trenton, New Jersey; Brookfield, Ohio, and Alsip, Illinois.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion summarizes the significant factors affecting the consolidated operating results and financial condition of the Company and subsidiaries for the three years ended December 31, 2001. This discussion should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements.

Critical Accounting Policies; Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used for, but not limited to: allowance for doubtful accounts; inventory valuation; purchase accounting allocations; restructuring amounts; asset impairments; depreciable lives of assets; useful lives of intangible assets; pension assumptions and tax valuation allowances. Future events and their effects cannot be perceived with certainty. Accordingly, our accounting estimates require the exercise of management's current best reasonable judgment based on facts available. The accounting estimates used in the preparation of the Consolidated Financial Statements will change as new events occur, as more experience is acquired, as more information is obtained and as the Company's operating environments change.

The Company's critical accounting policies are described in Note (2) to the Consolidated Financial Statements. Accounting policies requiring significant management judgments include those which affect revenue, accounts receivable allowances and inventory. Significant business or customer conditions could cause material changes to the amounts reflected in our financial statements. For example, the Company enters into contractual agreements with certain of its customers for rebates, generally based on annual sales volumes. Should the Company's estimates of the customers' annual sales volumes vary materially from the sales volumes actually realized, revenue may be materially impacted. Similarly, a large portion of the Company's inventory is manufactured to customer specifications. Other inventory is generally less specific and saleable to multiple customers. However, losses may result should the Company manufacture customized products which it is unable to sell. Management also estimates allowances for collectibility related to its accounts receivable. These allowances are based on the customer relationships, the aging and turns of accounts receivable, credit worthiness of customers, credit concentrations and payment history. Despite our best efforts, the inability of a particular customer to pay its debts could impact collectibility of receivables and could have an impact on future revenues if the customer is unable to arrange other financing.

As more fully described in Note (4) to the Consolidated Financial Statements, several restructuring programs are underway in order to streamline operations and reduce costs. The Company has established reserves to cover the costs to implement the programs. The estimated costs were determined based on contractual arrangements, quotes from contractors, similar historical activities and other judgmental determinations. Actual costs may differ from those estimated.

To manage interest rate exposure, the Company enters into interest rate agreements. The net interest paid or received on these agreements is recognized as interest income or expense. Our interest rate agreements are reported in the consolidated financial statements at fair value using a mark to market valuation. Changes in the fair value of the contracts are recorded each period as a component of other comprehensive income. Gains or losses on our interest rate agreements are reclassified as earnings or losses in the period in which earnings are affected by the underlying hedged item. This may result in additional volatility in reported earnings, other comprehensive income and accumulated other comprehensive income. Our interest rate swaps and collars were entered into in 2000, when interest rates were higher than current rates. Accordingly, these contracts are "out of the money" and may require future payments if market interest rates do not return to historical levels. In addition, if rates do increase above historical levels and the counterparties to the agreements default on their obligations under the agreements, our interest expense would increase. The Company does not use financial instruments for trading or speculative purposes.

Year Ended December 31, 2001 Compared To Year Ended December 31, 2000

Consolidated net sales for the year ended December 31, 2001 were \$772.2 million as compared to \$809.5 million in 2000, a decrease of 4.6%. Along business segment lines, Aerosol net sales in 2001 decreased to \$334.7 million from \$357.7 million in 2000, a 6.4% decline, due principally to decreased unit volume (\$13.6 million), a change in the mix of sales volume towards lower selling value products (\$4.0 million) and pricing concessions granted in the first half of 2002 (\$5.3 million). The pricing concessions granted in the first part of the year will continue to negatively impact the first half of 2002, both in sales and gross profit. International net sales decreased to \$229.5 million in 2001 from \$239.6 million in 2000, a decrease of \$10.1 million or 4.2%. There was a \$9.7 million negative impact in 2001 due to U.S. dollar translation on sales made in foreign currencies. The Paint, Plastic and General Line segment net sales decreased 4.5%, from \$140.9 million in 2000 to \$134.5 million in 2001 due primarily to decreased unit volume of paint and general line. In the Custom & Specialty segment, sales increased 3.1% from \$71.3 million in 2000 to \$73.5 million in 2001, due to additional sales as the result of the acquisition of Olive Can (\$12.1 million see Note (5) to the Consolidated Financial Statements) offset by the sale of the Wheeling metal closure and Warren lithography businesses (\$3.4 million) and an overall decline in volume (\$6.5 million).

Consolidated cost of goods sold increased \$2.3 million to \$695.5 million for 2001. The principal reasons for the increase included additional volume as a result of the Olive Can acquisition (\$11.8 million) and a one-time inventory write-off relating to discontinued custom and specialty products (\$3.2 million) offset by decreased costs caused by volume and mix (\$12.7 million). The Company does not believe that the recently imposed tariffs on imported steel will have a material impact on the Company's cost of goods sold in 2002, as an agreement is in place covering a significant portion of its domestic steel purchases. However, it cannot determine the effect on steel purchase prices for 2003 and later years. For further discussion on the tariffs see "Business – Raw Materials". Gross profit margin of 9.9% in 2001 decreased 4.5 percentage points from 2000. The primary reasons for the decline in gross margin rate include the impact of volume declines (0.5 percentage points), selling price and product mix (2.0 percentage points) and manufacturing inefficiencies resulting from volume softness (0.9 percentage points) and the delay in the sale of the Southall, U.K facility (0.4 percentage points).

Selling, general and administrative costs increased from \$45.9 million in 2000 to \$46.6 million in 2001. The Company expects a reduction to selling, general and administration costs as a result of the Company offering a voluntary termination program in connection with the restructuring initiatives discussed in Note (4) to the Consolidated Financial Statements.

During 2001, the Company initiated several restructuring programs. These programs will result in (a) the closure of five manufacturing facilities, (b) the additional consolidation of two facilities into one new facility, (c) the reversal of a previous decision to close a custom and specialty lithography facility due to changing business needs and (d) the elimination of approximately 600 jobs. The restructuring programs, which are more fully described in Note (4) to the Consolidated Financial Statements, resulted in a net charge of \$36.2 million in 2001. The programs are expected to result in improved operating income in 2002 and future years as a result of reduced payroll costs and the elimination of fixed overhead costs. A pre-tax charge of \$3.4 million for severance and other termination-related costs was recorded in the third quarter of 2000. There also was an \$18.9 million charge in the fourth quarter of 2000 related to the recapitalization. See Notes (3) and (4) to the Consolidated Financial Statements for further discussion on the recapitalization and the special charge, respectively.

Interest expense in 2001 increased 41.6%, or \$16.8 million, versus 2000 due to borrowings made in connection with the recapitalization transactions that occurred in October 2000. The recapitalization resulted in increased borrowings for all 2001 versus the fourth quarter of 2000. See "Liquidity and Capital Resources" and Notes (3), (5) and (6) to the Consolidated Financial Statements for a further discussion of the recapitalization and the Company's debt position.

Payment in kind dividends of \$11.3 million and \$2.6 million on the redeemable preferred stock issued in connection with the recapitalization were recorded in 2001 and 2000, respectively. See Note (12) to the Consolidated Financial Statements.

Year Ended December 31, 2000 Compared To Year Ended December 31, 1999

Consolidated net sales for the year ended December 31, 2000 were \$809.5 million as compared to \$732.9 million in 1999, an increase of 10.5%. The increase was principally due to additional sales as a result of the May acquisition in December 1999. Along business segment lines, Aerosol net sales in 2000 decreased to \$357.7 million from \$365.3 million in 1999, a 2.1% decline, due principally to decreased unit volume. International net sales increased to \$239.6 million in 2000 from \$129.6 million in 1999, an increase of \$110.0 million or 84.9%, due to the May acquisition. Net sales for 2000 for May were \$118.2 million. There was a \$9.4 million negative impact in 2000 due to U.S. dollar translation on sales made in foreign currencies. The Paint, Plastic and General Line segment had a 5.5% decrease in net sales, from \$149.1 million in 1999 to \$140.9 million in 2000. This decrease is due to the loss of a Plastite customer in 1999 coupled with an overall decrease in product demand. In the Custom & Specialty segment, sales were down 19.2% from \$88.2 million in 1999 to \$71.3 million in 2000, primarily due to the sale of the Wheeling metal closure and Warren lithography businesses (see Note (4) to the Consolidated Financial Statements). Excluding Wheeling and Warren, net sales were down 3.7% from \$70.5 million in 1999 to \$67.9 million in 2000.

Consolidated cost of goods sold of \$693.2 million for 2000 was up \$62.8 million, a 10.0% increase from 1999. The principal reason for the increase was the May acquisition (\$105.0 million in 2000) offset by the sale of the Wheeling metal closure and the Warren lithography businesses (\$11.4 million), \$8.0 million decrease to cost of goods sold in 2000 due to U.S. dollar translation on purchases made in foreign currencies, and decreased volume combined with operating efficiencies of \$22.8 million. Gross profit margin of 14.4% in 2000 increased 0.4% from 1999.

Selling, general and administrative costs increased from \$35.5 million to \$45.9 million between 1999 and 2000. The increase is primarily due to the acquisition of May Verpackungen in December 1999 which accounted for \$7.8 million of the increase. The remainder of the increase is due to higher marketing expenses being invested to improve customer service. As a percent of sales, selling, general and administrative costs increased from 4.9% in 1999 to 5.7% in 2000.

On July 7, 2000, a reduction in force program was announced, under which 81 salaried and 39 hourly positions were eliminated. A pre-tax charge of \$3.4 million for severance and other termination related costs was recorded in the third quarter of 2000. There also was an \$18.9 million charge in the fourth quarter of 2000 related to the recapitalization. See Notes (3) and (4) to the Consolidated Financial Statements for further discussion on the recapitalization and the special charge, respectively.

Interest expense in 2000 increased 35.3%, or \$10.6 million, versus 1999. Increased interest expense is attributed to borrowings made in connection to the May acquisition (which occurred on December 30, 1999) and with the recapitalization transaction. See caption "Liquidity and Capital Resources" and Notes (3), (5) and (6) to the Consolidated Financial Statements for further discussion on the recapitalization transaction, the May acquisition and the Company's debt position.

In connection with the recapitalization, substantially all of the Company's 10 1/8% subordinated notes were redeemed and an extraordinary charge for the redemption premium and the write-off of related deferred financing costs of \$14.9 million (net of related income taxes) was recorded. In addition, a payment in kind dividend of \$2.6 million on the redeemable preferred stock issued in connection with the recapitalization was recorded in 2000. See Note (12) to the Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

During 2001, liquidity needs were met through internally generated cash flow, borrowings made under lines of credit and the initial payment received on the sale of our Southall facility. Principal liquidity needs included operating costs, debt and interest payments and capital expenditures. Cash flow used by operations was \$7.0 million for the year ended December 31, 2001, compared to cash provided of \$28.7 million for the year ended December 31, 2000. The increased use of cash is due to the decrease in net income (as discussed in Results of Operations).

Net cash used in investing activities was \$24.4 million in 2001, as compared to \$8.6 million in 2000. Cash used for investing activities included capital spending, the acquisition of certain assets of Olive Can Company and advances to Formametal S.A. ("Formametal") to finance Formametal's debt repayment and working capital needs, offset by cash received from the sale of the Southall facility. Cash was provided in 2000 by the sale of Wheeling and Warren as discussed in Note (4)

and a sale/leaseback of certain manufacturing assets offset by capital expenditures. Total capital expenditures in 2001 were \$19.5 million compared to \$24.5 million in 2000. Base capital expenditures are expected to range from \$100.0 million to \$110.0 million during the five years commencing 2002, in equal amounts of \$20.0 million to \$22.0 million per year. In addition, capital expenditures in connection with the Company's restructuring programs are expected to be \$9.0 million. The Company expects to spend the majority of this amount in 2002 and the remainder in 2003. Capital expenditures are expected to be funded from cash on hand, operations and borrowings under the revolving credit facility. Capital investments have historically yielded reduced operating costs and improved profit margins, and management believes that the strategic deployment of capital will enable overall profitability to improve by leveraging the economies of scale inherent in the manufacturing of containers.

Net cash provided from financing activities in 2001 was \$35.1 million versus net cash used of \$24.5 million in 2000. The primary 2001 financing source was borrowings under the revolving credit portion of the Senior Secured Credit Facility ("the Facility") including the new Tranche C loan under the Facility, as described below.

Primary sources of liquidity are cash flow from operations and borrowings under revolving credit facilities. United States Can Company, as Borrower, is a party to a Credit Agreement among United States Can, U.S. Can Corporation and Domestic Subsidiaries of U.S. Can Corporation as Domestic Guarantors, and certain lenders including Bank of America, N.A., Citicorp North America, Inc., and Bank One NA as of October 4, 2000 (the "Senior Secured Credit Facility"). The Senior Secured Credit Facility originally provided for aggregate borrowings of \$400.0 million consisting of: (i) \$80.0 million Tranche A loan; (ii) \$180.0 million Tranche B loan; and (iii) \$140.0 million under a revolving credit facility. All of the term debt and approximately \$20.5 million under the revolving credit facility were used to finance the recapitalization. The borrowings under the revolving credit portion of the facility are available to fund working capital requirements, capital expenditures and other general corporate purposes. The revolving loan facility also includes a subfacility for the issuance of Letters of Credit.

During 2001, the Senior Secured Credit Facility was amended twice. The first amendment (April 2001) reduced the revolving credit facility to \$110.0 million. The second amendment (December 2001) includes an additional Tranche C term loan facility of up to \$25.0 million. Under certain circumstances, the Company's majority shareholder may be required to cash collateralize and ultimately repurchase the new term loan facility. The Company borrowed \$20.0 million under the Tranche C facility on December 18, 2001. In addition, the amendments provide for (1) an increase in the interest rate to be paid under the facility of 75 basis points, (2) revised financial covenants in line with current and expected operating trends and (3) an acceleration of the maturity date of all borrowings under the Senior Secured Credit Facility to January 4, 2006. Principal repayments required under the Senior Secured Credit Facility are \$9.0 million in 2002 increasing to \$274.9 million at the maturity date in 2006. Additionally, the Facility requires a prepayment in the event that excess cash flow (as defined) exists and following certain other events, including asset sales and issuances of debt and equity.

Amounts outstanding under the Senior Secured Credit Facility bear interest at a rate per annum equal to either: (1) the base rate (as defined in the Senior Secured Credit Facility) or (2) the LIBOR rate (as defined in the Senior Secured Credit Facility), in each case, plus an applicable margin. The applicable margins were increased in connection with the 2001 amendments and are subject to future reductions based on the achievement of certain leverage ratio targets and on the credit rating of the Senior Secured Credit Facility.

Borrowings under the Tranche A term loan are due and payable in quarterly installments, which are \$2.0 million for each quarter in 2002 and increase over time to \$8.0 million per quarter, until the final balance is due. Borrowings under the Tranche B term loan are due and payable in quarterly installments of nominal amounts until the final payment is due on January 4, 2006. No payments are due on borrowings under the Tranche C term loan prior to its final maturity. The revolving credit facility is available until January 4, 2006. In addition, the Company is required to prepay a portion of the facilities under the Senior Secured Credit Facility upon the occurrence of certain specified events.

The Senior Secured Credit Facility and the Notes contain a number of financial and restrictive covenants. The covenants to the Senior Secured Credit Facility were amended in connection with the 2001 amendments. Under our Senior Secured Credit Facility, the Company is required to meet certain financial tests, including achievement of a minimum EBITDA level, a minimum interest coverage ratio, a minimum fixed charge coverage ratio and a maximum leverage ratio. The restrictive covenants limit the Company's ability to incur debt, pay dividends or make distributions, sell assets or consolidate or merge with other companies. The Company was in compliance with all of the required financial ratios and other covenants, as amended, at December 31, 2001 and anticipates being in compliance in 2002 and future years.

At December 31, 2001, \$56.1 million was outstanding under the \$110.0 million revolving loan portion of the Senior Secured Credit Facility. Letters of Credit of \$9.8 million were outstanding securing the Company's obligations under various insurance programs and other contractual agreements. Additionally, unsecured revolving lines of credit granted by various banks of approximately \$19.0 million are available to fund the seasonal working capital requirements of our international operations. There were no borrowings outstanding under these facilities at December 31, 2001. The lines may be terminated by the offering banks upon given notice periods.

As more fully described in Note (4) to the Consolidated Financial Statements, the Company has initiated several restructuring programs. Future cash requirements to complete these programs are estimated to be approximately \$21.0 million in 2002 and \$3.0 million in 2003, including capital expenditures. The Company expects to fund these cash requirements from cash on hand, operations and borrowings under the revolving credit facility. Upon completion, the programs are expected to yield annual improvements in operating income exceeding \$17.0 million, primarily through the reduction of payroll and fixed overhead expenses.

The Company has a number of contractual commitments to make future cash payments. Under existing agreements, contractual obligations as of December 31, 2001 are as follows (000's omitted):

Contractual Obligations	Payments due by period			
	1st year	2-3 years	4-5 years	After 5 years
Long Term Debt	\$ 11,182	\$ 44,293	\$ 297,584	\$ 179,427
Capital lease obligations	3,801	469	20	-
Operating leases	6,454	9,065	7,298	6,434
Total Contractual Commitments	\$ 21,437	\$ 53,827	\$ 304,902	\$ 185,861

See Note (6) to the Consolidated Financial Statements for further information on obligations under the Senior Secured Credit Facility and 12 3/8% Senior Subordinated Notes due October 1, 2010 ("Notes") and Note (10) for further information on capital and operating leases.

At existing levels of operations, cash generated from operations together with amounts to be drawn from the revolving credit facility, are expected to be adequate to meet anticipated debt service requirements, restructure costs, capital expenditures and working capital needs. Future operating performance, including the impact, if any, of the tariff described under "Raw Materials", and the ability to service or refinance the notes, to service, extend or refinance the senior secured credit facility and to redeem or refinance our preferred stock will be subject to future economic conditions and to financial, business and other factors, many of which are beyond management's control.

INFLATION

Tin-plated steel represents the primary component of the Company's raw materials requirement. Historically, the Company has not always been able to immediately offset increases in tinplate prices with price increases on the Company's products. The Company's capital spending programs and manufacturing process upgrades have increased operating efficiencies and thereby mitigated the impact of inflation on the Company's cost structure.

The President of the United States has imposed 30% ad valorem tariffs under Section 201 of the Trade Act of 1974 on tin mill imports from most foreign producers effective March 20, 2002. These tariffs are scheduled to remain in effect for three years, declining to 24% in the second year and 18% in the third year. Tin mill imports from Canada, Mexico and certain developing countries are excluded from the tariffs. The Company purchases the vast majority of its domestic steel from domestic sources and since the tariff curtails foreign competition, a negative impact to the Company could arise from price increases from domestic suppliers.

NEW ACCOUNTING PRONOUNCEMENTS

During July 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 modifies the method of accounting for business combinations entered into after June 30,

2001 and addresses the accounting for acquired intangible assets. All business combinations entered into after June 30, 2001, are accounted for using the purchase method. SFAS No. 142 eliminates the current requirement to amortize goodwill and indefinite-lived intangible assets, addresses the amortization of intangible assets with a defined life, and addresses the impairment testing and recognition for goodwill and intangible assets. The Company will adopt this pronouncement on January 1, 2002. This pronouncement applies to goodwill and intangible assets arising from transactions completed before and after the date of adoption. Effective January 1, 2002, the Company will cease amortization of goodwill and indefinite-lived intangibles and test for impairment, at least, annually. Management is currently assessing the provisions of both pronouncements and their potential impact on the Company's consolidated results of operations and financial position. The Company recorded goodwill amortization of \$2.8 million, \$2.9 million and \$1.7 million for 2001, 2000, and 1999, respectively.

The FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," in August 2001. SFAS No. 144, which addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, supercedes SFAS No. 121 and is effective for fiscal years beginning after December 15, 2001. While the Company is currently evaluating the impact SFAS No. 144 will have on its financial position and results of operations, it does not expect such impact to be material.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Currency and Interest Rate Risk

Foreign Currency Risk

The Company has engaged in transactions that carry some degree of foreign currency risk. As such, a series of forward hedge contracts have been entered into to mitigate the foreign currency risks associated with the financing of a production facility in the United Kingdom as follows:

	2002	2003	2004	2005	2006	Thereafter	Fair Value
Forward Exchange Contracts (Receive \$US / Pay GBP)	(in millions)						
Contract amount	\$2.93	\$2.81	\$15.57	—	—	—	\$1.1
Average Contractual Exchange Rate	1.52	1.50	1.49	—	—	—	

The Company bears foreign exchange risk because much of the financing is currently obtained in United States dollars, but a portion of the Company's revenues and expenses are earned in the various currencies of our foreign subsidiaries' operations. The revolving credit facility allows certain foreign subsidiaries to borrow up to \$75 million in British Pounds Sterling, and Euros. The Company has not made borrowings in any of these currencies.

Interest Rate Risk

Interest rate risk exposure results from our floating rate borrowings. A portion of the interest rate risks have been hedged by entering into swap and collar agreements. Since the counterparties to the agreements are also lenders under the senior secured credit facility, obligations under these agreements are subject to the security interest under the terms of the senior secured credit facility.

The table below provides information about the Company's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including interest rate swaps and debt obligations. For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. For interest rate swaps and collars, the table presents notional amounts and weighted average interest rates by expected (contractual) maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract.

	2002	2003	2004	2005	2006	Thereafter	Fair Value
<u>Debt Obligations</u>	(dollars in millions)						
Fixed rate	\$6.0	\$3.6	\$17.2	\$0.5	\$1.3	\$179.0	\$138.9
Average interest rate	7.97%	7.26%	8.42%	6.12%	8.76%	12.36%	
Variable rate	\$9.0	\$10.0	\$14.0	\$21.0	\$274.9	\$ 0.4	\$334.0
Average interest rate	6.63%	6.63%	6.62%	6.61%	6.59%	1.65%	
<u>Interest Rate Swaps- Variable to Fixed</u>							
Notional Amount	\$83.3	\$83.3	\$ --	\$ --	\$ --	\$ --	\$(5.0)
Pay / receive rate	6.63%	6.63%	--	--	--	--	
<u>Interest Rate Collars</u>							
Notional Amount	\$41.7	\$41.7	--	--	--	--	\$(2.1)
Cap Rate	7.25%	7.25%	--	--	--	--	
Floor Rate	6.10%	6.10%	--	--	--	--	

The interest rate swaps and collars were entered into in 2000, when interest rates were higher than current rates. Accordingly, these contracts are "out-of-the-money" and may require future payments if market interest rates do not return to historical levels. In addition, if rates do increase above historical levels and the counterparties to the agreements default on their obligations under the agreements, our interest expense would increase. The Company does not use financial instruments for trading or speculative purposes. No quoted market value is available (except on the 12 3/8% Senior Subordinated Notes). Fair value amounts, because they do not include certain costs such as prepayment penalties, do not represent the amount the Company would have to pay to reacquire and retire all of its outstanding debt in a current transaction.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO U.S. CAN CORPORATION:

We have audited the accompanying consolidated balance sheets of U.S. CAN CORPORATION (a Delaware corporation) AND SUBSIDIARIES as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of U.S. Can Corporation and Subsidiaries as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP
Chicago, Illinois
March 6, 2002

U.S. CAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(000's omitted)

	For the Year Ended		
	December 31, 2001	December 31, 2000	December 31, 1999
Net Sales.....	\$772,188	\$809,497	\$732,897
Cost of Sales.....	695,514	693,158	630,411
Gross income.....	76,674	116,339	102,486
Selling, General and Administrative Expenses.....	46,581	45,887	35,511
Special Charges	36,239	3,413	—
Recapitalization Charges	—	18,886	—
Operating income	(6,146)	48,153	66,975
Interest Expense	57,304	40,468	29,901
Income (loss) before income taxes	(63,450)	7,685	37,074
Provision (benefit) for income taxes.....	(23,034)	4,344	14,622
Income (loss) from operations before extraordinary item	(40,416)	3,341	22,452
Extraordinary Item, net of income taxes			
Net loss from early extinguishment of debt.....	—	(14,863)	(1,296)
Net Income (Loss) Before Preferred Stock Dividends	(40,416)	(11,522)	21,156
Preferred Stock Dividend Requirement.....	(11,345)	(2,601)	—
Net Income (Loss) Available for Common Stockholders.....	<u>\$ (51,761)</u>	<u>\$ (14,123)</u>	<u>\$ 21,156</u>

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

U.S. CAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(000's omitted, except per share data)

ASSETS	December 31, 2001	December 31, 2000
CURRENT ASSETS:		
Cash and cash equivalents.....	\$14,743	\$10,784
Accounts receivables, net of allowances.....	95,274	90,763
Inventories, net.....	100,676	113,902
Deferred income taxes	21,977	12,538
Other current assets.....	15,732	23,300
Total current assets	248,402	251,287
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation and amortization.....	239,234	272,220
GOODWILL, less amortization.....	66,437	70,712
OTHER NON-CURRENT ASSETS	80,277	43,645
Total assets	<u>\$634,350</u>	<u>\$637,864</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt and capital lease obligations.....	\$14,983	\$14,671
Accounts payable.....	96,685	102,274
Accrued expenses	45,437	46,479
Restructuring reserves.....	25,945	11,915
Income taxes payable.....	1,055	1,704
Total current liabilities.....	184,105	177,043
LONG TERM DEBT.....	521,793	480,374
DEFERRED INCOME TAXES PAYABLE.....	1,162	3,083
OTHER LONG-TERM LIABILITIES	53,801	42,419
Total liabilities.....	760,861	702,919
PREFERRED STOCK.....	120,613	109,268
STOCKHOLDERS' EQUITY:		
Common stock, \$0.01 par value.....	533	533
Additional Paid -in-capital	52,800	52,800
Accumulated other comprehensive loss	(38,651)	(19,674)
Accumulated deficit	(261,806)	(207,982)
Total stockholders' equity	(247,124)	(174,323)
Total liabilities and stockholders' equity.....	<u>\$634,350</u>	<u>\$637,864</u>

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

U.S. CAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(000's omitted)

	Common Stock	Paid-in- Capital	Unearned Restricted Stock	Treasury Common Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Comprehensive Income (Loss)
BALANCE AT							
DECEMBER 31, 1998	\$ 133	\$109,839	\$ (829)	\$(1,728)	\$(1,443)	\$ (55,795)	
Net income	—	—	—	—	—	21,156	\$ 21,156
Issuance of stock under employee benefit plans	—	—	—	850	—	—	—
Purchase of treasury stock	—	—	—	(502)	—	—	—
Exercise of stock options	2	2,818	—	—	—	—	—
Issuance of restricted stock	—	183	(183)	—	—	—	—
Amortization of unearned restricted stock	—	—	383	—	—	—	—
Cumulative translation adjustment	—	—	—	—	(6,328)	—	(6,328)
Comprehensive income							\$ 14,828
BALANCE AT							
DECEMBER 31, 1999	135	112,840	(629)	(1,380)	(7,771)	(34,639)	
Net loss before preferred stock dividends	—	—	—	—	—	(11,522)	\$ (11,522)
Redemption of common stock and exercise of stock options in connection with the recapitalization	(134)	(110,973)	305	—	—	(159,220)	—
Purchase of treasury stock	—	—	—	(488)	—	—	—
Retirement of treasury stock	(1)	(1,867)	—	1,868	—	—	—
Issuance of common stock in recapitalized company	533	52,800	—	—	—	—	—
Preferred stock dividends	—	—	—	—	—	(2,601)	—
Amortization of unearned restricted stock	—	—	324	—	—	—	—
Cumulative translation adjustment	—	—	—	—	(11,903)	—	(11,903)
Comprehensive loss							\$ (23,425)
BALANCE AT							
DECEMBER 31, 2000	\$ 533	\$ 52,800	\$ —	\$ —	\$ (19,674)	\$(207,982)	
Net loss before preferred stock dividends	—	—	—	—	—	(40,416)	\$ (40,416)
Settlement of shareholder litigation in connection with the recapitalization	—	—	—	—	—	(2,063)	—
Unrealized loss on cash flow hedge	—	—	—	—	(3,862)	—	(3,862)
Preferred stock dividends	—	—	—	—	—	(11,345)	—
Equity adjustment to reflect minimum pension liability	—	—	—	—	(288)	—	(288)
Cumulative translation adjustment	—	—	—	—	(14,827)	—	(14,827)
Comprehensive loss							\$ (59,393)
BALANCE AT							
DECEMBER 31, 2001	\$ 533	\$ 52,800	\$ —	\$ —	\$ (38,651)	\$(261,806)	

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

U.S. CAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(000's omitted)

	For the Year Ended December 31,		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss) before preferred stock dividends requirements	\$(40,416)	\$(11,522)	\$21,156
Adjustments to reconcile net income to net cash provided by operating activities –			
Depreciation and amortization.....	34,626	33,670	31,863
Special Charge.....	36,239	3,413	–
Recapitalization Charge.....	–	18,886	–
Extraordinary loss on extinguishment of debt	–	14,863	1,296
Deferred income taxes	(23,034)	(4,344)	11,124
Change in operating assets and liabilities, net of effect of acquired and disposed of businesses:			
Accounts receivable	(5,677)	(11,869)	(14,464)
Inventories	11,070	(3,587)	4,211
Accounts payable.....	(3,366)	10,733	14,805
Accrued expenses	(12,838)	(7,363)	(8,563)
Other, net	(3,596)	(14,148)	1,024
Net cash (used in) provided by operating activities	(6,992)	28,732	62,452
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(19,537)	(24,504)	(30,982)
Acquisition of businesses, net of cash acquired.....	(4,198)	–	(63,847)
Proceeds from sale of business	–	12,088	4,500
Proceeds from sale of property	7,208	8,755	448
Investment in Formametal S.A.	(7,891)	(4,914)	(1,600)
Net cash used in investing activities	(24,418)	(8,575)	(91,481)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock	–	53,333	–
Issuance of preferred stock	–	106,667	–
Retirement of common stock and exercise of stock options	–	(270,022)	2,820
Settlement of shareholder litigation.....	(2,063)	–	–
Purchase of treasury stock	–	(488)	(502)
Issuance of 12 3/8% notes	–	175,000	–
Repurchase of 10 1/8% notes	–	(254,658)	(27,696)
Net borrowings (payments) under the revolving line of credit	37,600	(56,100)	23,553
Borrowing of Tranche A loan	–	80,000	–
Borrowing of Tranche B loan	–	180,000	–
Borrowing of Tranche C loan	20,000	–	–
Borrowing of other long-term debt, including capital lease obligations	–	19,286	38,598
Payments of long-term debt, including capital lease obligations.....	(14,102)	(22,528)	(9,449)
Payment of debt financing costs	(6,294)	(16,137)	–
Payment of recapitalization costs.....	–	(18,886)	–
Net cash provided by (used in) financing activities	35,141	(24,533)	27,324
EFFECT OF EXCHANGE RATE CHANGES ON CASH	228	(537)	(670)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	3,959	(4,913)	(2,375)
CASH AND CASH EQUIVALENTS, beginning of year	10,784	15,697	18,072
CASH AND CASH EQUIVALENTS, end of year	\$14,743	\$10,784	\$15,697

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

U.S. CAN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2001, 2000 AND 1999

(1) Basis of Presentation and Operations

The consolidated financial statements include the accounts of U.S. Can Corporation (the "Corporation" or "U.S. Can"), its wholly owned subsidiary, United States Can Company ("United States Can"), and United States Can's subsidiaries (the "Subsidiaries"). All significant intercompany balances and transactions have been eliminated. The consolidated group is referred to herein as "the Company". Certain prior year amounts have been reclassified to conform with the 2001 presentation.

The Company is a supplier of steel and plastic containers for personal care, household, food, automotive, paint and industrial supplies, and other specialty products. The Company owns or leases 15 plants in the United States and 10 plants located in Europe.

(2) Summary of Significant Accounting Policies

(a) *Cash and Cash Equivalents* - The Company considers all liquid interest-bearing instruments purchased with an original maturity of three months or less to be cash equivalents.

(b) *Accounts Receivable Allowances* - Allowances for accounts receivable are based on the customer relationships, the aging and turns of accounts receivable, credit worthiness of customers, credit concentrations and payment history. Although management monitors collections and credit worthiness, the inability of a particular customer to pay its debts could impact collectibility of receivables and could have an impact on future revenues if the customer is unable to arrange other financing. Activity in the accounts receivable allowances accounts was as follows (000's omitted):

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Balance at beginning of year	\$ 10,971	\$ 13,367	\$ 17,063
Provision for doubtful accounts	621	516	997
Change in discounts, allowances and rebates, net of recoveries.....	790	(2,449)	(3,914)
Net write-offs of doubtful accounts.....	(139)	(463)	(779)
Balance at end of year.....	<u>\$ 12,243</u>	<u>\$ 10,971</u>	<u>\$ 13,367</u>

(c) *Inventories*-- Inventories are stated at the lower of cost or market and include material, labor and factory overhead. Costs for United States inventory have been determined using the last-in, first-out ("LIFO") method. Had the inventories been valued using the first-in, first-out ("FIFO") method, the amount would not have differed materially from the amounts as determined using the LIFO method. Costs for Subsidiaries' inventory has been determined using the first-in, first-out ("FIFO") method. Subsidiaries' inventory was approximately \$48.1 million at December 31, 2001 and \$44.2 million as of December 31, 2000. The Company estimates reserves for inventory obsolescence and shrinkage based on its judgment of future realization.

Inventories reported in the accompanying balance sheets were classified as follows (000's omitted):

	<u>2001</u>	<u>2000</u>
Raw materials	\$ 27,216	\$ 28,540
Work in progress	40,046	49,728
Finished goods.....	33,414	35,634
Total Inventory	<u>\$ 100,676</u>	<u>\$ 113,902</u>

In addition to the 2001 restructuring initiatives, the Company charged \$3.2 million to Cost of Goods Sold for the write-off of inventory associated with discontinued product lines. See Note (4) for further information on restructuring initiatives.

(d) *Property, Plant and Equipment*--Property, plant and equipment is recorded at cost. Major renewals and betterments which extend the useful life of an asset are capitalized; routine maintenance and repairs are expensed as incurred. Maintenance and repairs charged against earnings were approximately \$28.6 million, \$27.5 million and \$29.4 million in 2001, 2000 and 1999, respectively. Upon sale or retirement of these assets, the asset cost and related accumulated depreciation are removed from the accounts and any related gain or loss is reflected in income.

Depreciation for financial reporting purposes is principally provided using the straight-line method over the estimated useful lives of the assets, as follows: buildings-25 to 40 years; machinery and equipment--5 to 20 years. Equipment under capital leases is amortized over the life of the lease. Depreciation expense was \$29.2 million, \$28.7 million and \$28.8 million for 2001, 2000 and 1999, respectively.

Property reported in the accompanying balance sheets is classified as follows (000's omitted):

	<u>2001</u>	<u>2000</u>
Land	\$ 6,025	\$ 6,543
Buildings.....	62,483	65,158
Machinery and equipment	396,843	402,822
Capital leases	13,135	13,137
Construction in process	24,014	22,266
	<u>502,500</u>	<u>509,926</u>
Accumulated depreciation and amortization.....	(263,266)	(237,706)
Total Property	<u>\$ 239,234</u>	<u>\$ 272,220</u>

(e) *Goodwill* – The excess purchase price over the fair value of the net assets of businesses acquired ("goodwill"), is amortized on a straight-line basis over the periods of expected benefit, ranging from 20 to 40 years. The related amortization expense was \$2.8 million, \$2.9 million and \$1.7 million for the years ended December 31, 2001, 2000 and 1999, respectively.

SFAS No. 142 eliminates the current requirement to amortize goodwill and indefinite-lived intangible assets, addresses the amortization of intangible assets with a defined life, and addresses the impairment testing and recognition for goodwill and intangible assets. The Company adopted this pronouncement on January 1, 2002. This pronouncement applies to goodwill and intangible assets arising from transactions completed before and after the date of adoption. Effective January 1, 2002, the Company ceased amortization of goodwill and indefinite-lived intangibles and test for impairment, at least, annually. Management is currently assessing the provisions of the pronouncement and its potential impact on the Company's consolidated results of operations and financial position.

(f) *Deferred Financing Costs* – Costs related to the issuance of new debt are included in other non-current assets and are deferred and amortized over the terms of the related debt agreements. Financing costs expensed in 2001, 2000, and 1999 were \$2.6 million, \$1.7 million and \$1.2 million, respectively and are included in interest expense. The Company paid \$6.3 million and \$16.1 million of financing costs in 2001 and 2000, respectively.

(g) *Impairment of Long-Lived Assets* – In accordance with SFAS 121, we continually review whether events and circumstances subsequent to the acquisition of any long-lived assets, including goodwill and other intangible assets, have occurred that indicate the remaining estimated useful lives of those assets may warrant revision or that the remaining balance of those assets may not be recoverable. If events and circumstances indicate that the long-lived assets should be reviewed for possible impairment, we use projections to assess whether future cash flows or operating income (before amortization) on a non-discounted basis related to the tested assets is likely to exceed the recorded carrying amount of those assets, to determine if a write-down is appropriate. Should an impairment be identified, a loss would be reported to the extent that the carrying value of the impaired assets exceeds their fair values as determined by valuation techniques appropriate in the circumstances that could include the use of similar projections on a discounted basis. Effective January 1, 2002, the Company adopted FAS 144 which essentially supercedes FAS 121. For further discussion on SFAS 144 see (l) *New Accounting Pronouncements*.

(h) *Revenue* – Revenue is recognized when goods are shipped to the customer. Provisions for discounts, returns, allowances, customer rebates and other adjustments are provided for in the same period as the related revenues are recorded. The Company enters into contractual agreements with its customers for rebates on certain products. As sales occur, a provision for rebates is accrued on the balance sheet and is charged against net sales.

(i) *Foreign Currency Translation* - The functional currency for substantially all the Company's Subsidiaries is the applicable local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average exchange rate prevailing during the period. The gains or losses resulting from such translation are included in stockholders' equity. Gains or losses resulting from foreign currency transactions are included in operating income and were not material in 2001, 2000 or 1999.

(j) *Financial Instruments* - To manage interest rate exposure, the Company enters into interest rate agreements. The net interest paid or received on these agreements is recognized as interest income or expense. Our interest rate agreements are reported in the consolidated financial statements at fair value using a mark to market valuation. Changes in the fair value of the contracts are recorded each period as a component of other comprehensive income. Gains or losses on our interest rate agreements are reclassified as earnings or losses in the period in which earnings are affected by the underlying hedged item. The Company does not use financial instruments for trading or speculative purposes.

(k) *Accumulated Other Comprehensive Income* - The components of accumulated other comprehensive income for 2001, 2000 and 1999 are as follows (000's omitted):

	2001	2000	1999
Foreign Currency Translation Adjustment	\$(34,501)	\$(19,674)	\$(7,771)
Minimum Pension Liability Adjustment	(288)	—	—
Unrealized Loss on Cash Flow Hedges	(3,862)	—	—
Total Accumulated Other Comprehensive Income	\$(38,651)	\$(19,674)	\$(7,771)

(l) *New Accounting Pronouncements* - During July 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 modifies the method of accounting for business combinations entered into after June 30, 2001 and addresses the accounting for acquired intangible assets. All business combinations entered into after June 30, 2001, are accounted for using the purchase method. As described in (e) *Goodwill*, SFAS No. 142 eliminates the current requirement to amortize goodwill and indefinite-lived intangible assets, addresses the amortization of intangible assets with a defined life, and addresses the impairment testing and recognition for goodwill and intangible assets. Management is currently assessing the provisions of both pronouncements and their potential impact on the Company's consolidated results of operations and financial position

The FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," in August 2001. SFAS No. 144, which addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, supercedes SFAS No. 121 and is effective for fiscal years beginning after December 15, 2001. The Company believes the impact of SFAS No. 144 on its financial position and results of operations to be immaterial.

(m) *Use of Estimates* – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities,

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used for, but not limited to: allowance for doubtful accounts; inventory valuation; purchase accounting allocations; restructuring amounts; asset impairments; depreciable lives of assets; useful lives of intangible assets; pension assumptions and tax valuation allowances. Future events and their effects cannot be perceived with certainty. Accordingly our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the Consolidated Financial Statements will change as new events occur, as more experience is acquired, as more information is obtained and as the Company's operating environments changes. While actual results could differ from these estimates, management believes that the estimates are reasonable.

(3) Recapitalization

On October 4, 2000, U.S. Can Corporation and Berkshire Partners LLC completed a recapitalization of the Company through a merger. As a result of the recapitalization, all of U.S. Can's common stock, other than certain shares held by designated continuing shareholders (the rollover shareholders), was converted into the right to receive \$20.00 in cash per share and options to purchase approximately 1.6 million shares of U.S. Can's common stock were retired in exchange for a cash payment of \$20.00 per underlying share, less the applicable option price. Certain shares held by the rollover shareholders were converted into the right to receive \$20.00 in cash per share and certain shares held by the rollover shareholders were converted into the right to receive shares of capital stock of the surviving corporation in the merger.

The recapitalization was financed by:

- a \$106.7 million preferred stock investment by Berkshire Partners, its co-investors and certain of the rollover stockholders;
- a \$53.3 million common stock investment by Berkshire Partners, its co-investors, certain of the rollover stockholders and management;
- \$260.0 million in term loans under a new senior bank credit facility;
- \$20.5 million in borrowings under a new revolving credit facility; and
- \$175.0 million from the sale of 12 3/8% Senior Subordinated Notes due 2010.

Funds generated from the recapitalization were used to retire all of the borrowings outstanding under the Company's former credit agreement, to repay the majority of the principal, accrued interest and tender premium applicable to U.S. Can's 10 1/8% Notes due 2006, to pay fees and expenses associated with the transaction and to make payments to U.S. Can's existing stockholders and optionholders as previously described. The Company recorded a charge of \$18.9 million related to the recapitalization in the fourth quarter of 2000. In addition, see Note (6) regarding the extraordinary charge relating to the early redemption of the Company's 10 1/8% Notes due in 2006.

(4) Special Charges

2001

During 2001, the Company initiated several restructuring programs. Upon completion, these programs will result in (a) the closure of five manufacturing facilities, (b) the additional consolidation of two facilities into a new facility, (c) the reversal of a previous decision to close a custom and specialty lithography facility due to changing business needs and (d) the elimination of approximately 600 jobs. As of December 31, 2001, the remaining balance in the restructuring reserve includes severance and related termination benefits paid over time for approximately 159 salaried and 330 hourly employees. Charges of \$36.2 million were recorded for the cost of these programs. Cash charges consist primarily of employee termination costs, future cash payments for employee benefits as required under union contracts, lease termination and other facility exit costs. Non-cash charges consist primarily of write-offs of property, plant and equipment.

The following table summarizes the Company's 2001 restructuring programs:

Programs	Special Charge			Positions eliminated
	Cash	Non-cash (in millions)	Total Charge	
Baltimore	\$0.6	\$1.8	\$2.4	1
Salaried Reduction in Force	\$4.6	--	\$4.6	82
International Operations	\$3.4 (a)	\$5.8	\$9.2	286
Burns Harbor	\$9.5	\$3.8	\$13.3	135
Other Facilities	\$4.9	\$9.0	\$13.9	89
Reassessment of Prior Programs	--	(\$7.2)	(\$7.2)	--
Total	\$23.0	\$13.2	\$36.2	593

(a) Net of cash proceeds of \$ 11.7 million to be received from the sale of the Southall, UK site.

Baltimore

The Company closed a paint can manufacturing facility and a warehouse in Baltimore, Maryland and transferred a portion of its production capacity to another facility located in Baltimore, Maryland.

Salaried Reduction in Force

In the third quarter, the Company offered a voluntary termination program to all corporate office salaried employees. Approximately 82 employees accepted the voluntary program.

International Operations

After a review of its operating facilities in the United Kingdom, the Company decided to close its Southall, England manufacturing facility. Production capabilities will be transferred to our Merthyr Tydfil and other European aerosol plants. The European consolidation will reduce payroll and overhead costs in the U.K while realigning capacity within Europe to meet customer demand. In connection with the realignment, the Company completed the sale of its Southall, United Kingdom property in late December 2001 and the manufacturing facility will be closed over the first three-quarters of 2002. In addition, several other headcount reduction programs were initiated throughout our International operations, including May.

Burns Harbor

The Company plans to close its Burns Harbor, Indiana lithography facility and transition its volume to other existing operations. The closure will reduce excess capacity, overhead and related payroll costs as well as leverage investments made in previous years in new technology in existing U.S. Can facilities.

Other Facilities

The Company reviewed its steel paint can capacity versus Company and industry requirements and decided to permanently reduce capacity by closing its Dallas, Texas plant. The Company closed this operation in the fourth quarter of 2001.

In 2001, we entered into a lease for a new plastics manufacturing plant. We closed our two existing plastics plants (Newnan, Georgia and Morrow, Georgia) in the first quarter of 2002, and all goods will be produced in our new Atlanta plant.

In order to better leverage resources and facilities, the Company plans to close its Columbia Specialty plant in 2002, exit certain product lines and transfer production capacity to its Steeltin and Olive Can operations. The closure will provide for better operating efficiencies and reduce overhead and payroll costs associated with the Columbia operation.

Reassessment of Prior Programs

Due to the Olive Can acquisition, the Company revised its plan to close a lithography operation for which it had previously reserved closing costs. Accordingly, a reversal of previously provided restructuring reserves was recorded.

2000

On July 7, 2000, the Company announced a reduction in force program, under which 81 salaried and 39 hourly positions were eliminated. A one-time pre-tax charge of \$3.4 million for severance and other termination related costs was recorded in the third quarter of 2000.

Reserve Status

The tables below present the reserve categories and related activity as of December 31, 2001 and December 31, 2000 respectively:

	January 1, 2000			December 31, 2001
	Balance	Additions(a)	Deductions(c)	Balance
Employee Separation	\$6.1	\$19.8	(\$4.7)	\$21.2
Facility Closing Costs	9.3	11.2	(9.8)	10.7
Other Asset Write-Offs	--	5.2	(5.2)(d)	--
Total	\$15.4	\$36.2	(\$19.7)	\$31.9(b)

(a) Includes a re-assessment of prior programs of \$7.2 million

(b) Includes \$6.0 million of other long-term liabilities as of December 31, 2001

(c) Includes cash payments of \$ 8.3 million

(d) Net of proceeds from sale of Southall facility of \$11.7 million

	January 1, 1999			December 31, 2000
	Balance	Additions	Deductions(a)	Balance
Employee Separation	\$7.2	\$3.4	(\$4.5)	\$6.1
Facility Closing Costs	21.3	--	(12.0)	9.3
Total	\$28.5	\$3.4	(\$16.5)	\$15.4 (b)

(a) Includes cash payments of \$5.1 million

(b) Includes \$3.5 million classified as other long-term liabilities as of December 31,2000

(5) Acquisitions

On December 30, 1999, the Company acquired all of the partnership interests of May Verpackungen GmbH & Co., KG ("May"), a German limited liability company. The acquisition was accounted for as a purchase for financial reporting purposes; therefore 1999 results do not include operations related to the acquired business. The acquisition was financed using the borrowings made by U.S. Can under the former credit agreement for an aggregate amount of \$64.6 million.

The following is a summary of the final allocation of the aggregate purchase price for May (000's omitted):

Current Assets.....	\$ 50,685
Property, Plant and Equipment	46,604
Goodwill.....	32,206
Other Assets.....	5,896
Current Portion of Long Term Debt	(16,118)
Current Liabilities.....	(35,405)
Long-Term Debt.....	(6,552)
Other Liabilities.....	(12,728)
Total Purchase Price.....	<u>\$ 64,588</u>

The following represents the Company's unaudited pro forma results of operations for 1999 as if the May acquisition had occurred on January 1, 1999 (000's omitted):

	<u>1999</u>
Net Sales.....	\$ 860,837
Income Before Discontinued Operations and Extraordinary Item	23,337
Net Income	22,041

May's pre-acquisition results have been adjusted to reflect amortization of goodwill, the depreciation expense impact of the increased fair market value of property, plant and equipment, interest expense on acquisition borrowings, changes in contractual agreements and the effect of income taxes on the pro forma adjustments. The pro forma information given above does not purport to be indicative of the results that would have been obtained if the operations were combined during the periods presented and is not intended to be a projection of future results or trends.

On February 20, 2001, certain assets of Olive Can Company, a Custom and Specialty manufacturer were acquired for net cash consideration of \$4.2 million. The Olive acquisition is not material to the Company's operations or financial position.

In March 1998, a European Subsidiary acquired a 36.5% equity interest in Formametal S.A. ("Formametal"), an aerosol can manufacturer located in Argentina, for \$4.6 million. In addition to the initial investment, the Company has made advances to and investments in Formametal totaling \$19.0 million. The Company has also provided a \$7.5 million loan to Formametal, payable in installments through March 31, 2007.

In January 2002, Argentina enacted legislation which, among other things, repeals the one to one U.S. dollar to Argentinean peso exchange rate. The Company has determined that the Argentinean peso denominated portion of the investment in Formametal will not be settled in the foreseeable future and therefore has reduced the investment balance by \$6.0 million with an offsetting charge to accumulated other comprehensive income, representing the impact of the devaluation. Since exchangeability between the U.S. dollar and the Argentinean peso was temporarily suspended at the balance sheet date, the Company used the first subsequently available free floating exchange rate of 1.60 pesos per U.S. dollar to calculate the translation adjustment.

(6) Debt Obligations

Long-term debt obligations of the Company at December 31, 2001 and 2000 consisted of the following (000's omitted):

	<u>2001</u>	<u>2000</u>
Senior debt -		
Revolving line of credit at adjustable interest rate, based on market rates, due January 4, 2006	\$ 56,100	\$ 18,500
Tranche A term loan at adjustable interest rate, based on market rates, due January 4, 2006	74,000	80,000
Tranche B term loan at adjustable interest rate, based on market rates, due January 4, 2006	178,750	180,000
Tranche C term loan at adjustable interest rate, based on market rates, due January 4, 2006	20,000	--
Secured term loan at 8.5% interest rate, due serially to January 2004	19,912	21,604
Industrial revenue bonds at adjustable interest rate, based on market rates, due February 1, 2015	4,000	4,000
Capital lease obligations.....	4,290	6,609
Other	3,870	8,478
Senior Subordinated Series B Notes at 12 3/8% interest rate, due October 1, 2010	175,000	175,000
Senior Subordinated Series B Notes at 10 1/8% interest rate, due October 15, 2006.....	<u>854</u>	<u>854</u>
Total Debt.....	536,776	495,045
Less--Current maturities	<u>(14,983)</u>	<u>(14,671)</u>
Total long-term debt	<u>\$ 521,793</u>	<u>\$ 480,374</u>

In connection with the recapitalization, United States Can Company, as Borrower, entered into a Credit Agreement among United States Can, U.S. Can Corporation and Domestic Subsidiaries of U.S. Can Corporation as Domestic Guarantors, and certain lenders including Bank of America, N.A., Citicorp North America, Inc., and Bank One NA as of October 4, 2000 (the "Senior Secured Credit Facility"). The Senior Secured Credit Facility originally provided for aggregate borrowings of \$400.0 million consisting of: (i) \$80.0 million Tranche A loan; (ii) \$180.0 million Tranche B loan; and (iii) \$140.0 million under a revolving credit facility. All of the term debt and approximately \$20.5 million under the revolving credit facility were used to finance the recapitalization.

During 2001, the Senior Secured Credit Facility was amended twice. The first amendment (April 2001) reduced the revolving credit facility to \$110.0 million. The second amendment (December 2001) includes an additional Tranche C term loan facility of up to \$25.0 million. Under certain circumstances, the Company's majority shareholder may be required to cash collateralize and ultimately repurchase the new term loan facility. The Company borrowed \$20.0 million under the Tranche C facility on December 18, 2001. In addition, the amendments provide for (1) an increase in the interest rate to be paid under the facility of 75 basis points, (2) revised financial covenants in line with current and expected operating trends and (3) an acceleration of the maturity date of all borrowings under the Senior Secured Credit Facility to January 4, 2006. Principal repayments required under the Senior Secured Credit Facility are \$9.0 million in 2002 increasing to \$274.9 million in 2006. Additionally, the Facility requires a prepayment in the event that excess cash flow (as defined) exists and following certain other events, including asset sales and issuances of debt and equity.

Amounts outstanding under the Senior Secured Credit Facility bear interest at a rate per annum equal to either: (1) the base rate (as defined in the Senior Secured Credit Facility) or (2) the LIBOR rate (as defined in the Senior Secured Credit Facility), in each case, plus an applicable margin. The applicable margins were increased in connection with the 2001 amendments and are subject to future reductions based on the achievement of certain leverage ratio targets and on the credit rating of the Senior Secured Credit Facility. The 2001 average interest rate on borrowings under the Senior Secured Credit Facility was 8.3%.

Borrowings under the Tranche A term loan are due and payable in quarterly installments, which are initially \$1.0 million and increase over time to \$8.0 million, until the final balance is due. Borrowings under the Tranche B term loan are due and payable in quarterly installments of nominal amounts. No payments are due on borrowings under the Tranche C term loan

prior to its final maturity. The revolving credit facility is available until January 4, 2006. In addition, the Company is required to prepay a portion of the facilities under the Senior Secured Credit Facility upon the occurrence of certain specified events.

The Senior Secured Credit Facility is secured by a first priority security interest in all existing and after-acquired assets of the Company and its direct and indirect domestic subsidiaries' existing and after-acquired assets, including, without limitation, real property and all of the capital stock owned of our direct and indirect domestic subsidiaries (including certain capital stock of their direct foreign subsidiaries only to the extent permitted by applicable law). In addition, if loans are made to foreign subsidiaries, they will be secured by the existing and after-acquired assets of certain of our foreign subsidiaries.

United States Can also issued \$175.0 million aggregate principal amount of 12 3/8% Senior Subordinated Notes due October 1, 2010 ("Notes"). The Notes are unsecured obligations of United States Can and are subordinated in right of payment to all of United States Can's senior indebtedness. The Notes are guaranteed by U.S. Can and all of United States Can's domestic restricted subsidiaries.

The Senior Secured Credit Facility and the Notes contain a number of financial and restrictive covenants. The covenants for the Senior Secured Credit Facility were amended in connection with the 2001 amendments. Under our senior secured credit facility, the Company is required to meet certain financial tests, including achievement of a minimum EBITDA level, a minimum interest coverage ratio, a minimum fixed charge coverage ratio and a maximum leverage ratio. The restrictive covenants limit the Company's ability to incur debt, pay dividends or make distributions, sell assets or consolidate or merge with other companies. The Company was in compliance with all of the required financial ratios and other covenants, as amended, at December 31, 2001.

In connection with the recapitalization, the Corporation completed a tender offer and consent solicitation for all of its outstanding 10 1/8% notes due 2006, plus accrued interest and a bond tender premium. \$235.7 million of the \$236.6 million principal amount of bonds outstanding were purchased by the Corporation in the tender offer. An extraordinary charge of \$14.9 million (\$24.2 million pre-tax) was taken in the fourth quarter of 2000, related to the tender premium and the write-off of related deferred financing charges.

Under existing agreements, contractual maturities of long-term debt as of December 31, 2001 (including capital lease obligations), are as follows (000's omitted):

2002	\$ 14,983
2003	13,558
2004	31,204
2005	21,460
2006	276,144
Thereafter	<u>179,427</u>
	<u>\$ 536,776</u>

See Note (10) for further information on obligations under capital leases. Other debt, consisting of various governmental loans, real estate mortgages and secured equipment notes bearing interest at rates between 1.7% and 8.5% matures at various times through 2015, and was used to finance the expansion of several manufacturing facilities.

In an effort to limit foreign exchange risks, and as required by the Credit Agreement, the Company has entered into several forward hedge contracts. The payments due on the secured term loan used to finance the acquisition of the Merthyr Tydfil facility have been hedged by a series of British Pound/Dollar forward contracts. The outstanding amount of the contracts was \$21.3 million at December 31, 2001 and the US dollar to British pound rate ranged from \$1.49 to \$1.52. The fair market value of these contracts was \$1.1 million as of December 31, 2001.

Based upon borrowing rates currently available to the Company for borrowings with similar terms and maturities, the fair value of the Company's total debt was approximately \$472.9 million and \$495.3 million as of December 31, 2001 and 2000, respectively. No quoted market value is available (except on the 12 3/8% and the 10 1/8% Notes). These amounts, because they do not include certain costs such as prepayment penalties, do not represent the amount the Company would have to pay to reacquire and retire all of its outstanding debt in a current transaction.

The Company paid interest on borrowings of \$55.2 million, \$27.5 million and \$26.5 million in 2001, 2000 and 1999, respectively. Accrued interest payable of \$11.9 million and \$13.4 million as of December 31, 2001 and 2000 respectively, is included in accrued expenses on the consolidated balance sheet.

(7) Income Taxes

The provision (benefit) for income taxes before discontinued operations and extraordinary items consisted of the following (000's omitted):

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Current	\$ --	\$ --	\$ 1,304
Deferred	(19,789)	2,301	11,124
Foreign	(3,245)	2,043	2,194
Total	<u>\$ (23,034)</u>	<u>\$ 4,344</u>	<u>\$ 14,622</u>

The Company received refunds of \$0.3 million and \$2.2 million in 2001 and 2000 respectively and paid \$1.1 million for income taxes (net of refunds) in 1999.

A reconciliation of the difference between taxes on pre-tax income from continuing operations before discontinued operations and extraordinary item computed at the Federal statutory rate and the actual provision (benefit) for such income taxes for the years presented were as follows (000's omitted):

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Tax provision (benefit) computed at the statutory rates	\$ (21,573)	\$ 2,613	\$ 12,605
Nondeductible recapitalization costs and amortization of intangible assets	398	1,658	253
State taxes, net of Federal tax effect	(1,601)	113	1,483
Other, net	(258)	(40)	281
Provision (benefit) for income taxes	<u>\$ (23,034)</u>	<u>\$ 4,344</u>	<u>\$ 14,622</u>

Deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of the enacted tax laws. Significant temporary differences representing deferred income tax benefits and obligations consisted of the following (000's omitted):

	<u>December 31, 2001</u>		<u>December 31, 2000</u>	
	<u>Benefits</u>	<u>Obligations</u>	<u>Benefits</u>	<u>Obligations</u>
Restructuring reserves	\$ 17,355	--	\$ 9,943	--
Retirement and postemployment benefits	14,231	--	13,877	--
Accrued liabilities	6,931	--	7,355	--
Tax credit carry-forwards	7,015	--	6,899	--
Capitalized leases	--	(255)	374	--
Property and equipment	--	(33,014)	--	(33,516)
Inventory valuation reserves	--	(4,271)	--	(5,900)
Net operating losses	30,173	--	11,840	--
Other	<u>9,982</u>	<u>(6,816)</u>	<u>6,514</u>	<u>(4,414)</u>
Total deferred income tax benefits (obligations)	<u>\$ 85,687</u>	<u>\$ (44,356)</u>	<u>\$ 56,802</u>	<u>\$ (43,830)</u>

The Company's U.S. net operating losses expire as follows: \$25.8 million in 2020 and \$32.7 million in 2021 and management believes it is more likely than not that the tax benefit of the net deferred tax assets will be realized prior to expiration. The Company also has foreign net operating losses of \$21.2 million which have no expiration date.

The Company does not provide for U.S. income taxes which would be payable if undistributed earnings of the European Subsidiaries were remitted to the U.S. because the Company either considers these earnings to be invested for an

indefinite period or anticipates that if such earnings were distributed, the U.S. income taxes payable would be substantially offset by foreign tax credits. Such unremitted earnings were \$5.1 million and \$11.8 million as of December 31, 2001 and 2000, respectively.

(8) Employee Benefit Plans

The Company maintains separate noncontributory defined benefit and defined contribution pension plans covering most domestic hourly employees and all domestic salaried personnel, respectively. It is the Company's policy to fund accrued pension and defined contribution plan costs in compliance with ERISA requirements.

The following presents the changes in the projected benefit obligations for the plan years ended December 31, 2001 and 2000 (000's omitted):

	<u>2001</u>	<u>2000</u>
Projected benefit obligation at the beginning of the year	\$ 33,510	\$ 28,682
Net increase (decrease) during the year attributed to:		
Service cost	886	782
Interest cost	2,399	2,296
Actuarial losses (gains)	537	2,909
Benefits paid	(5,378)	(2,020)
Plan amendments	<u>1,350</u>	<u>861</u>
Net increase (decrease) during the year	<u>(206)</u>	<u>4,828</u>
Projected benefit obligation at the end of the year	<u>\$ 33,304</u>	<u>\$ 33,510</u>

The following table presents the changes in the fair value of net assets available for plan benefits for the plan years ended December 31, 2001 and 2000 (000's omitted):

	<u>2001</u>	<u>2000</u>
Fair value of plan assets at the beginning of the year	\$ 37,299	\$ 35,274
Increase (decrease) during the year:		
Return on plan assets	(1,304)	1,942
Sponsor contributions	1,487	2,103
Benefits paid	<u>(5,378)</u>	<u>(2,020)</u>
Net increase (decrease) during the year	<u>(5,195)</u>	<u>2,025</u>
Fair value of plan assets at the end of the year	<u>\$ 32,104</u>	<u>\$ 37,299</u>

The following table sets forth the funded status of the Company's domestic defined benefit pension plans, at December 31, 2001 and 2000 (000's omitted):

	<u>2001</u>	<u>2000</u>
Actuarial present value of benefit obligation --		
Vested benefits	\$ (27,489)	\$ (31,424)
Nonvested benefits	<u>(5,815)</u>	<u>(2,086)</u>
Accumulated benefit obligation	(33,304)	(33,510)
Fair value of plan assets	<u>32,104</u>	<u>37,299</u>
Fair value of plan assets in excess of accumulated benefit obligation	(1,200)	3,789
Unrecognized transition obligation	--	2
Unrecognized net (gain) loss	288	(4,280)
Unrecognized prior-service costs	<u>3,181</u>	<u>2,203</u>
Net amount recognized	<u>\$ 2,269</u>	<u>\$ 1,714</u>
Amounts recognized in the consolidated balance sheet consist of:		
Prepaid pension costs	\$ --	\$ 1,714
Accrued benefit liability	(1,200)	--
Intangible asset	3,181	--
Accumulated other comprehensive income	<u>288</u>	<u>--</u>
Net amount recognized	<u>\$ 2,269</u>	<u>\$ 1,714</u>

The projected benefit obligation as of December 31, 2001, 2000 and 1999 was determined using an assumed discount rate of 7.25%, 7.5% and 7.8%, respectively. The expected long-term rate of return on plan assets used in determining net periodic pension cost was 8.5% in 2001, 2000, and 1999. The plan has a non-pay related dollar multiplier benefit formula; accordingly, the effect of projected future compensation levels is zero. The plan's assets consist primarily of shares of equity and bond funds, corporate bonds and investment contracts with insurance companies.

The United States net periodic pension cost was as follows (000's omitted):

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Service costs	\$ 886	\$ 782	\$ 854
Interest costs	2,399	2,296	2,185
Return on assets	(2,981)	(2,454)	(3,215)
Amortization of unrecognized transition obligation	2	1	2
Recognized (gains) / loss	250	(318)	--
Prior service cost recognized.....	<u>372</u>	<u>246</u>	<u>977</u>
Net periodic pension cost	<u>\$ 928</u>	<u>\$ 553</u>	<u>\$ 803</u>

In addition, hourly employees at four plants are covered by union-sponsored collectively bargained, multi-employer pension plans. The Company contributed to these plans and charged to expense approximately \$1.1 million, \$1.2 million and \$1.4 million in 2001, 2000 and 1999, respectively. The contributions are generally determined in accordance with the provisions of the negotiated labor contracts and are generally based on a per employee, per week amount.

The Company provides a 401(k) defined contribution plan to eligible employees. Company matching contributions for employees and related administration costs associated with the plan were \$2.5 million, \$2.3 million and \$3.5 million for 2001, 2000 and 1999, respectively.

In March 1999, the Corporation contributed shares of Common Stock, valued at \$0.9 million to U.S. Can's Salaried Employees Savings and Retirement Accumulation Plan. In 2000, the Company changed the contribution elements of the plan and no longer contributes shares of Common Stock.

The Company maintains defined benefit plans for certain of its employees in the United Kingdom, Germany and France. The plan benefits are based primarily on years of service, employee compensation or a combination thereof. As of December 31, 2001, 2000 and 1999, the preliminary actuarially-determined accumulated benefit obligations were \$53.9 million, \$50.9 million and \$35.3 million, respectively, of which \$43.3 million was funded. The aggregate net pension expense in 2001 for these plans was approximately \$0.9 million.

(9) Postretirement Benefit Plans

The Company provides health and life insurance benefits for certain domestic retired employees in connection with collective bargaining agreements.

The following presents the changes in the accumulated postretirement benefit obligations for the plan years ended December 31, 2001 and 2000 (000's omitted):

	<u>2001</u>	<u>2000</u>
Accumulated postretirement benefit obligations at the beginning of the year	\$ 25,351	\$ 26,808
Net decrease during the year attributable to:		
Service cost.....	225	243
Interest cost.....	1,871	1,764
Actuarial gains.....	1,060	(2,036)
Benefits paid.....	<u>(1,674)</u>	<u>(1,428)</u>
Net increase (decrease) for the year	<u>1,482</u>	<u>(1,457)</u>
Accumulated postretirement benefit obligations at the end of the year	<u>\$ 26,833</u>	<u>\$ 25,351</u>

The Company's postretirement benefit plans are not funded. The status of the plans at December 31, 2001 and 2000, is as follows (000's omitted):

	<u>2001</u>	<u>2000</u>
Accumulated postretirement benefit obligations:		
Active employees.....	\$ 5,777	\$ 6,505
Retirees	<u>21,056</u>	<u>18,846</u>
Total accumulated postretirement benefit obligations.....	26,833	25,351
Unrecognized net gain.....	<u>1,544</u>	<u>2,604</u>
Net liability recognized	<u>\$ 28,377</u>	<u>\$ 27,955</u>

Net periodic postretirement benefit costs for the Company's domestic postretirement benefit plans for the years ended December 31, 2001, 2000 and 1999, included the following components (000's omitted):

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Service cost	\$ 225	\$ 243	\$ 373
Interest cost	1,871	1,764	1,929
Recognized gain.....	<u>--</u>	<u>(152)</u>	<u>--</u>
Net periodic postretirement benefit cost.....	<u>\$ 2,096</u>	<u>\$ 1,855</u>	<u>\$ 2,302</u>

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 7% in 2001, 2000 and 1999. A one percentage point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of December 31, 2001 and 2000, by approximately \$2.3 million and \$2.9 million, respectively, and the total of the service and interest cost components of net postretirement benefit cost for each year then ended by approximately \$0.3 million, \$0.2 million and \$0.3 million in 2001, 2000 and 1999. A one percentage point decrease in the assumed health care cost trend rate for each year would decrease the accumulated postretirement benefit obligation as of December 31, 2001 and 2000, by approximately \$2.1 million and \$2.6 million in 2001 and 2000 respectively, and the total of the service and interest cost components of net postretirement benefit cost for each year then ended by approximately \$0.2 million in both 2001 and 2000 and \$0.3 million in 1999. The assumed discount rate used in determining the accumulated postretirement benefit obligation was 7.25%, 7.5% and 7.8%, in 2001, 2000 and 1999, respectively.

As of December 31, 2001, 2000 and 1999, the Company had recorded a liability of \$3.1 million, \$3.2 million and \$3.3 million, respectively, for benefit obligations for which a former executive was fully eligible to receive on a periodic payment basis beginning August 1, 1998. The principal source of funding for this obligation is an insurance policy on the executive's life.

(10) Commitments and Contingencies

Environmental

United States Can has been named as a potentially responsible party for costs incurred in the clean-up of a groundwater plume partially extending underneath United States Can's former site in San Leandro, California. We are a party to an indemnity agreement related to this matter with the owner of the property. Extensive soil and groundwater investigative work has been performed at this site in a coordinated sampling event in 1999. The results of the sampling were inconclusive as to the source of the contamination. While the State of California has not yet commented on the sampling results, we believe that the principal source of contamination is unrelated to our past operations.

Through corporate due diligence and the Company's compliance management system, a potential noncompliance with the environmental laws at our New Castle, Pennsylvania facility related to the possible use of a coating or coatings inconsistent with the conditions in the facility's Clean Air Act Title V permit was identified. In February 2001, the Company voluntarily self-reported the potential noncompliance to the Pennsylvania Department of Environmental Protection (PDEP) and the Environmental Protection Agency (EPA) in accordance with PDEP's and EPA's policies. The Company undertook a full review, revised its emissions calculations based on its review and determined that it had not exceeded its emissions cap for any reporting year. In September 2001, the Company reported to PDEP and EPA certain deviations from the requirements of its Title V permit related to the use of non-compliant coatings and corresponding recordkeeping and reporting obligations, and certain recordkeeping deviations stemming from the malfunction of the temperature recorder for an oxidizer. The Company met with PDEP officials in October 2001, and provided some supplemental information requested by PDEP in November 2001. The Company and PDEP plan to discuss a cooperative resolution of this matter once PDEP reviews the Company's submission. Since PDEP's review is not yet complete, the Company is unable, at this time, to determine PDEP's position or the effect on the Company of any reported deviation.

Legal

In May 1998, the National Labor Relations Board issued a decision ordering the Company to pay \$1.5 million in back pay, plus interest, for a violation of certain sections of the National Labor Relations Act. The violation was a result of our closure of several facilities in 1991 and our failure to offer inter-plant job opportunities to 25 affected employees. We appealed this decision on the ground that we are entitled to a credit against this award for certain supplemental unemployment benefits and pension payments. On June 19, 2001, the Court of Appeals issued a written decision. While the Court enforced the award of backpay, with interest, it agreed with the Company's position that the NLRB should permit the Company to present actuarial calculations of any credit due it because of overpayments or early payments of supplemental unemployment benefits or pension. On March 1, 2002, the Company settled this case. Under the settlement agreement, the Company will pay approximately \$1.8 million in backpay and interest, as well as certain pension adjustments that are not expected to have a material effect on the Company. The National Labor Relations Board must approve the settlement before any payments are made. The Company expects to receive approval in April 2002.

In September 2000, a purported class action suit was filed against U.S. Can Corporation, Pac Packaging Acquisition Corporation, the directors of U.S. Can Corporation prior to the recapitalization and Carl Ferenbach. The complaint challenged the recapitalization and alleged inadequate disclosure with respect to U.S. Can Corporation's filings with the Securities and Exchange Commission and violations of Delaware law. The complaint sought to rescind the recapitalization and requested that the defendants pay unspecified monetary damages, costs and attorney's fees. The parties settled this matter in return for a total additional payment of approximately \$2.0 million. In October 2001, the payment was funded and charged to accumulated deficit.

Leases

The Company has entered into agreements to lease certain property under terms which qualify as capital leases. Capital leases consist primarily of data processing equipment and various production machinery and equipment. Most capital leases contain renewal options and some contain purchase options. As of December 31, 2001 and 2000, capital lease assets were \$3.3 million and \$4.0 million, net of accumulated amortization of \$9.8 million and \$9.1 million, respectively.

The Company also maintains operating leases on various plant and office facilities, vehicles and office equipment. Rent expense under operating leases for the years ended December 31, 2001, 2000 and 1999, was \$8.3 million, \$7.2 million and \$7.1 million, respectively.

At December 31, 2001, minimum payments due under these leases were as follows (000's omitted):

	<u>Capital Leases</u>	<u>Operating Leases</u>
2002	\$ 3,801	\$ 6,454
2003	233	4,779
2004	236	4,286
2005	20	4,041
2006	--	3,257
Thereafter.....	--	6,434
Total minimum lease payments	4,290	<u>\$ 29,251</u>
Amount representing interest.....	(209)	
Present value of net minimum capital lease payments	<u>\$ 4,081</u>	

(11) Equity Incentive Plans

In connection with the recapitalization, the Board of Directors and stockholders of U.S. Can Corporation approved the U.S. Can 2000 Equity Incentive Plan. The Board of Directors administers the plan and may, from time to time, grant option awards to directors of U.S. Can Corporation, including directors who are not employees of U.S. Can Corporation, all executive officers of U.S. Can Corporation and its subsidiaries, and other employees, consultants, and advisers who, in the opinion of the Board, are in a position to make a significant contribution to the success of U.S. Can and its subsidiaries. The Board of Directors may grant options that are time-vested and options that vest based on the attainment of performance goals specified by the Board of Directors. All previous plans were terminated in connection with the recapitalization.

In prior years, the Company made grants of restricted shares which were charged to stockholders' equity at their fair value and amortized as expense on a straight-line basis over the period earned. Shares awarded were 10,582 shares or \$0.2 million was awarded in 1999. Amortization charges were \$0.2 million during 1999. In 2000, all unvested outstanding restricted stock was accelerated and issued or otherwise retired in connection with the recapitalization.

A summary of the status of the Company's stock option plans at December 31, 2001, 2000 and 1999, and changes during the years then ended, are presented in the tables below:

	<u>Options Outstanding</u>		<u>Exercisable Options</u>	
	<u>Shares</u>	<u>Wtd. Avg. Exercise Price</u>	<u>Shares</u>	<u>Wtd. Avg. Exercise Price</u>
December 31, 1998	1,601,302	\$ 15.93	820,280	\$ 15.03
Granted.....	154,300	21.95		
Exercised.....	(225,280)	13.41		
Canceled.....	<u>(92,172)</u>	<u>16.88</u>		
December 31, 1999	1,438,150	\$ 16.82	801,212	\$ 15.90
Granted.....	433,500	14.19		
Exercised.....	(1,855,859)	16.29		
Canceled.....	<u>(15,791)</u>	<u>6.20</u>		
October 4, 2000.....	--			
Granted.....	2,476,542	1.00	--	\$ --
Exercised.....	--	--		
Canceled.....	<u>--</u>	<u>--</u>		
December 31, 2000	2,476,542	1.00	--	\$ --
Granted.....	154,000	1.00		
Exercised.....	--	--		
Canceled.....	<u>(387,628)</u>	<u>1.00</u>		
December 31, 2001	2,242,914	1.00	302,912	\$ 1.00
	<u>Options Outstanding at December 31, 2001</u>		<u>Exercisable Options at December 31, 2001</u>	
	<u>Shares</u>	<u>Remaining Contractual Life (Years)</u>	<u>Shares</u>	<u>Wtd. Avg. Exercise Price</u>
\$1.00.....	<u>2,242,914</u>	8.8	<u>302,912</u>	<u>\$ 1.00</u>

The Company accounts for the plan under APB Opinion No. 25; therefore, no compensation costs have been recognized for options granted. Had compensation costs been determined on the fair value-based accounting method for options granted in 2001, 2000 and 1999, pro forma net income (loss) would have been \$(51.8) million, \$(15.8) million and 20.1 million for 2001, 2000 and 1999, respectively.

The weighted-average estimated fair value of options granted during 2001, 2000 after and before the recapitalization and 1999 was \$0.39, \$0.44, \$13.52 and \$12.92, respectively. The fair value of each option grant is determined on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for options granted in 2001, 2000 after and before the recapitalization and 1999, respectively: risk-free interest rate of 5.04%, 6.0%, 6.0% and 5.8%; expected lives of 10 years in all cases; expected volatility of 0%, 0%, 35.2% and 35.2%; and no dividends for any year.

(12) Preferred Stock

As part of the recapitalization, U.S. Can Corporation issued shares of preferred stock having an aggregate value of \$106.7 million to Berkshire Partners and its affiliates and the rollover stockholders. Dividends accrue on the preferred stock at an annual rate of 10%, are cumulative from the date of issuance and compounded quarterly, on March 31, June 30, September 30 and December 31 of each year and are payable in cash when and as declared by our Board of Directors, so long as sufficient cash is available to make the dividend payment and has been obtained in a manner permitted under the terms of our new senior secured credit facility and the indenture. As of December 31, 2001 and 2000, dividends of approximately \$13.9 million and \$2.6 million, respectively, have been accrued. Holders of the preferred stock have no voting rights, except as otherwise required by law. The preferred stock has a liquidation preference equal to the purchase price per share, plus all accrued and unpaid dividends. The preferred stock ranks senior to all classes of U.S. Can Corporation common stock and is not convertible into common stock.

(13) Related Parties

Berkshire Partners is the majority shareholder (77.3%) of the Company. Berkshire received a fee of \$2.0 million upon the completion of the recapitalization and receives a management fee of \$750,000 per year.

Under the provisions of the second amendment to the Senior Secured Credit Facility, Berkshire Partners may be required to cash collateralize and ultimately repurchase the Tranche C term loan facility. In consideration for Berkshire's agreement to purchase a participation in the Tranche C term loan, the Company has agreed to accrue for and pay to Berkshire an annual fee of 2.75% of the amount of the Tranche C term loan then outstanding, which initially is \$550,000. This fee is payable in advance, is non-refundable and may not be paid in cash (without the requisite senior lenders' consent) so long as the Company's current senior bank debt is outstanding. If Berkshire were required to purchase a Tranche C term loan participation in the future, the Company would be required to pay Berkshire the amount of such Tranche C term loan, plus accrued interest, to the extent of Berkshire's participation. The Company also agreed to reimburse Berkshire's out-of-pocket costs and expenses incurred in connection with the purchase agreement and the second amendment to the credit agreement.

Salomon Smith Barney currently beneficially owns 4.62% of the Company's common stock. Salomon Smith Barney was paid \$2.0 million in fees in 2000 for financial advisory services provided in connection with the recapitalization.

(14) Business Segments

The Company has established four segments by which management monitors and evaluates business performance, customer base and market share. The Company has realigned its reportable segments in connection with the May acquisition. International operations are now reflected as a separate segment. Accordingly, the segment information for prior years has been restated to conform with the current reporting structure.

The segments have separate management teams and distinct product lines. The aerosol segment primarily produces steel aerosol containers in the U.S. for personal care, household, automotive, paint and industrial products. The International segment produces aerosol cans in the Europe and Latin America (through Formametal S.A., a joint venture in Argentina) as well as steel food packaging in Europe. The Paint, Plastic & General Line segment produces round cans in the U.S. for paint and coatings, oblong cans for items such as lighter fluid and turpentine as well as plastic containers for paint and industrial and consumer products. The Custom & Specialty segment produces a wide array of functional and decorative tins, containers and other products in the U.S..

The accounting policies of the segments are the same as those described in Note (2) to the Consolidated Financial Statements. No single customer accounted for more than 10% of the Company's total net sales during 2000, 1999 or 1998.

Financial information relating to the Company's operations by geographic area was as follows (000's omitted):

	United States	Europe	Consolidated
2001			
Net sales	\$542,722	\$ 229,466	\$ 772,188
Identifiable assets	395,150	239,200	634,350
2000			
Net sales	\$569,870	\$ 239,627	\$ 809,497
Identifiable assets	388,918	248,946	637,864
1999			
Net sales	\$603,282	\$ 129,615	\$ 732,897
Identifiable assets	397,326	266,244	663,570

The following is a summary of revenues from external customers, income (loss) from operations, capital spending, depreciation and amortization and identifiable assets for each segment as of December 31, 2001, 2000 and 1999 (000's omitted):

	2001	2000	1999
Revenues from external customers:			
Aerosol	\$ 334,716	\$ 357,688	\$ 365,306
International	229,466	239,627	129,615
Paint, Plastic, & General Line	134,495	140,855	149,144
Custom & Specialty	73,511	71,327	88,243
Other	--	--	589
Total revenues	<u>\$ 772,188</u>	<u>\$ 809,497</u>	<u>\$ 732,897</u>
Income (loss) from operations:			
Aerosol	\$ 43,767	\$ 66,395	\$ 64,034
International	(267)	12,802	8,751
Paint, Plastic, & General Line	12,229	15,310	13,854
Custom & Specialty	3,133	6,597	8,845
Corporate and eliminations (a) (b)	(65,008)	(52,951)	(28,509)
Total income (loss) from operations	<u>\$ (6,146)</u>	<u>\$ 48,153</u>	<u>\$ 66,975</u>
Capital spending:			
Aerosol	\$ 3,514	\$ 6,499	\$ 15,804
International	4,556	8,063	6,073
Paint, Plastic, & General Line	6,536	3,650	5,835
Custom & Specialty	1,043	609	987
Corporate	3,888	5,683	2,283
Total capital spending	<u>\$ 19,537</u>	<u>\$ 24,504</u>	<u>\$ 30,982</u>
Depreciation and amortization:			
Aerosol	\$ 11,856	\$ 10,842	\$ 12,446
International	9,355	9,288	6,108
Paint, Plastic, & General Line	5,462	5,025	5,154
Custom & Specialty	2,165	2,182	3,002
Corporate	5,788	6,333	5,153
Total depreciation and amortization	<u>\$ 34,626</u>	<u>\$ 33,670</u>	<u>\$ 31,863</u>
Identifiable assets:			
Aerosol	\$ 168,214	\$ 183,150	\$ 174,884
International	239,200	248,946	266,244
Paint, Plastic, & General Line	82,872	91,431	87,686
Custom & Specialty	44,880	49,795	76,410
Corporate	99,184	64,542	58,346
Total identifiable assets	<u>\$ 634,350</u>	<u>\$ 637,864</u>	<u>\$ 663,570</u>

(a) Includes special charges and recapitalization costs. Management does not evaluate segment performance including such charges.

(b) Selling, general and administrative costs are allocated only to the international segment.

(15) Subsidiary Guarantor Information

The following presents the condensed consolidating financial data for U.S. Can Corporation (the "Parent Guarantor"), United States Can Company (the "Issuer"), USC May Verpackungen Holding Inc. (the "Subsidiary Guarantor"), and the Issuer's European subsidiaries, including May Verpackungen GmbH & Co., KG (the "Non-Guarantor Subsidiaries"), as of December 31, 2001 and 2000 and for the years ended December 31, 2001, 2000 and 1999. The Subsidiary Guarantor was formed by the Issuer in December 1999. Investments in subsidiaries are accounted for by the Parent Guarantor, the Issuer and the Subsidiary Guarantor under the equity method for purposes of the supplemental consolidating presentation. Earnings of subsidiaries are, therefore, reflected in their parent's investment accounts and earnings. This consolidating information reflects the guarantors and non-guarantors of the 12 3/8% senior subordinated notes due 2010.

The 12 3/8% senior subordinated notes due 2010 are guaranteed on a full, unconditional, unsecured, senior subordinated, joint and several basis by the Parent Guarantor, the Subsidiary Guarantor and any other domestic restricted subsidiary of the Issuer. USC May Verpackungen Holding Inc., which is wholly owned by the Issuer, currently is the only Subsidiary Guarantor. The Parent Guarantor has no assets or operations separate from its investment in the Issuer.

Separate financial statements of the Issuer or the Subsidiary Guarantors have not been presented as management has determined that such information is not material to the holders of the 12³/₈% senior subordinated notes due 2010.

U.S.CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2001
(000's omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackugen Holding (Subsidiary Guarantor)	USC Europe/ May Verpackugen GmbH (Non- Guarantor Subsidiaries)	Eliminations	U.S. Can Corporation Consolidated
NET SALES	\$ —	\$ 542,722	\$ —	\$ 229,466	\$ —	\$ 772,188
COST OF SALES	—	483,878	—	211,636	—	695,514
Gross income	—	58,844	—	17,830	—	76,674
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	—	28,484	1,423	16,674	—	46,581
SPECIAL CHARGES.....	—	27,063	—	9,176	—	36,239
Operating income (loss).....	—	3,297	(1,423)	(8,020)	—	(6,146)
INTEREST EXPENSE.....	—	48,136	6,500	2,668	—	57,304
EQUITY EARNINGS (LOSS) FROM SUBSIDIARY	(40,416)	(13,010)	5,814	—	47,612	—
Income (loss) before income taxes.....	(40,416)	(57,849)	(2,109)	(10,688)	47,612	(63,450)
PROVISION FOR INCOME TAXES.....	—	(17,433)	3,506	(9,107)	—	(23,034)
NET INCOME (LOSS) BEFORE PREFERRED STOCK DIVIDENDS	(40,416)	(40,416)	(5,615)	(1,581)	47,612	(40,416)
PREFERRED STOCK DIVIDENDS	(11,345)	—	—	—	—	(11,345)
NET INCOME (LOSS) AVAIABLE FOR COMMON STOCKHOLDERS.....	<u>\$ (51,761)</u>	<u>\$ (40,416)</u>	<u>\$ (5,615)</u>	<u>\$ (1,581)</u>	<u>\$ 47,612</u>	<u>\$ (51,761)</u>

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2000
(000's omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackugen Holding (Subsidiary Guarantor)	USC Europe/ May Verpackugen GmbH (Non- Guarantor Subsidiaries)	Eliminations	U.S. Can Corporation Consolidated
NET SALES	\$ —	\$ 569,870	\$ —	\$ 239,627	\$ —	\$ 809,497
COST OF SALES	—	481,217	—	211,941	—	693,158
Gross income	—	88,653	—	27,686	—	116,339
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	—	29,525	1,478	14,884	—	45,887
SPECIAL CHARGES.....	—	3,413	—	—	—	3,413
RECAPITALIZATION CHARGES	18,886	—	—	—	—	18,886
Operating income (loss).....	(18,886)	55,715	(1,478)	12,802	—	48,153
INTEREST EXPENSE.....	—	31,261	6,220	2,987	—	40,468
EQUITY EARNINGS (LOSS) FROM SUBSIDIARY	55	(135)	4,476	—	(4,396)	—
Income (loss) before income taxes.....	(18,831)	24,319	(3,222)	9,815	(4,396)	7,685
PROVISION FOR INCOME TAXES.....	(7,309)	9,401	(178)	2,430	—	4,344
Income (loss) from operations before extraordinary item.....	(11,522)	14,918	(3,044)	7,385	(4,396)	3,341
NET LOSS FROM EARLY EXTINGUISHMENT OF DEBT.....	—	(14,863)	—	—	—	(14,863)
NET INCOME (LOSS) BEFORE PREFERRED STOCK DIVIDENDS	(11,522)	55	(3,044)	7,385	(4,396)	(11,522)
PREFERRED STOCK DIVIDENDS	(2,601)	—	—	—	—	(2,601)
NET INCOME (LOSS) AVAIABLE FOR COMMON STOCKHOLDERS.....	<u>\$ (14,123)</u>	<u>\$ 55</u>	<u>\$ (3,044)</u>	<u>\$ 7,385</u>	<u>\$ (4,396)</u>	<u>\$ (14,123)</u>

U.S.CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1999
(000's omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	U.S. Can Europe/ May Verpackugen GmbH (Non- Guarantor Subsidiaries)	Eliminations	U.S. Can Corporation Consolidated
NET SALES.....	\$ —	\$ 603,282	\$ 129,615	\$ —	\$ 732,897
COST OF SALES	—	516,703	113,708	—	630,411
Gross income	—	86,579	15,907	—	102,486
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	—	28,355	7,156	—	35,511
Operating income.....	—	58,224	8,751	—	66,975
INTEREST EXPENSE	—	27,447	2,454	—	29,901
EQUITY IN EARNINGS OF SUBSIDIARIES	21,156	4,103	—	(25,259)	—
Income before income taxes.....	21,156	34,880	6,297	(25,259)	37,074
PROVISION FOR INCOME TAXES	—	12,428	2,194	—	14,622
Income from operations before extraordinary item	21,156	22,452	4,103	(25,259)	22,452
NET LOSS FROM EARLY EXTINGUISHMENT OF DEBT	—	(1,296)	—	—	(1,296)
NET INCOME (LOSS) AVAILABLE FOR COMMON STOCKHOLDERS	<u>\$ 21,156</u>	<u>\$ 21,156</u>	<u>\$ 4,103</u>	<u>\$ (25,259)</u>	<u>\$ 21,156</u>

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2001

(000s omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackugen Holding (Subsidiary Guarantor)	USC Europe/ May Verpackugen GmbH (Non- Guarantor Subsidiaries)	Eliminations	U.S. Can Corporation Consolidated
CURRENT ASSETS:						
Cash and cash equivalents.....	\$ —	\$ 8,249	\$ —	\$ 6,494	\$ —	\$ 14,743
Accounts receivable	—	51,806	—	43,468	—	95,274
Inventories.....	—	52,625	(600)	48,651	—	100,676
Prepaid expenses and other assets	—	26,518	1,049	10,142	—	37,709
Total current assets.....	—	139,198	449	108,755	—	248,402
NET PROPERTY, PLANT AND EQUIPMENT.....	—	152,779	—	86,455	—	239,234
INTANGIBLE ASSETS.....	—	40,611	1,544	24,282	—	66,437
OTHER ASSETS	—	62,561	—	17,716	—	80,277
INTERCOMPANY ADVANCES	—	239,414	—	—	(239,414)	—
INVESTMENT IN SUBSIDIARIES.....	—	11,044	65,779	—	(76,823)	—
Total assets.....	<u>\$ —</u>	<u>\$ 645,607</u>	<u>\$ 67,772</u>	<u>\$ 237,208</u>	<u>\$ (316,237)</u>	<u>\$ 634,350</u>
CURRENT LIABILITIES						
Current maturities of long-term debt	\$ —	\$ 12,801	\$ —	\$ 2,182	\$ —	\$ 14,983
Accounts payable	—	47,995	—	48,690	—	96,685
Other current liabilities	—	51,834	(1,759)	22,362	—	72,437
Total current liabilities	—	112,630	(1,759)	73,234	—	184,105
TOTAL LONG TERM DEBT.....	854	499,339	—	21,600	—	521,793
OTHER LONG-TERM LIABILITIES	—	47,239	514	7,210	—	54,963
PREFERRED STOCK.....	120,613	—	—	—	—	120,613
INTERCOMPANY LOANS	112,056	—	86,775	40,583	(239,414)	—
INVESTMENT IN SUBSIDIARIES.....	13,601	—	—	—	(13,601)	—
STOCKHOLDERS' EQUITY	<u>(247,124)</u>	<u>(13,601)</u>	<u>(17,758)</u>	<u>94,581</u>	<u>(63,222)</u>	<u>(247,124)</u>
Total liabilities and stockholders' equity	<u>\$ —</u>	<u>\$ 645,607</u>	<u>\$ 67,772</u>	<u>\$ 237,208</u>	<u>\$ (316,237)</u>	<u>\$ 634,350</u>

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2000
(000s omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackugen Holding (Subsidiary Guarantor)	USC Europe/ May Verpackugen GmbH (Non- Guarantor Subsidiaries)	Eliminations	U.S. Can Corporation Consolidated
CURRENT ASSETS:						
Cash and cash equivalents.....	\$ —	\$ 2,276	\$ —	\$ 8,508	\$ —	\$ 10,784
Accounts receivable	—	47,952	—	42,811	—	90,763
Inventories.....	—	69,709	(600)	44,793	—	113,902
Prepaid expenses and other assets	—	27,878	608	7,352	—	35,838
Total current assets.....	—	147,815	8	103,464	—	251,287
NET PROPERTY, PLANT AND EQUIPMENT.....						
INTANGIBLE ASSETS.....	—	169,525	—	102,695	—	272,220
OTHER ASSETS	—	41,974	1,630	27,108	—	70,712
INTERCOMPANY ADVANCES	—	29,606	439	13,600	—	43,645
INVESTMENT IN SUBSIDIARIES.....	—	224,260	—	—	(224,260)	—
Total assets.....	45,790	38,881	63,317	—	(147,988)	—
	<u>\$ 45,790</u>	<u>\$ 652,061</u>	<u>\$ 65,394</u>	<u>\$ 246,867</u>	<u>\$ (372,248)</u>	<u>\$ 637,864</u>
CURRENT LIABILITIES						
Current maturities of long-term debt	\$ —	\$ 9,569	\$ —	\$ 5,102	\$ —	\$ 14,671
Accounts payable	—	56,208	—	46,066	—	102,274
Other current liabilities	—	50,255	650	9,193	—	60,098
Total current liabilities	—	116,032	650	60,361	—	177,043
TOTAL LONG TERM DEBT.....	854	454,539	—	24,981	—	480,374
OTHER LONG-TERM LIABILITIES	—	35,700	879	8,923	—	45,502
PREFERRED STOCK	109,268	—	—	—	—	109,268
INTERCOMPANY LOANS	109,991	—	72,656	41,613	(224,260)	—
STOCKHOLDERS' EQUITY	(174,323)	45,790	(8,791)	110,989	(147,988)	(174,323)
Total liabilities and stockholders' equity	<u>\$ 45,790</u>	<u>\$ 652,061</u>	<u>\$ 65,394</u>	<u>\$ 246,867</u>	<u>\$ (372,248)</u>	<u>\$ 637,864</u>

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2001
(000s omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Subsidiary- Guarantor)	USC Europe / May Verpackungen (Non- Guarantor Subsidiaries)	U.S. Can Corporation Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES.....	\$ —	\$ 3,658	\$ (10,186)	\$ (464)	\$ (6,992)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	—	(14,981)	—	(4,556)	(19,537)
Acquisition of business, net of cash acquired.....	—	(4,198)	—	—	(4,198)
Proceeds on the sale of property.....	—	—	—	7,208	7,208
Investment in Formametal S.A.	—	(7,891)	—	—	(7,891)
Net cash used in investing activities.....	—	(27,070)	—	2,652	(24,418)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Changes in intercompany advances.....	—	(10,289)	10,186	103	—
Settlement of shareholder litigation.....	—	(2,063)	—	—	(2,063)
Net borrowings under the revolving line of credit.....	—	37,600	—	—	37,600
Borrowing of Term C loan	—	20,000	—	—	20,000
Payments of long-term debt, including capital lease obligations..	—	(9,569)	—	(4,533)	(14,102)
Payment of debt financing costs.....	—	(6,294)	—	—	(6,294)
Net cash (used in) provided by financing activities.....	—	29,385	10,186	(4,430)	35,141
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....	—	—	—	228	228
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	—	5,973	—	(2,014)	3,959
CASH AND CASH EQUIVALENTS, beginning of year	—	2,276	—	8,508	10,784
CASH AND CASH EQUIVALENTS, end of period.....	\$ —	\$ 8,249	\$ —	\$ 6,494	\$ 14,743

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2000
(000s omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Subsidiary Guarantor)	USC Europe / May Verpackungen (Non-Guarantor Subsidiaries)	U.S. Can Corporation Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 18,886	\$ 14,231	\$ (8,809)	\$ 4,424	\$ 28,732
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	—	(16,371)	—	(8,133)	(24,504)
Proceeds on sale of business	—	12,088	—	—	12,088
Proceeds on the sale of property	—	8,755	—	—	8,755
Investment in Formametal S.A.	—	—	—	(4,914)	(4,914)
Net cash used in investing activities	—	4,472	—	(13,047)	(8,575)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Changes in intercompany advances	365,168	(392,408)	8,809	18,431	—
Issuance of common stock	53,333	—	—	—	53,333
Issuance of preferred stock	106,667	—	—	—	106,667
Retirement of common stock and exercise of stock options	(270,022)	—	—	—	(270,022)
Purchase of treasury stock	(488)	—	—	—	(488)
Issuance of 12 3/8% notes	—	175,000	—	—	175,000
Repurchase of 10 1/8% notes	(254,658)	—	—	—	(254,658)
Net borrowings (payments) under the old revolving line of credit and changes in cash overdrafts	—	(56,100)	—	—	(56,100)
Borrowing of Tranche A loan	—	80,000	—	—	80,000
Borrowing of Tranche B loan	—	180,000	—	—	180,000
Borrowing of other long-term debt, including capital lease obligations	—	18,500	—	786	19,286
Payments of long-term debt, including capital lease obligations	—	(7,377)	—	(15,151)	(22,528)
Payment of debt financing costs	—	(16,137)	—	—	(16,137)
Payment of recapitalization costs	(18,886)	—	—	—	(18,886)
Net cash (used in) provided by financing activities	(18,886)	(18,522)	8,809	4,066	(24,533)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	—	(537)	(537)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	—	181	—	(5,094)	(4,913)
CASH AND CASH EQUIVALENTS, beginning of year	—	2,095	—	13,602	15,697
CASH AND CASH EQUIVALENTS, end of period	\$ —	\$ 2,276	\$ —	\$ 8,508	\$ 10,784

U.S. CAN CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999
(000s omitted)

	U.S. Can Corporation (Parent)	United States Can Company (Issuer)	USC May Verpackungen Holding (Subsidiary Guarantor)	USC Europe / May Verpackungen (Non-Guarantor Subsidiaries)	U.S. Can Corporation Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES	\$ —	\$ 51,865	\$ —	\$ 10,587	\$ 62,452
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	—	(24,909)	—	(6,073)	(30,982)
Acquisition of businesses, net of cash acquired	—	—	(63,847)	—	(63,847)
Proceeds on sale of business	—	4,500	—	—	4,500
Proceeds on the sale of property	—	448	—	—	448
Investment in Formametal S.A.	—	—	—	(1,600)	(1,600)
Net cash used in investing activities	—	(19,961)	(63,847)	(7,673)	(91,481)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Changes in intercompany advances	25,378	(95,917)	63,847	6,692	—
Retirement of common stock and exercise of stock options	2,820	—	—	—	2,820
Purchase of treasury stock	(502)	—	—	—	(502)
Repurchase of 10 1/8% notes	(27,696)	—	—	—	(27,696)
Borrowings of long-term debt	—	38,598	—	—	38,598
Net borrowings (payments) under the revolving line of credit and changes in cash overdrafts	—	23,159	—	394	23,553
Payments of long-term debt, including capital lease obligations	—	(5,057)	—	(4,392)	(9,449)
Net cash (used in) provided by financing activities	—	(39,217)	63,847	2,694	27,324
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	—	(670)	(670)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	—	(7,313)	—	4,938	(2,375)
CASH AND CASH EQUIVALENTS, beginning of year	—	9,408	—	8,664	18,072
CASH AND CASH EQUIVALENTS, end of period	\$ —	\$ 2,095	\$ —	\$ 13,602	\$ 15,697

(15)

Quarterly Financial Data (Unaudited)

The following is a summary of the unaudited interim results of operations for each of the quarters in 2000 and 1999 (000's omitted).

	<u>First Quarter</u>		<u>Second Quarter</u>		<u>Third Quarter</u>		<u>Fourth Qtr</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Net Sales	\$ 191,168	\$ 213,761	\$ 193,329	\$ 210,522	\$ 204,175	\$ 200,024	\$ 183,516	\$ 185,190
Special Charges(a)	--	--	--	--	(200)	3,413	36,439	--
Recapitalization								
Charge(b)	--	--	--	--	--	--	--	18,886
Income (loss) from								
Operations Before								
Extraordinary Item	(1,328)	5,637	423	6,121	(1,426)	4,376	(38,085)	(12,793)
Net Income (Loss)								
Available for Common								
Shareholders	<u>\$ (4,053)</u>	<u>\$ 5,637</u>	<u>\$ (2,369)</u>	<u>\$ 6,121</u>	<u>\$ (4,288)</u>	<u>\$ 4,376</u>	<u>\$ (41,051)</u>	<u>\$ (30,257)</u>

(a) See Note (4)

(b) See Note (3)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the name, age as of March 15, 2002 and position of each of our directors, executive officers and other key employees. Each of our directors will hold office until the next annual meeting of shareholders or until his successor has been elected and qualified. Our officers are elected by our Board of Directors and serve at the discretion of the Board of Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Paul W. Jones	53	Chairman of the Board, President and Chief Executive Officer
John L. Workman.....	50	Director, Executive Vice President and Chief Financial Officer
J. Michael Kirk.....	44	Executive Vice President, Global Sales and Marketing
Roger B. Farley	58	Senior Vice President, Human Resources
David R. Ford.....	55	Senior Vice President, International, and President, European Operations
James J. Poehling	54	Senior Vice President, Sales and Channel Development
Thomas A. Scrimo	53	Senior Vice President and General Manager, Aerosol, Paint and General Line and Business Support
Sandra K. Vollman.....	44	Senior Vice President, Finance
Sheleen Mc Gann	53	Vice President, Chief Information Officer
Emil P. Obradovich.....	55	Vice President and Chief Technical Officer
Steven K. Sims	37	Vice President, General Counsel and Secretary
Francois J. Vissers.....	41	Vice President, Aerosol Division - Europe
Klaus Brauckmann.....	44	Managing Director, May Verpackungen
Carl Ferenbach	59	Director
Richard K. Lubin.....	55	Director
Philip R. Mengel	54	Director
Francisco A. Soler.....	56	Director
Louis B. Susman	63	Director

Paul W. Jones. Mr. Jones has been our President and Chief Executive Officer since April 1998, and our Chairman of the Board since July 1998. From 1989 to 1998, Mr. Jones was the President of Greenfield Industries, Inc., an international tool manufacturer. Prior to joining Greenfield Industries, Inc., Mr. Jones held various positions with General Electric for 19 years, including serving as General Manager—Manufacturing for General Electric Transportation Systems from 1988 to 1989. Mr. Jones is a member of the Board of Directors of Federal Signal Corporation and Regal-Beloit Corporation.

John L. Workman. Mr. Workman has been our Executive Vice President and Chief Financial Officer since his appointment in August 1998. Prior to his appointment, Mr. Workman served as Executive Vice President and Chief Restructuring Officer at Montgomery Ward Holding Corporation. Montgomery Ward was one of the nation's largest privately-held retailers. Mr. Workman joined Montgomery Ward in 1984 as a general auditor and held a variety of financial positions with Montgomery Ward, including Vice President—Controller, Vice President—Finance and Chief Financial Officer. Mr. Workman was an executive officer of Montgomery Ward in July 1997 when it filed for reorganization under Chapter 11 of the Federal bankruptcy laws.

J. Michael Kirk. Mr. Kirk has served as our Executive Vice President, Global Sales and Marketing since July 2001. From March 2000 to July 2001, Mr. Kirk served as our Executive Vice President, Aerosol Sales and Marketing and Corporate Marketing. From August 1999 to March 2000, he served as our Executive Vice President, Marketing. Prior to joining us, he served as General Manager of Blank Fed Packaging Systems for Tetra Pak, Inc., a manufacturer of beverage packaging products. He joined Tetra Pak in 1986 as a sales manager and held a number of sales and marketing positions. At Tetra Pak, he became

General Manager of the nine state Southern Region of Tetra Pak and in 1996 was named General Manager of Tetra Pak's 33-state Central Region.

Roger B. Farley. Mr. Farley has served as our Senior Vice President, Human Resources since August 1998. Prior to joining us, Mr. Farley was Senior Vice President, Human Resources from July 1997 to July 1998 and Vice President, Human Resources from June 1994 to June 1997 of Greenfield Industries, Inc., an international tool manufacturer.

David R. Ford. Mr. Ford has served as our Senior Vice President, International and President, European Operations since November 1997. From 1987 until 1997, Mr. Ford held a number of senior management positions with CMB Packaging Group, a division of CarnaudMetalbox (a Crown Cork & Seal company), including Vice President, Eastern Europe; Vice President, European Food Can business; Regional Vice President, Northern Europe; and Managing Director, CMB Food Can UK. Crown Cork & Seal is a global metal and plastic packaging company.

James J. Poehling. Mr. Poehling has been in his current position as Senior Vice President North American Sales and Channel Development since September 2001. From 1990 until joining U.S. Can, Mr Poehling held senior management positions of Vice President Sales and Marketing and Vice President and General Manager Indexable Cutting Tools for Greenfield Industries, Inc., an international cutting tool manufacturer.

Thomas A. Scrimo. Mr. Scrimo has served as our Senior Vice President and General Manager, Aerosol, Paint and General Line Operations and Business Support since August 2001. From February 2000 to August 2001 he served as our Senior Vice President and General Manager, Aerosol Operations and Business Support. From August 1998 to February 2000, Mr. Scrimo served as our Vice President, Business Support Operations. Prior to joining us, he served as Vice President of Operations for Greenfield Industries, Inc., an international tool manufacturer, from January 1997 to August 1998. From July 1992 to January 1997, he served as Vice President of Manufacturing of Commercial Cam Co., a division of Emerson Electric Co., a manufacturer of precision material handling equipment.

Sandra K. Vollman. Ms. Vollman has been our Senior Vice President—Finance since February 2002. She joined the Company in July 1999 as Vice President – Business Development and was named Vice President – Finance in September 2000. From 1997 to 1999, Ms. Vollman was Vice President and Corporate Controller for Montgomery Ward and Co. Prior to 1997, Ms. Vollman held a variety of financial and information systems positions at Montgomery Ward and was vice president and controller of Signature Financial/Marketing, Inc., Montgomery Ward's direct marketing subsidiary.

Sheleen McGann. Ms. McGann has been our Vice President and Chief Information Officer since December 2000. Prior to joining U.S. Can, Ms. McGann served as Managing Director of Leapnet, an Internet company from June 2000 to December 2000, and as Senior Vice President of Administration and Systems of Unitrin from 1998 through June 2000, an insurance and financial services company. From 1996 through 1998, Ms. McGann was Executive Vice President, Corporate Planning and Information Services of Signature Financial / Marketing Inc., a direct response marketing company.

Emil P. Obradovich. Mr. Obradovich has served as our Vice President and Chief Technical Officer since February 2000. From 1996 to February 2000, Mr. Obradovich served as our Managing Director of Technical Services.

Steven K. Sims. Mr. Sims has served as our Vice President, General Counsel and Secretary since June 1998. From April 1995 to May 1998, Mr. Sims served as our Assistant General Counsel. From September 1989 to March 1995, Mr. Sims was engaged in private practice at the Chicago-based law firm of Ross & Hardies.

Francois Vissers. Mr. Vissers has served as Vice President, Aerosol Division - Europe since May 2001. Prior thereto, he held various senior management positions with GE Plastics in Europe, including General Manager for the European ABS business from 2000 through May 2001, European productivity leader from 1999 through 2000, global process improvement leader (1997 through 1999), site manager in Scotland (1995 through 1996).

Klaus Brauckmann. Mr. Brauckmann has been Managing Director, May Verpackungen, the Company's German food can business, since February 2001. From August 1995 to January 2001, he was the Regional Director, Central and Eastern Europe for SONOCO Packaging Europe.

Carl Ferenbach. Mr. Ferenbach, who was one of our founding directors in 1983 and served as a member of our Board of Directors until February 2000, was elected as a Director at the time of the recapitalization. Mr. Ferenbach is also a Managing Director of Berkshire Partners, which he co-founded in 1986. He has been a director of many of Berkshire Partners' manufacturing, transportation and telecommunications investments, including, among others, Crown Castle International Corporation, Wisconsin Central Transportation Corporation, Tranz Rail Limited and Trico Marine Services, Inc.

Richard K. Lubin. Mr. Lubin has served as a Director since the recapitalization. Mr. Lubin is a Managing Director of Berkshire Partners, which he co-founded in 1986. He has been a director of many of Berkshire Partners' manufacturing, retailing and transportation investments, including, among others, The Holmes Group, Inc. and Wisconsin Central Transportation Corporation.

Philip R. Mengel was elected a Director in 2001. Mr. Mengel has been the Chief Executive Officer of English Welsh & Scottish Railway ("EWS") since January 2000. From 1996 to January 2000 Mr. Mengel was the Chief Executive Officer of Ibstock plc, an international building products company. Mr. Mengel is also a director of The Economist Newspaper Group.

Francisco A. Soler. Mr. Soler has served as a Director since 1983. Since 1985, Mr. Soler has served as the Chairman of International Bancorp of Miami, Inc., the holding company for The International Bank of Miami, N.A. Mr. Soler is also President of Harbour Club Milano Spa and a director of various industrial and commercial companies in the United Kingdom and El Salvador.

Louis B. Susman. Mr. Susman has served as a Director since 1998. Mr. Susman is a Vice Chairman of the Citigroup Global Corporate Investment Bank, Chairman of the Citigroup North American Customer Committee, and a Vice Chairman of Investment Banking and Managing Director of Salomon Smith Barney Inc. Prior to joining Salomon Brothers Inc (one of the predecessors of Salomon Smith Barney) in June 1989, Mr. Susman was a senior partner at the St. Louis-based law firm of Thompson & Mitchell. Mr. Susman is a Director of Drury Inns and has previously served on the boards of the St. Louis National Baseball Club, Inc., Silver Eagle, Inc., Hasco International, PennCorp Financial, Avery, Inc. and other publicly-held corporations.

ITEM 11. EXECUTIVE COMPENSATION

The following tables set forth information concerning compensation paid to our Chief Executive Officer and our other four most highly compensated executive officers during fiscal years 2001, 2000 and 1999.

Summary Compensation Table

<i>Name and Principal Position</i>	<i>Year</i>	<u>Annual Compensation</u>			<u>Long Term Compensation</u>	
		<u>Salary</u>	<u>Bonus(a)</u>	<u>Other Annual Compensation</u>	<u>Awards Securities Underlying Options/SARs (#)(c)</u>	<u>Payout All Other Compensation</u>
Paul W. Jones President and Chief Executive Officer	2001	\$653,108	\$ 32,500	\$7,215	none	\$ 103,098(d)
	2000	\$614,473	\$122,000	\$7,521	212,202	\$ 351,037(e)
	1999	\$572,800	\$830,200	\$7,500	none	\$ 96,300(f)
John L. Workman Executive Vice President and Chief Financial Officer	2001	\$412,915	\$20,000	\$7,215	none	\$ 46,600(d)
	2000	\$398,088	\$39,000	\$7,521	353,669	\$1,055,782(e)
	1999	\$378,600	\$270,700	\$7,500	none	\$ 54,100(f)
David R. Ford(g) Senior Vice President, International and President, European Operations	2001	\$385,448	none	none	none	\$ 283,861(g)
	2000	\$395,000	\$39,500	none	141,468	\$ 771,266(g)
	1999	\$383,000	\$251,300	none	none	\$ 239,116(g)
J. Michael Kirk(b) Executive Vice President, Global Sales and Marketing	2001	\$257,915	none	\$6,194	none	\$ 23,660(d)
	2000	\$243,088	\$23,500	\$7,521	212,202	\$ 351,282(e)
	1999	\$79,892	\$77,500	\$2,603	50,000	\$ 3,691(f)
Thomas A. Scrimo Senior Vice President and General Manager, Aerosol, Paint and General Line and Business Support	2001	\$245,754	\$12,000	\$5,506	none	\$ 22,016(d)
	2000	\$225,919	\$22,000	\$6,685	339,522	\$ 360,548(e)
	1999	\$194,523	\$98,568	\$5,747	none	\$ 9,552(f)

(a) For 1999, the amounts shown for all officers include the dollar value of additional deferred stock units provided by us to the named executive officers in connection with their deferral of a portion of their 1999 bonuses into deferred stock units under our Executive Deferred Compensation Plan. Under this plan, eligible executives were able to defer up to 25% of their annual incentive compensation into deferred United States Can Company stock units, which were settled in cash at the recapitalization date. We contributed one additional deferred stock unit for each five deferred stock units elected by the executive. The 1999 amount for Mr. Kirk consists of a signing or make-whole bonus (based on foregone bonus from his previous employer) and a guaranteed partial year incentive payout.

(b) Mr. Kirk joined our company in August 1999.

(c) Options granted in 1999 were granted under various option or equity incentive plans that were terminated as of the October 4, 2000 recapitalization date and reflect shares prior to the recapitalization. Options granted in 2000 exclude options for 50,000, 25,000, 30,000, 37,000 and 20,000 shares issued to Messrs. Jones, Ford and Workman, Kirk and Scrimo, respectively, under the plans in effect prior to the recapitalization. All of the foregoing options were cancelled at the time of the recapitalization, and each holder received a cash payment equal to the product of (i) the \$20.00 price per share paid to shareholders in connection with the recapitalization less the exercise price of the option and (ii) the number of shares of common stock subject to the option. Options reflected in this table for 2000 were granted on October 4, 2000 under the U.S. Can Corporation 2000 Equity Incentive Plan in connection with the recapitalization.

- (d) 2001 amounts shown for Messrs. Jones, Workman, Kirk and Scrimo include contributions or payments for their benefit to U.S. Can Corporation's Salaried Employee Savings and Retirement Accumulation Plan ("SRAP") and pursuant to nonqualified retirement plans (\$92,995, \$46,600, \$22,291 and \$22,016, respectively). Amounts for Mr. Jones and Mr. Kirk include the cost of life insurance in excess of our standard benefit (\$5,803 and \$1,369, respectively) and payments for personal financial planning for Mr. Jones of \$4,300.
- (e) The 2000 amounts include one-time bonuses in connection with the recapitalization of \$697,500, \$309,000, \$156,600, \$99,400 and \$103,400 for Messrs. Jones, Workman, Ford, Kirk and Scrimo respectively, cash proceeds from the cancellation of employee stock options in the recapitalization of \$1,291,312, \$624,713, \$252,250, \$220,288 and \$208,945 for Messrs. Jones, Workman, Ford, Kirk and Scrimo, respectively, distribution of cash from U.S. Can Corporation's executive deferred compensation program to the extent not reported as 1999 bonuses, of \$124,384, \$38,852, \$39,399, \$6,053 and \$19,390 for Messrs. Jones, Workman, Ford, Kirk, and Scrimo, respectively, contributions or payments for their benefit to U.S. Can Corporation's Salaried Employee Savings and Retirement Accumulation Plan ("SRAP") of \$10,200 for each named executive officer other than Mr. Ford and \$214,538, \$68,614, \$12,772 and 24,541 for Messrs. Jones, Workman, Kirk and Scrimo respectively, pursuant to nonqualified retirement plans. The 2000 amounts shown for Mr. Jones and Kirk include the cost of life insurance in excess of our standard benefit (\$5,803 and \$1,369 respectively) and the imputed value of Mr. Workman's company-provided life insurance benefit of \$810. The 2000 amounts shown for Messrs. Jones, Workman and Kirk include payments for personal financial planning of \$7,300, \$3,593 and \$1,200, respectively.
- (f) The 1999 amounts shown for Mr. Jones and Mr. Kirk include the cost of life insurance in excess of our standard benefit (\$5,800 and \$1,175, respectively). The 1999 amounts shown for Messrs. Jones, Workman, Kirk and Scrimo include contributions or payments for their benefit to U.S. Can Corporation's Salaried Employee Savings and Retirement Accumulation Plan ("SRAP") and pursuant to nonqualified retirement plans (\$90,500, \$54,100, \$2,516 and 9,552, respectively).
- (g) Mr. Ford is compensated in British Pounds. Certain amounts shown for Mr. Ford have been converted to U.S. dollars at the exchange rate in effect as of the calendar year-end for the year in which payment was made. The 2001, 2000 and 1999 amounts for Mr. Ford include contributions to an executive retirement plan and an overseas employee benefit trust, of which Mr. Ford is the beneficiary, designed to provide contractual retirement benefits (\$283,861, \$227,011 and \$229,424 for 2001, 2000 and 1999, respectively) and the cost of private life insurance (\$8,958 and \$9,692 for 2000 and 1999, respectively). The 2000 amount for Mr. Ford also includes reimbursement for relocation expenses claimed under his Service Agreement of \$87,048.

Option Grants in 2001

There were no option or stock appreciation right ("SAR") grants to our Chief Executive Officer and our four most highly compensated employees in 2001.

Aggregated Option/SAR Exercises in 2001 and 2001-End Option/SAR Values

No shares were acquired as a result of option exercises by the named executive officers during 2001.

<u>Name</u>	<u>Number of Securities Underlying Unexercised Options at 2001-Year End (#) Exercisable/Unexercisable</u>	<u>Value of Unexercised In-The-Money Options at 2001-Year End \$(a) Exercisable/Unexercisable</u>
Paul W. Jones	14,147/198,055	\$0/\$0
John L. Workman.....	14,147/339,522	\$0/\$0
David R. Ford.....	28,294/113,174	\$0/\$0
J. Michael Kirk.....	16,976/195,226	\$0/\$0
Thomas A. Scrimo	45,270/294,252	\$0/\$0

- (a) Because there was no established trading market for U.S. Can Corporation's common stock as of December 31, 2001, management has determined that the fair market value of the common stock underlying these options did not exceed \$1.00 (the exercise price of these options) and, accordingly, none of the options were in-the-money.

Compensation of Directors

Directors Fees

Each outside Director of U.S. Can receives an annual retainer of \$30,000 and full Board meeting fees of \$1,500 for meetings attended in person and \$500 for meetings attended telephonically. Directors are also reimbursed for reasonable expenses incurred in the course of their service. There are five regularly scheduled full Board meetings each year, typically held in February, April, July, October and December.

Committee Fees

The Board has standing Audit, Compensation and Nominating Committees. Each outside Director serving on a Committee receives meeting fees of \$1,000 for meetings attended in person and \$500 for meetings attended telephonically. Committee members are also reimbursed for reasonable expenses incurred in the course of their service.

Compensation Committee Interlocks and Insider Participation

Mr. Lubin served as Chairman of U.S. Can Corporation's Compensation Committee during 2001. Mr. Lubin and Mr. Ferenbach are managing directors of Berkshire Partners. Mr. Mengel is Chief Executive Officer of a Berkshire Partners portfolio company. Upon the completion of the recapitalization, Berkshire Partners received a fee of \$2.0 million. In addition, Berkshire Partners will receive a management fee of \$750,000 per year.

The second amendment includes an additional Tranche C term loan of \$25.0 million. Under certain circumstances, the Company's majority shareholder may be required to cash collateralize and ultimately repurchase the new term loan facility. The Company borrowed \$20.0 million under the Tranche C facility on December 18, 2001. In consideration for Berkshire's agreement to purchase a participation in the Tranche C term loan, the Company has agreed to accrue for and pay to Berkshire an annual fee of 2.75% of the amount of the Tranche C term loan then outstanding, which initially is \$550,000. This fee is payable in advance, is non-refundable and may not be paid in cash (without the requisite senior lenders' consent) so long as the Company's current senior bank debt is outstanding. If Berkshire were required to purchase a Tranche C term loan participation in the future, the Company would be required to pay Berkshire the amount of such Tranche C term loan, plus accrued interest, to the extent of Berkshire's participation. The Company also agreed to reimburse Berkshire's out-of-pocket costs and expenses incurred in connection with the purchase agreement and the second amendment to the credit agreement.

None of our executive officers serves:

- (1) as a member of the compensation committee of any entity that has one or more executive officers serving as a member of our Compensation Committee;
- (2) as a member of the board of directors of any entity that has one or more executive officers serving as a member of our Compensation Committee; and
- (3) as a member of the executive compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors."

Transactions with Management

Executive Deferred Compensation Plan

The executive deferred compensation plan permits eligible executives to reduce the amount of their current taxable income by deferring payment of up to 25% of their annual cash bonus under our management incentive plan. The vested amount in participants' accounts are invested in various mutual funds.

Executive Severance Plan

Several of our executive officers are eligible to participate in our executive severance plan. The executive severance plan provides an executive with a severance payment equal to 12 months (18 months for certain executives) of the executive's base salary in the event the executive is terminated without cause or leaves for good reason. In the cases of Messrs. Farley, Kirk, Scrimo, Sims and Workman, the executive severance plan will not provide a severance benefit if these executives are entitled to receive a severance benefit under their change in control agreements (described below).

U.S. Can Corporation 2000 Equity Incentive Plan

In connection with the recapitalization, the Board of Directors and stockholders of U.S. Can Corporation approved the U.S. Can Corporation 2000 Equity Incentive Plan. The Board of Directors administers the plan and may, from time to time, grant option awards to directors of U.S. Can Corporation, including directors who are not employees of U.S. Can Corporation, all executive officers of U.S. Can Corporation and its subsidiaries, and other employees, consultants, and advisers who, in the opinion of the Board, are in a position to make a significant contribution to the success of U.S. Can and its subsidiaries. The Board of Directors may grant options that are time-vested and options that vest based on the attainment of performance goals specified by the Board of Directors.

Change in Control Agreements

Certain executive officers are a party to a change in control agreement. The recapitalization constituted a change in control under each agreement, which generally requires the Company to provide severance benefits to the executive officer upon his or her termination of employment during the agreement term.

The agreement with Mr. Sims provides that, until the end of the 24th month following October 2000, the executive will be entitled to the following benefits during the term of his agreement while employed by us:

- a salary which is not less than his highest annual base salary rate during the one-year period before the change in control;
- continued participation in our management incentive plan or any replacement bonus plan providing an opportunity for an incentive payment equal to at least the greatest incentive compensation opportunity provided to him during the one-year period prior to the change in control;
- life insurance coverage providing an amount in death benefits that is not less than two times his base salary and disability income replacement coverage; and
- participation in health, welfare, retirement and other fringe benefit programs on substantially the same terms as those benefits that are provided to other senior management employees.

If Mr. Sims is terminated without cause at any time prior to the end of the 24th month following October 2000, or if he leaves employment as a result of a constructive termination, the executive is entitled to a lump sum severance payment equal to 12 months of base salary. In addition, he will be entitled to pro rata payments of bonus awards under the management incentive plan.

The agreements with Messrs. Ford and Obradovich provide that upon termination by us or constructive termination by the executive within two years of a change in control, the executive will be entitled to:

- a severance payment equal to two times the greater of his current annual base salary or the annual base salary immediately before the change in control in the case of Mr. Ford and equal to one times this amount in the case of Mr. Obradovich;
- a pro-rated bonus based on the executive's target bonus; and
- continuation of health and welfare benefits for two years following termination in the case of Mr. Ford and for one year in the case of Mr. Obradovich.

Employment Agreement with Mr. Jones

As of the recapitalization, Mr. Jones terminated his then existing change of control agreement and entered into a new two-year employment agreement with us. Under the terms of Mr. Jones' employment agreement, he will be paid an annual base salary of at least \$610,000. His base salary and other compensation will be reviewed annually by the Compensation Committee of the Board of Directors and is currently \$650,000. Mr. Jones participates in the management incentive plan with an opportunity to receive a bonus payment equal to 100% of his base salary. We have also agreed to provide Mr. Jones with term life insurance coverage with death benefits at least equal to twice his base salary, an automobile allowance and employee benefits comparable to those provided to our other senior executives.

In the event of the termination of Mr. Jones' employment with us due to his death or permanent disability, we will pay him or his estate:

- (1) an amount equal to one year's base salary reduced by any amounts received from any life or disability insurance provided by us; and
- (2) if Mr. Jones is entitled to receive a bonus payment under the management incentive plan, a bonus payment prorated to reflect any partial year of employment.

In the event Mr. Jones terminates his employment for good reason or we terminate his employment without cause, we will pay him:

- (1) his base salary and benefits for the earliest to occur of 18 months, his death or the date that he breaches the provisions of his employee agreement (relating to non-competition, confidentiality and inventions); and
- (2) if Mr. Jones is entitled to receive a bonus payment under the management incentive plan, a bonus payment prorated to reflect any partial year of employment.

If Mr. Jones' employment is terminated for cause or by voluntary resignation, he will receive no further compensation.

Employment Agreements with Messrs. Farley, Kirk, Scrimo and Workman

As of the recapitalization, Messrs. Farley, Kirk, Scrimo and Workman, referred to as the executives, terminated their then existing change of control agreements and entered into new two-year employment agreements with the Company. Under the terms of these employment agreements, Messrs. Farley, Kirk, Scrimo and Workman will be paid an annual base salary of at least \$226,000, \$235,000, \$220,000 and \$390,000, respectively, which have been adjusted to \$236,000, \$250,000, \$240,000 and \$405,000, respectively. Each executive's base salary and other compensation will be reviewed annually by that executive's supervisor. Each executive also participates in our management incentive plan with an opportunity to receive a bonus payment equal to 50% of his or her base salary. The Company also agreed to provide each executive with term life insurance coverage with death benefits at least equal to twice his or her base salary, an automobile allowance and employee benefits comparable to those provided to our other senior executives.

In the event of the termination of an executive's employment with us due to his or her death or permanent disability, we will pay him or his estate:

- (1) an amount equal to one year's base salary reduced by any amounts received from any life or disability insurance provided by us; and
- (2) if the executive is entitled to receive a bonus payment under the management incentive plan, a bonus payment prorated to reflect any partial year of employment.

In the event an executive terminates his or her employment for good reason or we terminate his employment without cause, we will pay him or her:

- (1) his base salary and benefits for the earliest to occur of 18 months, his death or the date that he breaches the provisions of his employee agreement (relating to non-competition, confidentiality and inventions); and
- (2) if the executive is entitled to receive a bonus payment under the management incentive plan, a bonus payment prorated to reflect any partial year of employment.

If an executive's employment is terminated for cause or by voluntary resignation, he will receive no further compensation.

Service Agreement with Mr. Ford

The Company has entered into a service agreement with Mr. Ford through our wholly owned subsidiary, USC Holding UK Limited. The service agreement will continue in effect until it is terminated by us or Mr. Ford, but not beyond Mr. Ford's attainment of USC Holding UK Limited's retirement age (currently 65). The Company has agreed to pay Mr. Ford a base salary of at least £220,000 per year (which has been adjusted to £256,852 per year) during the term of his agreement and to provide him with an automobile and retirement benefits no less beneficial than those provided by his previous employer. The Company has agreed to provide a target bonus for Mr. Ford of 50% of his base salary with the actual amount based upon the attainment of pre-established performance goals.

Mr. Ford may terminate his employment by providing 12 months notice. Mr. Ford's employment may be terminated by giving him 24 months notice, except Mr. Ford's employment can be terminated for cause without prior notice. After termination notice is given and prior to expiration of the notice period, the Company is required to continue to pay Mr. Ford's salary and provide other contractual benefits. If Mr. Ford's employment is terminated by reason of redundancy, he will receive an additional payment to Mr. Ford equal to two times his entitlement to statutory redundancy pay (to include the statutory entitlement).

Additionally, the service agreement requires Mr. Ford to refrain from disclosing confidential information acquired in connection with his employment with the Company and also requires Mr. Ford to refrain from working for any other firm during the term of the agreement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Following the recapitalization on October 4, 2000, United States Can had one class of issued and outstanding common stock, and U.S. Can Corporation owned all of it.

The following table sets forth certain information with respect to the ownership of U.S. Can Corporation's common stock as of March 15, 2002. As of March 15, 2002, U.S. Can Corporation had 53,333,333 shares of issued and outstanding common stock.

U.S. Can Corporation's preferred stock, which has no voting rights other than those provided by Delaware law, is owned by Berkshire Partners and its co-investors, Salomon Smith Barney, Carl Ferenbach and affiliates of Francisco Soler. See "Certain Relationships and Related Party Transactions—Preferred Stock."

Notwithstanding the beneficial ownership of common stock presented below, the stockholders agreement entered into upon consummation of the transactions governs the stockholders' exercise of their voting rights with respect to the election of directors and other material events. The parties to the stockholders agreement have agreed to vote their shares to elect the Board of Directors as set forth therein. See "Certain Relationships and Related Party Transactions – Stockholders Agreement."

The following table describes the beneficial ownership of each class of issued and outstanding common stock of U.S. Can Corporation by each of our directors and executive officers, our directors and executive officers as a group and each person who beneficially owns more than 5% of the outstanding shares of common stock of U.S. Can Corporation as of March 15, 2001. As used in the table, beneficial ownership has the meaning set forth in Rule 13d-3(d)(1) of the Exchange Act.

<u>Beneficial Owner</u>	<u>Number of Shares</u>	<u>Percent Ownership</u>
Berkshire Partners LLC (1).....	41,229,278	77.30%
Paul W. Jones (2)	1,947,481	3.65
John L. Workman (2)	1,014,147	1.90
J. Michael Kirk (3).....	350,309	*
Roger B. Farley	533,333	1.00
David R. Ford (4).....	481,627	*
Thomas A. Scrimo (5).....	258,604	*
Carl Ferenbach (6)	41,229,278	77.30
Richard K. Lubin(6).....	41,229,278	77.30
Philip R. Mengel	--	*
Francisco A. Soler(7)	951,485	1.79
Louis B. Susman(8).....	2,613,332	4.90
All officers and directors as a group (18 persons) (9)	49,435,035	92.39

* Less than 1%

- (1) Includes 25,847,737 shares of common stock held by Berkshire Fund V Investment Corp.; 2,584,771 shares of common stock held by Berkshire Investors LLC; and 12,796,770 shares of common stock held by Berkshire Fund V Coinvestment Corp. The address of Berkshire Partners LLC is One Boston Place, Suite 3300, Boston, Massachusetts 02108.
- (2) Includes 14,147 shares subject to currently exercisable options.
- (3) Includes 16,976 shares subject to currently exercisable options.
- (4) Includes 28,294 shares subject to currently exercisable options.
- (5) Includes 45,270 shares subject to currently exercisable options.

- (6) Mr. Ferenbach and Mr. Lubin are Managing Directors of Berkshire Partners LLC.
- (7) Mr. Soler beneficially owns 951,485 shares of U.S. Can Corporation common stock as a result of his relationship to (i) Windsor International Corporation, a company of which Mr. Soler is a director and executive officer and which is the record holder of 424,460 shares, (ii) Atlas World Carriers S.A., a company of which Mr. Soler is a director and executive officer and which is the record holder of 250,172 shares, (iii) The World Financial Corporation S.A., a company of which Mr. Soler is a director and executive officer and which is the record holder of 250,172 shares, and (iv) Scarsdale Company N.V., Inc., a company of which Mr. Soler is an executive officer and which is the record holder of 26,681 shares.
- (8) Mr. Susman is the Vice Chairman of Investment Banking and Managing Director of Salomon Smith Barney Inc. Salomon Smith Barney owns 2,613,332 shares of common stock.
- (9) Includes 174,273 shares subject to currently exercisable options.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Relationship with Berkshire Partners

Mr. Lubin and Mr. Ferenbach are managing directors of Berkshire Partners. Mr. Mengel is Chief Executive Officer of a Berkshire Partners portfolio company. Upon the completion of the recapitalization, Berkshire Partners received a fee of \$2.0 million. In addition, Berkshire Partners will receive a management fee of \$750,000 per year.

The second amendment includes an additional Tranche C term loan of \$25.0 million. Under certain circumstances, the Company's majority shareholder may be required to cash collateralize and ultimately repurchase the new term loan facility. The Company borrowed \$20.0 million under the Tranche C facility on December 18, 2001. In consideration for Berkshire's agreement to purchase a participation in the Tranche C term loan, the Company has agreed to accrue for and pay to Berkshire an annual fee of 2.75% of the amount of the Tranche C term loan then outstanding, which initially is \$550,000. This fee is payable in advance, is non-refundable and may not be paid in cash (without the requisite senior lenders' consent) so long as the Company's current senior bank debt is outstanding. If Berkshire were required to purchase a Tranche C term loan participation in the future, the Company would be required to pay Berkshire the amount of such Tranche C term loan, plus accrued interest, to the extent of Berkshire's participation. The Company also agreed to reimburse Berkshire's out-of-pocket costs and expenses incurred in connection with the purchase agreement and the second amendment to the credit agreement.

Relationship with Salomon Smith Barney

Salomon Smith Barney currently beneficially owns 4.62% of the Company's common stock and provides investment banking and financial advisory services. Salomon Smith Barney was paid \$2.0 million in fees for financial advisory services provided in connection with the recapitalization. Mr. Susman is Vice Chairman of Investment Banking and Managing Director of Salomon Smith Barney Inc. The Company did not make any payments to Salomon Smith Barney in 2001 and has not agreed to make any payments to it in 2002.

Stockholders Agreement

In connection with the recapitalization, the Company entered into a stockholders agreement with stockholders which provides for, among other things, certain restrictions and rights related to the transfer, sale or purchase of common stock and preferred stock. The stockholders agreement has the following provisions:

- Prior to the third anniversary of the closing of the recapitalization, no stockholder may transfer shares of U.S. Can Corporation capital stock (other than limited exceptions including permitted transfers to an affiliate or in connection with estate planning).

- After the third anniversary of the closing of the recapitalization, a stockholder may only transfer shares of U.S. Can Corporation capital stock (other than limited exceptions including permitted transfers to an affiliate or in connection with estate planning) after the transferring stockholder first gives U.S. Can Corporation, and then the other stockholders on a pro rata basis, a right of first refusal to purchase all or a portion of the shares at the same price.
- U.S. Can Corporation has the right to purchase U.S. Can Corporation equity securities held by a management stockholder (as defined) in the event the management stockholder's employment with U.S. Can Corporation is terminated for any reason.
- If a management stockholder's employment with U.S. Can Corporation is terminated by virtue of death, disability or retirement in accordance with U.S. Can Corporation policy, the management stockholder will have the right to require U.S. Can Corporation to purchase his or her equity securities of U.S. Can Corporation.
- If, at any time, specified stockholders holding 75% of the outstanding common stock equivalents (as defined) (i.e., Berkshire Partners, its affiliates and another stockholder) elect to consummate the sale of 50% or more of the common stock of U.S. Can Corporation to an unaffiliated third party, the remaining stockholders will be obligated to consent to and take all actions necessary to complete the proposed sale of the same proportion of their stock on the same terms.
- After the third anniversary of the closing of the recapitalization, a stockholder (or a group of stockholders together) owning more than 4% of the outstanding shares of U.S. Can Corporation capital stock may only (other than in connection with estate planning transfers) transfer the shares to an unaffiliated third party, so long as other stockholders are given the option to participate in the proposed transfer on the same terms and conditions on a pro rata basis (except in connection with transfers permitted by the stockholders agreement).
- The stockholders have agreed to elect directors of U.S. Can Corporation such that the Board of Directors will consist of two designees of Berkshire and its affiliates so long as the Berkshire stockholders maintain ownership of at least 25% of the U.S. Can Corporation common stock, two designees of management stockholders, Louis Susman, Ricardo Poma, Francisco Soler (or other designees of the Scarsdale Group if Francisco Soler and Ricardo Poma both no longer serve on the Board of Directors so long as the Scarsdale Group owns at least 5% of the U.S. Can Corporation common stock) and two other independent directors acceptable to the other directors. Mr. Poma resigned from full membership on the Board in April 2001 and chose not to designate a replacement.
- Following an initial public offering of U.S. Can Corporation common stock, specified stockholders will have either one or two demand registration rights. The stockholders will be entitled to "piggy-back" registration rights on all registrations of U.S. Can Corporation common stock by U.S. Can Corporation or any other stockholder, subject to customary underwriter cutback.
- So long as U.S. Can Corporation is not paying default interest under any of its financing arrangements, an 80% vote of the common stockholders will be required to approve and adopt mergers, acquisitions, charter or bylaw amendments, extraordinary borrowings, dividends, stock issuances and other specified matters. An 80% vote will be required at all times for a financial restructuring that treats the management stockholders differently and adversely from the rest of the common stockholders.
- Stockholders have pre-emptive rights to subscribe for newly issued shares on a pro rata basis, subject to certain exclusions.
- Most of the restrictions contained in the stockholders agreements terminate upon consummation of a qualified initial public offering of common stock by U.S. Can Corporation or specified changes in control of U.S. Can Corporation.

Preferred Stock

As part of the transactions, U.S. Can Corporation issued and sold in a private placement shares of preferred stock having an aggregate value of \$106.7 million to Berkshire Partners and its affiliates and the rollover stockholders. The principal terms of the preferred stock are summarized below. This summary, however, is not complete and is qualified in its entirety by reference to the provisions of U.S. Can Corporation's certificate of incorporation, as in effect at the time of the closing of the transactions.

Dividends. Dividends accrue on the preferred stock at an annual rate of 10%, are cumulative from the date of issuance and compounded quarterly, on March 31, June 30, September 30 and December 31 of each year and are payable in cash when and as declared by our Board of Directors, so long as sufficient cash is available to make the dividend payment and has been obtained in a manner permitted under the terms of our new senior secured credit facility and the indenture.

Voting Rights. Holders of the preferred stock have no voting rights, except as otherwise required by law.

Ranking. The preferred stock has a liquidation preference equal to the purchase price per share, plus all accrued and unpaid dividends. The preferred stock ranks senior to all classes of U.S. Can Corporation common stock and is not convertible into common stock.

Redemption. U.S. Can Corporation is required to redeem the preferred stock, at the option of the holders, at a price equal to its liquidation preference, plus accrued and unpaid dividends, upon the occurrence of any of the following events and so long as sufficient cash is available at U.S. Can or available from dividend payments permitted under the terms of the indenture:

- the bankruptcy of either U.S. Can Corporation or United States Can Company;
- the acceleration of debt under any major loan agreement to which U.S. Can Corporation or any of its subsidiaries is a party; or
- public offerings of shares of capital stock of U.S. Can Corporation.

No holder of preferred stock, however, may require U.S. Can Corporation to redeem the preferred stock if doing so would cause the bankruptcy of U.S. Can Corporation or United States Can Company or a breach of the indenture. In addition, if proceeds from public offerings of U.S. Can Corporation's stock are insufficient to redeem all of the shares of the preferred stock that the holders wish to be redeemed, U.S. Can Corporation is required to redeem the remaining shares at a price equal to its liquidation preference, 366 days after the tenth anniversary of the closing of the transactions or the payment in full of the notes and the debt outstanding under the new senior secured credit facility, whichever is earlier.

U.S. Can Corporation's certificate of incorporation expressly states that any redemption rights of holders of preferred stock shall be subordinate or otherwise subject to prior rights of the lenders under our new senior secured credit facility and the holders of the exchange notes.

Upon a change of control of U.S. Can Corporation (as defined in the indenture), the shares of preferred stock may be redeemed at the option of either the holders or U.S. Can Corporation, subject to the terms of our new senior secured credit facility and after the holders of the notes have been made and completed the requisite offer to repurchase following a change of control under the indenture.

The senior secured credit facility prohibits our ability to redeem the preferred stock, and the indenture restricts U.S. Can Corporation's ability to obtain funds that may be necessary to redeem the preferred stock.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

- (a)
 - (1) Financial Statements commence on p.17.
 - (2) Financial Statement Schedules

All schedules are omitted as they are inapplicable or not required, or the required information is included in the financial statements or in the notes thereto.
 - (3) Exhibits: A list of Exhibits is included in the Exhibit Index, which appears following the signature pages and is incorporated by reference herein.
- (b) Reports on Form 8-K
On December 21, 2001, the registrant filed a Form 8-K giving its indication of fourth quarter 2001 expectations, certain amendments to its Credit Agreement, and restructuring programs under consideration.
- (c) See Item 14 (a) (3) above.
- (d) See Item 14 (a) (2) above

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 22, 2002.

U.S. CAN CORPORATION

By: /s/ John L. Workman

John L. Workman
Executive Vice President and Chief Financial Officer

Each of the undersigned officers and directors of U.S. Can Corporation hereby severally constitutes and appoints and each of them singly, his or her true and lawful attorneys with full power to them, and each of them singly, to execute on behalf of the undersigned in the capacities indicated below any and all amendments to this Report on Form 10-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report and power of attorney have been signed below by the following persons in the capacities and on the date indicated.

Signature

Title

/s/ Paul W. Jones
Paul W. Jones

Chairman of the Board, President and Chief
Executive Officer (Principal Executive Officer)

/s/ John L. Workman
John L. Workman

Director, Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Carl Ferenbach
Carl Ferenbach

Director

/s/ Richard K. Lubin
Richard K. Lubin

Director

/s/ Philip R. Mengel
Philip R. Mengel

Director

/s/ Francisco A. Soler
Francisco A. Soler

Director

/s/ Louis B. Susman
Louis B. Susman

Director

Dated: March 22, 2002

Item 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following exhibits are either filed with this registration statement or incorporated by reference:

Exhibit Number	Exhibit Description
2.1	Agreement and Plan of Merger (the “Merger Agreement”) dated as of June 1, 2000 between U.S. Can Corporation and Pac Packaging Acquisition Corporation (Exhibit 2 to the current report on Form 8-K, filed on June 15, 2000).(1)
2.2	First Amendment to Merger Agreement dated as of June 28, 2000 (Exhibit 2.2 to the current report on Form 8-K, filed on June 30, 2000).(1)
2.3	Second Amendment to Merger Agreement dated as of August 22, 2000 (Exhibit 2.3 to the current report on Form 8-K, filed on August 31, 2000).(1)
3.1	Restated Certificate of Incorporation of U.S. Can Corporation (Exhibit 3.1 to the registration statement on Form (No. 333-53276), declared effective on March 5, 2001).(1)
3.2	Amended and Restated By-laws of U.S. Can Corporation (Exhibit 3.2 to the registration statement on Form (No. 333-53276), declared effective on March 5, 2001).(1)
3.3	Restated Certificate of Incorporation of United States Can Company (Exhibit 3.3 to the registration statement on Form (No. 333-53276), declared effective on March 5, 2001).(1)
3.4	Amended and Restated By-laws of United States Can Company (Exhibit 3.4 to the registration statement on Form (No. 333-53276), declared effective on March 5, 2001).(1)
3.5	Certificate of Incorporation of USC May Verpackungen Holding Inc (Exhibit 3.5 to the registration statement on Form (No. 333-53276), declared effective on March 5, 2001).(1)
3.6	By-Laws of USC May Verpackungen Holding Inc (Exhibit 3.6 to the registration statement on Form (No. 333-53276), declared effective on March 5, 2001).(1)
4.1	Indenture dated as of October 4, 2000 between the Company and Bank One Trust Company, N.A., as Trustee (Exhibit 4.1 to the current report on Form 8-K, filed on October 18, 2000).(1)
10.1	Credit Agreement dated as of October 4, 2000, among United States Can Company, the guarantors and Bank of America, N.A. and the other financial institutions listed therein, as Lenders (Exhibit 10.1 to the current report on Form 8-K, filed on October 18, 2000).(1)
10.2	Pledge Agreement dated as of October 4, 2000 among U.S. Can Corporation, United States Can Company, each of the domestic subsidiaries of United States Can Company and Bank of America, N.A (Exhibit 10.2 to the registration statement on Form (No. 333-53276), declared effective on March 5, 2001).(1)
10.3	Security Agreement dated as of October 4, 2000 among U.S. Can Corporation, United States Can Company, each of the domestic subsidiaries of United States Can Company and Bank of America, N.A (Exhibit 10.3 to the registration statement on Form (No. 333-53276), declared effective on March 5, 2001).(1)
10.4	Sublease Agreement, dated 2/10/89, relating to the Commerce, CA property (Exhibit 10.10 to the quarterly report on Form 10-Q for the quarter ended April 6, 1997, filed on May 20, 1997).(1)
10.5	Lease Agreement, dated 1/1/76, as amended, relating to the Weirton, WV property (Exhibit 10.11 to the quarterly report on Form 10-Q, for the quarter ended April 6, 1997, filed on May 20, 1997).(1)
10.6	First Amendment to Credit Agreement dated as of April 1, 2001 (Exhibit 10.27 to the quarterly report on Form 10-Q for the period ended April 1, 2001, filed on May 15, 2001). (1)
10.7	Amendment No. 4 to the Lease Agreement, dated 1/1/76, as amended, relating to the Weirton, WV property (Exhibit 10.7 to the registration statement on Form (No. 333-53276), declared effective on March 5, 2001).(1)
10.8	Lease relating to Dragon Parc Industrial Estate, Merthyr Tydfil, Wales, dated November 27, 1996 (Exhibit 10.24 to the annual report on Form 10-K for the fiscal year ended December 31, 1996, filed on March 26, 1997).(1)
10.9	Nonqualified Supplemental 401(k) Plan (Exhibit 10.33 to the annual report on Form 10-K for the fiscal year ended December 31, 1995, filed on March 26, 1996).(1)
10.10	Nonqualified Benefit Replacement Plan (Exhibit 10.34 to the annual report on Form 10-K for the fiscal year ended December 31, 1995, filed on March 26, 1996).(1)

Exhibit Number	Exhibit Description
10.11	Lease Agreement between May Grundbesitz GmbH & Co. KG and May Verpackungen GmbH & Co. KG (Exhibit 10.1 to the quarterly report on Form 10-Q for the quarter ended July 2, 2000, filed on August 15, 2000).(1)
10.12	Amendment No. 3 to the Lease Agreement, dated 1/1/76, as amended, relating to the Weirton, WV property (Exhibit 10.55 to the annual report on Form 10-K for the fiscal year ended December 31, 1995, filed on March 26, 1996).(1)
10.13	Employment Agreement dated October 4, 2000 by and among Paul W. Jones, United States Can Company and U.S. Can Corporation (Exhibit 10.13 to the registration statement on Form S-4 (No. 333-53276), filed January 5,2001).(1)*
10.14	Employment Agreement dated October 4, 2000 by and among John L. Workman, United States Can Company and U.S. Can Corporation (Exhibit 10.14 to the registration statement on Form S-4 (No. 333-53276), filed January 5,2001).(1)*
10.15	Lease Agreement dated June 15, 2000, related to Atlanta, GA plastics facility (filed herewith)
10.16	Employment Agreement dated October 4, 2000 by and among Roger B. Farley, United States Can Company and U.S. Can Corporation (Exhibit 10.16 to the registration statement on Form S-4 (No. 333-53276), filed January 5,2001).(1)*
10.17	Employment Agreement dated October 4, 2000 by and among J. Michael Kirk, United States Can Company and U.S. Can Corporation (Exhibit 10.17 to the registration statement on Form S-4 (No. 333-53276), filed January 5,2001).(1)*
10.18	Employment Agreement dated October 4, 2000 by and among Thomas A. Scrimo, United States Can Company and U.S. Can Corporation (Exhibit 10.18 to the registration statement on Form S-4 (No. 333-53276), filed January 5,2001).(1)*
10.19	Service Agreement with David R. Ford dated November 24, 1997 (Exhibit 10.34 to the annual report on Form 10-K for the fiscal year ended December 31, 1998, filed on March 31, 1999).(1)*
10.20	Employee Agreement dated October 4, 2000 by and among David R. Ford, United States Can Company and U.S. Can Corporation (Exhibit 10.20 to the registration statement on Form S-4 (No. 333-53276), filed January 5,2001).(1)*
10.21	Change-in-Control Agreement dated February 4, 1998 by and among David R. Ford, U.S. Can Corporation and United States Can Company (Exhibit 10.51 to the annual report on Form 10-K for the fiscal year ended December 31, 1997, filed on March 26, 1998).(1)*
10.22	U.S. Can Corporation Executive Deferred Compensation Plan (Exhibit 10.30 to the annual report on Form 10-K for the fiscal year ended December 31, 1998, filed on March 31, 1999).(1)*
10.23	Amendment No. 1 to the U.S. Can Corporation Executive Deferred Compensation Plan, dated as of October 4, 2000 (Exhibit 10.23 to the registration statement on Form S-4 (No. 333-53276), filed January 5,2001).(1)*
10.24	U.S. Can Corporation 2000 Equity Incentive Plan (Exhibit 10.24 to the registration statement on Form S-4 (No. 333-53276), filed January 5,2001).(1)*
10.25	United States Can Company Executive Severance Plan, dated as of October 13, 1999 (Exhibit 10.34 to the annual report on Form 10-K for the fiscal year ended December 31, 1999, filed on March 30, 2000).(1)*
10.26	U.S. Can Corporation Stockholders Agreement, dated as of October 4, 2000 (Exhibit 10.26 to the registration statement on Form S-4 (No. 333-53276), filed January 5,2001).(1)*
10.27	Berkshire Fee Letter dated December 18, 2001 (filed herewith)
10.28	Second Amendment to Credit Agreement dated December 18, 2001 (filed herewith)
10.29	Sale Agreement of the Scotts Road, Southall, United Kingdom factory premises dated December 18, 2001 (filed herewith)
21	Subsidiaries of the Registrant (filed herewith)
23.	Consent of Auditors (filed herewith)
24	Power of Attorney (included as part of the Signature Pages).]

(1) Incorporated by reference.

(b) Other financial statement schedules are omitted because the information called for is not required or is shown either in the financial statements or the accompanying notes.

* Indicates a management contract or compensatory plan or arrangement.