CBOT HOLDINGS INC
Form 425
June 25, 2007

Filed by Chicago Mercantile Exchange Holdings Inc. pursuant
to Rule 425 under the Securities Act of 1933, as amended, and
deemed filed pursuant to Rule 14a-6 under the
Securities Exchange Act of 1934, as amended.
Subject Company: CBOT Holdings, Inc.
Subject Company s Commission File No.:001-32650

CME/CBOT MERGER:

THE RIGHT TRADE FOR CBOT

MEMBERS AND SHAREHOLDERS

	CME/CBOT MERGER	ICE PROPOSAL
LONG-TERM POTENTIAL	Creates world s largest and most valuable exchange, best positioned to compete and thrive in today s globally competitive environment	Combination with niche player does not materially enhance CBOT s position
GROWTH OPPORTUNITES	Largest player in every major asset class with most liquid benchmark products and strongest distribution network, trading platforms and clearing capabilities; More OTC and spot market opportunities; More potential revenue synergies from complementary products; Stronger history of and potential for product innovation	More limited growth opportunities; Flattening volume; Limited track record; Speculative synergy projections
SHAREHOLDER VALUE	Combined market capitalization of roughly $30 billion; Diversity of revenue and strong balance sheet positions shareholders to benefit from new organic growth opportunities, as well as mergers, acquisitions and partnerships	Value of ICE stock not trading on fundamentals; Undervalued ERP proposal; Uncertain synergies
MEMBER BENEFITS	Superior cash dividend, ERP solution and fixed price tender offer provides greater flexibility and upside potential; Protects core rights and tiered pricing for member liquidity providers; Preserves common clearing link and $1 billion in margin efficiencies; Consolidation of floor and trading platforms creates $70 million in member savings opportunities	History of less-favorable member pricing, declining seat values; Lack of consolidated trading floors and platforms
ABILITY TO INTEGRATE	Ready to start seamless integration on Day One, with minimal risk and no distraction from new growth opportunities	Catastrophic integration risk; Questionable clearing and technology; Independent experts predict at least two years to complete integration

þ YES

The Choice Is Clear: Vote *For* the CME/CBOT merger by July 9th!

For additional information, contact

DF King & Co., Inc. at 1-800-769-7666

For additional information, contact

Georgeson, Inc. at 1-866-834-7793

Forward-Looking Statements This advertisement may contain forward-looking information regarding Chicago Mercantile Exchange Holdings Inc. and CBOT Holdings, Inc. and the combined company after the completion of the merger that is intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. The actual results or performance by CME or CBOT or the combined company, and issues relating to the transaction, could differ materially from those expressed in, or implied by, any forward-looking statements relating to those matters. Information regarding the risks that may affect the parties performance and the performance of the combined company can be found in their filings with the Securities and Exchange Commission, including Item 1A of CME s Annual Report on Form 10-K for the fiscal year ended December 31, 2006, their most recent quarterly reports on Form 10-Q and their definitive joint proxy statement/prospectus, as supplemented. Copies of said reports are available online at http://www.sec.gov or on request from the CME. You should not place undue reliance on forward-looking statements, which speak only as of the date of this advertisement. Except for any obligation to disclose material information under the Federal securities laws, CME undertakes no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this advertisement.

Additional Information CME and CBOT have filed a definitive joint proxy statement/prospectus with the Securities and Exchange Commission (SEC) in connection with the proposed transaction. The parties intend to file a supplement to the joint proxy statement/prospectus and mail such supplement to CME and CBOT shareholders as of the record date for the special meetings. This advertisement is not a substitute for the definitive joint proxy statement/prospectus, as supplemented, or any other documents CME and CBOT have filed or will file with the SEC. Investors and security holders are urged to read the definitive joint proxy statement/prospectus, as supplemented, and any other relevant documents filed or to be filed by CME or CBOT because they contain or will contain important information about the proposed transaction. The definitive joint proxy statement/prospectus is, and the supplement thereto and other documents filed or to be filed by CME and CBOT with the SEC are or will be, available free of charge at the SEC s Web site (www.sec.gov) or from Chicago Mercantile Exchange Holdings Inc., Shareholder Relations and Membership Services, 20 South Wacker Drive, Chicago, Illinois 60606, Attention: Beth Hausoul.

CME and its directors, executive officers and other employees may be deemed to be participants in the solicitation of proxies in connection with the proposed transaction. Information regarding CME s directors and executive officers is available in CME s proxy statement for its 2007 annual meeting of shareholders, dated March 17, 2007. Additional information regarding the interests of such potential participants is available in the definitive joint proxy statement/prospectus, as supplemented, and the other relevant documents filed with the SEC. CBOT and its directors, executive officers and other employees may be deemed to be participants in the solicitation of proxies in connection with the proposed transaction. Information regarding CBOT directors and executive officers is available in CBOT s proxy statement for its 2007 annual meeting of stockholders, dated March 29, 2007. Additional information regarding the interests of such potential participants is included in the joint proxy statement/prospectus and the other relevant documents filed with the SEC.

June 25, 2007

SETTING THE RECORD STRAIGHT ON THE CME/CBOT MERGER:

KNOW THE RISKS OF DEALING WITH ICE

Dear CBOT Shareholders:

We are sending this letter to set the record straight and make sure that all CBOT members and shareholders have the facts they need to see through the ICE propaganda and understand the significant risks of their proposal.

ICE Offers a Riskier Currency

The current ICE stock price is clearly being driven by a takeover premium, not by fundamentals. But don t just take our word for it. The financial community has issued a number of clear warnings about the risk of ICE s stock:

Bank of Montreal: *If it became evident ICE would win [CBOT], ICE stock would fall substantially.* Mike Vinciquerra 6/14/07

Bank of America: *Takeout speculation has been fueling the stock of late, but we do not believe a takeout is likely near-term. And while fundamentals have been decent, we are not sure they are strong enough to support the stock at current levels.* Chris Allen 6/14/07

Goldman Sachs: *The biggest risk to our price target is ICE s potential acquisition of BOT. While the transaction would have attractive long term accretion, there are significant hurdles to completing the integration. Further, should NYMEX attract a larger share of commodity volumes or the global OTC market slow, earnings could underperform our expectations.* Daniel Harris 6/14/07

CIBC*:* *We believe that ICE s stock has traded higher since the CME revised offer in expectation that ICE would not succeed in its bid attempt and would itself become a takeover target.* Niamh Alexander 6/13/07

Deutsche Bank: *We believe ICE would have to raise its bid substantially to overcome CME s operational advantage, with DOJ approval, and that any new bid could pressure ICE shares to the downside.* Rob Rutschow 6/13/07

Credit Suisse: *We believe the greatest near-term risk to our ICE call relates to its bid to merge with CBOT. We believe a successful bid would likely lead to sizeable equity issuance/earnings dilution, higher investment spending and integration risk while dampening ICE s stand-alone high growth franchise.* Howard Chen 6/11/07

ICE Provides a High Risk Proposition

The facts are clear. ICE does not have the technology or clearing capabilities to manage CBOT business. To accommodate your trading activity, ICE Clear will have to increase its clearing capacity by thirteen times NYBOT s average daily transactions and nineteen times its peak transactions. To handle your electronic trading volume on its platform, ICE will have to increase its technology capacity by six times to handle an average CBOT day and ten times to handle your peak days. Again, you don t have to take our word for it.

Richard Dennis, Independent Trader: *When it comes to the reliability of trading platforms, the Merc is a nine, the Board of Trade is a six and ICE is a one, (Richard) Dennis told the Sun-Times. He said that of all the trading glitches he encounters, 80 percent of them are due to ICE and the rest equally to the Board of Trade and the Merc.* Chicago Sun-Times 6/21/07

Computer Sciences Corporation, an independent technology consulting firm: *transferring to the ICE platform would create substantial risk to CBOT and its pools of liquidity.* CSC Report May 2007

Keep in mind that ICE is still integrating NYBOT and NGX; it still needs to integrate ChemConnect; it stills needs to build new data centers; it still needs to build out NYBOT s clearing; it still needs to build a London clearing operation; and it just announced another merger with the Winnipeg Commodity Exchange.

ICE Wants to Minimize the Value of Your CBOE Exercise Rights

Through its proposal with CBOE, ICE has undervalued your exercise rights. Why have CBOE and ICE drastically undervalued the ERP, offering to buy out your ERPs for a fraction of their value? Do you really trust that ICE and CBOE will protect that value? In contrast, CME and CBOT have now provided a minimum value of $500,000 per ERP along with the upside to unlock the full value.

Jerry Zordani, CBOT member: *The Merc s latest offer is very compelling. It preserves the exercise rights.* Chicago Tribune 6/15/2007

CBOT/CME Merger is the Right Trade for CBOT Members and Shareholders

A CBOT/CME combination delivers real and immediate and long-term benefits for members, shareholders and customers. Together, we will be the industry s leading exchange with a powerful growth strategy. We will offer the most world s most diverse

derivatives product line available via state of the art trading platform or floor. We will have world-class clearing that will continue to provide over $1 billion in margin efficiencies. We will continue our collective tradition of providing preferred pricing for high volume producers. We have regulatory clearance. And we are ready to integrate today and can begin delivering value immediately.

As members and shareholders of CBOT Holdings you are sophisticated market participants. You understand risk. On July 9, the choice is clear: vote **YES** on a CBOT/CME combination.

Sincerely,

Forward-Looking Statements

This press release may contain forward-looking information regarding Chicago Mercantile Exchange Holdings Inc. and CBOT Holdings, Inc. and the combined company after the completion of the merger that is intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, the benefits of the business combination transaction involving CME and CBOT, including future financial and operating results, the new company s plans, objectives, expectations and intentions and other statements that are not historical facts. Such statements are based on current beliefs, expectations, forecasts and assumptions of CME s and CBOT s management which are subject to risks and uncertainties which could cause actual outcomes and results to differ materially from these statements. Other risks and uncertainties relating to the proposed transaction include, but are not limited to, the satisfaction of conditions to closing, including receipt of shareholder, member, antitrust, regulatory and other approvals on the proposed terms; the proposed transaction may not be consummated on the proposed terms; uncertainty of the expected financial performance of the combined company following completion of the proposed transaction; the combined company may not be able to achieve the expected cost savings, synergies and other strategic benefits as a result of the proposed transaction; the integration of CBOT s operations with CME s may not be successful or may be materially delayed or may be more costly or difficult than expected; general industry and market conditions; general domestic and international economic conditions; and governmental laws and regulations affecting domestic and foreign operations.

More information regarding other risks that may affect the parties performance can be found in their filings with the Securities and Exchange Commission, including Item 1A of CME s Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and their most recent quarterly reports on Form 10-Q. Copies of said reports are available online at http://www.sec.gov or on request from the CME. You should not place undue reliance on forward-looking statements, which speak only as of the date of this press release. Except for any obligation to disclose material information under the Federal securities laws, CME undertakes no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this press release.

Additional Information

CME and CBOT have filed a definitive joint proxy statement/prospectus with the Securities and Exchange Commission (SEC) in connection with the proposed transaction. The parties intend to file a supplement to the joint proxy statement/prospectus and mail such supplement to CME and CBOT shareholders as of the record date for the special meetings. This press release is not a substitute for the definitive joint proxy statement/prospectus, as supplemented, or any other documents CME and CBOT have filed or will file with the SEC. Investors and security holders are urged to read the definitive joint proxy statement/prospectus, as supplemented, and any other relevant documents filed or to be filed by CME or CBOT because they contain or will contain important information about the proposed transaction. The definitive joint proxy statement/prospectus is, and the supplement thereto and other documents filed or to be filed by CME and CBOT with the SEC are or will be, available free of charge at the SEC s Web site (www.sec.gov) or from Chicago Mercantile Exchange Holdings Inc., Shareholder Relations and Membership Services, 20 South Wacker Drive, Chicago, Illinois 60606, Attention: Beth Hausoul.

CME and its directors, executive officers and other employees may be deemed to be participants in the solicitation of proxies in connection with the proposed transaction. Information regarding CME s directors and executive officers is available in CME s proxy statement for its 2007 annual meeting of shareholders, dated march 17, 2007. Additional information regarding the interests of such potential participants is available in the definitive joint proxy statement/prospectus, as supplemented, and the other relevant documents filed with the SEC.

Statements included in this press release relating to the ICE offer reflect the views of CME s management.

This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S.

Securities Act of 1933, as amended.

CME/CBOT:
A Combination to Compete Successfully
in the Global Marketplace
Presentation to ISS
Craig Donohue, CEO

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Discussion of Forward-Looking Statements
Forward-Looking Statements
This presentation may contain forward-looking information regarding Chicago Mercantile Exchange Holdings Inc. and CBOT and the combined company after the completion of the merger that

are intended to be covered by the safe harbor for forward-looking
statements
provided by the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, the
benefits of the business combination transaction involving CME and CBOT, including future financial and operating results, th
company s plans, objectives, expectations and intentions and other statements that are not historical facts. Such statements are
current beliefs, expectations, forecasts and assumptions of CME and CBOT s
management which are subject to risks and uncertainties
which could cause actual outcomes and result to differ materially from these statements. Other risks and uncertainties relating t
proposed transaction include, but are not limited to the satisfaction of conditions to closing; including receipt of shareholder, m
antitrust, regulatory and other approvals on the proposed terms;
the proposed transaction may not be consummated on the proposed
terms; uncertainty of the expected financial performance of CME following completion of the proposed transaction; CME may
able to
achieve the expected cost savings, synergies and other strategic
benefits as a result of the proposed transaction; the integration of CBOT
with CME s
operations may not be successful or may be materially delayed or may be more costly or difficult than expected; general
industry and market conditions; general domestic and international economic conditions; and governmental laws and regulatio
domestic and foreign operations.
For more information regarding other related risks, see Item 1A of CME s
Annual Report on Form 10-K for the fiscal year ended December
31, 2006. Copies of said 10-K is available online at http://www.sec.gov
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Web site (www.sec.gov) or from Chicago Mercantile Exchange Holdings Inc.,
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This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale
securities in any jurisdiction in which such offer, solicitation
or sale would be unlawful prior to registration or qualification under the
securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the re
of Section 10 of the U.S. Securities Act of 1933, as amended.

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Comparison of Price/Earnings Ratios
17.3
24.0
Nasdaq

19.4
21.9
DBAG
23.0
30.9
NYSE Euronext
36.1
42.5
BOT
37.1
51.2
NMX
27.4
35.3
CME
Price/Earnings Ratio
2008
2007
32.1
46.8
ICE
ICE s
P/E ratios are out of range from their exchange peers
Note: Source CME/CBOT S-4 Filing and Reuters, based on closing prices as of 06/07/21
Take over
speculations drive
price/earnings
ratios
Historically, CME
has had a P/E ratio
higher than ICE

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ICE
CME
Value Comparison from an Institutional Shareholder
Perspective

CME stock price
(tender offer)
$560.00
Implied offer price
$196.00
Plus dividend
$9.14
Value to institutional
shareholder
$205.14
On a risk adjusted basis, taking into consideration
long term growth opportunities, integration risks
and currency risks, CME s
offer is superior
* estimated by Mike Vinciquerra, BMO Capital Markets (6/15/07)
Analysts have raised concerns about ICE s
integration capabilities and current valuation ...
ICE stock price
(06/21/07 close)
$158.55
Implied offer price
$225.14
Less takeover premium
(15%* to 5% assumed)
$(34) -
$(11)
Less breakup fee
($294m)
($5.54)
Less funding of ERP
solution (16% of $333m)
($3.35)
Value to institutional
shareholder
$182.48-$205.00

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Risks to ICE Value
If it became evident ICE would win [CBOT], ICE stock would fall substantially, perhaps to $135 or $140.
~Mike Vinciquerra, BMO Capital Markets (6/15/07)

We continue to highlight ICE s
merger proposal for CBOT as the greatest
near-term risk to our thesis.
~Credit Suisse (6/13/07)

We believe any alternative transaction [to the CME / CBOT transaction]
would take on significantly higher clearing integration risk.
~Credit Suisse (6/13/07)

The most important and contentious points in the ICE offer, namely the
integration plans and promises (timing, risk, and synergies), are unchanged.
~Fox-Pitt, Kelton
(6/13/07)

Recent analysts
concerns

... nor does ICE have the scale, scope or reach to
mitigate these potential risks

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6
$120

$140
$160
$180
$200
$220
ICE Stock Price

No Longer Driven by Fundamentals
G
[A] 5/11: CME increases exchange ratio to 0.3500x
[B] 5/15: ICE announces 6/15 launch of Electronic NYBOT financial products
[C] 5/21: N. Chai, CFO of NYX, states ICE put itself in play
[D] 5/24: ICE announces it will hold CBOT member meeting
[E] 5/30: ICE and CBOE execute agreement regarding ERP
[F] 5/31: ICE holds meeting with CBOT members
[G] 6/4: ICE announces acquisition of ChemConnect; record May volume
[H] 6/11: DOJ approves CME/CBOT merger
[I] 6/12: ICE announces enhanced merger proposal
[J] 6/14: CME/CBOT announce revised merger agreement
[K] 6/18: ICE announces exclusive Russell license
F
ICE Spot
ICE implied
BOT Spot
A
C
Note: CME implied is based on a 0.3500x exchange ratio
B
D
E
H
I
J
K
ICE s
stock has take-over premium built into its price

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ICE s

Current Stock Price / Takeover Premium

If it became evident ICE would win [CBOT], ICE stock would fall substantially, perhaps to $135 or $140.

~Mike Vinciquerra, BMO Capital Markets (6/15/07)
We believe that the current merger filled environment could produce a
bidder for ICE as globalization in the sector appears to be just
getting
started.
~Wachovia (5/3/07)
We believe that ICE s
stock has traded higher since the CME revised offer in
expectation that ICE would not succeed in its bid attempt and would itself
become a takeover target.
~Credit Suisse (6/13/07)
Analysts believe there could be up to a 15%
takeover premium in ICE s
stock price
Recent analysts
comments on takeover premium

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Currency Risks in NYSE / Euronext
Transaction
($ in millions, except per share amounts)
NYX Annotated Stock Price Chart
ICE Annotated Stock Price Chart
NYX stock has declined by 25% since Euronext
shareholders approved transaction....

12/31/07
Announcement
Date
Shareholder vote
5/22/2006
8/29/2006
12/6/2006
3/15/2007
6/22/2007
$40
$50
$60
$70
$80
$90
$100
$110
$120
0
2,000
4,000
6,000
8,000
10,000
12,000
14,000
16,000
Price
Volume
Volume Traded
NYSE Euronext
3/15/2007
5/11/2007
7/6/2007
9/3/2007
$120
$125
$130
$135
$140
$145
$150
$155
$160
0
2,000
4,000
6,000
8,000
10,000

12,000
14,000
Price
Volume
Volume Traded
IntercontinentalExchange
Inc.
Shareholder vote
... if the 15% takeover premium comes out of ICE s
stock, CBOT
shareholders would receive $24 less per share / $1.7B in aggregate

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Pro Forma Q107 ADV
6,454
741
3,866

3,866
0
2,000
4,000
6,000
8,000
10,000
12,000
CBOT/CME
Eurex
CBOT/ICE
Euronext.liffe
NYMEX
CME/CBOT Proposed Merger
contracts in 000s
10,320
4,607
Note:
[1] Eurex
and Euronext.liffe
include individual equity and equity index options
[2] NYMEX includes Clearport
[3] Sources are company press releases and analyst presentations
7,295
3,431
1,512
CME and CBOT will create
the largest exchange in the world

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CME
CBOT
ICE
CBOT

CME/CBOT Proposed Merger
CBOT/CME have much greater presence
across all major asset classes and are well positioned to
leverage significant new growth opportunities
CBOT/ICE
CBOT/CME
Note: CME ADV includes NYMEX products on CME Globex and ICE ADV
includes ICE futures and NYBOT futures and options on futures
Q1 2007 Combined ADV by Product Line *(in 000 s)*
0
2,000
4,000
6,000
8,000
8,000
6,000
4,000
2,000
0
Interest
Rates
Equities
FX
Comm
Energy
Metals
6,671
2,305
555
724
586
154
3,032
142
15
818
531
65
Comm
Energy
Metals
Interest
Rates
Equities
FX

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11
May07 ADV 6.1M
3
rd
highest month
Jun07 ADV to date
9.1M
CME Globex

®
(electronic)
CME Average Daily Volume
Open Outcry
Privately Negotiated
(contracts in 000 s)
6,358
03
02
01
00
04
917
05
06
07
(contracts in 000 s)
Annual
Long Term
Monthly
Short Term
CME
ICE Futures
Jan
07
Mar
07
May
07
Jun
07
MTD
Apr
07
Feb
07
52%
0%
0
2,000
4,000
6,000
8,000
74%
0
2,000
4,000
6,000
8,000

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CME s Growth Strategy

Globalizing our business

Being a leading service provider of
transaction processing services

Expanding into over-the-counter/spot
markets

Leading product and technology innovation
CME will be the leading global derivatives company by:

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Globalizing Our Business
CME Globex live
access from more
than 80 countries

7 European/
Asian hubs

Regionally focused
sales, education and
marketing to key targets

Broadening relationships
in emerging markets
CME provides access to highly liquid markets across all major
asset classes on an industry leading technology platform

Interest rates

Equities

Foreign exchange

Agricultural commodities

Alternative investments

Energy

Metals

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Future opportunities in
Asia, South America and
possibly Europe

Leading Service Provider in Transaction Processing

Treasuries

Ags

Equities

Metals

Energy

Metals

Soft Commodities
Transaction Processing
Customer Benefits

Scalable platforms

Advanced functionality

CME customer service standards

Broad distribution/network effects

Proven integration/ time-to-market advantages

Increased profit potential through CME scale advantages

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NYMEX on CME Globex Leads Electronic Energy Trading
601
79
524

334
0
160
320
480
640
Q206
Q306
Q406
Q107
Q207
to date
Total Energy ADV
(contracts in thousands)
NYMEX Energy
on CME Globex
ICE Futures
NYMEX began trading on CME
Globex
on June 12, 2006

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Significant Opportunities In Larger OTC/Spot Markets

OTC Foreign Exchange

OTC Interest Rate Swaps
$2
trillion
$1
trillion
$0.5
trillion
$0.1
trillion
$0.05
trillion
Global
FX
OTC
Interest Rates
US
Treasuries
US
Equities
Europe, Middle East
& Africa
Equities
Average Daily Turnover
Source: BIS 2004 Triennial Survey, SIA, Federal Reserve Bank of New York & World Federation of Exchanges
Celent Report

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OTC/Spot Market Opportunities

Client acquisition and participation on the platform
is continuing to diversify; pipeline is strong

Liquidity is building; customers expressing
satisfaction with bid/ask spreads and depth of book

Broad geographic reach
Favorable Market Trends

Electronic

Centralized clearing

Algorithmic trading

Transparency/anonymity
$0
$150
$300
$450
$600
$750
$900
$1,050
$1,200
$1,350
Apr-07
May-07
June-07
MTD
$331
$509
ADV
(notional value in millions, USD)
$1,206

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18
$0
$50
$100
$150

$200
$250
$300
Interest Rate
Market
FX Market
Credit Market
Equity Market
Commodity
Market
Larger, More Valuable OTC Growth Opportunities
ICE
Opportunities
Source: June 2006 Notional Value Outstanding per March 2007 BIS
Quarterly Review
CBOT/CME
Opportunities
CBOT/CME is better positioned to immediately pursue the
full scope of OTC growth opportunities
$262
trillion
$38
trillion
$20
trillion
$7
trillion
$6
trillion

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Summary Timeline
Original merger agreement -
October 17, 2006
ICE offer rejected by CBOT -

May 11, 2007
Revised merger agreement -
May 11, 2007
DOJ clearance of merger agreement -
June 11, 2007
Revised ICE offer rejected -
June 14, 2007
CME/CBOT cash dividend
and ERP solution adopted -
June 14, 2007
CBOT member and
CME/CBOT shareholder votes -
July 9, 2007
Post-close, CME/CBOT in a position to integrate quickly and
smoothly, while maintaining focus on growth initiatives

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Customer relationships (1)	$158,060	$(19,385)	$138,675	$158,060	$(11,768)	$146,292
Tradenames (2)	22,833	(2,738)	20,095	22,833	(1,504)	21,329
Non-compete agreements (3)	401	(67)	334	401	(22)	379
Total amortized intangible assets	$181,294	$(22,190)	$159,104	$181,294	$(13,294)	$168,000

Unamortized intangible assets

Technology	$613	$	$613	$613	$	$613
Total identifiable intangible assets	$181,907	$(22,190)	$159,717	$181,907	$(13,294)	$168,613

(1) *Useful lives range between 14 and 18 years.*
(2) *Useful lives range between 10 and 15 years.*
(3) *Useful lives range between 3 and 4 years.*

Expected amortization expense by fiscal year is as follows:

($ in thousands)	**Amount**
Fiscal Year Ending:	
2005	$ 11,862
2006	13,003
2007	13,405
2008	12,900
2009	12,510
Thereafter	104,320
	$ 168,000

Of the fiscal 2005 expected amortization expense of $11.9 million, we recorded approximately $3.0 million in each of the first three quarters of fiscal 2005.

The following table sets forth the change in the carrying amount of goodwill by reportable segment during the nine months ended July 3, 2005. The change relates to purchase accounting adjustments primarily related to net operating loss carryforwards associated with the NAMPAC Acquisition, which resulted in an increase in deferred tax assets and a reduction in goodwill of approximately $1.6 million. Although substantially complete, the purchase price allocation for the NAMPAC Acquisition will be completed within one year of the acquisition date.

($ in thousands)	**Metal Packaging**	**Plastic Packaging**	**Total**
Goodwill			
Balance, October 3, 2004	$ 112,556	$ 107,741	$ 220,297

Adjustments related to the NAMPAC Acquisition		(1,357)	(1,357)
Balance, July 3, 2005	$ 112,556	$ 106,384	$ 218,940

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4. LONG-TERM DEBT

Long-term debt consists of the following:

($ in thousands)	July 3, 2005	October 3, 2004
10% senior subordinated notes due 2010	$ 200,000	$ 200,000
Senior credit facility: Term loan	195,300	215,000
Long-term debt	395,300	415,000
Less: Current portion		19,700
Long-term debt	$ 395,300	$ 395,300

10% Senior Subordinated Notes Due 2010

On November 27, 2002, BWAY Finance Corp. (BWAY Finance) completed a private offering of $200.0 million aggregate principal amount of its 10% Senior Subordinated Notes due 2010, which we assumed on February 7, 2003 in connection with the Transaction. In December 2003, we exchanged the notes for new notes registered under the Securities Act in an equal principal amount (the Notes). The Notes were issued under an Indenture, dated as of November 27, 2002, between BWAY Finance and The Bank of New York, as trustee, as amended and supplemented by a First Supplemental Indenture, dated as of February 7, 2003, among BWAY, BWAY Finance and The Bank of New York, as trustee, (collectively, the Indenture).

The Notes are unsecured senior subordinated obligations of the Company and are effectively subordinated to all senior debt obligations (as defined in the Indenture) of the Company. Interest on the Notes is payable semi-annually in arrears on April 15 and October 15 of each year. The Notes mature on October 15, 2010.

Except in certain cases following an equity offering, as described below, we cannot redeem the Notes until October 15, 2006. Thereafter, we may redeem some or all of the Notes at the redemption prices specified in the Indenture (105.0% on October 15, 2006 declining annually to 100% on October 15, 2009), plus accrued and unpaid interest to the date of redemption.

At any time before October 15, 2005, we can choose to redeem up to 35% of the outstanding Notes with money that we raise in one or more equity offerings, provided: we pay 110% of the face amount of the notes, plus interest; we redeem the notes within 90 days of completing the equity offering; and at least 65% of the aggregate principal amount of notes issued remains outstanding afterwards.

Upon the occurrence of a Change in Control (as defined in the Indenture) the holders of these notes could require us to repurchase the notes at 101% of the principal amount plus accrued and unpaid interest to the date of repurchase.

The Indenture contains covenants that, among other things, limit our (and some or all of our subsidiaries) ability to: incur additional debt, pay dividends or distributions on our capital stock or to repurchase our capital stock, make certain investments, create liens on our assets to secure debt, engage in transactions with affiliates, merge or consolidate with another company and transfer and sell assets. These covenants are subject to a number of important limitations and exceptions. At July 3, 2005, we were in compliance will all applicable covenants contained in the Indenture.

Under the terms of the Indenture and in connection with its guarantee of our Credit Facility, NAMPAC and its subsidiaries have fully and unconditionally guaranteed the Notes. The Indenture requires any current or future subsidiary of the Company that guarantees certain indebtedness of the Company to guarantee the Notes.

We incurred and have deferred approximately $8.0 million in financing costs related to the underwriting and registration of these notes. We are amortizing these deferred costs to interest expense over the remaining term of the notes. At July 3, 2005 and October 3, 2004, approximately $5.5 million and $6.3 million, respectively, of the deferred costs were unamortized.

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Credit Facility

Our current credit facility consists of (a) a $225.0 million term loan facility (the Term Loan), which matures June 30, 2011 (or April 15, 2010 under certain conditions) and (b) a $30.0 million revolving credit facility (the Revolver), which matures June 30, 2009 (the Term Loan and Revolver, collectively, the Credit Facility).

During the first six years of the Term Loan, annual amortization payable quarterly beginning September 30, 2004, is required in the initial amount of $0.9 million; thereafter, the remaining principal amount of the Term Loan is payable in four equal quarterly amortization payments, the final installment of which occurs on the Term Loan maturity date. However, we have the option of making voluntary prepayments, whereby, upon our election, the prepayment will first reduce the scheduled repayments becoming due within twelve months of the prepayment and any excess is used to reduce all future scheduled repayments on a pro rata basis.

We made voluntary prepayments on the Term Loan of $19.1 million in December 2004. We also made a required prepayment of $0.6 million on the Term Loan in December 2004, which represented the net proceeds from the sale of assets related to our closed Southwest manufacturing facility. As a result of these prepayments, our next scheduled quarterly repayment of approximately $0.1 million becomes due in June 2008. Repayments, whether scheduled or voluntary, permanently reduce the Term Loan.

Interest accrues on the Term Loan and the Revolver at an applicable margin plus either (a) a base rate (which is the higher of prime or 0.5% in excess of the overnight federal funds rate) or (b) a Eurodollar rate. For the Term Loan, the applicable margins were initially fixed at 1.25% for base rate loans and at 2.25% for Eurodollar rate loans, and can range from 1.00% and 2.00%, respectively, based upon meeting specified consolidated leverage ratio targets. For the Revolver, the applicable margins were initially fixed at 1.75% for base rate loans and 2.75% for Eurodollar rate loans, and can range from 1.00% and 2.00%, respectively, based upon meeting specified consolidated leverage ratio targets. Borrowing at the base rate or the Eurodollar rate is at our discretion.

The rate margins were initially fixed through January 2, 2005, but are now subject to change quarterly based on our ratio of Consolidated Indebtedness to Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization), each as defined in the underlying credit agreement. Based on our ratio of Consolidated Indebtedness to Consolidated EBITDA as of April 3, 2005, the rate margins did not change during the quarter ended July 3, 2005 and remain at the initial margins as described above.

We incurred and have deferred approximately $6.7 million in financing costs related to the underwriting of the Credit Facility, which includes a carry forward of approximately $0.2 million of unamortized deferred financing costs associated with the previous credit facility pursuant to Emerging Issues Task Force Issue 98-14, *Debtor s Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements*. We are amortizing $5.7 million of these deferred costs, which are associated with the Term Loan, to interest expense over the term of the loan in proportion to the outstanding principal. We are amortizing the remaining $1.0 million, which includes the $0.2 million carry forward, on a straight-line basis over the term of the Revolver. At July 3, 2005 and October 3, 2004, approximately $5.6 million and $6.4 million, respectively, of the deferred costs were unamortized.

At July 3, 2005, we were in compliance will all applicable credit agreement covenants related to the Credit Facility.

BCO Holding and each of our subsidiaries, including NAMPAC and its subsidiaries, have guaranteed our obligations under the Credit Facility, which is secured by substantially all of our assets and the assets of BCO Holding. In addition, we have pledged as collateral all of the issued and outstanding stock of our subsidiaries, which are wholly-owned by BWAY.

At July 3, 2005, we had $6.7 million in standby letter of credit commitments that reduced our available borrowings under the Revolver to $23.3 million. At July 3, 2005, we did not have any outstanding Revolver borrowings. The borrowing rate on the Term Loan borrowings as of July 3, 2005 was approximately 5.5%.

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Scheduled maturities of long-term debt as of July 3, 2005 are as follows:

($ in thousands)	Amount
Fiscal Year Ending:	
2005	$
2006	
2007	
2008	94
2009	992
Thereafter	394,214
	$ 395,300

5. EMPLOYMENT BENEFIT OBLIGATIONS

The following table summarizes our employee benefit obligation liabilities as of July 3, 2005 and October 3, 2004.

($ in thousands)	July 3, 2005	October 3, 2004
Defined benefit pension liability	$ 3,837	$ 4,264
Retiree medical and other postretirement benefits	5,062	4,912
Deferred compensation	5,957	5,658
	$ 14,856	$ 14,834

The following table summarizes the components of net periodic benefit cost. Net periodic benefit costs include net periodic pension costs associated with a defined benefit pension plan we acquired in July 2004. Accordingly, there were no net periodic pension costs for the three and nine months ended July 4, 2004. The defined benefit pension plan was frozen effective October 31, 2004.

	Defined Benefit Pension Plan		Other Postretirement Benefits			
	Three Months Ended	Nine Months Ended	Three Months Ended		Nine Months Ended	
($ in millions)	July 3, 2005		July 3, 2005	July 4, 2004	July 3, 2005	July 4, 2004
Service cost	$	$ 71	$ 1	$ 1	$ 3	$ 3
Interest cost	163	464	108	100	298	300
Expected return on plan assets	(133)	(427)				
Recognized net actuarial loss			15	17	43	50

Net periodic benefit costs	$ 30	$ 108	$ 124	$ 118	$ 344	$ 353

During the nine months ended July 3, 2005, we contributed approximately $0.5 million to the defined benefit pension plan. We do not expect to make any further contributions to the plan during the remainder of the fiscal year.

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6. RESTRUCTURING AND IMPAIRMENT CHARGES

The following table sets forth changes in our restructuring and exit liabilities from October 3, 2004 to July 3, 2005. The nature of the liabilities has not changed from that previously reported in the Annual Report. The restructuring and exit liabilities are included in other current liabilities.

($ in millions)	Balance October 3, 2004	Additions/ Adjustments	Expenditures	Asset Impairments	Balance July 3, 2005
Restructuring liability:					
Facility closure costs	$ 0.1	$ 3.1	$ (1.3)	$	$ 1.9
Severance costs		1.0	(0.4)		0.6
Asset impairments		0.8		(0.8)	
Total restructuring liability	$ 0.1	$ 4.9	$ (1.7)	$ (0.8)	$ 2.5
Exit liability:					
Facility closure costs	$ 0.2	$ (0.1)	$ (0.1)	$	$

All of the exit liability related to our metal packaging segment. The restructuring liability by segment is as follows.

($ in millions)	Balance October 3, 2004	Additions/ Adjustments	Expenditures	Asset Impairments	Balance July 3, 2005
Restructuring liability:					
Metal packaging segment	$ 0.1	$ 0.3	$ (0.3)	$	$ 0.1
Plastics packaging segment		4.6	(1.4)	(0.8)	2.4
Total restructuring liability	$ 0.1	$ 4.9	$ (1.7)	$ (0.8)	$ 2.5

Restructuring and Impairment Charges

In October 2004, our Board approved a broad plan to close certain plastics manufacturing facilities and to eliminate certain positions that became redundant as a result of the NAMPAC Acquisition. We ceased operations at one of the facilities at the end of fiscal 2004, and the remaining facilities were closed in April 2005. Approximately 88 hourly and approximately 41 salaried employees are affected by the plan. We believe the consolidation of existing business from these closed facilities into our NAMPAC facilities will result in lower overall manufacturing costs and improved manufacturing capacity.

During the three and nine months ended July 3, 2005, we recorded restructuring and impairment charges of $3.9 million and $4.8 million, respectively. The $4.8 million charge includes a $0.8 million impairment charge taken in the third quarter related to certain manufacturing

equipment currently held for sale. The remaining $4.0 million restructuring charge consist of $0.3 million related to costs associated with the shutdown of our manufacturing facility in Picayune, Mississippi, $2.8 million related to costs associated with the shutdown of certain of our plastics manufacturing facilities, $1.0 million related to severance costs associated with the closure of certain of the plastics manufacturing facilities and the elimination of redundant positions as a result of the NAMPAC Acquisition and $(0.1) million to adjust a previously recognized facility closure exit liability.

A portion of the $2.8 million restructuring charge related to shutdown costs includes the net present value of future lease payments, net of expected sublease proceeds, and other obligations associated with facilities that were closed in the third quarter of fiscal 2005. We expect to incur future restructuring charges of approximately $2.0 million related to facility shutdown and holding costs and to additional severance.

In addition to the restructuring and impairment charges, we recorded during the first half of fiscal 2005 approximately $3.9 million of additional depreciation associated with the shortened useful lives of equipment subsequently taken out of service in association with the closure of certain of our plastics manufacturing facilities, as discussed above.

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As of July 3, 2005, the estimated fair value less cost to sell of property, plant and equipment held for sale associated with these closed facilities was approximately $0.8 million and is included in Other Current Assets in the consolidated balance sheet.

7. COMMITMENTS AND CONTINGENCIES

Environmental

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

We believe future expenditures will be necessary in order to comply with federal Maximum Achievable Control Technology (MACT) regulations, which relate to air emission control requirements for Hazardous Air Pollutants (HAP) and volatile organic compounds. These regulations become effective in November 2006.

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

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

We record reserves for environmental liabilities when environmental investigation and remediation obligations are probable and related costs are reasonably estimable. We have accrued liabilities of approximately $0.3 million and $0.2 million for environmental investigation and remediation obligations as of July 3, 2005 and October 3, 2004, respectively; however, we cannot guarantee that future expenditures will not exceed the amounts accrued.

Litigation

We are involved in legal proceedings from time to time in the ordinary course of business. We believe that the outcome of these proceedings will not have a material effect on our financial condition or results of operations. At July 3, 2005 and October 3, 2004, we had accrued approximately $0.6 million and $0.7 million, respectively, related to pending litigation matters.

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Letters of Credit

At July 3, 2005, a bank had issued standby letters of credit on our behalf in the aggregate amount of $6.7 million primarily in favor of our workers compensation insurers and purchasing card vendor.

Commodity Risk

We are subject to various risks and uncertainties related to changing commodity prices for and the availability of the materials used in the manufacture of our products (primarily steel and resin).

8. BUSINESS SEGMENTS

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

Metal Packaging. Metal Packaging includes metal packaging products and material center services. Primarily products in this segment include paint cans, aerosol containers, ammunition boxes and other general line containers made from steel. Metal Packaging is a separate division of the Company with management and production facilities and processes distinct from our plastics packaging division.

Plastics Packaging. Plastics Packaging includes the plastics packaging products manufactured and distributed by NAMPAC and, to a lesser extent, those resulting from the acquisition of SST Industries in fiscal 2003 (the SST Acquisition). Principal products in this segment include open- and tight-head pails and drums, other multi-purpose rigid industrial plastic packaging and a limited range of consumer plastic packaging. Plastics Packaging is a separate division of the Company with management and production facilities and processes distinct from our metal packaging division.

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

Segment asset disclosures include, among other things, inventories, property, plant and equipment, goodwill and other intangible assets. The accounting policies of our segments have not changed from those described in the Annual Report. There were no intersegment sales in the periods presented. Management s evaluation of segment performance is principally based on EBITDA.

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The following sets forth certain financial information attributable to our business segments for three and nine months ended July 3, 2005 and July 4, 2004.

	Three Months Ended		Nine Months Ended	
($ in thousands)	**July 3, 2005**	**July 4, 2004**	**July 3, 2005**	**July 4, 2004**
Net sales				
Metal packaging	$ 146,815	$ 134,174	$ 386,903	$ 390,887
Plastics packaging	80,597	8,171	222,046	23,259
Consolidated net sales	$ 227,412	$ 142,345	$ 608,949	$ 414,146
Income before income taxes				
Metal packaging	$ 24,911	$ 19,203	$ 60,545	$ 51,023
Plastics packaging	8,685	34	15,822	1,351
Segment earnings before depreciation and amortization	33,596	19,237	76,367	52,374
Corporate undistributed expenses	3,088	1,554	7,410	5,332
Depreciation and amortization (see below)	9,372	6,219	32,565	23,682
Restructuring and impairment charges	3,943	179	4,821	264
Interest expense, net	8,155	5,769	23,928	18,095
Other, net	61	218	(592)	326
Consolidated income before income taxes	$ 8,977	$ 5,298	$ 8,235	$ 4,675
Depreciation and amortization				
Metal packaging	$ 5,083	$ 5,194	$ 16,116	$ 20,598
Plastics packaging	3,818	442	14,957	1,334
Segment depreciation and amortization	8,901	5,636	31,073	21,932
Corporate	471	583	1,492	1,750
Consolidated depreciation and amortization	$ 9,372	$ 6,219	$ 32,565	$ 23,682

The following table sets forth total assets attributable to our business segments as of July 3, 2005 and October 3, 2004.

($ in thousands)	**July 3, 2005**	**October 3, 2004**
Total assets		
Metal packaging	$ 322,179	$ 318,942
Plastics packaging	278,776	284,740

Segment assets	600,955	603,682
Corporate	153,873	137,722
Consolidated total assets	$ 754,828	$ 741,404

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9. SUPPLEMENTAL GUARANTOR SUBSIDIARIES INFORMATION

Our 10% Senior Subordinated Notes due 2010 and Term Loan are guaranteed on a full, unconditional joint and several basis by our wholly owned subsidiaries. The following condensed, consolidating financial information presents the consolidating financial statements of BWAY and its subsidiaries, all of which have guaranteed the Notes and Term Loan, as of and for the three and nine months ended July 3, 2005. Separate financial statements of the guarantor subsidiaries are not presented because we have determined that they would not be material to investors.

Prior to the refinancing of our revolving credit facility and the acquisition of NAMPAC, each of which occurred in July 2004, BWAY and each of its subsidiaries were borrowers under our revolving credit facility then in effect. Prior to its merger with and into BWAY during fiscal 2004, BWAY Manufacturing, Inc. was a guarantor of the Notes. Prior to the merger of BWAY and BWAY Manufacturing, Inc., BWAY was a holding company with no independent operations.

Effective with the refinancing of the revolving credit facility and the Term Loan borrowing, BWAY is the sole borrower under the Credit Facility and each of its subsidiaries, including NAMPAC, are guarantors. In addition, all of BWAY s direct and indirect subsidiaries, including NAMPAC, have guaranteed the Notes.

Based on the above events, we have not presented condensed, consolidating financial information for the periods preceding July 2004, as we believe such consolidating information is not required.

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BWAY Corporation and Subsidiaries

Supplemental Condensed Consolidating Balance Sheet

July 3, 2005

	BWAY Corporation	Guarantor Subsidiaries	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	$ 29,482	$ 1,127	$	$ 30,609
Accounts receivable, net	63,190	38,110		101,300
Inventories, net	47,755	22,648		70,403
Deferred tax assets	10,368	1,287		11,655
Other	3,914	803		4,717
Total current assets	154,709	63,975		218,684
Property, plant and equipment, net	93,550	51,167		144,717
Other assets				
Goodwill	120,259	98,681		218,940
Other intangibles, net	59,756	99,961		159,717
Deferred financing fees, net	11,119			11,119
Other	1,081	570		1,651
Investment in subsidiaries	218,224		(218,224)	
Total other assets	410,439	199,212	(218,224)	391,427
Total Assets	$ 658,698	$ 314,354	$ (218,224)	$ 754,828
Liabilities and Stockholder s Equity				
Current liabilities				
Accounts payable	$ 51,401	$ 39,926	$	$ 91,327
Accrued salaries and wages	7,602	3,724		11,326
Accrued interest	4,897			4,897
Accrued rebates	8,911	441		9,352
Other	19,607	2,457		22,064
Total current liabilities	92,418	46,548		138,966
Long-term debt	395,300			395,300
Other long-term liabilities				
Deferred tax liabilities	31,915	48,714		80,629
Intercompany	3,231	(3,231)		
Other	15,286	4,099		19,385
Total other long-term liabilities	50,432	49,582		100,014
Stockholder s equity				
Common stock		1	(1)	

Additional paid-in capital	104,022	214,107	(214,107)	104,022
Retained earnings	17,115	4,705	(4,705)	17,115
Accumulated other comprehensive loss	(589)	(589)	589	(589)
Total stockholder s equity	120,548	218,224	(218,224)	120,548
Total Liabilities and Stockholder s Equity	$ 658,698	$ 314,354	$ (218,224)	$ 754,828

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BWAY Corporation and Subsidiaries

Supplemental Condensed Consolidating Balance Sheet

October 3, 2004

	BWAY Corporation	Guarantor Subsidiaries	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	$ 22,800	$ 4,525	$	$ 27,325
Accounts receivable	52,618	28,421		81,039
Inventories, net	43,544	15,731		59,275
Deferred tax assets	7,717	1,122		8,839
Other	5,945	247		6,192
Total current assets	132,624	50,046		182,670
Property, plant and equipment, net	106,625	48,770		155,395
Other assets				
Goodwill	120,259	100,038		220,297
Other intangibles, net	64,899	103,714		168,613
Deferred financing fees, net	12,726			12,726
Other	1,140	563		1,703
Investment in subsidiaries	213,037		(213,037)	
Total other assets	412,061	204,315	(213,037)	403,339
Total Assets	$ 651,310	$ 303,131	$ (213,037)	$ 741,404
Liabilities and Stockholder s Equity				
Current liabilities				
Accounts payable	$ 36,713	$ 29,588	$	$ 66,301
Accrued salaries and wages	6,544	2,060		8,604
Accrued interest	10,625			10,625
Accrued rebates	6,974	390		7,364
Current portion of long-term debt	19,700			19,700
Other	15,072	2,622		17,694
Total current liabilities	95,628	34,660		130,288
Long-term debt	395,300			395,300
Other long-term liabilities				
Deferred tax liabilities	33,818	48,714		82,532
Intercompany	(2,347)	2,347		
Other	13,906	4,373		18,279
Total other long-term liabilities	45,377	55,434		100,811
Stockholder s equity				

Common stock		1	(1)	
Additional paid-in capital	104,022	213,845	(213,845)	104,022
Retained earnings	11,572	(220)	220	11,572
Accumulated other comprehensive loss	(589)	(589)	589	(589)
Total stockholder s equity	115,005	213,037	(213,037)	115,005
Total Liabilities and Stockholder s Equity	$ 651,310	$ 303,131	$ (213,037)	$ 741,404

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BWAY Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Operations

For the three months ended July 3, 2005

	BWAY Corporation	Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 147,442	$ 79,970	$	$ 227,412
Costs, expenses and other				
Cost of products sold (excluding depreciation and amortization)	121,567	70,154	(178)	191,543
Depreciation and amortization	5,530	3,842		9,372
Selling and administrative expenses	4,475	763		5,238
Restructuring and impairment charge	3,943			3,943
Interest expense, net	8,183	(28)		8,155
Financial advisory fees	123			123
Other, net	(134)	17	178	61
Total costs, expenses and other	143,687	74,748		218,435
Income before taxes	3,755	5,222		8,977
Income tax provision	1,313	1,652		2,965
Equity in income of subsidiaries	3,570		(3,570)	
Net income	$ 6,012	$ 3,570	$ (3,570)	$ 6,012

BWAY Corporation and Subsidiaries
Supplemental Condensed Consolidating Statement of Operations
For the nine months ended July 3, 2005

	BWAY Corporation	Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 396,802	$ 212,147	$	$ 608,949
Costs, expenses and other				
Cost of products sold (excluding depreciation and amortization)	332,567	192,315	(533)	524,349
Depreciation and amortization	21,542	11,023		32,565
Selling and administrative expenses	12,357	2,915		15,272
Restructuring and impairment charge	4,821			4,821
Interest expense, net	23,958	(30)		23,928
Financial advisory fees	371			371
Other, net	(566)	(559)	533	(592)
Total costs, expenses and other	395,050	205,664		600,714
Income before taxes	1,752	6,483		8,235
Income tax provision	572	2,120		2,692

Equity in income of subsidiaries	4,363		(4,363)	
Net income	$ 5,543	$ 4,363	$ (4,363)	$ 5,543

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BWAY Corporation and Subsidiaries

Supplemental Condensed Consolidating Statement of Cash Flows

For the nine months ended July 3, 2005

	BWAY Corporation	Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	$ 33,350	$ 4,370	$	$ 37,720
Cash Flows from Investing Activities				
Capital expenditures	(7,158)	(7,768)		(14,926)
Business acquisitions, net of cash acquired	(268)			(268)
Other	1,243			1,243
Net cash used in investing activities	(6,183)	(7,768)		(13,951)
Cash Flows from Financing Activities				
Repayments of term loan	(19,700)			(19,700)
Other	(785)			(785)
Net cash used in financing activities	(20,485)			(20,485)
Net increase (decrease) in cash and cash equivalents	6,682	(3,398)		3,284
Cash and cash equivalents, beginning of period	22,800	4,525		27,325
Cash and cash equivalents, end of period	$ 29,482	$ 1,127	$	$ 30,609

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

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, which often require the judgment of management in the selection and application of certain accounting principles and methods. We believe that the quality and reasonableness of our most critical policies enable the fair presentation of our financial position and results of operations. However, investors are cautioned that the sensitivity of financial statements to these methods, assumptions and estimates could create materially different results under different conditions or using different assumptions. The following discussion should be read in conjunction with our unaudited consolidated financial statements and related notes included in Item 1 of this report.

NAMPAC Acquisition. On July 7, 2004, we acquired all of the issued and outstanding shares of stock of NAMPAC, a manufacturer of rigid plastic containers for industrial packaging markets. We paid approximately $214.1 million in cash for the acquisition, which was funded by a $30.0 million equity contribution from Kelso and certain members of our senior management and from a portion of the proceeds from a $225.0 million term loan facility. The results of operations related to this acquisition are included in the consolidated financial statements from the date of acquisition.

Results of Operations

Our operations are organized and reviewed by management along our product lines in two reportable segments Metal Packaging and Plastics Packaging. We operate these reportable segments as separate divisions and differentiate the segments based on the nature of the products and services they offer. The primary raw material and manufacturing processes are unique for each segment. In addition to the business segments, we report certain items as corporate, which relate to corporate services including accounting and finance, information technology, payroll and human resources and various other overhead charges, each to the extent not allocated to the divisions.

Metal Packaging. Metal Packaging includes our metal packaging products and material center services. Principal products in this segment include paint cans, aerosol containers, ammunition boxes and other general line containers made from steel. Metal Packaging is a separate division of the Company with management and production facilities and processes distinct from our plastics packaging division.

Plastics Packaging. Plastics Packaging includes the plastics packaging products manufactured and distributed by NAMPAC and, to a lesser extent, those resulting from the SST Acquisition in fiscal 2003. Principal products in this segment include open- and tight-head pails and drums, other multi-purpose rigid industrial plastic packaging and a limited range of consumer plastic packaging. Plastics Packaging is a separate division of the Company with management and production facilities and processes distinct from our metal packaging division.

In the following tables, certain percentage changes, generally those of increases or decreases in excess of 100%, are not meaningful and have not been presented.

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The following table set forth changes in our statements of operations and line items as a percentage of net sales for the three months ended July 3, 2005 and July 4, 2004.

	Three Months Ended		Change		As a % of Net Sales Three Months Ended	
($ in thousands)	July 3, 2005	July 4, 2004	$	%	July 3, 2005	July 4, 2004
Net sales	$ 227,412	$ 142,345	$ 85,067	59.8%	100.0%	100.0%
Cost of products sold (excluding depreciation and amortization	191,543	121,069	70,474	58.2%	84.2%	85.1%
Gross margin	35,869	21,276	14,593	68.6%	15.8%	14.9%
Depreciation and amortization	9,372	6,219	3,153	50.7%	4.1%	4.4%
Selling and administrative expenses	5,238	3,470	1,768	51.0%	2.3%	2.4%
Restructuring and impairment charges	3,943	179	3,764		1.7%	0.1%
Interest expense, net	8,155	5,769	2,386	41.4%	3.6%	4.1%
Financial advisory fees	123	123			0.1%	0.1%
Other, net	61	218	(157)	(72.0)%		0.2%
Income before income taxes	8,977	5,298	3,679	69.4%	3.9%	3.7%
Income tax provision	2,965	2,108	857	40.7%	1.3%	1.5%
Net income	6,012	$ 3,190	$ 2,822	88.5%	2.6%	2.2%

The following table set forth changes in our statements of operations and line items as a percentage of net sales for the nine months ended July 3, 2005 and July 4, 2004.

	Nine Months Ended		Change		As a % of Net Sales Nine Months Ended	
($ in thousands)	July 3, 2005	July 4, 2004	$	%	July 3, 2005	July 4, 2004
Net sales	$ 608,949	$ 414,146	$ 194,803	47.0%	100.0%	100.0%
Cost of products sold (excluding depreciation and amortization	524,349	355,697	168,652	47.4%	86.1%	85.9%
Gross margin	84,600	58,449	26,151	44.7%	13.9%	14.1%
Depreciation and amortization	32,565	23,682	8,883	37.5%	5.3%	5.7%
Selling and administrative expenses	15,272	11,036	4,236	38.4%	2.5%	2.7%
Restructuring and impairment charges	4,821	264	4,557		0.8%	0.1%
Interest expense, net	23,928	18,095	5,833	32.2%	3.9%	4.4%
Financial advisory fees	371	371			0.1%	0.1%
Other, net	(592)	326	(918)		(0.1)%	0.1%

Income before income taxes	8,235	4,675	3,560	76.1%	1.4%	1.1%
Income tax provision	2,692	1,749	943	53.9%	0.4%	0.4%
Net income	$ 5,543	$ 2,926	$ 2,617	89.4%	0.9%	0.7%

Net Sales

Net Sales by Segment	**Nine Months Ended**		**Change**		**As a % of the Total Nine Months Ended**	
($ in thousands)	**July 3, 2005**	**July 4, 2004**	**$**	**%**	**July 3, 2005**	**July 4, 2004**
Metal packaging	$ 386,903	$ 390,887	$ (3,984)	(1.0)%	63.5%	94.4%
Plastics packaging	222,046	23,259	198,787		36.5%	5.6%
Consolidated net sales	$ 608,949	$ 414,146	$ 194,803	47.0%	100.0%	100.0%

	Three Months Ended		**Change**		**Three Months Ended**	
($ in thousands)	**July 3, 2005**	**July 4, 2004**	**$**	**%**	**July 3, 2005**	**July 4, 2004**
Metal packaging	$ 146,815	$ 134,174	$ 12,641	9.4%	64.6%	94.3%
Plastics packaging	80,597	8,171	72,426		35.4%	5.7%
Consolidated net sales	$ 227,412	$ 142,345	$ 85,067	59.8%	100.0%	100.0%

The decrease in metal packaging segment net sales for the first nine months of fiscal 2005 over the comparable period of fiscal 2004 is primarily related to the loss of the Folgers coffee can business in the first half of fiscal 2004, to voluntary reductions in certain unprofitable material center sales as capacity was redirected to meet internal needs, and to other volume declines, which were partially offset by higher selling prices related to the pass through of higher metal costs. The increase in metal packaging segment net sales for the third quarter of fiscal 2005 over the comparable period of fiscal

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2004 is primarily a result of higher selling prices related to the pass through of higher metal costs and to volume gains in ammunition boxes.

The increase in plastics packaging segment net sales for the three and nine months is attributable to the NAMPAC Acquisition, which occurred in July 2004.

Cost of Products Sold

Cost of Products Sold by Segment

(excluding depreciation and amortization)

	Nine Months Ended		Change		As a % of the Total Nine Months Ended	
($ in thousands)	**July 3, 2005**	**July 4, 2004**	**$**	**%**	**July 3, 2005**	**July 4, 2004**
Metal packaging	$ 321,183	$ 334,258	$ (13,075)	(3.9)%	61.3%	94.0%
Plastics packaging	202,927	21,291	181,636		38.7%	6.0%
Segment cost of products sold	$ 524,110	$ 355,549	$ 168,561	47.4%	100.0%	100.0%
Corporate undistributed expenses	239	148	91	61.5%	0.0%	0.0%
Consolidated cost of products sold	$ 524,349	$ 355,697	$ 168,652	47.4%	100.0%	100.0%

	Three Months Ended		Change		Three Months Ended	
($ in thousands)	**July 3, 2005**	**July 4, 2004**	**$**	**%**	**July 3, 2005**	**July 4, 2004**
Metal packaging	$ 120,350	$ 113,058	$ 7,292	6.4%	62.8%	93.4%
Plastics packaging	71,086	7,948	63,138		37.1%	6.6%
Segment cost of products sold	$ 191,436	$ 121,006	$ 70,430	58.2%	99.9%	99.9%
Corporate undistributed expenses	107	63	44	69.8%	0.1%	0.1%
Consolidated cost of products sold	$ 191,543	$ 121,069	$ 70,474	58.2%	100.0%	100.0%

The change in cost of products sold, excluding depreciation and amortization, (CPS) for the metal packaging segment during the third quarter and first nine months of fiscal 2005 from the comparable periods in fiscal 2004 is primarily due to the change in segment net sales, as discussed above, and declines in volume, partially offset by an additional expense of approximately $2.7 million in first nine months of fiscal 2005 over the comparable period of fiscal 2004 related to an increase in the LIFO reserve resulting from the higher cost of steel. The change in LIFO

reserve in the third quarter of fiscal 2005 was comparable to the change in the third quarter of fiscal 2004.

Metal packaging segment CPS as a percentage of segment net sales decreased to 80.6% in the third quarter of fiscal 2005 from 86.3% in the third quarter of fiscal 2004 and decreased to 83.6% in the first nine months of fiscal 2005 from 86.2% in the first nine months of fiscal 2004. The decrease in CPS as a percentage of segment net sales in each of the third quarter and first nine months of fiscal 2005 from the comparable periods in fiscal 2004 is primarily due to the timing of our recognition of steel cost increases compared with the time when the pass through of steel surcharges to customers is recognized in net sales. We believe the improvements in metal packaging segment CPS as a percentage of segment net sales are temporary, and we anticipate the percentages will begin to increase to historic percentages in the coming quarters. In the fourth quarter of fiscal 2004, we began the implementation of a lean manufacturing program in the metal packaging segment to increase its operating efficiency and productivity. We began realizing the benefits of this initiative during the second quarter of fiscal 2005, and we expect to realize additional benefits for the remainder of fiscal 2005 and in fiscal 2006.

The increase in CPS for the plastics packaging segment in the third quarter and first nine months of fiscal 2005 from the comparable periods in fiscal 2004 is primarily due to the NAMPAC Acquisition, which occurred in July 2004.

Plastics packaging segment CPS as a percentage of segment net sales increased to 93.7% in the third quarter of fiscal 2005 from 89.0% in the third quarter of fiscal 2004 and increased to 93.2% in the first nine months of fiscal 2005 from 88.4% in the first nine months of fiscal 2004 primarily as a result of higher operating costs associated with the NAMPAC Acquisition and to higher raw material costs for plastic resin. Additionally, segment CPS for the third quarter and first nine months of fiscal 2005 was impacted by approximately $(2.3) million and $1.6 million, respectively, related to changes in the LIFO reserve resulting from movements in raw material costs.

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Depreciation and Amortization

Depreciation and Amortization by Segment	**Nine Months Ended**		**Change**		**As a % of the Total Nine Months Ended**	
($ in thousands)	**July 3, 2005**	**July 4, 2004**	**$**	**%**	**July 3, 2005**	**July 4, 2004**
Metal packaging	$ 16,116	$ 20,598	$ (4,482)	(21.8)%	49.5%	87.0%
Plastics packaging	14,957	1,334	13,623		45.9%	5.6%
Segment depreciation and amortization	$ 31,073	$ 21,932	$ 9,141	41.7%	95.4%	92.6%
Corporate	1,492	1,750	(258)	(14.7)%	4.6%	7.4%
Consolidated depreciation and amortization	$ 32,565	$ 23,682	$ 8,883	37.5%	100.0%	100.0%

	Three Months Ended		**Change**		**Three Months Ended**	
($ in thousands)	**July 3, 2005**	**July 4, 2004**	**$**	**%**	**July 3, 2005**	**July 4, 2004**
Metal packaging	$ 5,083	$ 5,194	$ (111)	(2.1)%	54.2%	83.5%
Plastics packaging	3,818	442	3,376		40.7%	7.1%
Segment depreciation and amortization	$ 8,901	$ 5,636	$ 3,265	57.9%	95.0%	90.6%
Corporate	471	583	(112)	(19.2)%	5.0%	9.4%
Consolidated depreciation and amortization	$ 9,372	$ 6,219	$ 3,153	50.7%	100.0%	100.0%

The decrease in metal packaging segment depreciation and amortization expense for the first nine months of fiscal 2005 over the comparable period in fiscal 2004 primarily relates to additional depreciation expense of $5.0 million related to the shortened useful lives of assets disposed of following the closure of our Picayune, Mississippi manufacturing facility in the second half of fiscal 2004.

In the third quarter and first nine months of fiscal 2005, plastics packaging segment depreciation and amortization includes approximately $3.7 million and $10.5 million, respectively, related to assets acquired in connection with the NAMPAC Acquisition. The first nine months of fiscal 2005 includes approximately $3.9 million of additional depreciation associated with the shortened useful lives on certain assets, primarily equipment, to be disposed of in connection with the closure of certain of our plastics manufacturing facilities.

Selling and Administrative Expenses

Selling and Administrative Expenses by Segment	Nine Months Ended		Change		As a % of the Total Nine Months Ended	
($ in thousands)	July 3, 2005	July 4, 2004	$	%	July 3, 2005	July 4, 2004
Metal packaging	$ 5,175	$ 5,606	$ (431)	(7.7)%	33.9%	50.8%
Plastics packaging	3,297	617	2,680		21.6%	5.6%
Segment selling and administrative expenses	$ 8,472	$ 6,223	$ 2,249	36.1%	55.5%	56.4%
Corporate undistributed expenses	6,800	4,813	1,987	41.3%	44.5%	43.6%
Consolidated selling and administrative expenses	$ 15,272	$ 11,036	$ 4,236	38.4%	100.0%	100.0%

	Three Months Ended		Change		Three Months Ended	
($ in thousands)	July 3, 2005	July 4, 2004	$	%	July 3, 2005	July 4, 2004
Metal packaging	$ 1,554	$ 1,913	$ (359)	(18.8)%	29.7%	55.1%
Plastics packaging	826	189	637		15.8%	5.4%
Segment selling and administrative expenses	$ 2,380	$ 2,102	$ 278	13.2%	45.4%	60.6%
Corporate undistributed expenses	2,858	1,368	1,490	108.9%	54.6%	39.4%
Consolidated selling and administrative expenses	$ 5,238	$ 3,470	$ 1,768	51.0%	100.0%	100.0%

The change in metal packaging segment selling and administrative expenses for the third quarter and first nine months of fiscal 2005 from comparable periods of fiscal 2004 relates primarily to the timing of certain sales expenses.

The increase in plastics packaging segment selling and administrative expenses for the third quarter and first nine months of fiscal 2005 over the comparable periods of fiscal 2004 is primarily related to higher costs associated with the NAMPAC Acquisition, which occurred in the fourth quarter of fiscal 2004.

The increase in corporate undistributed selling and administrative expenses for the third quarter and first nine months of fiscal 2005 over the comparable periods of fiscal 2004 primarily relates to higher stock based compensation, bonus expense and professional fees related to our Sarbanes-Oxley compliance initiative. The increase in corporate undistributed selling and administrative expenses for the first nine months of fiscal 2005 over the first nine months of fiscal 2004 was partially offset by a recovery in the first quarter of fiscal 2005 of a previously written-off note receivable.

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Restructuring and Impairment, Interest, Taxes and Other

Restructuring and Impairment Charges. In the first nine months of fiscal 2005, we recorded a $4.8 million charge consisting of a $0.8 million impairment charge and a $4.0 million restructuring charge. The impairment charge relates to the write-down of certain manufacturing equipment currently held for sale. The restructuring charge consists of $0.3 million related to costs associated with the shutdown of our manufacturing facility in Picayune, Mississippi, $2.8 million related to costs associated with the shutdown of certain of our plastics manufacturing facilities, $1.0 million related to severance costs associated with the closure of certain of the plastics manufacturing facilities and the elimination of redundant positions as a result of the NAMPAC Acquisition and $(0.1) million to adjust a previously recorded facility closure exit liability.

A portion of the $2.8 million restructuring charge related to shutdown costs, as discussed above, includes the net present value of future lease payments, net of expected sublease proceeds, and other obligations associated with facilities that were closed in the third quarter of fiscal 2005. We expect to incur future restructuring charges of approximately $2.0 million related to facility shutdown and holding costs and to additional severance.

Interest Expense, Net. Interest expense, net, increased $2.4 million to $8.2 million in the third quarter of fiscal 2005 and increased $5.8 million to $23.9 million in the first nine months of fiscal 2005 over the comparable third quarter and first nine months of fiscal 2004, respectively. The increases are primarily attributable to the higher debt associated with the NAMPAC Acquisition, which occurred in the fourth quarter of fiscal 2004.

Income Tax Provision. The income tax provision increased $0.9 million to $3.0 million in the third quarter of fiscal 2005 from $2.1 million in the third quarter of fiscal 2004 and income tax provision increased $1.0 million to $2.7 million in the first nine months of fiscal 2005 from $1.7 million in the first nine months of fiscal 2004. The effective tax rate decreased for the third quarter and first nine months of fiscal 2005 from the comparable periods in fiscal 2004 partially due to the impact on the effective rate associated with the NAMPAC Acquisition. The decrease in the effective tax rate for the first nine months of fiscal 2005 from the first nine months of fiscal 2004 was also impacted by a tax provision adjustment in the first nine months of fiscal 2004 associated with the filing of the preceding year s tax return.

Other, Net. Other, net, in the first nine months of fiscal 2005 relates primarily to gains on the sale of idled equipment and a vacant manufacturing facility in Dallas, Texas, each of which occurred in the first quarter of fiscal 2005.

Liquidity and Capital Resources

Our cash requirements for capital expenditures during the first nine months of fiscal 2005 were financed through operations. During the first nine months of fiscal 2005, cash and cash equivalents increased $3.3 million, primarily due to cash flows from operations offset by capital expenditures and repayments of a portion of our borrowings outstanding under our Term Loan. During the first nine months of fiscal 2004, cash and cash equivalents, net of a $2.5 equity investment from our parent, decreased $1.7 million primarily due to a $1.2 million repayment on our revolving credit facility.

During the first nine months of fiscal 2005, we repaid $19.7 million of our Term Loan. The repayment consisted of voluntary prepayments of $19.1 million and a required repayment of $0.6 million. The required repayment represented the net proceeds from the sale of a vacant manufacturing facility in Dallas, Texas. As a result of these repayments, our next scheduled quarterly repayment of approximately $0.1 million

becomes due in June 2008. Repayments, whether scheduled or voluntary, permanently reduce the Term Loan.

At July 3, 2005, we had $23.3 million in revolving credit available after taking into consideration $6.7 million in standby letters of credit, which reduce available borrowings under the $30.0 million Revolver. We were in compliance with all debt covenants at July 3, 2005 related to the Credit Facility and the Notes.

Net cash provided by operating activities was $37.7 million during the first nine months of fiscal 2005 compared to $16.7 million in the first nine months of fiscal 2004. During the first nine months of fiscal 2005 and fiscal 2004, cash provided by operations was primarily from higher operating income resulting from the NAMPAC Acquisition in the fourth quarter of fiscal 2004 and from improved operating performance in our metal packaging division. The primary uses of cash in operating activities was interest paid of $28.1 million and $21.7 million during the first nine months of each of fiscal 2005 and fiscal 2004, respectively and a net increase in primary working capital (inventories, accounts receivable and accounts payable) that resulted in use of cash of $6.2 million and $6.4 million during the first nine months of each of

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fiscal 2005 and fiscal 2004, respectively. The increase in cash interest paid relates primarily to increased debt related to the NAMPAC Acquisition.

Net cash used in investing activities was $14.0 million during the first nine months of fiscal 2005 compared to $15.5 million during the first nine months of fiscal 2004. Net cash used in investing activities was primarily used for capital expenditures during the first nine months of each fiscal year. Capital expenditures decreased $0.7 million in the first nine months of fiscal 2005 compared to the first nine months of fiscal 2004 primarily as a result of higher capital expenditures in the first nine months of fiscal 2004 related to the opening of our Sturtevant, Wisconsin manufacturing facility partially offset by higher capital expenditures in first nine months of fiscal 2005 related to our NAMPAC Acquisition. Net cash used in investing activities in the first nine months of fiscal 2005 was reduced by $1.2 million related to proceeds from the sale of property, plant and equipment and assets held for sale.

Net cash used in financing activities was $20.5 million and $0.4 million during the first nine months of fiscal 2005 and fiscal 2004, respectively. In the first nine months of fiscal 2005, $19.7 million was used to repay outstanding Term Loan borrowings and in the first nine months of fiscal 2004, $1.2 million was used to repay revolving credit facility borrowings. There were no outstanding revolving credit facility borrowings at July 3, 2005. Decreases in unpresented bank drafts in excess of cash available for offset used cash of $0.6 million and $1.3 million in the first nine months of fiscal 2005 and the first nine months of fiscal 2004, respectively. We received $2.5 million in equity from our parent in the first nine months of fiscal 2004 in anticipation of the NAMPAC Acquisition and we paid $0.4 million in financing costs associated with our then existing revolving credit facility.

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

Interest Rate Risk

The interest rate on our outstanding 10% senior subordinated notes is fixed. As such, our cash flows and earnings are not exposed to the market risk of interest rate changes related to these notes. However, holders of the notes are exposed to market risk associated with interest rate changes that impact the fair value of the notes prior to maturity.

Interest accrues on the Term Loan and the Revolver at an applicable margin plus either (a) a base rate (which is the higher of prime or 0.5% in excess of the overnight federal funds rate) or (b) a Eurodollar rate. For the Term Loan, the applicable margins were initially fixed at 1.25% for base rate loans and at 2.25% for Eurodollar rate loans, and can range from 1.00% and 2.00%, respectively, based upon meeting specified consolidated leverage ratio targets. For the Revolver, the applicable margins were initially fixed at 1.75% for base rate loans and 2.75% for Eurodollar rate loans, and can range from 1.00% and 2.00%, respectively, based upon meeting specified consolidated leverage ratio targets. Borrowing at the base rate or the Eurodollar rate is at our discretion.

After January 2, 2005, rate margins became subject to quarterly change based on our ratio of Consolidated Indebtedness to Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization), each as defined in the underlying credit agreement. Based on our ratio of Consolidated Indebtedness to Consolidated EBITDA as of April 3, 2005, the rate margins did not change in the quarter ended July 3, 2005 from those initially set as described above.

At July 3, 2005, we have Credit Facility borrowings outstanding of $195.3 million that are subject to interest rate risk. Each 100 basis point increase in interest rates on these borrowings would reduce quarterly pretax earnings and cash flows by approximately $0.5 million based on the balance at July 3, 2005. We do not manage this interest rate risk with rate caps or other derivative instruments.

Commodity Risk

We are subject to various risks and uncertainties related to changing commodity prices for and the availability of the materials used in the manufacture of our products (primarily steel and resin). We do not manage this commodity risk with futures contracts or other derivative instruments, but we manage it, to the extent practicable, through customer

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contract provisions allowing for price changes based on fluctuations in our cost of certain raw materials and through the pre-buying of raw materials prior to price increases.

Critical Accounting Policies

For a summary of our critical accounting policies, see management s discussion and analysis in Item 7 of the Annual Report. The critical accounting policies have not changed since October 3, 2004.

Recent Accounting Pronouncements

For a summary of recent accounting pronouncements, see Recent Accounting Pronouncements under Note 1 to the unaudited consolidated financial statements in Item 1 of this report.

Off-Balance Sheet Arrangements

As of July 3, 2005, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Contractual Obligations

For a summary of our significant contractual obligations, see the Contractual Obligations and Commercial Commitments section of Item 7 in the Annual Report. The nature of the obligations has not materially changed since October 3, 2004.

At July 3, 2005, a bank had issued standby letters of credit on our behalf in the aggregate amount of $6.7 million primarily in favor of our workers compensation insurers and purchasing card vendor.

Environmental Matters

We are subject to a broad range of federal, state and local environmental, health and safety laws, including those governing discharges to air, soil and water, the handling and disposal of hazardous substances and the investigation and remediation of contamination resulting from the release of hazardous substances. We believe that we are currently in compliance with all applicable environmental, health and safety laws, though future expenditures may be necessary in order to maintain such compliance, including compliance with air emission control requirements for volatile organic compounds. In addition, in the course of our operations we use, store and dispose of hazardous substances. Some of our current and former facilities are currently involved in environmental investigations and remediation resulting from releases of hazardous substances or the

presence of other constituents. While we do not believe that any investigation or identified remediation obligations will have a material adverse effect on our operating results or financial condition, there are no assurances that such obligations will not arise in the future. Many of our facilities have a history of industrial usage for which investigation and remediation obligations could arise in the future and which could have a material adverse effect on our operating results or financial condition.

We believe future expenditures will be necessary in order to comply with federal Maximum Achievable Control Technology (MACT) regulations, which relate to air emission control requirements for Hazardous Air Pollutants (HAP) and volatile organic compounds. These regulations become effective in November 2006.

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

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

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We record reserves for environmental liabilities when environmental investigation and remediation obligations are probable and related costs are reasonably estimable. We have accrued liabilities of approximately $0.3 million and $0.2 million for environmental investigation and remediation obligations as of July 3, 2005 and October 3, 2004, respectively; however, we cannot guarantee that future expenditures will not exceed the amounts accrued.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not purchase, sell or hold derivatives or other market risk-sensitive instruments to hedge commodity price risk, interest rate risk or exchange rate risk or for trading purposes. For a discussion of interest rate risk and its relation to our indebtedness see Liquidity and Capital Resources in Item 2 above.

Item 4. Controls and Procedures

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

An evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that as of July 3, 2005, our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and timely reported as provided in the SEC rules and forms. No changes occurred during the quarter ended July 3, 2005 in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

There were no events to report under this item for the quarter ended July 3, 2005.

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

There were no events to report under this item for the quarter ended July 3, 2005.

Item 3. Defaults Upon Senior Securities

There were no events to report under this item for the quarter ended July 3, 2005.

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

There were no events to report under this item for the quarter ended July 3, 2005.

Item 5. Other Information

There were no events to report under this item for the quarter ended July 3, 2005.

Item 6. Exhibits

See Index to Exhibits.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements as encouraged by the Private Securities Litigation Reform Act of 1995. All statements contained in this document, other than historical information, are forward-looking statements. These statements represent management s current judgment on what the future holds. A variety of factors could cause business conditions and the Company s actual results to differ materially from those expected by the Company or expressed in the Company s forward-looking statements. These factors include, without limitation, competitive risks from substitute products and other container manufacturers, termination of the Company s customer contracts, loss or reduction of business from key customers, dependence on key personnel, changes in steel, resin and other raw material costs or availability, labor unrest, catastrophic loss of one of the Company s manufacturing facilities, environmental exposures, management s inability to identify or execute selective acquisitions, failures in the Company s computer systems, unanticipated expenses, delays in implementing cost reduction initiatives, potential equipment malfunctions and the other factors discussed in the Company s filings with the Securities and Exchange Commission. The Company takes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrences of unanticipated events or changes to future operating results.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	BWAY Corporation (Registrant)
Date: August 16, 2005	By: /s/ Jean-Pierre M. Ergas
	Jean-Pierre M. Ergas Chairman and Chief Executive Officer *(Principal Executive Officer)*
Date: August 16, 2005	By: /s/ Kevin C. Kern
	Kevin C. Kern Vice President, Administration and Chief Financial Officer *(Principal Financial Officer and Chief Accounting Officer)*

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INDEX TO EXHIBITS

Exhibit No.	Description of Document
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) (17 C.F.R. 240.13a-14(a)).
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) (17 C.F.R. 240.13a-14(a)).
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.