
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported):

December 4, 2008

Avery Dennison Corporation

(Exact name of registrant as specified in its charter)

Delaware

1-7685

95-1492269

(State or other jurisdiction
of incorporation)

(Commission
File Number)

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

150 North Orange Grove Boulevard, Pasadena,
California

91103

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

626-304-2000

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b) On December 4, 2008, Avery Dennison Corporation ("Company") announced that Robert G. van Schoonenberg is resigning from his position as secretary for the Company, effective as of December 5, 2008, and that he is also resigning from his position as executive vice president and chief legal officer, effective as of December 31, 2008, the date on which he is retiring from the Company.

The Company also announced that the Board of Directors ("Board") has elected Susan C. Miller as secretary for the Company, effective as of December 5, 2008. Ms. Miller is also continuing in her position as senior vice president and general counsel for the Company.

(e) On December 4, 2008, the Board ratified the actions of the Compensation and Executive Personnel Committee ("Committee") of the Board taken at a meeting of the Committee on that day. In response to Section 409A of the Internal Revenue Code ("Code"), the Committee approved the following amended plans and agreements: (i) forms of Employment Agreement, (ii) forms of Amendment to Employment Agreement, (iii) Amendment 1 to Retention Agreement, (iv) Director Equity Plan, amended and restated, (v [form of Director Stock Option Agreement][?], (vi) 2005 DVDCP, amended and restated, (vii) 2005 EVDPR, amended and restated, (viii) Stock Option and Incentive Plan, amended and restated ("Stock Option Plan"), (ix) forms of Equity Agreements under Stock Option Plan, and (x) Benefit Restoration Plan, amended and restated.

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 hereunto duly authorized.

Avery Dennison Corporation

December 10, 2008

By: */s/ Daniel R. O'Bryant*

Name: Daniel R. O'Bryant

Title: Executive Vice President, Finance and Chief Financial Officer

Exhibit Index

Exhibit No.	Description
10.10.19.9	Forms of of Equity Agreements under Stock Option Plan
10.15.1	Director Equity Plan
10.18.2	2005 DVDCP, amended and restated
10.19.8	Stock Option and Incentive Plan, amended and restated
10.31.2	2005 EVDRP, amended and restated
10.32.1	BRP, amended and restated
10.8.3.1	Forms of Employment Agreement
10.8.3.2	Forms of Amendment to Employment Agreement
10.8.4.1	Amendment to Retention Agreement

**AVERY DENNISON CORPORATION
RESTRICTED STOCK UNIT AGREEMENT**

THIS AGREEMENT, dated * , is made by and between Avery Dennison Corporation, a Delaware corporation, hereinafter referred to as the “Company,” and * , an employee of Company or a Subsidiary of Company, hereinafter referred to as “Employee.”

WHEREAS, Company wishes to grant to Employee an Award of restricted stock units (“RSUs”) with Dividend Equivalents (“DEs”) under the terms of the Employee Stock Option and Incentive Plan, as amended and restated (“Plan”); and

WHEREAS, the Compensation and Executive Personnel Committee of the Company’s Board of Directors (hereinafter referred to as the “Committee”), appointed to administer the Plan, has determined that it would be to the advantage and best interest of Company and its shareholders to grant the RSUs with DEs (the “RSU Award”) provided for herein to Employee as an inducement to remain in the service of Company or its Subsidiaries and as an incentive for increased efforts during such service;

WHEREAS, the Committee has advised the Company of its determination and instructed the undersigned officers to issue said RSU Award, as authorized under the Plan;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, Company and Employee do hereby agree as follows:

ARTICLE I – DEFINITIONS

Terms not defined herein shall have the meaning given in the Plan. Whenever the following terms are used in this Agreement they shall have the meaning specified below unless the context clearly indicates to the contrary.

1.1 Pronouns

The masculine pronoun shall include the feminine and neuter, and the singular and plural, where the context so indicates.

1.2 Dividend Equivalents

Whenever dividends are paid or distributions made with respect to the Common Stock, Employee shall be entitled to dividend equivalents (“Dividend Equivalents”) (in an amount equal in value to the amount of the dividend paid or property distributed on a single share of Common Stock multiplied by the number of Restricted Stock Units in Employee’s RSU account), which Dividend Equivalents shall be credited as additional Restricted Stock Units (calculated by dividing the Dividend Equivalent by the price of a single share of Company Stock and including any fractional share) to the Employee’s RSU account as of the record date for such dividend or distribution.

ARTICLE II — TERMS OF AWARD

2.1 RSU Award

In consideration of Employee’s agreement to remain in the employment of Company or its Subsidiaries during the Restriction Period (defined below) and for other good and valuable consideration, on the date hereof the Company grants to Employee a RSU Award representing * shares of the Company’s Common Stock, subject to the terms and conditions set forth in this Agreement and the Plan. Each RSU shall represent one hypothetical share of Common Stock of the Company. The RSU Award granted hereunder shall be held in the books and records of the Company (or its designee) for the Employee’s RSU account. The RSU Award shall be subject to the restrictions described herein and shall vest as set forth in this Agreement.

2.2 Restriction Period

(a) No portion of the RSU Award granted hereunder may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of by the Employee until the RSU Award becomes vested. The period of time between the date hereof and the date the RSU Award becomes vested is referred to herein as the “Restriction Period.” At the time the RSU Award vests, the RSUs and the DEs vest.

(b) After three fiscal years following the date the RSU Award was granted, the RSU Award will vest on the date of the Committee’s certification (as described below), provided that the Company’s return on total capital (“ROTC”) (as reported in the annual report to shareholders or other report) for the most recently completed fiscal year equals or exceeds the sixty-seventh (67%) percentile of the return on total capital for the peer group companies (as listed in the Company’s proxy statement) for such third fiscal year (the “performance test”). (For example, the initial performance test for vesting for the RSU Award granted in December 2005 will be based on the return on total capital for 2008.)

To facilitate the peer group performance comparison needed to determine whether the RSU Award vests, the figures for peer group companies return on total capital will be based upon the twelve-month performance for each company in the peer group closest to the Company’s fiscal year end, using the most recent publicly available financial information for such companies.

If the Company meets the performance test described above, all prior non-vested RSU Awards eligible for vesting will vest on the date of the Committee’s certification that the Company has met the performance test.

If the Company fails to meet the initial performance test described above, all prior non-vested RSU Awards eligible for vesting will be subject to the same performance test following the end of the next two fiscal years. If the Company fails to meet the performance test by the end of the fifth fiscal year following the date of the grant, then the RSU Award will be forfeited.

(c) Subject to the provisions of this Agreement, if the Employee's employment with the Company is terminated for Cause or voluntary termination, the balance of the RSU Award, which has not vested by the time of the Employee's Termination of Employment, shall be forfeited by the Employee, and ownership transferred back to the Company.

- 2.3 Lapse of Restriction Period
The Restriction Period shall lapse when the RSU Award is vested as set forth in this Agreement.
- 2.4 Change of Control; Good Reason

In the event of a Change of Control or a termination of Employee's employment for Good Reason (as defined in any employment agreement or related agreement with the Company), the restrictions in this Agreement will lapse and be removed, and the RSU Award granted to Employee pursuant to this Agreement will vest as of the date of such Change in Control or termination for Good Reason.

2.5 Death; Disability

If Employee's employment with the Company or its Subsidiaries terminates by reason of Employee's death or Disability (as defined in any employment agreement or related agreement with the Company, or in the absence of such agreement in the Plan) the restrictions imposed upon the RSU Award granted to Employee pursuant to this Agreement will lapse and be removed, and the RSU Award will vest as of the last date of Employee's employment.

2.6 Retirement

RSU Awards, granted to employees participating in the Senior Executive or the Executive Leadership Compensation Plans (annual bonus plans), who (i) retire under the Company's retirement plan, (ii) have worked for the Company for ten (10) or more years, and (iii) have a combination of age and service with the Company of seventy five (75) or more, will vest as of the date of Termination of Employment, provided that the Company has achieved the ROTC performance test (described in Section 2.2 (b)) herein in at least 3 of the last 5 years before the year of retirement.

2.7 Adjustments in RSU Award

In the event that the outstanding shares of the Common Stock are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, or combination of shares, the Committee or the Company shall make an appropriate and equitable adjustment in the number and kind of the RSU Award granted hereunder. Such adjustment shall be made with the intent that after the change or exchange of shares, the Employee's proportionate interest shall be maintained as before the occurrence of such event.

ARTICLE III – ISSUANCE OF COMMON STOCK; SHAREHOLDER RIGHTS

3.1 Conditions to and Issuance of Common Stock

The shares of Common Stock deliverable for the RSU Award, or any part thereof, may be either previously authorized but unissued shares or issued shares that have then been reacquired by the Company. Such shares shall be fully paid and nonassessable. The Company's obligation to issue or deliver any certificate or certificates for shares of stock shall be subject to satisfaction of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;

(b) The completion of any registration or other qualification of such shares under any state or federal law, or under rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Committee or the Company shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee or the Company shall, in its absolute discretion, determine to be necessary or advisable;

(d) The receipt by the Company of full payment for all related taxes. The Employee shall be liable for any and all taxes, including withholding taxes, arising out of this RSU Award or the vesting of the RSU Award hereunder. The Employee may elect to satisfy such withholding tax obligation by having the Company retain RSUs having a fair market value equal to the Company's minimum withholding obligations.

Subject to Section 4.5 below, the Company shall issue to the Employee the number of shares of Common Stock represented by the number of vested RSU as soon as practical following the vesting of same, but in no event later than two and one-half (2-1/2) months after the calendar year in which the RSU vests, provided, however, that if one or more of the conditions set forth in subsections (a) through (d) of this Section 3.1 have not been satisfied after such two and one-half month period and the Committee or the Company determines that further delay would not result in the RSU's constituting "nonqualified deferred compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), then such distribution may be further delayed until the satisfaction of such condition or conditions, only for so long as such delay continues not to result in the RSU's constituting "nonqualified deferred compensation" in the determination of the Committee or the Company. Such issuance of shares of Common Stock constitutes payment of the vested RSU and shall satisfy the Company's obligations under this Agreement.

3.2 Shareholder Rights

During the Restriction Period, the Employee shall not have the rights of a shareholder with respect to the RSU Award granted hereunder except for the right to Dividend Equivalents on the RSUs, provided, however, that dividends paid, if any, with respect to RSUs that have not vested at the time of the dividend payment, shall be reflected in the books and records of the Company (or its designee), and shall be subject to the same restrictions that apply to the corresponding RSUs.

ARTICLE IV – MISCELLANEOUS

4.1 Agreement Subject to Plan

The Agreement is subject to the terms of the Plan, and in the event of any conflict between this Agreement and the Plan, the Plan shall control.

4.2 Administration

The Committee or the Company shall have the power to interpret the Plan and this Agreement and to adopt such procedures for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such procedures. Nothing in this Agreement or the Plan shall be construed to create or imply any contract or right of continued employment between the Employee and the Company (or any of its Subsidiaries).

4.3 Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary and any notice to be given to the Employee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section, either party may hereafter designate a different address for notices to be given to him. Any notice that is required to be given to Employee shall, if Employee is then deceased, be given to Employee’s Beneficiary or personal representative if such individual has previously informed the Company of his status and address by written notice under this Section.

4.4 Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.5 Code Section 409A

The RSUs and DEs are not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A and this Agreement shall be interpreted accordingly. However, if at any time the Committee determines that the RSUs or DEs may be subject to Section 409A, the Committee or the Company shall have the right, in its sole discretion, to amend this Agreement as it may determine is necessary or desirable either for the RSUs and/or and DEs to be exempt from the application of Section 409A or to satisfy the requirements of Section 409A. In order to comply with the requirements of Section 409A, the Committee or the Company may in its sole discretion delay the issuance and delivery of Common Stock to the Employee (as described in Section 3.1 (e) herein), if the Employee is a “key employee” (as defined in Section 409A or in associated regulations), for a period of six (6) months from the date of separation from service (for example, in the event of a termination of employment for Good Reason or Retirement (as defined in the Plan and referred to in Section 2.6 herein)).

4.6 Construction

This Agreement and the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

Employee Avery Dennison Corporation

____ * ____
Address*:

By: * _____
President and Chief Executive Officer
By: * _____
Secretary

* Refer to attached Award Notice.

**AVERY DENNISON CORPORATION
RESTRICTED STOCK UNIT AGREEMENT**

THIS AGREEMENT, dated * , is made by and between Avery Dennison Corporation, a Delaware corporation, hereinafter referred to as the “Company,” and * , an employee of Company or a Subsidiary of Company, hereinafter referred to as “Employee.”

WHEREAS, Company wishes to grant to Employee an Award of restricted stock units (“RSUs”) with Dividend Equivalents (“Des”) under the terms of the Employee Stock Option and Incentive Plan, as amended and restated (“Plan); and

WHEREAS, the Compensation and Executive Personnel Committee of the Company’s Board of Directors (hereinafter referred to as the “Committee”), appointed to administer the Plan, has determined that it would be to the advantage and best interest of Company and its shareholders to grant the RSUs with Des (the “RSU Award”) provided for herein to Employee as an inducement to remain in the service of Company or its Subsidiaries and as an incentive for increased efforts during such service;

WHEREAS, the Committee has advised the Company of its determination and instructed the undersigned officers to issue said RSU Award, as authorized under the Plan;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, Company and Employee do hereby agree as follows:

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1.1 Pronouns

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1.2 Dividend Equivalents

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ARTICLE II – TERMS OF AWARD

2.1 RSU Award

In consideration of Employee’s agreement to remain in the employment of Company or its Subsidiaries during the Restriction Period (defined below) and for other good and valuable consideration, on the date hereof the Company grants to Employee a RSU Award representing * shares of the Company’s Common Stock, subject to the terms and conditions set forth in this Agreement and the Plan. Each RSU shall represent one hypothetical share of Common Stock of the Company. The RSU Award granted hereunder shall be held in the books and records of the Company (or its designee) for the Employee’s RSU account. The RSU Award shall be subject to the restrictions described herein and shall vest as set forth in this Agreement.

2.2 Restriction Period

(a) No portion of the RSU Award granted hereunder may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of by the Employee until the RSU Award becomes vested. The period of time between the date hereof and the date the RSU Award becomes vested (at which time Employee must be employed by the Company, except as provided in Section 2.4) is referred to herein as the “Restriction Period.” At the time the RSU Award vests, the RSUs and the DEs vest. Notwithstanding any other provision, the RSUs and DEs must be vested before the Company is obligated to issue the shares of Common Stock as described in Section 3.1.

(b) After three fiscal years following the date the RSU Award was granted, the RSU Award will vest on the date of the Committee’s certification (as described below), provided that the Company’s return on total capital (“ROTC”) as reported in the annual report to shareholders (or other report) for the most recently completed fiscal year equals or exceeds the sixty-seventh (67%) percentile of the return on total capital for the peer group companies (as listed in the Company’s proxy statement) for such third fiscal year (the “performance test”). (For example, the initial performance test for vesting for the RSU Award granted in December 2006 will be based on the return on total capital for 2009.)

To facilitate the peer group performance comparison needed to determine whether the RSU Award vests, the figures for peer group companies return on total capital will be based upon the twelve-month performance for each company in the peer group closest to the Company’s fiscal year end, using the most recent publicly available financial information for such companies.

If the Company meets the performance test described above, all prior non-vested RSU Awards eligible for vesting will vest on the date of the Committee’s certification that the Company has met the performance test.

If the Company fails to meet the initial performance test described above, all prior non-vested RSU Awards eligible for vesting will be subject to the same performance test following the end of the next two fiscal years. If the Company fails to meet the performance test by the end of the fifth fiscal year following the date of the grant, then the RSU Award will be forfeited.

(c) Subject to the provisions of this Agreement, if the Employee’s employment with the Company is terminated for Cause or voluntary termination, the balance of the RSU Award, which has not vested by the time of the Employee’s Termination of Employment, shall be forfeited by the Employee, and ownership transferred back to the Company.

2.3 Lapse of Restriction Period

The Restriction Period shall lapse when the RSU Award is vested as set forth in this Agreement.

2.4 Change of Control; Good Reason

In the event of a Change of Control or a termination of Employee’s employment for Good Reason (as defined in any employment agreement or related agreement with the Company), the restrictions in this Agreement will lapse and be removed, and the RSU Award granted to Employee pursuant to this Agreement will vest as of the date of such Change in Control or termination for Good Reason.

2.5 Death; Disability

If Employee’s employment with the Company or its Subsidiaries terminates by reason of Employee’s death or Disability (as defined in any employment agreement or related agreement with the Company, or in the absence of such agreement in the Plan) the restrictions imposed

upon the RSU Award granted to Employee pursuant to this Agreement will lapse and be removed, and the RSU Award will vest as of the last date of Employee's employment.

2.6 Retirement

RSU Awards, granted to employees participating in the Senior Executive or the Executive Leadership Compensation Plans (annual bonus plans), who (i) retire under the Company's retirement plan, (ii) have worked for the Company for ten (10) or more years, and (iii) have a combination of age and service with the Company of seventy five (75) or more, will vest as of the date of Termination of Employment, provided that the Company has achieved the ROTC performance test (described in Section 2.2 (b)) herein in at least 3 of the last 5 years before the year of retirement.

2.7 Adjustments in RSU Award

In the event that the outstanding shares of the Common Stock are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, or combination of shares, the Committee or the Company shall make an appropriate and equitable adjustment in the number and kind of the RSU Award granted hereunder. Such adjustment shall be made with the intent that after the change or exchange of shares, the Employee's proportionate interest shall be maintained as before the occurrence of such event.

ARTICLE III – ISSUANCE OF COMMON STOCK; SHAREHOLDER RIGHTS

3.1 Conditions to and Issuance of Common Stock

The shares of Common Stock deliverable for the RSU Award, or any part thereof, may be either previously authorized but unissued shares or issued shares that have then been reacquired by the Company. Such shares shall be fully paid and nonassessable. The Company's obligation to issue or deliver any certificate or certificates for shares of stock shall be subject to satisfaction of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;

(b) The completion of any registration or other qualification of such shares under any state or federal law, or under rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Committee or the Company shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee or the Company shall, in its absolute discretion, determine to be necessary or advisable;

(d) The receipt by the Company of full payment for all related taxes. The Employee shall be liable for any and all taxes, including withholding taxes, arising out of this RSU Award or the vesting of the RSU Award hereunder. The Employee may elect to satisfy such withholding tax obligation by having the Company retain RSUs having a fair market value equal to the Company's minimum withholding obligations.

Subject to Section 4.5 below, the Company shall issue to the Employee the number of shares of Common Stock represented by the number of vested RSUs as soon as practical following the vesting of same, but in no event later than two and one-half (2-1/2) months after the calendar year in which the RSUs vests, provided, however, that if one or more of the conditions set forth in subsections (a) through (d) of this Section 3.1 have not been satisfied after such two and one-half month period and the Committee or the Company determines that further delay would not result in the RSU's constituting "nonqualified deferred compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), then such distribution may be further delayed until the satisfaction of such condition or conditions, only for so long as such delay continues not to result in the RSU's constituting "nonqualified deferred compensation" in the determination of the Committee or the Company. Such issuance of shares of Common Stock constitutes payment of the vested RSUs and shall satisfy the Company's obligations under this Agreement.

3.2 Shareholder Rights

During the Restriction Period, the Employee shall not have the rights of a shareholder with respect to the RSU Award granted hereunder except for the right to Dividend Equivalents on the RSUs, provided, however, that dividends paid, if any, with respect to RSUs that have not vested at the time of the dividend payment, shall be reflected in the books and records of the Company (or its designee), and shall be subject to the same restrictions that apply to the corresponding RSUs.

ARTICLE IV – MISCELLANEOUS

4.1 Agreement Subject to Plan

The Agreement is subject to the terms of the Plan, and in the event of any conflict between this Agreement and the Plan, the Plan shall control.

4.2 Administration

The Committee or the Company shall have the power to interpret the Plan and this Agreement and to adopt such procedures for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such procedures. Nothing in this Agreement or the Plan shall be construed to create or imply any contract or right of continued employment between the Employee and the Company (or any of its Subsidiaries).

4.3 Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary and any notice to be given to the Employee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section, either party may hereafter designate a different address for notices to be given to him. Any notice that is required to be given to Employee shall, if Employee is then deceased, be given to Employee's Beneficiary or personal representative if such individual has previously informed the Company of his status and address by written notice under this Section.

4.4 Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.5 Code Section 409A

The RSUs and DEs are not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A and this Agreement shall be interpreted accordingly. However, if at any time the Committee determines that the RSUs or DEs may be subject to Section 409A, the Committee or the Company shall have the right, in its sole discretion, to amend this Agreement as it may determine is necessary or desirable either for the RSUs and/or and DEs to be exempt from the application of Section 409A or to satisfy the requirements of Section 409A. In order to comply with the requirements of Section 409A, the Committee or the Company may in its sole discretion delay the issuance and delivery of Common Stock to the Employee (as described in Section 3.1 (e) herein), if the Employee is a "key employee" (as defined in Section 409A or in associated regulations), for a period of six (6) months from the date of separation from service (for example, in the event of a termination of employment for Good Reason or Retirement (as defined in the Plan and referred to in Section 2.6 herein)).

4.6 Construction

This Agreement and the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

Employee Avery Dennison Corporation

*
Address*:

By: *

President and Chief Executive Officer
By: *

Secretary

- Refer to attached Award Notice.

AVERY DENNISON CORPORATION RESTRICTED STOCK UNIT AGREEMENT

THIS AGREEMENT, dated * , is made by and between Avery Dennison Corporation, a Delaware corporation, hereinafter referred to as the "Company," and * , an employee of Company or a Subsidiary of Company, hereinafter referred to as "Employee."

WHEREAS, Company wishes to grant to Employee an Award of restricted stock units ("RSUs") with Dividend Equivalents ("DEs") under the terms of the Employee Stock Option and Incentive Plan, as amended and restated ("Plan"); and

WHEREAS, the Compensation and Executive Personnel Committee of the Company's Board of Directors (hereinafter referred to as the "Committee"), appointed to administer the Plan, has determined that it would be to the advantage and best interest of Company and its shareholders to grant the RSUs with DEs (the "RSU Award") provided for herein to Employee as an inducement to remain in the service of Company or its Subsidiaries and as an incentive for increased efforts during such service;

WHEREAS, the Committee has advised the Company of its determination and instructed the undersigned officers to issue said RSU Award, as authorized under the Plan;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, Company and Employee do hereby agree as follows:

ARTICLE I – DEFINITIONS

Terms not defined herein shall have the meaning given in the Plan. Whenever the following terms are used in this Agreement they shall have the meaning specified below unless the context clearly indicates to the contrary.

1.1 Pronouns

The masculine pronoun shall include the feminine and neuter, and the singular and plural, where the context so indicates.

1.2 Dividend Equivalents

Whenever dividends are paid or distributions made with respect to the Common Stock, Employee shall be entitled to dividend equivalents ("Dividend Equivalents") (in an amount equal in value to the amount of the dividend paid or property distributed on a single share of Common Stock multiplied by the number of Restricted Stock Units in Employee's RSU account), which Dividend Equivalents shall be credited as

additional Restricted Stock Units (calculated by dividing the Dividend Equivalent by the price of a single share of Company Stock and, including any fractional share) to the Employee's RSU account as of the record date for such dividend or distribution.

ARTICLE II — TERMS OF AWARD

2.1 RSU Award

In consideration of Employee's agreement to remain in the employment of Company or its Subsidiaries during the Restriction Period (defined below) and for other good and valuable consideration, on the date hereof the Company grants to Employee a RSU Award representing * shares of the Company's Common Stock, subject to the terms and conditions set forth in this Agreement and the Plan. Each RSU shall represent one hypothetical share of Common Stock of the Company. The RSU Award granted hereunder shall be held in [book-entry form in the books and records] of the Company (or its designee) for the Employee's RSU account. The RSU Award shall be subject to the restrictions described herein and shall vest as set forth in the Award Notice or as set forth in this Agreement.

2.2 Restriction Period

(a) No portion of the RSU Award granted hereunder may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of by the Employee until the RSU Award becomes vested. The period of time between the date hereof and the date the RSU Award becomes vested is referred to herein as the "Restriction Period." At the time the RSU Award vests, the RSUs and the DEs vest.

(b) Subject to the provisions of this Agreement, if the Employee's employment with the Company is terminated for Cause or voluntary termination, the balance of the RSU Award, which has not vested by the time of the Employee's Termination of Employment, shall be forfeited by the Employee, and ownership transferred back to the Company.

2.3 Lapse of Restriction Period

The Restriction Period shall lapse when the RSU Award is vested as set forth in the Award Notice (* years from the date of this Agreement) or as otherwise set forth in this Agreement.

2.4 Change of Control; Good Reason

In the event of a Change of Control or a termination of Employee's employment for Good Reason (as defined in any employment agreement or related agreement with the Company), the restrictions in this Agreement will lapse and be removed, and the RSU Award granted to Employee pursuant to this Agreement will vest as of the date of such Change in Control or termination for Good Reason.

2.5 Death; Disability

If Employee's employment with the Company or its Subsidiaries terminates by reason of Employee's death or Disability (as defined in any employment agreement or related agreement with the Company, or in the absence of such agreement in the Plan) the restrictions imposed upon the RSU Award granted to Employee pursuant to this Agreement will lapse and be removed, and the RSU Award will vest as of the last date of Employee's employment.

2.6 Retirement

RSU Awards, granted to employees participating in the Senior Executive or the Executive Leadership Compensation Plans (annual bonus plans), who (i) retire under the Company's retirement plan, (ii) have worked for the Company for ten (10) or more years, and (iii) have a combination of age and service with the Company of seventy five (75) or more, will vest as of the date of Termination of Employment.

2.7 Adjustments in RSU Award

In the event that the outstanding shares of the Common Stock are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, or combination of shares, the Committee or the Company shall make an appropriate and equitable adjustment in the number and kind of the RSU Award granted hereunder. Such adjustment shall be made with the intent that after the change or exchange of shares, the Employee's proportionate interest shall be maintained as before the occurrence of such event.

ARTICLE III – RSU CERTIFICATES; SHAREHOLDER RIGHTS

3.1 Conditions to and Issuance of Common Stock

The shares of Common Stock deliverable for the RSU Award, or any part thereof, may be either previously authorized but unissued shares or issued shares that have then been reacquired by the Company. Such shares shall be fully paid and nonassessable. The Company's obligation to issue or deliver any certificate or certificates for shares of stock shall be subject to satisfaction of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;

(b) The completion of any registration or other qualification of such shares under any state or federal law, or under rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Committee or the Company shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee or the Company shall, in its absolute discretion, determine to be necessary or advisable;

(d) The receipt by the Company of full payment for all related taxes. The Employee shall be liable for any and all taxes, including withholding taxes, arising out of this RSU Award or the vesting of the RSU Award hereunder. The Employee may elect to satisfy such

withholding tax obligation by having the Company retain RSUs having a fair market value equal to the Company's minimum withholding obligations.

Subject to Section 4.5 below, the Company shall issue to the Employee the number of shares of Common Stock represented by the number of vested RSUs on the first day of the seventh (7th) calendar month beginning after the month in which the RSUs vest, except that in the case of Retirement under Section 2.6, the RSUs shall be paid on the first day of the seventh (7th) calendar month beginning after the Employee's Termination of Employment. Such issuance of shares of Common Stock constitutes payment of the vested RSU and shall satisfy the Company's obligations under this Agreement.

3.2 Shareholder Rights

During the Restriction Period, the Employee shall not have the rights of a shareholder with respect to the RSU Award granted hereunder except for the right to Dividend Equivalents on the RSU, provided, however, that dividends paid, if any, with respect to RSUs that have not vested at the time of the dividend payment, shall be reflected in the books and records of the Company (or its designee), and shall be subject to the same restrictions that apply to the corresponding RSUs.

ARTICLE IV – MISCELLANEOUS

4.1 Agreement Subject to Plan

The Agreement is subject to the terms of the Plan, and in the event of any conflict between this Agreement and the Plan, the Plan shall control.

4.2 Administration

The Committee or the Company shall have the power to interpret the Plan and this Agreement and to adopt such procedures for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such procedures. Nothing in this Agreement or the Plan shall be construed to create or imply any contract or right of continued employment between the Employee and the Company (or any of its Subsidiaries).

4.3 Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary and any notice to be given to the Employee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section, either party may hereafter designate a different address for notices to be given to him. Any notice that is required to be given to Employee shall, if Employee is then deceased, be given to Employee's Beneficiary or personal representative if such individual has previously informed the Company of his status and address by written notice under this Section.

4.4 Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.5 Code Section 409A

The RSUs are intended to comply in all respects with Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and this Agreement shall be interpreted accordingly. However, if at any time the Committee determines that the RSUs may not comply with all requirements of Section 409A, the Committee shall have the right, in its sole discretion, to amend this Agreement as it may determine is necessary or desirable for the RSUs to satisfy the requirements of Section 409A.

4.6 Construction

This Agreement and the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

Employee Avery Dennison Corporation

* _____

Address*: _____

By: * _____
President and Chief Executive Officer
By: * _____
Secretary

• Refer to attached Award Notice.

AVERY DENNISON CORPORATION RESTRICTED STOCK UNIT AGREEMENT

THIS AGREEMENT, dated * , is made by and between Avery Dennison Corporation, a Delaware corporation, hereinafter referred to as the "Company," and * , an employee of Company or a Subsidiary of Company, hereinafter referred to as "Employee."

WHEREAS, Company wishes to grant to Employee an Award of restricted stock units (“RSUs”) with Dividend Equivalents (“DEs”) under the terms of the Employee Stock Option and Incentive Plan, as amended and restated (“Plan”); and

WHEREAS, the Compensation and Executive Personnel Committee of the Company’s Board of Directors (hereinafter referred to as the “Committee”), appointed to administer the Plan, has determined that it would be to the advantage and best interest of Company and its shareholders to grant the RSUs with DEs (the “RSU Award”) provided for herein to Employee as an inducement to remain in the service of Company or its Subsidiaries and as an incentive for increased efforts during such service;

WHEREAS, the Committee has advised the Company of its determination and instructed the undersigned officers to issue said RSU Award, as authorized under the Plan;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, Company and Employee do hereby agree as follows:

ARTICLE I – DEFINITIONS

Terms not defined herein shall have the meaning given in the Plan. Whenever the following terms are used in this Agreement they shall have the meaning specified below unless the context clearly indicates to the contrary.

1.1 Pronouns

The masculine pronoun shall include the feminine and neuter, and the singular and plural, where the context so indicates.

1.2 Dividend Equivalents

Whenever dividends are paid or distributions made with respect to the Common Stock, Employee shall be entitled to dividend equivalents (“Dividend Equivalents”) (in an amount equal in value to the amount of the dividend paid or property distributed on a single share of Common Stock multiplied by the number of Restricted Stock Units in Employee’s RSU account), which Dividend Equivalents shall be credited as additional Restricted Stock Units (calculated by dividing the Dividend Equivalent by the price of a single share of Company Stock and including any fractional share) to the Employee’s RSU account as of the record date for such dividend or distribution.

ARTICLE II — TERMS OF AWARD

2.1 RSU Award

In consideration of Employee’s agreement to remain in the employment of Company or its Subsidiaries during the Restriction Period (defined below) and for other good and valuable consideration, on the date hereof the Company grants to Employee a RSU Award representing * shares of the Company’s Common Stock, subject to the terms and conditions set forth in this Agreement and the Plan. Each RSU shall represent one hypothetical share of Common Stock of the Company. The RSU Award granted hereunder shall be held in [book-entry form in the books and records] of the Company (or its designee) for the Employee’s RSU account. The RSU Award shall be subject to the restrictions described herein and shall vest as set forth in the Award Notice or as set forth in this Agreement.

2.2 Restriction Period

(a) No portion of the RSU Award granted hereunder may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of by the Employee until the RSU Award becomes vested. The period of time between the date hereof and the date the RSU Award becomes vested (at which time Employee must be employed by the Company, except as provided in Section 2.4) is referred to herein as the “Restriction Period.” At the time the RSU Award vests, the RSUs and the DEs vest. Notwithstanding any other provision, the RSUs and DEs must be vested before the Company is obligated to issue the shares of Common Stock as described in Section 3.1.

(b) Subject to the provisions of this Agreement, if the Employee’s employment with the Company is terminated for Cause or voluntary termination, the balance of the RSU Award, which has not vested by the time of the Employee’s Termination of Employment, shall be forfeited by the Employee, and ownership transferred back to the Company.

2.3 Lapse of Restriction Period

The Restriction Period shall lapse when the RSU Award is vested as set forth in the Award Notice (* years from the date of this Agreement) or as otherwise set forth in this Agreement.

2.4 Change of Control; Good Reason

In the event of a Change of Control or a termination of Employee’s employment for Good Reason (as defined in any employment agreement or related agreement with the Company), the restrictions in this Agreement will lapse and be removed, and the RSU Award granted to Employee pursuant to this Agreement will vest as of the date of such Change in Control or termination for Good Reason.

2.5 Death; Disability

If Employee’s employment with the Company or its Subsidiaries terminates by reason of Employee’s death or Disability (as defined in any employment agreement or related agreement with the Company, or in the absence of such agreement in the Plan) the restrictions imposed upon the RSU Award granted to Employee pursuant to this Agreement will lapse and be removed, and the RSU Award will vest as of the last date of Employee’s employment.

2.6 Retirement

RSU Awards, granted to employees participating in the Senior Executive or the Executive Leadership Compensation Plans (annual bonus plans), who (i) retire under the Company's retirement plan, (ii) have worked for the Company for ten (10) or more years, and (iii) have a combination of age and service with the Company of seventy five (75) or more, will vest as of the date of Termination of Employment.

2.7 Adjustments in RSU Award

In the event that the outstanding shares of the Common Stock are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, or combination of shares, the Committee or the Company shall make an appropriate and equitable adjustment in the number and kind of the RSU Award granted hereunder. Such adjustment shall be made with the intent that after the change or exchange of shares, the Employee's proportionate interest shall be maintained as before the occurrence of such event.

ARTICLE III – RSU CERTIFICATES; SHAREHOLDER RIGHTS

3.1 Conditions to and Issuance of Common Stock

The shares of Common Stock deliverable for the RSU Award, or any part thereof, may be either previously authorized but unissued shares or issued shares that have then been reacquired by the Company. Such shares shall be fully paid and nonassessable. The Company's obligation to issue or deliver any certificate or certificates for shares of stock shall be subject to satisfaction of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;

(b) The completion of any registration or other qualification of such shares under any state or federal law, or under rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Committee or the Company shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee or the Company shall, in its absolute discretion, determine to be necessary or advisable;

(d) The receipt by the Company of full payment for all related taxes. The Employee shall be liable for any and all taxes, including withholding taxes, arising out of this RSU Award or the vesting of the RSU Award hereunder. The Employee may elect to satisfy such withholding tax obligation by having the Company retain RSUs having a fair market value equal to the Company's minimum withholding obligations.

Subject to Section 4.5 below, the Company shall issue to the Employee the number of shares of Common Stock represented by the number of vested RSUs on the first day of the seventh (7th) calendar month beginning after the month in which the RSUs vest except that in the case of Retirement under Section 2.6, the RSUs shall be paid on the first day of the seventh (7th) calendar month beginning after the Employee's Termination of Employment. Such issuance of shares of Common Stock constitutes payment of the vested RSUs and shall satisfy the Company's obligations under this Agreement.

3.2 Shareholder Rights

During the Restriction Period, the Employee shall not have the rights of a shareholder with respect to the RSU Award granted hereunder except for the right to Dividend Equivalents on the RSU, provided, however, that dividends paid, if any, with respect to RSUs that have not vested at the time of the dividend payment, shall be reflected in the books and records of the Company (or its designee), and shall be subject to the same restrictions that apply to the corresponding RSUs.

ARTICLE IV – MISCELLANEOUS

4.1 Agreement Subject to Plan

The Agreement is subject to the terms of the Plan, and in the event of any conflict between this Agreement and the Plan, the Plan shall control.

4.2 Administration

The Committee or the Company shall have the power to interpret the Plan and this Agreement and to adopt such procedures for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such procedures. Nothing in this Agreement or the Plan shall be construed to create or imply any contract or right of continued employment between the Employee and the Company (or any of its Subsidiaries).

4.3 Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary and any notice to be given to the Employee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section, either party may hereafter designate a different address for notices to be given to him. Any notice that is required to be given to Employee shall, if Employee is then deceased, be given to Employee's Beneficiary or personal representative if such individual has previously informed the Company of his status and address by written notice under this Section.

4.4 Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.5 Code Section 409A

The RSUs are intended to comply in all respects with Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”) and this Agreement shall be interpreted accordingly. However, if at any time the Committee determines that the RSUs may not comply with Section 409A, the Committee shall have the right, in its sole discretion, to amend this Agreement as it may determine is necessary or desirable for the RSUs to satisfy the requirements of Section 409A.

4.6 Construction

This Agreement and the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

Employee Avery Dennison Corporation

* _____

Address*:

By: *

President and Chief Executive Officer

By: *

Secretary

- Refer to attached Award Notice.

AVERY DENNISON CORPORATION PERFORMANCE UNIT AGREEMENT

THIS AGREEMENT, dated * , is made by and between Avery Dennison Corporation, a Delaware corporation, hereinafter referred to as the “Company,” and * , an employee of Company or a Subsidiary of Company, hereinafter referred to as “Employee.”

WHEREAS, Company wishes to grant to Employee an Award of Performance Units (“PUs”) under the terms of the Employee Stock Option and Incentive Plan, as amended and restated (“Plan”); and

WHEREAS, the Compensation and Executive Personnel Committee of the Company’s Board of Directors (hereinafter referred to as the “Committee”), appointed to administer the Plan, or the Company’s Chief Executive Officer (“CEO”), has determined that it would be to the advantage and best interest of Company and its shareholders to grant the PUs (the “PU Award”) to Employee as an inducement to remain in the service of Company or its Subsidiaries and as an incentive for increased efforts during such service;

WHEREAS, the Committee or the CEO has advised the Company of the PU Award and instructed that this PU Award be issued;

NOW, THEREFORE, Company and Employee agree as follows:

ARTICLE I – DEFINITIONS

Terms not defined in this Agreement shall have the meaning given in the Plan.

ARTICLE II – TERMS OF AWARD

2.1 PU Award

As of the date of this Agreement, the Company grants to Employee a PU Award representing * a right to receive shares of the Company’s Common Stock in the future, assuming that the Company’s results at the end of the performance period produce 100% of the target performance, subject to the terms and conditions set forth in this Agreement, the Award Notice and the Plan. Each PU Award represents one hypothetical share of Common Stock of the Company at 100% target performance. The PU Award shall be held on the books and records of the Company (or its designee) for the Employee’s PU account but shall not represent an equity interest in the Company until such time as actual shares shall be issued to the Employee. The PU Award shall be earned, vested and paid as set forth in this Agreement.

2.2 Performance Period

(a) No portion of the PU Award may be sold, transferred, assigned, pledged or otherwise encumbered by the Employee until the PU Award is earned and the shares are issued. Employee must be employed by the Company from the date of this Agreement until the date that the PU Award is earned and vested. The “Performance Period” shall be January 1, 2008 through December 31, 2010. At the end of the Performance Period, , the specific number shares of Common Stock to be issued to the Employee under the PU Award shall be determined based on the Company’s results during the Performance Period, compared against the performance metrics (“Metrics”), approved by the Committee (as modified by any adjustment items approved by the Committee), except as provided in Sections 2.3 through 2.5.

(b) Except as provided in Sections 2.3 through 2.5, the PU Award will be earned and vested on the date of the Committee’s certification of results in 2011.

The three Metrics are: sales, cumulative economic value added, and relative total shareholder return. For the peer group performance comparison needed to determine whether the portion of the PU Award Metric related to total shareholder return (“TSR”) is earned, the TSR for the S&P 500 Industrials and Materials subsets will be used.

(c) Subject to the other provisions of this Agreement, if the Employee's employment with the Company is terminated, the PU Award, which has not been earned by the time of the Employee's Termination of Employment, shall be forfeited by the Employee.

2.3 Change of Control

In the event of a Change of Control, the PU Award granted to Employee pursuant to this Agreement will be earned and vested at 100% target performance as of the date of such Change in Control regardless of the Company's actual performance.

2.4 Death; Disability

If Employee's employment with the Company or its Subsidiaries terminates by reason of Employee's death or Disability (as defined in the Employee's employment agreement or related agreement with the Company, or in the absence of such agreement in the Plan) the PU Award will be earned and vested based on a prorated time-based formula starting with the actual month of service completed by the Employee during the Performance Period divided by the total months in the original Performance Period (in this case 36) multiplied by the number of shares in the PU Award assuming 100% target performance.

2.5 Retirement

PU Awards, granted to employees who retire under the Company's pension plan, will be earned and vested as of the date of termination based on a prorated time-based formula starting with the actual month of service completed by the Employee during the Performance Period divided by the total months in the original Performance Period (in this case 36) multiplied by the number of shares in the PU Award assuming 100% target performance.

2.6 Adjustments in PU Award

In the event that the outstanding shares of the Common Stock are changed into or exchanged for a different number or kind of shares of the Company or other securities of the Company by reason of merger, consolidation, recapitalization, reclassification, stock split-up, stock dividend, combination of shares, or other similar restructuring, the Committee or the Company shall make an appropriate and equitable adjustment in the number and kind of shares represented by the PU Award granted hereunder. Such adjustment shall be made with the intent that after the change or exchange of shares, the Employee's proportionate equity interest in the Company shall be maintained as it was before the occurrence of such event.

ARTICLE III – ISSUANCE OF COMMON STOCK; SHAREHOLDER RIGHTS

3.1 Conditions to and Issuance of Common Stock

The shares of Common Stock deliverable for the PU Award, or any part thereof, may be either previously authorized but unissued shares or issued shares that have then been reacquired by the Company. Such shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any shares of stock for any PU Award prior to fulfillment of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;

(b) The completion of any registration or other qualification of such shares under any state or federal law, or under rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Committee or the Company shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee or the Company shall, in its absolute discretion, determine to be necessary or advisable;

(d) The receipt by the Company of full payment or withholding for all related taxes. The Employee shall be liable for any and all taxes, including withholding taxes, arising out of this PU Award or the vesting of the PU Award hereunder. The Company or the Employee may elect to satisfy such withholding tax obligation by having the Company retain PUs having a fair market value equal to the Company's minimum withholding obligations.

(e) Subject to Section 4.4 below, the Company shall issue via electronic transfer to the Employee's brokerage account the number of shares of Common Stock that are earned as determined under Article II on the first day of the seventh (7th) calendar month beginning after the month in which the PUs are earned and vested under the terms of this Agreement, except that in the case of Retirement under Section 2.5, the PUs shall be paid on the first day of the seventh (7th) calendar month beginning after the Employee's Termination of Employment. Delivery of these shares of Common Stock shall satisfy the Company's obligations under this Agreement.

(f) The Employee shall establish an equity account with a broker designated by the Company (currently Charles Schwab) so that the net shares from vested PUs (after withholding for applicable taxes) may be electronically transferred to the Employee's account.

3.2 Shareholder Rights

The Employee shall have no rights as a shareholder of the Company with respect to this PU Award until shares are issued to the Employee and the Employee shall be no more than an unsecured general creditor of the Company with no special or prior right to any assets of the Company for payment of any obligations hereunder.

ARTICLE IV – MISCELLANEOUS

4.1 Agreement Subject to Plan

The Agreement is subject to the terms of the Plan, and in the event of any conflict between this Agreement and the Plan, the Plan shall control.

4.2 Administration

The Committee or the Company shall have the power to interpret the Plan and this Agreement and to adopt such procedures for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, modify or revoke any such procedures. Nothing in this Agreement or the Plan shall be construed to create or imply any contract or right of continued employment between the Employee and the Company (or any of its Subsidiaries).

4.3 Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary and any notice to be given to the Employee shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section, either party may hereafter designate a different address for notices to be given. Any notice that is required to be given to Employee shall, if Employee is then deceased, be given to Employee's Beneficiary or personal representative if such individual has previously informed the Company of his status and address by written notice under this Section.

4.4 Code Section 409A

The PU Awards granted hereunder are intended to comply in all respects with Section 409A of the Internal Revenue Code of 1986, as amended, ("Section 409A") and this Agreement shall be interpreted accordingly. However, if at any time the Committee or the Company determines that the PUs may be subject to Section 409A, the Committee or the Company shall have the right, in its sole discretion, to amend this Agreement as it may determine is necessary or desirable for the PUs to satisfy the requirements of Section 409A.

4.5 Construction

This Agreement, the Award Notice and the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. Titles are provided in this Agreement for convenience only and shall not serve as a basis for interpretation or construction of this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties.

Employee Avery Dennison Corporation

*

Address*:

By: *

President and Chief Executive Officer
By: *

Secretary

• Refer to attached Award Notice.

* Refer to attached Award Notice

**AVERY DENNISON CORPORATION
DIRECTOR EQUITY PLAN**

Amended and Restated

1. Purpose; Eligibility

The Directors Equity Plan (formerly the 1988 Stock Option Plan for Non-Employee Directors), as amended and restated, herein (the "Plan") is effective as of January 1, 2008, and is intended to attract and retain the services of experienced and knowledgeable non-employee directors of Avery Dennison Corporation (the "Company") for the benefit of the Company and its stockholders and to provide additional incentive for such directors to continue to work for the best interests of the Company and its stockholders. The individuals eligible to receive Awards (as defined below) under the Plan shall be those individuals who are members of the Board of Directors of the Company (the "Board"), who are not employees of the Company or any of its subsidiaries (each, a "Director").

2. Stock Subject to the Plan

As of December 31, 2002, there were reserved for issuance upon the exercise of stock options ("Options") granted under the Plan 265,000 shares of Common Stock of the Company (the "Common Stock"); as of December 31, 2002, there were 65,000 shares available for future Awards under the Plan. As of the Effective Date, as defined in Paragraph 12 below, the aggregate number of shares deliverable pursuant to Awards (as defined in Paragraph 4(a) below) under the Plan shall be increased by 250,000 for a total of 515,000 shares. Shares of Common Stock issued under the Plan may be authorized and unissued shares of Common Stock, previously outstanding shares of Common Stock held as treasury shares, or treasury shares that have been transferred to and held in a grantor trust of the Company. If any Option granted under the Plan shall expire or terminate for any reason without having been exercised in full, the shares subject thereto shall again be available for the purposes of issuance upon the exercise of Options granted under the Plan.

3. Administration

The Plan shall be administered by the Compensation and Executive Personnel Committee ("Committee") (or other committee of the Board as designated by the Board). Subject to the express provisions of the Plan, the Board shall have authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of Awards (which shall comply with and be subject to the terms and conditions of the Plan) and to make all other determinations necessary or advisable for the administration of the Plan; such determinations of the matters referred to in this Paragraph 3 shall be conclusive.

4. Awards

(a) The following types of Awards may be made to Directors under the Plan: (i) Options granted automatically pursuant to Paragraph 4(b); and (ii) Stock Units granted upon a Director's election as contemplated by Paragraph 4(c), and (iii) Stock Awards referred to in paragraph 4(d).

(b) During the term of the Plan, at every regular December meeting of the Board (or such other Board meeting when annual grants of options are made to employees) each Director shall automatically be granted an Option for 2,000 shares of Common Stock (subject to adjustment as provided in Paragraph 8). Each individual who is newly elected as a Director shall also be automatically granted an initial Option for 5,000 shares of Common Stock as of the date of his or her election, subject to

adjustment as provided in Paragraph 8. An individual who is a member of the Board and an employee of the Company or one of its subsidiaries and becomes a Director as a result of retiring from such employment while remaining a member of the Board shall not receive an initial Option for 5,000 shares of Common Stock, but, to the extent he or she is otherwise eligible after becoming a Director, shall receive annual Options pursuant to the first sentence of this Paragraph 4(b). Directors who receive Options are sometimes referred to below as "Optionees."

Each Option shall be evidenced by a written Stock Option Agreement ("Agreement"), which shall be executed by the Optionee and an authorized officer of the Company and which shall contain such other terms and conditions as the Board shall determine, consistent with the Plan.

Only non-qualified stock options (options, which do not qualify as "incentive stock options" under Section 422A of the Internal Revenue Code of 1986, as amended (the "Code")), shall be granted under the Plan and such options shall comply in all respects to the requirements of Code Section 409A.

(c) The Company has established the Non-Employee Director Deferred Equity Compensation Program (the "Deferred Equity Program") under the Plan, pursuant to which Directors are permitted to elect to receive, in lieu of cash meeting and retainer fees, "Stock Units" (each of which represents one hypothetical share of Common Stock). The election to receive Stock Units in lieu of fees shall be made in the calendar year prior to the year in which the associated services or performed, except that the Company may allow a new Director to make an election within the first thirty days after joining the Board to receive Stock Units in lieu of fees for services performed after the date of such election. Stock Units granted pursuant to this Deferred Equity Program shall be paid to the Director in the form of Common Stock within ninety (90) days of the Director's "separation from service" with the Company within the meaning of Code Section 409A. Whenever dividends are paid or distributions made with respect to the Common Stock, the Director shall be entitled to dividend equivalents in an amount equal in value to the amount of the dividend

paid or property distributed on a single share of Common Stock multiplied by the number of Stock Units credited to the Director), which dividend equivalents shall be credited as additional Stock Units (calculated by dividing the dividend equivalent by the price of a single share of Company Stock and including any fractional share) to the Director's account as of the last business day of each calendar quarter. All Stock Units granted to any Directors under the Deferred Equity Program at any time on or after the Effective Date, and all such additional shares, shall be settled with shares of Common Stock issued pursuant to this Plan, subject to the limitation set forth in Paragraph 2 but in all events within ninety (90) days after such Directors separation from service subject to compliance with all requirements of Code Section 409A.

(d) The Board or Committee may also approve awards of stock or stock payments ("Stock Awards") to Directors as a portion of the directors' compensation program, the payment of which Stock Awards shall comply with all applicable requirements of Code Section 409A.

5. Additional Terms and Conditions of Options

(a) The per-share price ("Option Price") to be paid for the Common Stock under each Option shall be 100% of the Fair Market Value of a share of the Common Stock on the date such Option is granted. Options granted may not be repriced. "Fair Market Value" of a share of Common Stock as of a given date shall be (i) the mean between the highest and lowest selling price of a share of Common Stock during normal business hours on the principal exchange on which shares of Common Stock are then trading, if any, on such date, or if shares were not traded on such date, then the weighted average of the means between the highest and lowest sales upon the nearest date before and the nearest date after such valuation date; or (ii) if Common Stock is not traded on an exchange, the mean between the closing representative bid and asked prices for the Common Stock during normal business hours on such date as reported by NASDAQ or, if NASDAQ is not then in existence, by its successor quotation system; or (iii) if Common Stock is not publicly traded, the Fair Market Value of a share of Common Stock as established by the Board acting in good faith.

(b) Options shall become exercisable in installments of 50% of the number of shares initially granted, commencing on the first anniversary of the grant date, such installments to be cumulative; provided, however, that all Options held by a Director that are not yet exercisable on the date of such director's Retirement (as defined in Paragraph 5(d) below) at or after age seventy-two shall become fully exercisable on that date. In no case may an Option be exercised as to fewer than 100 shares at anyone time (or the remaining shares covered by the Option if fewer than 100 during the term of the Option). The term of each Option shall be ten (10) years from the date of grant thereof, or such shorter period as is prescribed below in this Paragraph 5. Except as provided below in this Paragraph 5, no Option may be exercised at any time when the Optionee is not a member of the Board. In the event that an Option shall be exercised by any person or persons other than the Optionee as permitted by Paragraph 7 below, appropriate proof of the right of such person or persons to exercise the Option shall be provided to the Company.

(c) Any person exercising an Option or portion of an Option shall do so by delivering to the Secretary or his office of all of the following:

(i) A written notice in a form supplied by the Secretary;

(ii) Full payment for the shares with respect to which the Option, or portion thereof, is exercised in whole or in part by (A) cash; (B) certified or bank check or such other instrument as the Company may accept; or (C) delivery (either by surrender of the shares or by attestation) of shares unrestricted Common Stock already owned by the Optionee of the same class as the Common Stock subject to the Stock Option (based on the Fair Market Value of the Common Stock on the date the Stock Option is exercised); provided, however, that such already-owned shares either were acquired by the Optionee in an open-market transaction or have been held by the Optionee for at least six months at the time of exercise; and

(iii) In the event that the Option shall be exercised by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option.

(d) In the event that an Optionee shall cease to be a member of the Board, other than by reason of retirement after age seventy-two (hereinafter "Retirement") or death, he may exercise his Options within three months after such termination, but not after the expiration of the Options, to the extent of the number of shares exercisable by him at the date of termination of his membership on the Board.

(e) In the event that an Optionee shall cease to be a member of the Board because of Retirement, he may exercise his Options within sixty months after Retirement, but not after the expiration of the Options, to the extent of the number of shares exercisable by him at the date of Retirement.

(f) In the event of the death of an Optionee, any of his Options that were outstanding at the time of his death that have not been previously terminated pursuant to the provisions of Paragraph 5(d) or 5(e) may be exercised at any time within twelve months of the date of the Optionee's death, but not after the expiration of the Option, to the extent of the number of shares exercisable by the Optionee at the date of his death. Designation, revocation and redesignation of Beneficiaries must be made by notice in writing in accordance with rules established by the Board or Committee and shall be effective upon delivery of such notice to the Board.

(g) Nothing in the Plan or in any Option granted pursuant to the Plan shall confer on any individual any right to continue as a member of the Board or interfere in any way with the right of the Company to terminate his membership on the Board at any time.

6. Conditions to Issuance of Stock Certificates

(a) The Board may require each person purchasing or receiving shares of Common Stock pursuant to an Award, as a condition to delivery of such shares, to represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof and to provide such other representations and such documents as the Board, in its absolute discretion, deems necessary or appropriate to effect compliance with all applicable laws. Such shares may be delivered in by book entry or in certificate form, with such legends or other notations as the Board deems appropriate to reflect any restrictions on transfer.

(b) Notwithstanding any other provision of the Plan or any Agreement, the Company shall not be required to issue or deliver any shares of Common Stock under the Plan prior to fulfillment of all of the following conditions:

(i) Listing or approval for listing upon notice of issuance, of such shares on the New York Stock Exchange, Inc., or such other securities exchange as may at the time be the principal market for the Common Stock;

(ii) Any registration or other qualification of such shares under any state or federal law or regulation, or the maintaining in effect of any such registration or other qualification which the Board shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable;

(iii) Obtaining any other consent, approval, or permit from any state or federal governmental agency, which the Board shall, in its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable;

(iv) The lapse of such reasonable period of time following the exercise of an Option or the event that results in the delivery of such Shares, as the Board may establish from time to time for reasons of administrative convenience; and

(v) The receipt by the Company of full payment (if any) for such shares and the satisfaction of any tax withholding obligations relating thereto.

A Director shall not be, nor have any of the rights or privileges of, a stockholder of the Company in respect of any shares of Common Stock that may become deliverable pursuant to the Plan unless and until such shares have been delivered to the Director.

7. Transferability and Stockholder Rights of Holders of Awards

(a) Options granted under the Plan may be transferred to one or more Transferees (as defined below) or to a Beneficiary (as defined below). Options may be exercised (i) during the Optionee's lifetime, only by the Optionee or a Transferee, and (ii) after the Optionee's death, only by a Transferee or a Beneficiary. "Transferee" shall mean "family members" as defined in the Securities and Exchange Commission Release No. 33-7646 and 34-41109, who have acquired the Option through a gift or a domestic relations order, and includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the employee) control the management of assets, and any other entity in which these persons (or the employee) own more than fifty percent of the voting interests.

(b) Other Awards granted under the Plan may not be transferred, except to a Beneficiary (as defined below).

(c) Each Director shall be permitted to designate one or more Beneficiaries to receive his Awards under the Plan upon his death, on such form and in accordance with such procedures as the Board or Secretary may from time to time establish. If a Director dies at a time when he has no Beneficiary designation in effect, his estate shall be his Beneficiary.

(d) References in the Plan to an Optionee or Director (other than such references that relate to membership on the Board or termination thereof) shall be deemed to refer to a Transferee or Beneficiary where appropriate.

8. Adjustments upon Changes in Common Stock

In the event of a stock dividend, stock split, reverse stock split, share combination, recapitalization, merger, consolidation, acquisition of property or shares, separation, spinoff, reorganization, stock rights offering, liquidation, sale of a subsidiary or similar event, the Board or Committee shall make such adjustments (if any) as it deems appropriate and equitable, in its discretion, to the following:

(a) the aggregate number of shares of Common Stock available under Paragraph 2;

(b) the number of shares subject to automatic Option grants under Paragraph 4;

(c) the number of shares of Common Stock covered by outstanding Awards;

(d) the option price of outstanding Options; and

(e) such other adjustments to outstanding Awards as the Board or Committee may determine to be appropriate and equitable.

Such adjustments may include, without limitation, (i) the cancellation of outstanding Awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the

Committee in its sole discretion, and (ii) the substitution of other property (including, without limitation, other securities) for the Stock covered by outstanding Awards.

9. Change in Control

(a) Impact of Event. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control, any Options outstanding as of the date such Change in Control is determined to have occurred, and which are not then exercisable and vested, shall become fully exercisable and vested, and shall remain exercisable until their expiration date notwithstanding any termination of the Optionee's membership on the Board.

(b) Definition of Change in Control. For purposes of the Plan, a "Change in Control" shall mean "a change in the ownership or effective control," or in "the ownership of a substantial portion of the assets of" the Company within the meaning of Code Section 409A and shall include any of the following events as such concepts are interpreted under Code Section 409A:

(i) the date on which a majority of members of the Company's Board of Directors is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board of Directors before the date of the appointment or election; or

(ii) the acquisition, by any one person, or by persons acting as a group, or by a corporation owned by a group of persons that has entered into a merger, acquisition, consolidation, purchase, stock acquisition, asset acquisition, or similar business transaction with the Company, of:

- (a) ownership of stock of the Company, that, together with any stock previously held by such person or group, constitutes more than fifty percent (50%) of either (i) the total fair market value, or (ii) the total voting power of the stock of the Company;
- (b) ownership of stock of the Company possessing thirty percent (30%) or more of the total voting power of the Company, during the twelve-month period ending on the date of such acquisition; or
- (c) assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition, during the twelve-month period ending on the date of such acquisition; provided, however, that any transfer of assets to a related person as defined under Code Section 409A shall not constitute a Change of Control.

10. Amendment and Termination

Unless the Plan shall theretofore have been terminated as hereinafter provided, the Plan shall terminate on, and no Awards shall be made after, January 31, 2010; provided, however, that such termination shall have no effect on Awards granted prior thereto (and the provisions of the Plan shall continue to apply thereto). The Board may amend, suspend or terminate the Plan at any time, but no such amendment, suspension or termination shall impair the rights of Directors under Awards previously granted without the Director's consent. In addition, no such amendment shall be made without the approval of the Company's stockholders to the extent such approval is required by applicable law or the rules of any exchange on which the Common Shares are then listed. Notwithstanding the forgoing, the Company may unilaterally amend the Plan or any Award as necessary to comply with the requirements of Code Section 409A.

11. Withholding

Upon the transfer of Common Stock as a result of the exercise of an Option or pursuant to another Award, the Company shall have the right to retain or sell, without notice, sufficient shares of stock (taken at their Fair Market Value, as defined in Paragraph 5(a) above, on the date of exercise or transfer) to cover the amount of any tax required by any government to be withheld or otherwise deducted and paid with respect to such payment, remitting any balance to the Director; provided, however, that the Director shall have the right to provide the Company with the funds to enable it to pay such tax.

12. Approval by Stockholders

The Plan was approved by the Company's stockholders at the meeting of the stockholders held on April 24, 2003. The Plan, as amended and restated herein, was approved by the Compensation and Executive Personnel Committee of the Board and was ratified by the Board on December 4, 2008.

13. Titles; Gender

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan. Whenever the masculine gender is used, it shall include the feminine and neuter, and whenever a singular pronoun is used it shall include the plural, unless the context clearly indicates otherwise.

14. Unfunded Status of Plan

It is presently intended that the Plan constitutes an "unfunded" plan for incentive and deferred compensation. The Board may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or

make payments; provided, however, that unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the “unfunded” status of the Plan.

15. Construction

This Plan and any Agreements hereunder shall be administered and interpreted under the laws of the State of Delaware.

AVERY DENNISON CORPORATION

2005 DIRECTORS VARIABLE DEFERRED COMPENSATION PLAN

ARTICLE 1

PURPOSE

The 2005 Directors Variable Deferred Compensation Plan (“Plan”) adopted by Avery Dennison Corporation, a Delaware corporation (the “Company”), originally effective as of December 1, 2004, is hereby amended and restated effective as of January 1, 2008, to comply with Internal Revenue Code Section 409A and applicable authorities promulgated thereunder. The Plan is a deferred compensation plan for non-employee directors of the Company. All vested deferred compensation balances as of November 30, 2004, grandfathered under the Code Section 409A transition rules, shall be governed by prior deferred compensation Plan documents and no subsequent amendment shall apply to such grandfathered amounts. All amounts deferred, contributed or which became vested on or after December 1, 2004 shall be subject to the provisions of this amended and restated Plan. The Plan is intended, and shall be interpreted in all respects, to comply with the provisions of Code Section 409A.

ARTICLE 2

DEFINITIONS AND CERTAIN PROVISIONS

2.1 Administrator. “Administrator” means the administrator appointed by the Committee to handle the day-to-day administration of the Plan pursuant to Article 9.

2.2 Allocation Election. “Allocation Election” means the form or electronic communication by which a Participant elects the Declared Rate(s) to be credited as earnings or losses to such Participant’s Deferral Account.

2.3 Annual Deferral. “Annual Deferral” means the amount of Director’s Fees that the Participant elects to defer for a Calendar Year.

2.4 Beneficiary. “Beneficiary” means the person or persons or entity designated as such by a Participant pursuant to Article 8.

2.5 Benefit. “Benefit” means any benefit provided under the terms of the Plan.

2.6 Change of Control. “Change of Control” means “a change in the ownership or effective control,” or in “the ownership of a substantial portion of the assets of” the Company (but not a Participating Subsidiary, except as provided under Article 10), within the meaning of Code Section 409A and shall include any of the following events as such concepts are interpreted under Code Section 409A:

(a) the date on which a majority of members of the Company’s Board of Directors is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company’s Board of Directors before the date of the appointment or election; or

(b) the acquisition, by any one person, or by a corporation owned by a group of persons that has entered into a merger, acquisition, consolidation, purchase, stock acquisition, asset acquisition, or similar business transaction with the Company, of:

(i) ownership of stock of the Company, that, together with any stock previously held by such person or group, constitutes more than fifty percent (50%) of either (i) the total fair market value, or (ii) the total voting power of the stock of the Company;

(ii) ownership of stock of the Company possessing thirty percent (30%) or more of the total voting power of the Company, during the twelve-month period ending on the date of such acquisition; or

(iii) assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition, during the twelve-month period ending on the date of such acquisition; provided, however, that any transfer of assets to a related person as defined under Code Section 409A shall not constitute a Change of Control.

2.7 Code. “Code” means the Internal Revenue Code of 1986, as amended, as interpreted by Treasury regulations and applicable authorities.

2.8 Committee. “Committee” means the deferred compensation plans administrative committee appointed to administer the Plan pursuant to Article 9.

2.9 Declared Rate. “Declared Rate” means the notional rates of return (which may be positive or negative) of the individual investment options selected by a Participant for such Participant’s Deferral Account, as referred to in Article 6.

2.10 Deferral Account. “Deferral Account” means the notional account established for record keeping purposes for a Participant pursuant to Section 4.4.

2.11 Director. “Director” means a member of the Board of Directors of the Company who is not employed by the Company or any of its subsidiaries.

2.12 Director’s Fees. “Director’s Fees” means the retainers and meeting fees payable to a Director for service as a Director, which may be deferred hereunder.

2.13 Disability Benefit. “Disability Benefit” means the Benefit payable to a Participant in accordance with Section 7.4 after the Participant has become Disabled.

2.14 Disability or Disabled. “Disability or Disabled” shall be interpreted in accord with the requirements of Code Section 409A and shall mean, in the case of a Participant, that the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment, which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment, which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Participant’s employer.

2.15 Distribution. “Distribution” means any payment to a Participant or Beneficiary according to the terms of this Plan.

2.16 Early Termination Benefit. “Early Termination Benefit” means the lump sum amount payable to a Participant pursuant to Section 7.3.

2.17 Enrollment Period. “Enrollment Period” means the period(s) designated from year to year by the Administrator for enrollments.

2.18 Normal Retirement. “Normal Retirement” means the Termination of Service for reasons other than death on or after the Participant attains age sixty (60).

2.19 Participant. “Participant” means a Director who has filed a completed and executed Participation Election Form with the Administrator, and who is participating in the Plan in accordance with the provisions of Articles 3 and 4.

2.20 Participation Election. “Participation Election” means the commitment to make a deferral under the Plan submitted by the Participant to the Administrator pursuant to Article 4 of the Plan. The Participation Election may take the form of an electronic communication followed by appropriate confirmation according to procedures established by the Administrator.

2.21 Plan. “Plan” means this 2005 Directors Variable Deferred Compensation Plan, a non-qualified elective deferred compensation plan, as the same may be amended from time to time.

2.22 Plan Year. “Plan Year” means the calendar year.

2.23 Rabbi Trust. “Rabbi Trust” means the trust described in Section 12.7.

2.24 Settlement Date. “Settlement Date” means the date by which a lump-sum payment shall be made or the date by which installment payments shall commence under the Plan. Unless otherwise specified, the Settlement Date shall be as soon as practicable after, but in all events no later than ninety (90) days following, the Valuation Date. In the case of a Participant’s death, the Administrator shall be provided with the documentation reasonably necessary to establish the fact of the Participant’s death. Notwithstanding the forgoing or any other provision of the Plan, no distribution shall be made prior to the date such distribution is permissible under Code Section 409A and any distribution delayed by reason of the application of this prohibition shall be paid as soon as such distribution is permissible under Code Section 409A.

2.25 Survivor Benefit. “Survivor Benefit” means those Plan Benefits that become payable upon the death of a Participant pursuant to Section 7.5.

2.26 Termination of Service. “Termination of Service” means the cessation of service as a Director for any reason, whether voluntary or involuntary, including by reason of retirement, Disability or death. For purpose of the preceding sentence, Termination of Service shall be interpreted consistent with the requirements of Code Section 409A for “separation from service”.

2.27 Valuation Date. “Valuation Date” means the date on which the Deferral Account is valued for Distribution purposes. This date shall be the last day of the month in which an event occurs that triggers a Benefit payment.

ARTICLE 3

PARTICIPATION

3.1 Participation. The Administrator shall notify Participants generally not less than thirty (30) days (or such lesser period as may be practicable under the circumstances) prior to any deadline for filing a Participation Election Form. A Director must submit a Participation Election Form during the Enrollment Period established by the Administrator to become a Participant.

3.2 Participation Election. A Director shall become a Participant in the Plan no later than the first day of the Plan Year coincident with or next following the date the Director has filed a Participant Election with the Administrator. To be effective, the Director must submit the Participant Election during an Enrollment Period or any other such time as determined by the Administrator. A Director who joins the Company after the first day of the Plan Year may become a Participant provided such Director files a Participant Election with the Administrator within thirty (30) days of commencement of service as a Director, to allow deferrals by such new Director of Director's Fees earned during the balance of such Plan Year.

3.3 Continuation of Participation. A Participant who has elected to participate in the Plan by submitting a Participant Election shall continue as a Participant in the Plan until the entire balance of the Participant's Deferral Account has been distributed.

ARTICLE 4

PARTICIPANT DEFERRALS

4.1 Annual Deferral. On the Participation Election Form, and subject to the restrictions set forth herein, a Director shall designate the amount of Director's Fees to be deferred thereby for the next following calendar year, provided that any deferral election shall be made not later than the last day of the calendar year preceding the calendar year in which such Director's Fees are earned (or, in the case of a new Participant, the thirtieth (30th) day following initial eligibility for the remaining portion of the Plan Year).

4.2 Minimum Deferral. The minimum amount of Annual Deferral that may be deferred shall be ten percent (10%) of the Participant's Director's Fees.

4.3 Maximum Deferral. The standard maximum amount of Annual Deferral that may be deferred shall be one hundred percent (100%) of the Participant's Director's Fees. Notwithstanding the foregoing, the Committee may further limit the maximum or the minimum amount of deferrals by any Participant or group of Participants in its sole discretion.

ARTICLE 5

DISCRETIONARY COMPANY CREDITS

The Company, in its sole discretion, may credit to selected Participants' Deferral Accounts a discretionary amount or match in an amount determined by the Company. These amounts and subsequent earnings are subject to vesting schedules established by the Administrator.

ARTICLE 6

ACCOUNTS AND INVESTMENT OPTIONS

6.1 Accounts. Solely for record keeping purposes, the Company shall maintain a Deferral Account under the Plan for each Participant. Annual Deferrals shall be credited by the Employer to the Participant's Deferral Account at the time such amounts would otherwise have been paid to the Participant. Such Account shall be credited (and compounded daily) with a notional rate of return (positive or negative) based on the Declared Rate(s) elected by the Participant under Section 6.2. All Distributions shall be debited from the applicable Account on the Valuation Date.

6.2 Participant Election of Declared Rates. The crediting rate on amounts in a Participant's Deferral Account shall be based on the Participant's choice among the investment alternatives made available from time to time by the Committee. The Administrator shall establish a procedure by which a Participant may make an Allocation Election among any combination of Declared Rates in one percent (1%) increments up to one hundred percent (100%) and may change the Declared Rate(s) at least once per week with such change(s) effective as of the first day of the next following week. Such investment elections may apply to future deferrals and/or to the existing Deferral Account balances, as indicated by the Participant. Notwithstanding the foregoing, the Company shall have no obligation to set aside or invest funds as directed by the Participant and, if the Company elects to invest funds as directed by the Participant, the Participant shall have no more right to such investments than any other unsecured general creditor of the Company.

6.3 Declared Rates. A Participant may select from Declared Rates which may from time to time be established under the Plan and the number of which may be expanded by the Committee; it being the intention that at all times Participants will have at least nine (9) core investment fund choices comparable in focus, type and quality to those listed on Exhibit A. The Declared Rates provide a rate of return (positive or negative) that are based on the actual net performance of the Declared Rate(s) selected by the Participant. The Declared Rates credited to Participant Deferral Accounts shall be the actual net performance of the Declared Rates, to which will be added a basis point credit, which credit (when added to the actual net performance of the Declared Rates) will together be approximately equivalent on average to crediting the actual gross performance of the Declared Rates less twenty (20) basis points.

6.4 Valuation of Deferral Accounts. The value of a Deferral Account as of any date shall equal the amounts theretofore credited or debited to such Deferral Account, plus the deemed earnings or losses of such Deferral Account in accordance with this Article 6 through the day immediately preceding such date.

6.5 Vesting. A Participant shall be one hundred percent (100%) vested at all times in amounts credited to the Participant's Deferral Accounts.

6.6 Statement of Deferral Accounts. The Administrator (or an agent thereof) shall provide to each Participant periodic statements or on-line access to information setting forth the Participant's deferrals, Declared Rate(s) (credits or debits), Distributions and Deferral Account balance.

6.7 Errors in Benefit Statements, Deferrals, Distributions or Administration. In the event an error is made in a benefit statement, such error shall be corrected on the next benefit statement following the date such error is discovered. In the event of an error in the amount of a Participant's deferral, immediately upon the discovery of such error, if possible, the next deferral of such Participant shall be adjusted upward or downward to correct such prior error subject to compliance with permissible corrections procedures established under Code Section 409A. In the event of an error in a Distribution, the applicable Participant's Deferral Account shall, immediately upon the discovery of such error, be adjusted to reflect such under or over payment and, if possible, the next Distribution to such Participant shall be adjusted upward or downward to correct such prior error subject to compliance with permissible corrections procedures established under Code Section 409A. If the remaining balance of a Participant's Deferral Account is insufficient to cover an erroneous overpayment to such Participant, the Company may, at its discretion, offset other amounts payable to the Participant from the Company to the extent permitted under all applicable laws, to recoup the amount of such overpayment(s). It is the intent of the Company that the Plan be interpreted and administered to comply in all respects with Code Section 409A. However, Participants and/or their Beneficiaries shall be responsible for any and all taxes resulting from participation in the Plan, and the Company shall have no liability to the Participant or any Beneficiary in the event any taxes or excise taxes may ultimately be determined to be applicable to any deferral, contribution, vesting event or Distribution under the Plan.

ARTICLE 7

BENEFITS

7.1 Normal Retirement Benefit Distribution Election.

(a) Initial Election. At the time of entering the Plan or, if later, on or before December 31, 2008, Participants shall designate the form of distributions of amounts credited to their Deferral Account upon Normal Retirement, from among the distribution alternatives specified herein. A Participant may only change a distribution election for the Deferral Account in accordance with the change in elections provisions specified in Section 7.1(b).

(b) Modification of Election. A distribution election with respect to an existing Deferral Account under the Plan may only be changed under the terms and conditions specified by the Committee in compliance with Code Section 409A. After December 31, 2008, except as expressly provided in this Article 7, no acceleration of a distribution is permitted and a subsequent election that delays payment or changes the form of payment shall be permitted if and only if all of the following requirements are met:

(i) the new election does not take effect until at least twelve (12) months after the date on which the new election is made; and

(ii) in the case of payments made on account of Termination of Service (other than by reason of death or Disability) or Change in Control, the new election delays payment for at least five (5) years from the date that payment would otherwise have been made, absent the new election.

For purposes of application of the above change limitations, installment payments from a Deferral Account shall be treated as a single payment. Changes complying with the requirements of this Section 7.1(b) may be made any number of times with respect to the same Deferral Account but in no event may any change delay the distribution of benefits payable from any Deferral Account beyond the date the Participant attains (or a deceased Participant would have attained) age ninety-two (92). Election changes made pursuant to this Section 7.1(b) shall be made in accordance with rules established by the Committee, and shall comply with all applicable requirements of Code Section 409A and applicable authorities.

7.2 Normal Retirement Benefit Distribution Alternatives. The Participant shall be entitled to select the form of payment of Distributions from a Deferral Account from among the following alternatives set forth below. Benefits shall be paid according to the Participant's distribution elections unless such distribution election is superseded by an alternative distribution event such as death, Disability, or Change in Control, as specified in this Article 7.

(a) Form of Distribution. The available forms of payment from the Participant's Deferral Account upon Normal Retirement shall be as follows:

(i) Lump-Sum. One lump-sum payment.

(ii) Installment Payments. Monthly installments of principal and interest payable over a period of any number of years up to twenty (20), but in no event ending later than the date on which the Participant shall attain age ninety-two (92). Installment payments shall be calculated on an annual basis but paid during the Plan Year at approximately monthly intervals as may be determined by the Committee, provided that such intervals shall not be less frequent than quarterly, except in the final year of payments when only one installment shall be made in January in such final Plan Year. Installment payments shall

be based on the Participant's Deferral Account balance at the beginning of the payment period and shall be recalculated annually by dividing the Participant's Deferral Account balance as of the last day of the Plan Year by the number of remaining years in the payment period based on the Participant's retirement payment election. Deferral Accounts shall continue to be credited during the payment period based on the Participant's choice among Declared Rates as provided in Article 6. Notwithstanding the foregoing, an installment payout election shall not be available prior to the date that the Participant shall have qualified for Normal Retirement.

(iii) Small Benefit Exception. Notwithstanding the foregoing, in the event that the total balance payable from a Participant's Account under this Plan (and any other plans aggregated with this Plan for purposes of Code Section 409A) as of the date of the Participant's Termination of Service is less than the applicable dollar amount under Code Section 402(g)(1)(B) for the calendar year of payment, the Company shall have the discretion to pay all of the Participant's benefits under the Plan in the form of a single lump-sum, subject to compliance with Code Section 409A.

If no election is made regarding the form of benefits from a particular Account, benefits from that Account shall be paid in a single lump-sum.

(b) Commencement of Payment of Benefits. The commencement date for payment of benefits from a Participant's Deferral Account on Normal Retirement shall be upon the Settlement Date next following the Participant's Normal Retirement.

7.3 Early Termination Benefit. In the event of a Participant's Termination of Service for any reason other than death, Disability, or Normal Retirement, the Participant shall receive an Early Termination Benefit equal to the outstanding balance of the Participant's Deferral Account, credited with notional earnings as provided in Article 6, payable in the form of a single lump-sum distribution on the Settlement Date next following such early Termination of Service. The Participant shall be entitled to no further Benefits under this Plan.

7.4 Survivor Benefits. In the event of a Participant's death prior to complete distribution of all of the Participant's Deferral Account, the Participant's Beneficiary shall receive a Survivor Benefit equal to the outstanding balance of the Participant's Deferral Account, credited with notional earnings as provided in Article 6, payable in the form of a single lump-sum Distribution on the last day of the fifteenth (15th) month commencing after the month in which the Participant's death occurs, unless the Beneficiary makes a timely election during the first three (3) months following the Participant's death, which is in compliance with Code Section 409A, to delay commencement of the Deferral Account by a minimum of five (5) years and to receive the benefits in January of a later Plan Year, in the form of a single lump-sum or over a period of up to twenty (20) years.

7.5 Change of Control or other Benefit. In the event a Change in Control occurs before a Participant's Deferral Account has been fully distributed, the Participant shall receive an amount equal to the balance of the Deferral Account, credited with notional earnings as provided in Article 6, payable in the form of a single lump-sum distribution on the last day of the fifteenth (15th) month commencing after the month in which such Change in Control occurs, unless the Participant makes a timely election under Section 7.1(b), during the first three (3) months following such Change in Control, to delay commencement of the Deferral Account by a minimum of five (5) years and to receive the benefits in January of a later Plan Year, in the form of a single lump-sum or over a period of up to twenty (20) years.

7.6 Unforeseeable Emergency. Upon a finding by the Committee that the Participant has suffered a Unforeseeable Emergency, subject to compliance with Code Section 409A, the Administrator may at the request of the Participant, approve cessation of current deferrals or accelerate distribution of benefits under the Plan in the amount reasonably necessary to alleviate such financial hardship. The amount distributed pursuant to this Section 7.7 with respect to an Unforeseeable Emergency shall not exceed the amount necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

ARTICLE 8

BENEFICIARY DESIGNATION

Each Participant and Beneficiary shall have the right, at any time, to designate any person or persons as Beneficiary or Beneficiaries to whom payment under this Plan shall be made in the event of death of the Participant or Beneficiary, as the case may be, prior to complete distribution of the Participant's Benefits due under the Plan. Each Beneficiary designation shall become effective only when filed in writing with the Administrator during the Participant's or Beneficiary's lifetime, as the case may be, on a form prescribed by the Administrator.

The filing of a new Beneficiary designation form by a Participant will cancel and revoke all Beneficiary designations previously filed by such Participant.

If a Participant or Beneficiary, as the case may be, fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant or Beneficiary, as the case may be, or die prior to complete distribution of the Participant's Benefits, then the Administrator shall direct the distribution of such Benefits to the estate of the Participant or Beneficiary, as the case may be.

ARTICLE 9

ADMINISTRATION OF THE PLAN

A Committee consisting of three (3) or more members shall be appointed by the Company's Chief Executive Officer to administer the Plan, which shall have the exclusive right and full discretion (i) to appoint agents and service providers to act on its behalf, (ii) to interpret the Plan, (iii) to decide any and all matters arising hereunder (including the right to remedy possible ambiguities, inconsistencies, or admissions), (iv) to make, amend and rescind such rules and procedures as it deems necessary for the proper administration of the Plan and (v) to make all other determinations and resolve all questions of fact necessary or advisable for the administration of the Plan, including determinations regarding eligibility for benefits payable under the Plan. All interpretations of the Committee with respect to any matter hereunder shall be final, conclusive and binding on all persons affected thereby, subject to the provisions of this Article 9. All decisions of the Committee shall be by vote of at least a majority of its members. Members of the Committee shall be eligible to participate in the Plan while serving as members of the Committee, but a member of the Committee shall not vote or act upon any matter that relates solely to such member's interest in the Plan as a Participant. The current members of the Committee are the Chief Executive Officer; the Chief Financial Officer; the Senior Vice President, Human Resources; the Senior Vice President and General Counsel; the Vice President and Treasurer; the Vice President, Compensation and HRIS; the Vice President, Associate General Counsel and Assistant Secretary; the Vice President, Global Finance; the Manager, Corporate Finance and Investments, and the Director, Financial Reporting at the Company's Miller Corporate Center. The Committee has designated the Vice President, Compensation and HRIS as the Administrator to carry out the day-to-day administration of the Plan. No member of the Committee or any other agent thereof including the Administrator shall be liable for any determination, decision, or action made in good faith with respect to the Plan. The Company shall indemnify and hold harmless the members of the Committee and the Administrator from and against any and all liabilities, costs, and expenses incurred by such persons as a result of any act, or omission, in connection with the performance of such persons' duties, responsibilities, and obligations under the Plan, other than such liabilities, costs, and expenses as may result from the bad faith, willful misconduct, or criminal acts of such persons.

ARTICLE 10

AMENDMENT OR TERMINATION OF PLAN

The Committee at the direction of the Chief Executive Officer or the Board of Directors of the Company, may amend the Plan; provided, however, that (i) no such amendment shall be effective to decrease the Benefits accrued by any Participant or Beneficiary of a deceased Participant (including, but not limited to, the rate of earnings credited on Deferral Accounts); (ii) no such amendment shall revise the substantive provisions of the Plan related to the calculation of Benefits (including, without limitation, the provisions of Article 6), the minimum number of Declared Rates or the manner or timing of payments to be made under the Plan so as to prejudice the rights of any Participant or Beneficiary, except to the extent required by law, and (iii) no amendment shall change the timing or form of Distributions or otherwise violate the provisions of Code Section 409A so as to result in the imposition of excise taxes. Notwithstanding the foregoing, the Plan shall be interpreted in all respects to comply with the provisions of Code Section 409A and the Committee may amend the Plan at anytime as may be necessary to assure such compliance.

The Company shall not terminate the Plan but may, in its complete and sole discretion, freeze the Plan and allow no further deferrals into this Plan on a prospective basis. Notwithstanding the foregoing, the Company or any Participating Subsidiary may accelerate distribution upon termination of the Plan in the event of a Change in Control subject to compliance with all requirements of Code Section 409A.

ARTICLE 11

MAINTENANCE OF ACCOUNTS

The Company shall keep, or cause to be kept, all such books of account, records and other data as may be necessary or advisable for the administration of this Plan, and to reflect properly the affairs thereof, and to determine the nature and amount of the interests of the respective Participants in each Deferral Account. Separate accounts or records for the respective Participants' Deferral Accounts shall be maintained for operational and accounting purposes, but no such account or record shall be considered as creating a lien of any nature whatsoever on or as segregating any of the assets with respect to the Deferral Accounts under this Plan from any other funds or property of the Company.

ARTICLE 12

MISCELLANEOUS

12.1 Applicable Law. Except to the extent preempted by ERISA and applicable substantive provisions of federal law, this Plan shall be governed and construed in accordance with the laws of the State of California applicable to agreements made and to be performed entirely therein.

12.2 Captions. The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

12.3 Limitation. A Participant and the Participant's Beneficiary shall assume all risks in connection with the performance of any Declared Rate and any decrease in value of the Deferral Accounts, and none of the Company, any of its officers, employees, or directors, the Committee or the Administrator shall be liable or responsible therefor.

12.4 Notice. Any notice or filing required or permitted to be given to the Administrator under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Company, directed to the attention of the Administrator with a copy to the Senior Vice President and General Counsel of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

12.5 Limits on Transfer. Other than by will, the laws of descent and distribution, or legal or judicial process related to dissolution of marriage, no right, title or interest of any kind in the Plan shall be transferable or assignable by a Participant or the Participant's Beneficiary or be subject to alienation, anticipation, encumbrance, garnishment, attachment, levy, execution or other legal or equitable process, nor subject to the debts, contracts, alimony, liabilities or engagements, or torts of any Participant or Participant's Beneficiary. Any attempt to alienate, sell, transfer, assign, pledge, garnish, attach or take any other action subject to legal or equitable process or encumber or dispose of any interest in the Plan shall be void.

12.6 Satisfaction of Claims. Payments to any Participant or Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full or partial satisfaction of claims against the Company for the compensation or other amounts deferred and relating to the Deferral Account to which the payments relate.

12.7 Participant Cooperation. Each Participant shall cooperate with the Company by furnishing any and all information requested by the Company in order to facilitate the payment of Benefits hereunder, taking such physical examinations as the Company may deem necessary and taking such other relevant action as may be requested by the Company. If a Participant refuses to so cooperate, the Company shall have no further obligation to the Participant under the Plan, other than payment to such Participant of the cumulative deferrals theretofore made pursuant to this Plan. If a Participant commits suicide during the two (2) year period beginning on the first day on which he participates in the Plan or if the Participant makes any material misstatement of information or nondisclosure of medical history, then no Benefits will be payable hereunder to such Participant of the deferrals theretofore made pursuant to this Plan, provided, that in the Company's sole discretion, Benefits may be payable in an amount reduced to compensate the Company for any loss, cost, damage or expense suffered or incurred by the Company as a result in any way of any such action, misstatement or nondisclosure.

12.8 Unfunded Status of Plan; Creation of Rabbi Trust. The Plan is intended to constitute an "unfunded" plan of deferred compensation and Participants shall rely solely on the unsecured promise of the Company for payment hereunder. With respect to any payment not yet made to a Participant under the Plan, nothing contained in the Plan shall give a Participant any rights that are greater than those of a general unsecured creditor of the Company. The Company has established the Avery Dennison Corporation Directors Compensation Trust ("Rabbi Trust"). The assets of the Rabbi Trust shall be subject to the claims of the Company's creditors. To the extent any Benefits provided under the Plan are actually paid to a Participant or Beneficiary from the Rabbi Trust, the Company shall have no further obligation with respect thereto, but to the extent not so paid, such Benefits shall remain the obligation of, and shall be paid by, the Company. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in or to any specific property or assets of the Company, nor shall they be beneficiaries of, or have any rights, claims, or interests in any life insurance policies, annuity contracts, or the proceeds therefrom owned or which may be acquired by the Company ("Policies"). Apart from the Rabbi Trust, such Policies or other assets of the Company shall not be held under any trust for the benefit of Participants, their Beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of the Company under this Plan. Any and all of the Company's assets and Policies shall be, and shall remain, the general, un-pledged, unrestricted assets of the Company. The Company's obligations under the Plan shall be merely an unfunded and unsecured promise of the Company to pay money in the future.

12.9 Waiver of Stay, Extension and Usury Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Company from paying all or any portion of the Benefits due hereunder, wherever such laws may be enacted, now or at any time hereafter in force, or which may affect the administration or performance of this Plan; and (to the extent that it may lawfully do so) the Company hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the realization of any Benefits to which the Participants hereunder are entitled, but will suffer and permit the realization of all such Benefits as though no such law had been enacted. The provisions of this Section 12.9 are not intended, however, to prevent compliance of the Plan with the provisions of Code Section 409A.

12.10 Status. The establishment and maintenance of, or allocations and credits to, the Deferral Account of any Participant shall not vest in any Participant any right, title or interest in and to any Plan assets or Benefits except at the time or times and upon the terms and conditions and to the extent expressly set forth in the Plan and in accordance with the terms of the Rabbi Trust.

12.11 Validity. In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

12.12 Waiver of Breach. The waiver by any party of any breach of any provision of the Plan by any other party shall not operate or be construed as a waiver of any subsequent breach.

12.13 Gender, Singular and Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

AVERY DENNISON CORPORATION
EMPLOYEE STOCK OPTION AND INCENTIVE PLAN
Amended and Restated

The purposes of this Employee Stock Option and Incentive Plan (“Plan”) are as follows:

- (1) To provide additional incentive for Employees to further the growth, development and financial success of the Company by personally benefiting through the ownership of Company stock and/or rights, which recognize such growth, development and financial success.
- (2) To enable the Company to recruit and retain Employees considered essential to the long range success of the Company by offering them an opportunity to own stock in the Company and/or rights, which will reflect the growth, development and financial success of the Company.

ARTICLE 1 DEFINITIONS

Wherever the following terms are used in this Plan they shall have the meaning specified below, unless the context clearly indicates otherwise.

1.1 Award

“Award” shall mean a Dividend Equivalent, Option, Performance Stock, Performance Unit, Restricted Stock, Restricted Stock Unit, or Stock Appreciation Right granted under this Plan.

1.2 **Award Agreement**

“Award Agreement” shall mean an agreement setting forth the terms and conditions of an Award.

1.3 **Awardee**

“Awardee” shall mean a person who has received an Award under the Plan.

1.4 **Beneficiary**

“Beneficiary” shall have the meaning given in Article 11.8.

1.5 **Board**

“Board” shall mean the Board of Directors of the Company.

1.6 **Cause**

“Cause” shall mean, with respect to any Awardee’s Termination of Employment, unless otherwise provided by the Committee or the Company, (i) “Cause” as defined in any Individual Agreement or Award Agreement to which the applicable Awardee is a party, or (ii) if there is no such Individual Agreement or Award Agreement or if it does not define Cause: (A) conviction of the Awardee for committing a felony under federal law or the law of the state in which such action occurred, (B) willful and deliberate failure on the part of the Awardee to perform his employment duties in any material respect, or (C) prior to a Change in Control, such other serious events as shall be determined by the Committee or the Company. Prior to a Change of Control, the Committee or the Company shall, unless otherwise provided in an Individual Agreement with a particular Awardee, have the discretion to determine on a reasonable basis whether “Cause” exists, and its determination shall be final.

1.7 **Change in Control**

“Change in Control” has the meanings set forth in Article 9.2.

1.8 **CEO**

“CEO” shall mean the Chief Executive Officer of the Company.

1.9 **Code**

“Code” shall mean the Internal Revenue Code of 1986, as amended.

1.10 **Committee**

“Committee” shall mean committee of the Board designated to administer the Plan as contemplated by Article 10.1.

1.11 **Commission**

“Commission” shall mean the Securities and Exchange Commission or any successor agency.

1.12 **Common Stock**

“Common Stock” shall mean the common stock of the Company.

1.13 **Company**

“Company” shall mean Avery Dennison Corporation or any successor company.

1.14 **COO**

“COO” shall mean the Chief Operating Officer of the Company.

1.15 **Covered Employee**

“Covered Employee” shall mean an Awardee designated by the Committee in connection with any Award as an individual who is or may be a “covered employee” within the meaning of Section 162(m)(3) of the Code in the year in which an Award is expected to be taxable to such Awardee.

1.16 **Director**

“Director” shall mean a member of the Board.

1.17 **Disability**

“Disability” shall mean, with respect to any Awardee, unless otherwise provided by the Committee, (i) “Disability” as defined in any Individual Agreement or Award Agreement to which the Awardee is a party, or (ii) if there is no such Individual Agreement or it does not define “Disability,” permanent and total disability as defined in Section 409A of the Code.

1.18 Disaffiliation

“Disaffiliation” shall mean, with respect to any Subsidiary, the Subsidiary’s ceasing to be a Subsidiary for any reason (including, without limitation, as a result of a public offering, or a spin-off or sale by the Company, of the majority of the stock of the Subsidiary).

1.19 Dividend Equivalent

“*Dividend Equivalent*” shall mean a right to receive a number of shares of Common Stock or an amount of cash, determined as provided in Article 8.1 hereof.

1.20 Early Retirement

“*Early Retirement*” shall mean retirement from active employment with the Company, or a Subsidiary, pursuant to which an Awardee is eligible and elects (i) to retire and (ii) to take a retirement benefit promptly under the early retirement provisions of the applicable pension plan(s) of such employer, or as otherwise determined by the Committee.

1.21 Employee

“*Employee*” shall mean any officer or other employee of the Company, or of any corporation, which is then a Subsidiary.

<u>1.22</u>	<u>Expiration Date</u>
	“ <i>Expiration Date</i> ” shall have the meaning given in Article 4.3.
1.23	Exchange Act
	“ <i>Exchange Act</i> ” shall mean the Securities Exchange Act of 1934, as amended.
1.24	Fair Market Value

“*Fair Market Value*” of a share of Common Stock as of a given date shall be (i) the mean between the highest and lowest selling price of a share of Common Stock during normal business hours on the principal exchange on which shares of Common Stock are then trading, if any, on such date, or if shares were not traded on such date, then the means between the highest and lowest sales on the nearest date before and the nearest date after such valuation date; or (ii) if Common Stock is not traded on an exchange, the mean between the closing representative bid and asked prices for the Common Stock during normal business hours on such date as reported by NYSE or, if NYSE is not then in existence, by its successor quotation system; or (iii) if Common Stock is not publicly traded, the Fair Market Value of a share of Common Stock as established by the Committee acting in good faith.

1.25	[reserved]
1.26	including or includes
	“ <i>including</i> ” or “ <i>includes</i> ” shall mean including without limitation, or includes, without limitation.
1.27	Individual Agreement

“*Individual Agreement*” shall mean an employment, severance or similar agreement between an Awardee and the Company or one of its Subsidiaries.

1.28 Involuntary Termination

“*Involuntary Termination*” shall mean Termination of Employment other than for Cause, death, Disability, Retirement or voluntary termination by the Awardee.

1.29 Non-Qualified Stock Option

“*Non-Qualified Stock Option*” shall mean an Option that either is not an incentive stock option or is designated as a Non-Qualified Stock Option by the Committee or the Company.

1.30 Normal Retirement

“*Normal Retirement*” shall mean retirement from active employment with the Company, or a Subsidiary at or after age 62 pursuant to which an Awardee is eligible and elects (i) to retire and (ii) to take a retirement benefit promptly under the retirement provisions of the applicable pension plan(s) of such employer, or as otherwise determined by the Committee.

<u>1.31</u>	<u>Option</u>
	“ <i>Option</i> ” shall mean a stock option granted pursuant to this Plan.
1.32	Optionee
	“ <i>Optionee</i> ” shall mean an Employee granted an Option under this Plan.
1.33	Performance Goals

“*Performance Goals*” shall mean the performance goals established by the Committee or the Company in connection with the grant of Performance Stock, Performance Unit, Restricted Stock or Restricted Stock Units. In the case of Qualified Performance-Based Awards, (i) such goals shall be based on the attainment of specified levels of one or more of the following measures: earnings per share, gross sales, net sales, net income, net income after tax, gross income, operating income, cash flow from operations, economic value added, unit volume, return on equity, return on assets, change in working capital, return on total capital or total stockholder return, and (ii) such Performance Goals shall be set by the Committee within the time period prescribed by Section 162(m) of the Code and related regulations.

<u>1.34</u>	<u>Plan</u>
	“ <i>Plan</i> ” shall mean the Employee Stock Option and Incentive Plan, as amended and restated.
1.35	Qualified Performance-Based Award

“*Qualified Performance-Based Award*” shall mean an Award of Performance Stock, Performance Unit, Restricted Stock or Restricted Stock Units designated as such by the Committee at the time of grant, based upon a determination that (i) the Awardee is or may be a “covered employee” within the meaning of Section 162(m)(3) of the Code in the year in which the Company would expect to be able to claim a tax deduction with respect to such Restricted Stock and (ii) the Committee wishes such Award to qualify for the Section 162(m) Exemption. Notwithstanding any other provision of the Plan, no Award shall be considered a Qualified Performance-Based Award unless it is granted subject to or after obtaining stockholder approval satisfying the requirements of Section 162(m)(4)(C)(ii) of the Code and the Treasury Regulations thereunder.

1.36 **Performance Stock**

“Performance Stock” shall mean a right to receive Common Stock pursuant to Article 7.

1.37 **Performance Unit**

“Performance Unit” shall mean a right to receive Common Stock pursuant to Article 7.

1.38 **Restricted Stock**

“Restricted Stock” shall mean Common Stock issued pursuant to Article 7.

1.39 **Restricted Stock Unit**

“Restricted Stock Unit” shall mean a right to receive Common Stock pursuant to Article 7.

1.40 **Retirement**

“Retirement” shall mean Normal or Early Retirement pursuant to which an Awardee is eligible and elects (i) to retire and (ii) to take a retirement benefit promptly under the retirement provisions of the applicable pension plan(s) of the Company or a Subsidiary.

1.41 Rule 16b-3

“Rule 16b-3” shall mean Rule 16b-3, as promulgated by the Commission under Section 16(b) of the Exchange Act, as amended from time to time.

1.42 **Secretary**

“Secretary” shall mean the Secretary of the Company.

1.43 **Section 162(m) Exemption**

“Section 162(m) Exemption” shall mean the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.

1.44 **Stock Appreciation Right**

“Stock Appreciation Right” shall mean a stock appreciation right granted under Article 6.

1.45 **Subsidiary**

“Subsidiary” shall mean any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 33% (50% for grants of Options or Stock Appreciation Rights as required to avoid application of Code Section 409A) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, as well as partnerships and limited liability companies, in which the Company holds a 33% or more interest.

1.46 Termination of Employment

“Termination of Employment” of an Awardee shall mean the termination of the employee-employer relationship between the Awardee and the Company or a Subsidiary for any reason, including a termination by resignation, discharge, death, Disability or Retirement; but excluding (a) terminations where there is a simultaneous reemployment or continuing employment by the Company or a Subsidiary and (b) temporary absences from employment because of illness, vacation or leave of absence and transfers among the Company and Subsidiaries. In addition, an Awardee employed by a Subsidiary shall be deemed to incur a Termination of Employment upon a Disaffiliation of that Subsidiary, unless the Awardee immediately thereafter becomes or remains an Employee of the Company or one of its continuing Subsidiaries. The Committee or the Company shall determine the effect of all other matters and questions relating to Termination of Employment.

1.47 Gender and Number

“Gender and Number” wherever the masculine gender is used it shall include the feminine and neuter, and wherever a singular pronoun is used it shall include the plural, unless the context clearly indicates otherwise.

ARTICLE 2 SHARES SUBJECT TO PLAN

2.1 **Shares Subject to Plan**

As of December 31, 2007, there were 2,763,719 shares available for future Awards under the Plan. As of the Effective Date, as defined in Article 11.13 below and subject to stockholder approval, the aggregate number of shares deliverable pursuant to Awards shall be increased by 4,800,000 for a total of 7,563,719 shares. Shares of Common Stock issued under the Plan may be authorized and unissued shares, previously outstanding shares held as treasury shares, or treasury shares that have been transferred to and held in a grantor trust of the Company.

2.2 Unexercised Options and Other Rights

If any Option, or other right to acquire shares of Common Stock under any other Award expires or is cancelled or forfeited without having been fully exercised or issued, the number of shares subject to such Option or other Award, but as to which such Option or other Award was not exercised or issued prior to its expiration, cancellation, or forfeiture may again be optioned, granted or awarded hereunder, subject to the limitations of Article 2.1.

ARTICLE 3 GRANTING OF OPTIONS

3.1 **Eligibility**

Options may be granted to Employees of the Company or of a Subsidiary.

3.2 **Granting of Options**

The Committee shall from time to time, in its discretion:

(i) Select the Employees who will be granted Options;

(ii) Determine the number of shares to be subject to such Options or Stock Appreciation Rights granted to the selected Employees; provided, however, that no Employee shall be granted Options or Stock Appreciation Rights covering in excess of an aggregate of 600,000 shares and rights

during any calendar year; and

(iii) Determine the terms and conditions of such Options, consistent with this Plan and all requirements of applicable law including Code Section 409A.

ARTICLE 4 TERMS OF OPTIONS

4.1 Option Agreement

Each Option and the terms and conditions thereof shall be evidenced by an Award Agreement, which shall be executed by the Optionee and an authorized officer of the Company. Upon grant of an Option, the Committee or the Company shall instruct the Secretary to issue an Award Agreement evidencing such Option, and to deliver such Award Agreement to the Optionee.

4.2 Option Price

The exercise price per share of the shares subject to each Option shall be not less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted. Once Options are granted, they may not be repriced, and this Article 4.2 may not be amended without the consent of the stockholders.

4.3 Option Term

The term of an Option shall be set by the Committee in its discretion; provided that the term shall not exceed 10 years. The last day of the term of the Option shall be the Option's "Expiration Date."

4.4 Option Vesting

(a) The period during which the right to exercise an Option in whole or in part vests in the Optionee shall be set by the Committee (and Option vesting shall be set forth in Award Agreements), and the Committee may determine that an Option may not be exercised in whole or in part for a specified period after it is granted. At any time after grant of an Option the Committee may, in its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option vests or extend the period during which it may be exercised (but not beyond the Expiration Date thereof).

(b) No portion of an Option, which is unexercisable at Termination of Employment, shall thereafter become exercisable.

4.5 Exercise of Options after Termination of Employment

(a) *Termination by Death.* Unless otherwise determined by the Committee, if an Optionee has a Termination of Employment by reason of the Optionee's death, any Option held by such Optionee may thereafter be exercised by the Optionee's Beneficiaries, to the extent then exercisable, or on such accelerated basis as the Committee may determine, for a period of 12 months (or such other period as the Committee may specify in the applicable Award Agreement) from the date of such death or until the Expiration Date thereof, whichever period is the shorter.

(b) *Termination by Reason of Disability.* Unless otherwise determined by the Committee, if an Optionee has a Termination of Employment by reason of the Optionee's Disability, any Option held by such Optionee may thereafter be exercised by the Optionee, to the extent it was exercisable immediately before the Termination of Employment, or on such accelerated basis as the Committee may determine, for a period of three years (or such shorter period as the Committee may specify in the applicable Award Agreement) from the date of such Termination of Employment or until the Expiration Date thereof, whichever period is the shorter; *provided, however,* that if the Optionee dies within such period, any unexercised Stock Option held by such Optionee shall, notwithstanding the expiration of such period, continue to be exercisable to the extent to which it was exercisable at the time of death for a period of 12 months from the date of such death or until the Expiration Date thereof, whichever period is the shorter.

(c) *Termination by Reason of Retirement.* Unless otherwise determined by the Committee in an Award Agreement, if an Optionee has a Termination of Employment by reason of the Optionee's Retirement, any Option held by such Optionee may thereafter be exercised by the Optionee, to the extent it was exercisable at the time of such Retirement, or on such accelerated basis as the Committee may determine, as follows: (i) if the Optionee has been before such Retirement, the CEO or the COO, for the period ending on the Expiration Date of such Option; (ii) if the Optionee has been before such Retirement, a participant in the Company's Senior Executive Leadership Compensation Plan or Executive Leadership Compensation Plan (the executive annual bonus plans) or any successors thereto, other than the CEO or the COO, for the period ending on the earlier of the fifth anniversary of such Retirement or the Expiration Date of such Option; and (iii) in all other cases, for a period ending on the earlier of the third anniversary of such Retirement or the Expiration Date of such Option.

(d) *Other Termination.* Unless otherwise determined by the Committee: (i) if an Optionee incurs a Termination of Employment for Cause, all Options held by such Optionee shall thereupon terminate; and (ii) if an Optionee incurs a Termination of Employment for any reason, other than death, Disability, Retirement or for Cause, any Stock Option held by such Optionee, to the extent then exercisable, or on such accelerated basis as the Committee may determine, may be exercised for the lesser of 6 months from the date of such Termination of Employment or until the Expiration Date of such Stock Option; *provided, however,* that if the Optionee dies within such period, any unexercised Stock Option held by such Optionee shall, notwithstanding the expiration of such period, continue to be exercisable to the extent to which it was exercisable at the time of death for a period of 12 months from the date of such death or until the Expiration Date of such Stock Option, whichever period is the shorter.

(e) *Transferability of Stock Options.* No Option shall be transferable by the Optionee other than (i) by designation of a Beneficiary, by will or by the laws of descent and distribution, or (ii) as otherwise expressly permitted under the applicable Award Agreement including, if so permitted, pursuant to a gift to such Optionee's family, whether directly or indirectly or by means of a trust or partnership or otherwise. All Options shall be exercisable, subject to the terms of this Plan, only by the Optionee, by the guardian or legal representative of the Optionee if the Optionee is incapacitated, by the Optionee's Beneficiaries, legal representative or heirs after the Optionee's death, or any person to whom such option is transferred pursuant to clause (ii) of the preceding sentence.

(f) *Cashing Out of Stock Option.* On receipt of written notice of exercise, the Committee or the Company may elect to cash out all or part of the portion of the shares of Common Stock for which a Stock Option is being exercised by paying the Optionee an amount, in cash or Common Stock, equal to the excess of the Fair Market Value of the Common Stock over the option price times the number of shares of Common Stock for which the Option is being exercised on the effective date of such cash-out.

ARTICLE 5 EXERCISE OF OPTIONS

An Option may be exercised in whole or in part at any time after it has become vested and exercisable and before its Expiration Date, subject to Article 4. However, an Option shall not be exercisable with respect to fractional shares and the Committee or the Company may impose a minimum number of shares for which a partial exercise will be permitted.

5.2 Manner of Exercise

All or a portion of an exercisable Option may be exercised upon delivery to the Secretary or his office of all of the following:

(a) A written notice complying with the applicable rules established by the Committee or the Company, stating that the Option, or a portion thereof, is being exercised, and signed by the Optionee or other person then entitled to exercise the Option or such portion or an appropriate notice from the Optionee's stock broker;

(b) Full payment for the shares and taxes described in Article 11.7 with respect to which the Option, or portion thereof, is exercised in whole or in part by (i) cash; (ii) certified or bank check or such other instrument as the Company may accept; (iii) delivery (either by surrender of the shares or by attestation) of shares unrestricted Common Stock already owned by the Optionee of the same class as the Common Stock subject to the Stock Option (based on the Fair Market Value of the Common Stock on the date the Stock Option is exercised); *provided, however*, that such already-owned shares either were acquired by the Optionee in an open-market transaction or have been held by the Optionee for at least six months at the time of exercise; (iv) if permitted by the Committee or the Company, the surrender of shares of Common Stock then issuable upon exercise of the Option; or (v) if permitted by the Committee, by delivering a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a stock broker acceptable to the Company to deliver promptly to the Company the amount of sale or loan proceeds necessary to pay the option price, and, if requested, by the amount of any federal, state, local or foreign withholding taxes; and

(c) In the event that the Option shall be exercised by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option.

ARTICLE 6 STOCK APPRECIATION RIGHTS

6.1 Grant and Exercise

(a) Stock Appreciation Rights may be granted in conjunction with all or part of any Option granted under the Plan, either at or after the time of grant of such Option. A Stock Appreciation Right shall terminate and no longer be exercisable upon the termination or exercise of the related Option.

(b) A Stock Appreciation Right may be exercised by an Optionee in accordance with Article 6.2(b) by surrendering the applicable portion of the related Option in accordance with procedures established by the Committee or the Company. Upon such exercise and surrender, the Optionee shall be entitled to receive an amount determined in the manner prescribed in Article 6.2(b). Options that have been so surrendered shall no longer be exercisable to the extent the related Stock Appreciation Rights have been exercised.

6.2 Terms and Conditions

Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined by the Committee, including the following:

(a) Stock Appreciation Rights shall be exercisable only at such time or times and to the extent that the Options to which they relate are exercisable in accordance with the provisions of the Plan.

(b) Upon the exercise of a Stock Appreciation Right, an Optionee shall be entitled to receive an amount in cash, shares of Common Stock or both, in value equal to the excess of the Fair Market Value of one share of Common Stock over the option price per share specified in the related Option multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised, with the Committee or the Company having the right to determine the form of payment. To the extent that a Stock Appreciation Right is exercised and settled in Common Stock, the number of shares available for future Awards under the Plan shall be reduced by the number of Stock Appreciation Rights that are exercised (and not the number of shares actually issued upon settlement of the Award).

(c) Stock Appreciation Rights shall be transferable only to permitted transferees of the underlying Option in accordance with the provisions of the Plan.

ARTICLE 7 RESTRICTED STOCK AND RESTRICTED STOCK UNITS, PERFORMANCE STOCK AND PERFORMANCE UNITS

7.1 Administration

Shares of Restricted Stock and Awards of Restricted Stock Units, Performance Stock or Performance Units may be awarded either alone or in addition to other Awards granted under the Plan. The Committee or the Company shall determine the Employees to whom and the time or times at which grants of Restricted Stock, Restricted Stock Units, Performance Stock and/or Performance Units will be awarded, the number of shares to be awarded to any Awardee, the conditions for vesting, the time or times within which such Awards may be subject to forfeiture and any other terms and conditions of the Awards, in addition to those contained in Article 7.3. The total number of shares of (i) Restricted Stock and (ii) the total number of shares represented by Restricted Stock Units, Performance Stock, Performance Units and Dividend Equivalents granted under the Plan shall not exceed 2,800,000.

7.2 Awards and Certificates

(a) Shares of Restricted Stock shall be evidenced in such manner, as the Committee or the Company may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Any certificate issued in respect of shares of Restricted Stock shall be registered in the name of such Awardee and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

“The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Avery Dennison Corporation Employee Stock Option and Incentive Plan and an Award Agreement. Copies of such Plan and Agreement are on file at the offices of Avery Dennison Corporation, 150 North Orange Grove Boulevard, Pasadena, California 91103.”

The Committee or the Company may require that the certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed and that, as a condition of any Award of Restricted Stock, the Awardee shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Award.

(b) Restricted Stock Units, Performance Stock and Performance Units shall represent the right, subject to the terms and conditions of the Award, to receive, at a specified time or times, either a specified number of shares of Common Stock, or a cash payment equal to the Fair Market Value of a specified number of shares of Common Stock, as the Committee or the Company shall determine. The terms of such Awards shall comply in all respects with the requirements of Code Section 409A.

7.3 Terms and Conditions

The terms and conditions of an Award of Restricted Stock or Restricted Stock Units, Performance Stock or Performance Units as established by the Committee or the Company shall be set forth in an Award Agreement, including the following:

(a) The Committee may, in connection with the grant, designate an Award of Restricted Stock, Restricted Stock Units, Performance Stock or Performance Units as a Qualified Performance-Based Award, in which event it shall condition the grant or vesting (generally, during a period of three years), as applicable, of such Award upon the attainment of Performance Goals. If the Committee does not designate an Award of Restricted Stock, Restricted Stock Units, Performance Stock or Performance Units as a Qualified Performance-Based Award, it may also condition the grant or vesting thereof upon the attainment of Performance Goals. Regardless of whether an Award of Restricted Stock, Restricted Stock Units, Performance Stock or Performance Units is a Qualified Performance-Based Award, the Committee may also condition the grant or vesting thereof upon the continued service of the Awardee. The conditions for grant or vesting and the other provisions of Awards of Restricted Stock, Restricted Stock Units, Performance Stock or Performance Units (including any applicable Performance Goals) need not be the same with respect to each Awardee. The Committee may at any time, in its sole discretion, accelerate or waive, in whole or in part, any of the foregoing restrictions; provided, however, that in the case of an Award that is a Qualified Performance-Based Award, the applicable Performance Goals have been satisfied. The total number of shares represented by Qualified Performance Based Award granted under the Plan shall not exceed 2,800,000.

(b) Subject to the provisions of the Plan and the applicable Award Agreement, during the period, if any, set by the Committee, commencing with the date of such Award for which such Awardee's continued service is required (the "Restriction Period"), and until the later of (i) the expiration of the Restriction Period and (ii) the date the applicable Performance Goals (if any) are satisfied, the Awardee shall not be permitted to sell, assign, transfer, pledge or otherwise encumber shares of Restricted Stock or an Award of Restricted Stock Units, Performance Stock or Performance Units.

(c) Except as provided in this paragraph (c) and Articles 7.3(a) and 7.3(b) and the applicable Award Agreement, the Awardee shall have, with respect to shares of Restricted Stock (but not Restricted Stock Units), all of the rights of a stockholder of the Company holding the class or series of Common Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the shares and the right to receive any cash dividends. Unless otherwise determined by the Committee and subject to the next sentence, (A) cash dividends on the class or series of Common Stock that are the subject of the Award of Restricted Stock or Restricted Stock Units shall be automatically deferred and reinvested in additional Restricted Stock or Restricted Stock Units, as applicable, held subject to the vesting of the underlying Award, and (B) dividends payable in Common Stock shall be paid in the form of additional Restricted Stock or Restricted Stock Units, as applicable, held subject to the vesting of the underlying Award. Notwithstanding the foregoing or any provision of an Award Agreement, reinvestment of dividends in additional Restricted Stock or Restricted Stock Units shall only be permissible if sufficient shares of Common Stock are available under the Plan for such reinvestment (taking into account then outstanding Awards).

(d) Except to the extent otherwise provided in the applicable Award Agreement and Articles 7.3(a), 7.3(b), 7.3(e) and 9.1(b), upon an Awardee's Termination of Employment for any reason during the Restriction Period or before the applicable Performance Goals are satisfied, all shares of Restricted Stock and all Restricted Stock Units, Performance Stock and Performance Units still subject to restriction shall be forfeited by the Awardee.

(e) Except to the extent otherwise provided in Article 9.1(b), in the event an of an Awardee's Retirement or Termination of Employment other than for Cause, the Committee shall have the discretion to waive, in whole or in part, any or all remaining restrictions (other than, in the case of Restricted Stock with respect to which an Awardee is a Covered Employee, satisfaction of the applicable Performance Goals unless the Termination of Employment was by reason of the Awardee's death, Disability or Involuntary Termination) with respect to any or all of such Awardee's shares of Restricted Stock, Restricted Stock Units, Performance Stock and Performance Units.

(f) If and when any applicable Performance Goals are satisfied and the Restriction Period expires without a prior forfeiture of the Restricted Stock, unlegended certificates for such shares shall be delivered to the Awardee upon surrender of the legended certificates.

ARTICLE 8 DIVIDEND EQUIVALENTS

8.1 Dividend Equivalents

Dividend Equivalents may be granted under this Plan in conjunction with other Awards, except Options and Stock Appreciation Rights. Dividend Equivalents shall represent the right to receive cash payments, shares of Common Stock, or a combination thereof, having a value equal to the dividends declared on Common Stock during a specified period, and subject to such other terms and conditions as the Committee shall determine.

ARTICLE 9

9.1 Impact of Event

CHANGE IN CONTROL PROVISIONS

Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control:

(a) Any Options and Stock Appreciation Rights outstanding as of the date such Change in Control is determined to have occurred, and which are not then exercisable and vested, shall become fully exercisable and vested, and shall remain exercisable until their Expiration Date notwithstanding any Termination of Employment of the relevant Optionee other than a Termination of Employment for Cause.

(b) The restrictions and deferral limitations applicable to any Restricted Stock, Restricted Stock Units, Performance Stock, Performance Units and Dividend Equivalents shall lapse, and such Restricted Stock, Restricted Stock Units, Performance Stock, Performance Units and Dividend Equivalents shall become free of all restrictions and become fully vested and transferable at the target amount.

(c) Any restrictions or deferral or forfeiture limitations applicable to any Dividend Equivalents shall lapse.

9.2 Definition of Change in Control

For purposes of the Plan, a “Change of Control” means “a change in the ownership or effective control,” or in “the ownership of a substantial portion of the assets of” the Company, within the meaning of Code Section 409A, and shall include any of the following events as such concepts are interpreted under Code Section 409A:

(a) the date on which a majority of members of the Company’s Board of Directors is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company’s Board of Directors before the date of the appointment or election; or

(b) the acquisition, by any one person, or by persons acting as a group, or by a corporation owned by a group of persons that has entered into a merger, acquisition, consolidation, purchase, stock acquisition, asset acquisition, or similar business transaction with the Company, of:

(i) ownership of stock of the Company, that, together with any stock previously held by such person or group, constitutes more than fifty percent (50%) of either (i) the total fair market value or (ii) the total voting power of the stock of the Company;

(ii) ownership of stock of the Company possessing percent (30%) or more of the total voting power of the Company, during the twelve-month period ending on the date of such acquisition; or

(iii) assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company during the twelve-month period ending on the date of such acquisition; provided, however, that any transfer of assets to a related person as defined under Section 409A shall not constitute a Change of Control.

ARTICLE 10

ADMINISTRATION

10.1 Committee

The Plan shall be administered by the Compensation and Executive Personnel Committee of the Board or such other committee of the Board, as may from time to time be selected by the Board.

10.2 Powers of Committee

(a) The Committee shall have the authority to conduct the general administration of this Plan in accordance with its provisions. The Committee shall have the power to make Awards and set the terms and conditions for such Awards (including the option price, any vesting condition, restriction or limitation (which may be related to the performance of the Awardee, the Company or any Subsidiary) and any vesting acceleration or forfeiture waiver regarding any Award and the shares of Common Stock relating thereto, based on such factors as the Committee shall determine; to modify, amend or adjust the terms and conditions of any Award, at any time or from time to time, including Performance Goals; *provided, however*, that the Committee may not adjust upwards the amount payable with respect to a Qualified Performance-Based Award or waive or alter the Performance Goals associated therewith except as specifically permitted by the Plan; to determine to what extent and under what circumstances Common Stock and other amounts payable with respect to an Award shall be deferred; and to determine under what circumstances an Award may be settled in cash or Common Stock under Articles 4, 6, 7, 8 and 9, as applicable. The Committee shall have the power to interpret this Plan and the Awards made hereunder, to adopt such rules and procedures for the administration, interpretation, and application of this Plan as are consistent therewith, and to interpret, amend or revoke any such rules and procedures. Any Award under this Plan need not be the same with respect to each Awardee.

(b) Any determination made by the Committee or pursuant to delegated authority pursuant to the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Committee or such delegate at the time of the grant of the Award or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company, Awardees and Beneficiaries.

10.3 Action by Committee

(a) The Committee shall act by a majority of its members in office. The Committee may act either by vote at a meeting, or by a memorandum, minutes or other written instrument signed by the Chairman of the Committee or by a majority of the Committee. The Committee may delegate to (i) the CEO the authority to make decisions pursuant to, and interpretations of, the Plan (provided that no such delegation may be made that would cause Awards or other transactions under the Plan to cease to be exempt from Section 16(b) of the Exchange Act or cause Qualified Performance-Based Awards to fail to qualify for the Section 162(m) exemption), and the authority to grant Awards and establish terms and conditions related to such Awards to any Employee, who is not an “officer” of the Company (within the meaning of Rule 16a-1(f) promulgated under the Exchange Act, as amended), subject to any limitations the Committee may impose, and (ii) the CEO or Secretary, or both, any or all of the administrative and interpretive duties and authority of the Committee under the Plan. Based on such delegation of authority from the Committee, the CEO may request Company representatives to take actions related to the granting of Awards and to other Plan matters.

(b) Any authority granted to the Committee under this Plan may also be exercised by the full Board, except to the extent that the grant or exercise of such authority would cause any Award designated as a Qualified Performance-Based Award not to qualify for, or to cease to qualify for, the Section 162(m) Exemption. To the extent that any permitted action taken by the Board conflicts with action taken by the Committee, the Board action shall control.

10.4 Compensation; Professional Assistance; Good Faith Actions.

Expenses and liabilities that members of the Committee incur in connection with the administration of this Plan shall be borne by the Company. The Committee may employ attorneys, consultants, accountants, appraisers, brokers, or other persons. The Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all Awardees and Beneficiaries, the Company, and all other interested persons. No members of the Committee shall be personally liable for any action, determination, or interpretation made in good faith with respect to this Plan or any Award, and all members of the Committee shall be fully protected by the Company in respect of any such action, determination or interpretation.

ARTICLE 11 MISCELLANEOUS PROVISIONS

11.1 Not Transferable

Except as specifically provided in the Plan with respect to Options and Stock Appreciation Rights, as provided in Article 11.8 regarding designation of Beneficiaries, and as may be otherwise provided in the applicable Award Agreement: (i) Awards may not be sold, pledged, assigned, or transferred in any manner other than by will or the laws of descent and distribution; (ii) no Award or interest or right therein shall be subject to the debts, contracts or engagements of the Awardee or his Beneficiaries and successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy); and (iii) any attempted disposition of an Award shall be null and void and of no effect.

11.2 Unfunded Status of Plan

It is presently intended that the Plan constitutes an “unfunded” plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; provided that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the “unfunded” status of the Plan.

11.3 General Provisions

(a) The Committee or the Company may require each person purchasing or receiving shares of Common Stock pursuant to an Award, as a condition to delivery of such shares, to represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof and to provide such other representations and such documents as the Committee or the Company deems necessary or appropriate to effect compliance with all applicable laws. Such shares may be delivered by book entry or in certificate form, with such legends or other notations as the Committee or the Company deems appropriate to reflect any restrictions on transfer.

(b) Notwithstanding any other provision of the Plan or any Award Agreement, the Company shall not be required to issue or deliver any shares of Common Stock under the Plan prior to fulfillment of all of the following conditions:

(i) Listing or approval for listing upon notice of issuance of such shares on the New York Stock Exchange, Inc., or such other securities exchange as may at the time be the principal market for the Common Stock;

(ii) Any registration or other qualification of such shares of the Company under any state or federal law or regulation, or the maintaining in effect of any such registration or other qualification that the Committee or the Company deems necessary or advisable;

(iii) Obtaining any other consent, approval, or permit from any state or federal governmental agency that the Committee or the Company determines to be necessary or advisable;

(iv) The lapse of such reasonable period of time following the exercise of an Option or Stock Appreciation Right or the vesting or other event that results in the settlement of an Award, as the Committee or the Company may establish from time to time for reasons of administrative convenience; and

(v) The receipt by the Company of full payment (if any) for such shares and the satisfaction of any tax withholding obligations relating thereto.

An Awardee shall not be, nor have any of the rights or privileges of, a stockholder of the Company in respect of any shares of Common Stock that may become deliverable pursuant to an Award unless and until such shares have been delivered to the Awardee.

(c) In the event an Award is granted to an Employee who is employed outside the United States and who is not compensated from a payroll maintained in the United States, the Committee or the Company may modify the provisions of the Plan as they pertain to such Award or Awardee to comply with applicable foreign law, and/or related regulations or requirements.

(d) The Committee or the Company may (but need not) establish rules or terms and conditions in an applicable Award Agreement, under which Awardees may be permitted to elect to defer receipt of cash or shares in settlement of Restricted Stock Units, Performance Stock and Performance Units for a specified period or until a specified event, either under an existing plan of the Company or otherwise.

(e) The Plan, in form and operation, is intended to comply with Section 409A of the Code. To the extent that the terms of the Plan are inconsistent with Section 409A, then the terms of the Plan will be automatically deemed to be amended and construed so as to be in compliance. The Committee or the Company may make any amendments to the Plan or to any outstanding Awards in order to comply with the requirements of Section 409A.

11.4 Amendment, Suspension, or Termination of this Plan

The Board may amend, suspend or terminate the Plan at any time prior to a Change of Control, but no such amendment, suspension or termination shall impair the rights of Awardees under Awards previously granted without the Awardee’s consent, and provided further that no material amendments will be made to the terms of the Plan without the approval of the Company’s stockholders.

The Committee may amend the terms of any Award after it is granted, prospectively or retroactively, but no such amendment shall reprice an option, cause a Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption or impair the rights of the Awardee without the Awardee’s consent.

Notwithstanding the forgoing, the Committee or the Company may unilaterally amend the Plan or any Award as necessary to comply with the requirements of Code Section 409A.

11.5 Adjustments upon Changes in Common Stock

In the event of an equity restructuring involving a nonreciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split, reverse stock split, share combination, recapitalization, merger, consolidation, acquisition of property or shares, separation, spin-off, reorganization, stock rights offering, liquidation, Disaffiliation of a Subsidiary or similar event that affects the number or kind of shares of Common Stock (or other securities of the Company) or the share price of Common Stock (or other securities) and causes a change in the per share value of the Common Stock underlying outstanding Awards, the Committee or the Company shall make appropriate and equitable adjustments to the following:

(a) the aggregate number of shares of Common Stock available under Article 2 and Article 7, and the limits on grants of Options under Article 3, grants of Stock Appreciation Rights under Article 6, and grants of Qualifying Performance-Based Awards under Articles 7 and 8;

(b) the number of shares of Common Stock covered by outstanding Awards;

(c) the option price of outstanding Options, and

(d) appropriate and equitable adjustments to other outstanding Awards.

Such adjustments may include, without limitation, (i) the cancellation of outstanding Awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Committee or the Company, (ii) the substitution of other property (including, without limitation, other securities) for the Stock covered by outstanding Awards, and (iii) in connection with any Disaffiliation of a Subsidiary, arranging for the assumption, or replacement with new awards, of Awards held by Awardees employed by the affected Subsidiary by the Subsidiary or an entity that controls the Subsidiary following the Disaffiliation.

11.6 Approval of Plan by Stockholders

The Plan was approved by the Company's stockholders at the annual meeting of stockholders on April 24, 2008. The Plan, as amended and restated, was approved by the Board on December 4, 2008.

11.7 Tax Withholding

No later than the date as of which an amount first becomes includible in the gross income of an Awardee for federal income tax purposes with respect to any Award under the Plan, such an Awardee shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Company, withholding obligations may be settled with Common Stock, including Common Stock that is part of the Award that gives rise to the withholding requirement; provided, however, that not more than the legally required minimum withholding may be settled with Common Stock. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to such an Awardee. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of withholding obligations with Common Stock. The Awardee shall be responsible for the payment of all taxes applicable to Awards, vesting, distributions or payments received from the Company. It is the intent of the Company that the provisions of this Plan be interpreted to comply in all respects with Code Section 409A, however, the Company shall have no liability to the Awardee, or any successor or beneficiary thereof, in the event taxes, penalties or excise taxes may ultimately be determined to be applicable to any Award, vesting, distribution or payment received by the Awardee or any successor or beneficiary thereof.

11.8 Beneficiaries

The Committee or the Company shall establish such procedures as it deems appropriate for Awardees to designate one or more persons (each, a "Beneficiary") to whom any amounts payable under this Plan in the event of the applicable Awardee's death are to be paid and/or by whom any rights of the applicable Awardee's, after the Awardee's death, may be exercised. Designation, revocation and redesignation of Beneficiaries must be made in writing in accordance with procedures established by the Committee or the Company, and shall be effective upon delivery to the Committee or the Company.

11.9 Effect of Plan

The adoption of this Plan shall not affect any other compensation or incentive plans in effect for the Company or any Subsidiary. Nothing in this Plan shall be construed to limit the right of the Company (a) to establish any other forms of incentives or compensation for employees of the Company or any Subsidiary, or (b) to grant or assume options or other rights otherwise than under this Plan in connection with any proper corporate purpose, including the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, firm or association. Nothing in this Plan or in any Award Agreement shall confer upon any Awardee any right to continue in the employ of the Company or any Subsidiary or interfere with or restrict in any way the rights of the Company and the Subsidiaries, which are hereby expressly reserved, to discharge any Awardee at any time for any reason whatsoever, with or without Cause.

11.10 Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Plan.

11.11 Governing Law

This Plan and any Award Agreements hereunder shall be administered, interpreted and enforced under the laws of the State of Delaware, without reference to the principle of conflict of laws.

11.12

Effective Date

This Plan, as amended and restated herein, is effective as of January 1, 2008.

EVERY DENNISON CORPORATION

2005 EXECUTIVE VARIABLE DEFERRED RETIREMENT PLAN

ARTICLE 1

PURPOSE

The 2005 Executive Variable Deferred Retirement Plan (“Plan”) adopted by Avery Dennison Corporation, a Delaware corporation (the “Company”) on behalf of itself and its participating Subsidiaries, originally effective as of December 1, 2004, is hereby amended and restated effective as of January 1, 2008, to comply with Internal Revenue Code Section 409A and applicable authorities promulgated thereunder. The Plan is a deferred compensation plan for Eligible Executives employed by the Company and its Participating Subsidiaries. All vested deferred compensation account balances as of November 30, 2004, grandfathered under the Code Section 409A transition rules, shall be governed by prior deferred compensation plan documents and no subsequent amendment shall apply to such grandfathered amounts. All amounts deferred, contributed or which became vested on or after December 1, 2004 shall be subject to the provisions of this amended and restated Plan. The Plan is intended, and shall be interpreted in all respects, to comply with the provisions of Code Section 409A and those provisions of the Employee Retirement Income Security Act of 1974, as amended, applicable to an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly compensated employees.”

ARTICLE 2

DEFINITIONS AND CERTAIN PROVISIONS

2.1 Account(s). “Account” or “Accounts” means the bookkeeping account(s) established for record keeping purposes for a Participant pursuant to Section 6.1, which shall include one or more Deferral Accounts, a Company Contributions Account, any Special Unit Accounts and/or Stock Unit Account which may be established for the Participant by the Company.

2.2 Administrator. “Administrator” means the administrator appointed by the Committee to handle the day-to-day administration of the Plan pursuant to Article 9.

2.3 Allocation Election. “Allocation Election” means the form or electronic communication by which a Participant elects the Declared Rate(s) to be credited as notional earnings or losses to such Participant’s Account.

2.4 Annual Base Salary. “Annual Base Salary” means an Eligible Employee’s annual salary at the time of deferral, or any other subsequent date as determined by the Administrator in its discretion, before reductions for contributions to or deferrals under any pension, deferred compensation or benefit plans sponsored by the Company. For Eligible Employees who are sales representatives for the Company, Annual Base Salary (solely for the purpose of computing the maximum deferral amount under Section 4.3) shall include any commissions earned by such Eligible Employee.

2.5 Annual Deferral. “Annual Deferral” means the amount of Annual Base Salary and/or Bonus that the Participant elects to defer under the Plan for a Plan Year.

2.6 Beneficiary. “Beneficiary” means the person or persons or entity designated as such by a Participant pursuant to Article 8.

2.7 Benefit. “Benefit” means any benefit provided under the terms of the Plan.

2.8 Bonus. “Bonus” means the bonus to which the Participant is entitled from the Company under any bonus plan or incentive program specified by the Administrator, including any annual bonus plan or long-term incentive plan, before reductions for contributions to or deferrals under any pension, deferred compensation or benefit plans sponsored by the Company.

2.9 Change of Control. “Change of Control” means “a change in the ownership or effective control,” or in “the ownership of a substantial portion of the assets of” the Company (but not a Participating Subsidiary, except as provided under Article 10), within the meaning of Code Section 409A and shall include any of the following events as such concepts are interpreted under Code Section 409A:

(a) the date on which a majority of members of the Company’s Board of Directors is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company’s Board of Directors before the date of the appointment or election; or

(b) the acquisition, by any one person, or by persons acting as a group, or by a corporation owned by a group of persons that has entered into a merger, acquisition, consolidation, purchase, stock acquisition, asset acquisition, or similar business transaction with the Company, of:

(i) ownership of stock of the Company, that, together with any stock previously held by such person or group, constitutes more than fifty percent (50%) of either (i) the total fair market value, or (ii) the total voting power of the stock of the Company;

(ii) ownership of stock of the Company possessing thirty percent (30%) or more of the total voting power of the Company, during the twelve-month period ending on the date of such acquisition; or

(iii) assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition, during the twelve-month period ending on the date of such acquisition; provided, however, that any transfer of assets to a related person as defined under Code Section 409A shall not constitute a Change of Control.

2.10 Code. “Code” means the Internal Revenue Code of 1986, as amended, as interpreted by Treasury regulations and applicable authorities.

2.11 Committee. “Committee” means the deferred compensation plans administrative committee appointed to administer the Plan pursuant to Article 9.

2.12 Company. “Company” means Avery Dennison Corporation, a Delaware corporation, acting on behalf of itself and its Participating Subsidiaries, as the context may require.

2.13 Company Contributions. “Company Contributions” means discretionary Matching Contributions or Special Unit Contributions made by the Employer on behalf of the Participant pursuant to Article 5.

2.14 Company Contributions Account. “Company Contributions Account” means an Account established to hold discretionary Matching Contributions pursuant to Sections 5.1 and 6.1.

2.15 Declared Rate. “Declared Rate” means the notional rates of return (which may be positive or negative) of the individual investment options selected by a Participant for such Participant’s Account, as referred to in Article 6.

2.16 Deferral Account. “Deferral Account” means an Account established to hold Annual Deferrals pursuant to Sections 4.1 and 6.1.

2.17 Disability Benefit. “Disability Benefit” means the Benefit payable to a Participant in accordance with Section 7.4 after the Participant has become Disabled.

2.18 Disability or Disabled. “Disability or Disabled” shall be interpreted in accord with the requirements of Code Section 409A and shall mean, in the case of a Participant, that the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment, which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment, which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Employees.

2.19 Distribution. “Distribution” means any payment to a Participant or Beneficiary according to the terms of this Plan.

2.20 Early Termination Benefit. “Early Termination Benefit” means the lump-sum amount payable to a Participant who ceases to be an Employee pursuant to the provisions of Section 7.2 or 7.3.

2.21 Eligible Employee. “Eligible Employee” means an Employee who is (i) a member of a select group of management, or a highly compensated employee, and (ii) who meets the annually indexed salary requirement and/or such other eligibility requirements as may be established by the Committee.

2.22 Employee. “Employee” means any person employed by the Company or a Participating Subsidiary.

2.23 Employer. “Employer” means the Company or the Participating Subsidiary that is the legal employer of the relevant Participant.

2.24 Enrollment Period. “Enrollment Period” means the period(s) designated for a particular Plan Year by the Administrator for enrollments.

2.25 ERISA. “ERISA” means the Employee Retirement Income Security Act of 1974, as amended, as interpreted by applicable authorities.

2.26 Matching Contributions. “Matching Contributions” means contributions made by the Employer on behalf of a Participant pursuant to Section 5.1.

2.27 Participant. “Participant” means an Eligible Employee who has filed a completed and executed Participation Election Form with the Administrator, and who is participating in the Plan in accordance with the provisions of Articles 3 and 4.

2.28 Participating Subsidiary. “Participating Subsidiary” means a subsidiary corporation the majority of the outstanding stock of which is owned, directly or indirectly by the Company.

2.29 Participation Election. “Participation Election” means the commitment to make a deferral under the Plan, submitted by the Participant to the Administrator pursuant to Articles 3 and 4 of the Plan. The Participation Election may take the form of an electronic communication followed by appropriate confirmation according to procedures established by the Administrator.

2.30 Plan. “Plan” means this 2005 Executive Variable Deferred Retirement Plan, a non-qualified elective deferred compensation plan, as the same may be amended from time to time.

2.31 Plan Year. “Plan Year” means the calendar year.

2.32 Settlement Date. “Settlement Date” means the date by which a lump-sum payment shall be made or the date by which installment payments shall commence under the Plan. Unless otherwise specified, the Settlement Date shall be as soon as practicable after, but in all events no later than ninety (90) days following, the Valuation Date. In the case of a Participant’s death, the Administrator shall be provided with the documentation reasonably necessary to establish the fact of the Participant’s death. Notwithstanding the foregoing or any other provision of the Plan, in the event that a Participant is a “key employee” (as defined in Code Section 416(i) without regard to paragraph (5) thereof) of a corporation, any stock of which is publicly traded on an established securities market, the Settlement Date with respect to payments triggered by Termination of Employment (other than by reason of death or Disability) or Change in Control shall be paid only after the earlier of (i) the last day of the sixth (6th) complete calendar month following the Participant’s Termination of Employment, or (ii) the Participant’s death, consistent with the provisions of Code Section 409A. Any payments delayed by reason of the preceding sentence shall be caught up and paid in a single lump-sum on the first day such payments are permissible consistent with the application of Code Section 409A.

2.33 Special Unit Contribution. “Special Unit Contribution” means a contribution made by the Employer on behalf of a Participant pursuant to Section 5.2.

2.34 Special Unit Account. “Special Unit Account” means an Account created to hold a Special Unit Contribution pursuant to Sections 5.2 and 6.1.

2.35 Special Unit Award Agreement. “Special Unit Award Agreement” means the agreement between the Participant and the Company specifying the terms of a Special Unit Contribution including the vesting schedule and payout elections applicable to such Special Unit Contribution. The Special Unit Award Agreement may take the form of an electronic communication followed by appropriate confirmation according to procedures established by the Administrator.

2.36 Stock Unit Contribution. “Stock Unit Contribution” means a contribution made by the Company on behalf of a Participant pursuant to Section 5.3.

2.37 Stock Unit Account. “Stock Unit Account” means an Account created to hold all Stock Unit Contribution on behalf of a single Participant pursuant to Sections 5.3 and 6.1.

2.38 Stock Unit Award Agreement. “Stock Unit Award Agreement” means a Performance Unit Agreement or such other agreement between a Participant and the Company specifying the terms of a Stock Unit Contribution. The Stock Unit Award Agreement may take the form of an electronic communication followed by appropriate confirmation according to procedures established by the Administrator.

2.39 Survivor Benefit. “Survivor Benefit” means those Plan Benefits that become payable upon the death of a Participant pursuant to Section 7.5.

2.40 Termination of Employment. “Termination of Employment” means the cessation of a Participant’s employment with the Employer for any reason, whether voluntary or involuntary, including by reason of retirement, Disability or death. For purpose of the preceding sentence, Termination of Employment shall be interpreted consistent with the requirements of Code Section 409A for “separation from service”.

2.41 Valuation Date. “Valuation Date” means the date on which the Account is valued for Distribution purposes. This date shall be the last day of the month in which an event occurs that triggers a Benefit payment.

2.42 Years of Participation. “Years of Participation” means the cumulative consecutive years of participation in this Plan or in any other nonqualified deferred compensation plan sponsored by the Company, as determined in the complete and sole discretion of the Administrator.

ARTICLE 3

PARTICIPATION

3.1 Participation. The Administrator shall notify Eligible Employees generally not less than thirty (30) days (or such lesser period as may be practicable under the circumstances) prior to any deadline for filing a Participation Election Form. An Eligible Employee must submit a Participant Election during the Enrollment Period established by the Administrator to become a Participant.

3.2 Participation Election. An Eligible Employee shall become a Participant in the Plan no later than the first day of the Plan Year coincident with or beginning after the date the Employee is designated as an Eligible Employee, provided such Employee has filed a Participant Election with the Administrator. To be effective, the Eligible Employee must submit the Participant Election

during an Enrollment Period or any other such time as determined by the Administrator. The Administrator may establish a special Enrollment Period during a Plan Year within thirty (30) days after an Eligible Executive first becomes eligible to participate in the Plan (if the Eligible Employee is not already a participant in any plan that is aggregated with this Plan for purposes of Code Section 409A), to allow deferrals by such newly Eligible Employee of amounts earned during the balance of such Plan Year.

3.3 Continuation of Participation. A Participant who has elected to participate in the Plan by submitting a Participant Election shall continue as a Participant until all Benefits payable to or on behalf of the Participant under the Plan have been distributed. In the event a Participant becomes ineligible to continue participation in the Plan, but has not experienced a Termination of Employment, no further Annual Deferrals or Company Contributions shall be made by or on behalf of the Participant but the Participant's Accounts shall be held and administered in accordance with the Plan until such time as the Participant's Accounts have been completely distributed.

ARTICLE 4

PARTICIPANT DEFERRALS

4.1 Annual Deferral. On the Participation Election Form, and subject to the restrictions set forth herein, an Eligible Employee shall designate the amount of Annual Base Salary and Bonus to be deferred for the following Plan Year or Bonus performance period, or such other period as the Committee may determine, provided that any deferral election shall be made no later than the last day of the calendar year preceding the calendar year (or, in the case of a new Participant, the thirtieth (30th) day following initial eligibility for the remaining portion of the Plan Year) in which the services are performed for which such Annual Base Salary or Bonus are earned; except and provided further that, to the extent allowed by Code Section 409A, the Committee may allow deferral elections to be made or revised no later than six (6) months before the end of the performance period solely with respect to any "performance-based compensation" as defined in Code Section 409A that is based on services performed over a period of at least twelve (12) months. For this purpose, the Committee shall determine, in its complete and sole discretion, whether any Bonus qualifies as "performance-based compensation" as defined under Code Section 409A.

4.2 Minimum Deferral. The minimum amount of Annual Deferral that may be deferred shall be two percent (2%) of a Participant's Annual Base Salary.

4.3 Maximum Deferral. The standard maximum amount of Annual Deferral that may be deferred shall be seventy-five percent (75%) of a Participant's Annual Base Salary and one hundred percent (100%) of a Participant's Bonus; provided that, with the approval of the Administrator, Participants may defer up to one hundred percent (100%) of their Annual Base Salary, less applicable withholdings. Notwithstanding the foregoing, the Committee may further limit the maximum or the minimum amount of deferrals by any Participant or group of Participants in its sole discretion.

ARTICLE 5

DISCRETIONARY COMPANY CONTRIBUTIONS

5.1 Discretionary Matching Contributions. The Employer, in its sole discretion, may credit to selected Participants' Accounts a discretionary amount or match of an Annual Deferral in any amount determined by the Company. Matching Contributions shall be made in the complete and sole discretion of the Company and no Participant or Eligible Employee shall have the right to receive any Matching Contribution regardless of whether Matching Contributions are made on behalf of other Participants. Matching Contributions shall vest at the time specified by the Company.

5.2 Special Unit Contributions. The Employer, in its complete and sole discretion, may credit an amount to the Plan on behalf of an existing Participant or a newly Eligible Employee as a special bonus award or a deferred signing bonus (a "Special Unit Contribution"). Such amounts shall be granted pursuant to a Special Unit Award Agreement which shall specify the period over which such Special Unit Contribution shall vest. The Participant may be granted an election with respect to the time and form of payment of a Special Unit Contribution during the thirty (30) day period following the grant of a Special Unit Contribution if such Contribution is subject to a substantial risk of forfeiture for a minimum of twelve (12) months after the end of such election period (i.e., 13 months after the grant date), or as otherwise permitted under Code Section 409A.

5.3 Stock Unit Contributions. A Participant may be credited an amount under the Plan as a hypothetical stock contribution (a "Stock Unit Contribution"), for example, pursuant to a Performance Unit Award under the Company-sponsored Employee Stock Option and Incentive Plan or any successor plan or similar plan, as determined by the Company in its complete and sole discretion, and as evidenced by a Stock Unit Award Agreement. The Stock Unit Award Agreement may specify that such award is to be contributed to this Plan or the Participant may be granted an election with respect to such an award to defer such phantom stock unit award into this Plan within the thirty (30) day period following grant of the award but only if such stock unit award is subject to a substantial risk of forfeiture for a minimum of twelve (12) months after the end of such election period (i.e., 13 months after the grant date), or as otherwise permitted under Code Section 409A.

ARTICLE 6

ACCOUNTS AND INVESTMENT OPTIONS

6.1 Accounts. Solely for record keeping purposes, the Company shall maintain up to five (5) Deferral Accounts under the Plan for each Participant. Annual Deferrals shall be credited by the Employer to the Participant's Deferral Account at the time such

amounts would otherwise have been paid to the Participant. The Company shall also maintain a Company Contributions Account for each Participant which shall be credited with any Matching Contributions made on behalf of such Participant pursuant to Section 5.1, as directed by the Company. In addition to Deferral Accounts and Company Contribution Accounts, separate Special Unit Accounts shall be maintained for each Special Unit Contribution and a separate Stock Unit Account shall be maintained for all Stock Unit Contributions made to the Plan on behalf of a Participant, if any, as directed by the Company. All of a Participant's Accounts, except the Stock Unit Account, shall be credited (and compounded daily) with a notional rate of return (positive or negative) based on the Declared Rate(s) elected by the Participant under Section 6.2. Stock Unit Accounts shall be credited as provided in Section 6.4.

6.2 Participant Election of Declared Rates. The crediting rate on amounts in a Participant's Account shall be based on the Participant's choice among the investment alternatives made available from time to time by the Committee. The Administrator shall establish a procedure by which a Participant may make an Allocation Election among any combination of Declared Rates in one percent (1%) increments up to one hundred percent (100%) and may change the Declared Rate(s) at least once per week with such change(s) effective as of the first day of the next following week. Such investment elections may apply to future deferrals and/or to the existing Account balances, as indicated by the Participant. Notwithstanding the foregoing, the Company shall have no obligation to set aside or invest funds as directed by the Participant and, if the Company elects to invest funds as directed by the Participant, the Participant shall have no more right to such investments than any other unsecured general creditor of the Company.

6.3 Declared Rates. A Participant may select from Declared Rates which may from time to time be established under the Plan and the number of which may be expanded by the Committee; it being the intention that at all times Participants will have at least nine (9) core investment fund choices comparable in focus, type and quality to those listed on Exhibit A. The Declared Rates provide a rate of return (positive or negative) that are based on the actual net performance of the Declared Rate(s) selected by the Participant. The Declared Rates credited to Participant Accounts shall be the actual net performance of the Declared Rates, to which will be added a basis point credit, which credit (when added to the actual net performance of the Declared Rates) will together be approximately equivalent on average to crediting the actual gross performance of the Declared Rates less twenty (20) basis points.

6.4 Stock Unit Accounts. A Participant's Stock Unit Account shall be credited with the number of phantom shares of common stock of the Company specified in the Stock Unit Award Agreement. Amounts credited to a Stock Unit Account shall be distributed in kind, subject to compliance with all legal requirements. The Committee shall administer any Stock Unit Account consistent with the intent of the Plan to reflect a hypothetical investment in common stock of the Company and shall have the complete and sole discretion to establish a minimum or maximum share level and/or require the adjustment in number or conversion of notional shares held in a Stock Unit Account to an alternative form of security as appropriate to accomplish the intent of the Plan to treat such notional stock units similarly to actual shares of Company common stock. Prior to distribution, Participants shall have no rights as shareholders with respect to amounts credited to a Stock Unit Account except that Participants shall be entitled to be credited with dividend equivalents on vested awards or otherwise as provided under the terms of the Stock Unit Award Agreement. Such dividend equivalents shall be considered current earnings on the Stock Unit Account and shall be credited in the form of additional share units to the Stock Account based on the value of Company stock as of the date dividends are paid to shareholders of the Company.

6.5 Valuation of Accounts. The value of an Account as of any date shall equal the amounts theretofore credited or debited to such Account, plus the deemed earnings or losses of such Account in accordance with this Article 6 through the day immediately preceding such date.

6.6 Vesting. A Participant shall be one hundred percent (100%) vested at all times in amounts credited to the Participant's Deferral Accounts. Amounts credited to a Participant's Company Contributions Account or Special Unit Account shall vest as specified by the Company or in the Special Award Agreement. Amounts credited to a Participant's Stock Unit Account shall vest as provided under the applicable Stock Unit Award Agreement for such Stock Unit Contribution.

6.7 Statement of Accounts. The Administrator (or an agent thereof) shall provide to each Participant periodic statements or on-line access to information setting forth the Participant's deferrals, Declared Rate(s) (credits or debits), Distributions and Account balance.

6.8 Errors in Benefit Statements, Deferrals, Distributions or Administration. In the event an error is made in a benefit statement, such error shall be corrected on the next benefit statement following the date such error is discovered. In the event of an error in the amount of a Participant's deferral, immediately upon the discovery of such error, if possible, the next deferral of such Participant shall be adjusted upward or downward to correct such prior error subject to compliance with permissible corrections procedures established under Code Section 409A. In the event of an error in a Distribution, the applicable Participant's Account shall, immediately upon the discovery of such error, be adjusted to reflect such under or over payment and, if possible, the next Distribution to such Participant shall be adjusted upward or downward to correct such prior error subject to compliance with permissible corrections procedures established under Code Section 409A. If the remaining balance of a Participant's Account is insufficient to cover an erroneous overpayment to such Participant, the Company may, at its discretion, offset other amounts payable to the Participant from the Company to the extent permitted under all applicable laws, to recoup the amount of such overpayment(s). It is the intent of the Company that the Plan be interpreted and administered to comply in all respects with Code Section 409A. However, Participants and/or their Beneficiaries shall be responsible for any and all taxes resulting from participation in the Plan, and the Company shall have no liability to the Participant or any Beneficiary in the event any taxes or excise taxes may ultimately be determined to be applicable to any deferral, contribution, vesting event or Distribution under the Plan.

ARTICLE 7

BENEFITS

7.1 Normal Benefit Distribution Election.

(a) Initial Election. At the time of entering the Plan or, if later, on or before December 31, 2008, Participants shall designate the time and form of distributions of amounts credited to their Accounts, from among the distribution alternatives specified herein. A Participant may establish up to five (5) Deferral Accounts with different payout elections. Thereafter, at the time of making an Annual Deferral election under the Plan, the Participant shall designate the time and form of Distribution of deferrals made pursuant to such election by directing such deferrals to one or more existing Accounts or by establishing one or more new Accounts with new payout elections. A Participant shall have no more than five (5) Deferral Accounts in existence at any one time under the Plan. A Participant may elect to make additional deferrals into an existing Account in a subsequent Plan Year but may only make a new distribution election for such Account in accordance with the change in elections provisions specified in Section 7.1(b). If deferrals are directed to an Account which is in payout status, such deferrals shall be paid out over the remaining installment period commencing with the calendar year following the year in which the deferral is credited to the Account. At the time of entering the Plan or, if later, on or before December 31, 2008, Participants shall designate the time and form of distributions of amounts credited to their Company Contributions Accounts. The time and form of payment of a Special Unit Account shall be specified in the Special Unit Award Agreement or elected within the first thirty (30) days following the award of such Special Unit Contribution as provided in Section 5.2. All of a Participant's Stock Unit Accounts shall be paid in a single lump-sum on the Settlement Date next following the Participant's Termination of Employment for any reason unless preceded by a Change in Control as specified in Section 7.6, subject to compliance with all applicable laws.

(b) Modification of Election. A distribution election with respect to an existing Account under the Plan may only be changed under the terms and conditions specified by the Committee in compliance with Code Section 409A. After December 31, 2008, except as expressly provided in this Article 7, no acceleration of a distribution is permitted and a subsequent election that delays payment or changes the form of payment shall be permitted if and only if all of the following requirements are met:

(i) the new election does not take effect until at least twelve (12) months after the date on which the new election is made;

(ii) in the case of payments made on account of Termination of Employment (other than by reason of death or Disability), Change in Control, or a scheduled date, the new election delays payment for at least five (5) years from the date that payment would otherwise have been made, absent the new election; and

(iii) in the case of payments made according to a scheduled date, the new election is made not less than twelve (12) months before the date on which payment would have been made (or, in the case of installment payments, the first installment payment would have been made) absent the new election.

For purposes of application of the above change limitations, distribution elections shall be made on an Account by Account basis and installment payments from a single Account shall be treated as a single payment. Changes complying with the requirements of this Section 7.1(b) may be made any number of times with respect to the same Account but in no event may any change delay the distribution of benefits payable from any Account beyond the date the Participant attains (or a deceased Participant would have attained) age eighty-five (85). No changes shall be made to the timing or form of distribution of a Stock Unit Account unless specifically approved by the Committee. Election changes made pursuant to this Section 7.1(b) shall be made in accordance with rules established by the Committee, and shall comply with all applicable requirements of Code Section 409A and applicable authorities.

7.2 Benefit Distribution Alternatives. The Participant shall be entitled to select the time and form of payment of Distributions from a particular Account from among the following alternatives set forth below. Benefits shall be paid according to the Participant's distribution elections unless such distribution election is superseded by an alternative distribution event such as death, Disability, Unforeseeable Emergency, early Termination of Employment, or Change in Control, as specified in this Article 7. No distribution alternatives shall apply to a Stock Unit Account, which shall be payable only in the form of a single lump-sum on the Settlement Date next following Termination of Employment for any reason unless preceded by Change in Control as specified in Section 7.6.

(a) Form of Distribution. The available forms of payment from each of the Participant's Accounts (other than a Stock Unit Account) shall be as follows:

(i) Lump-Sum. One lump-sum payment.

(ii) Installment Payments. Monthly installments of principal and interest payable over a period of any number of years up to twenty (20), but in no event ending later than the date on which the Participant shall attain age eighty-five (85). Installment payments shall be calculated on an annual basis but paid during the Plan Year at approximately monthly intervals as may be determined by the Committee, provided that such intervals shall not be less frequent than quarterly, except in the final year of payments when only one installment shall be made in January of such final Plan Year. Installment payments shall be based on the Participant's vested Account balance at the beginning of the payment period and shall be recalculated annually by dividing the Participant's vested Account balance as of the last day of the Plan Year by the number of remaining years in the payment period based on the Participant's retirement payment election. Accounts shall continue to be credited

during the payment period based on the Participant's choice among Declared Rates as provided in Article 6. In the event that any amounts credited to a Participant's Account vest after the end of the installment period, such amounts shall be paid in a single lump-sum on the Settlement Date next following the Participant's Termination of Employment. Notwithstanding the foregoing, an installment payout election shall not be available prior to the date that the Participant shall have completed five (5) Years of Participation.

(iii) Small Benefit Exception. Notwithstanding the foregoing, in the event that the total balance payable from all of a Participant's Accounts under this Plan (and any other plans aggregated with this Plan for purposes of Code Section 409A) as of the date of the Participant's Termination of Employment is less than the applicable dollar amount under Code Section 402(g)(1)(B) for the calendar year of payment, the Company shall have the discretion to pay all of the Participant's benefits under the Plan in the form of a single lump-sum, subject to compliance with Code Section 409A.

If no election is made regarding the form of benefits from a particular Account, benefits from that Account shall be paid in a single lump-sum.

(b) Commencement of Payment of Benefits. The available commencement dates for payment from a Participant's Accounts (other than a Stock Unit Account) are as follows:

(i) Upon the Settlement Date next following Termination of Employment;

(ii) In January of any specified Plan Year (without regard to Termination of Employment, except as provided in Section 7.3); or

(iii) Upon the earlier of January of a specified Plan Year or the Settlement Date next following Termination of Employment.

If a Participant does not elect a commencement date for benefits from a particular Account, benefits from such Account shall commence on the Settlement Date next following the Participant's Termination of Employment.

7.3 Early Termination Benefit. In the event of a Participant's Termination of Employment for any reason other than death, Disability, or prior to completion of five (5) Years of Participation, the Participant shall receive an Early Termination Benefit equal to the outstanding vested balance of each of the Participant's Accounts, credited with notional earnings as provided in Article 6, payable in the form of a single lump-sum distribution on the Settlement Date next following such early Termination of Employment. The Participant shall be entitled to no further Benefits under this Plan.

7.4 Disability Benefit. In the event of a Participant's Disability prior to complete distribution of all of the Participant's Accounts, the Participant shall receive a Disability Benefit equal to the outstanding vested balance of each of the Participant's Accounts, credited with notional earnings as provided in Article 6, payable in the form of a single lump-sum Distribution on the last day of the fifteenth (15th) month commencing after the month in which such Disability occurs, unless the Participant makes a timely election under Section 7.1(b), during the first three (3) months following Disability, to delay commencement of a particular Account by a minimum of five (5) years and to receive the benefits in January of a later Plan Year, in the form of a single lump-sum or over a period of up to twenty (20) years. Notwithstanding the foregoing, no delay in distribution shall be available for a Stock Account which shall be paid on the Settlement Date next following Termination of Employment by reason of Disability.

7.5 Survivor Benefits. In the event of a Participant's death prior to complete distribution of all of the Participant's Accounts, the Participant's Beneficiary shall receive a Survivor Benefit equal to the outstanding vested balance of each of the Participant's Accounts, credited with notional earnings as provided in Article 6, payable in the form of a single lump-sum Distribution on the last day of the fifteenth (15th) month commencing after the month in which the Participant's death occurs, unless the Beneficiary makes a timely election during the first three (3) months following the Participant's death, which is in compliance with Code Section 409A, to delay commencement of a particular Account by a minimum of five (5) years and to receive the benefits in January of a later Plan Year, in the form of a single lump-sum or over a period of up to twenty (20) years. Notwithstanding the foregoing, no delay in distribution shall be available for a Stock Account which shall be paid on the Settlement Date following death.

7.6 Change of Control or other Benefit. In the event a Change in Control occurs before a Participant's Account has been fully distributed, the Participant shall receive an amount equal to the balance of the Account, credited with notional earnings as provided in Article 6, payable in the form of a single lump-sum distribution on the last day of the fifteenth (15th) month commencing after the month in which such Change in Control occurs, unless the Participant makes a timely election under Section 7.1(b), during the first three (3) months following such Change in Control, to delay commencement of a particular Account by a minimum of five (5) years and to receive the benefits in January of a later Plan Year, in the form of a single lump-sum or over a period of up to twenty (20) years, except that with respect to a Stock Account, any delayed distribution must be paid in the form of a single lump-sum.

7.7 Unforeseeable Emergency. Upon a finding by the Committee that the Participant has suffered a Unforeseeable Emergency, subject to compliance with Code Section 409A, the Administrator may at the request of the Participant, approve cessation of current deferrals or accelerate distribution of benefits under the Plan in the amount reasonably necessary to alleviate such financial hardship. The amount distributed pursuant to this Section 7.7 with respect to an Unforeseeable Emergency shall not exceed the amount necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the

distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

ARTICLE 8

BENEFICIARY DESIGNATION

Each Participant and Beneficiary shall have the right, at any time, to designate any person or persons as Beneficiary or Beneficiaries to whom payment under this Plan shall be made in the event of death of the Participant or Beneficiary, as the case may be, prior to complete distribution of the Participant's Benefits due under the Plan. Each Beneficiary designation shall become effective only when filed in writing with the Administrator during the Participant's or Beneficiary's lifetime, as the case may be, on a form prescribed by the Administrator.

The filing of a new Beneficiary designation form by a Participant will cancel and revoke all Beneficiary designations previously filed by such Participant.

If a Participant or Beneficiary, as the case may be, fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant or Beneficiary, as the case may be, or die prior to complete distribution of the Participant's Benefits, then the Administrator shall direct the distribution of such Benefits to the estate of the Participant or Beneficiary, as the case may be.

ARTICLE 9

ADMINISTRATION OF THE PLAN

9.1 Committee. A Committee consisting of three (3) or more members shall be appointed by the Company's Chief Executive Officer to administer the Plan, which shall have the exclusive right and full discretion (i) to appoint agents and service providers to act on its behalf, (ii) to interpret the Plan, (iii) to decide any and all matters arising hereunder (including the right to remedy possible ambiguities, inconsistencies, or admissions), (iv) to make, amend and rescind such rules and procedures as it deems necessary for the proper administration of the Plan and (v) to make all other determinations and resolve all questions of fact necessary or advisable for the administration of the Plan, including determinations regarding eligibility for benefits payable under the Plan. All interpretations of the Committee with respect to any matter hereunder shall be final, conclusive and binding on all persons affected thereby, subject to the provisions of this Article 9. All decisions of the Committee shall be by vote of at least a majority of its members. Members of the Committee shall be eligible to participate in the Plan while serving as members of the Committee, but a member of the Committee shall not vote or act upon any matter that relates solely to such member's interest in the Plan as a Participant. The current members of the Committee are the Chief Executive Officer; the Chief Financial Officer; the Senior Vice President, Human Resources; the Senior Vice President and General Counsel; the Vice President and Treasurer; the Vice President, Compensation and HRIS; the Vice President, Associate General Counsel and Assistant Secretary; the Vice President, Global Finance; the Manager, Corporate Finance and Investments, and the Director, Financial Reporting at the Company's Miller Corporate Center. The Committee has designated the Vice President, Compensation and HRIS as the Administrator to carry out the day-to-day administration of the Plan. No member of the Committee or any other agent thereof including the Administrator shall be liable for any determination, decision, or action made in good faith with respect to the Plan. The Company shall indemnify and hold harmless the members of the Committee and the Administrator from and against any and all liabilities, costs, and expenses incurred by such persons as a result of any act, or omission, in connection with the performance of such persons' duties, responsibilities, and obligations under the Plan, other than such liabilities, costs, and expenses as may result from the bad faith, willful misconduct, or criminal acts of such persons.

9.2 Claims Procedure. Any Participant, former Participant or Beneficiary may file a written claim with the Administrator setting forth the nature of the Benefit claimed, the amount thereof, and the basis for claiming entitlement to such Benefit. The Administrator shall determine the validity of the claim and communicate a decision to the claimant promptly and, in any event, not later than ninety (90) days after the date of the claim. The claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within such ninety (90) day period. If additional information is necessary to make a determination on a claim, the claimant shall be advised of the need for such additional information within forty-five (45) days after the date of the claim. The claimant shall have up to one hundred and eighty (180) days to supplement the claim information, and the claimant shall be advised of the decision on the claim within forty-five (45) days after the earlier of the date the supplemental information is supplied or the end of the one hundred and eighty (180) day period. Every claim for Benefits that is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (i) the specific reason or reasons for the denial, (ii) specific reference to any provisions of the Plan (including any internal rules, guidelines, protocols, criteria, etc.) on which the denial is based, (iii) description of any additional material or information that is necessary to process the claim, and (iv) an explanation of the procedure for further reviewing the denial of the claim and shall include an explanation of the claimant's right to pursue legal action upon an adverse determination on review.

9.3 Review Procedures. Within sixty (60) days after the receipt of a denial on a claim, a claimant or his/her authorized representative may file a written request for review of such denial. Such review shall be undertaken by the Committee and shall be a full and fair review. The claimant shall have the right to review all pertinent documents, information and data. The Committee shall issue a decision not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as

soon as possible but not later than one hundred and twenty (120) days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of the Plan on which the decision is based and shall include an explanation of the claimant's right to pursue legal action upon an adverse determination on review.

ARTICLE 10

AMENDMENT OR TERMINATION OF PLAN

The Committee at the direction of the Chief Executive Officer or the Board of Directors of the Company, may amend the Plan; provided, however, that (i) no such amendment shall be effective to decrease the Benefits accrued by any Participant or Beneficiary of a deceased Participant (including, but not limited to, the rate of earnings credited on Accounts); (ii) no such amendment shall revise the substantive provisions of the Plan related to the calculation of Benefits (including, without limitation, the provisions of Article 6), the minimum number of Declared Rates or the manner or timing of payments to be made under the Plan so as to prejudice the rights of any Participant or Beneficiary, except to the extent required by law, and (iii) no amendment shall change the timing or form of Distributions or otherwise violate the provisions of Code Section 409A so as to result in the imposition of excise taxes. Notwithstanding the foregoing, the Company shall not terminate the Plan but may, in its complete and sole discretion, freeze the Plan and allow no further deferrals into this Plan on a prospective basis. Notwithstanding the foregoing, the Company or any Participating Subsidiary may accelerate distribution upon termination of the Plan in the event of a Change in Control subject to compliance with all requirements of Code Section 409A.

ARTICLE 11

MAINTENANCE OF ACCOUNTS

The Company shall keep, or cause to be kept, all such books of account, records and other data as may be necessary or advisable for the administration of this Plan, and to reflect properly the affairs thereof, and to determine the nature and amount of the interests of the respective Participants in each Account. Separate Accounts or records for the respective Participants' Accounts shall be maintained for operational and accounting purposes, but no such Account or record shall be considered as creating a lien of any nature whatsoever on or as segregating any of the assets with respect to the Accounts under this Plan from any other funds or property of the Company.

ARTICLE 12

MISCELLANEOUS

12.1 Applicable Law. Except to the extent preempted by ERISA and applicable substantive provisions of federal law, this Plan shall be governed and construed in accordance with the laws of the State of California applicable to agreements made and to be performed entirely therein.

12.2 Exempt ERISA Plan. The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of management or highly compensated employees within the meaning of Section 401 of ERISA, and therefore to be exempt from Parts 2, 3, and 4 of Title I of ERISA.

12.3 Captions. The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

12.4 Employment Not Guaranteed. Nothing contained in this Plan nor any action taken hereunder, shall be construed as a contract of employment or as giving any Employee any right to be retained in the employ of the Company.

12.5 Limitation. A Participant and the Participant's Beneficiary shall assume all risks in connection with the performance of any Declared Rate and any decrease in value of the Accounts, and none of the Company, any of its officers, employees, or directors, the Committee or the Administrator shall be liable or responsible therefor.

12.6 Notice. Any notice or filing required or permitted to be given to the Administrator under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Employer, directed to the attention of the Administrator with a copy to the Senior Vice President and General Counsel of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

12.7 Limits on Transfer. Other than by will, the laws of descent and distribution, or legal or judicial process related to dissolution of marriage, no right, title or interest of any kind in the Plan shall be transferable or assignable by a Participant or the Participant's Beneficiary or be subject to alienation, anticipation, encumbrance, garnishment, attachment, levy, execution or other legal or equitable process, nor subject to the debts, contracts, alimony, liabilities or engagements, or torts of any Participant or Participant's Beneficiary. Any attempt to alienate, sell, transfer, assign, pledge, garnish, attach or take any other action subject to legal or equitable process or encumber or dispose of any interest in the Plan shall be void.

12.8 Satisfaction of Claims. Payments to any Participant or Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full or partial satisfaction of the Participant's and/or Beneficiary's claims against the Company for the

compensation or other amounts deferred and relating to the Account and/or Benefits to which the payments relate.

12.9 Tax Withholding. The Participant or Beneficiary shall make appropriate arrangements with the Company for satisfaction of any federal, state or local income tax withholding requirements and Social Security or other employee tax requirements applicable to the crediting and payment of Benefits under the Plan. If no other arrangements are made, the Company shall have the right to deduct from amounts otherwise credited or payable in settlement of an Account any sums that federal, state, local or foreign tax law requires to be withheld with respect to such credit or payment.

12.10 Participant Cooperation. Each Participant shall cooperate with the Employer by furnishing any and all information requested by the Administrator in order to facilitate the payment of Benefits hereunder, taking such physical examinations as the Administrator may deem necessary and taking such other relevant action as may be requested by the Employer. If a Participant refuses to so cooperate, the Employer shall have no further obligation to the Participant under the Plan, other than payment to such Participant of the cumulative deferrals theretofore made pursuant to this Plan. If a Participant commits suicide during the two (2) year period beginning on the first day on which he participates in the Plan or if the Participant makes any material misstatement of information or nondisclosure of medical history, then no Benefits will be payable hereunder to such Participant of the deferrals theretofore made pursuant to this Plan, provided, that in the Committee's sole discretion, Benefits may be payable in an amount reduced to compensate the Employer for any loss, cost, damage or expense suffered or incurred by the Employer as a result in any way of any such action, misstatement or nondisclosure.

12.11 Unfunded Status of Plan; Creation of Rabbi Trust. The Plan is intended to constitute an "unfunded" plan of deferred compensation and Participants shall rely solely on the unsecured promise of the Company for payment hereunder. With respect to any payment not yet made to a Participant under the Plan, nothing contained in the Plan shall give a Participant any rights that are greater than those of a general unsecured creditor of the Company. The Company has established the Avery Dennison Corporation Executive Compensation Trust ("Rabbi Trust"). The assets of the Rabbi Trust shall be subject to the claims of the Company's creditors. To the extent any Benefits provided under the Plan are actually paid to a Participant or Beneficiary from the Rabbi Trust, the Employer shall have no further obligation with respect thereto, but to the extent not so paid, such Benefits shall remain the obligation of, and shall be paid by, the Employer. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in or to any specific property or assets of the Employer, nor shall they be beneficiaries of, or have any rights, claims, or interests in any life insurance policies, annuity contracts, or the proceeds therefrom owned or which may be acquired by the Employer ("Policies"). Apart from the Rabbi Trust, such Policies or other assets of the Employer shall not be held under any trust for the benefit of Participants, their Beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of the Employer under this Plan. Any and all of the Employer's assets and Policies shall be, and shall remain, the general, un-pledged, unrestricted assets of the Employer. The Employer's obligations under the Plan shall be merely an unfunded and unsecured promise of The Employer to pay money in the future.

12.12 Waiver of Stay, Extension and Usury Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Company from paying all or any portion of the Benefits due hereunder, wherever such laws may be enacted, now or at any time hereafter in force, or which may affect the administration or performance of this Plan; and (to the extent that it may lawfully do so) the Company hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the realization of any Benefits to which the Participants hereunder are entitled, but will suffer and permit the realization of all such Benefits as though no such law had been enacted. The provisions of this Section 12.12 are not intended, however, to prevent compliance of the Plan with the provisions of Code Section 409A.

12.13 Validity. In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

12.14 Waiver of Breach. The waiver by any party of any breach of any provision of the Plan by any other party shall not operate or be construed as a waiver of any subsequent breach.

12.15 Gender, Singular and Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

**AMENDED AND RESTATED
BENEFIT RESTORATION PLAN OF
AVERY DENNISON CORPORATION**

Avery Dennison Corporation, a Delaware corporation, adopted the Benefit Restoration Plan of Avery Dennison Corporation (the “Plan”), as of December 1, 1994 for the benefit of its eligible Employees. Between January 1, 2005 and December 31, 2008, the Plan was operated in accordance with transition relief established by the Treasury Department and Internal Revenue Service pursuant to Code Section 409A. The Plan is amended and restated effective as of January 1, 2009 to bring the Plan into compliance with Code Section 409A and the Treasury Regulations issued by the Treasury Department on April 10, 2007, and effective January 1, 2009.

The Plan constitutes an unfunded “excess benefit plan” within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). The Plan is maintained primarily for the purpose of providing deferred Compensation for a select group of management or highly compensated employees, within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1).

The Plan is intended to comply with Code Section 409A and the Treasury Regulations thereunder. Any provision of this document that is contrary to the requirements of Code Section 409A or the Treasury Regulations thereunder shall be null void and of no effect and the Plan shall be interpreted and administered consistent with the requirements of Code Section 409A, which shall govern the administration of the Plan in the event of a conflict between the Plan terms and the requirements of Code Section 409A and the Treasury Regulations thereunder.

ARTICLE I – DEFINITIONS

Whenever the following terms are used in the Plan with the first letter capitalized, they shall have the meaning specified below unless the context clearly indicates to the contrary.

“**Actuarial Equivalent**” or “Actuarially Equivalent” shall mean the equivalent of a given Benefit or a given amount payable in another manner or by other means, determined by or under the direction of the Administrator in accordance with actuarial principles, methods and assumptions which are found to be appropriate by the Enrolled Actuary, acting independently of the Administrator or the Company and in the exercise of his sole professional judgment. Such principles, methods and assumptions, however, shall be reasonable in the aggregate and shall constitute the Enrolled Actuary’s best estimate of anticipated experience under the Plan.

“**Administrator**” shall mean Avery Dennison Corporation, acting through its Board or its delegates, except that if it appoints a Committee under Section 6.4, the term “Administrator” shall mean the Committee as to those duties, powers and responsibilities specifically conferred upon the Committee. Avery Dennison Corporation shall have all duties and responsibilities imposed by ERISA, except as specifically assigned to, delegated to or reserved to the Board, and the Committee under the Plan.

“**Annuity**” shall mean any form of payment described in Section 5.2(e)(i)-(vii) (as determined in accordance with Treas. Reg. Section 1.409A-2(b)(2)(ii)).

“**Associate Plan**” shall mean The Associate Retirement Plan for Employees of Avery Dennison Corporation as in effect on or after June 1, 2002 and as set forth in Appendix B to the Dennison Retirement Plan, as may be amended from time to time, and any successor plan thereto.

“**Beneficiary**” shall mean:

- (a) in the case of the death benefit described in Section 4.5, the Participant’s surviving spouse; and
- (b) in the case of a Benefit payable to a Participant, a person or trust properly designated by a Participant or Former Participant in accordance with the Rules of the Plan, and which may include a Joint/Contingent Annuitant to the extent determined by the Committee.

“**Benefit**” of a Participant shall mean the benefit payable pursuant to Article IV.

“**Benefit Commencement Date**” shall mean, with respect to a Participant or Beneficiary, the date set forth in the Plan with respect to a Payment Event, or set forth on a 2008 Transition Election, for which a benefit under the Plan is required to commence. Solely for purposes of determining compliance with Code Section 409A and related Treasury Regulations, a payment shall be deemed made on the Benefit Commencement Date if the benefit actually commences by the end of the calendar year in which the Benefit Commencement Date occurs or, if later, by the 15th day of the third month following the Benefit Commencement Date.

“**Benefit Service**” of a Participant shall mean his “Benefit Service” as defined in the Qualified Plan, except that

- (a) days of “Service” prior to the December 1, 1994 shall be ignored;
- (b) a Participant’s “Service” shall commence with the first year after December 1, 1994 for which his “Compensation” exceeded the Code Section 401(a)(17) limit then in effect; except that each Participant who became a “Participant” under the Qualified Plan after December 1, 1994 shall, for his first Plan Year of participation under the Qualified Plan, be credited with Service only for the period beginning with the first day of the month following his one year anniversary of his hire date and through the end of that Plan Year;
- (c) a Participant shall also be credited with a year of “Service” for any year in which he participates in the Company’s nonqualified deferred compensation program to the extent that any part of such period of participation is not treated as “Service” under subsection (b) and
- (d) if the Participant incurs a Disability, Benefit Service shall continue to accrue during the period of Disability but not beyond the second anniversary of the first day of his absence on account of the Disability.

“Board” shall mean the Board of Directors of Avery Dennison Corporation. The Board may delegate any power or duty otherwise allocated to the Administrator to any other person or persons, including a Committee appointed under Section 6.4.

“CEO” shall mean the Chief Executive Officer of Avery Dennison Corporation.

“Certain and Life Annuity” shall mean a monthly benefit that is the Actuarial Equivalent of a Participant’s Single Life Annuity and that is payable during the Participant’s lifetime with a guaranteed payment period during which monthly payments shall be made without regard to the Participant’s death. If the Participant dies prior to the end of the guaranteed payment period, the monthly benefit that is payable shall be paid to the Participant’s Joint/Contingent Annuitant for the remainder of the guaranteed payment period. The last payment shall be made on the first day of the calendar month in which the Participant’s death occurs or, if later, the end of the guaranteed payment period. If the Joint/Contingent Annuitant dies after the Participant and before the end of the guaranteed payment period, then Actuarial Equivalent present value of the remaining guaranteed payments shall be paid to the estate of the Joint/Contingent Annuitant.

“Change in Control” shall mean “a change in the ownership or effective control,” or in “the ownership of a substantial portion of the assets of” the Company, within the meaning of Section 409A, and shall include any of the following events as such concepts are interpreted under Section 409A:

- (a) the date on which a majority of members of the Board is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election; or
- (b) the acquisition, by any one Person, or by persons acting as a group, or by a corporation owned by a group of persons that has entered into a merger, acquisition, consolidation, purchase, stock acquisition, asset acquisition, or similar business transaction with the Company, of:
 - (i) ownership of stock of the Company, that, together with any stock previously held by such Person or group, constitutes more than fifty percent (50%) of either (i) the total fair market value or (ii) the total voting power of the stock of the Company;
 - (ii) ownership of stock of the Company possessing percent (30%) or more of the total voting power of the Company, during the twelve-month period ending on the date of such acquisition; or
 - (iii) assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company during the twelve-month period ending on the date of such acquisition; provided, however, that any transfer of assets to a related person as defined under Section 409A shall not constitute a Change of Control.

The foregoing definition of “Change in Control” is intended to comply with the requirements of Code Section 409A and Treasury Regulations Section 1.409A-3(i)(5), and shall be interpreted and applied by the Administrator in a manner consistent with this intent. For purposes of such definition, “Company” means the Company and any other corporation described in Treasury Regulations Section 1.409A-3(i)(5)(ii)(A).

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

“Committee” shall mean the BRP Committee of Avery Dennison Corporation, as appointed pursuant to Section 6.4, if any.

“Company” shall mean Avery Dennison Corporation and any successor corporation.

“Company Affiliate” shall mean any company which, at the time of reference, was, with respect to the Company, a member of a controlled group of corporations or trades or businesses under common control, or a member of an affiliated service group, as determined under regulations issued by the Secretary under Code Section 414(b) or (c).

“Compensation Committee” shall mean the Compensation and Executive Personnel Committee of the Board.

“Compensation – Unrestricted” of a Participant shall mean his “Compensation,” as defined in the Qualified Plan, but determined without regard to the limitations of Code Section 401(a)(17), without application of the limitation on benefits under Code Section 415 and including the Participant’s deferrals under the Company’s nonqualified deferred compensation program earned on or after the Effective Date or, if later, the date he commenced participation under the Plan.

“Disability” shall mean a medically determinable physical or mental impairment that can be expected to last for a continuous period of not less than six months, where such impairment causes the Employee to be unable to perform the duties of his position or any substantially similar position.

“Effective Date” shall mean the effective date of the Plan, which shall be January 1, 2009. The original effective date of the plan shall mean December 1, 1994.

“Employee” shall mean any person who renders services to the Company in the status of an employee as the term is defined in Code Section 3121(d), excluding: (i) any person retained to render services as an independent contractor; (ii) leased Employees treated as Employees of the Company pursuant to Code Sections 414(n) and 414(o), (iii) employees of an Employer, or (iv) any person whose services with the Company are performed pursuant to a contract or an arrangement that purports to treat the individual as an independent contractor even if such individual is later determined (by judicial action or otherwise) to have been a common law employee of the Company rather than an independent contractor; provided, however, that “Employee” shall also mean any Included Affiliate Employee.

For purposes of this Plan, a United States citizen shall be treated as an employee of the Company if he is employed by a foreign subsidiary of the Company or a Company Affiliate to which there applies an agreement under Section 3121(l) of the Code and if no contributions to a funded plan of deferred compensation (whether or not a plan described in Sections 401(a), 403(a) or 405(a) of the Code) are provided by any other person with respect to the compensation paid to such citizen by the foreign subsidiary, unless otherwise elected by the Vice President, Compensation and Benefits of Avery Dennison Corporation.

“Employer” shall mean the Company, any Company Affiliate that adopts the Plan as a whole or as to any one or more divisions, in accordance with Section 7.3(b), and any successor company which continues the Plan under Section 7.3(a).

“Enrolled Actuary” shall mean the person enrolled by the Joint Board for the Enrollment of Actuaries established under subtitle C of title III of ERISA who has been engaged by the Administrator on behalf of all Participants to make and render all necessary actuarial determinations, statements, opinions, assumptions, reports and valuations under the Plan as required by law or requested by the Administrator.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

“Former Participant” shall mean a Participant who has had a Separation from the Service.

“Included Affiliate Employee” shall mean any person who is employed by a Company Affiliate and would not be an Employee but for the fact that the Vice President, Compensation and Benefits of Avery Dennison Corporation has determined that he be so treated.

“Interest” shall mean the interest rate that is the first segment rate defined in Code Section 417(e)(3)(C) and that is used for purposes of determining an Actuarial Equivalent Lump Sum.

“Joint and Survivor Annuity” shall mean a monthly benefit that is the Actuarial Equivalent of a Participant’s Single Life Annuity and that is payable during the Participant’s lifetime with a designated percentage of the Participant’s monthly benefit amount continuing after his death to his Joint/Contingent Annuitant, if such Joint/Contingent Annuitant survives him, for the Joint/Contingent Annuitant’s remaining lifetime. The last payment shall be made on the first day of the calendar month in which the Participant’s death occurs or, if later, the Joint/Contingent Annuitant’s death.

“Joint/Contingent Annuitant” shall mean the person(s) designated as such by the Participant or the Plan, as applicable, as entitled to receive a portion of the Participant’s Retirement Income following his death.

“Key Employee” shall mean any person determined to be a “Key Employee” under the Avery Dennison Corporation Key Employee Policy; provided that the definition of “Key Employee” in said policy shall be a definition permitted under Code Section 409A and the Treasury Regulations thereunder for purposes of determining who is a “specified employee” and shall be the same for all nonqualified deferred compensation arrangements sponsored by the Employer.

“Lump Sum” shall mean the single sum payment that is Actuarially Equivalent to the Benefit payable as of a specified date. The Lump Sum is a non-Annuity form of payment described under Section 5.2(a).

“Military Leave” shall mean leave subject to reemployment rights under the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended from time to time. Any Employee who leaves the Company or a Company Affiliate directly to perform service in the Armed Forces of the United States or in the United States Public Health Service under conditions entitling him to such reemployment rights shall, solely for the purposes of the Plan and irrespective of whether he is compensated by the Company or such Company Affiliate during such period of service, be presumed an Employee on Military Leave. An Employee’s Military Leave shall expire if such Employee voluntarily resigns from the Company or such Company Affiliate during such period of service, or if he fails to make application for reemployment within the period specified by such laws for the preservation of his reemployment rights. For purposes of computing an Employee’s service, no more than 365 days of service shall be credited for any Military Leave except as required by Treas. Reg. Section 1.410(a) - - 7(b) (6) (iii).

“Normal Retirement Date” shall mean “Normal Retirement Date” as defined in the Qualified Plan.

“Participant” shall mean any person included in the Plan as provided in Article II.

“Payment Event” shall mean the applicable event triggering a payment of vested benefits under the Plan. The applicable event shall be one of the following:

- (a) The Participant’s Separation from Service;
- (b) The Participant’s death; or
- (c) A Change in Control.

“Plan” shall mean the Amended and Restated Benefit Restoration Plan of Avery Dennison Corporation.

“Plan Year” shall be the twelve month period from December 1 through the last day of the following November, including all such years prior to the adoption of the Plan.

“Qualified Benefit” of a Participant for a period of time shall mean the benefit accrued pursuant to Article IV of the Qualified Plan during such period.

“Qualified Benefit – Unrestricted” of a Participant for a Plan Year shall mean his Qualified Benefit for such Plan Year but based upon his Compensation – Unrestricted as defined hereunder.

“Qualified Plan” shall mean the Retirement Plan and the Associate Plan as may be amended from time to time, or any successor plans. The Retirement Plan and the Associate Plan are qualified employer plans as defined under Treasury Regulations Section 1.409A-1(a)(2).

“Retirement Plan” shall mean The Retirement Plan for Employees of Avery Dennison Corporation as in effect on or after June 1, 2002, as may be amended from time to time, and any successor plan thereto.

“Rules of the Plan” shall mean rules adopted by the Administrator pursuant to Section 6.1 for the administration, interpretation or application of the Plan.

“Separation from Service” of an Employee shall mean, except as provided in subsections (a) and (b), an Employee’s termination from employment (whether by retirement or resignation from or discharge by the Company or a Company Affiliate), but not his transfer among the Company and Company Affiliates.

- (a) If an Employee is absent from employment due to a sick leave, any other bona fide leave of absence authorized by the Company or a Company Affiliate in accordance with established policies, or a Military Leave, a Separation from Service shall not occur until the later of:
- (i) the expiration of six months from the first date that an Employee is absent from employment, except that if the Participant’s absence was on account of his Disability, 24 months shall be substituted for six months, and
 - (ii) to the extent the Employee no longer retains a right to reemployment with the Company or any Company Affiliates under an applicable statute or by contract, the date the Employee no longer retains a right to reemployment.

If a Participant fails to return to work upon the expiration of any sick leave, bona fide leave of absence or Military Leave where such leave is for less than six months, a Separation from Service shall occur as of the date of the expiration of such leave.

- (b) A Separation from Service shall be deemed to have occurred if an Employee and the Company or Company Affiliates reasonably anticipate, based on the facts and circumstances, that either:
- (i) the Employee will not provide any additional services for the Company and the Company Affiliates after a certain date, or
 - (ii) the level of bona fide services performed by the Employee after a certain date will permanently decrease to no more than 20 percent of the average level of bona fide services performed by the Employee over the immediate preceding 36-month period.

The definition of “Separation from Service” shall at all times be interpreted in accordance with the terms of Treasury Regulations Section 1.409A-1(h) and any guidance issued thereunder.

“Single Life Annuity” shall mean a benefit payable monthly during the Participant’s lifetime, commencing as of his Benefit Commencement Date and ending with the payment due on the first day of the calendar month in which the Participant’s death occurs.

“Treasury Regulations” shall mean the regulations promulgated by the United States Department of Treasury pursuant to the Code.

“2004 Average Compensation – Unrestricted” of a Participant shall mean his “2004 Average Compensation” as defined in the Qualified Plan but based on Compensation – Unrestricted.

“2008 Transition Election” shall mean an election made in 2008 by a Participant who has not received or commenced to receive Benefits before December 31, 2008.

- (a) In such election the Participant shall elect, or be deemed to have elected (as described in (b) and (c) below), a time and a form of payment for Benefits payable in 2009 or later.
- (b) If, before January 1, 2009, a Participant to whom was distributed a blank 2008 Transition Election form, does not return the form, or fails to select a valid time of payment as determined by the Company in its sole discretion, then such Participant’s Benefits will be paid or commence pursuant to the following deemed election:
- (i) If the Payment Event is a Separation from Service and the Participant is an Employee on December 31, 2008, his Benefits shall be paid or commence to be paid on the later of the first day of the month following his Separation from Service or the first day of the month coincident with or following the date the Participant attains age 55;
 - (ii) If the Participant is not an Employee on December 31, 2008 because he has already had a Separation from Service and he has not attained age 55, his Benefits shall be paid or commence to be paid on the later of July 1, 2009 and the date he attains age 55; and
 - (iii) If the Participant is not an Employee on December 31, 2008 because he has already had a Separation from Service and he has attained age 55, his Benefits shall be paid or commence to be paid on July 1, 2009.
- (c) If, before January 1, 2009, a Participant to whom was distributed a blank 2008 Transition Election form, does not return the form, or fails to select a valid form of payment as determined by the Company in its sole discretion, he shall be deemed to have elected to receive and shall receive his Benefits in a Lump Sum.

“Vested Benefit” of a Participant on a given date shall mean the Benefit provided hereunder if the Participant were to have a Separation from the Service on such date with a “Vested Retirement Benefit” under the Qualified Plan.

ARTICLE II – ELIGIBILITY

Section 2.1 — Requirements for Participation

Only those Employees who satisfy criteria set by the Administrator from time to time, shall be Participants. Such criteria are set forth in Appendix A, which may be updated from time to time without formal amendment of the Plan. Each of the Administrator, the Board, the Compensation Committee, the Committee or the CEO shall have the power to change or revoke such criteria hereunder in its sole discretion on a prospective basis, and any such change or revocation shall be binding and final on all Employees, Beneficiaries and other interested persons.

ARTICLE III — FUNDING OF BENEFITS

Section 3.1 — Source of Benefits

The Plan shall be an unfunded promise of the Company and the Employers to make payments in accordance with its terms. All benefits payable under the Plan shall be paid from the Company's general assets, and nothing contained in the Plan shall require the Company to set aside or hold in trust any funds for the benefit of a Participant or his Beneficiary, each of whom shall have the status of a general unsecured creditor with respect to the Company's obligation to make payments under the Plan. Any funds of the Company available to pay benefits under the Plan shall be subject to the claims of general creditors of the Company and may be used for any purpose by the Company. Notwithstanding the foregoing, the Company, in its sole discretion, shall have the authority to allocate the total liability to pay any benefit under the Plan to any applicable Employer as it deems appropriate.

ARTICLE IV – BENEFITS

Section 4.1 — Determination of Benefits

Unless otherwise described in Appendix B, a Participant's Benefit shall be the sum of

(a) for each Participant who, as of December 1, 2004, is entitled to accrue a benefit under the Plan and is a "Participant" under the Qualified Plan, the excess of

(i) the greater of:

a one hundred and five percent of the sum of

1 his Qualified Benefit (using the "Formula Amount" under Supplement B of the Associate Plan and Supplement E of the Retirement Plan (as applicable)) and

2

the product of

A one and three-quarters percent,

B his years of Benefit Service, and

C the excess of

I _____ his Compensation-Unrestricted, over

II his "Compensation" (as defined under the Qualified Plan),

all as of November 30, 2004; or

b

the sum of

1 the product of

A the sum of

I one and one-quarter percent of his "2004 Average Compensation" (as defined under the Qualified Plan), and

II one-half of one percent of that portion of his "2004 Average Compensation" (as defined under the Qualified Plan), as exceeds his "Covered Compensation" (as defined under the Qualified Plan), and

B his years of "Benefit Service" (as defined in the Qualified Plan) as of November 30, 2004, not in excess of 35, and

2 the product of

A one and one-quarter percent of his "2004 Average Compensation" (as defined under the Qualified Plan), and

B his years of "Benefit Service" (as defined in the Qualified Plan) as of November 30, 2004 in excess of 35, and

3

the product of

A one and three-quarters percent,

B his years of Benefit Service, and

C the excess of

I _____ his 2004 Average Compensation-Unrestricted, over

II his "2004 Average Compensation" (as defined under the Qualified Plan),

• ver

(ii) his Qualified Benefit as of December 1, 2004; and

(b) for each Plan Year beginning on or after December 1, 2004 and for which the Participant is entitled to accrue a benefit under the Plan, the excess of

(i) his Qualified Benefit – Unrestricted accrued for such Plan Year,

• ver

(ii) his actual Qualified Benefit accrued for such Plan Year,

but not less than zero.

If a Participant is not credited with an Hour of Service as a Participant for any period commencing on or after December 1, 2004, his Benefit under the Plan shall be calculated under Section 4.1 of the Plan as in effect before December 1, 2004.

Section 4.2 Normal Retirement Benefit

To the extent a Participant's Benefit Commencement Date is upon his Normal Retirement Date, the Participant's Vested Benefit shall be equal to the Benefit set forth in Section 4.1.

Section 4.3 Early Commencement of Benefit

To the extent a Participant's Benefit Commencement Date is before the date the Participant attains his Normal Retirement Date, the Participant's Vested Benefit shall equal the Benefit described in Section 4.1 determined as of the Participant's Normal Retirement Date reduced for early commencement in accordance with the early retirement reduction factors that would apply to the Qualified Benefit if the Qualified Benefit were to commence as of the Benefit Commencement Date, provided the Participant's Benefit Commencement Date is no earlier than the date the Participant attains age 55. If a Participant's Benefit Commencement Date is before the date the Participant attains age 55 and the Participant is entitled to be paid in a Lump Sum, then the Participant's Lump Sum Benefit shall be Actuarially Equivalent to the Benefit described in Section 4.1 payable upon the first day of the month coincident with or next following the date the Participant attains age 62, taking into account the applicable early commencement factors that would be applied to the Qualified Benefit if the Qualified Benefit were to commence as of such date.

Section 4.4 Late Commencement of Benefit

To the extent a Participant's Benefit Commencement Date is after the date the Participant attains his Normal Retirement Date, the Participant's Vested Benefit shall equal the Benefit described in Section 4.1 adjusted in the same as manner and to the extent (if any) an adjustment would be applied to the Qualified Benefit if the Qualified Benefit were to commence at the same time.

Section 4.5 Death Benefit

To the extent a Vested Benefit is first payable due to the death of the Participant, the Benefit payable under the Plan shall be the Actuarial Equivalent amount of the Benefit that would be payable if the Participant had attained age 62 (or his actual age if later), commenced his Benefit in the form of a 50% Joint and Survivor Annuity, and then died.

ARTICLE V — PAYMENT OF BENEFITS

Section 5.1 — Time of Payment

- (a) Except as otherwise provided for under the terms of the Plan, the Participant shall be entitled to a payment of his Vested Benefit as of the earlier of Separation from Service or Change in Control.
- (i) If a Benefit is payable with respect to Separation from Service, the Participant's Benefit Commencement Date shall be the later of:
- a. The first day of the month following the date of Separation from Service, and
 - b. The first day of the month coincident with or following the date he attains age 55.
- (ii) If a Benefit is payable with respect to Change in Control, the Participant's Benefit Commencement Date shall be the first day of the month following the Change in Control.
- (b) Notwithstanding the requirements of Section 5.1(a) and, if applicable, 5.1(c), to the extent a Participant is a Key Employee and is entitled to a payment as a result of a Separation from Service, the Participant's Benefit Commencement Date shall be the first day of the month coincident with or next following the date that is six months after the Participant's Separation from Service, unless an earlier payment complies with a permissible Code Section 409A exception (*e.g.*, the payment of employment taxes). At the end of such six-month period, the Plan shall provide the Participant with a one-time payment equal to the amount the Participant would have been entitled to receive if his Benefit Commencement Date had been the first day of the month following his Separation from Service, together with Interest.
- (c) Notwithstanding the terms of Section 5.1(a), a Participant who had not received or commenced to receive Benefits as of December 31, 2008, was permitted to make a 2008 Transition Election with respect to a time of payment for the Participant's Benefit payable upon Separation from Service, and the Participant's Benefit shall be paid in accordance with the elected, or deemed elected, time of payment, if he has a Separation from Service except if the Participant is subject to the time of payment restriction set forth under Section 5.2(c). On and after January 1, 2009, a Participant shall not be permitted to elect a Benefit Commencement Date, except as provided with respect to the election permitted under Section 5.2(c).

Section 5.2 – Form of Payment

- (a) Except as provided under the terms of the Plan, a Participant's Benefit shall be paid in the form of a Lump Sum, determined with respect to the applicable Benefit Commencement Date.
- (b) Notwithstanding the terms of Section 5.2(a), a Participant who had not received or commenced to receive Benefits as of December 31, 2008, was permitted to make a 2008 Transition Election with respect to the form of payment for the Participant's Benefit payable upon

Separation from Service, and the Participant's Benefit shall be paid in accordance with the elected, or deemed elected, form of payment if he has a Separation from Service, except if the Participant elects a form of payment under Section 5.2(c).

- (c) On and after January 1, 2009, a Participant whose benefit is payable due to a Separation from Service may elect to have his Vested Benefit paid in an Annuity form of payment set forth in Section 5.2(e) below, or in a Lump Sum if he elected an Annuity in a 2008 Transition Election, provided:
- (i) the Participant shall be required to make such election in writing at least 12 months before his Benefit Commencement Date, and
 - (ii) with respect to any payment based on a Separation from Service, the Participant reschedules his Benefit Commencement Date to a date that is no earlier than the fifth anniversary of the Benefit Commencement Date upon which the Participant's Benefit would have otherwise been paid or commenced to be paid.

A Participant's election pursuant to this subsection (c) shall become irrevocable as of the date that is 12 months before the Participant's Separation from Service. To the extent a Participant elects any optional form of payment within 12 months of his Separation from Service, such optional form of payment election will be deemed invalid.

- (d) Notwithstanding anything in the Plan to the contrary, to the extent a Participant has made an irrevocable election with respect to an Annuity under Section 5.2(c), the Participant may at any time before his Benefit Commencement Date elect any other Annuity described under Section 5.2(e)(i)-(vii) Any election properly made under this subsection (d) shall become irrevocable as of the Participant's Benefit Commencement Date.
- (e) By submitting a valid irrevocable election, a Participant's Benefit may commence in one of the following optional forms of payment:

Annuity Forms of Payment:

- (i) Single Life Annuity

- (ii) 50% Joint and Survivor Annuity
- (iii) 75% Joint and Survivor Annuity
- (iv) 100% Joint and Survivor Annuity

- (v) 5 Year Certain and Life Annuity

- (vi) 10 Year Certain and Life Annuity
- (vii) 15 Year Certain and Life Annuity
- (viii) Social Security Level Income Option

All such optional forms of payment shall have the same meaning as set forth in the Qualified Plan. Except as provided under the terms of the Plan, all such optional forms of payment shall be calculated in the same manner and using the same actuarial factors as apply under the Qualified Plan for the applicable form.

Section 5.3 – Time and Form of Payment for Death Benefits

Notwithstanding anything set forth in Section 5.1 or Section 5.2 to the contrary, if a Benefit is first payable upon the Participant's death, the amount of the Benefit described under Section 4.5 shall be paid to the Participant's Beneficiary in the form of a Lump Sum. The Beneficiary's Benefit Commencement Date shall be the first day of the fourth month following the Participant's date of death. To the extent a Participant dies after another Payment Event has occurred, but before his Benefit Commencement Date, the Benefit shall be accelerated and the amount described under Section 4.5 shall be paid to the Beneficiary in a Lump Sum, as permitted under Code Section 409A and the Treasury Regulations thereunder.

Section 5.4 – Benefit Cashout

- (a) De Minimis Cashout. Notwithstanding the time and form of payment determined pursuant to this Article V, if the Actuarially Equivalent Lump Sum present value of all nonaccount balance nonqualified plan benefits is less than the Code Section 402(g) limit as of the Participant's Separation from Service, the Company shall pay the Participant the entire Benefit in a Lump Sum; provided, all of the Participant's nonaccount balance nonqualified plan benefits are also paid in a lump sum as of the same date.
- (b) Large Cashout. If the combined Actuarially Equivalent Lump Sum present value of the Benefit and, if applicable, the Participant's benefit under the Supplemental Executive Retirement Plan is less than or equal to \$50,000 as of the Participant's Benefit Commencement Date, the Company shall pay the Participant (or Beneficiary) the entire Benefit (or death benefit) in a Lump Sum; provided, the Participant's Supplemental Executive Retirement Plan benefit is also to be paid in a Lump Sum as of the same date.

Section 5.5 – Other Permissible Delays or Accelerations

If the Board, Compensation Committee or CEO determines that a delay or an acceleration of a Benefit is appropriate and complies with the requirements under Code Section 409A (e.g., a delay to comply with Code Section 162(m) or an acceleration to pay employment taxes), the Board, Compensation Committee or CEO may either delay or accelerate the payment of a Benefit in accordance with the terms of Code Section 409A in its sole discretion as it deems advisable. If any payment is delayed in accordance with this provision, the Company shall pay such delayed payments with interest.

Section 5.6 — Forfeitures

If a Participant has a Separation from the Service while all or any portion of his Benefit is not a Vested Benefit, such portion of his Benefit shall immediately be forfeited. In addition, if a Participant dies while unmarried before any scheduled Benefit Commencement Date, all Benefits payable in respect of the Participant shall be forfeited.

ARTICLE VI — ADMINISTRATIVE PROVISIONS

Section 6.1 – Administrator’s Duties and Powers

- (a) The Administrator shall conduct the general administration of the Plan in accordance with the Plan and shall have all the necessary power and authority to carry out that function. Among its necessary powers and duties are the following:
- (i) To delegate all or part of its function as Administrator to others and to revoke any such delegation.
 - (ii) To determine questions of vesting of Participants and their entitlement to benefits, subject to the provisions of Section 6.11.
 - (iii) To select and engage attorneys, accountants, actuaries, appraisers, brokers, consultants, administrators, physicians, the Committee under Section 6.4, or other persons to render service or advice with regard to any responsibility the Administrator or the Board has under the Plan, or otherwise, to designate such persons to carry out fiduciary responsibilities under the Plan, and (with the Committee, the Companies, the Board and its officers, and Employees) to rely upon the advice, opinions or valuations of any such persons, to the extent permitted by law, being fully protected in acting or relying thereon in good faith.
 - (iv) To interpret the Plan for purpose of the administration and application of the Plan, in a manner not inconsistent with the Plan or applicable law and to amend or revoke any such interpretation.
 - (v) To conduct claims procedures as provided in Section 6.11
 - (vi) To adopt Rules of the Plan that are not inconsistent with the Plan or applicable law and to amend or revoke any such rules.
- (b) Every finding, decision and determination made by the Administrator shall, to the full extent permitted by law, be final and binding upon all parties, except to the extent found by a court of competent jurisdiction to constitute an abuse of discretion.

Section 6.2 — Limitations Upon Power

The Plan shall be uniformly and consistently administered, interpreted and applied with regard to all Participants in similar circumstances. The Plan shall be administered, interpreted and applied fairly and equitably and accordance with the specified purposes of the Plan.

Section 6.3 — Final Effect of Administrator Action

Except as provided in Section 6.11, all actions taken and all determinations made by the Administrator in good faith shall be final and binding upon all Participants and any person interested in the Plan.

Section 6.4 — Committee

The Administrator may, but need not, appoint a BRP Committee consisting of three or more members to hold office during the pleasure of the Administrator. The Committee shall have such powers and duties as are delegated to it by the Administrator. Committee members shall not receive payment for their services as such.

Section 6.5 – Resignation

A Committee member may resign at any time by delivering written notice to the Administrator.

Section 6.6 — Vacancies

Vacancies in the Committee shall be filled by the Administrator.

Section 6.7 — Majority Rule

The Committee shall act by a majority of its members in office; provided, however, that the Committee may appoint one of its members or a delegate to act on behalf of the Committee on matters arising in the ordinary course of administration of the Plan, or on specific matters.

Section 6.8 — Indemnification by the Company; Liability Insurance

- (a) The Company shall pay or reimburse any of the Company’s officers, directors, Committee members or Employees who are fiduciaries with respect to the Plan for all expenses incurred by such persons in, and shall indemnify and hold them harmless from, all claims, liability and costs (including reasonable attorneys’ fees) arising out of the good faith performance of their fiduciary functions.
- (b) The Company may obtain and provide for any such person, at the Company’s expense, liability insurance against liabilities imposed on him by law.

Section 6.9 — Recordkeeping

- (a) The Administrator shall maintain suitable records as follows:

- (i) Records of each Participant's individual Benefit.
 - (ii) Records which show the operations of the Plan during each Plan Year.
 - (iii) Records of the Administrator's deliberations and decisions.
- (b) The Administrator shall appoint a secretary, and at its discretion, an assistant secretary, to keep the record of proceedings, to transmit its decisions, instructions, consents or directions to any interested party, to execute and file, on behalf of the Committee, such documents, reports or other matters as may be necessary or appropriate to perform ministerial acts.
- (c) The Administrator shall not be required to maintain any records or accounts, which duplicate any records or accounts maintained by the Company.

Section 6.10 — Inspection of Records

Copies of the Plan and records of a Participant's Benefit shall be open to inspection by him or his duly authorized representatives at the office of the Administrator at any reasonable business hour.

Section 6.11 — Claims Procedure

The claims procedures hereunder shall be in accordance with the claims procedures set forth in the Qualified Plan; provided that for purposes of the claims procedure under this Plan, the review official described in the Qualified Plan shall be the President of the Company.

Section 6.12 — Conflicting Claims

The procedures for the resolution of conflicting claims by the Committee shall be in accordance with the procedures set forth in the applicable section of the Qualified Plan.

Section 6.13 — Service of Process

The Secretary of Avery Dennison Corporation is hereby designated as agent of the Plan for the service of legal process.

ARTICLE VII — MISCELLANEOUS PROVISIONS

Section 7.1 — Amendment, Termination or Suspension of the Plan

- (a) The Plan may be amended or terminated by the Board or the Compensation Committee at any time; the CEO may amend the Plan at any time. Such amendment or termination may modify or eliminate any benefit hereunder other than a benefit or a portion of a benefit that is a Vested Benefit. Notwithstanding the foregoing, neither the Board, the Compensation Committee nor the CEO may amend or terminate the Plan in a manner that violates the applicable provisions of Code Section 409A and the Treasury Regulations thereunder, including, but not limited to, the applicable time and form of payment requirements set forth in Treasury Regulations Section 1.409A-2(b), the applicable prohibitions on accelerations set forth in Treasury Regulations Section 1.409A-3(j), and the plan termination and liquidation provisions set forth in Treasury Regulations Section 1.409A-3(j)(4)(ix).
- (b) If the Board determines that payments under the Plan would jeopardize the ability of the Company to continue as a going concern in accordance with Treasury Regulations Section 1.409A-3(d), the Board may suspend payments under the Plan temporarily for such time as in its sole discretion it deems advisable; provided, the payments shall resume no later than the first taxable year in which the Company determines that making such payments would not jeopardize the ability of the Company to continue as a going concern. The Company shall pay such suspended payments immediately upon the expiration of the period of suspension together with Interest.
- (c) The Plan is intended to provide benefits for a "select group of management or highly compensated employees" within the meaning of Sections 201, 301 and 401 of ERISA, and therefore to be exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Accordingly, the Plan shall terminate and, except for benefits or portions of benefits that have vested, no further benefits shall be paid hereunder in the event it is determined by a court of competent jurisdiction or by an opinion of the Company's regular outside employee benefits counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA which is not so exempt.

Section 7.2 — Limitation on Rights of Employees

The Plan is strictly a voluntary undertaking on the part of the Company and shall not constitute a contract between the Company and any Employee, or consideration for, or an inducement or condition of, the employment of an Employee. Nothing contained in the Plan shall give any Employee the right to be retained in the service of the Company or to interfere with or restrict the right of the Company, which is hereby expressly reserved, to discharge or retire any Employee, except as provided by law, at any time without notice and with or without cause. Inclusion under the Plan will not give any Employee any right or claim to any benefit hereunder except to the extent such right has specifically become fixed under the terms of the Plan and there are funds available therefore in the hands of the Company. The doctrine of substantial performance shall have no application to Employees, Participants or any other persons entitled to payments under the Plan. Each condition and provision, including numerical items, has been carefully considered and constitutes the minimum limit on performance, which will give rise to the applicable right.

Section 7.3 — Plan Binding in Event of Consolidation or Merger; Adoption of Plan by Other Companies

- (a) In the event of the consolidation or merger of a Company with or into any other corporation, this Plan shall be binding on such new corporation.
- (b) Any Company Affiliate may, with the approval of the Board, the Compensation Committee or the CEO, adopt the Plan as a whole

company or as to any one or more divisions by resolution of its own board of directors or agreement of its partners in order to become an Employer. Such Company Affiliate shall give written notice of such adoption to the Committee by its duly authorized officers.

Section 7.4 — Assignments, etc. Prohibited

- (a) Except for the withholding of any tax under the laws of the United States or any state or locality, no part of a Participant's Benefit hereunder shall be liable for the debts, contracts or engagements of any Participant, his Beneficiaries or successors in interest, or be taken in execution by levy, attachment or garnishment or by any other legal or equitable proceeding prior to distribution, nor shall any such person have any rights to alienate, anticipate, commute, pledge, encumber or assign any Benefits or payments hereunder in any manner whatsoever except to designate a Beneficiary as provided herein.
- (b) Notwithstanding the foregoing, payment may be made from a Participant's Benefit to an alternate payee pursuant to an approved domestic relations order as permitted under Treasury Regulations Sections 1.409A-2(b)(4) and 1.409A-3(j)(4)(ii).
 - (i) The Company shall establish reasonable procedures for reviewing court orders made, pursuant to state domestic relations law (including a community property law), relating to child support, alimony payments, or marital property rights of a spouse, former spouse, child, or other dependent of a Participant and for notifying Participants and alternate payees of the receipt of such orders and of the Plan's procedures for determining if the orders are approved domestic relations orders and for administering distributions under approved domestic relations orders.
 - (ii) Except as may otherwise be required by applicable law, such domestic relations orders may not require a retroactive transfer of all or part of a Participant's Benefit.

Section 7.5 — Errors and Misstatements

Only to the extent permitted under Code Section 409A and any correction program that may be issued thereunder, in the event of any misstatement or omission of fact by a Participant to the Committee or any clerical error resulting in payment of benefits in an incorrect amount, the Committee shall promptly cause the amount of future payments to be corrected upon discovery of the facts and shall cause the Company to pay the Participant or any other person entitled to payment under the Plan any underpayment in cash in a lump sum or to recoup any overpayment from future payments to the Participant or any other person entitled to payment under the Plan in such amounts as the Committee shall direct or to proceed against the Participant or any other person entitled to payment under the Plan for recovery of any such overpayment.

Section 7.6 — Payment on Behalf of Minor, Etc.

In the event any amount becomes payable under the Plan to a minor or a person who, in the sole judgment of the Committee is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Committee may direct that such payment be made to any person found by the Committee in its sole judgment, to have assumed the care of such minor or other person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Company, the Board, the Committee and their officers, directors and employees.

Section 7.7 — Governing Law

This Plan shall be construed, administered and governed in all respects under and by applicable federal laws and, where, state law is applicable, the laws of the State of California.

Section 7.8 — Pronouns and Plurality

The masculine pronoun shall include the feminine pronoun, and the singular the plural where the context so indicates.

Section 7.9 — Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

Section 7.10 — References

Unless the context clearly indicates to the contrary, a reference to a statute, regulation or document shall be construed as referring to any subsequently enacted, adopted or executed statute, regulation or document.

Section 7.11 — Effective Date

The Plan was approved by the Compensation Committee and ratified by the Board on December 4, 2008, and the Plan is effective as of that date.

APPENDIX A PARTICIPATION CRITERIA

Participation in the Plan shall be limited to Employees of the Company or any Employers, selected by the Administrator, who satisfy the following criteria:

1. Employees whose Compensation, as determined under Section 4.1(a)(i) 1 and 2 of this Plan, exceeds the limitations of Code Section 401(a)(17) (the \$150,000 annual limit adjusted for increases in the cost of living) (\$230,000 for the Plan Year beginning December 1, 2008), and as amended thereafter.
2. Effective December 1, 1998, Employees who participate in the Company's non-qualified deferred compensation program, regardless

of whether they satisfy criterion 1. above.

3. Present or former employees of the Company (or any present or former direct or indirect subsidiary) listed on Appendix B.

The criteria in this Appendix may be changed or revoked by the Administrator, the Board, the Compensation Committee, the Committee or the CEO at any time and without formal amendment, as provided under Section 2.1 of the Plan.

APPENDIX B — SPECIAL BENEFIT SCHEDULE

Notwithstanding any provisions of the Plan to the contrary, the following individuals shall receive the following indicated benefits under the Plan:

<u>Recipient</u>	<u>Benefit</u>
Nelson Gifford	\$3,858.57 per month for life, commencing June 1, 2001

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT is entered into by and between Avery Dennison Corporation, a Delaware corporation (the “Company”) and ___(the “Executive”), effective as of ___.

The Board of Directors of the Company (the “Board”) has determined that it is in the best interests of the Company and its shareholders to enter into an Employment Agreement with Executive to assure that the Company will have the continued dedication of the Executive. The Board further believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control (as defined below) and to encourage the Executive’s full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and has therefore determined to extend the term of the employment period upon a Change of Control to provide the Executive with compensation and benefits arrangements upon a Change of Control which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Employment Agreement.

This Agreement contains the entire agreement between the parties with respect to the matters specified herein and supersedes all prior oral and written employment agreements, understandings and commitments between the Company and Executive.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions

(a) The “Effective Date” shall mean the date hereof, which is set forth in the first paragraph of this Agreement.

(b) The “Employment Period” shall mean the period commencing on the Effective Date and ending on the first anniversary of the Effective Date; provided, however, that commencing on the first day of the month next following the Effective Date and on the first day of each month thereafter prior to a Change of Control (the most recent of such dates is hereinafter referred to as the “Renewal Date”), the Employment Period shall be automatically extended so as to terminate on the earlier of the first anniversary of such Renewal Date or (ii) the Executive’s “Normal Retirement Age” as such concept is defined under the Company sponsored qualified retirement plan, unless the Company or Executive shall give notice to the other that the Employment Period shall not be further extended prior to any such Renewal Date. Notwithstanding the foregoing or any of the provisions of this Agreement to the contrary, if a Change of Control (as defined in Section 2) occurs, the Employment Period shall be automatically extended so as to terminate on the earlier of three years from the date on which the Change of Control occurs or the Executive’s Normal Retirement Age.

If the Executive’s employment with the Company is terminated prior to the date on which a Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the “Employment Period” for such Executive shall be the earlier of three years from the date of such termination of employment or the Executive’s Normal Retirement Age.

2. Change of Control

Change of Control. “Change of Control” means “a change in the ownership or effective control,” or in “the ownership of a substantial portion of the assets of” the Company, within the meaning of Code Section 409A, and shall include any of the following events as such concepts are interpreted under Code Section 409A:

(i) the date on which a majority of members of the Company’s Board of Directors is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company’s Board of Directors before the date of the appointment or election; or

(ii) the acquisition, by any one person, or by a corporation owned by a group of persons that has entered into a merger, acquisition, consolidation, purchase, stock acquisition, asset acquisition, or similar business transaction with the Company, of:

A. ownership of stock of the Company, that, together with any stock previously held by such person or group, constitutes more than fifty percent (50%) of either (i) the total fair market value or (ii) the total voting power of the stock of the Company;

B. ownership of stock of the Company possessing percent (30%) or more of the total voting power of the Company, during the twelve-month period ending on the date of such acquisition; or

C. assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company during the twelve-month period ending on the date of such acquisition; provided, however, that any transfer of assets to a related person as defined under Section 409A shall not constitute a Change of Control.

3. Employment Period

The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the “Effective Date” and continuing during the “Employment Period,” as defined in Sections 1(a) and (b) above.

4. Terms of Employment

(a) **Position and Duties**

(i) During the Employment Period, the Executive's position (including titles), authority, duties and responsibilities shall be at least commensurate with the most significant of those held, exercised and assigned to the Executive at any time during the 120-day period immediately preceding the Effective Date.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation

(i) Base Salary

During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary") which shall be paid at a monthly rate at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase, and the term "Annual Base Salary" as utilized in this Agreement shall refer to Annual Base Salary as so increased; provided, however, that Executive's Annual Base Salary may be reduced prior to a Change of Control as part of any general, across the board salary reduction which applies in a comparable manner to other officers or senior executives of the Company, but not by more than ten percent (10%) (unless Executive agrees to accept a larger reduction) during any calendar year. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus

In addition to Annual Base Salary, the Executive shall be eligible to receive, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") under the Company's Executive Leadership Compensation Plan or Senior Executive Incentive (Leadership) Compensation Plan, or any comparable bonus under any successor plan (such plans, collectively, the "Annual Bonus Plans"), including any Annual Bonus which has been earned but deferred. After a Change of Control, the Executive shall be awarded for each fiscal year ending during the Employment Period an Annual Bonus in cash at least equal to the Executive's average Annual Bonus for the last three full fiscal years prior to the Change of Control (annualized in the event that the Executive was not employed by the Company for the whole of such fiscal year) (the "Recent Annual Bonus"). Each such Annual Bonus shall be paid no later than two and one-half (2 1/2) months after the end of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall make a timely election to defer the receipt of such Annual Bonus pursuant to a Company sponsored deferred compensation plan.

(iii) Incentive, Savings and Retirement Plans

During the Employment Period, the Executive shall be entitled to participate in all incentive, savings, retirement, deferral (including the plans described in Section 6(a)(v) below), and nonqualified supplemental pension (including the Benefit Restoration Plan) plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies. In no event shall such plans, practices, policies and programs provide the Executive after a Change of Control with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, which are less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, those provided generally at any time after the Change of Control to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans

During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies. In no event shall such plans, practices, policies and programs provide the Executive after a Change of Control with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, those provided generally at any time after the Change of Control to other peer executives of the Company and its affiliated companies.

(v) Expenses

During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies, practices and procedures of the Company and its affiliated companies in effect for the Executive from time to time. After a Change of Control, such reimbursement shall be made in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately

preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits

During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, if applicable, tax and financial planning services, payment of club dues, and automobile lease and payment of related expenses, in accordance with the plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive from time to time. After a Change of Control, such fringe benefits shall be provided in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Office and Support Staff

During the Employment Period, the Executive shall be entitled to an office and support staff in accordance with the practices and policies of the Company and its affiliated companies in effect for the Executive from time to time. After a Change of Control, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(viii) Vacation

During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the plans, policies, programs and practices of the Company and its affiliated companies in effect for the Executive from time to time. After a Change of Control, the Executive shall be entitled to vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Change or Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment

(a) Death or Disability

The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties with or without reasonable accommodation. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for a period of (i) ninety (90) consecutive calendar days or (ii) an aggregate of one hundred fifty (150) calendar days in any fiscal year of the Company as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (subject to compliance with all applicable laws).

(b) Cause

The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a notice that the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) Good Reason

The Executive's employment may be terminated by the Executive during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean a "separation from service for good reason" as set forth in Code Section 409A, which shall mean that, without the express written consent of the Executive, one or more of the following shall have occurred without being timely remedied in the manner set forth below:

- (i) A material diminution in the Executive's base compensation (except as provided for herein).
- (ii) A material diminution in the Executive's authority, duties, or responsibilities.
- (iii) A material diminution in the authority, duties, or responsibilities of the supervisor to whom the Executive is required to report.
- (iv) A material change in the geographic location at which the Executive must perform the services.
- (v) Any other action or inaction that constitutes a material breach by the Company of the agreement under which the Executive provides services.

The Executive shall have "Good Reason" in connection with any or all of the above solely if (A) the Executive provides notice to the Company of the existence of the particular condition, action or inaction which the Executive considers to give the Executive "Good Reason" within ninety (90) days of the initial existence of the condition, or the action or inaction, and (B) the Company shall not have remedied the condition, action or inaction within thirty (30) days of its receipt of the Executive's notice. The effective date of any termination for "Good Reason" shall be no later than twelve (12) months after the initial existence of such condition, action or inaction constituting "Good Reason."

(d) Notice of Termination

Any termination during the Employment Period by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination

"Date of Termination" means "termination of service" as such term is defined under Code Section 409A and shall be (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the effective date of termination specified in the Notice of Termination, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death or Disability, the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination

(a) Good Reason; Other Than for Cause, Death or Disability.

If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination an amount equal to the present value, determined in accordance with Section 280G(d)(4) of the Internal Revenue Code of 1986, as amended (the "Code"), of the aggregate of the following amounts under A, B and C below ; provided however that some or all of such payment shall be delayed if necessary to comply with Code Section 409A as provided in Section 12..

A. the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid ("Accrued Obligation"); and

B. (a) if the Date of Termination occurs prior to a Change of Control, the amount equal to the product of (1) one and (2) the Executive's highest combined Annual Base Salary and Annual Bonus during any of the last three full fiscal years prior to the Date of Termination, or (b) if the Date of Termination occurs after a Change of Control (or the Executive's Employment Period is extended to three years under the last paragraph of Section 1(b)), the amount equal to the product of (1) three (or the number of years, including partial years, until the end of the Employment Period, if less) and (2) the Executive's highest combined Annual Base Salary and Annual Bonus during any of the last three full fiscal years prior to the Date of Termination, plus the product of (x) (i) if a Change of Control does not occur during the fiscal year which includes the Date of Termination, the highest Annual Bonus paid to the Executive during the three (3) year period ending on the Date of Termination or (ii) if a Change of Control does occur during the fiscal year which includes the Date of Termination, the higher of (I) the Recent Annual Bonus and (II) the Annual Bonus paid or payable, including any bonus or portion thereof which has been earned but deferred (and annualized for any fiscal year consisting of less than twelve full months or during which the Executive was employed for less than twelve full months), for the most recently completed fiscal year during the Employment Period, if any (such higher amount being referred to as the "Highest Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365; and

C. an amount equal to the difference between (a) the aggregate benefit under the Company's qualified defined benefit retirement plans (collectively, the "Retirement Plan") and any excess or supplemental defined benefit retirement plans (including the Benefit Restoration Plan) in which the Executive participates (collectively, the "SRP") which the Executive would have accrued (whether or not vested) if the Executive's employment had continued for one year (or three years if the Date of Termination occurs after a Change of Control or the Executive's Employment Period is extended to three years under the last paragraph of Section 1(b)) after the Date of Termination, but not after the date on which the Executive attains age 65, and (b) the actual vested benefit, if any, of the Executive under the Retirement Plan and the SRP, determined as of the Date of Termination (with the foregoing amounts to be computed on an actuarial present value basis, based on the assumption that the Executive's compensation in the year (or, if applicable, each of the three years) following such termination would have

been that required by Section 4(b)(i) and Section 4(b)(ii), and using the actuarial assumptions in effect for purposes of computing benefit entitlements under the Retirement Plan and the SRP at the Date of Termination or, following a Change of Control, using actuarial assumptions no less favorable to the Executive than the most favorable assumptions which were in effect for such purposes at any time from the day before the Change of Control through the Date of Termination;

(ii) for one year (or three years if the Date of Termination occurs after a Change of Control or the Executive's Employment Period is extended to three years under the last paragraph of Section 1(b)) after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, subject to compliance with Code Section 409A as provided in Section 12, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families; provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility, and for purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, programs, practices and policies, the Executive shall be considered to have remained employed until one year (or three years if the Date of Termination occurs after a Change of Control or the Executive's Employment Period is extended to three years under the last paragraph of Section 1(b)) after the Date of Termination and to have retired on the last day of such period;

(iii) if the Date of Termination occurs after a Change of Control or the Executive's Employment Period is extended to three years under the last paragraph of Section 1(b), the Company shall, at its sole expense as incurred (but in no event to exceed \$50,000), provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in the Executive's sole discretion and any payments shall be subject to compliance with Section 12;

(iv) within two and one-half (2 1/2) months after the Date of Termination, the Executive shall be entitled to purchase at depreciated book value the automobile (if any) which the Company was providing for the use of such Executive, and to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, practice or policy or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits"); and

(v) the Executive shall be treated, for purposes of the Company's Executive Deferred Compensation Plan, Executive Variable Deferred Compensation Plan, Executive Deferred Retirement Plan, Executive Variable Deferred Retirement Plan, and any successor or similar plans, as if he had one more year of service, and attained an age one year older, than his actual years of service and age as of the Date of Termination; provided, however, that Executive shall be credited with the number of years of service and attained age (in addition to his actual years of service and attained age on the Date of Termination) which are required in order to satisfy the eligibility requirements for "early retirement" benefits and to receive the retirement interest rate under such plans, if the Date of Termination occurs after a Change of Control or the Executive's Employment Period is extended to three years under the last paragraph of Section 1(b).

If the Executive should die while receiving payments pursuant to this Section 6(a), the remaining payments which would have been made to the Executive if he had lived shall be paid to the beneficiary designated in writing by the Executive; or if there is no effective written designation, then to his spouse; or if there is neither an effective written designation nor a surviving spouse, then to his estate. Designation of a beneficiary or beneficiaries to receive the balance of any such payments shall be made by written notice to the Company, and the Executive may revoke or change any such designation of beneficiary at any time by a later written notice to the Company.

(b) Death

If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, after a Change of Control the term "Other Benefits" as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as were in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(c) Disability

If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period in accordance with Section 5(a), this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, after a Change of Control the term "Other Benefits" as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as were in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) Cause; Other than for Good Reason

If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) the Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, or retires at age 65 or thereafter, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Non-exclusivity of Rights

Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement (other than this Agreement) with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement; Offsets

Except as provided in this Section 8, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others.

Executive shall not be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement. However, the amount of any payments and benefits provided for in this Agreement shall be reduced by one hundred percent (100%) of any benefits and earned income (within the meaning of Section 911(d)(2)(A) of the Code) which is earned by the Executive for services rendered to persons or entities other than the Company or its affiliates during or with respect to the Employment Period or, after a Change of Control, during the 36-month period after the Date of Termination. Medical and welfare benefits shall be offset as provided in Section 6(a)(ii).

Not less frequently than annually (by December 31 of each year), the Executive shall account to the Company with respect to all benefits and earned income earned by the Executive which are required hereunder to be offset against payments or benefits received by the Executive from the Company. If the Company has paid amounts in excess of those to which the Executive is entitled (after giving effect to the offsets provided above), the Executive shall reimburse the Company for such excess by December 31 of such year. The requirements imposed under this paragraph shall terminate on December 31 of the calendar year in which the Employment Period ends or, after a Change of Control, December 31 of the calendar year which includes the third anniversary of the Date of Termination.

9. Certain Additional Payments by the Company

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the certified public accounting firm which serves as the Company's auditor immediately prior to the Change of Control (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company or the Executive. In the event that such Accounting Firm declines to act, the Company shall appoint another nationally recognized accounting firm (which is acceptable to the Executive) to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination and, in all events, by the end of the calendar year next following the calendar year in which the Executive pays the Excise Tax. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive and in all events, by the end of the calendar year next following the year in which the Executive pays the Excise Tax..

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than fifteen days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives

such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall defend, indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis (subject to compliance with all applicable laws) and shall defend, indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Confidential Information

The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential business information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted or alleged violation of the provisions of this Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

11. Successors

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

12. Compliance with Code Section 409A

(a) All payments of "nonqualified deferred compensation" (within the meaning of Code Section 409A) are intended to comply with the requirements of Code Section 409A, and shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate any such deferred payment, except in compliance with Code Section 409A, and no amount shall be paid prior to the earliest date on which it is permitted to be paid under Code Section 409A. In the event that the Executive is determined to be a "key employee" (as defined and determined under Code Section 409A) of Company at a time when its stock is deemed to be publicly traded on an established securities market, payments determined to be "nonqualified deferred compensation" payable following termination of employment or Change in Control, to the extent required under Code Section 409A, shall be made no earlier than the earlier of (i) the last day of the sixth (6th) complete calendar month following such termination of employment, or (ii) the Executive's death. Any payment delayed by reason of the prior sentence shall be paid out in a single lump sum on the first day of the month following the end of such required delay period in order to catch up to the original payment

schedule. Notwithstanding anything herein to the contrary, no amendment may be made to this Agreement if it would cause the Agreement or any payment hereunder not to be in compliance with Code Section 409A.

(b) Unless otherwise expressly provided, any payment of compensation by Company to the Executive, whether pursuant to this Agreement or otherwise, shall be made within two and one-half months (2 1/2 months) after the end of the later of the calendar year or the Company's fiscal year in which the Executive's right to such payment vests (i.e., is not subject to a substantial risk of forfeiture for purposes of Code Section 409A). Such amounts shall not be subject to the requirements of subsection (a) above applicable to "nonqualified deferred compensation."

(c) Section (a) above shall not apply to that portion of any amounts payable upon termination of employment which shall qualify as "involuntary severance" under Section 409A because such amount does not exceed the lesser of (1) two hundred percent (200%) of the Executive's annualized compensation from the Company for the calendar year immediately preceding the calendar year during which the Date of Termination occurs, or (2) two hundred percent (200%) of the annual limitation amount under Section 401(a)(17) of the Code (the maximum amount of compensation that may be taken into account for purposes of a tax-qualified retirement plan) for the calendar year during which the Date of Termination occurs.

(d) All benefit plans, programs and policies sponsored by the Company shall comply with all requirements of Code Section 409A or be structured so as to be exempt from the application of Code Section 409A. In particular, all taxable expense reimbursement payments and in kind benefits provided to the Executive shall be structured in compliance with Code Section 409A and reimbursements shall be paid by the Company to the Executive by no later than the end of the calendar year following the calendar year in which the Executive incurs such expenses, and the Executive shall take all actions necessary to claim all such reimbursements on a timely basis to permit the Company to make all such reimbursement payments prior to the end of said period.

(e) Notwithstanding anything in this Agreement to the contrary, to the extent that any payment or benefit constitutes non-exempt "nonqualified deferred compensation" for purposes of Section 409A, and such payment or benefit would otherwise be payable or distributable hereunder by reason of Employee's termination of employment, all references to Employee's termination of employment shall be construed to mean a "separation from service," as defined in Treasury Regulation Section 1.409A-1(h), and Employee shall not be considered to have a termination of employment unless such termination constitutes a "separation from service" with respect to Employee.

13. Miscellaneous

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives subject to compliance with Section 12.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

[to the last address provided
by the Executive]

If to the Company:

Avery Dennison Corporation
150 North Orange Grove Boulevard
Pasadena, California 91103
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(iv) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

14. Arbitration; Attorneys Fees

(a) The parties agree that any disputes, controversies or claims which arise out of or are related to this Agreement, Executive's employment or the termination of his employment, including, but not limited to, any claim relating to the purported validity, interpretation, enforceability or breach of this Agreement, and/or any other claim or controversy arising out of the relationship between the Executive and Company (or the nature of the relationship) or the continuation or termination of that relationship, including, but not limited to, claims that a termination was for Cause or for Good Reason, claims for breach of covenant, breach of an implied covenant of good faith and fair dealing, wrongful termination, breach of contract, or intentional infliction of emotional distress, defamation, breach of right of privacy, interference with advantageous or contractual relations, fraud, conspiracy or other tort or property claims of any kind, which are not settled by agreement between the parties, shall be settled by arbitration in accordance with the then-current Rules of Practice and Procedure for Employment Arbitration ("Rules") of the Judicial Arbitration and Mediation Services, Inc. ("JAMS").

The arbitration shall be before a single arbitrator selected in accordance with the JAMS Rules or otherwise by mutual agreement of the parties. The arbitration shall take place in Los Angeles County, California, unless the parties agree to hold the arbitration at another location. Depositions and other discovery shall be allowed in accordance with the JAMS Rules. The arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the State of California or federal law, or both, as applicable to the claim(s) asserted.

(b) In consideration of the parties' agreement to submit to arbitration all disputes with regard to this Agreement and/or with regard to any alleged contract, or any other claim arising out of their conduct, the relationship existing hereunder or the continuation or termination of that relationship, and in further consideration of the anticipated expedition and the minimizing of expense of this arbitration remedy, the arbitration provisions of this Agreement shall provide the exclusive remedy, and each party expressly waives any right he or it may have to seek redress in any other forum. The arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement, including but not limited to any claim that all or any part of this Agreement is void or voidable. The arbitration shall be final and binding upon the parties.

Either party may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement and to enforce an arbitration award. Except as otherwise provided in this Agreement, both the Company and the Executive agree that neither of them shall initiate or prosecute any lawsuit or administrative action in any way related to any claim covered by this Agreement.

(c) Any claim which either party has against the other party that could be submitted for resolution pursuant to this Section must be presented in writing by the claiming party to the other party within one year of the date the claiming party knew or should have known of the facts giving rise to the claim, except that claims arising out of or related to the termination of the Executive's employment must be presented by him within one year of the Date of Termination. Unless the party against whom any claim is asserted waives the time limits set forth above, any claim not brought within the time periods specified shall be waived and forever barred, even if there is a federal or state statute of limitations which would have given more time to pursue the claim.

(d) The Company shall advance the costs and expenses of the arbitrator. In any arbitration to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such arbitration, as determined by the arbitrator, shall pay to the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party or parties shall recover an award in any such arbitration proceeding, such costs, expenses and attorneys' fees shall be included as part of such award. Notwithstanding the foregoing provision, in no event shall the successful party or parties be entitled to recover an amount from the unsuccessful party for costs, expenses and attorneys' fees that exceeds the unsuccessful party's costs, expenses and attorneys' fees in connection with the action or proceeding.

(e) Any decision and award or order of the arbitrator shall be final and binding upon the parties hereto and judgment thereon may be entered in the Superior Court of the State of California or any other court having jurisdiction.

(f) Each of the above terms and conditions shall have separate validity, and the invalidity of any part thereof shall not affect the remaining parts.

(g) Any decision and award or order of the arbitrator shall be final and binding between the parties as to all claims which were or could have been raised in connection with the dispute to the full extent permitted by law. In all other cases the parties agree that the decision of the arbitrator shall be a condition precedent to the institution or maintenance of any legal, equitable, administrative, or other formal proceeding by the employee in connection with the dispute, and that the decision and opinion of the arbitrator may be presented in any other forum on the merits of the dispute.

IN WITNESS WHEREOF, the Executive has executed this Agreement and, pursuant to the authorization from the Compensation and Executive Personnel Committee of the Board of Directors, the Company has caused this Agreement to be executed, all as of the day and year first above written.

AVERY DENNISON CORPORATION

By: ___

EXECUTIVE

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT is entered into by and between Avery Dennison Corporation, a Delaware corporation (the "Company") and ___(the "Executive"), effective as of ___.

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to enter into an Employment Agreement with Executive to assure that the Company will have the continued dedication of the Executive. The Board further believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control (as defined below) and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and has therefore determined to extend the term of the employment period upon a Change of Control to provide the Executive with compensation and benefits arrangements upon a Change of Control which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Employment Agreement.

This Agreement contains the entire agreement between the parties with respect to the matters specified herein and supersedes all prior oral and written employment agreements, understandings and commitments between the Company and Executive.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions

(a) The "Effective Date" shall mean the date hereof, which is set forth in the first paragraph of this Agreement.

(b) The “Employment Period” shall mean the period commencing on the Effective Date and ending on the first anniversary of the Effective Date; provided, however, that commencing on the first day of the month next following the Effective Date and on the first day of each month thereafter prior to a Change of Control (the most recent of such dates is hereinafter referred to as the “Renewal Date”), the Employment Period shall be automatically extended so as to terminate on the earlier of the first anniversary of such Renewal Date or (ii) the Executive’s “Normal Retirement Age” as such concept is defined under the Company sponsored qualified retirement plan, unless the Company or Executive shall give notice to the other that the Employment Period shall not be further extended prior to any such Renewal Date. Notwithstanding the foregoing or any of the provisions of this Agreement to the contrary, if a Change of Control (as defined in Section 2) occurs, the Employment Period shall be automatically extended so as to terminate on the earlier of three years from the date on which the Change of Control occurs or the Executive’s Normal Retirement Age.

If the Executive’s employment with the Company is terminated prior to the date on which a Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the “Employment Period” for such Executive shall be the earlier of three years from the date of such termination of employment or the Executive’s Normal Retirement Age.

2 Change of Control

Change of Control. “Change of Control” means “a change in the ownership or effective control,” or in “the ownership of a substantial portion of the assets of” the Company, within the meaning of Code Section 409A, and shall include any of the following events as such concepts are interpreted under Code Section 409A:

(i) the date on which a majority of members of the Company’s Board of Directors is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company’s Board of Directors before the date of the appointment or election; or

(ii) the acquisition, by any one person, or by a corporation owned by a group of persons that has entered into a merger, acquisition, consolidation, purchase, stock acquisition, asset acquisition, or similar business transaction with the Company, of:

A. ownership of stock of the Company, that, together with any stock previously held by such person or group, constitutes more than fifty percent (50%) of either (i) the total fair market value or (ii) the total voting power of the stock of the Company;

B. ownership of stock of the Company possessing percent (30%) or more of the total voting power of the Company, during the twelve-month period ending on the date of such acquisition; or

C. assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company during the twelve-month period ending on the date of such acquisition; provided, however, that any transfer of assets to a related person as defined under Section 409A shall not constitute a Change of Control.

3. Employment Period

The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the “Effective Date” and continuing during the “Employment Period,” as defined in Sections 1(a) and (b) above.

4. Terms of Employment

(a) Position and Duties

(i) During the Employment Period, the Executive’s position (including titles), authority, duties and responsibilities shall be at least commensurate with the most significant of those held, exercised and assigned to the Executive at any time during the 120-day period immediately preceding the Effective Date.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive’s reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not interfere with the performance of the Executive’s responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive’s responsibilities to the Company.

(b) Compensation

(i) Base Salary

During the Employment Period, the Executive shall receive an annual base salary (“Annual Base Salary”) which shall be paid at a monthly rate at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such

increase, and the term “Annual Base Salary” as utilized in this Agreement shall refer to Annual Base Salary as so increased; provided, however, that Executive’s Annual Base Salary may be reduced prior to a Change of Control as part of any general, across the board salary reduction which applies in a comparable manner to other officers or senior executives of the Company, but not by more than ten percent (10%) (unless Executive agrees to accept a larger reduction) during any calendar year. As used in this Agreement, the term “affiliated companies” shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus

In addition to Annual Base Salary, the Executive shall be eligible to receive, for each fiscal year ending during the Employment Period, an annual bonus (the “Annual Bonus”) under the Company’s Executive Leadership Compensation Plan or Senior Executive Incentive (Leadership) Compensation Plan, or any comparable bonus under any successor plan (such plans, collectively, the “Annual Bonus Plans”), including any Annual Bonus which has been earned but deferred. After a Change of Control, the Executive shall be awarded for each fiscal year ending during the Employment Period an Annual Bonus in cash at least equal to the Executive’s average Annual Bonus for the last three full fiscal years prior to the Change of Control (annualized in the event that the Executive was not employed by the Company for the whole of such fiscal year) (the “Recent Annual Bonus”). Each such Annual Bonus shall be paid no later than two and one-half (2½) months after the end of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall make a timely election to defer the receipt of such Annual Bonus pursuant to a Company sponsored deferred compensation plan.

(iii) Incentive, Savings and Retirement Plans

During the Employment Period, the Executive shall be entitled to participate in all incentive, savings, retirement, deferral (including the plans described in Section 6(a)(v) below), and nonqualified supplemental pension (including the Benefit Restoration Plan) plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies. In no event shall such plans, practices, policies and programs provide the Executive after a Change of Control with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, which are less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, those provided generally at any time after the Change of Control to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans

During the Employment Period, the Executive and/or the Executive’s family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies. In no event shall such plans, practices, policies and programs provide the Executive after a Change of Control with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, those provided generally at any time after the Change of Control to other peer executives of the Company and its affiliated companies.

(v) Expenses

During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies, practices and procedures of the Company and its affiliated companies in effect for the Executive from time to time. After a Change of Control, such reimbursement shall be made in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits

During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, if applicable, tax and financial planning services, payment of club dues, and automobile lease and payment of related expenses, in accordance with the plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive from time to time. After a Change of Control, such fringe benefits shall be provided in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Office and Support Staff

During the Employment Period, the Executive shall be entitled to an office and support staff in accordance with the practices and policies of the Company and its affiliated companies in effect for the Executive from time to time. After a Change of Control, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(viii) Vacation

During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the plans, policies, programs and practices of the Company and its affiliated companies in effect for the Executive from time to time. After a Change of Control, the Executive shall be entitled to vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies

as in effect for the Executive at any time during the 120-day period immediately preceding the Change or Control or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment

(a) Death or Disability

The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties with or without reasonable accommodation. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for a period of (i) ninety (90) consecutive calendar days or (ii) an aggregate of one hundred fifty (150) calendar days in any fiscal year of the Company as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (subject to compliance with all applicable laws).

(b) Cause

The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a notice that the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) Good Reason

The Executive's employment may be terminated by the Executive during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean a "separation from service for good reason" as set forth in Code Section 409A, which shall mean that, without the express written consent of the Executive, one or more of the following shall have occurred without being timely remedied in the manner set forth below:

(i) A material diminution in the Executive's base compensation (except as provided for herein).

(ii) A material diminution in the Executive's authority, duties, or responsibilities.

(iii) A material diminution in the authority, duties, or responsibilities of the supervisor to whom the Executive is required to report.

(iv) A material change in the geographic location at which the Executive must perform the services.

(v) Any other action or inaction that constitutes a material breach by the Company of the agreement under which the Executive provides services.

The Executive shall have "Good Reason" in connection with any or all of the above solely if (A) the Executive provides notice to the Company of the existence of the particular condition, action or inaction which the Executive considers to give the Executive "Good Reason" within ninety (90) days of the initial existence of the condition, or the action or inaction, and (B) the Company shall not have remedied the condition, action or inaction within thirty (30) days of its receipt of the Executive's notice. The effective date of any termination for "Good Reason" shall be no later than twelve (12) months after the initial existence of such condition, action or inaction constituting "Good Reason."

(d) Notice of Termination

Any termination during the Employment Period by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or

Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination

"Date of Termination" means "termination of service" as such term is defined under Code Section 409A and shall be (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the effective date of termination specified in the Notice of Termination, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death or Disability, the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination

(a) Good Reason; Other Than for Cause, Death or Disability

If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination an amount equal to the present value, determined in accordance with Section 280G(d)(4) of the Internal Revenue Code of 1986, as amended (the "Code"), of the aggregate of the following amounts under A, B and C below ; provided however that some or all of such payment shall be delayed if necessary to comply with Code Section 409A as provided in Section 12..

A. the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid ("Accrued Obligation"); and

B. (a) if the Date of Termination occurs prior to a Change of Control, the amount equal to the product of (1) one and (2) the Executive's highest combined Annual Base Salary and Annual Bonus during any of the last three full fiscal years prior to the Date of Termination, or (b) if the Date of Termination occurs after a Change of Control (or the Executive's Employment Period is extended to three years under the last paragraph of Section 1(b)), the amount equal to the product of (1) three (or the number of years, including partial years, until the end of the Employment Period, if less) and (2) the Executive's highest combined Annual Base Salary and Annual Bonus during any of the last three full fiscal years prior to the Date of Termination, plus the product of (x) (i) if a Change of Control does not occur during the fiscal year which includes the Date of Termination, the highest Annual Bonus paid to the Executive during the three (3) year period ending on the Date of Termination or (ii) if a Change of Control does occur during the fiscal year which includes the Date of Termination, the higher of (I) the Recent Annual Bonus and (II) the Annual Bonus paid or payable, including any bonus or portion thereof which has been earned but deferred (and annualized for any fiscal year consisting of less than twelve full months or during which the Executive was employed for less than twelve full months), for the most recently completed fiscal year during the Employment Period, if any (such higher amount being referred to as the "Highest Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365; and

C. an amount equal to the difference between (a) the aggregate benefit under the Company's qualified defined benefit retirement plans (collectively, the "Retirement Plan") and any excess or supplemental defined benefit retirement plans (including the Benefit Restoration Plan) in which the Executive participates (collectively, the "SRP") which the Executive would have accrued (whether or not vested) if the Executive's employment had continued for one year (or three years if the Date of Termination occurs after a Change of Control or the Executive's Employment Period is extended to three years under the last paragraph of Section 1(b)) after the Date of Termination, but not after the date on which the Executive attains age 65, and (b) the actual vested benefit, if any, of the Executive under the Retirement Plan and the SRP, determined as of the Date of Termination (with the foregoing amounts to be computed on an actuarial present value basis, based on the assumption that the Executive's compensation in the year (or, if applicable, each of the three years) following such termination would have been that required by Section 4(b)(i) and Section 4(b)(ii), and using the actuarial assumptions in effect for purposes of computing benefit entitlements under the Retirement Plan and the SRP at the Date of Termination or, following a Change of Control, using actuarial assumptions no less favorable to the Executive than the most favorable assumptions which were in effect for such purposes at any time from the day before the Change of Control through the Date of Termination;

(ii) for one year (or three years if the Date of Termination occurs after a Change of Control or the Executive's Employment Period is extended to three years under the last paragraph of Section 1(b)) after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, subject to compliance with Code Section 409A as provided in Section 12, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families; provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility, and for purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, programs, practices and policies, the Executive shall be considered to have remained employed until one year (or three years if the Date of Termination occurs after a Change of Control or the Executive's Employment Period is extended to three years under the last paragraph of Section 1(b)) after the Date of Termination and to have retired on the last day of such period;

(iii) if the Date of Termination occurs after a Change of Control or the Executive's Employment Period is extended to three years under the last paragraph of Section 1(b), the Company shall, at its sole expense as incurred (but in no event to exceed \$50,000), provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in the Executive's sole discretion and any payments shall be subject to compliance with Section 12;

(iv) within two and one-half (2½) months after the Date of Termination, the Executive shall be entitled to purchase at depreciated book value the automobile (if any) which the Company was providing for the use of such Executive, and to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, practice or policy or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the “Other Benefits”); and

(v) the Executive shall be treated, for purposes of the Company’s Executive Deferred Compensation Plan, Executive Variable Deferred Compensation Plan, Executive Deferred Retirement Plan, Executive Variable Deferred Retirement Plan, and any successor or similar plans, as if he had one more year of service, and attained an age one year older, than his actual years of service and age as of the Date of Termination; provided, however, that Executive shall be credited with the number of years of service and attained age (in addition to his actual years of service and attained age on the Date of Termination) which are required in order to satisfy the eligibility requirements for “early retirement” benefits and to receive the retirement interest rate under such plans, if the Date of Termination occurs after a Change of Control or the Executive’s Employment Period is extended to three years under the last paragraph of Section 1(b).

If the Executive should die while receiving payments pursuant to this Section 6(a), the remaining payments which would have been made to the Executive if he had lived shall be paid to the beneficiary designated in writing by the Executive; or if there is no effective written designation, then to his spouse; or if there is neither an effective written designation nor a surviving spouse, then to his estate. Designation of a beneficiary or beneficiaries to receive the balance of any such payments shall be made by written notice to the Company, and the Executive may revoke or change any such designation of beneficiary at any time by a later written notice to the Company.

(b) Death

If the Executive’s employment is terminated by reason of the Executive’s death during the Employment Period, this Agreement shall terminate without further obligations to the Executive’s legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive’s estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, after a Change of Control the term “Other Benefits” as utilized in this Section 6(b) shall include, without limitation, and the Executive’s estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as were in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive’s estate and/or the Executive’s beneficiaries, as in effect on the date of the Executive’s death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(c) Disability

If the Executive’s employment is terminated by reason of the Executive’s Disability during the Employment Period in accordance with Section 5(a), this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, after a Change of Control the term “Other Benefits” as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as were in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Change of Control or, if more favorable to the Executive and/or the Executive’s family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) Cause; Other than for Good Reason

If the Executive’s employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) the Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, or retires at age 65 or thereafter, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Non-exclusivity of Rights

Nothing in this Agreement shall prevent or limit the Executive’s continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement (other than this Agreement) with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement; Offsets

Except as provided in this Section 8, the Company’s obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others.

Executive shall not be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement. However, the amount of any payments and benefits provided for in this Agreement shall be reduced by one hundred percent (100%) of any benefits and earned income (within the meaning of Section 911(d)(2)(A) of the Code) which is earned by the Executive for services rendered to persons or entities other than the Company or its affiliates during or with respect to the Employment Period or, after a Change of Control, during the 36-month period after the Date of Termination. Medical and welfare benefits shall be offset as provided in Section 6(a)(ii).

Not less frequently than annually (by December 31 of each year), the Executive shall account to the Company with respect to all benefits and earned income earned by the Executive which are required hereunder to be offset against payments or benefits received by the Executive from the Company. If the Company has paid amounts in excess of those to which the Executive is entitled (after giving effect to the offsets provided above), the Executive shall reimburse the Company for such excess by December 31 of such year. The requirements imposed under this paragraph shall terminate on December 31 of the calendar year in which the Employment Period ends or, after a Change of Control, December 31 of the calendar year which includes the third anniversary of the Date of Termination.

9. Confidential Information

The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential business information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted or alleged violation of the provisions of this Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

10. Successors

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

11. Compliance with Code Section 409A

(a) All payments of "nonqualified deferred compensation" (within the meaning of Code Section 409A) are intended to comply with the requirements of Code Section 409A, and shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate any such deferred payment, except in compliance with Code Section 409A, and no amount shall be paid prior to the earliest date on which it is permitted to be paid under Code Section 409A. In the event that the Executive is determined to be a "key employee" (as defined and determined under Code Section 409A) of Company at a time when its stock is deemed to be publicly traded on an established securities market, payments determined to be "nonqualified deferred compensation" payable following termination of employment or Change in Control, to the extent required under Code Section 409A, shall be made no earlier than the earlier of (i) the last day of the sixth (6th) complete calendar month following such termination of employment, or (ii) the Executive's death. Any payment delayed by reason of the prior sentence shall be paid out in a single lump sum on the first day of the month following the end of such required delay period in order to catch up to the original payment schedule. Notwithstanding anything herein to the contrary, no amendment may be made to this Agreement if it would cause the Agreement or any payment hereunder not to be in compliance with Code Section 409A.

(b) Unless otherwise expressly provided, any payment of compensation by Company to the Executive, whether pursuant to this Agreement or otherwise, shall be made within two and one-half months (2 1/2 months) after the end of the later of the calendar year or the Company's fiscal year in which the Executive's right to such payment vests (i.e., is not subject to a substantial risk of forfeiture for purposes of Code Section 409A). Such amounts shall not be subject to the requirements of subsection (a) above applicable to "nonqualified deferred compensation."

(c) Section (a) above shall not apply to that portion of any amounts payable upon termination of employment which shall qualify as "involuntary severance" under Section 409A because such amount does not exceed the lesser of (1) two hundred percent (200%) of the Executive's annualized compensation from the Company for the calendar year immediately preceding the calendar year during which the Date of Termination occurs, or (2) two hundred percent (200%) of the annual limitation amount under Section 401(a)(17) of the Code (the maximum amount of compensation that may be taken into account for purposes of a tax-qualified retirement plan) for the calendar year during which the Date of Termination occurs.

(d) All benefit plans, programs and policies sponsored by the Company shall comply with all requirements of Code Section 409A or be structured so as to be exempt from the application of Code Section 409A. In particular, all taxable expense reimbursement payments and in kind benefits provided to the Executive shall be structured in compliance with Code Section 409A and reimbursements shall be paid by the Company to the Executive by no later than the end of the calendar year following the calendar year in which the Executive incurs such expenses, and the Executive shall take all actions necessary to claim all such reimbursements on a timely basis to permit the Company to make all such reimbursement payments prior to the end of said period.

(e) Notwithstanding anything in this Agreement to the contrary, to the extent that any payment or benefit constitutes non-exempt “nonqualified deferred compensation” for purposes of Section 409A, and such payment or benefit would otherwise be payable or distributable hereunder by reason of Employee’s termination of employment, all references to Employee’s termination of employment shall be construed to mean a “separation from service,” as defined in Treasury Regulation Section 1.409A-1(h), and Employee shall not be considered to have a termination of employment unless such termination constitutes a “separation from service” with respect to Employee.

12. Miscellaneous

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives subject to compliance with Section 12.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

[to the last address provided
by the Executive]

If to the Company:

Avery Dennison Corporation
150 North Orange Grove Boulevard
Pasadena, California 91103
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive’s or the Company’s failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(iv) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

13. **Arbitration; Attorneys Fees**

(a) The parties agree that any disputes, controversies or claims which arise out of or are related to this Agreement, Executive’s employment or the termination of his employment, including, but not limited to, any claim relating to the purported validity, interpretation, enforceability or breach of this Agreement, and/or any other claim or controversy arising out of the relationship between the Executive and Company (or the nature of the relationship) or the continuation or termination of that relationship, including, but not limited to, claims that a termination was for Cause or for Good Reason, claims for breach of covenant, breach of an implied covenant of good faith and fair dealing, wrongful termination, breach of contract, or intentional infliction of emotional distress, defamation, breach of right of privacy, interference with advantageous or contractual relations, fraud, conspiracy or other tort or property claims of any kind, which are not settled by agreement between the parties, shall be settled by arbitration in accordance with the then-current Rules of Practice and Procedure for Employment Arbitration (“Rules”) of the Judicial Arbitration and Mediation Services, Inc. (“JAMS”).

The arbitration shall be before a single arbitrator selected in accordance with the JAMS Rules or otherwise by mutual agreement of the parties. The arbitration shall take place in Los Angeles County, California, unless the parties agree to hold the arbitration at another location. Depositions and other discovery shall be allowed in accordance with the JAMS Rules. The arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the State of California or federal law, or both, as applicable to the claim(s) asserted.

(b) In consideration of the parties’ agreement to submit to arbitration all disputes with regard to this Agreement and/or with regard to any alleged contract, or any other claim arising out of their conduct, the relationship existing hereunder or the continuation or termination of that relationship, and in further consideration of the anticipated expedition and the minimizing of expense of this arbitration remedy, the arbitration provisions of this Agreement shall provide the exclusive remedy, and each party expressly waives any right he or it may have to seek redress in any other forum. The arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement, including but not limited to any claim that all or any part of this Agreement is void or voidable. The arbitration shall be final and binding upon the parties.

Either party may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement and to enforce an arbitration award. Except as otherwise provided in this Agreement, both the Company and the Executive agree that neither of them shall initiate or prosecute any lawsuit or administrative action in any way related to any claim covered by this Agreement.

(c) Any claim which either party has against the other party that could be submitted for resolution pursuant to this Section must be presented in writing by the claiming party to the other party within one year of the date the claiming party knew or should have known of the facts giving rise to the claim, except that claims arising out of or related to the termination of the Executive’s employment must be presented by him within one year of the Date of Termination. Unless the party against whom any claim is asserted waives the time limits set forth above, any claim not brought within the time periods specified shall be waived and forever barred, even if there is a federal or state statute of limitations which would have given more time to pursue the claim.

(d) The Company shall advance the costs and expenses of the arbitrator. In any arbitration to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such arbitration, as determined by the arbitrator, shall pay to the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party or parties shall recover an award in any such arbitration proceeding, such costs, expenses and attorneys' fees shall be included as part of such award. Notwithstanding the foregoing provision, in no event shall the successful party or parties be entitled to recover an amount from the unsuccessful party for costs, expenses and attorneys' fees that exceeds the unsuccessful party's costs, expenses and attorneys' fees in connection with the action or proceeding.

(e) Any decision and award or order of the arbitrator shall be final and binding upon the parties hereto and judgment thereon may be entered in the Superior Court of the State of California or any other court having jurisdiction.

(f) Each of the above terms and conditions shall have separate validity, and the invalidity of any part thereof shall not affect the remaining parts.

(g) Any decision and award or order of the arbitrator shall be final and binding between the parties as to all claims which were or could have been raised in connection with the dispute to the full extent permitted by law. In all other cases the parties agree that the decision of the arbitrator shall be a condition precedent to the institution or maintenance of any legal, equitable, administrative, or other formal proceeding by the employee in connection with the dispute, and that the decision and opinion of the arbitrator may be presented in any other forum on the merits of the dispute.

IN WITNESS WHEREOF, the Executive has executed this Agreement and, pursuant to the authorization from the Compensation and Executive Personnel Committee of the Board of Directors, the Company has caused this Agreement to be executed, all as of the day and year first above written.

EVERY DENNISON CORPORATION
By: ___

EXECUTIVE

AMENDMENT TO EMPLOYMENT AGREEMENT

This AMENDMENT TO EMPLOYMENT AGREEMENT is entered into by and between Avery Dennison Corporation, a Delaware corporation (the "Company") and ___(the "Executive"), effective as of January 1, 2008.

WHEREAS the Company and the Executive have heretofore entered into that certain Employment Agreement effective as of ___(the "Employment Agreement");

WHEREAS Section 409A of the Internal Revenue Code of 1986, as amended ("Code Section 409A") now requires that certain modifications be made to the Employment Agreement on or before December 31, 2008 with retroactive effect to January 1, 2008; and

WHEREAS the Company and the Executive desire to amend the Employment Agreement to comply with Code Section 409A,

NOW, THEREFORE, the Employment Agreement is hereby amended as follows:

1. Change of Control. The definition of "Change in Control" in the Employment Agreement is hereby amended in its entirety to provide as follows:

For the purpose of this Agreement, a "Change of Control" shall mean "a change in the ownership or effective control," or in "the ownership of a substantial portion of the assets of" the Company, within the meaning of Code Section 409A, and shall include any of the following events as such concepts are interpreted under Code Section 409A:

(i) the date on which a majority of members of the Company's Board of Directors is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board of Directors before the date of the appointment or election; or

(ii) the acquisition, by any one person, or by a corporation owned by a group of persons that has entered into a merger, acquisition, consolidation, purchase, stock acquisition, asset acquisition, or similar business transaction with the Company, of:

(a) ownership of stock of the Company, that, together with any stock previously held by such person or group, constitutes more than fifty percent (50%) of either (i) the total fair market value or (ii) the total voting power of the stock of the Company;

(b) ownership of stock of the Company possessing percent (30%) or more of the total voting power of the Company, during the twelve-month period ending on the date of such acquisition; or

(c) assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company during the twelve-month period ending on the date of such acquisition; provided, however, that any transfer of assets to a related person as defined under Section 409A shall not constitute a Change of Control.

2. Good Reason. The definition of termination for "Good Reason" in the Employment Agreement is hereby amended in its entirety to provide as follows:

For purposes of this Agreement, "Good Reason" shall mean a "separation from service for good reason" as set forth in Code Section 409A, which shall mean that, without the express written consent of the Executive, one or more of the following shall have occurred without being timely remedied in the manner set forth below:

(i) A material diminution in the Executive's base compensation (except as provided in Executive's Employment Agreement with the Company).

(ii) A material diminution in the Executive's authority, duties, or responsibilities.

(iii) A material diminution in the authority, duties, or responsibilities of the supervisor to whom the Executive is required to report.

(iv) A material diminution in the budget over which the Executive retains authority.

(v) A material change in the geographic location at which the Executive must perform the services.

(vi) Any other action or inaction that constitutes a material breach by the Company of the agreement under which the Executive provides services.

The Executive shall have "Good Reason" in connection with any or all of the above solely if (A) the Executive provides notice to the Company of the existence of the particular condition, action or inaction which the Executive considers to give the Executive "Good Reason" within ninety (90) days of the initial existence of the condition, or the action or inaction, and (B) the Company shall not have remedied the condition, action or inaction within thirty (30) days of its receipt of the Executive's notice. The effective date of any termination for "Good Reason" shall be no later than twelve (12) months after the initial existence of such condition, action or inaction constituting "Good Reason."

3. Certain Additional Payments by the Company. The Employment Agreement is hereby amended to provide that any Gross-Up Payment or Underpayment related to excise taxes imposed under Code Section 4999 which is due under the terms of the Employment Agreement shall be paid in compliance with Code Section 409A by the end of the calendar year next following the calendar year in which the Executive pays the applicable Excise Tax to taxing authorities.

4. Compliance With Code Section 409A. The Employment Agreement is hereby amended to add the following additional provision entitled "Compliance With Code Section 409A."

(a) All payments of "nonqualified deferred compensation" (within the meaning of Code Section 409A) are intended to comply with the requirements of Code Section 409A, and shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate any such deferred payment, except in compliance with Code Section 409A, and no amount shall be paid prior to the earliest date on which it is permitted to be paid under Code Section 409A. In the event that the Executive is determined to be a "key employee" (as defined and determined under Code Section 409A) of Company at a time when its stock is deemed to be publicly traded on an established securities market, payments determined to be "nonqualified deferred compensation" payable following termination of employment or Change in Control, to the extent required under Code Section 409A, shall be made no earlier than the earlier of (i) the last day of the sixth (6th) complete calendar month following such termination of employment, or (ii) the Executive's death. Any payment delayed by reason of the prior sentence shall be paid out in a single lump sum on the first day of the month following the end of such required delay period in order to catch up to the original payment schedule. Notwithstanding anything herein to the contrary, no amendment may be made to this Agreement if it would cause the Agreement or any payment hereunder not to be in compliance with Code Section 409A.

(b) Unless otherwise expressly provided, any payment of compensation by Company to the Executive, whether pursuant to this Agreement or otherwise, shall be made within two and one-half months (2 1/2 months) after the end of the later of the calendar year or the Company's fiscal year in which the Executive's right to such payment vests (i.e., is not subject to a substantial risk of forfeiture for purposes of Code Section 409A). Such amounts shall not be subject to the requirements of subsection (a) above applicable to "nonqualified deferred compensation."

(c) Section (a) above shall not apply to that portion of any amounts payable upon termination of employment which shall qualify as "involuntary severance" under Section 409A because such amount does not exceed the lesser of (1) two hundred percent (200%) of the Executive's annualized compensation from the Company for the calendar year immediately preceding the calendar year during which the Date of Termination occurs, or (2) two hundred percent (200%) of the annual limitation amount under Section 401(a)(17) of the Code (the maximum amount of compensation that may be taken into account for purposes of a tax-qualified retirement plan) for the calendar year during which the Date of Termination occurs.

(d) All benefit plans, programs and policies sponsored by the Company shall comply with all requirements of Code Section 409A or be structured so as to be exempt from the application of Code Section 409A. In particular, all taxable expense reimbursement payments and in kind benefits provided to the Executive shall be structured in compliance with Code Section 409A and reimbursements shall be paid by the Company to the Executive by no later than the end of the calendar year following the calendar year in which the Executive incurs such expenses, and the Executive shall take all actions necessary to claim all such reimbursements on a timely basis to permit the Company to make all such reimbursement payments prior to the end of said period.

(e) Notwithstanding anything in this Agreement to the contrary, to the extent that any payment or benefit constitutes non-exempt "nonqualified deferred compensation" for purposes of Section 409A, and such payment or benefit would otherwise be payable or distributable hereunder by reason of Employee's termination of employment, all references to Employee's termination of employment shall be construed to mean a "separation from service," as defined in Treasury Regulation Section 1.409A-1(h), and Employee shall not be considered to have a termination of employment unless such termination constitutes a "separation from service" with respect to Employee.

IN WITNESS WHEREOF, the Executive has executed this Amendment to Employment Agreement and, pursuant to the authorization from the Compensation and Executive Personnel Committee of the Board of Directors, the Company has caused this Agreement to be executed, all as of the day and year first above written.

AVERY DENNISON CORPORATION

By: ___

EXECUTIVE

Exhibit 10.8.3.2

AMENDMENT TO EMPLOYMENT AGREEMENT

This AMENDMENT TO EMPLOYMENT AGREEMENT is entered into by and between Avery Dennison Corporation, a Delaware corporation (the "Company") and ___ (the "Executive"), effective as of January 1, 2008.

WHEREAS the Company and the Executive have heretofore entered into that certain Employment Agreement effective as of ___ (the "Employment Agreement");

WHEREAS Section 409A of the Internal Revenue Code of 1986, as amended ("Code Section 409A") now requires that certain modifications be made to the Employment Agreement on or before December 31, 2008 with retroactive effect to January 1, 2008; and

WHEREAS the Company and the Executive desire to amend the Employment Agreement to comply with Code Section 409A,

NOW, THEREFORE, the Employment Agreement is hereby amended as follows:

1. Change of Control. The definition of "Change in Control" in the Employment Agreement is hereby amended in its entirety to provide as follows:

For the purpose of this Agreement, a "Change of Control" shall mean "a change in the ownership or effective control," or in "the ownership of a substantial portion of the assets of" the Company, within the meaning of Code Section 409A, and shall include any of the following events as such concepts are interpreted under Code Section 409A:

(i) the date on which a majority of members of the Company's Board of Directors is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board of Directors before the date of the appointment or election; or

(ii) the acquisition, by any one person, or by a corporation owned by a group of persons that has entered into a merger, acquisition, consolidation, purchase, stock acquisition, asset acquisition, or similar business transaction with the Company, of:

(a) ownership of stock of the Company, that, together with any stock previously held by such person or group, constitutes more than fifty percent (50%) of either (i) the total fair market value or (ii) the total voting power of the stock of the Company;

(b) ownership of stock of the Company possessing percent (30%) or more of the total voting power of the Company, during the twelve-month period ending on the date of such acquisition; or

(c) assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company during the twelve-month period ending on the date of such acquisition; provided, however, that any transfer of assets to a related person as defined under Section 409A shall not constitute a Change of Control.

2. Good Reason. The definition of termination for "Good Reason" in the Employment Agreement is hereby amended in its entirety to provide as follows:

For purposes of this Agreement, "Good Reason" shall mean a "separation from service for good reason" as set forth in Code Section 409A, which shall mean that, without the express written consent of the Executive, one or more of the following shall have occurred without being timely remedied in the manner set forth below:

(i) A material diminution in the Executive's base compensation (except as provided in Executive's Employment Agreement with the Company).

(ii) A material diminution in the Executive's authority, duties, or responsibilities.

(iii) A material diminution in the authority, duties, or responsibilities of the supervisor to whom the Executive is required to report.

(iv) A material diminution in the budget over which the Executive retains authority.

(v) A material change in the geographic location at which the Executive must perform the services.

(vi) Any other action or inaction that constitutes a material breach by the Company of the agreement under which the Executive provides services.

The Executive shall have "Good Reason" in connection with any or all of the above solely if (A) the Executive provides notice to the Company of the existence of the particular condition, action or inaction which the Executive considers to give the Executive "Good Reason" within ninety (90) days of the initial existence of the condition, or the action or inaction, and (B) the Company shall not have remedied the condition, action or inaction within thirty (30) days of its receipt of the Executive's notice. The effective date of any termination for "Good Reason" shall be no later than twelve (12) months after the initial existence of such condition, action or inaction constituting "Good Reason."

3. Compliance With Code Section 409A. The Employment Agreement is hereby amended to add the following additional provision entitled "Compliance With Code Section 409A."

(a) All payments of "nonqualified deferred compensation" (within the meaning of Code Section 409A) are intended to comply with the requirements of Code Section 409A, and shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate any such deferred payment, except in compliance with Code Section 409A, and no amount shall be paid prior to the earliest date on which it is permitted to be paid under Code Section 409A. In the event that the Executive is determined to be a "key employee" (as defined and determined under Code Section 409A) of Company at a time when its stock is deemed to be publicly traded on an established securities market, payments determined to be "nonqualified deferred compensation" payable following termination of employment or Change in Control, to the extent required under Code Section 409A, shall be made no earlier than the earlier of (i) the last day of the sixth (6th) complete calendar month following such termination of employment, or (ii) the Executive's death. Any payment delayed by reason of the prior sentence shall be paid out in a single lump sum on the first day of the month following the end of such required delay period in order to catch up to the original payment schedule. Notwithstanding anything herein to the contrary, no amendment may be made to this Agreement if it would cause the Agreement or any payment hereunder not to be in compliance with Code Section 409A.

(b) Unless otherwise expressly provided, any payment of compensation by Company to the Executive, whether pursuant to this Agreement or otherwise, shall be made within two and one-half months (2½ months) after the end of the later of the calendar year or the Company's fiscal year in which the Executive's right to such payment vests (i.e., is not subject to a substantial risk of forfeiture for purposes of Code Section 409A). Such amounts shall not be subject to the requirements of subsection (a) above applicable to "nonqualified deferred compensation."

(c) Section (a) above shall not apply to that portion of any amounts payable upon termination of employment which shall qualify as "involuntary severance" under Section 409A because such amount does not exceed the lesser of (1) two hundred percent (200%) of the Executive's annualized compensation from the Company for the calendar year immediately preceding the calendar year during which the Date of Termination occurs, or (2) two hundred percent (200%) of the annual limitation amount under Section 401(a)(17) of the Code (the

maximum amount of compensation that may be taken into account for purposes of a tax-qualified retirement plan) for the calendar year during which the Date of Termination occurs.

(d) All benefit plans, programs and policies sponsored by the Company shall comply with all requirements of Code Section 409A or be structured so as to be exempt from the application of Code Section 409A. In particular, all taxable expense reimbursement payments and in kind benefits provided to the Executive shall be structured in compliance with Code Section 409A and reimbursements shall be paid by the Company to the Executive by no later than the end of the calendar year following the calendar year in which the Executive incurs such expenses, and the Executive shall take all actions necessary to claim all such reimbursements on a timely basis to permit the Company to make all such reimbursement payments prior to the end of said period.

(e) Notwithstanding anything in this Agreement to the contrary, to the extent that any payment or benefit constitutes non-exempt "nonqualified deferred compensation" for purposes of Section 409A, and such payment or benefit would otherwise be payable or distributable hereunder by reason of Employee's termination of employment, all references to Employee's termination of employment shall be construed to mean a "separation from service," as defined in Treasury Regulation Section 1.409A-1(h), and Employee shall not be considered to have a termination of employment unless such termination constitutes a "separation from service" with respect to Employee.

IN WITNESS WHEREOF, the Executive has executed this Amendment to Employment Agreement and, pursuant to the authorization from the Compensation and Executive Personnel Committee of the Board of Directors, the Company has caused this Agreement to be executed, all as of the day and year first above written.

EVERY DENNISON CORPORATION

By: ___

EXECUTIVE

AMENDMENT TO RETENTION AGREEMENT

This AMENDMENT TO RETENTION AGREEMENT is entered into by and between Avery Dennison Corporation, a Delaware corporation (the "Company") and Daniel R. O'Bryant (the "Executive"), effective as of January 1, 2008.

WHEREAS the Company and the Executive have heretofore entered into that certain Retention Agreement effective as of March 31, 2005 (the "Retention Agreement");

WHEREAS Section 409A of the Internal Revenue Code of 1986, as amended ("Code Section 409A") now requires that certain modifications be made to the Retention Agreement on or before December 31, 2008 with retroactive effect to January 1, 2008; and

WHEREAS the Company and the Executive desire to amend the Retention Agreement to comply with the requirements of Code Section 409A;

NOW, THEREFORE, the Retention Agreement is hereby amended as follows:

1. Amendment of Good Reason Definition. The definition of termination for "Good Reason" in Section 4(c) of the Retention Agreement is hereby amended in its entirety to provide as follows:

For purposes of this Agreement, "Good Reason" shall mean a "separation from service for good reason" as set forth in Code Section 409A, which shall mean that, without the express written consent of the Executive, one or more of the following shall have occurred without being timely remedied in the manner set forth below:

- (i) A material diminution in the Executive's base compensation (except as provided in Executive's Employment Agreement with the Company).
- (ii) A material diminution in the Executive's authority, duties, or responsibilities.
- (iii) A material diminution in the authority, duties, or responsibilities of the supervisor to whom the Executive is required to report.
- (iv) A material change in the geographic location at which the Executive must perform the services.
- (v) Any other action or inaction that constitutes a material breach by the Company of the agreement under which the Executive provides services.

The Executive shall have "Good Reason" in connection with any or all of the above solely if (A) the Executive provides notice to the Company of the existence of the particular condition, action or inaction which the Executive considers to give the Executive "Good Reason" within ninety (90) days of the initial existence of the condition, or the action or inaction, and (B) the Company shall not have remedied the condition, action or inaction within thirty (30) days of its receipt of the Executive's notice. The effective date of any termination for "Good Reason" shall be no later than twelve (12) months after the initial existence of such condition, action or inaction constituting "Good Reason."

2. Certain Additional Payments by the Company. Section 7 of the Retention Agreement is hereby amended to provide that any Gross-Up Payment or Underpayment pursuant to Section 7 of the Retention Agreement shall be paid in compliance with Code Section 409A in all events, by the end of the calendar year next following the calendar year in which the Executive pays the applicable Excise Tax to applicable taxing authorities.

3. Compliance With Code Section 409A. The Retention Agreement is hereby amended to add the following additional provision entitled "Compliance With Code Section 409A."

(a) All payments of "nonqualified deferred compensation" (within the meaning of Code Section 409A) are intended to comply with the requirements of Code Section 409A, and shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate any such deferred payment, except in compliance with Code Section 409A, and no amount shall be paid prior to the earliest date on which it is permitted to be paid under Code Section 409A. In the event that the Executive is determined to be a "key employee" (as defined and determined under Code Section 409A) of Company at a time when its stock is deemed to be publicly traded on an established securities market, payments determined to be "nonqualified deferred compensation" payable following termination of employment or Change in Control, to the extent required under Code Section 409A, shall be made no earlier than the earlier of (i) the last day of the sixth (6th) complete calendar month following such termination of employment, or (ii) the Executive's death. Any payment delayed by reason of the prior sentence shall be paid out in a single lump sum on the first day of the month following the end of such required delay period in order to catch up to the original payment schedule. Notwithstanding anything herein to the contrary, no amendment may be made to this Agreement if it would cause the Agreement or any payment hereunder not to be in compliance with Code Section 409A.

(b) Unless otherwise expressly provided, any payment of compensation by Company to the Executive, whether pursuant to this Agreement or otherwise, shall be made within two and one-half months (2 1/2 months) after the end of the later of the calendar year or the Company's fiscal year in which the Executive's right to such payment vests (i.e., is not subject to a substantial risk of forfeiture for purposes of Code Section 409A). Such amounts shall not be subject to the requirements of subsection (a) above applicable to "nonqualified deferred compensation."

(c) Section (a) above shall not apply to that portion of any amounts payable upon termination of employment which shall qualify as "involuntary severance" under Section 409A because such amount does not exceed the lesser of (1) two hundred percent (200%) of the Executive's annualized compensation from the Company for the calendar year immediately preceding the calendar year during which the Date of Termination occurs, or (2) two hundred percent (200%) of the annual limitation amount under Section 401(a)(17) of the Code (the

maximum amount of compensation that may be taken into account for purposes of a tax-qualified retirement plan) for the calendar year during which the Date of Termination occurs.

(d) All benefit plans, programs and policies sponsored by the Company shall comply with all requirements of Code Section 409A or be structured so as to be exempt from the application of Code Section 409A. In particular, all taxable expense reimbursement payments and in kind benefits provided to the Executive shall be structured in compliance with Code Section 409A and reimbursements shall be paid by the Company to the Executive by no later than the end of the calendar year following the calendar year in which the Executive incurs such expenses, and the Executive shall take all actions necessary to claim all such reimbursements on a timely basis to permit the Company to make all such reimbursement payments prior to the end of said period.

(e) Notwithstanding anything in this Agreement to the contrary, to the extent that any payment or benefit constitutes non-exempt "nonqualified deferred compensation" for purposes of Section 409A, and such payment or benefit would otherwise be payable or distributable hereunder by reason of Employee's termination of employment, all references to Employee's termination of employment shall be construed to mean a "separation from service," as defined in Treasury Regulation Section 1.409A-1(h), and Employee shall not be considered to have a termination of employment unless such termination constitutes a "separation from service" with respect to Employee.

IN WITNESS WHEREOF, the Executive has executed this Amendment to Retention Agreement and, pursuant to the authorization from the Compensation and Executive Personnel Committee of the Board of Directors, the Company has caused this Agreement to be executed, all as of the day and year first above written.

EVERY DENNISON CORPORATION

By: _____

EXECUTIVE

Daniel R. O'Bryant